



CONNECTICUT STATE
COLLEGES & UNIVERSITIES
BOARD OF REGENTS FOR HIGHER EDUCATION

Testimony by Erika Steiner, Chief Financial Officer
Board of Regents for Higher Education
Before the Higher Education and Employment
Advancement Committee
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Senators Bartolomeo and Witkos, Representatives Willis and Betts, and members of the Higher Education and Employment Advancement Committee, thank you for the opportunity to speak today on ***SB 393, An Act Concerning A Cap On Administrative Expenses Of The Board Of Regents For Higher Education And The University Of Connecticut.***

For the record, my name Erika Steiner, and I am the Chief Financial Officer of the Connecticut State College and University system, comprised of 17 public institutions of higher education in this state.

The Board of Regents system, when it was created in 2011, was done so in part out of severe financial exigency. It was recognized that the concept of having two distinct system offices serving different constituent units of higher education in Connecticut was causing efforts to be duplicated and performed in ways that were maintaining barriers between the community college and state university populations to the detriment of the student experience.

Since consolidation, system office personnel expenditures (as a percentage of the total system budget) and staffing levels have been on a steady decline and the total amount has declined as well. In 2010 the two system offices employed 193 staff. This fiscal year that number is down to 159.5. These decreases are primarily driven by a reduction in IT and finance staff. Over this same period, system office personnel expenses have declined from 3.5% of budget to 2.69% of budget. In real dollar terms \$7.9m in expenses were eliminated. The return of these savings to faculty hires was delayed due to the rescission of FY2013, but money was returned in FY14 and the faculty hires commenced. From the beginning of FY14 through January of this year, an additional 176 instructional faculty members were hired using returned funding. There is a chart at the end of this testimony that shows these system office personnel cost savings, excluding fringe benefits.

It would be a mistake to assume that because an expense is housed in the system office, it is a system office expense. For example, the vast majority of community college IT services is run out of the system office. The fact that these services are consolidated in one location is a benefit to the system's ability to serve students, because the alternative is locating all of these services on the individual campuses, a far more costly and inefficient method of doing business. The same situation exists in the facilities department, where one team of staff oversees construction and planning for all institutions. Similarly, system-wide contracting provides a cost advantage and economies of scale. These efficiencies should be celebrated and emulated. Placing a cap on expenses, while promoting the idea of responsible management, may in fact have the opposite effect.

As our system matures, and given the constraints being imposed by our current projected \$38m deficit in 2016, one possibility is that more of these back office services could be and should be regionalized. The student wouldn't notice a difference, but such an effort could shift these costs

away from the institutions and onto the system office books. Passage of this legislation could severely restrict our ability to respond to such deficits, now and in the future. An increase in the system office budget is deceiving under such circumstances, as it would be a sign of responsible and necessary resource management, rather than bloat.

Given the steady decline in state resources as a percent of our budget, and the tough biennial budget cycle we expect, it is necessary for our system to have as much flexibility as possible to find ways to eliminate expenses and create economies of scale where they are lacking. Though it is hard to project what the committee may do if this bill is fully drafted, it appears this bill decreases that operational flexibility.

Thank you and I look forward to your questions.

System Office Consolidation Savings (excluding fringe benefits)

