



Board of Regents

Meeting of the
Finance & Infrastructure Committee
Connecticut State Colleges and Universities

September 4, 2019
10:00 am
Regents Board Room
61 Woodland Street, Hartford, CT

Agenda

1. Approval of the June 13, 2019 Meeting Minutes
2. Information Items
 - a. Spending Plan Reduction Targets
3. CFO Update
 - a. Introduce new Controller
 - b. Debt-Free College – schedule for implementation

**BOARD OF REGENTS FOR HIGHER EDUCATION
FINANCE & INFRASTRUCTURE COMMITTEE
MINUTES – Special Meeting – 11 am, Thursday, June 13, 2019
Regents Boardroom, System Office, 61 Woodland Street, Hartford, CT 06105**

COMMITTEE MEMBERS PARTICIPATING

Richard J. Balducci, Chairman
Del Cummings
Felice Gray-Kemp (via teleconference)
JoAnn Ryan (via teleconference)

COMMITTEE MEMBERS ABSENT

David R. Jimenez

CSCU STAFF PARTICIPATING

Mark Ojakian, President
Ben Barnes, Chief Financial Officer
Erin Fitzgerald, Associate Director of Board Affairs/Secretary of the Board of Regents

CALL TO ORDER

With a quorum present, Chair Balducci called the meeting to order at 11:07 am.

APPROVAL OF MINUTES FROM THE APRIL 3, 2019 MEETING

On a motion by Regent Gray-Kemp, seconded by Chair Balducci, the minutes of the April 3, 2019 meeting were unanimously approved as submitted.

INFORMATION ITEM(S) –

Students First Update

Noting that CFO Barnes would be providing the Students First update in full, CSCU President Ojakian referenced the Legislature’s non-partisan Office of Fiscal Analysis’ (OFA) independent evaluation of the cost-savings projections for Students First. OFA supported and verified the CSCU calculations and projected savings.

CFO Barnes walked the committee members through the various components of the Students First update as outlined within the staff report and supporting documentation contained in the meeting agenda packet (*see Attachment A hereto*).

ACTION ITEM(S)

FY 2020 Budget/Spending Plan – Prior to providing an overview of the proposed FY 2020 Budget/Spending Plan, CFO Barnes thanked Melentina Pusztay, CSCU Director of Budgets and Planning and members of the Finance Staff at the System Office as well as the fiscal staff at the campuses. He spoke to their outstanding, professional efforts, noting that the high quality of their work and attention to detail serve the Board well. Both President Ojakian and Chair Balducci echoed CFO Barnes' comments in this regard.

CFO Barnes reviewed the FY20 proposed spending plan by walking Committee members through the subject staff report (see Attachment B hereto).

Following discussion thereon, **on a motion by Regent Ryan, seconded by Regent Balducci, the resolution below in support of the FY 2020 Spending Plan was unanimously approved for moving to the agenda of the full Board’s June 20, 2019 meeting.**

- WHEREAS, Pursuant to the provisions of Section 10a-8 of the Connecticut General Statutes, “...the Board of Regents for Higher Education shall be deemed the budgeted agency for the Connecticut State University System, the regional community-technical college system and Charter Oak State College. The Board of Regents for Higher Education shall develop a formula or program-based budgeting system to be used by each institution in preparing operating budgets...”; and
- WHEREAS, Each college, university and the System Office has submitted a budget for FY 2020 to the Board of Regents summarized in Attachment A; and
- WHEREAS, The Board of Regents approves an overall spending level for all funds except for federal and private grants, bond funds, and intra/inter agency funds; and
- WHEREAS, Each institution shall adhere to the approved budget; and
- WHEREAS, The FY2020 Budget/Spending has been developed based on the approved state budget and state appropriations to CSCU dated June 5, 2019; and
- WHEREAS, The institutional budgets have incorporated information provided by the Governor’s office/OPM, the Office of the State Comptroller, legislative pronouncements, and agreements (including provisions of SEBAC); and
- WHEREAS, The institutions have reduced spending wherever practicable over the past several years as state support has been reduced and wages/fringe benefits have increases; and
- WHEREAS, Nonetheless the FY2020 Budget presents a significant loss position for Community Colleges, and a smaller but significant loss for three of the four universities; and
- WHEREAS, Management has undertaken the Students First plan, which, in conjunction with other anticipated savings and demographic trends, will enable the system to return to sustainable, balanced operations over the next 4 years; and
- WHEREAS, The Board of Regents has reviewed and discussed the budget proposal and determined that the losses reflected in the spending plans submitted by the Community Colleges are so great as to jeopardize the financial viability of the system; and
- WHEREAS, The Board wishes to limit the reduction of reserves in the Community Colleges to no more than \$8 million in FY 2020; therefore, be it
- RESOLVED that the Board of Regents for Higher Education approves the FY2020 Budget/Spending Plan as summarized in Attachment A, subject to reduction in order to limit the use of reserves within the Community Colleges to \$8 million.

ATTACHMENT A
Updated 6/13/2019, 2:12 PM

Connecticut State Colleges & Universities
CONSOLIDATED
FY2019-20 Operating Budget

	TOTAL REVENUE	PS	FRINGE	OTHER EXPENSES	TOTAL EXPENDITURES	DEBT SERVICE	TRANSFERS AND COMMITMENTS	TRANSFERS IN / OUT	ADDITIONAL FUNDS (Reserves)	NET
State Universities										
Central Connecticut State University	252,284,725	107,854,623	71,390,657	60,102,359	239,347,639	(11,880,500)	(1,036,586)			-
Eastern Connecticut State University	143,335,553	58,940,825	42,160,701	35,931,514	137,033,040	(7,045,448)	(1,036,586)			(1,779,519)
Southern Connecticut State University	237,155,581	105,784,988	69,160,249	55,497,797	230,443,044	(8,945,746)	(1,036,586)			(3,270,795)
Western Connecticut State University	135,941,526	61,262,031	39,389,157	30,805,691	131,456,879	(5,854,381)	(1,036,586)			(2,406,320)
CSU System Office	8,069,910	4,681,216	3,483,496	4,146,344	12,311,058	-	4,146,344			(64,802)
State Universities Total	778,797,295	338,523,693	225,594,260	186,483,705	750,591,858	(33,727,073)	-	-	-	(7,521,436)
Community Technical Colleges										
Asnuntuck Community College	22,779,103	11,566,328	8,155,019	3,003,619	22,724,966	n/a	-	(534,237)		(480,100)
Capital Community College	35,655,494	19,505,199	13,932,148	4,848,499	38,285,846	n/a	-	(929,907)		(3,560,289)
Gateway Community College	62,606,204	31,484,548	20,842,771	9,942,592	62,269,911	n/a	-	(2,131,082)		(1,794,789)
Housatonic Community College	44,091,859	22,673,949	14,930,000	8,222,800	45,820,549	n/a	-	(1,528,736)		(3,263,428)
Manchester Community College	56,874,560	28,505,006	21,093,704	6,221,854	55,820,564	n/a	-	(1,953,996)		(900,000)
Middlesex Community College	24,628,549	13,086,132	7,520,965	4,134,867	24,747,964	n/a	-	(836,448)		(655,863)
Naugatuck Valley Community College	62,742,550	32,368,355	22,981,119	6,863,329	62,214,512	n/a	-	(1,968,548)		(1,460,310)
Northwestern Community College	18,691,961	8,470,872	8,371,754	1,571,001	16,413,627	n/a	-	(368,364)		(200,000)
Norwalk Community College	49,554,807	27,041,601	16,201,450	8,186,612	51,429,663	n/a	-	(1,813,446)		(3,688,302)
Quinebaug Valley Community College	16,984,612	8,951,115	5,807,248	2,155,024	16,913,387	n/a	-	(466,835)		(385,610)
Three Rivers Community College	37,876,247	19,483,150	13,296,620	5,301,885	38,081,655	n/a	-	(1,248,176)		(1,453,594)
Tunxis Community College	38,713,653	19,410,263	14,078,706	4,562,203	38,041,172	n/a	-	(1,172,037)		(499,558)
CCC System Office	21,976,335	15,982,533	9,181,623	11,793,991	36,956,147	n/a	-	14,981,812	(1,000,000)	(1,000,000)
Community Technical College Total	491,085,934	258,530,091	174,369,127	76,798,575	509,727,763	-	-	-	(1,000,000)	(19,641,829)
Charter Oak State College	17,868,092	8,605,808	5,528,728	3,370,360	17,504,926	-	-	-	-	63,166
Board of Regents	697,987	387,053	310,934	-	697,987	-	-	-	-	-
Total Board of Regents for Higher Education	1,286,449,308	606,048,615	406,123,046	266,652,670	1,278,822,334	(33,727,073)	-	-	(1,000,000)	(27,100,099)

ADJOURNMENT

There being no further business, on motion by Regent Ryan, seconded by Regent Gray-Kemp, the meeting adjourned at 12:03 pm.

Submitted,

Erin A. Fitzgerald, Associate Director, Office of Board Affairs/
Secretary of the Board of Regents for Higher Education

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**CT BOARD OF REGENTS FOR HIGHER EDUCATION
FINANCE & INFRASTRUCTURE COMMITTEE MEETING
11 am., Thursday, June 13, 2019 – Special Meeting
CSCU System Office, 61 Woodland Street, Hartford, CT**

Attachments to Minutes and/or Meeting Handouts/ Presentations

Posted online at <http://www.ct.edu/regents/minutes>

A. Students First update

B. FY 2020 Budget/Spending Plan (staff report)

ITEM

Update on the Students First Plan

BACKGROUND

CSCU Adopted and has subsequently modified the Students First plan to address low completion rates in the Community Colleges while saving over \$20 million through administrative streamlining and consolidation.

SUMMARY

This plan continues to be implemented, with the following areas recently completed or underway this summer:

- Purchasing consolidation is underway, with areas for cost savings identified including Copiers and Printers, Janitorial Supplies, Elevators, Office Supplies, and scientific supplies.
- Payroll consolidation will begin this summer with a push for employee self-service.
- Other areas of consolidation, including IT, HR, and IR, are all advancing based on the original timelines.
- Reduction in facilities OT has been achieved, and guidance is forthcoming to campuses to assist in completing this item and ensuring continued savings.

Overall, the system remains on track to achieve over \$20 million in savings by 2024, as shown on the attached projection, which is updated to reflect the new state budget and the preliminary spending plans for the Community Colleges.

In addition, the Legislature's non-partisan Office of Fiscal Analysis completed an independent evaluation of the cost-savings projections for Students First. Their summary of that evaluation, along with a detailed review of the assumptions on which the savings rely, are attached.

ATTACHMENTS:

- Students First Projection updated 6/6/19
- OFA Review of Students First (e-mail from Janelle Stevens)
- OFA summary of Students First Assumptions

06/13/19 – Finance & Infrastructure – information item

06/20/19 – BOR – information item

CONNECTICUT COMMUNITY COLLEGES - 5 YEAR PROJECTIONS

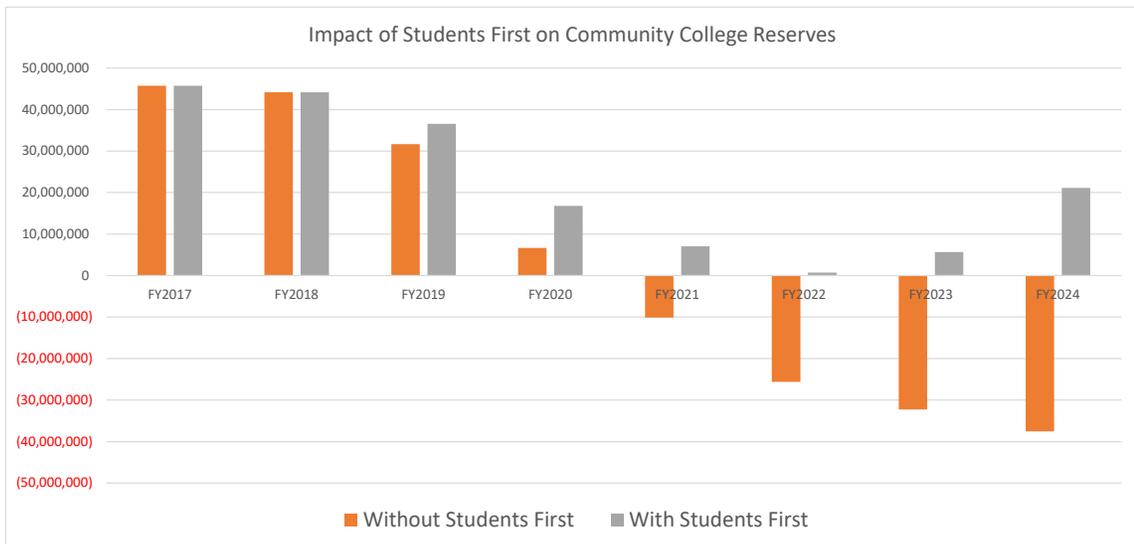
IMPACT OF STUDENTS FIRST

Revised 6/06/19

Transition to One College

One College

	FY17 Actual	FY18 Actual	FY 19 Estimated	FY 20 Preliminary Budget	FY 21 Projected	FY22 Est	FY23 Est	FY24 Est
REVENUES								
State Funding General Fund	157,410,403	143,839,172	139,947,625	141,415,941	149,193,818	149,193,819	149,193,819	149,193,819
State Fringe Benefits	118,750,872	113,793,841	139,158,008	155,024,377	181,249,154	181,249,155	181,249,155	181,249,155
State Funding Operating Funds	8,483,500	8,289,499	8,113,740	8,564,677	8,564,677	8,564,677	8,564,677	8,564,677
Tuition and Fees	175,416,703	182,903,459	183,088,346	184,752,632	187,062,040	189,400,315	191,767,819	194,164,917
Other	6,335,695	4,963,188	4,799,150	4,147,276	4,147,276	4,250,958	4,357,232	4,466,163
less contra revenue			(2,770,916)	(2,814,970)	(2,814,970)	(2,814,970)	(2,814,970)	(2,814,970)
Total Revenue	466,397,173	453,789,159	472,335,953	491,089,933	527,401,995	529,843,954	532,317,732	534,823,760
EXPENSES								
Salaries and Wages	244,185,554	241,656,677	253,042,471	265,806,352	280,982,317	276,338,920	264,842,875	260,745,953
Fringe Benefits	142,831,938	145,265,346	161,736,656	174,399,133	186,636,780	191,302,700	196,085,267	200,987,399
Institutional Aid & Waivers	22,317,347	22,605,852	20,689,055	20,805,973	21,066,048	25,029,901	25,342,775	25,659,559
Other	47,519,731	47,938,688	51,653,262	55,100,601	55,492,601	52,686,293	52,686,293	52,686,293
Total Expenses	456,854,570	457,466,563	487,121,444	516,112,059	544,177,746	545,357,814	538,957,210	540,079,204
Transfers and One-time		2,102,954	2,303,231					
Net Results (no Students First)	9,542,603	(1,574,450)	(12,482,260)	(25,022,126)	(16,775,751)	(15,513,860)	(6,639,478)	(5,255,444)
STUDENTS FIRST IMPACTS								
<u>Implementation Costs:</u>								
Student Success Center		377,759	397,986	419,325	441,838	465,589	465,589	465,589
Achieving the Dream		0	170,000	1,392,000	746,000	0	0	0
Guided Pathways		448,832	639,498	664,728	539,479	539,479	539,479	539,479
Academic Consolidation		288,314	288,314	304,171	320,901	320,901	0	0
Web Design/Systems		0	192,000	500,000	500,000	0	0	0
Total Implementation Costs		1,114,905	1,687,798	3,280,224	2,548,218	1,325,969	1,005,068	1,005,068
Savings -- eliminated positions		(3,555,329)	(6,555,329)	(9,555,329)	(12,555,329)	(15,555,329)	(21,555,329)	(38,572,342)
Increases -- new positions		0	0	1,000,000	3,000,000	5,000,000	9,000,000	16,871,791
Net Impact of Students First		(2,440,424)	(4,867,531)	(5,275,105)	(7,007,111)	(9,229,360)	(11,550,261)	(20,695,483)
Net Results including Students First	9,542,603	865,974	(7,614,729)	(19,747,021)	(9,768,640)	(6,284,499)	4,910,783	15,440,039
Unrestricted reserves								
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Without Students First	45,729,805	44,155,355	31,673,095	6,650,969	(10,124,782)	(25,638,642)	(32,278,119)	(37,533,563)
With Students First	45,729,805	44,155,355	36,540,626	16,793,605	7,024,965	740,466	5,651,250	21,091,289



From: [Stevens, Janelle](#)
To: [Ojakian, Mark](#)
Cc: [Barnes, Benjamin](#); [Beaudoin, Alexandra](#); [Shepard, Alan](#)
Subject: FW: Students First Costs and Savings
Date: Monday, May 20, 2019 10:05:04 AM
Attachments: [Assumptions in the Students First Calculations - 04.29.19.doc](#)

Dear President Ojakian,

Alan asked me to forward you the response to the legislator who requested a review of the Students First costs and savings. The response is below, and the assumptions (which were specifically requested by the legislator) are attached.

Thank you,
Janelle

From: Stevens, Janelle
Sent: Monday, April 29, 2019 3:12 PM
Cc: Shepard, Alan
Subject: Students First Costs and Savings

Dear _____,

You asked for verification of the Students First costs and savings described in the April 2019 CSCU update to its accreditor.

OFA finds that generally the Students First costs and savings are supported by position-level back-up and/or calculations supplied by CSCU. OFA replicated or otherwise verified the calculations (e.g., salaries of several personnel to be eliminated were checked in OFA's CORE-CT interface). As CSCU acknowledges, there may be slight variation from the costs and savings, especially in these areas:

- Total Planned Eliminations of personnel (corresponding to the chart on pg. 33 of the April update, and the Students First FY 24 "Savings" projection for FY 24 in the five-year projection) may result in higher savings than estimated in the chart, up to roughly a few million dollars, due to the chart's methodology.
- Planned New Positions (again from the pg. 33 chart, and the Students First FY 24 "Increases" projection for FY 24 in the five-year projection) may cost slightly more than anticipated, up to roughly a few million dollars. Actual salaries for the recently hired regional presidents and VP of Enrollment Management have been slightly above estimates, and this trend could continue.

In addition, the net results in the five-year projection may be inexact because of an error in the Salaries and Wages calculations (at the gross community college level, not specific to Students First) for FY 20 and beyond, which affects fringe expenses as well. Consequently, the net results (with and without students first) could be worse than anticipated each year beginning in FY 21. However, because Salaries and Wages, and Fringe Benefits, are large, they are highly sensitive to even small changes in assumptions (e.g., retirements or other

attrition, fringe cost increases); projecting them accurately is challenging. (If you would like to see a version of the five-year projection, please let me know.)

Attached are the assumptions used in CSCU's analysis, which we compiled and have reviewed.

As CSCU has not projected any aspect of its budget beyond FY 24, no analysis could be done of FY 25. The FY 24 estimates in the five-year projection reflect the annualized costs and savings of full implementation of Students First.

I hope this information is helpful. Please contact me if you have questions or would like additional information.

Thank you,
Janelle

Janelle Stevens
Office of Fiscal Analysis
(860) 240-0212

Assumptions in the April 2019 Students First Calculations

April 29, 2019

OFA

Students First Personnel Savings and Costs (p. 33 chart)

1. Fringe benefits costs are estimated at 75% of salary for new personnel.
2. Fringe benefits costs for positions targeted for elimination or eliminated already are actual.
3. No other assumptions apply: the data are calculated using individual positions targeted for elimination, already eliminated, or anticipated to be hired (new).

Five-Year Projection (p. 37 chart)

Revenues

1. State Funding General Fund: Governor's recommended funding levels for FY 20 and FY 21, and flat thereafter.
2. State Fringe Benefits: FY 20 estimated by CSCU taking into account the SAG award, and then the same percent (and amount) is projected through FY 24.
3. State Funding Operating Funds: Flat funding per Governor's recommended funding levels.
4. Tuition and Fees: Net increase of 1.25%, considering an annual increase in the rate of 2.5%, and an annual enrollment decline of 1.25%.
5. Other (Net Revenue): Flat

Expenses

1. Salaries and Wages: For each of FY 20 and FY 21, increases are due to a 5.5% salary increase over the prior FY. *(An error in the spreadsheet results in an incorrect, lower amount for FY 21; however, this may be offset by attrition unrelated to Students First.)* For FY 22, a 2% decline from FY 21 is anticipated due to retirements. For FY 23, a 5% decline from FY 21 (not from FY 22) is anticipated due to retirements. FY 22 and FY 23 assume no salary increases.
2. Fringe Benefits: Percent of Salaries and Wages which increases by 2-3 percentage points per year
3. Institutional Aid & Waivers: For FY 20 and beyond, set at 13% of tuition and fees revenue, the same percent as projected in FY 19.

Students First Impacts

1. Implementation Costs:
 - a. Student Success Center is PS, OE, and fringe for the personnel staffing the center.
 - b. Achieving the Dream is a consulting cost to implement the program.
 - c. Guided Pathways is the PS and fringe for personnel on loan from the colleges who are leading the initiative.
 - d. Academic Consolidation is the projected PS and fringe cost of staff and consultants assisting with curriculum alignment.

- e. Web design and system support: FY 19 is actual cost of web support personnel. In future years, CSCU anticipates costs will rise as stated because special software will be purchased to help advisors track and reach out to students.
2. Savings: Attrition in positions targeted for elimination. Actual for FY 18, projected at slightly less (\$3M annually in additional savings, or approximately 8% annually of the total savings anticipated) for FY 19 through FY 22. *The FY 18 savings may be an underestimate; CSCU reports totaling the annual savings and fringe costs resulted in \$4M. Anticipated to be \$6M in FY 23, and the remainder of the savings would be experienced in FY 24, when the transition to a consolidated college would be complete. More of the savings than listed may come in FY 22, as the SEBAC no-layoff provisions expire on the first day of FY 22. At the same time, pension calculation changes that will take effect the first day of FY 23 may result in higher savings fully experienced in FY 23.*
 3. Increases: New positions associated with Students First. Gradually increases, based on anticipated hiring schedule. E.g., the regional presidents will begin in FY 20. Reaches full amount projected in FY 24.

Other Administrative Savings (p. 34-35 description)

1. Purchasing power: Save 2% of \$46M for negotiating purchases at CSCU level; another 2% for joint purchasing with UConn and UConn Health. *Figure is savings, not net; it does not include PS and fringe of executive-level manager, estimated by CSCU at \$230K.*
2. IT personnel: Reduce IT staff in the system office by 20%. Figure reflects fringe and PS savings at the gross level.
3. IT operating costs: Printer reduction and support is anticipated to decline by \$560,000 annually.
4. Facilities overtime: Limiting overtime to 2.5% of PS is anticipated to result in \$2,453,074.
5. Tuition and fees revenue: Counted in the “savings” total of \$11.2M. Assumes an FY 20 FTE enrollment loss for the CCs, CSUs, and COSC that is half the projected decline (due to Guided Pathways and the Student Success Center).
6. Not detailed in the NECHE update are savings already generated:
 - a. Internal audit restructuring has saved \$479,162 annually (net of costs), about 88% of the original estimate.
 - b. System office administrative assistant reductions and job combinations have saved \$427,000 annually, about 109% of the original estimate.
 - c. System office cell phone reduction has already resulted in \$104,956 reduction (about one-third of what was anticipated originally).

ITEM

Approval of FY2019-20 Preliminary Spending Plan and any reductions thereto.

SUMMARY

CSCU faces extraordinary fiscal challenges in FY 2020. Declining enrollment, constrained state appropriations, salary increases, and reduced available bond funds will all challenge the system to continue to meet student needs while ensuring the long-term financial health of our institutions.

The base spending plans are presented to you as submitted by the colleges and universities in the system. The system office has reviewed these plans for accuracy and consistency, but they reflect the requests from each campus. These requests will result in operating losses of \$19.6 million for the Community Colleges, \$7.5 million for the State Universities and a breakeven budget for Charter Oak State College, as summarized below:

Net Change by Unit	FY2019 Projected <u>Net Change</u>	FY2020 Budget <u>Net Change</u>
Connecticut State Universities	(\$906,396)	(\$7,521,436)
Connecticut Community Colleges	(7,969,259)	(19,641,829)
Charter Oak State College	808,771	63,166
Board of Regents	-	-
CSCU Total	<u>(\$8,066,884)</u>	<u>(\$27,100,099)</u>

The operating losses in the base spending plans submitted by the individual institutions must be covered by some combination of reserves or other management initiatives to reduce spending or, potentially, increase revenue through enrollment management or other means. Covering these losses would amount to a drawdown of 5.3% of current reserves for the CSUs, and 53.2% in the case of the Community Colleges. In the case of the Community Colleges, this drawdown is extremely aggressive and would not be sustainable beyond FY 2020.

In the event that the Board of Regents approves a more limited drawdown of reserves for the Community Colleges, management will undertake efforts to produce corresponding savings to achieve balanced operations in the coming year. In anticipation of a Board-imposed limit on the use of Community College reserves, the system office has developed options that would reduce spending across the community colleges by \$12.5 million, thereby reducing the drawdown of reserves from nearly \$20 million to only \$7.1 million, or 19.2% of current reserves. These options would entail establishing targets for reductions to personnel and other expenses budgets at each campus and the system office.

Note that it is not recommended to impose these options on the state universities or on Charter Oak given the higher reserve levels at the CSUs and Charter Oak’s proposal to operate with a small surplus in FY 2019.

The reduction options management may implement, which are described at the end of this report in detail, include:

1. Continuation of hiring freeze. Under this option, the Community Colleges will continue hold vacancies open and only refill critical positions after a thorough evaluation by the system office of the impact on critical services provided to students.
2. Personnel reduction. This could be accomplished by limiting overtime, part-time hours, release time, or overload.
3. Other Expense reduction across the board.

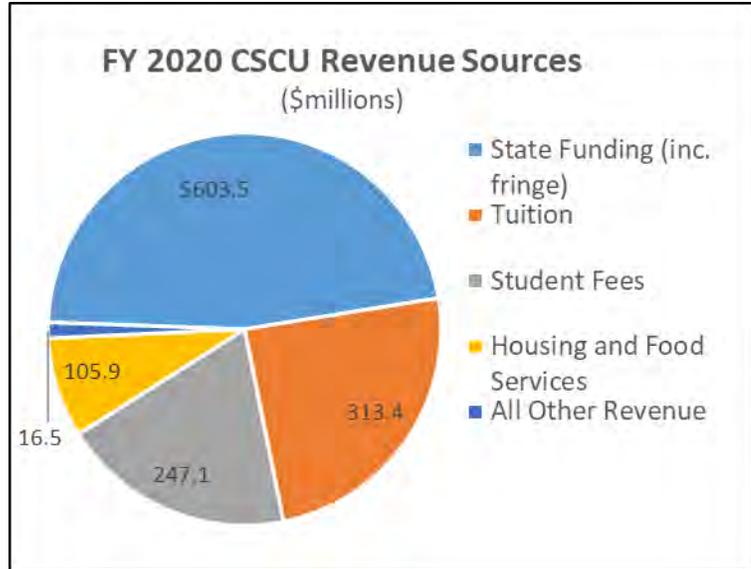
REVENUES

The proposed spending plan reflects the Governor’s budget proposal for State appropriations and relies on the following revenue, including tuition and fees revenue based on the BOR-approved tuition and fee schedules for FY 2020 combined with a projected 1% decline in enrollment.

<i>CSCU Revenue (\$ Millions)</i>	<u>FY19 Proj</u>	<u>FY20 Budget</u>	<u>FY 2020 Bud vs. FY 2019 Proj</u>	
			<u>(\$)</u> Increase	<u>(%)</u> Increase
State Appropriations	\$297.5	\$300.5	\$3.0	1%
Fringe Paid by State	279	303	24	9%
Tuition (FT & PT)	305.0	313.4	\$8.4	3%
Student Fees	238.7	247.1	\$8.4	4%
Housing and Food Services	103.6	105.9	\$2.4	2%
All Other Revenue	17.0	16.5	(\$0.5)	-3%
<i>Total</i>	<u>\$1,240.7</u>	<u>\$1,286.4</u>	<u>\$45.7</u>	<u>4%</u>

The revenue sources are primarily from State support (47%,) tuition (24%,) fees (19%,) and auxiliary services (8%).

The FY 2020 total General Fund allotment of \$328.5 million plus related fringe benefits reflects the adopted FY 2020 state budget, including an adjustment of \$8.2M additional funds towards the Community Colleges Operating Fund Fringe. The adjustments to CSCU FY2020 in the adopted State budget include: \$25,000 increase to Community College block grant for Ansonia students in the College Connections program and \$150,000 increase to CSU block grant for the O’Neill Chair and \$100,000 for the IMRP program at CCSU.



The state appropriation is itemized below. Note that a proposal by the Appropriations Committee to shift some of the CCC and CSU block grants to the Board of Regents line was not included in the adopted budget. Overall, state funding increases by \$11.5 million in FY 2020 and \$28.1 million in FY 2021.

	FY2019	FY2020	FY2021	FY20 vs. FY19 (\$ Inc (Dec)	FY21 vs. FY20 (\$ Inc (Dec)
Connecticut State Universities	\$143,675,994	\$145,330,562	\$153,315,495	\$1,654,568	\$7,984,933
Connecticut Community Colleges	139,947,626	141,440,942	149,218,817	1,493,316	7,777,875
Charter Oak State College	3,104,715	3,112,823	3,284,028	8,108	171,205
Board of Regents	371,362	387,053	408,341	15,691	21,288
Developmental Services	8,912,702	8,912,702	8,912,702	-	-
Outcomes-Based Funding Incentive	1,202,027	1,202,027	1,202,027	-	-
IMRP	300,000	400,000	400,000	100,000	-
Workers' Compensation	3,289,276	3,289,276	3,289,276	-	-
State Appropriation	\$300,803,702	\$304,075,385	\$320,030,686	\$3,271,683	\$15,955,301
Fringe Benefit Subsidy to Community Colleges	16,200,000	24,400,000	36,550,000	8,200,000	12,150,000
Total State Appropriation	\$317,003,702	\$328,475,385	\$356,580,686	\$11,471,683	\$28,105,301

EXPENDITURES

The table below summarizes changes in overall system expenditures by category under the proposed spending plan.

<u>CSCU Expenditures (\$ Millions)</u>	<u>FY2019 Proj</u>	<u>FY2020 Bud</u>	<u>2020 Bud vs. FY 2019 Proj</u>		
			<u>(\$)</u> Increase	<u>(%)</u> Increase	<u>% of Total</u>
Salary Cost	\$581	\$606	\$25	4%	46%
Fringe Benefit Cost	376	406	30	8%	31%
Institutional Financial Aid/Match	58.8	60.2	1.4	2%	5%
Waivers	15.8	17.7	1.8	12%	1%
Utilities	31.8	33.1	1.4	4%	3%
All Other Expenses	153.8	155.6	1.8	1%	12%
Debt Service	36.1	33.7	(2.4)	-7%	3%
Total	<u>\$1,253</u>	<u>\$1,313</u>	<u>\$59</u>	<u>5%</u>	<u>100%</u>

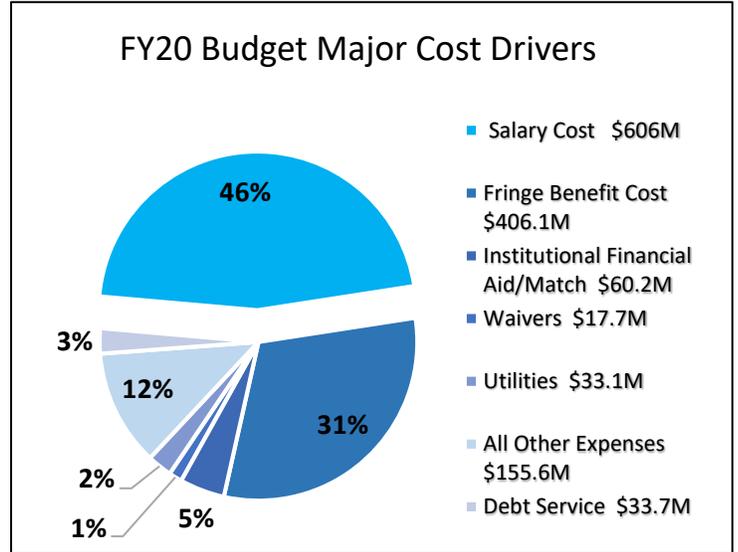
The spending plan for the system office is summarized in the table below:

	BOR	CCC	CSU	System Office Total
FTEs	48	85	20	153
Salary Cost	\$5,911,156	\$9,655,699	\$2,213,826	\$17,780,681
Fringe Cost	4,511,773	6,778,603	1,679,040	12,969,416
All Other Expenses	-	11,793,991	4,146,344	15,940,335
Total	<u>\$10,422,929</u>	<u>\$28,228,293</u>	<u>\$8,039,210</u>	<u>\$46,690,432</u>
% of Total	22%	60%	17%	
Description	<i>Includes all System Office staff who perform significant work for both CSU and CCC systems. Includes HR, Legal, Government Relations, and Governance.</i>	<i>Includes staff dedicated exclusively to Community Colleges. Spending is predominantly in the areas of Information Technology, Finance and Facilities. Significant areas of OE include licenses for Banner and other system-wide technology and preparation of financial reports.</i>	<i>Includes staff dedicated exclusively to State Universities. Spending is predominantly in areas of Facilities, Finance, and Information Technology. Significant areas of OE include financial statement preparation and implementation costs for CSCU 2020.</i>	

Personnel Costs

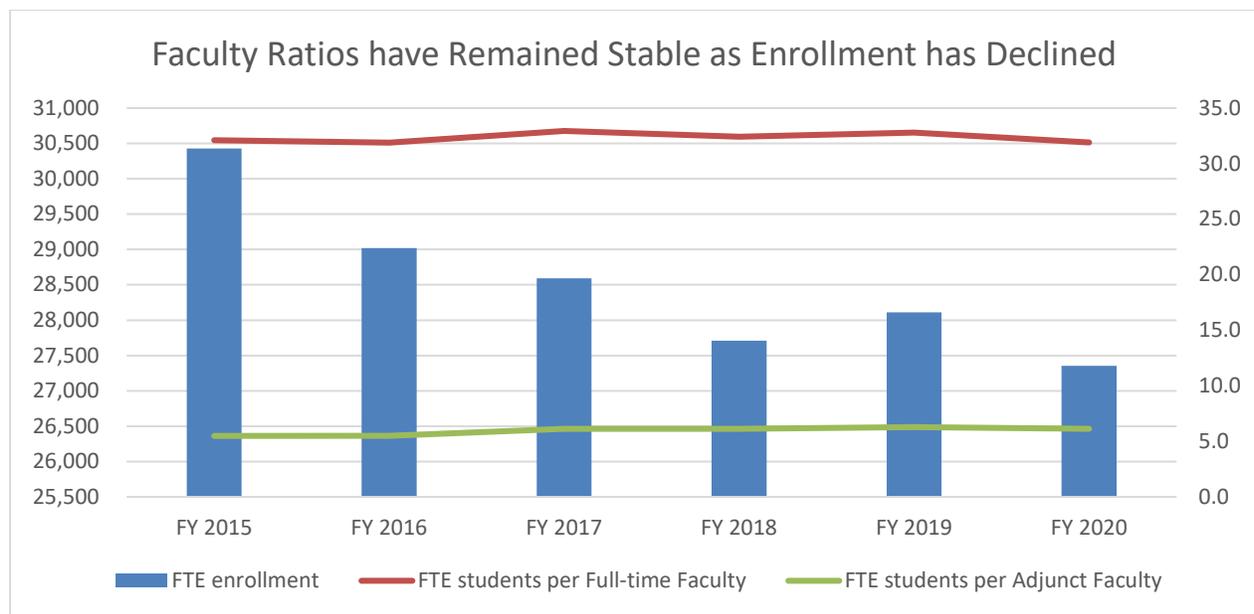
Personnel costs (salary and fringe) account for over 77% of total costs at CSCU, including the 5.5% salary increases driven by the 2017 statewide concession agreement with SEBAC. In FY 2020 the projected fringe benefit cost is 67% of total salary.

Colleges and Universities have shown a more conservative approach in FY 2019 and proposed for FY 2020, with vacancies being held open for longer periods of time and with only the most critical positions being filled, often at a lower salary. For example, CCSU only filled 11 of the 46 vacancies that were budgeted to be filled during FY 2019.



At the Community Colleges, a decline in enrollment has resulted in reduced part-time faculty costs across the board. Retirement is also playing a role, with many institutions electing to forgo replacement of vacancies or delay hiring when vacancies occur. Some colleges are eliminating vacant positions due to lack of funding or department reorganization.

It is worth noting that the recent and budgeted levels of personal services spending have allowed the Community College system to maintain stable student-to-faculty ratios in recent years, as shown below.



Fringe Benefit Costs

Fringe benefit expenses will exceed \$400 million in FY 2020 based on our conservative projection. The fringe benefits cost increase is due to increase in rates, increase in personnel cost and most significantly a large number of eligible employees (696) transitioned from the alternate retirement plan to the state retirement system part of the SAG award. The additional cost due to conversions associated with the SAG award is estimated at \$18.4 million

There are some reasons for optimism that fringe benefit expenses may come in lower than this budget, however. First, the system is making some changes to the methodology by which we allocate fringe benefits between the General and Operating funds. These changes are intended to more effectively maximize the fringe coverage by the Office of the State Comptroller, and could produce savings of more than \$1 million per year. Second, the adopted state budget includes a reduction in SERS unfunded liability costs based on an anticipated agreement with SEBAC to re-amortize those liabilities. This is likely to result in a reduction of the rate assigned for SERS by the Comptroller, saving CSCU money on the employees charged to operating funds.

Other Spending Items

The spending plan before you includes \$1 million from System Office (Community College) reserves to support a system-wide marketing campaign intended to drive enrollment. That effort would accentuate the affordability of Connecticut's community colleges, including the elimination of the application fee, the high proportion of students who pay no tuition out of pocket, and the ease of credit transfer under TAP for those seeking a very affordable path to a Bachelor's degree. This effort would also support the Community Colleges' implementation in FY 2021 of "Debt-free College" that was included in the state budget, and which anticipates robust enrollment growth in that year.

REDUCTION OPTIONS

The impact of the reduction options identified above on individual community college campuses is shown below.

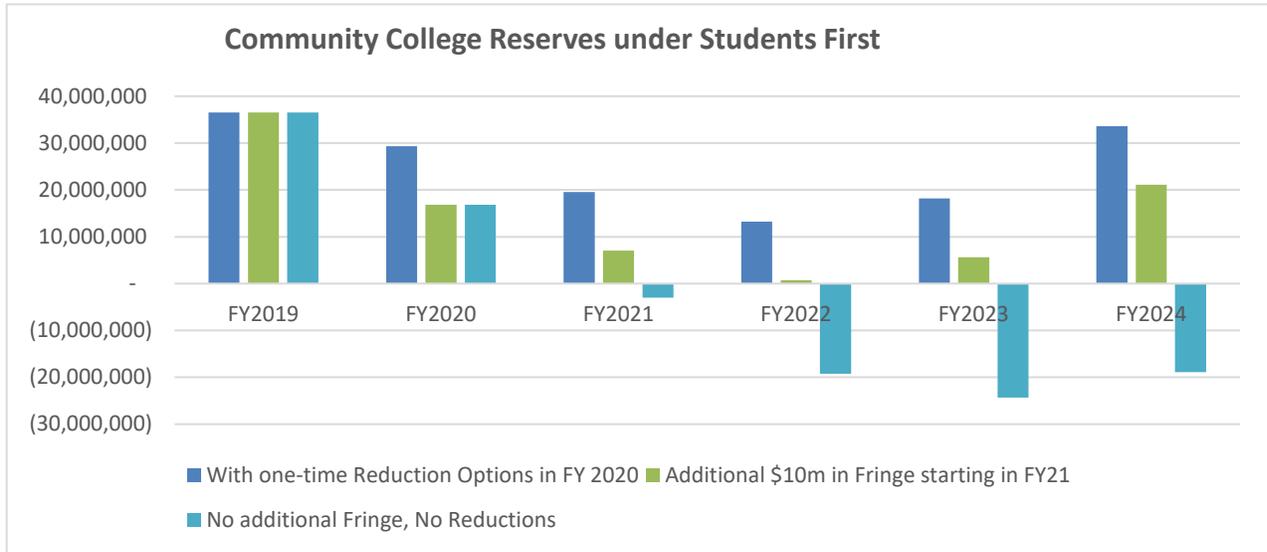
**Connecticut Community Colleges
FY2019-20 Reduction Options to Salary, Fringe and All Other Expenses**

	<i>FY2020 Budget Reduction Options</i>				
	<i>Option #1: Hiring Freeze Reduction</i>	<i>Option #2: 1% Reduction to Total PS</i>	<i>Fringe Benefit Reduction</i>	<i>Option #3: 3% Reduction to Other Expense</i>	<i>TOTAL Reduction Options</i>
Community Colleges					
Asnuntuck	(98,547)	(114,678)	(150,345)	(58,092)	(421,662)
Capital	(79,508)	(194,257)	(195,550)	(82,201)	(551,516)
Gateway	(1,425,583)	(300,590)	(1,142,727)	(180,000)	(3,048,900)
Housatonic	(242,400)	(224,315)	(307,332)	(135,000)	(909,047)
Manchester	(893,138)	(276,119)	(865,250)	(79,405)	(2,113,912)
Middlesex	(159,750)	(129,264)	(166,241)	(76,624)	(531,879)
Naugatuck Valley	-	(323,694)	(229,823)	(81,085)	(634,602)
Northwestern	-	(84,709)	(63,718)	(14,912)	(163,339)
Norwalk	(517,739)	(265,239)	(469,082)	(128,460)	(1,380,520)
Quinebaug Valley	(140,205)	(88,109)	(148,130)	(41,465)	(417,909)
Three Rivers	(191,288)	(192,919)	(262,221)	(82,343)	(728,771)
Tunxis	(371,982)	(190,383)	(407,883)	(59,973)	(1,030,221)
CCC SO	-	(127,947)	(91,815)	(353,733)	(573,495)
	<u>\$ (4,120,140)</u>	<u>\$ (2,512,223)</u>	<u>\$ (4,500,117)</u>	<u>\$ (1,373,293)</u>	<u>\$ (12,505,773)</u>

The impact of these reductions on the operating results at each community college are shown in the following table:

Connecticut Community Colleges FY2019-20 Impact of Reduction Options					
	<i>FY2020 Spending Plan</i>				
	<i>Total Expenditures In Base Spending Plan</i>	<i>Projected Operating Losses</i>	<i>TOTAL Reduction Options</i>	<i>Reduction Options as % of Total Expenditures</i>	<i>Operating Losses after Reduction Options</i>
Community Colleges					
Asnuntuck	22,724,966	(480,100)	(421,662)	-2%	(58,438)
Capital	38,285,846	(3,560,289)	(551,516)	-1%	(3,008,773)
Gateway	62,269,911	(1,794,789)	(3,048,900)	-5%	1,254,111
Housatonic	45,826,549	(3,263,426)	(909,047)	-2%	(2,354,379)
Manchester	55,820,564	(900,000)	(2,113,912)	-4%	1,213,912
Middlesex	24,747,964	(955,863)	(531,879)	-2%	(423,984)
Naugatuck Valley	62,214,312	(1,460,310)	(634,602)	-1%	(825,708)
Northwestern	16,413,627	(200,000)	(163,339)	-1%	(36,661)
Norwalk	51,429,663	(3,688,302)	(1,380,520)	-3%	(2,307,782)
Quinebaug Valley	16,913,387	(385,610)	(417,909)	-2%	32,299
Three Rivers	38,081,655	(1,453,584)	(728,771)	-2%	(724,813)
Tunxis	38,041,172	(499,556)	(1,030,221)	-3%	530,665
CCC SO	<u>36,958,147</u>	<u>(1,000,000)</u>	<u>(573,495)</u>	<u>-2%</u>	<u>(426,505)</u>
	<u>\$ 509,727,763</u>	<u>\$ (19,641,829)</u>	<u>\$ (12,505,773)</u>	<u>-2%</u>	<u>\$ (7,136,056)</u>

While the impact of these identified reductions would be challenging to the colleges, their successful implementation will have a significant impact on the system’s solvency over the next few years. In conjunction with savings anticipated and already achieved under Students First, along with the additional \$10 million in fringe benefit support included in the budget for FY 2021, these savings could help to rebuild reserves to current levels by 2024. The impact of these items is shown in the graph below.



RECOMMENDATION

We request approval by the Committee for the FY 2020 budget presented in Attachment A, subject to any restrictions imposed by the Board on the use of reserves.

Attachments:

For Approval

A – FY 2020 Budget

For Information

B - FY 2019 Budget

C - FY 2019 Projection

D - CSU Consolidated FY 2020 Budget and Comparatives

E - CSU Institutional FY 2020 Budget and Comparatives

F - CCC Institutional FY 2020 Budget and Comparatives

G – Institutional Enrollment

H – Financial Aid – Federal, State, Private, and Institutional

ITEM

Report on adjustments to FY 2020 spending plan to reach Board-approved reduction target.

SUMMARY

At its June 20, 2019 meeting the Board of Regents approved a spending plan for the Community Colleges that included a provision that the system find reductions from the proposed plan in order to limit use of reserves to \$8 million in FY 2020. Based on that action, the System Office has worked with regional leadership to develop campus-based plans that will allow us to meet the Board’s objective while minimizing the impact of any cuts on students and their prospects for college success.

The process by which these plans were developed is summarized below:

- Targets were developed based on budget size for each campus. These targets were revised based on initial feedback from campuses.
- Each campus was asked to develop specific options to accomplish the savings or additional revenue in order to satisfy those plans. The campuses met regionally as part of their respective deliberations.
- Plans were submitted to the System Office where they were reviewed for accuracy.
- Each region convened with System Office staff to review the options presented for each campus. At those meetings several options were discarded because they were deemed to have a negative impact on students or were not able to be achieved.

The final reduction options that have resulted from this process total \$10,980,773. These reductions will bring the colleges’ use of reserves down from \$19.6 million to \$8.7 million. While this number is slightly higher than the \$8 million cap set by the Board, it is reasonable to expect that additional attrition or other savings opportunities will develop over the remainder of the year. The reduction options are summarized below:

	Projected Reduction Options
Additional Revenue & Transfers	\$1,530,199
Reduction to Personnel Services (FT & PT positions)	5,065,293
Reduction to Fringe Benefits	3,186,543
Reduction to All Other Expenses	1,198,738
Total Reduction	<u>\$9,450,574</u>
Grand Total	<u>\$10,980,773</u>

- Throughout the Community College system, savings flow from a decline in personnel cost across the board. Many institutions are electing to forgo replacement for vacancies or delay hiring when vacancies occur.
- Some vacancies are being eliminated (6 full-time positions and 17 part-time positions) due to department reorganization per Students First implementation plan. A total of 32 full-time vacant positions plus 7 positions held by those who announced their retirement will not be filled during FY2020.
- There is a trend of increasing number of shared positions (12 positions) among campuses in areas such as: Management, Institutional Research, Marketing, and Enrollment Management.
- In many cases, campus leaders are able to achieve savings through unfilled positions because they have found creative ways to reorganize functions and complete critical work using existing staff or new part-time positions.

During the review process, a number of reduction options were rejected because they would have a negative impact on students. These rejected options would have left vacant a number of critical positions (7 full-time and 21 part-time) and produced additional savings of \$1.25 million. In each case, there was consensus among the respective region that the options in question were not advisable.

The total value of the accepted reduction options by college are shown below, including a proportionate reduction at system office:

	<u>Accepted Reduction Options</u>
<u>Community Colleges</u>	
Asnuntuck	(\$309,831)
Capital	(875,111)
Gateway	(1,915,290)
Housatonic	(824,528)
Manchester	(1,334,380)
Middlesex	(590,345)
Naugatuck Valley	(948,110)
Northwestern	(207,483)
Norwalk	(1,300,877)
Quinebaug Valley	(396,101)
Three Rivers	(913,987)
Tunxis	(494,499)
CCC SO	<u>(870,232)</u>
	(\$10,980,774)

OTHER BUDGET RISKS

Since the adoption of the spending plans in June, the state has adopted a budget that allowed the Governor to implement holdbacks. For the Community Colleges, the holdbacks totaled just over \$700,000. This will also result in a reduction of state-supported fringe of over \$500,000. While these reductions are relatively manageable, the possibility of further allotment reductions by the state is a significant risk to the Community Colleges.

Fringe benefits also remain a significant risk to the finances of the Community Colleges. While the fringe rates dropped this year as a result of changes to how the state is amortizing unfunded liabilities in the SERS and Teachers' pension systems, most of the benefit will flow to state coffers, and not to CSCU's budget. This is because the employees with the highest fringe rates are funded under our block grants, with fringes paid directly by the state.

Finally, we are closely monitoring enrollment for the new academic year. While most campuses budgeted based on an assumption of flat, or close to flat, enrollment, we are in a period of dwindling numbers of high school graduates in Connecticut. Underperformance against our cumulative enrollment projections is a significant fiscal risk at the Community Colleges, as well as at the universities.

CONCLUSION

These budget reductions in the current fiscal year will unquestionably reduce the FY2020 deficit. Moreover, campus, regional and system office leadership have reviewed the proposals, eliminated some, and are satisfied that the accepted options will not unduly harm students or cause significant jeopardy to our institutions. We can expect that these changes, coupled with routine attrition and underspending in various accounts, will allow us to reduce our deficit in accordance with the Board's direction.

There are some additional budget risks that may ultimately impact our budget performance, and the System Office will continue to monitor these risks, and will evaluate them again in January when we prepare a mid-year projection for the Board. If additional actions with respect to the system spending plans are warranted, we will request them at that time.