April 15, 2003

Barbara A. Beno, Ph.D.
Executive Director
Accrediting Commission for Community and Junior Colleges
10 Commercial Boulevard, Suite 204
Novato, CA 94949

Dear Dr. Beno:

In a letter addressed to the Chancellor of the Kern Community College District, the Accrediting Commission for Community and Junior Colleges requested that Bakersfield College file a report “on what impact the district's fiscal planning has had on each of the college's educational programs and services.” The Commission's request was made based on its review and non-acceptance of a progress report provided by the Kern Community College District for its three colleges, including Bakersfield College, addressing the concern raised in the October 2000 Accreditation Report that The Board of Trustees and the Chancellor should closely monitor annual enrollments, district-wide expenditures, state funding allocations, cash reserves and cash flow to make any necessary adjustments in the plans to ensure Bakersfield College or Cerro Coso College or Porterville College is able to continue to achieve, maintain and enhance its programs and services. (Standard 9A.2, 9C.1, 9C.2, 9C.4)

Enclosed is the Progress Report from Bakersfield College addressing the concerns noted in both the June 14, 2002 and January 17, 2003 letters that fiscal planning be done in a manner that preserves institutional educational quality. Specifically addressed is what impact the district's fiscal planning has had on programs and services at Bakersfield College.

Do not hesitate to call if additional information is needed.

Sincerely,

[Signature]

Sandra V. Serrano
In response to the request by the Accrediting Commission for Community and Junior Colleges, Bakersfield College is providing a progress report regarding what impact the district’s fiscal planning has had on the college’s educational programs and services.

Historically, the financial performance of the Kern Community College District (KCCD) has been stable. KCCD receives about 50 percent of its general operating revenues from the state apportionment and 50 percent from local taxes and other local income. The KCCD general apportionment per full time equivalent student is about average for California Community Colleges. The general fund reserve averaged 5 percent of expenditures between 1997 and 2001.

In 2000, the state found KCCD out of compliance with legislation that requires 50 percent of its budget to be spent on classroom instruction. To affect compliance with the “fifty percent law”, the district paid faculty retroactive salary settlements from its general fund balance in 2001 and 2002. This salary settlement brought its average full-time faculty salary in line with average salary levels for community colleges across the State. These salary payments contributed to KCCD operating deficits of $1 million in fiscal 2001 and $4 million in fiscal 2002. The general fund balance declined to just under 1 percent of expenditures in fiscal 2002, down from 8 percent of expenditures in 2000.

The financial impact for noncompliance with the “fifty percent law” in 1999-2000 continued until recently due to possible penalties being assessed by the California Community College Chancellor Office. The status of the district’s application for exemption from the 1999-2000 “fifty percent law” shortfall was a pressing financial concern. Based upon an exemption test of comparable salaries, the district was granted a full exemption by the Board of Governors at its March 2003 meeting. The district remains in compliance with the “fifty percent law”, expending at least 50 percent of its budget on classroom instruction.

In November 2002, the electorate approved a $180 million general obligation bond authorization to substantially upgrade aging facilities throughout the KCCD. Proceeds from the issuance of the bonds will be used to fund the construction of new classrooms at the Bakersfield College Delano Center, the construction of a solar energy project at Cerro Coso College, and the installation of a districtwide instructional technology system.
These and other bond projects will improve efficiencies that will yield cost savings and thereby improving the financial condition of the district.

Bakersfield College will upgrade aging facilities and replace equipment for a total of $115 million dollars of the $180 million of bond revenue. In February, the Chancellor met with both major financial rating agencies, Moody and Standard and Poor’s (S&P), at their New York headquarters, as part of the process for issuing the first of three or four series of general obligation bonds over a 12 year period. In November 2002 these agencies issued KCCD an extremely favorable rating of “A” (S&P) and "A2" (Moody). The S&P assessment of KCCD indicated a “stable outlook” for the district reflecting an expectation that enrollment growth and conservative financial management will enable KCCD to gradually rebuild fund balances to targeted levels in the next three to four years while managing its capital plan.

Like most of California’s Community Colleges, the Kern Community College District is faced with significant reductions in its revenue due to the State’s large budget deficit. The district has implemented plans to meet its $4 million in mid-year reductions. This was achieved through reductions in capital expenditures and the reversion to the State of its scheduled maintenance and instructional equipment allocations. The reduction to general fund capital expenditures was made possible because bond revenue will be used to modernize facilities and purchase equipment and furniture.

The district is currently developing budget plans to meet the projected reduction in revenues and increased costs for the 2003-04 fiscal year. The district is projecting it will have to reduce its expenditures by approximately 12 percent. Plans to cut the budget include significant reductions and realignment of both labor and non-labor expenditures. The colleges and district have included representation from all of the stakeholders in developing both college and district plans for the 12 percent general fund budget reduction.

The Bakersfield College budget represents approximately 66 percent of the district’s budget, based on a funding allocation model adopted by the district in 1999-2000. Thus, the impact of the district’s fiscal planning is significant to Bakersfield College. Reducing budget expenditures is an onerous task at any time, but especially when student enrollment continues to grow. However, to meet the needs of a growing student body new faculty are being hired, although less than the planned 10 new positions per year.

In fall 2002, BC faced the challenge of submitting a balanced budget that required a $1.7 million cut. Regrettably, the budget was balanced by eliminating all but two of BC’s funding priorities. The cuts made to the general unrestricted budget included reducing from 12 to 9 the number of new faculty hired; reducing employee staff development; reducing student help; and, leaving vacant classified staff positions. Additional cuts included the total elimination of previously budgeted priorities, including scheduled computer replacement, instructional equipment acquisitions and replacement, classroom furniture replacement, and office furniture for new faculty.
The mid-year 2002-03 budget cut of $2.8 million districtwide resulted in a $1.1 million reduction to BC expenditures. The total 2002-03 budget cut to BC represents 6 percent of the college's general unrestricted budget. The effect of these cuts included reducing course section offerings by 10 percent. Regardless of this reduction in class sections, the enrollment of full time equivalent students and WSCH/FTEF increased. Additional cost saving measures included reducing student help and utility consumption by closing at noon on Friday.

To offset budget reductions, a strategic goal of Bakersfield College is to increase funding from grants. New revenue continues to be actively pursued. More than $6 million in grant awards, allocated over three to five years, have been added to the restricted budget in the last two years. Grants have offset the effects of the general fund reductions by 25 percent.

The projected 2003-04 budget will call for new cuts to KCCD revenue. Planning for a worse case scenario, the expected shortfall translates to an estimated 12 percent reduction to the BC general fund. The general fund reductions coupled with categorical reductions have called for fundamental change in how the college fulfills its mission. At the direction of the college president and with the leadership of the College Council, BC agreed that budget cuts must be data-driven and preserve the college mission to empower our students and community to succeed by providing exceptional instruction and services in a supportive environment.

With the guidance of the College Council and the Institutional Effectiveness Committee, a collegewide assessment was conducted. Fifty-five programs and services determined how they support the mission of the college by improving teaching and learning. Each unit submitted a report with its recommendations for potential cost savings and changes needed to promote efficiency and effectiveness. The expected outcomes driven by educational priorities included identifying savings to increase efficiency and effectiveness by creating fundamental change that is student centered and essential to preserving the mission. The outcomes of the assessment of college programs and services will support student learning, manage enrollment to meet the FTES growth target, comply with the fifty percent law, the full time faculty obligation and other legal mandates. In other words, Bakersfield College is committed to maintaining and enhancing its programs and services.

No doubt the financial condition of the Kern Community College District has created challenges for each of the colleges of the district. It is preferred that a comfortable reserve of 5 percent or more be available to offset budget shortfalls. But the fact remains that the faculty, classified staff and administration at Bakersfield College will continue to offer quality programs and services to the students and the community it serves.

As Bakersfield College celebrates its 90th year of continuous service to our community, we will continue to be good stewards of aging buildings, equipment and furniture. We will continue to stretch operating revenue. Our classes may be slightly larger with 40 students, and there may be fewer sections, at fewer locations throughout the community,
but students will have access to comprehensive academic and vocational programs, basic
skills and ESL instruction, as well as essential support services as they prepare for an
associate degree, certificate, transfer, the workforce or personal enrichment.