

MAURICE CHALMERS  
DIRECTOR  
OFFICE OF LEGISLATIVE  
BUDGET REVIEW



NASSAU COUNTY LEGISLATURE  
1550 FRANKLIN AVENUE, ROOM 126  
MINEOLA, NEW YORK 11501  
(516) 571-6292

### Inter-Departmental Memo

To: Hon. Richard J. Nicoletto, Presiding Officer  
Hon. Kevan Abrahams, Minority Leader  
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director  
Office of Legislative Budget Review

A handwritten signature in blue ink, appearing to be "MC", next to the name Maurice Chalmers.

Date: February 2, 2022

Re: Nassau Community College 2020-2021 Year-End, 2021-2022 First Quarter Projections

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The Office of Legislative Budget Review (OLBR) has received Nassau Community College's unaudited FY 2020-2021 year-end operating results and prepared this memo on the anticipated results for the Legislature. The College is projecting that it will end the FY 2020-2021 with an unaudited operating deficit of approximately \$2.5 million. When the modified budget is compared to unaudited year-end actuals, a surplus of approximately \$0.4 million in budgeted expenses is offset by a \$2.9 million deficit in revenues. The impact on fund balance of the preliminary results is reflected in the attached fund balance reconciliation chart later in the report.

#### **FY 2020-2021 Year-End**

##### **Expenses**

Compared to the modified FY 2020-2021 budget, year-end expenses came in under budget by approximately \$0.4 million. The main drivers of this positive variance are the contractual, equipment, and general expenses lines, along with smaller surpluses in utility costs, and interfund charges. Every year the College budgets for anticipated salary reduction savings, some of which don't always come to fruition. The College reports that the \$2.8 million salary deficit is due to many factors. The original budget included anticipated separation savings to offset the diminished revenues. However, the College did not foresee at that time that Higher Education Emergency Relief Fund (HEERF) funds would be available to offset lost revenue. Once HEERF funds were awarded, the need for salary reductions was left to normal attrition. The College has been

successful reducing salaries from the actual FY 2019-20 to the year-end unaudited 2020-21 but has still fallen short of budgeted reductions. Terminal leave exceeded the budget by \$2.5 million. According to the College, the shortfall in terminal leave, cannot be viewed as a one-line item as it was supplemented by savings in other budgeted salary lines. In 2021, there was \$952,000 in unbudgeted retirement incentive payments that relate to the Nassau Community College Federation of Teachers (NCCFT) union, which were in addition to regular incentive payments made from prior year incentives. The \$2.0 million increase in fringe benefits resulted from a savings line included in the budget that reflected anticipated reductions in staffing. Both payroll and fringe benefit savings resulted from natural attrition, an anticipated reduction in adjunct teaching sections, part-time assignments, and student attendance because of COVID-19. Savings were accomplished but not as large as anticipated.

Contributing to the surplus, is a favorable \$0.9 million in general expenses, \$1.7 million in equipment and \$1.9 million in contractual services. These surpluses were all the result of expense reductions as the College was not required to spend as much due to the COVID-19 pandemic and its impact on the onsite operations. Lastly, the College had a \$488,895 savings in County scholarships and enrollment management spending, which in combination with other expense reductions, helped offset salary and fringe deficits.

### **Revenue**

According to the unaudited FY 2020-2021 year-end operating results, the College anticipates a \$2.9 million revenue shortfall when compared to the modified budget. Based on the unaudited results, the College will need to use fund balance. The largest shortfalls occurred in student revenues, revenue offset to expenses and services fees. Student revenues decreased by \$4.1 million primarily attributed to a reduction in student enrollment. The FY 2020-2021 budgeted count was approximately 11,109 while the actual total was 10,406, a decline of about 703 FTEs when compared to the count the College Administration used to formulate the FY 2020-2021 budget.

Revenue offset to expenses declined by \$1.8 million mainly due to the drop-off in Lifelong Learning revenue (continuing education and other non-credit courses), commissions from the bookstore and food services. In addition, reimbursement of college services was reduced (outside groups using facilities) and other miscellaneous categories also decreased; all declines result from the continuous negative impact of COVID-19. Compared to the modified budget, service fees also dropped by \$1.3 million due to the reductions in enrollment and in fees for on-campus parking as a result of the remote learning. Investment Income revenue experienced a shortfall of roughly \$0.2 million attributed to reduced interest rates during the fiscal year compared to when the budget was prepared.

Meanwhile, there was a revenue surplus of \$1.7 million in the rents and recovery line due to year-end open encumbrances and other posted rent & recoveries. This surplus helped offset the shortfalls in other revenue sources caused by the adverse effect of Covid-19. Finally, state aid came in close to budget. Revenue in lieu of sponsor share rose about \$0.2 million due to an increase of the non-resident chargeback rate.

## **FY 2021-2022 First Quarter**

The College provided its forecast for the First Quarter of FY 2021-2022 compared to the Adopted Budget. More details will be included in OLBR's mid-year report as more precise data on expense and revenue projections become available.

### **Expenses**

Expenses in FY 2021-2022 are expected to come under the Adopted Budget by approximately \$6.9 million. The projected surplus is mostly related to budgeted anticipated savings in salaries and fringe benefits from reductions in full-time staffing and part-time assignments. According to the College, NCCFT full-time salaries are projected to have savings of approximately \$0.9 million. The College is also projecting salary savings of \$1.6 million for full-time CSEA staff and \$2.4 million in part-time staff, which includes CSEA, Ordinance, Adjunct teaching, Adjunct non-teaching, and student workers. Fringe benefits are expected to be under budget by approximately \$1.1 million due to fringe savings/incentive targets being reached. The College estimates savings every year for anticipated attrition and other terminations that are not known at the time of budget preparation and are not always realized. If the anticipated level of attrition and other terminations are not met it will contribute negatively to the variance from the budget.

### **Revenue**

The college anticipates an approximate **\$22.0** million revenue shortfall based on the latest projection compared to the Adopted Budget. The College is offsetting this shortfall with the budgeted use of \$12.1 million in fund balance from the availability of HEERF funds. The largest projected decline of \$7.1 million is expected in student revenues as a result of lower than budgeted FTE's. The FY 2021-2022 budget was prepared based on the same FTE level as last year's projected actual, however current projections reflect an enrollment decline of 1,117 FTE's or 10.7% compared to the prior year actual. State aid was reduced by roughly \$0.6 million in the FY 2021-2022 projection. The reduction in state aid was a result of the final state aid calculation being calculated on 98% of the prior year state aid, that was adjusted in the prior year state budget. In addition, the College expects declines of \$1.1 million each for service fees and revenue in lieu of sponsor which are directly correlated to the reduction in admissions.

The projected \$6.9 million expense surplus when combined with the \$22.0 million revenue shortfall results in a projected operating deficit of approximately **\$15.1 million**. The College plans to use the fund balance to cover the projected FY 2021-2022 shortage. The Nassau Community College Board of Trustees has a policy requiring the unrestricted/unreserved operating fund balance be maintained at a minimum of 4.0% of the prior year's budgeted expenses. Current projections reflect a FY 2021-2022 projection of unappropriated fund balance of \$28.8 million, or 15.8%. The College has advised it will be receiving \$12.0 million in Federal grants through the HEERF, which will reimburse the loss of revenue resulting from the pandemic, in turn reducing the negative operating results on the fund balance. This is a short-term fix to a larger issue that must be addressed in FY 2021-2022 and future years after the stimulus funding is depleted.

The FY 2020 - 2021 audit is still in process, therefore, adjustments to the operating results are possible and can change the projected results. The table below provides the projected reconciliation of the fund balance.

<b>Fund Balance Reconciliation</b>	
Beginning Fund Balance FY 2020-2021	19,981,280
Unaudited FY 2020-2021 Operating Results	(2,548,084)
Unaudited FY 2020-2021 Unreserved Fund Balance Pre-HEERF Grants	17,433,196
Unaudited HEERF Grants Reimbursement of lost revenue	14,468,748
Unaudited FY 2020-2021 Unappropriated Fund Balance	31,901,944
Projected FY 2021-2022 Operating Results	(15,107,273)
Projected FY 2021-2022 Unreserved Fund Balance Pre-HEERF Grants	16,794,671
Projected HEERF Grants reimbursement of lost revenue	12,000,000
Projected FY 2021-2022 Unappropriated Fund Balance	28,794,671

**Conclusion**

The College will need to efficiently work to adjust its operations by either reducing expenditures or enhancing its revenue, which has been negatively impacted by their declining enrollment. In 2021, the College recognized a \$2.5 million operating deficit which they were able to offset with CARES Act Stimulus funding, therefore resulting in an artificial year-end overall result. In 2022, the College is projecting a sizeable deficit of \$15.1 million, which will again be offset by stimulus funding. The magnitude of the 2022 projected deficit is alarming and is roughly six times the deficit realized in 2021. Due to the availability of the stimulus funding from HEERF grants, the College has been able to maintain its current operations, however, after the funding is exhausted in 2023, the College will face serious challenges. This current projection highlights the necessity for the College to make changes to its operations (either to its expense or revenues) in order for the College to survive past the end of the funding assistance.

- cc: Donna Haugen, Officer-In-Charge, NCC
- Julio Izquierdo, Vice President of Finance, NCC
- Andrew Persich, Budget Director, OMB
- Chris Ostuni, Majority Counsel
- Meredith Hughes, Deputy Majority Counsel, Policy Director
- Michael Pulitzer, Clerk of the Legislature
- Michele Darcy, Minority Finance
- Peter Clines, Minority Counsel
- William Biamonte, Minority Chief of Staff

**Nassau Community College**  
**FY 2020- 2021 Expense**  
**Unaudited Year End Results**

	<b>Adopted Budget</b>	<b>Modified Budget</b>	<b>20-21 YE Actual</b>	<b>Variance Modified To Actual</b>	<b>% Variance</b>
Wages, Salaries & Fees	\$104,704,761	\$104,704,761	\$107,521,243	(\$2,816,482)	-2.7%
Employee Fringe Benefits	51,747,500	51,747,500	53,787,286	(2,039,786)	-3.9%
<b>Subtotal Personal Services</b>	<b>156,452,261</b>	<b>156,452,261</b>	<b>161,308,529</b>	<b>(4,856,268)</b>	<b>-3.1%</b>
Equipment	2,092,891	2,158,210	421,888	1,736,322	80.5%
General Expenses	7,622,303	7,603,851	6,695,564	908,287	11.9%
Contractual	8,257,473	8,251,356	6,384,557	1,866,799	22.6%
Utility Costs	3,631,185	3,631,185	3,512,238	118,947	3.3%
Interfund Charges	2,423,786	2,423,786	2,306,649	117,137	4.8%
Debt Service	1,085,011	1,085,011	1,085,111	(100)	0.0%
Other	555,000	514,250	25,355	488,895	95.1%
<b>Subtotal OTPS</b>	<b>25,667,649</b>	<b>25,667,649</b>	<b>20,431,362</b>	<b>5,236,287</b>	<b>20.4%</b>
<b>Grand Total</b>	<b>* <u>\$182,119,910</u></b>	<b>* <u>\$182,119,910</u></b>	<b>* <u>\$181,739,891</u></b>	<b>* <u>\$380,019</u></b>	<b>0.2%</b>

\*The original budget in total is the same, however the College is reflecting some changes in different object codes.

\*Surpluses are shown as positive.

**Nassau Community College  
FY 2020- 2021 Revenue  
Unaudited Year End Results**

	<b>Adopted Budget</b>	<b>Modified Budget</b>	<b>20-21 YE Actual</b>	<b>Variance Modified To Actual</b>	<b>% Variance</b>
Fund Balance	(\$2,670,455)	(\$2,670,455)	-	\$2,670,455	0.0%
Investment Income	300,000	300,000	84,888	(215,112)	-71.7%
Rents and Recoveries	852,923	852,923	2,553,398	1,700,475	199.4%
Revenue Offset	3,698,847	3,698,847	1,909,377	(1,789,470)	-48.4%
Service Fees	6,809,557	6,809,557	5,475,193	(1,334,364)	-19.6%
Student Revenues	70,848,444	70,848,444	66,727,725	(4,120,719)	-5.8%
Revenue Lieu Sponsor	11,504,979	11,504,979	11,665,611	160,632	1.4%
State Aid	38,568,732	38,568,732	38,568,732	-	0.0%
Property Taxes	52,206,883	52,206,883	52,206,883	-	0.0%
<b>Total Revenues</b>	<b><u>\$182,119,910</u></b>	<b><u>\$182,119,910</u></b>	<b><u>\$179,191,807</u></b>	<b><u>(\$2,928,103)</u></b>	-1.6%