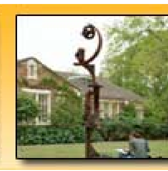
AFA santa rosa junior college
All Faculty Association

*AFA is working for you.
The strength of faculty working together.*





UPDATE

April 9, 2009 **www.santarosa.edu/afa** **(707) 527-4731**

SRJC at a Crossroads: Budget Woes

Warren Ruud, AFA President

More than any time in history, humanity faces a crossroads. One path leads to despair and utter hopelessness, the other to total extinction. Let us hope that we have the wisdom to choose wisely.
~Woody Allen

Now, it's not as bad as all that yet, but we do face a very challenging period ahead with many difficult decisions to make. California Community Colleges are being summoned to take on more of the heavy lifting in educating the workforce that eventually will pull our state and our country out of the present recession, but each week we hear more reports from Sacramento of increasing shortfalls in Community College funding.

Let Your Voice Be Heard!

Take the AFA Online Survey by 5 pm, April 20th

Go to:
www.santarosa.edu/afa/sp09survey.shtml

State Budget

In the Governor's initial 2008-09 and 2009-10 budget projections earlier this year (www.ebudget.ca.gov), annual budgeted expenditures for the State were $225 billion in total, which at that time left a funding gap of $42 billion over projected revenues in total for those two years. This gap since has grown to $50 billion as the State's economic situation continues to crumble. Unless the State addresses its serious structural budgetary issues, the State Legislative Analyst's Office predicts similar gaps in funding for future years as well (www.lao.ca.gov/laoapp).

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Read This Article Before You Take the Survey — Background Information re: Regular Faculty Benefits

Janet McCulloch, AFA Chief Negotiator

Introduction

If you look closely at your paycheck, you will notice on the right-hand side a list of deductions — one column lists employee deductions, but the column furthest to the right lists the benefits that the District pays on your behalf. Some of these deductions, such as Medicare and STRS, are mandated by law, but the items notated as "HW" (Health and Welfare) are negotiated items that AFA and the District have agreed upon as part of a comprehensive benefits package.

AFA believes that providing faculty with high quality and affordable benefits serves not just the faculty but the College and the students as well. The District is able to attract and retain highly qualified and energetic new faculty. AFA is committed to maintaining the best benefits possible for our faculty, even in the face of monumental financial difficulties.

The potential cost-savings outlined in this article are only possibilities and have not been discussed with the District. After we receive the results of the survey (see box above), we will be able to identify topics for negotiation, if any.

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Medical Benefits

SRJC offers two plans — Kaiser and SISC (Self-Insured Schools of California) Blue Shield. SISC is an extremely large Joint Powers Authority that administers health insurance for over 235,000 school employees in California. SRJC joined SISC because of its philosophy that "pooling resources provides schools with a more stable long-term insurance solution than purchasing from commercial carriers that may be competitive today and out of reach tomorrow. SISC provides a very cost effective rate environment which reflects its commitment to preventing losses and controlling costs. This keeps millions of dollars in the classroom that would have otherwise been paid out in premiums."

Cost per year

Single:	Kaiser:	$3,833	Blue Shield:	6,531
Double:	Kaiser:	$8,240	Blue Shield:	$14,046
Family:	Kaiser:	$11,306	Blue Shield:	$19,293

Although the cost differential between the plans is significant, the coverage is similar; Kaiser requires a $25 office visit co-pay, and $10 and $25 pharmaceutical co-pays; SISC Blue Shield requires a $30 office co-pay, and $7 and $25 pharmaceutical co-pays. At this time, neither plan requires a deductible.

Cost per year: Total of $3.32 million for regular faculty in the 2008-09 Benefit year (10/1/08 - 9/30/09).
Potential Cost Savings: Modify the benefit by adjusting co-pays and/or adding deductibles.

Dental Benefits

The SRJC Dental benefit is a self-insured program administered through Shirrell Consulting Service.

Contract Year of Coverage	Preventive Care	Basic & Major
First	80%	60%
Second & cont. care	90%	70%
Third & cont. care (max)	100%	80%

For more details, go to: www.santarosa.edu/afa/Misc/SRJCdental.pdf

Cost per year: $1,266 for employee & dependents.
Potential Cost Savings: Modify the benefit by reducing the maximum benefit or by limiting the coverage for dependents.

Vision Benefits

Currently the vision insurance carrier is VSP or Vision Services Plan. The District pays only for employees and not for dependents. Under this plan employees receive one office visit each calendar year, $120 every two years for frames, lenses each calendar year or $120 every year for contact lenses. For more details, go to:www.santarosa.edu/afa/Misc/SRJCvision.pdf

Cost per year: $115 per employee.
Potential Cost Savings: $30,000 in total.

Long-Term Disability or LTD (See Article 18.02)

The LTD carrier is Principal Financial Group. They provide faculty with income protection for two-thirds of their salaries for up to one year or until the faculty member transitions to STRS Disability Retirement.

Cost per year: 0.3% of faculty member's salary or approximately $75,000 in total.
Potential Cost Savings: Self-insure those faculty who are not vested in STRS.

Life Insurance

SRJC participates in a large group plan administered by CTA (California Teachers Association). This is a basic term policy for $50,000 for Death and Dismemberment.

Cost per employee: $10.80/month or $108/year.
Potential Cost Savings: Explore other carriers or eliminate coverage.

Early Retirement Option (See Article 24)

The Early Retirement Option (ERO) allows faculty members who have 15 years of service (Faculty, Classified, or Management) in the District to retire at Age 55 with fully-paid medical benefits until they reach Medicare age. Spouses, Domestic Partners, and eligible dependents are also covered until the faculty member reaches Medicare age.

When faculty members opt for the ERO, the District includes a cost estimate in the Board agenda that reflects the present value of the ERO benefit for that employee (and dependents), although the District pays for premiums annually, no matter what the cost increases are. The District also uses the Governmental Accounting Standards Board (GASB) Actuarial

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Budget Woes *(cont. from page 1)*

The State Legislature has been reluctant to face the problem head-on, and the approval by the voters of three measures on the May 19 ballot (www.sacbee.com/opinion/story/1729304.html), which would account for $6 billion toward the present gap, is anything but certain. Also, hopes are not high that Federal stimulus money will bail out the State in any substantive way. The State's financial situation, in a word, is somber.

California Community Colleges

The financial situation for California Community Colleges is not rosy either. Cost of living adjustments (COLA) to State funding have been eliminated by the Legislature for the next two years, even though current economic indicators used in normal periods would call for a COLA of 5.66% this year alone. Overall, State apportionment this year is expected to be reduced by 1.2%, and next year's apportionment reduction is predicted to be much worse (www.santarosa.edu/afa/CCLC.pdf).

Enrollment restrictions at UC and CSU have sent record numbers of students to community colleges, but overall State funding for community college growth most likely will be capped at 2% and 3% for the two years, respectively, and some districts will receive much less of a percentage increase. Statewide defaults and reassessments of property taxes also have reduced community college revenues. The State has postponed transferring apportionment funds to the colleges, causing cash flow problems and unanticipated interest expenses for the colleges. The bad news goes on and on.

SRJC Budget

SRJC's budget circumstances parallel the State's overall problems. The State emergency translates to a $3.7 million revenue shortfall in State funding to the District in 2008-09 and, most likely, a much greater shortfall in 2009-10 (www.santarosa.edu/afa/SRJC_budget.pdf). The District has responded responsibly by severely reducing discretionary funding and hiring, and by reducing the Spring instructional schedule by 7%. However, to close the gap between District revenue and expenditures, much more remains to be done.

Unfortunately, the District's general reserve is no longer a reliable "rainy day" fund as it has been in past financial emergencies, because the current level, 8.4% of the District's annual budget, is no longer excessive when compared to the State-mandated 5% minimum (Figure 1). Any significant commitment of general reserve funds to ongoing District expenses (initiating new programs, hiring additional regular faculty, increasing salaries, etc.) would decrease them below that mandated minimum in only a few years.

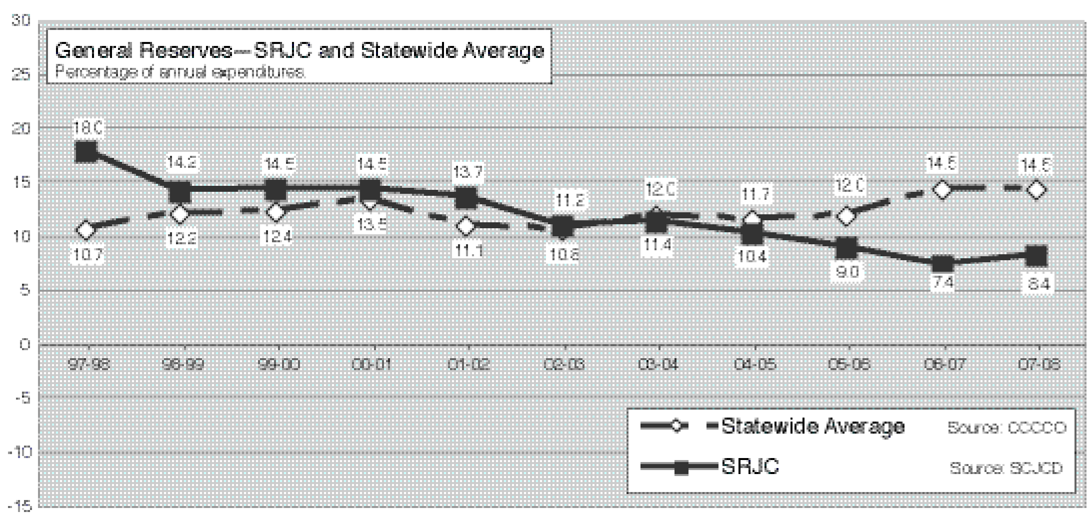

Figure 1

(cont. on page 4)

Budget Woes *(cont. from page 3)*

Budget and the Faculty

Because faculty salaries and benefits make up over half the District budget, there's no doubt that AFA, representing SRJC faculty, will have to engage in difficult decisions with the District to balance the District budgets for 2009-10. Three "big ticket" funding issues will dominate that discussion.

- The increase in costs of achieving "Rank 10" benchmarks for faculty salary, based on the *AFA Salary Study* (www.santarosa.edu/afa/statewide_study.shtml), together with step and class increases, is $1.37 million.
- Increases in the costs of adjunct and regular medical benefits for 2009-10 will be at least $250 thousand, depending upon rate adjustments to be published by our policy carriers in May.
- Based on GASB 45 regulations (www.santarosa.edu/afa/GASB.pdf), an annual required contribution of $960 thousand is needed to fund the present and future faculty retirement benefits.

As a faculty member, you need to take an active role in deciding these crucial issues, and you need to make your thoughts known. (See the Survey box on page 1.) AFA will attempt to keep the faculty informed as these important discussions unfold.

Building on a Legacy of Excellence?

Nearly twenty years ago, the Board made a commitment with AFA to a legacy of excellence by recognizing that SRJC has the best community college faculty in California, and, as such, they should be sustained by salary, benefits, and instructional program support that are commensurate with their excellence.

This legacy will be imperiled more than ever before during the next five years. In addition to the present financial hardships, SRJC is entering an unprecedented period of faculty retirements. Nearly half of the regular faculty members at SRJC are over age 55. Most other postsecondary institutions in California face a similar demographic situation. To hire and retain talented, motivated faculty to replace the huge numbers of retirees, SRJC must compete in the marketplace with superior salary and benefits packages, and with well-funded and vigorous instructional programs.

The present Board has embraced the phrase *Building on a Legacy of Excellence* as a catchy slogan for letterheads and web pages, but now this Board must walk the walk; it must lead SRJC in making choices to protect the legacy built by the previous Boards over the last ninety years. Equally important is the role that the District and AFA share in negotiating in the best interests of our students and the future of SRJC.

If we all make the correct decisions now, *Building on a Legacy of Excellence* can aptly describe Santa Rosa Junior College — not only its buildings and facilities, but its students, faculty, and staff — for the next twenty years as well. On the other hand, if we do not, that expression will become a hollow phrase, merely used to describe mediocre programs with unexceptional faculty housed on impressive campuses.

As Woody says, let us hope we have the wisdom to choose wisely.

Benefits *(cont. from page 2)*

Accrued Liability (AAL) to quantify the present value of all present and future ERO costs for those retirees on ERO, for those present faculty not on ERO, and even for those faculty not yet hired into the college.

Beginning December 15, 2006, GASB required governmental entities to show this liability on their Balance Sheets, and therefore required that districts such as ours, put aside money in a special fund. In the last actuarial study, SRJC's AAL was $22.6 million (for all employees) and it must be amortized over 30 years. For faculty, the AAL is $9.76 million, which costs the District $957,000 annually in GASB-required contributions. This amount is a draw against the General Fund and it means that the GASB contribution is not available for salary or other benefits.

Cost per year: Variable depending on retirement age, but the GASB contribution is $957,000 per year.

Potential Cost Savings: Bringing our program into line with ERO programs at other colleges could realize an ongoing savings to the District of up to $450,000.