MEETING OF THE
FINANCE AND INFRASTRUCTURE COMMITTEE
Board of Regents for Higher Education
Wednesday, April 25, 2018
10:00 a.m.
61 Woodland Street, Hartford, CT

Minutes

REGENTS PRESENT
Richard Balducci, Committee Chair
Del Cummings
Felice Gray-Kemp (Telephonic)
David Jimenez (Telephonic)
Catherine Smith (Telephonic)

REGENTS ABSENT
JoAnn Ryan

CSCU STAFF PRESENTING
Mark Ojakian, President; Erika Steiner, Chief Financial Officer; Steve Weinberger, Vice President for Human Resources

With a quorum present, Chairman Balducci called the meeting to order at 10:00 a.m.

President Ojakian recapped the information that the committee previously received regarding the financial situation of the System, SEBAC agreement, 2019 fringe benefits and projections for the future.

Comments were shared regarding the disappointing news received from the New England Association of Schools and Colleges (NEASC) regarding the Students First initiative. In the coming days we will review all options, including legislative and accrediting options. Without the savings from the community colleges consolidation, tuition hikes or closing a campus to balance the budget will be necessary, otherwise the colleges will be financially insolvent by FY20. Students First was created to reduce administration and redundancies across the 12 community colleges campuses and as an alternative to balancing our financial burden on the backs of our students or making it more difficult for them to attend our colleges. If the deficit is balanced solely on tuition and fee increases, tuition at the community colleges would more than double by FY21.

1. Approval of Minutes from the February 21, 2018 Meeting

The minutes of the February 21, 2018 meeting were unanimously approved, upon the motion of Regent Balducci, seconded by Regent Jimenez.

2. Information Items

A. Fiscal Implications of Bargaining Unit Agreements

a. SEBAC

VP Weinberger provided information on collective bargaining efforts that transpired over the past year and the fiscal implications of the SEBAC agreement. Simultaneous meetings were held between OPM and SEBAC groups regarding coalition fringe benefits. Economic terms of the agreement are dictated by SEBAC discussions. Non-economic items were also discussed. Fiscal year 2017 concluded by the time the fiscal agreement was reached and FY18 was concluding. The agreement calls for a lump sum payment of $2,000 in FY19 to all employees with a pro-rated amount for part-timers. Eligibility will be based on active status as of the Fall. The SEBAC agreement also calls for an across the board increase of 5.5% for both FY20 and FY21 for all full-time employees and pro-rated for part-timers. The matter is further complicated by employment security provisions that remain in place through June 30, 2021.

No new money is available for the SEBAC implications that starts in FY19. The universities have agreed to revalue the price of a lab credit to a full credit. This agreement will impose some cost to the universities. A structural change to the Community College faculty workload will increase to five courses for new faculty oppose to the current four courses. Incumbents will be factored in.

Regent Jimenez recommended that the Board raise concerns with the negotiators of SEBAC, OPM, and the General Assembly.

B. Impact of Increases in Wages and Fringe Benefit Rates

a. FY 2019 Impact on Operating Funds

CFO Steiner reviewed the variance in the FY19 projected fringe benefits rates versus FY18 final fringe benefits rates per SEBAC. The SERS employees’ rate is projected to increase 17% and will drive the System’s financial statement for FY19. The Office of the State Comptroller analysis total impact for wage and fringe increases portrays wages increasing by $20 million and fringe benefits increasing $43 million using the Governor’s mid-term adjustments. The CSCU system will need to absorb the increases due to the fact that State appropriations has not kept pace.

b. Projections Through FY 2021

The 4-year projections for the CSCU system reviewed are based on the assumption of the Governor's FY19 mid-term report for funding (final FY19 Budget is still to be determined); flat state funding (they may cover wage increases for General Fund employees) and flat fringe rates after FY19. The projections assume the rate of tuition/fee increases continue at FY19 rate (yet to be determined by the Board) and enrollment declines in accordance with Fall 2017 census (CSUs flat). Job protection and wage increases per SEBAC. The FY19 fringe rate was adjusted in March per communication from the Office of the State Comptroller raising rates. Longevity payments totaling $5 million were deferred from fiscal year 2018 to fiscal year 2019, thus consisting of three payments to our three constituent groups.

Beginning with current year (FY18 projections provided by the institutions) sixteen of seventeen institutions estimate losses with the exception of CCSU, with increase in losses each year. The Unrestricted/Undesignated Reserves would be consumed by each constituent group during the following period: COSC in FY19; CCC in FY20; and CSU in FY21. We are working on a potential restructuring of COSC to alleviate the most imminent problem. Hiring will continue to be monitored and restricted. The administration will need to accelerate a quick resolution due to NEASC's decision regarding the Students First initiative.

Cost sharing opportunities among the colleges will continue to be looked at. The CSU Presidents have begun dialog on how they might share resources and reduce costs. A reduction in force is planned once the SEBAC employment security provisions expire on July 1, 2021. Calculations were performed with tuition increases. It would necessitate double digits increases to tuition, which is not acceptable, for students to continue to have access to higher education at our colleges. Twenty-three percent of our students rely on full Pell grants to fund their education. Enrollment improvement strategies, such as "no denial" which funnels applicants not ready for CSU to the CCCs as "already accepted."

With no other business to discuss, on motion of Regent Cummings, seconded by Regent Smith, the meeting adjourned at 11:03 a.m.