How the State Funds Higher Education Institutions

A Presentation by the Office of Policy and Management

October 30, 2015
State Support for Higher Education Institutions Comes in Four Ways:

- Direct Appropriations to Public Institutions (Block Grants)
- Indirect Appropriations to Public Institutions (GF Fringe Benefit Support)
- Bonding for Capital Improvements at Public Institutions
- Direct Appropriations for Student Financial Aid to Connecticut Students Attending Public or Private Institutions in the State
How Much of the State Budget Goes to Higher Education

- Direct Appropriations to Higher Education (for Block Grants & Student Financial Aid) is 4.3% of the FY 16 General Fund Budget - Does not capture Non-Functional Support

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education</td>
<td>4.3%</td>
</tr>
<tr>
<td>Elementary &amp; Secondary Education</td>
<td>24%</td>
</tr>
<tr>
<td>Human Services</td>
<td>17.4%</td>
</tr>
<tr>
<td>Health</td>
<td>9.9%</td>
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<tr>
<td>Corrections</td>
<td>8.2%</td>
</tr>
<tr>
<td>General Government</td>
<td>3.6%</td>
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<tr>
<td>Judicial</td>
<td>3.4%</td>
</tr>
<tr>
<td>Regulation &amp; Protection</td>
<td>1.6%</td>
</tr>
<tr>
<td>Conservation and Development</td>
<td>1.2%</td>
</tr>
<tr>
<td>Legislative</td>
<td>0.5%</td>
</tr>
<tr>
<td>Non-Functional</td>
<td>26.0%</td>
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</tbody>
</table>
How Higher Education Fringe Benefits are Funded

- Benefits are negotiated by SEBAC for the entire state - Public Higher Education Systems cannot control these costs
- Blended rate for all fringe benefits is approximately 80%
- General Fund pays the fringe benefits for all Higher Education Employees on GF Block Grant via the Comptrollers Fringe Benefit Accounts
- Higher Education Employees NOT on General Fund are Paid by:
  - Tuition Fund
  - Research Grant
  - Clinical Revenue
- Comptroller Establishes Component Rates for Fringe Benefits & Other Funding Sources are “Charged Back” for those Employees
Recognizing the Indirect Fringe Benefit Appropriations

- Public Systems draw down an additional $492.1M in GF Fringe Benefit Support
- Increases GF Support by 2.7% -- Making overall GF Support for Higher Ed = 7%

FY 16 (IN MILLIONS)

- UCONN: $153.5 (GF Block Grant) + $89.7 (GF Fringe Benefits) = $243.2
- UCHC: $95.9 (GF Block Grant) + $49.4 (GF Fringe Benefits) = $144.3
- CSU: $127.7 (GF Block Grant) + $36.0 (GF Fringe Benefits) = $163.7
- CCC: $113.2 (GF Block Grant) + $49.6 (GF Fringe Benefits) = $162.8
- COSC: $1.4 (GF Block Grant) + $2.3 (GF Fringe Benefits) = $3.7
- BOR SYSTEM OFFICE & TRANSFORM CSCU: $23.8 (GF Fringe Benefits)
Sources of FY 16 Operating Revenue for Board of Regents

**CSU $727.3M**
- Tuition & Fees: 45%
- State Support: 40%
- Auxiliary Enterprise Revenue: 13%
- Net Other Revenue: 2%

**CCC $462.6M**
- Tuition & Fees: 39%
- State Support: 60%
- All Other Revenue: 1%

**COSC $17.1 M**
- Tuition & Fees: 39%
- State Support: 24%
- All Other Revenue: 13%

State Support = Block Grants + Fringe Benefit Support
Sources of FY 16 Operating Revenue for UConn & UConn Health Center

**UCONN** $1,294.6M
- State Support: 30%
- Tuition & Fees: 36%
- Research: 8%
- Auxiliary Enterprise Revenue: 17%
- Other: 2%
- Grants & Contracts: 7%

**UCONN HEALTH CENTER** $986.8M
- Tuition/Fees: 2%
- State Support: 24%
- Research Grants/Contracts: 8%
- Other Revenue: 12%
- Correctional Managed Care: 9%
- Net Patient Care: 45%

State Support = Block Grants + Fringe Benefits
Recognizing State Supported Bond Funds
FY 16 Increased Bond Authorizations
($3,400.8 Million)

- Transportation 30.5%
- Elementary & Secondary Education 18.6%
- Higher Education 15.6%
- Other 13.0%
- Judicial/Corrections 0.9%
- Human Services 0.4%
- Economic Development 9.4%
- Housing 5.7%
- Environment 2.5%
- Clean Water 3.1%
Recognizing Student Financial Aid
FY 16 Aid to Public & Private Institutions

($43.1 Million Awarded)
How Are State Appropriations Determined?

- Connecticut has an Incremental Approach to Budgeting
- Block grants are calculated on a Current Services basis from the Roster
  - For EXAMPLE:
    - Take Previous Year Block Grant (Roster)
    - Add Collective Bargaining Increases
    - Add 50% of Operating & Maintenance Costs for Any New Facilities
    - “Rollout” of any Existing Initiatives or Changes in Law
    - YIELDS CURRENT SERVICES
  - Governor & Legislature Add/Subtract based on Ability to Pay & Priorities
- Indirect Appropriations (from the Comptroller’s Accounts) are received at a blended rate of approximately $0.80 on the dollar for every $1 of Block Grant Support
Current Funding Process for Public Higher Education Institutions

- No transparency on significant areas of General Fund support for Higher Education: Fringe Benefits & Debt Service
- Direct block grant appropriations are handled like a typical line agency - on a roster basis
  - Does not reflect enrollments
  - Does not reflect Outcomes Based Metrics
- Public Systems of Higher Education have autonomy to allocate funds to schools/programs & expend funds with minimal state oversight