

Connecticut State Colleges & Universities General Fund Distribution and Budget Challenges

Outcomes Based Funding Task Force

November 20, 2015



CONNECTICUT STATE
COLLEGES & UNIVERSITIES

BOARD OF REGENTS FOR HIGHER EDUCATION

CSCU GENERAL FUND DISTRIBUTION



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Appropriations and Distribution Overview

- The general fund appropriations are in principle block grants
 - The State biennium provides annual increases to the block grants mirroring expected wage increases
 - The impact of rescissions or other general fund reductions then reduces the general fund below expected level of wages
 - **The general fund appropriation currently covers approximately 55% of our salaries and wages**
 - The only other significant source of revenue for CSCU is tuition and fees (operating fund)
 - Employees covered by the general fund have fringe benefit costs paid for by the State; other employee fringe benefit costs are paid for out of tuition and fee revenue
- The System receives 4 separate general fund appropriations: (1) CSU, (2) CCC, (3) COSC, and (4) BOR
 - BOR appropriation totals about \$500K and covers the cost of CSCU employees and fringe benefits supporting the Board's requirements
 - As a separate constituent unit, COSC does not require a distribution
- Distribution Processes
 - Generally speaking, the distribution is designed to cover costs rather than provide incentives, with the exception of incentivizing enrollments
 - CSU process mature – in principle unchanged since 1990s
 - CCC process now mirrors the CSU with minor modifications – adopted in FY15, it is in its second year of application

The methodology employed is transparent to all institutions, it is evolutionary, and it is participative. CFOs and Deans of Administration review the process periodically and recommend changes (if any) to the System CFO.

Distribution Process – CSU

<u>DISTRIBUTION ITEM</u>	<u>DESCRIPTION</u>
<u>General Fund Block Grant</u>	<u>Amount provided by the State to CSU</u>
➔ - Base Funding	Flat amount (\$6.5M each) required (e.g. cost of President, Provost, CFO, CIO)
➔ - System Wide Costs	To cover shared costs associated with CSUs
➔ - New Facilities Funding	Provided for cost of maintenance, at 1/2 the anticipated cost, in perpetuity
➔ - <u>Specific Items</u>	<u>Amounts earmarked by State for specific purposes for specific institution(s)</u>
➔ Remaining Subtotal	Subtotal
➔ - <u>Student FTE Allotment</u>	<u>Proportionate allocation based on CSU total Student FTE</u>
➔ <u>0</u>	<u>Distributed in Entirety</u>

- **Over 50% of the GF Block Grant is distributed based on student FTE**
- Out-of-state students are weighted 1 to 2.4 for FTE allocations
- Current CSU distribution does not consider part-time students
- Fringe Benefits paid by the State for the CSUs are distributed to each using FTE (separate from General Fund allotment)



Distribution Process – CCC

<u>DISTRIBUTION ITEM</u>	<u>DESCRIPTION</u>
<u>General Fund Block Grant</u>	<u>Amount provided by the State to CCC</u>
➔ - Base Funding	Flat amount (\$2.15M each) required (e.g. cost of President, Deans)
➔ - Bargaining Unit Set Aside	In accordance with contracts for sabbaticals, promotions, grievances, etc.
➔ - System Wide Costs	To cover shared costs associated with CCCs
➔ - New Facilities Funding	Provided for cost of maintenance, at 1/2 the anticipated cost
➔ - Square Feet Allotment	Cost of maintenance of existing facilities
➔ - <u>Specific Items</u>	<u>Amounts earmarked by State for specific purposes for specific institution(s)</u>
➔ Remaining Subtotal	Subtotal
➔ - <u>Student FTE Allotment</u>	<u>Proportionate allocation based on CSU total Student FTE</u>
➔ <u>0</u>	<u>Distributed in Entirety</u>

- **Over 50% of the GF Block Grant is distributed based on student FTE**
- Bargaining Unit set-asides unique to the CCC labor agreements
- New facility maintenance costs provided by the State only cover the first year; since model is new, the perpetuity data has not been maintained as for CSUs. Square footage calculation take the place of perpetuity schedules and are intended to cover State facilities' maintenance
- Fringe Benefits paid by the State for CCCs are college-by-college so are not distributed by System Office
- Prior to FY15, tuition and fees were swept and also distributed to CCCs; there was more discretion employed



Distribution Process – Additional Funding

- Additional funds received from the State are mostly prescribed in terms of distribution
 - For example, funding for PA 12-40 is provided in specific amounts to each institution
- GBTGA funding in FY15 covered tuition and fees for eligible students and is included in total revenues by receiving institutions
 - As this is a multi-year program, funds are carried forward for the next two years until program ends
- Funding for Early College was distributed in FY15 to qualifying programs
- FY15 Funding for tuition support was allocated based on the differential of the 2% tuition and fee increases actually levied compared to the 5.5% required by institutions to cover wage increases



CSCU BUDGET CHALLENGES



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Budget Challenge – Balancing the Budget

- 80% of our costs are people-related, currently going up by 5 – 6%
 - Of our 6,000 full time employees, >95% are covered by bargaining unit agreements, and a significant number of part-time employees are covered as well
- The bulk of remaining costs are impacted by inflation or market driven
- Roughly half of our revenue comes from the State
 - System received \$349M in FY15, down to \$345M in FY16
- The remaining revenue is primarily tuition/fees – enrollment times rates
 - Motivated to hold down rates for affordability
 - Credit enrollment has been trending down for the past few years

State Support (down) +
Tuition \$ (flat)
(enrollment down, rates up)

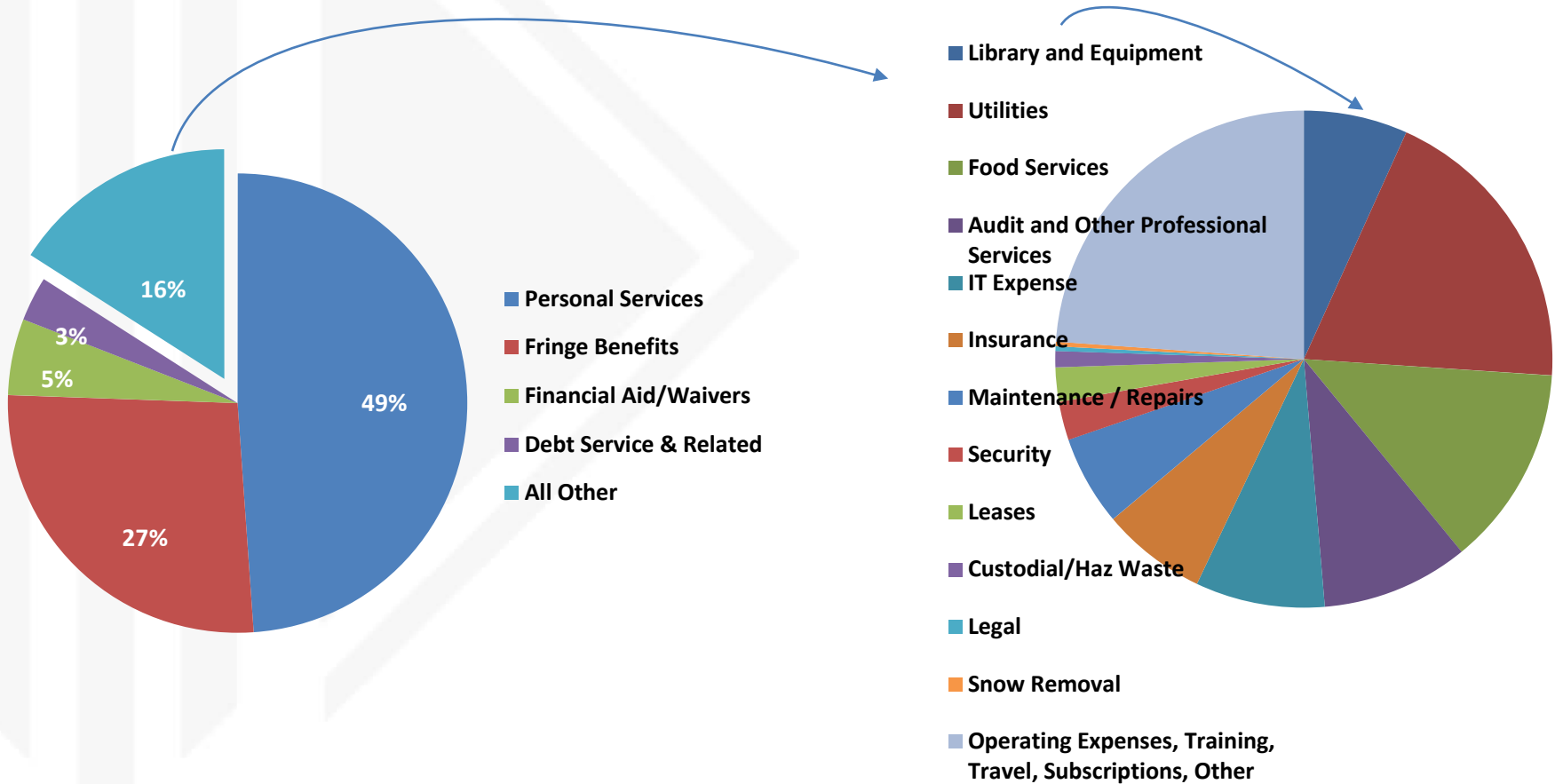


Expenses (+ 5%)

We manage our budgets today through attrition – which is not a strategy

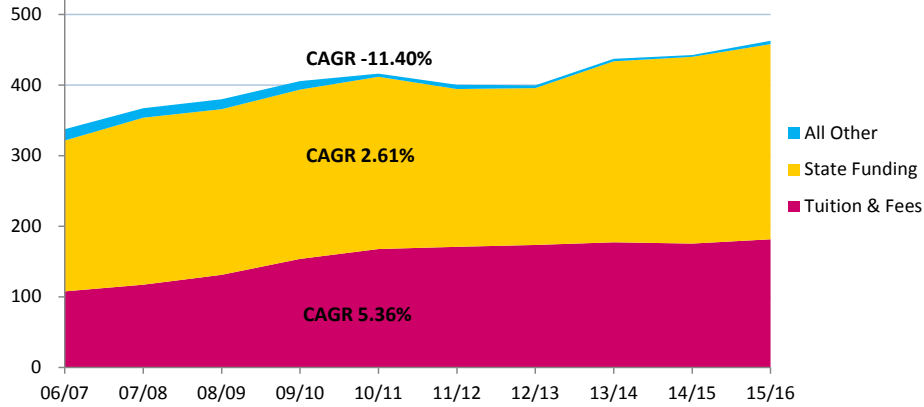
Budget Challenge – CSCU Cost Profile

A large amount of CSCU costs are not discretionary

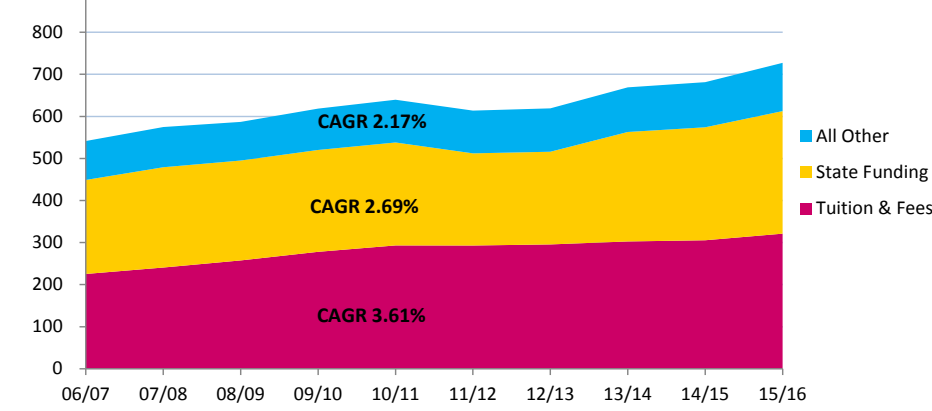


Budget Challenge – CSCU Revenue Trends

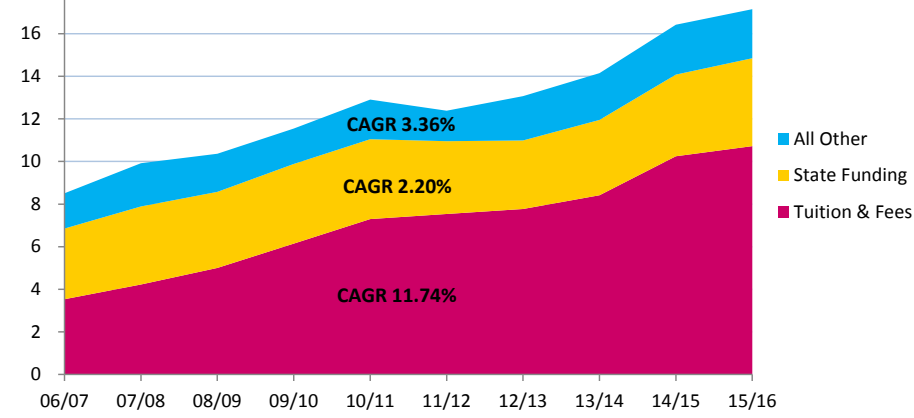
CCC - Tuition & Fees, State Funding, All Other Revenue
\$M



CSU - Tuition & Fees, State Funding, All Other Revenue
\$M

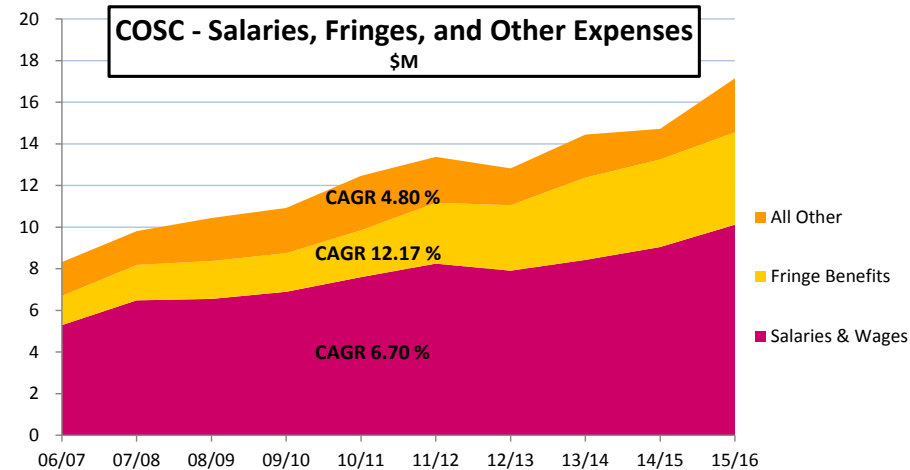
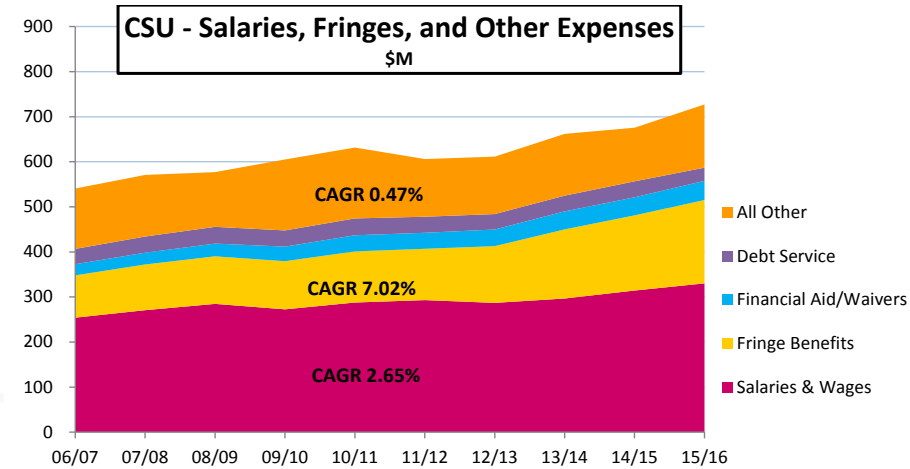
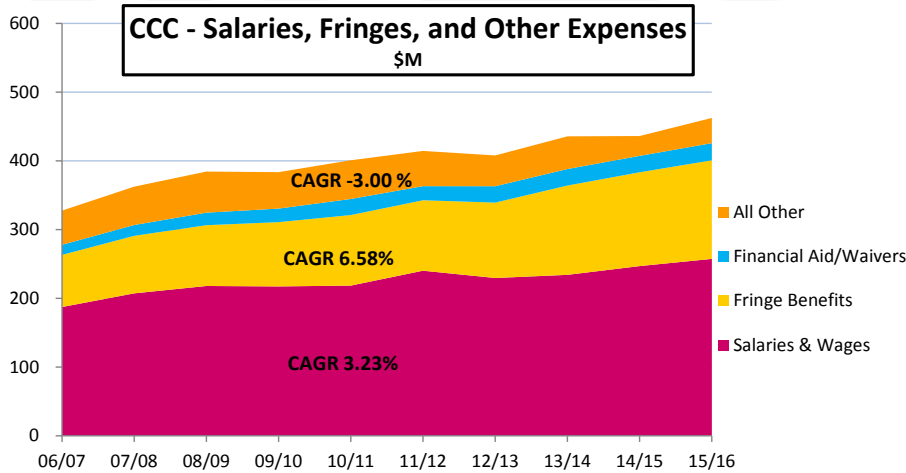


COSC - Tuition & Fees, State Funding, All Other Revenue
\$M



Growth rate of Tuition & Fees exceeds the growth rate of State Funding (including State provided Fringe Benefits) to keep up with rising costs

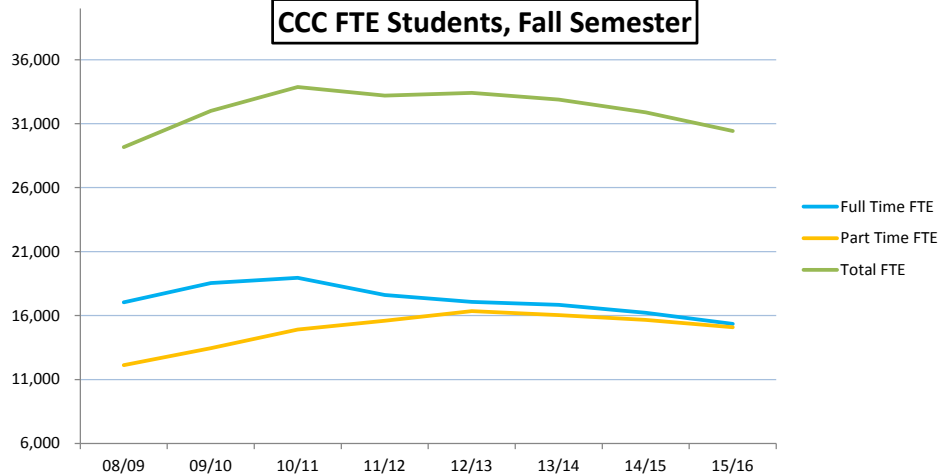
Budget Challenge – CSCU Spending Trends



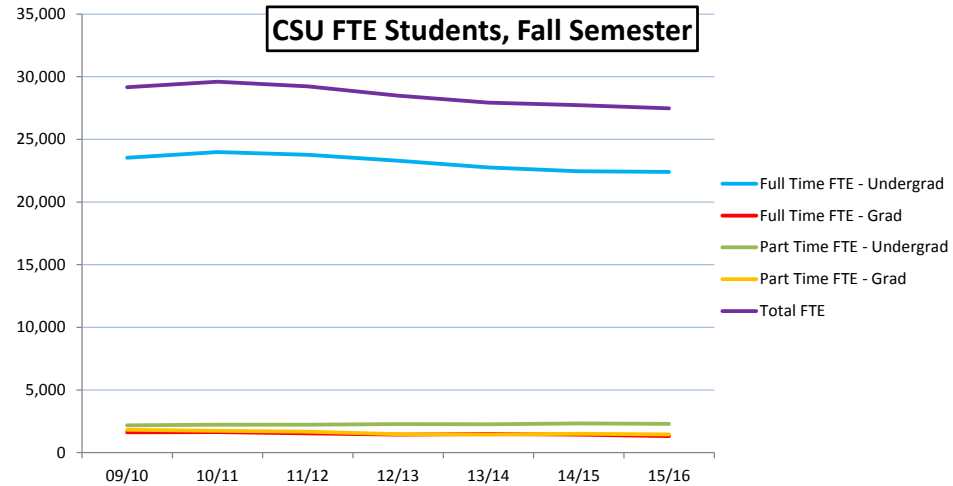
Wage freezes held salaries levels following FY11; subsequently salary dollars were held down through attrition. Fringe benefits grow at a faster rate than salaries while other expenses have grown slower or been reduced over the period.

Budget Challenge – CSCU Enrollment Trends

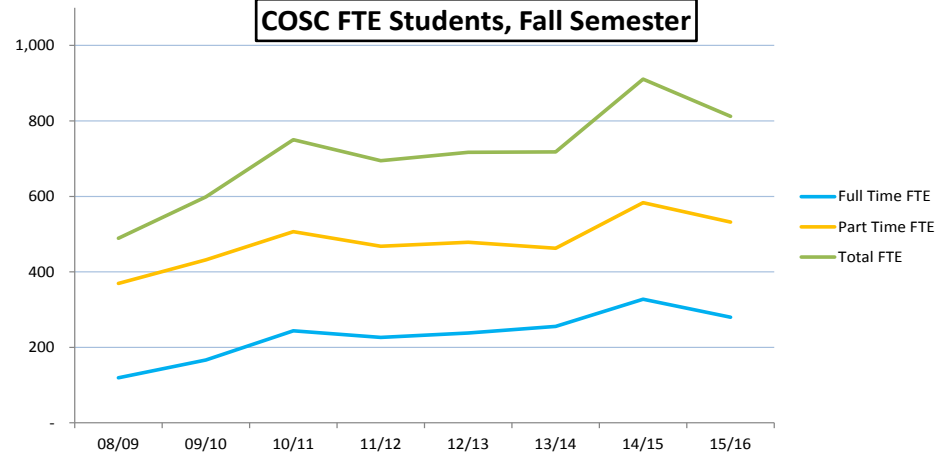
CCC FTE Students, Fall Semester



CSU FTE Students, Fall Semester



COSC FTE Students, Fall Semester



Enrollment trends for credit programs have been unfavorable for CCC and CSU. However, part time FTE has increased at CCC over the period. COSC had a significant bump from GBTGA; that growth rate is not expected to continue, and was negative in Fall of FY16.



Budget Challenge – Administration

Simple volume of data challenges the finance staffs of 17 institutions, and particularly the three full time budget employees for the system

