

**BOARD OF REGENTS FOR HIGHER EDUCATION  
CT STATE COLLEGES AND UNIVERSITIES (CSCU)**

**Minutes of Finance & Infrastructure Meeting**

**Wednesday, May 10, 2023**

**Conducted Via Remote Participation**

<b>REGENTS - PARTICIPATING (Y = yes / N = no)</b>	
Richard J. Balducci, Chair	Y
Felice Gray-Kemp	N
JoAnn Ryan	Y
Ari Santiago	Y
Erin Stewart	Y
*Dr. David Blitz, FAC Chair	Y
**Alexander Grant	N
**Luis Sanchez-Chiriboga	N
<i>*ex-officio, non-voting member</i>	
<i>**student regents, non-voting member</i>	

**CSCU STAFF:**

Benjamin Barnes, VP of Administration / Chief Financial Officer  
Rachel Cunningham, Administrative Assistant to Benjamin Barnes (recorder)  
Pam Heleen, Asst. Secretary of the Board of Regents  
Melentina Pusztay, Director of Budgets and Planning  
Natalie Wagner, AVP Administration / Deputy Chief Financial Officer

**CALL TO ORDER:**

Chair Balducci called the meeting to order at 10:33 a.m. following the roll call, Rachel Cunningham recorded a quorum present.

**APPROVAL OF PREVIOUS MEETING MINUTES:**

*Chair Balducci made a motion to approve the minutes of the March 15, 2023 Finance Committee Meeting. Regent Santiago seconded the motion which was approved following a unanimous voice vote.*

**INFORMATIONAL ITEMS:**

CFO Barnes formally introduced Deputy CFO Natalie Wagner.

## Legislative Update

CFO Barnes provided an update on the current budget proposal and negotiations with the Appropriations Committee, which will continue while the Legislative Session remains open through June 7, 2023.

Chair Balducci reiterated that the negotiations are with both Democratic and Republican leaders to identify ways to stay below the Governor's spending cap while fulfilling the needs of our students, faculty, and staff.

## CSCU Deficit Mitigation Plan

CFO Barnes shared preliminary projections for the shortfall in FY24 and FY25 based on the budget proposal that was advanced out of the Appropriations Committee, as well as a preliminary deficit mitigation plan (Attachment A). SO Finance staff worked with the Finance staffs of all 6 institutions to develop an update projection of spending in FY24 and FY25 on a current services basis.

Q: Chair Balducci asked with regard to the SEBAC agreement, which is approximately \$180 million, with \$51 million in FY25, where the remaining funds come from for FY23 and FY24.

CFO Barnes responded that the SEBAC agreement adds approximately \$30 million in salary costs and \$20 million in fringe, which compounds every year increasing in the third year (FY24) to approximately \$150 million. The state has proposed an increase in the block grant to pick up approximately \$14 million per year leaving the other half of the raises to be funded by student tuition increases. In the past, it has been possible to cover the increases by raising tuition in order to cover the cost of the tuition-supported faculty and staff members. Due to enrollment declines coming out of the pandemic, this approach no longer works as it would raise tuition too high and would have an adverse effect on current and future enrollment and affordability.

Q: Chair Balducci asked for clarification about whether the system would get support for the fringe benefits and wage increases.

CFO Barnes referenced the table on page 7 of the agenda, State Appropriations, and cited the line 3 "State Universities" to show the current year funding for the block grant. This demonstrates that the legislature has walked away from supporting the operating fund expenses for personnel which the State had been supporting very heavily in recent years.

Q: Professor Blitz asked what role the 2030 Plan played in the request for funding of FY24 and FY25 as CSCU 2030 were double the requests of FY23.

CFO Barnes responded that the CSCU 2030 plan entailed moving a lot of the one-time funding into block grants for maintenance of projected ongoing expenses and operations, as well as plans for growth and expansion. Using updated information, revised requests have been submitted. Regarding how the boldness and scale of the CSCU 2030 request was effective or not, it is too soon to draw any conclusions.

Q: Professor Blitz asked to what extent is the shortfall for FY24 attributable to the Colleges and to what extent the Universities?

CFO Barnes responded that the first year deficit is about  $\frac{3}{4}$  attributed to the Community Colleges and a  $\frac{1}{4}$  at Universities and Charter Oak. In the second year, the Universities are far more affected and by the end of the 2-year period, all of institutions have significant deficits which jeopardize their operations.

Q: Professor Blitz asked if mid-term adjustments will be made for calculations in FY24 for FY25?

CFO Barnes stated the legislators meet every year and can adjust. They did not adopt or adjust in the last biennium budget. In previous years, the changes made were minimal.

CFO Barnes stated staffing reductions and employee layoffs need to be planned for immediately due to long period of notice to be effective to offset the major structural deficit in the 2<sup>nd</sup> year. As there is a delay in the realization of any staffing-related savings, there will be a significant use of reserves used during that time and that usage cannot sustain operations for 3-4 years if no action is taken at this time.

Q: Professor Blitz asked what percentage of the approximate \$300 million in reserves can be used and what cannot be used for operating expenses in FY25?

CFO Barnes stated the reserves are not encumbered but can be restricted due to the legal obligation to use the funds for the purpose designated upon receipt (a relatively small share). All the restrictions and designations of the reserve fund balances and cash on hand are being reviewed to be sure there is a clear understanding of the full legal restrictions for their use. In addition, some universities have designated reserves to be used for specific purposes (i.e., debt service). After review, recommendations will be made as to what share of the reserves are available to balance the budget.

CFO Barnes stated that the Board has broad authority over the use of reserves and could identify specific reserves and segregate them by institution and system and make an explicit transfer of those funds for a particular purpose. The Board could also designate reserves to act as a backstop if expected savings from mitigation strategies fell short. It should be noted that the accumulating reserves scarcely account for 25% of CSCU's annual spending and this level of reserves does not support projections for the reduction of state aid.

Q: Chair Balducci asked if the reserves are from the system or under specific institutions and how they will distributed.

CFO Barnes responded that the Board of Regents, under authorizing statute, would have to direct the distribution of reserve funds among and between specific institutions. System reserves can be used to address shortfalls at specific institutions without directly utilizing reserves of another institution. There is about \$150 million in one-time funds that were not specified for any particular component of CSCU; therefore, the use of the one-time funds at different institutions is a question for the Board; recommendations will be part of the proposed spending plan presented in June. The plan will find a balance between ensuring that institutions are fairly funded from the one-time funds, making sure that every student is receiving appropriate funding, as well as addressing areas of weakness and acute financial problems.

Q: Regent Ryan asked what relationships do the campuses have with their foundations; does the money go to scholarships or is there anything that can go to operating funds?

CFO Barnes stated that each campus has a foundation with various missions and organizational documentation, but their general mission is to support students through programs and scholarships.

Chair Balducci thanked CFO Barnes, the unions, faculty, and staff members who are all working together to identify, solve, and manage the deficit.

**ADJOURNMENT:**

*Chair Balducci made a motion to adjourn, Regent Santiago seconded, and the meeting adjourned at 11:48 a.m.*