

Developing a State of Minds

RESOLUTION

concerning

FY2004-05 INSTITUTIONAL SPENDING PLANS AND AUTHORIZED EXPENDITURE LEVELS FOR MANAGEMENT & CONFIDENTIAL PROFESSIONAL PERSONNEL AND SUOAF-AFSCME ADMINISTRATORS

June 14, 2004

WHEREAS, Pursuant to the provisions of Section 10a-89(a) of the Connecticut General Statutes, the Board of Trustees shall "...subject to state-wide policy and guidelines established by the Board of Governors of Higher Education,...(1) Make rules for the government of the Connecticut State University system and shall determine the general policies of the university system, including...the expenditure of the funds of institutions under its jurisdiction within the amounts available;..." and

WHEREAS, Board Resolution 92-31 provides that each university and the System Office shall submit a fiscal year spending plan proposal to the Board of Trustees for its approval, and

WHEREAS, The spending plan proposal is required to project overall university expenditures and proposed spending levels for full-time positions by major fund source and National Association of College and University Business Officers (NACUBO) program classifications, and

WHEREAS, Each university and the System Office has submitted spending plans for fiscal year 2004-05 to the Board of Trustees which are summarized in Attachments 1 through 3, and

WHEREAS, The Board of Trustees has reviewed and discussed the spending plan proposals with the four university Presidents and the Chancellor, and finds the FY2004-05 spending plans appropriate to the system's present fiscal circumstances, and

WHEREAS, The Board approves an overall spending level for all funds except for federal and private grants, bond funds, and intra/inter agency funds, therefore be it

RESOLVED, That each President and the Chancellor shall ensure adherence to the approved spending plan, maintaining expenditure control within the spending caps established for SUOAF-AFSCME, and Management and Confidential Professional personnel categories, and be it further

RESOLVED, That the following levels of spending for each university and the System Office/System Support/*OnlineCSU* are authorized for fiscal year 2004-05 and can be changed upon approval by the Chancellor, except for the System Office/System Support/*OnlineCSU* which must be approved by the Board Chairperson:

System Office	\$ 4,275,762
System Support	6,375,817
<i>OnlineCSU</i>	705,888
Central Connecticut State University	127,542,741
Eastern Connecticut State University	69,006,513
Southern Connecticut State University	132,534,115
Western Connecticut State University	72,158,924

NOTE: Excludes Telecommunications, federal and private grants, and bond funds

and be it further

RESOLVED, That the above authorized spending levels have the following effect upon the reserves of each university and the System:

System Office	\$ 0
System Support	0
<i>OnlineCSU</i>	144,546
Central Connecticut State University	640,372
Eastern Connecticut State University	(291,743)
Southern Connecticut State University	1,696,820
Western Connecticut State University	313,651

NOTE: Excludes Telecommunications, federal and private grants, and bond funds

and be it further

RESOLVED, That the university Presidents are authorized to establish and refill positions within approved spending caps, and be it further

RESOLVED, That the following expenditure caps are placed on the SUOAF-AFSCME bargaining unit for each university and the System Office/System Support for fiscal year 2004-05:

System Office and System Support	\$ 1,375,611
Central Connecticut State University	10,813,100
Eastern Connecticut State University	6,905,272
Southern Connecticut State University	10,356,328
Western Connecticut State University	7,003,344

and be it further

RESOLVED, That the following expenditure caps are placed on the Managerial and Confidential Professional personnel for each university and the System Office/System Support for the fiscal year 2004-05:

System Office and System Support	\$	3,236,985
Central Connecticut State University		3,569,248
Eastern Connecticut State University		3,183,323
Southern Connecticut State University		3,530,794
Western Connecticut State University		2,592,370

and be it further

RESOLVED, That for FY2004-05 each university is expected to raise projected tuition revenues, as follows:

FY2004-05 Tuition Revenue Projections

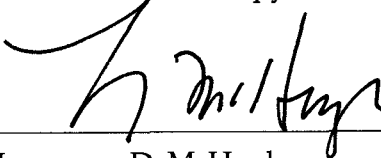
	<u>CCSU</u>	<u>ECSU</u>	<u>SCSU</u>	<u>WCSU</u>
Net Revenue	\$24,875,193	\$12,127,526	\$24,531,036	\$13,934,689

and be it further

RESOLVED, That while expenditures are authorized up to the limit of the spending plans summarized in this resolution, the Presidents and the Chancellor are encouraged to seek further economies in their operations during fiscal year 2004-05, and be it further

RESOLVED, That the Board of Trustees may request that each university and the System Office submit a progress report on their spending plans at any time during the year as desired.

A Certified True Copy:



Lawrence D. McHugh
Chairman

CONNECTICUT STATE UNIVERSITY SYSTEMDollar & Percentage Comparison - Educational & Auxiliary Services Revenues and Expenditures
Budgeted FY 2003-04 and Budgeted FY 2004-05

	FY 03-04 Budget	FY 04-05 Budget	\$ / % CHANGE	
CENTRAL				
Revenues	\$138,229,494	\$141,163,094	\$2,933,600	2.1%
Expenses	<u>128,195,283</u>	<u>127,542,741</u>	(652,542)	-0.5%
+/- Before Transfers	\$10,034,211	\$13,620,353		
Transfers	<u>(\$9,509,144)</u>	<u>(\$12,979,981)</u>		
+/- After Transfers	\$525,067	\$640,372		
EASTERN				
Revenues	\$68,824,017	\$74,987,992	\$6,163,975	9.0%
Expenses	<u>64,247,776</u>	<u>69,006,513</u>	4,758,737	7.4%
+/- Before Transfers	\$4,576,241	\$5,981,479		
Transfers	<u>(\$4,462,051)</u>	<u>(\$6,273,222)</u>		
+/- After Transfers	\$114,190	(\$291,743)		
SOUTHERN				
Revenues	\$133,621,419	\$146,098,243	\$12,476,824	9.3%
Expenses	<u>122,636,865</u>	<u>132,534,115</u>	9,897,250	8.1%
+/- Before Transfers	\$10,984,554	\$13,564,128		
Transfers	<u>(\$9,473,718)</u>	<u>(\$11,867,308)</u>		
+/- After Transfers	\$1,510,836	\$1,696,820		
WESTERN				
Revenues	\$71,739,917	\$78,814,653	\$7,074,736	9.9%
Expenses	<u>66,667,955</u>	<u>72,158,924</u>	5,490,969	8.2%
+/- Before Transfers	\$5,071,962	\$6,655,729		
Transfers	<u>(\$5,280,827)</u>	<u>(\$6,342,078)</u>		
+/- After Transfers	(\$208,865)	\$313,651		
SYSTEM OFFICE				
Revenues	\$4,375,762	\$4,375,762	\$0	0.0%
Expenses	<u>4,275,762</u>	<u>4,275,762</u>	0	0.0%
+/- Before Transfers	\$100,000	\$100,000		
Transfers	<u>(\$100,000)</u>	<u>(\$100,000)</u>		
+/- After Transfers	\$0	\$0		
ONLINE CSU				
Revenues	\$0	\$0	\$0	NA
Expenses	<u>\$1,024,428</u>	<u>\$705,888</u>	(318,540)	-31.1%
+/- Before Transfers	(\$1,024,428)	(\$705,888)		
Transfers	<u>\$953,264</u>	<u>\$850,434</u>		
+/- After Transfers	(\$71,164)	\$144,546		
SYSTEM SUPPORT				
Revenues	\$6,120,528	\$6,375,817	\$255,289	4.2%
Expenses	<u>6,224,785</u>	<u>6,375,817</u>	151,032	2.4%
+/- Before Transfers	(\$104,257)	\$0		
Transfers	\$0	\$0		
+/- After Transfers	(\$104,257)	\$0		
SYSTEM TOTAL				
Revenues	\$422,911,137	\$451,815,561	\$28,904,424	6.8%
Expenses	<u>\$393,272,854</u>	<u>\$412,599,760</u>	19,326,906	4.9%
+/- Before Transfers	\$29,638,283	\$39,215,801		
Transfers	<u>(\$27,872,476)</u>	<u>(\$36,712,155)</u>		
+/- After Transfers	\$1,765,807	\$2,503,646		
TELECOM.				
Revenues	\$4,383,023	\$4,312,543	(\$70,480)	-1.6%
Expenses	<u>4,033,023</u>	<u>3,916,608</u>	(\$116,415)	-2.9%
+/- Before Transfers	\$350,000	\$395,935		
Transfers	<u>(\$350,000)</u>	<u>(\$395,935)</u>		
+/- After Transfers	\$0	\$0		

CONNECTICUT STATE UNIVERSITY SYSTEMDollar & Percentage Comparison - Educational & Auxiliary Services Revenues and Expenditures
Estimated FY 2003-04 and Budgeted FY 2004-05

	FY 03-04 Estimate	FY 04-05 Budget	\$ / % CHANGE	
CENTRAL				
Revenues	\$133,965,892	\$141,163,094	\$7,197,202	5.4%
Expenses	117,482,255	127,542,741	10,060,486	8.6%
+/- Before Transfers	\$16,483,637	\$13,620,353		
Transfers	(\$14,304,900)	(\$12,979,981)		
+/- After Transfers	\$2,178,737	\$640,372		
EASTERN				
Revenues	\$70,042,782	\$74,987,992	\$4,945,210	7.1%
Expenses	65,259,815	69,006,513	3,746,698	5.7%
+/- Before Transfers	\$4,782,967	\$5,981,479		
Transfers	(\$4,630,238)	(\$6,273,222)		
+/- After Transfers	\$152,729	(\$291,743)		
SOUTHERN				
Revenues	\$134,370,177	\$146,098,243	\$11,728,066	8.7%
Expenses	123,053,601	132,534,115	9,480,514	7.7%
+/- Before Transfers	\$11,316,576	\$13,564,128		
Transfers	(\$10,069,706)	(\$11,867,308)		
+/- After Transfers	\$1,246,870	\$1,696,820		
WESTERN				
Revenues	\$70,670,967	\$78,814,653	\$8,143,686	11.5%
Expenses	64,865,781	72,158,924	7,293,143	11.2%
+/- Before Transfers	\$5,805,186	\$6,655,729		
Transfers	(\$5,493,135)	(\$6,342,078)		
+/- After Transfers	\$312,051	\$313,651		
SYSTEM OFFICE				
Revenues	\$4,136,431	\$4,375,762	\$239,331	5.8%
Expenses	4,036,431	4,275,762	239,331	5.9%
+/- Before Transfers	\$100,000	\$100,000		
Transfers	(\$100,000)	(\$100,000)		
+/- After Transfers	\$0	\$0		
ONLINE CSU				
Revenues	\$0	\$0	\$0	NA
Expenses	\$972,187	\$705,888	(266,299)	-27.4%
+/- Before Transfers	(\$972,187)	(\$705,888)		
Transfers	\$1,044,784	\$850,434		
+/- After Transfers	\$72,597	\$144,546		
SYSTEM SUPPORT				
Revenues	\$6,359,858	\$6,375,817	\$15,959	0.3%
Expenses	6,156,520	6,375,817	219,297	3.6%
+/- Before Transfers	\$203,338	\$0		
Transfers	\$0	\$0		
+/- After Transfers	\$203,338	\$0		
SYSTEM TOTAL				
Revenues	\$419,546,107	\$451,815,561	\$32,269,454	7.7%
Expenses	\$381,826,590	\$412,599,760	30,773,170	8.1%
+/- Before Transfers	\$37,719,517	\$39,215,801		
Transfers	(\$33,553,195)	(\$36,712,155)		
+/- After Transfers	\$4,166,322	\$2,503,646		
TELECOM.				
Revenues	\$4,296,629	\$4,312,543	\$15,914	0.4%
Expenses	4,008,854	3,916,608	(\$92,246)	-2.3%
+/- Before Transfers	\$287,775	\$395,935		
Transfers	(\$250,000)	(\$395,935)		
+/- After Transfers	\$37,775	\$0		

CONNECTICUT STATE UNIVERSITY SYSTEM

Management/Confidential & Administrators (SUOAF/AFSCME)

Salary Caps FY 2003-04 and FY 2004-05

Management / Confidential

	<u>Central</u>	<u>Eastern</u>	<u>Southern</u>	<u>Western</u>	<u>System Office & System Support</u>
FY 2003-04 (BOT APPROVED BR 03-41)	\$3,393,265	\$2,841,233	\$3,685,064	\$2,689,562	\$3,221,874
FY 2004-05 (REQUESTED CAP)	\$3,569,248	\$3,183,323	\$3,530,794	\$2,592,370	\$3,236,985
Change	\$175,983	\$342,090	(\$154,270)	(\$97,192)	\$15,111

Administrators (SUOAF /AFSCME)

	<u>Central</u>	<u>Eastern</u>	<u>Southern</u>	<u>Western</u>	<u>System Office & System Support</u>
FY 2003-04 (BOT APPROVED BR03-41)	\$10,090,866	\$6,906,700	\$10,222,734	\$6,524,183	\$1,361,744
FY 2004-05 (REQUESTED CAP)	\$10,813,100	\$6,905,272	\$10,356,328	\$7,003,344	\$1,375,611
Change	\$722,234	(\$1,428)	\$133,594	\$479,161	\$13,867

ITEM

FY2004-05 Institutional Spending Plans and Authorized Expenditure Levels for Management and Confidential Professional Personnel and SUOAF-AFSCME Administrators

BACKGROUND

Pursuant to the provisions of Section 10a-89(a) of the Connecticut General Statutes, the Board of Trustees shall "...subject to state-wide policy and guidelines established by the Board of Governors of Higher Education,...(1) Make rules for the government of the Connecticut State University system and shall determine the general policies of the university system, including those concerning...the expenditure of the funds of the institutions under its jurisdiction within the amounts available;..." In addition, under the provisions of Board Resolution 92-31, dated April 3, 1992, the Board of Trustees granted to the Chancellor and university presidents authority to establish and refill positions within approved spending caps. University spending caps may be adjusted during the fiscal year upon approval of the Chancellor. System Office spending cap adjustments are contingent upon approval of the Board Chairperson. Additionally, the universities and the System Office are required to submit proposed spending plans to the Finance and Administration Committee for their review and subsequent recommendation to the Board for its approval.

ANALYSIS

The proposed FY2004-05 educational and auxiliary services' spending levels for the universities and the System Office were reviewed by the Finance and Administration Committee and other members of the Board during discussions with the Chancellor and his staff, and the presidents of the universities and their staffs on May 13, 2004. The discussions covered a number of issues of concern to each university and the System Office, as well as issues relating to the educational and fiscal viability of our universities. Brief highlights of the major issues are discussed in the following paragraphs.

System Spending Projections

Overall, FY2004-05 spending projections for the System (including the four universities, System Office, Systemwide, and *OnlineCSU*, excluding grants, intra/inter agency, and bond funds) reflect an increase of 8.1% over estimated FY2003-04 expenditures, and 4.9% over budgeted FY2003-04 expenditures. These increases are primarily in Personal Services and reflect classified salary increases, refills of vacant positions, requested new positions and increased fringe benefits reflecting the full year impact of the new actual fringe rate methodology. Other Expenses, most notably utilities, food service contracts (offset by food service revenue), and services reflect additional expenses for Central for the operation of their new energy center (the old energy plant will need to remain on line for a period of time as well), combined with the opening of new residence halls at Eastern, Southern and Western. All four universities have including funding in their spending plans to address the implementation of the Proficiency Policy passed by

the Board of Trustees in July, 2003, and all have offered assurances that there will be no lessening of the number of other courses that would normally be offered as a result of this implementation.

Student Enrollments

For FY2004-05, full-time undergraduate enrollment is projected to increase by 1.8% Systemwide, due to increases at all four universities (3.0% at Central, 1.1% at Eastern, 1.0% at Southern, and 1.9% at Western). The number of public high school graduates transitioning to higher education is projected to increase 41% between 1998 and 2008. CSU has experienced growth in its full-time undergraduate enrollment of 23.2% since FY97; first-time first-year applications and full-time enrollment are at an all-time high. However, because of continuing cuts in state funding, the CSU universities cannot continue their enrollment growth as we have seen in the past several years without sacrificing the quality of education offered. The universities are at physical and programmatic capacity, and continue to wrestle with funding and staffing issues. The spending plans reflect the universities' recognition that without additional State investment in higher education to fund the expansion of our educational infrastructure – faculty and staff – to accommodate this ever-growing student population, enrollment increases of the type experienced from 1998 through 2003 are no longer possible.

Proposed Tuition Reduction

The Governor has signed into law the FY2005 Legislative Budget, which provides CSU with funding totaling \$137,747,000, and restores \$4.9 million of an estimated \$7.8 million shortfall. The restored funding will be used to fund collective bargaining increases. In recognition of this restoration of funding, a proposal will be brought before the Board of Trustees reducing the average increase in Tuition and Fees from 12.48% to 9.59%, a savings of \$148 per year for in-state undergraduate commuter students from the previously approved rates. The entire reduction is proposed to be taken from the Tuition line, so that the tuition increase will be reduced from 13.7% to 8.1%. The spending plan as presented does not include the impact of this proposed tuition reduction.

Central Connecticut State University

Central projects educational and auxiliary services expenditures of \$127.5 million for FY2004-05, \$10.1 million or 8.6% greater than FY2003-04 estimate, and \$.7 million or 0.5% lower than FY2003-04 budget. The \$10.1 million increase can be attributed mainly to salary increases including 10 new faculty positions, part time positions, fringe benefits, and expenses related to the operation of the new energy center. Partly offsetting these increases are one-time charges in FY 2004 related to the James Hall mold cleanup and the Manafort fence and crosswalk combined with the reduced food service expenses related to the closing of Gallaudet Hall in FY2005 for refurbishing.

For FY2004-05, Central is projecting a surplus of \$640,372. Central's undesignated fund balance is projected to meet the Board guideline requirements for FY2004-05.

Eastern Connecticut State University

Eastern's educational and auxiliary services expenditures are projected to be \$69.0 million for FY2004-05, \$3.7 million or 5.7% higher than FY2003-04 estimate, and \$4.8 million or 7.4% higher than FY2003-04 budget. The \$3.7 million increase can be attributed primarily to salary increases, the addition of 15 new positions (of which 9 are faculty positions), fringe benefits, and All Other Expenses, which are expected to increase mainly in food service and utilities, reflecting the opening of the first 250 beds of the South Residential Village.

Eastern projects a deficit of \$291,743 for FY2004-05. Eastern's undesignated fund balance is projected to be below the Board's fund balance guideline requirements for FY2004-05.

Southern Connecticut State University

Southern projects educational and auxiliary services expenditures of \$132.5 million for FY2004-05. This is an increase of approximately \$9.5 million or 7.7% over FY2003-04 estimate, and \$9.9 million or 8.1% over FY2003-04 budget. The \$9.5 million increase can be primarily attributed to salary increases and the refill of 32 (including 11 faculty) vacancies resulting from ERIP and normal attrition, one new faculty position, and fringe benefit expense. Southern also has a new residence hall opening in the fall and will experience increases in utilities, food service expenditures, and services. Regarding proficiency issues, Southern has indicated that no student will experience a delay or deferral of their graduation as a result of the university providing additional remediation resources.

Southern is projecting a surplus of \$1,696,820 for FY2004-05. Southern's undesignated fund balance is not projected to be within Board guidelines for FY2004-05; however, Southern continues to make progress on their plan to bring fund balance levels into compliance with guidelines within the next several years.

Western Connecticut State University

Western projects educational and auxiliary service expenditures of \$72.2 million for FY2004-05, an increase of \$7.3 million or 11.2% over FY2003-04 estimate and \$5.5 million or 8.2% over FY2003-04 budget. The \$7.3 million increase is due to salary increases, refill of 21 (including 7 faculty) vacant positions, the addition of 10 new positions, and fringe benefits. Increases in operating expenses (including utilities, food service, insurance and services) reflect the opening of Western's new residence hall in the Fall of 2004. These increases are offset in part by reduced rent expense now that it will no longer be required to house students at the Ramada Inn.

Western is projecting a surplus of \$313,651 for FY2004-05. Western's undesignated fund balance is projected to be within Board guidelines for FY2004-05.

Enhancing the Public Awareness of the Connecticut State University System (CSU)

In FY1995-96, the Board began a significant continuing programmatic initiative to enhance the public's awareness of and improve the image of the Connecticut State University System. The thrust of this program has been to better inform the public about the excellent educational programs the Connecticut State University System provides for them and their children, as well as the contributions CSU makes to the economic development of the State. During this past year, a four-campus brochure was again distributed to high schools across the state. The brochure continues to be popular with students and drew much favorable response from high school guidance counselors. This year, work also began on a new four-campus, bilingual admissions brochure. This brochure, at the suggestion of CSU admissions staff, will target students as young as sixth grade, informing students of CSU's new admissions requirements and what they need to do to prepare for college. The System's newsletter, "CSU Universe," is now in its fourth year of production. The newsletter has been successful in increasing readership and covering stories profiling excellence at each of the CSU universities. The newsletter targets both internal and external audiences, including CSU employees, CSU alumni, state legislators, school superintendents, guidance counselors, and presidents of peer institutions. The newsletter is distributed both in print and via the Internet. A redesign of the newsletter is underway, with a goal of further increasing its appeal and readership.

During the next fiscal year, \$250,050 will be expended for a continuing program to complement our earlier efforts. The specific activities to be undertaken are described in the budget-briefing book.

System Office, Information Technology Services and Systemwide Activities - General

Spending plan proposals for the System Office and for Systemwide Activities include information technology, telecommunications, and other projects that assist the System as a whole. Funding for the proposed activities will be met through

- a) an allocation from the distribution of State general fund appropriations,
- b) new bond funds approved by the General Assembly,
- c) interest earnings on Systemwide reserves which may be used without drawing down the reserve base amount,
- d) *OnlineCSU* revenue, from which the universities will transfer funds sufficient to cover vendor and administrative costs, and
- e) operating revenues (Telecommunications).

System Office

The System Office is projecting expenditures of \$4.3 million for FY2004-05, holding expenses at the FY 2003-04 budgeted level, and \$239,331 or 5.9% above the estimated expenditures for FY2003-04. Expenditures in FY2003-04 were deliberately held below budget, as they were at the universities, because of the State's fiscal problems.

Information Technology Services

For FY2004-05, we are projecting expenditures for Information Technology Services (ITS) of \$9.1 million (including capital equipment bond funds), an increase of \$81,757 or 0.9% over FY2003-04 estimate and an increase of \$12,337 or 0.1% versus FY2003-04 budget. After transfer of capital equipment bond funding to the universities, the comparable expenditures for information technology at the Systemwide level (including \$1.042 million in bond funds for all years) are \$6.0 million in FY2003-04 (estimate) and \$6.1 million in FY2004-05, an increase of 1.4%. After transfers, comparable expenditures versus FY2003-04 budget show an increase of 0.2%. The planned expenditure of \$6.1 million continues many of the normal Information Technology Services office activities, described more fully in the budget briefing book, including over \$2.0 million in software maintenance, licenses, and support directly for the benefit of the universities.

Systemwide Activities

In addition to the projects discussed above, we are proposing to continue other Systemwide initiatives to be funded from Systemwide fiscal resources. These initiatives total \$969,972, an increase of \$47,254 or 5.1% from FY2004 budget, and include a) the completion of the WCSU master plan and commencement of the ECSU master plan; b) continuation of the contract compliance unit including the continuation of a funded legal support position; c) continued engagement of the Advocacy Group, to assist in raising CSU's profile in Washington D.C., including assisting the System in increasing its current level of federal funding and grant opportunities for academic, instructional and research activities; d) development and publication of the *Connecticut Review*; e) development of performance measures and assessment; f) several key surveys of student satisfaction, including a Graduate survey and a national survey regarding First Year Experience/Retention; g) support for academic priorities, including assessment and alignment; h) legal counsel for personnel grievances and grievance arbitration; i) support for activities recommended by the Committee on the Arts; j) Systemwide academic conferences; and k) support strategic planning activities.

Finally, \$84,500 is recommended for the Global Majority Retreat, a self-supporting enterprise.

Telecommunications System Activity

The Telecommunications operation is completing its tenth year of activity. Revenues are estimated to be slightly below budget this fiscal year while operating expenditure projections are a bit further below budget, resulting in a net surplus of \$37,775 after transfers to the Telecommunications plant fund. The Telecommunications expense budget for FY2004-05 is projected at \$3.9 million, resulting in a surplus of \$395,395, which will be transferred to the Telecommunications plant fund as directed by the Board's fund balance guideline requirements (BR#01-02).

During this past fiscal year Telecommunications continued to meet its charge to upgrade and enhance its systems. The Telecommunications Management Software has been upgraded and continues to be deployed to the campuses as outlined in the Advantage study. PBX hardware and software is being upgraded to the next generation technology to keep CSU current with technology and to meet demand. The pilot student voice mail project at WCSU was completed and has been expanded to all universities. Telecommunications installed environmental monitoring systems in each of the major node rooms on campus to monitor such potential problems as temperature, humidity, and water as well as the status of the UPS and generators. New contracts for network services have been negotiated, resulting in an additional 20% reduction in hardware maintenance expense. A 10% reduction on network costs has also been realized as a result of CSU's participation in the Connecticut Education Network (CEN); however more significant annual savings will be realized beginning in FY05 as CSU's Internet service is migrated to CEN. The plan to begin replacement of the UPS systems has been compressed from a three-year project to a one-year project; Telecom is on schedule to complete all devices other than the capital project related devices.

Plans for FY05 include such projects as an additional Internet Bandwidth upgrade and a possible pilot Internet 2 project. Upgrades to the PBX continue, in order to keep CSU positioned with state of the art technology. To meet the goals articulated in the IT Strategic Plan, Telecom will be proceeding with three specific projects, a Network Architecture Study, Security Evaluation, and the implementation of the Telecom Efficiency Study. All three have been initiated and are scheduled to be completed during FY2005. In addition to these projects, the Telecommunications department continues to work with the campuses on all of the construction projects from design through completion to ensure state of the art systems are designed, budgeted, installed and implemented in each of these projects. Finally, a multi-year plan to upgrade the campus infrastructure has been requested and is one of the Capital Projects expected to be funded by the upcoming Bond Authorization.

OnlineCSU

OnlineCSU's sixth year was again very successful: 45 courses were offered in the Fall 2003 semester, serving a total of 864 students; and 45 courses were likewise offered in Spring of 2004, with an enrollment of 850 students.

In FY03, *OnlineCSU* switched online vendors from eCollege to WebCT, and registration and payment functions were decentralized to the universities. At this time the universities assumed complete responsibility for all *OnlineCSU* billing, collection, and registration activities. Formerly, registration activity was processed into WebCT by the *OnlineCSU* staff at the System Office. Coinciding with the timing of the online vendor transition and the decentralization of the registration and payment functions, the System Office support function was streamlined and downsized. The *OnlineCSU* function at the System Office currently maintains a small staff to provide overall staff support for vendor management, marketing, and implementation and maintenance of a common learning platform.

In order to offset vendor costs related to the transition and the System Office support function, the universities pay a per credit hour cross-charge. In FY2003, the first year of the transition, *OnlineCSU* ended the year with a deficit of \$142,737 due to upfront transition costs; this deficit was funded through Systemwide reserves with the agreement that these reserves would be recouped in the following years through the cross-charge. In FY04, it is projected that Systemwide reserves will be able to recoup \$72,597 of the monies used to fund the FY03 deficit. In FY05, it is recommended that the rate of university reimbursement be held steady for System Office support at \$47.00 per credit hour, and be reduced substantially for vendor support, to \$31.00 per credit hour from \$57.00 per credit hour. Even with the substantial reduction in cross-charges, it is anticipated that the remaining deficit will be recouped in FY05, enabling the cross-charges to drop even further in the future.

Overall, *OnlineCSU* has been a success story, with consistent surpluses since FY2003. The surplus for FY2004 is estimated at approximately \$600,000, while the surplus for FY2005 is projected to exceed \$1 million. These surpluses accrue to the benefit of the universities, since each university retains that portion of the surplus that its *OnlineCSU* offerings generate.

Summary

The spending plan proposals have been reviewed by the Finance and Administration Committee and other members of the Board in consultation with the university presidents and their staffs and the Chancellor and his staff. The spending plan proposals are consistent with Board guidelines and reflect the allocation of resources toward the achievement of institutional strategic plan goals. All universities with the exception of Eastern are projecting a budget surplus for the year.

The proposals for the System Office, Information Technology Services (ITS) and other Systemwide activities, reflect continued implementation of the Systemwide IT Strategic Plan, as well as continuation of campus Master Planning, and Systemwide Awareness Enhancing. In addition, funding is proposed to continue a number of other Systemwide activities that provide a variety of services to the universities.

CHANCELLOR'S RECOMMENDATION

The proposed FY2004-05 Institutional Spending Plans and Authorized Expenditure Levels for Management and Confidential Professional Personnel and SUOAF-AFSCME Administrators be approved.