

Overview of ConnSCU System Financials

Board of Regents Workshop
April 30, 2012



CONNECTICUT STATE
COLLEGES & UNIVERSITIES

BOARD OF REGENTS FOR HIGHER EDUCATION

Agenda

1. Snapshot: FY 2012 Budget
2. Definitions: Revenue, Expenditures
3. Financial Trends
4. Budget Projections Through FY 2017
5. Challenges & Opportunities
6. Budget Calendar



“I guess I should warn you, if I turn out to be particularly clear, you've probably misunderstood what I've said. “

Alan Greenspan

FY 2012 Budget, Connecticut State Colleges & Universities, Board of Regents for Higher Education

	<i>FY12</i>			
	CONNECTICUT STATE UNIVERSITIES	COMMUNITY TECHNICAL COLLEGES	CHARTER OAK STATE COLLEGE	TOTAL
<i>Revenue</i>				
Tuition	\$135,922,890	\$124,645,639	\$7,245,496	\$267,814,025
Fees	155,893,875	46,123,738	1,042,710	203,060,323
State Appropriations	142,044,999	153,831,652	2,512,826	298,389,477
Fringe Benefits	74,715,669	81,716,220	936,247	157,368,136
Auxiliary Services	90,114,782	-	-	90,114,782
All Other Revenue	15,427,470	7,205,723	1,625,465	24,258,658
	<u>\$614,119,685</u>	<u>\$413,522,972</u>	<u>\$13,362,744</u>	<u>\$1,041,005,401</u>
<i>Expenses</i>				
Personal Services	297,544,211	241,247,390	10,943,537	549,735,138
Fringe Benefits	118,611,666	103,285,300	-	221,896,966
Financial Aid	29,726,752	23,402,041	-	53,128,793
Other Expenses	127,629,859	58,896,874	2,815,520	189,342,253
Equipment	11,185,098	801,340	142,298	12,128,736
Debt Service	35,770,691	-	-	35,770,691
	<u>\$620,468,277</u>	<u>\$427,632,945</u>	<u>\$13,901,355</u>	<u>\$1,062,002,577</u>
Transfers	6,562,189	14,109,973	-	20,672,162
Addition to(Use of) Funds	\$213,597	\$0	(\$538,611)	(\$325,014)

* Excludes Grant Funds

Educational and General Revenues/Expenses

Funds used to support the core mission (instruction, research and public service) of the college and/or university and the associated costs of these functions.

Revenues – Definitions

- State Appropriations (General Fund)
 - Funds appropriated from state tax revenues
 - Separate Block Grants for state university system and community technical college system
 - Board is authorized to allocate funds to institutions in each system from each block grant
 - Separate appropriation for Charter Oak State College
 - Separate appropriation for fringe benefit expenses for CSU institutions; fringe benefit expenses for CTC and Charter Oak State College paid directly by state

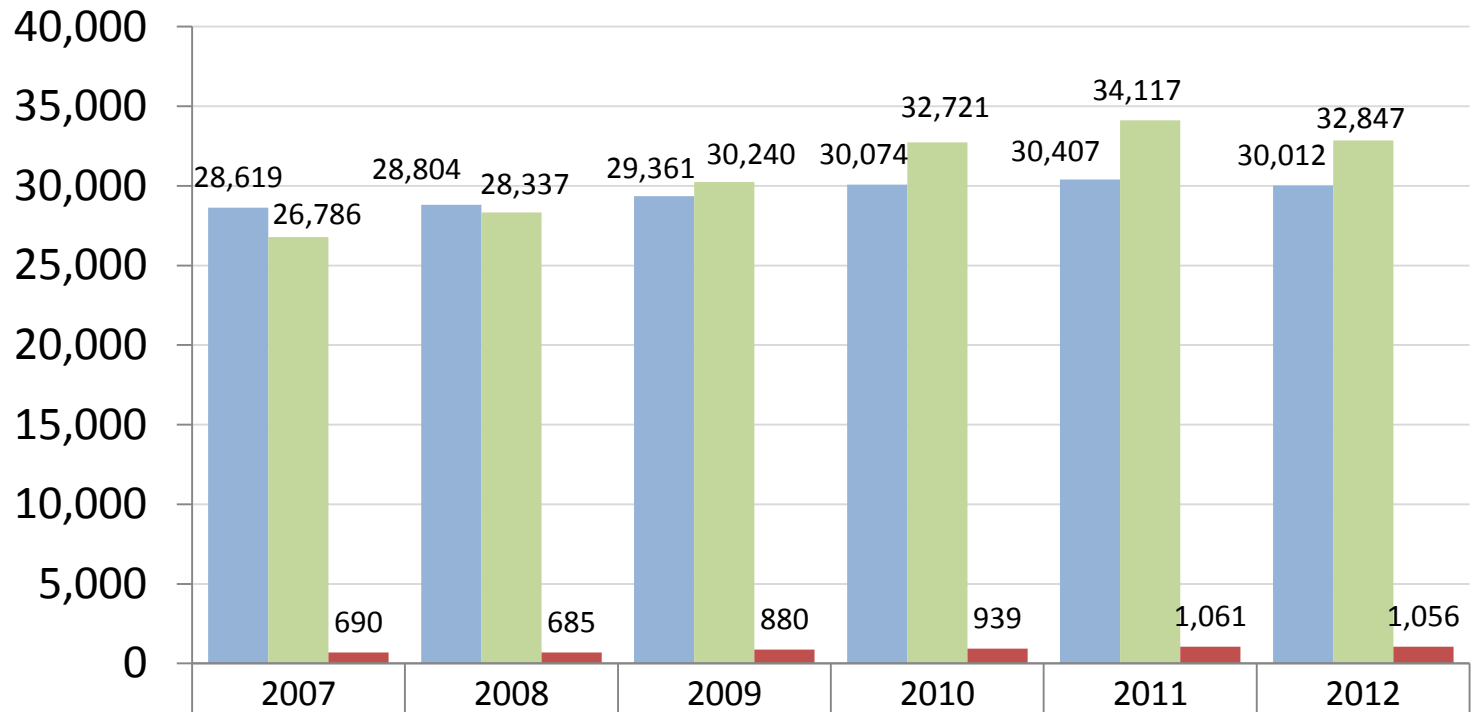
Revenues – Definitions

- **Operating Funds**
 - Includes tuition revenues, auxiliary funds, extension funds and other non-appropriated, unrestricted revenues
 - Non-lapsing funds
- **Tuition Revenues**
 - Largest segment of operating funds
 - Based on charges for credit instructional programs
 - Enrollment dependent
- **Extension Fund Revenues**
 - Non-credit course charges
 - Credit Charges for summer programs or intersession. Also includes evening programs in the CTCs
 - Enrollment dependent

Revenues – Definitions

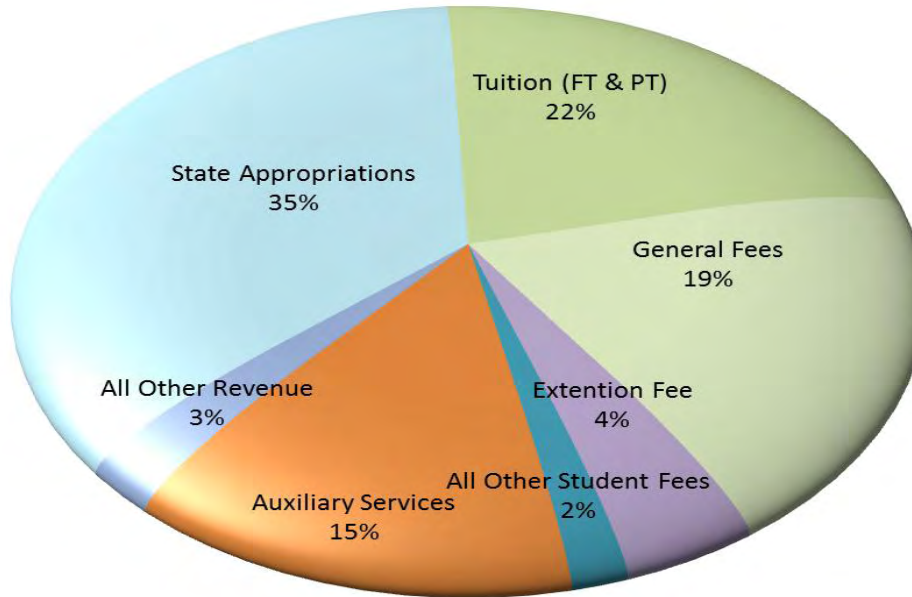
- **Auxiliary Fund Revenues**
 - Self-supporting enterprises
 - Housing, food services, accident & health insurance, bookstore, child care
 - Enrollment dependent
- **Federal Funds**
 - Almost exclusively student financial aid funds
 - Restricted federal research and other grants (CTC TAA grants, e.g.)
- **Philanthropy**
 - Gifts and donations in the form of cash, pledges and in-kind contributions
 - Funds can be deposited in college/university accounts
 - Most funds are deposited with Foundations

Enrollments (Full-Time Equivalent)



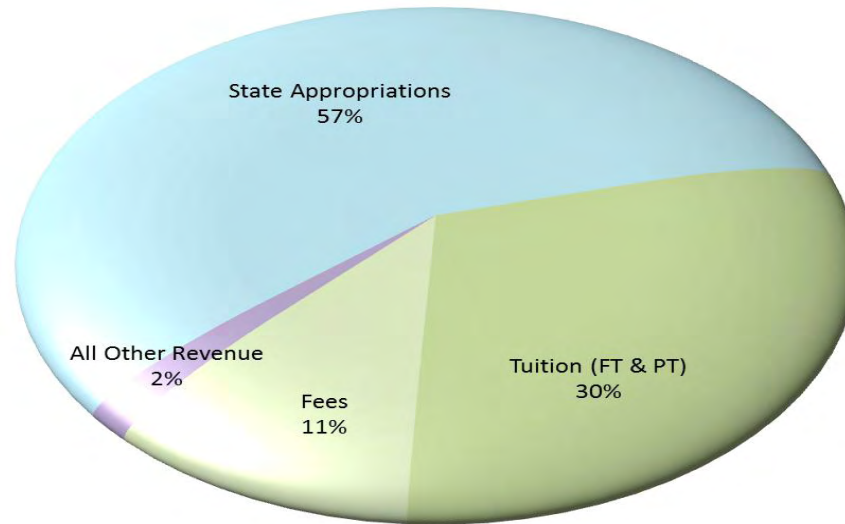
■ State Universities	28,619	28,804	29,361	30,074	30,407	30,012
■ Community Colleges	26,786	28,337	30,240	32,721	34,117	32,847
■ Charter Oak	690	685	880	939	1,061	1,056

Connecticut State Universities: Distribution of Revenue Sources



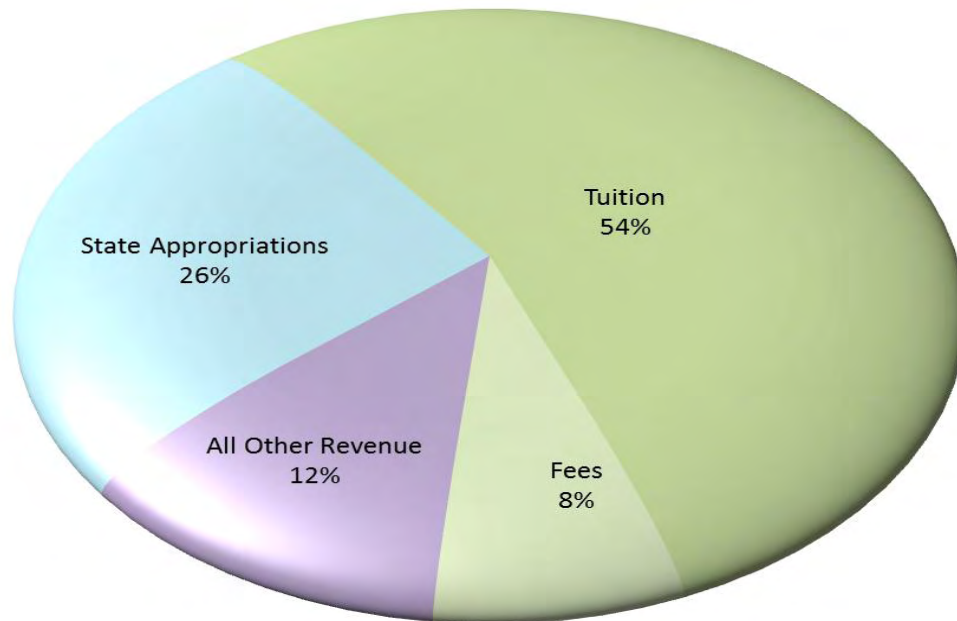
<i>Revenue</i>	<u><i>FY12 Budget</i></u>	<u><i>% of Total</i></u>
State Appropriations	\$216,760,668	35%
Tuition (FT & PT)	135,922,890	22%
General Fees	117,136,621	19%
Extention Fee	27,347,581	4%
All Other Student Fees	11,409,673	2%
Auxiliary Services	90,114,782	15%
All Other Revenue	15,427,470	3%
	<u>\$614,119,685</u>	<u>100%</u>

Community Technical Colleges: Distribution of Revenue Sources



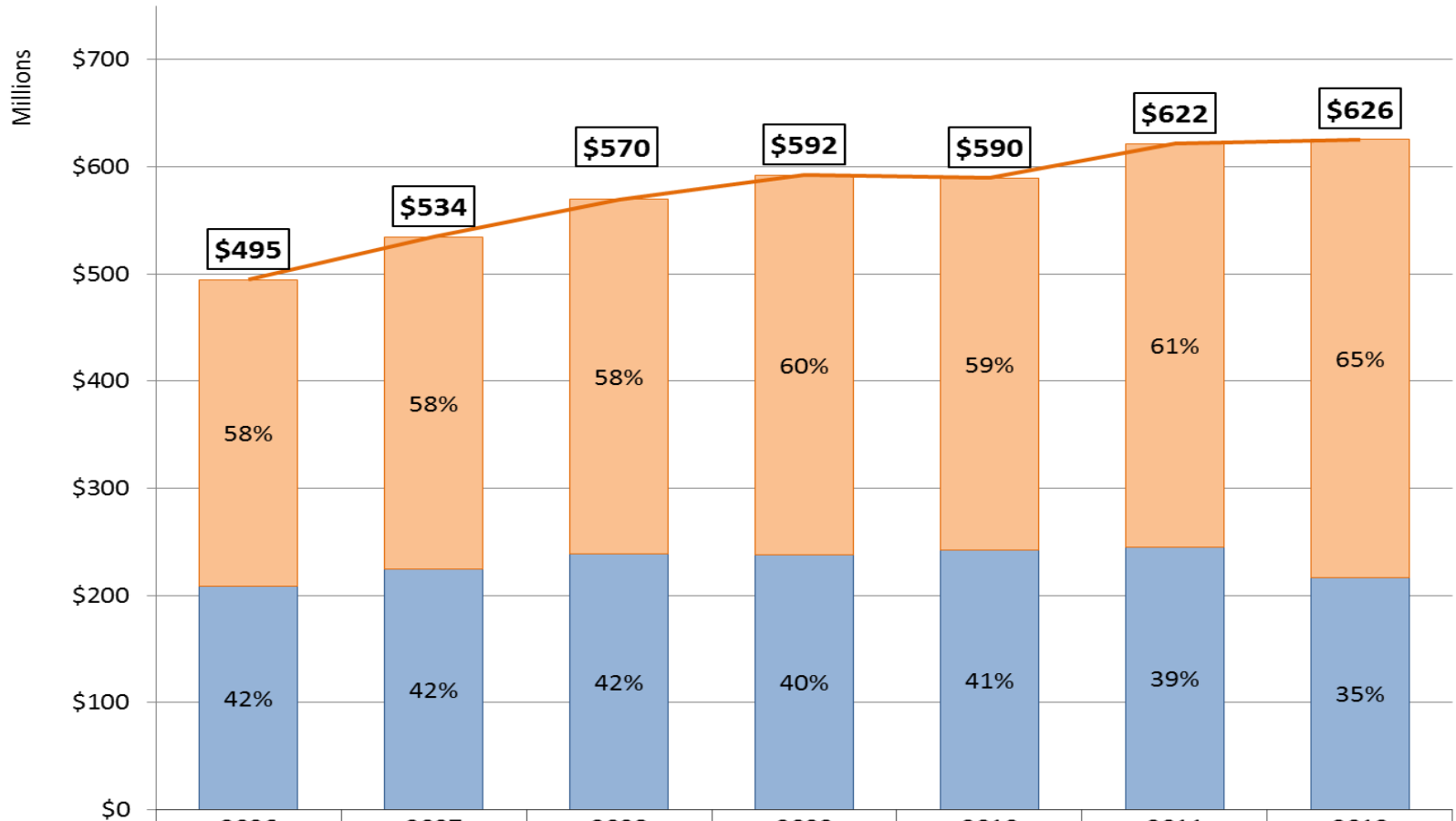
<i>Revenue</i>	<u><i>FY12 Budget</i></u>	<u><i>% of Total</i></u>
State Appropriations	\$235,547,872	57%
Tuition (FT & PT)	124,645,639	30%
Fees	46,123,738	11%
All Other Revenue	7,205,723	2%
	<u>\$413,522,972</u>	<u>100%</u>

Charter Oak State College : Distribution of Revenue Sources



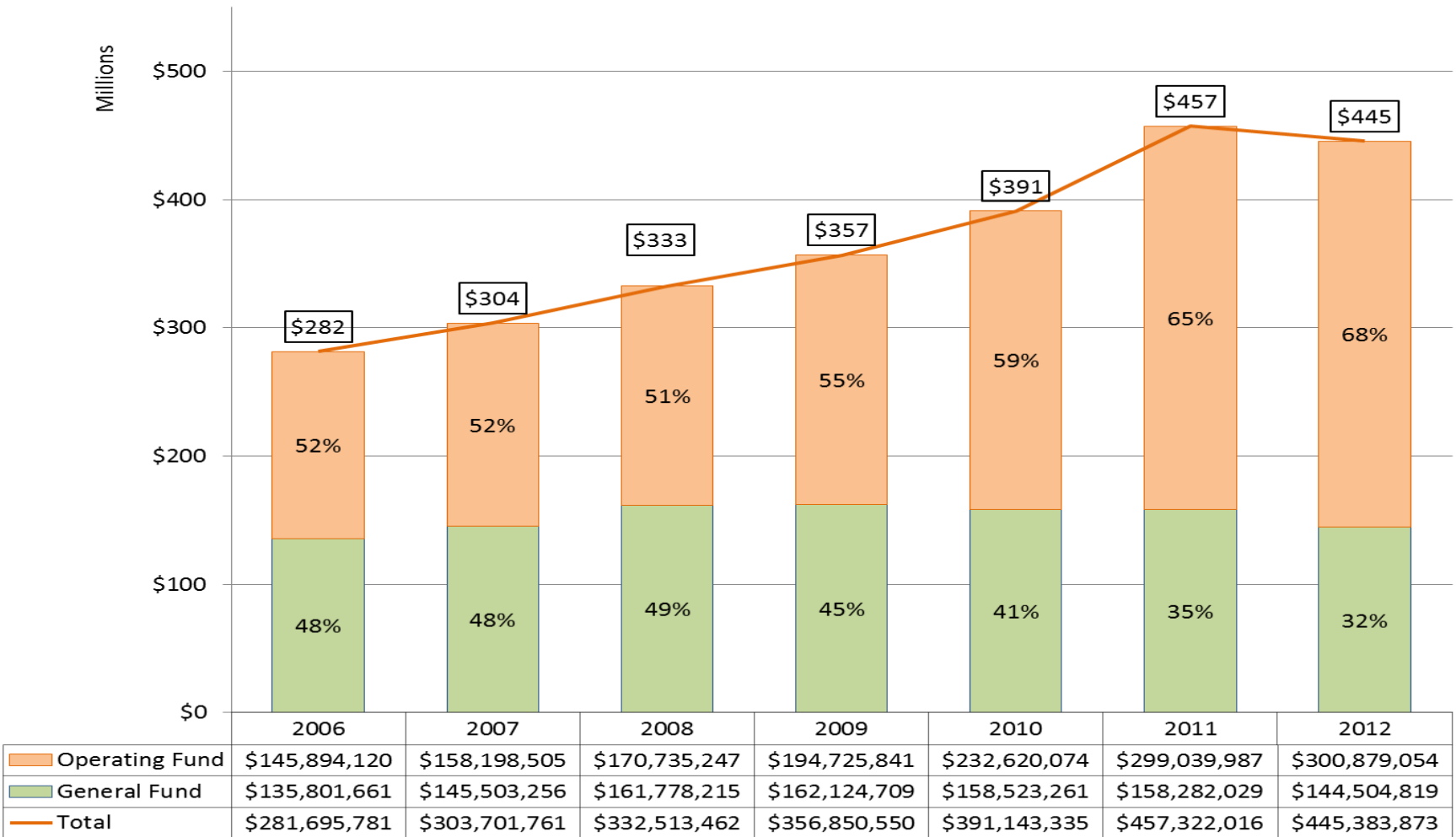
<i>Revenue</i>	<u><i>FY12 Budget</i></u>	<u><i>% of Total</i></u>
State Appropriations	\$3,449,073	26%
Tuition	7,245,496	54%
Fees	1,042,710	8%
All Other Revenue	1,625,465	12%
	<u>\$13,362,744</u>	<u>100%</u>

Connecticut State Universities: Trends in State Appropriations and Operating Funds, FY 2006-FY 2012

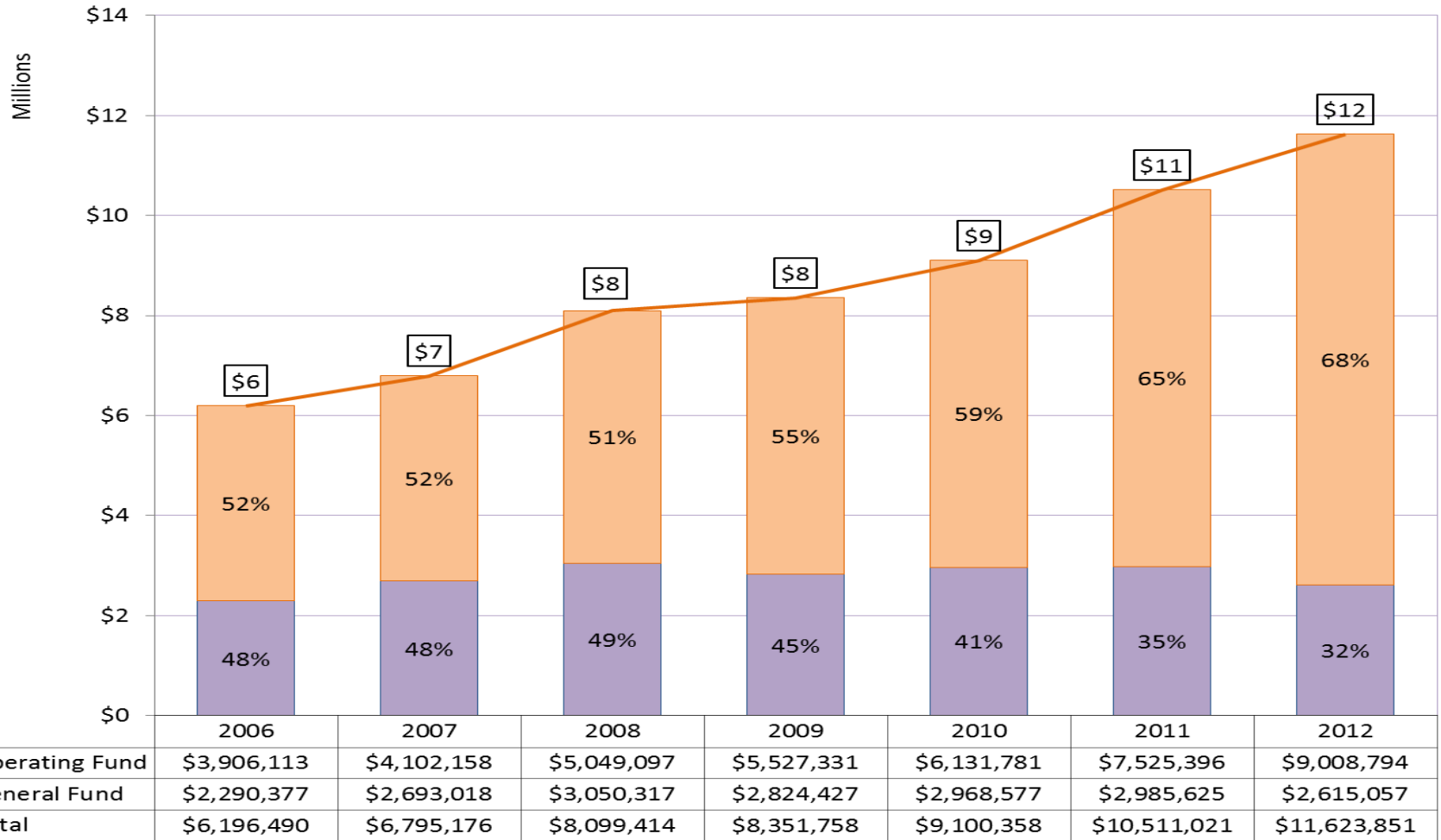


	2006	2007	2008	2009	2010	2011	2012
Operating Fund	\$286,110,727	\$310,316,623	\$330,578,686	\$354,156,358	\$347,680,319	\$376,794,010	\$408,919,735
General Fund	\$208,435,986	\$224,140,791	\$239,052,111	\$238,126,722	\$242,210,708	\$244,810,150	\$216,760,668
Total	\$494,546,713	\$534,457,414	\$569,630,797	\$592,283,080	\$589,891,027	\$621,604,160	\$625,680,403

Community Technical Colleges: Trends in General and Operating Funds, FY 2006-FY 2012



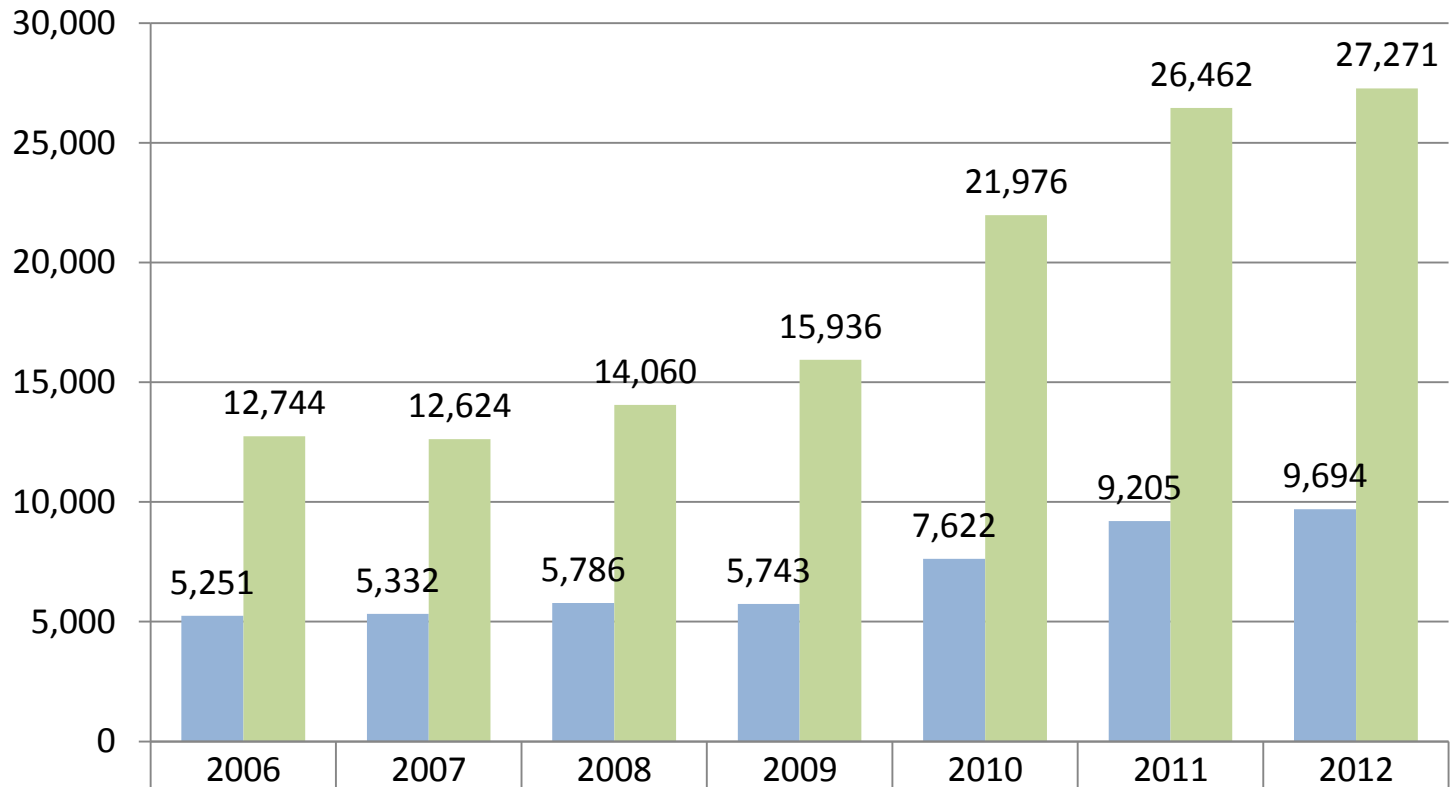
Charter Oak State College: Trends in General and Operating Funds, FY 2006-FY 2012



The Federal Pell Grant Program

- Provides need-based grants to low-income undergraduate and certain postbaccalaureate students
- Students may use their grants at any one of approximately 5,400 participating postsecondary institutions.
- Grant amounts depend on the student's expected family contribution, the cost of attendance (as determined by the institution); the student's enrollment status (full-time or part-time); and whether the student attends for a full academic year or less.
- The maximum grant award for FY 2012 is \$5,550.

Pell Grant Recipients, FY 2006-FY 2012

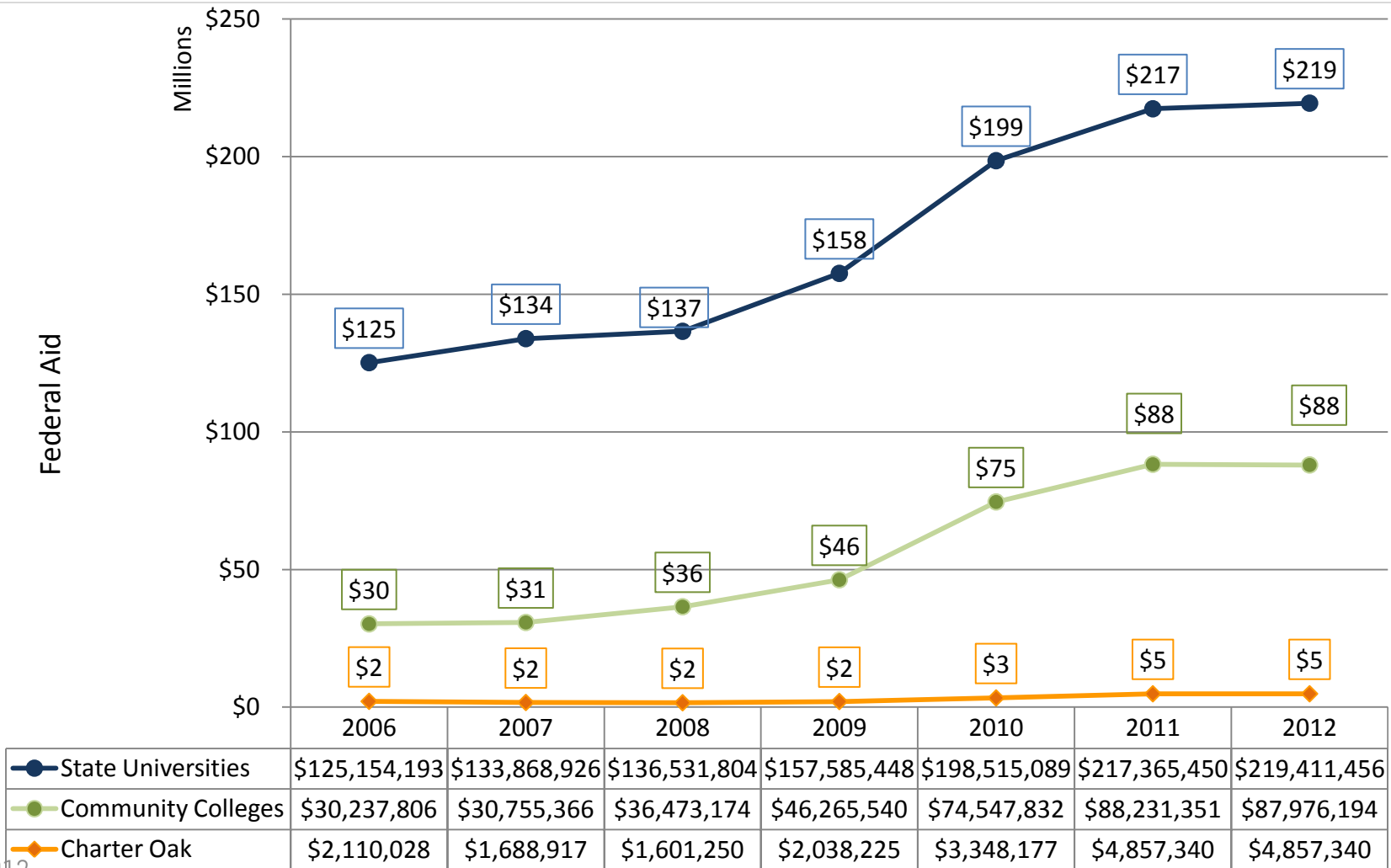


State universities	5,251	5,332	5,786	5,743	7,622	9,205	9,694
Community colleges	12744	12624	14060	15936	21976	26462	27271

Pell Grant Funding per FTE Student, FY 2006-FY 2012



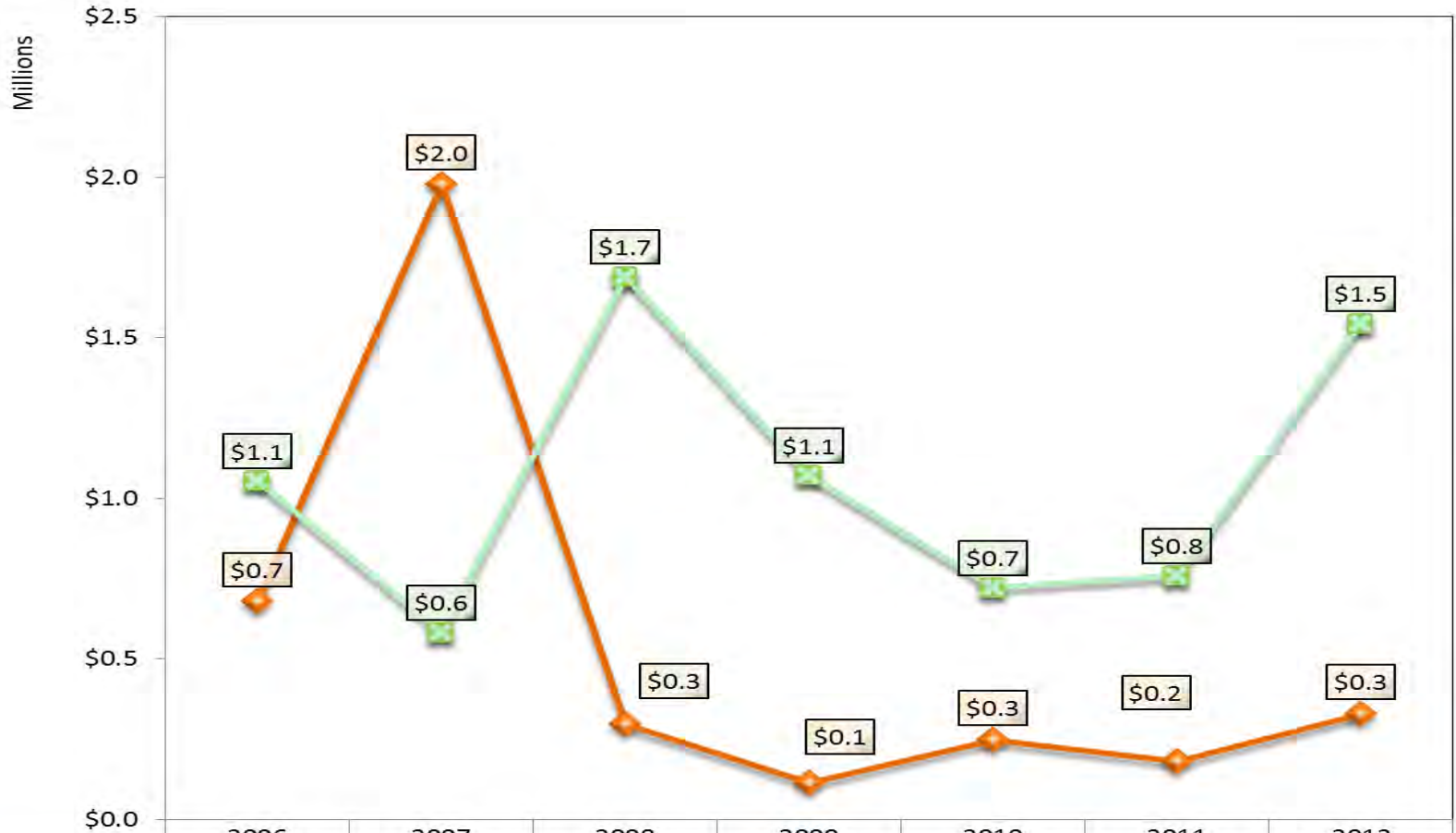
Federal Student Aid Funding, FY 2006-FY 2012



Connecticut State Universities Philanthropic Support , FY 2006-FY 2012



Community Technical Colleges Philanthropic Support , FY 2006-FY 2012



	2006	2007	2008	2009	2010	2011	2012
CC Gifts	\$679,769	\$1,978,588	\$297,231	\$115,563	\$250,033	\$181,633	\$330,000
Foundations	\$1,054,181	\$582,939	\$1,690,866	\$1,071,418	\$722,845	\$760,061	\$1,545,000

Foundation Net Assets FY 2011

State Universities - \$84,056,518

Community Colleges - \$46,837,646

FY 2012 Budget, Connecticut State Colleges & Universities, Board of Regents for Higher Education

	<i>FY12</i>			
	CONNECTICUT STATE UNIVERSITIES	COMMUNITY TECHNICAL COLLEGES	CHARTER OAK STATE COLLEGE	TOTAL
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Fringe Benefits	74,715,669	81,716,220	936,247	157,368,136
Auxiliary Services	90,114,782	-	-	90,114,782
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Expenses				
Personal Services	297,544,211	241,247,390	10,943,537	549,735,138
Fringe Benefits	118,611,666	103,285,300	-	221,896,966
Financial Aid	29,726,752	23,402,041	-	53,128,793
Other Expenses	127,629,859	58,896,874	2,815,520	189,342,253
Equipment	11,185,098	801,340	142,298	12,128,736
Debt Service	35,770,691	-	-	35,770,691
	<u>\$620,468,277</u>	<u>\$427,632,945</u>	<u>\$13,901,355</u>	<u>\$1,062,002,577</u>
Transfers	6,562,189	14,109,973	-	20,672,162
Addition to(Use of) Funds	\$213,597	\$0	(\$538,611)	(\$325,014)

* Excludes Grant Funds

Account Expenditure Categories - Definitions

Personnel Services

- Salaries
- Fringe Benefit Costs for retirement, health insurance
- Nearly 100% of General Fund appropriations used to pay personal services costs

Other Expenses

- Supplies and services, e.g., utilities, travel expense, consulting costs, IT software, etc.
- Nearly all of other expense costs are paid through the operating fund

Account Expenditure Categories - Definitions

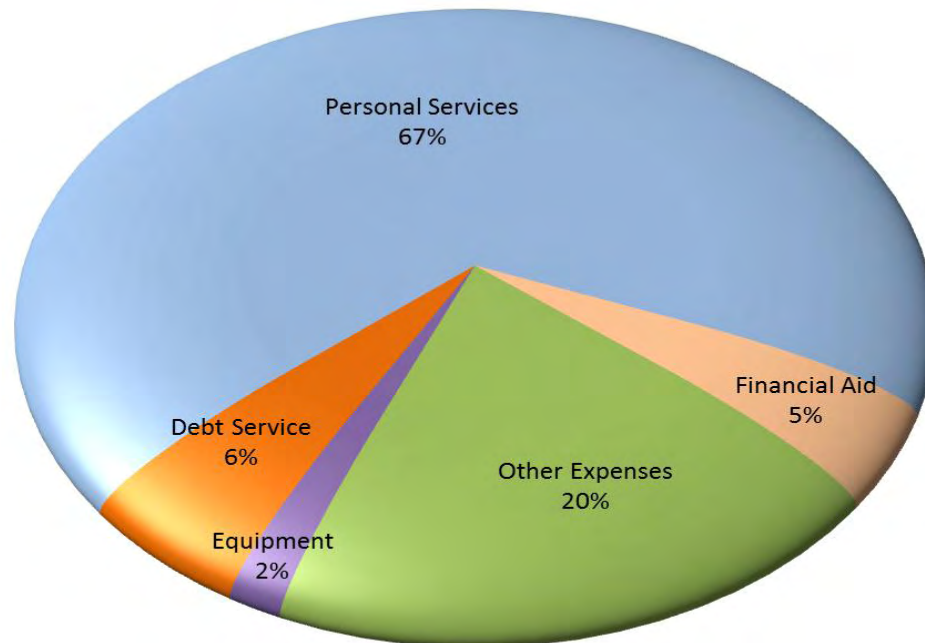
Equipment

- Items with an extended useful life
- Items with values exceeding \$1,000 (CTCs)

Transfers

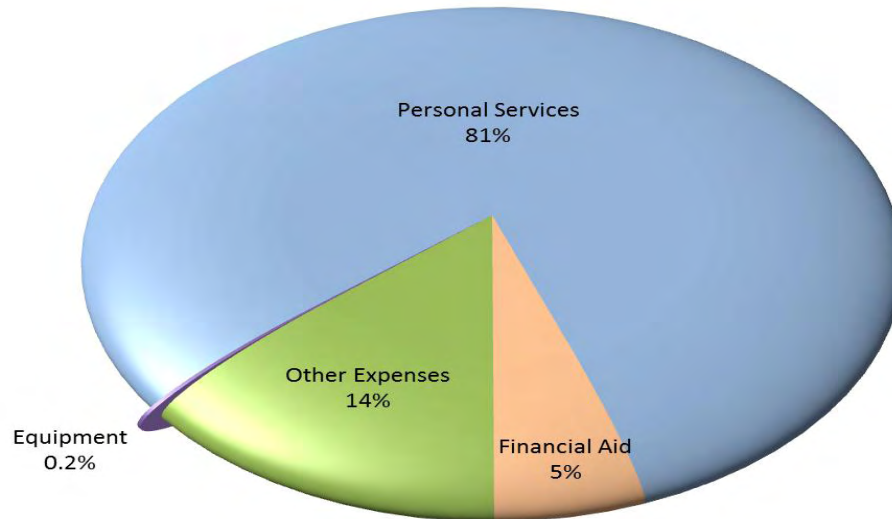
- Debt Service
- Auxiliary Services Overhead
- Use of Reserves
- Refunds

Connecticut State Universities: Distribution of Expenditures, FY 2012



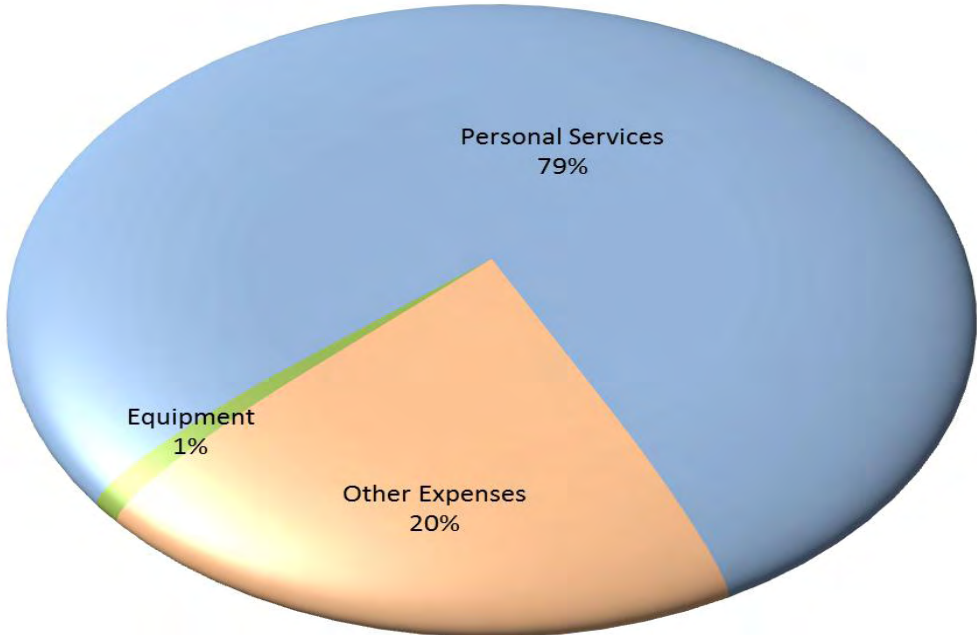
<i>Expenses</i>	<u><i>FY12 Budget</i></u>	<u><i>% of Total</i></u>
Personal Services	416,155,877	67%
Financial Aid	29,726,752	5%
Other Expenses	127,629,859	21%
Equipment	11,185,098	2%
Debt Service	35,770,691	6%
	<u>\$620,468,277</u>	<u>100%</u>

Community Technical Colleges: Distribution of Expenditures, FY 2012



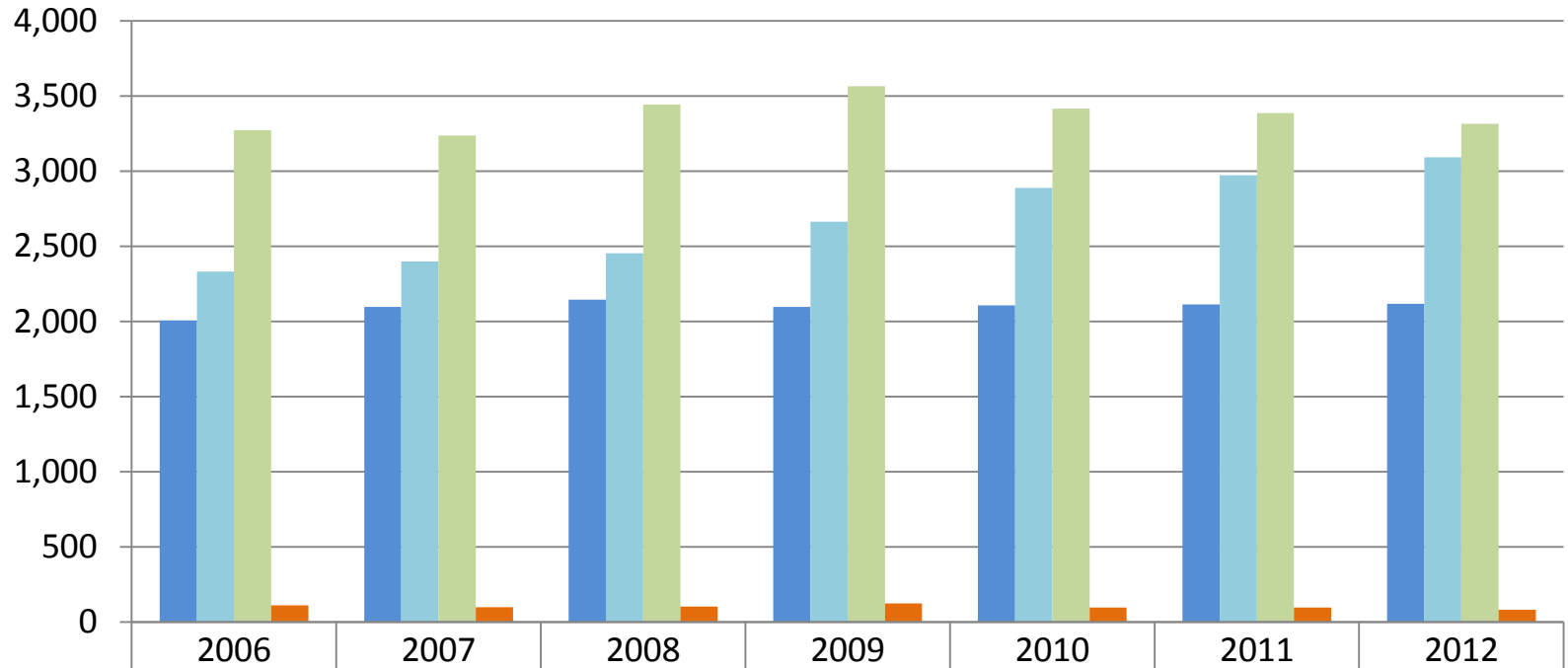
<i>Expenses</i>	<u><i>FY12 Budget</i></u>	<u><i>% of Total</i></u>
Personal Services	344,532,690	81%
Financial Aid	23,402,041	5%
Other Expenses	58,896,874	14%
Equipment	801,340	0.2%
	<u>\$427,632,945</u>	<u>100%</u>

Charter Oak State College: Distribution of Expenditures, FY 2012



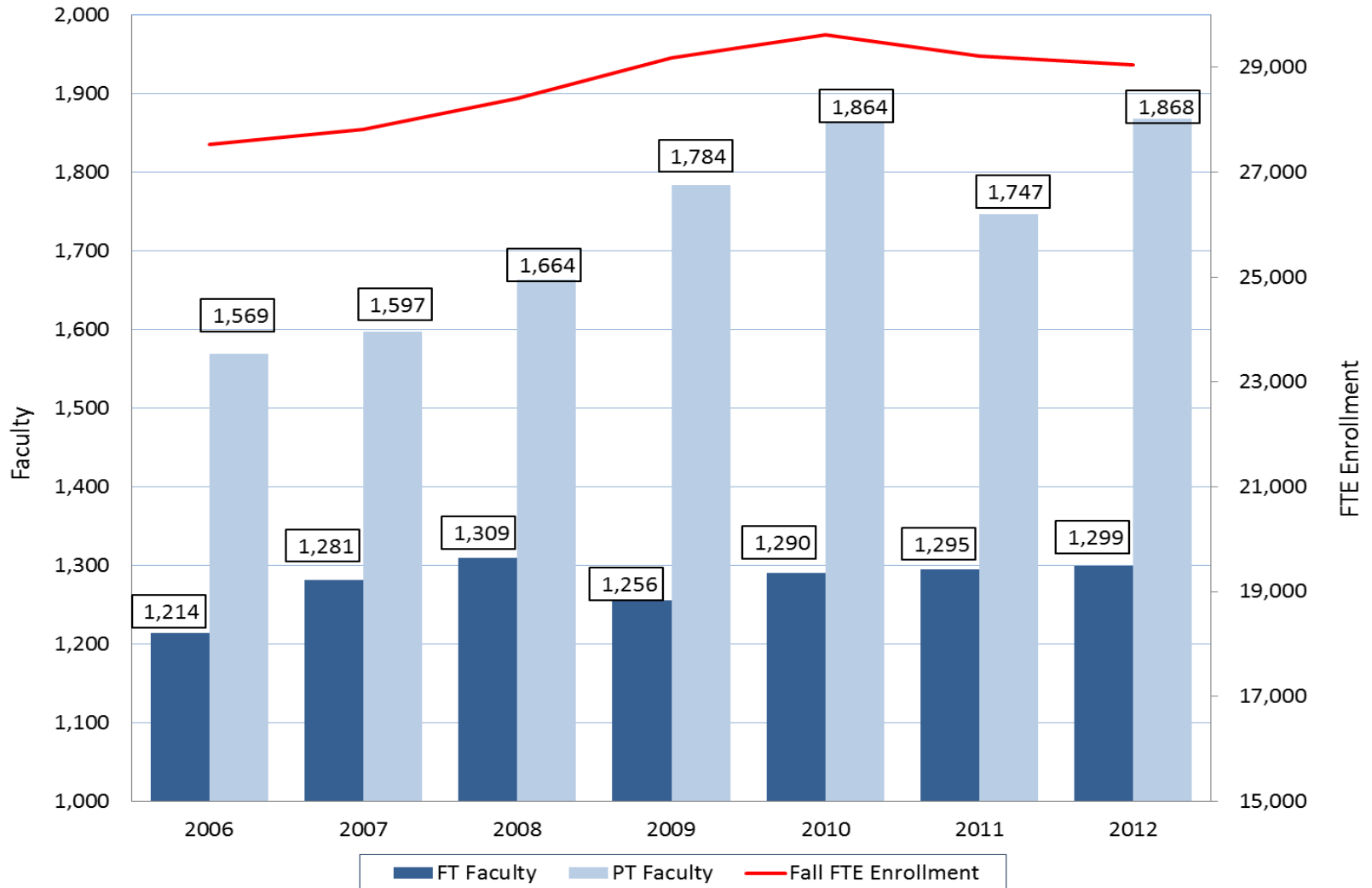
<i>Expenses</i>	<u><i>FY12 Budget</i></u>	<u><i>% of Total</i></u>
Personal Services	10,943,537	79%
Other Expenses	2,815,520	20%
Equipment	142,298	1%
	<u>\$13,901,355</u>	<u>100%</u>

Positions by Type, FY 2006-FY 2012

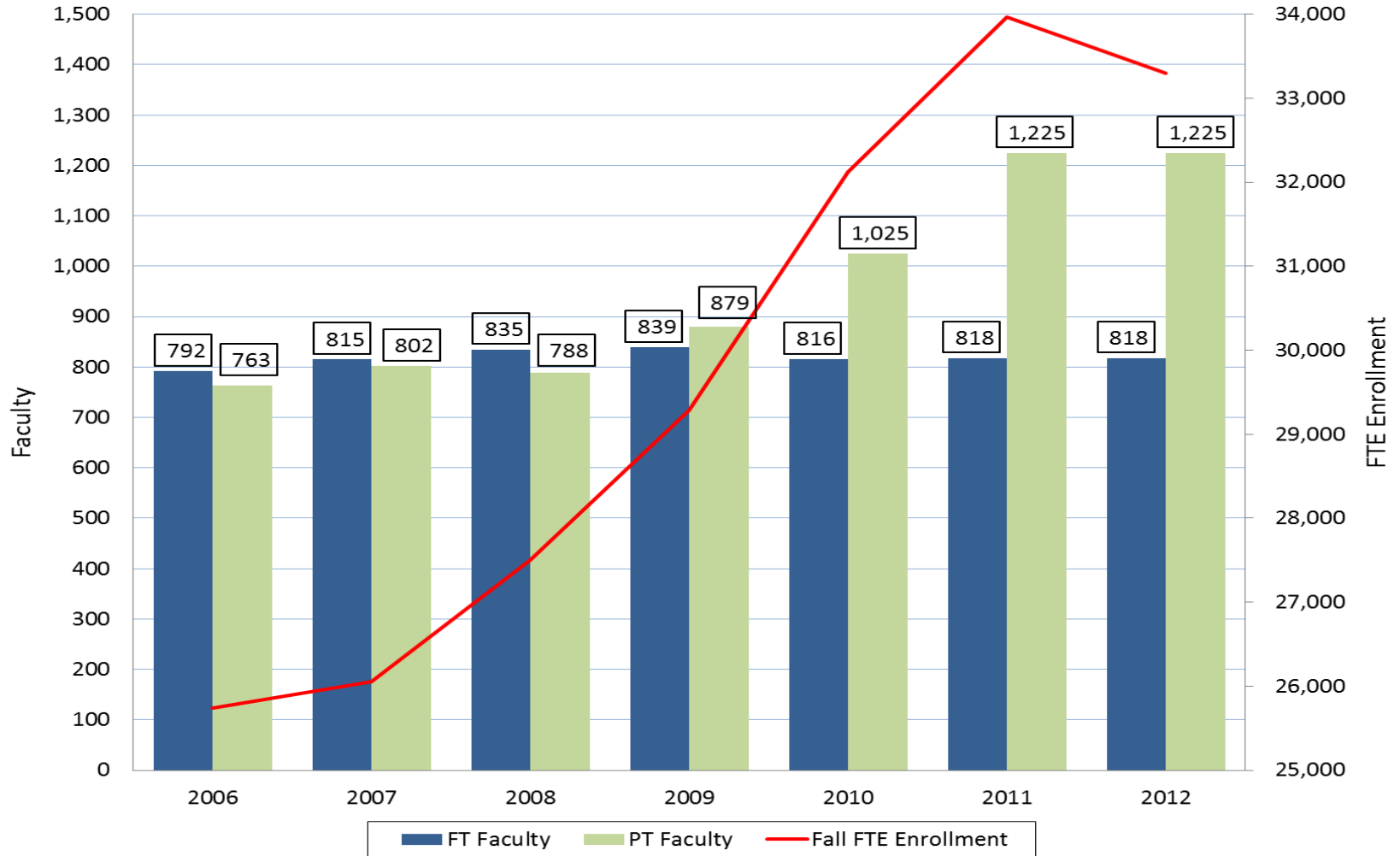


■ FT Faculty	2,006	2,096	2,144	2,095	2,106	2,113	2,117
■ PT Faculty	2,332	2,399	2,452	2,663	2,889	2,972	3,093
■ FT Staff	3,272	3,237	3,442	3,564	3,416	3,386	3,315
■ PT Staff	110	98	102	123	95	95	80

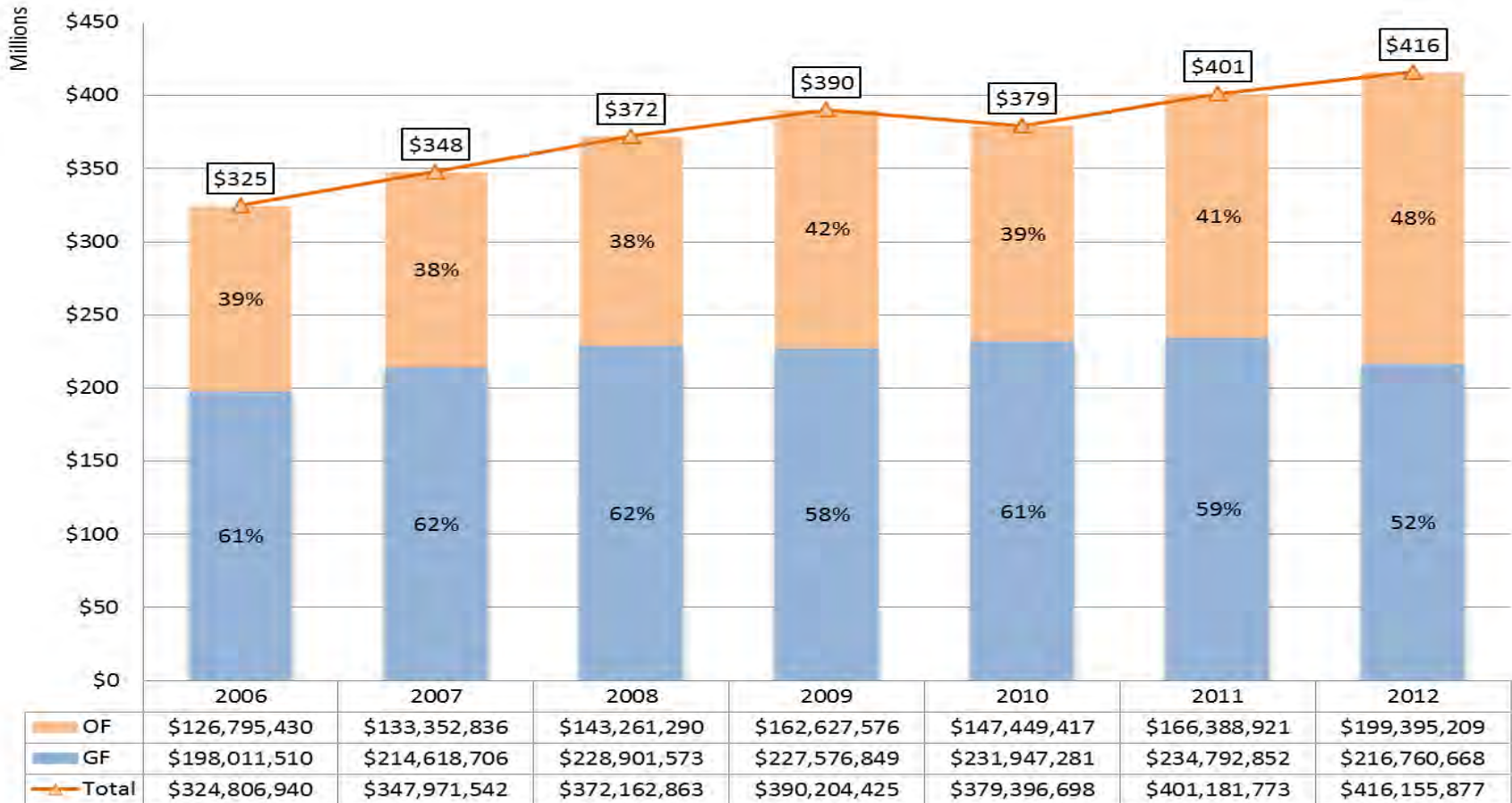
Connecticut State Universities: Full-Time and Part-Time Faculty FY 2006-2012



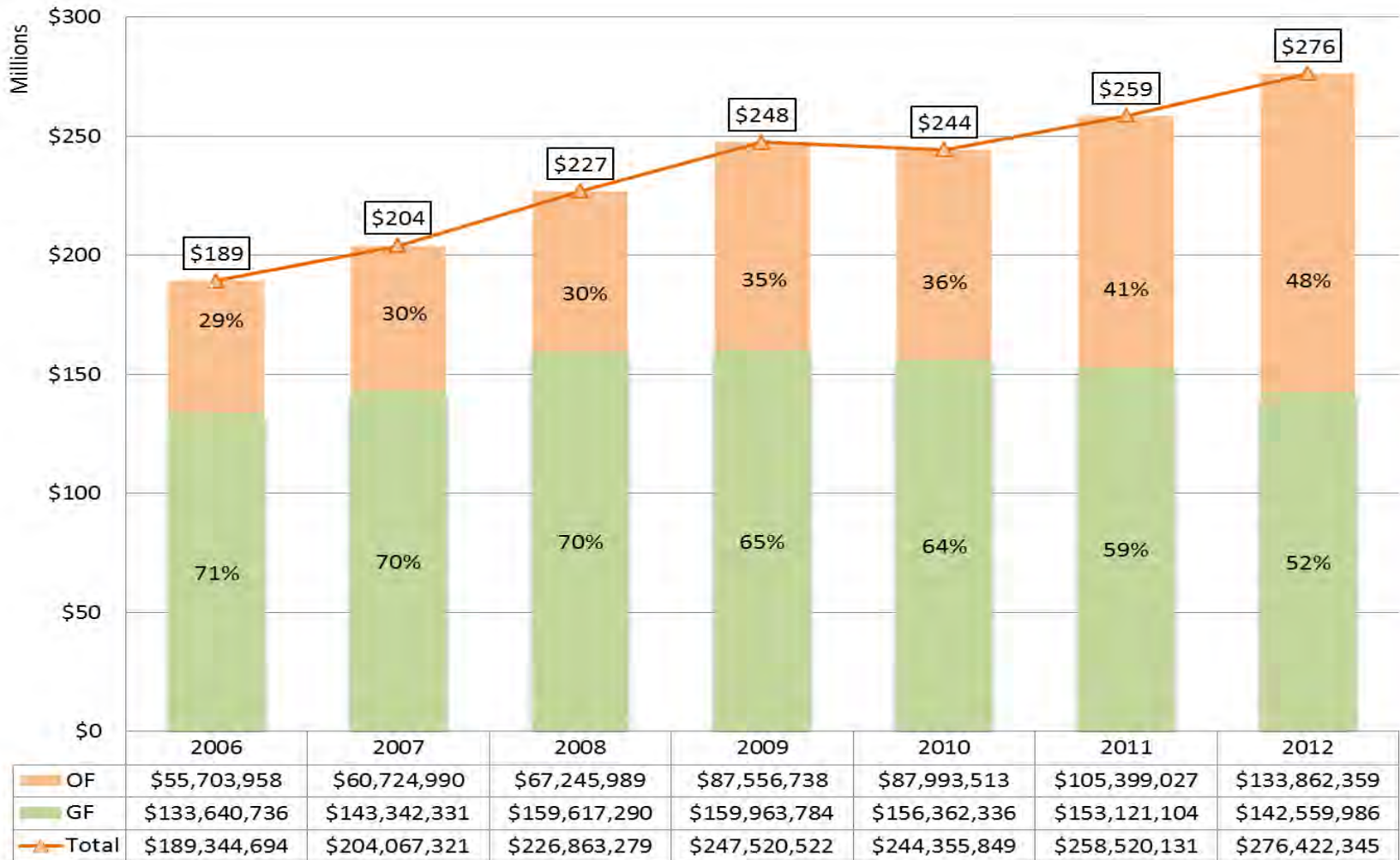
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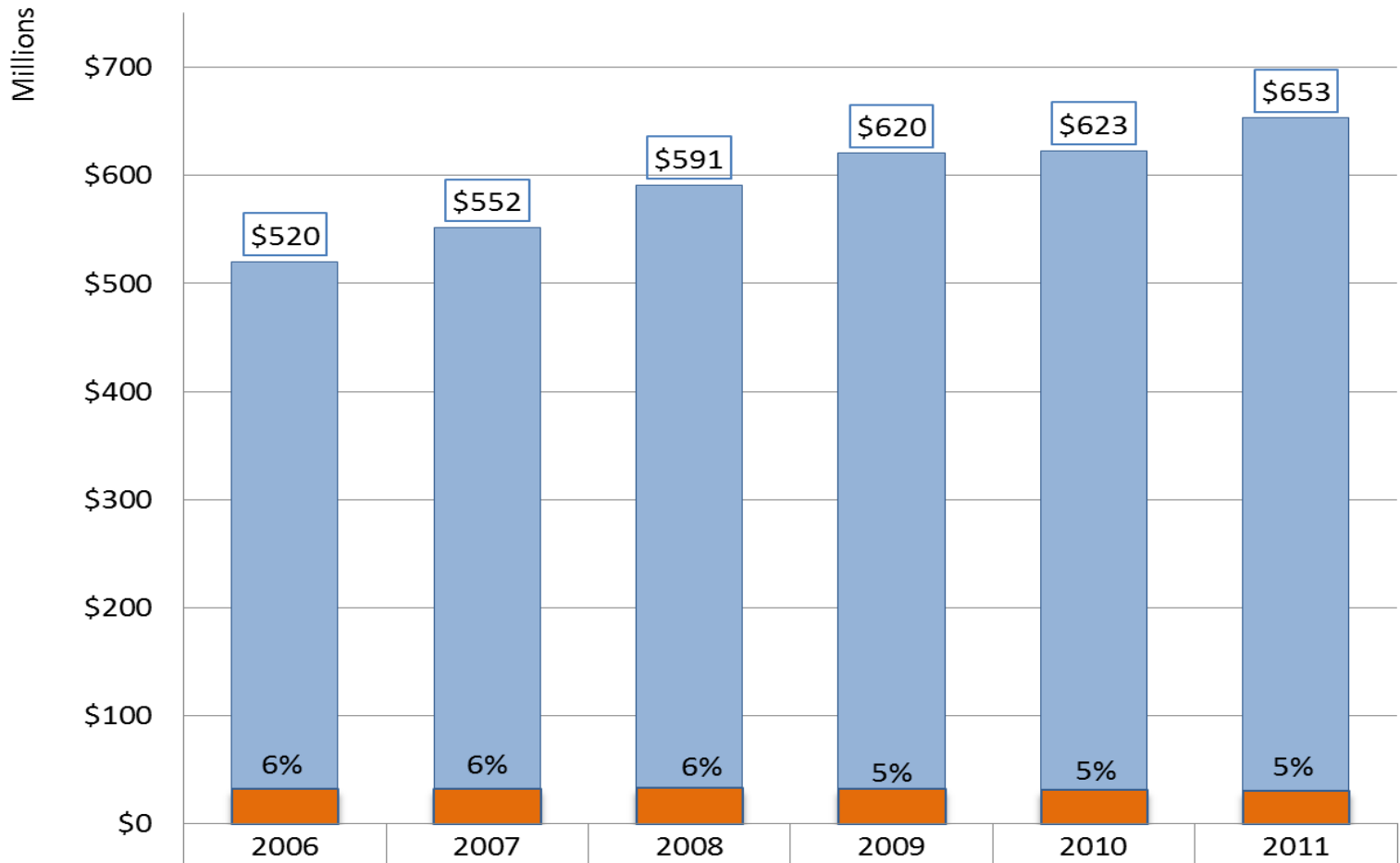
Connecticut State Universities: Personal Costs by Fund Source, FY 2006-2012



Community Technical Colleges: Personal Costs by Fund Source, FY 2006-2012



Trends in debt service cost as percent of operating expense (CSU only)



■ Total Operating Expenses	\$519,947,57	\$551,585,00	\$590,787,00	\$620,320,00	\$622,575,60	\$653,041,43
■ Debt Service	\$32,032,138	\$32,761,666	\$32,871,642	\$32,374,202	\$31,152,156	\$30,438,528

Collective Bargaining Units

	<u>Name of Unit</u>	<u>Representation</u>	<u>Membership</u>
State Universities	SUOAF-AFSCME	Administrators	704
	AAUP	Faculty, Counselors,	3415
Community Colleges	CCCC	Faculty, Administrators	4500
	AFT	Faculty	606
	AFSCME	Administrators	82

Statewide

There are eight collective bargaining units that account for the balance of positions in the system. These are non-faculty positions: clerical workers, custodial & maintenance workers, public safety officers, etc. These contracts

5/2/201 are not negotiated by the BOR but by the state of Connecticut.

Remedial Labor Relations

Lesson 1: Managing in a unionized environment

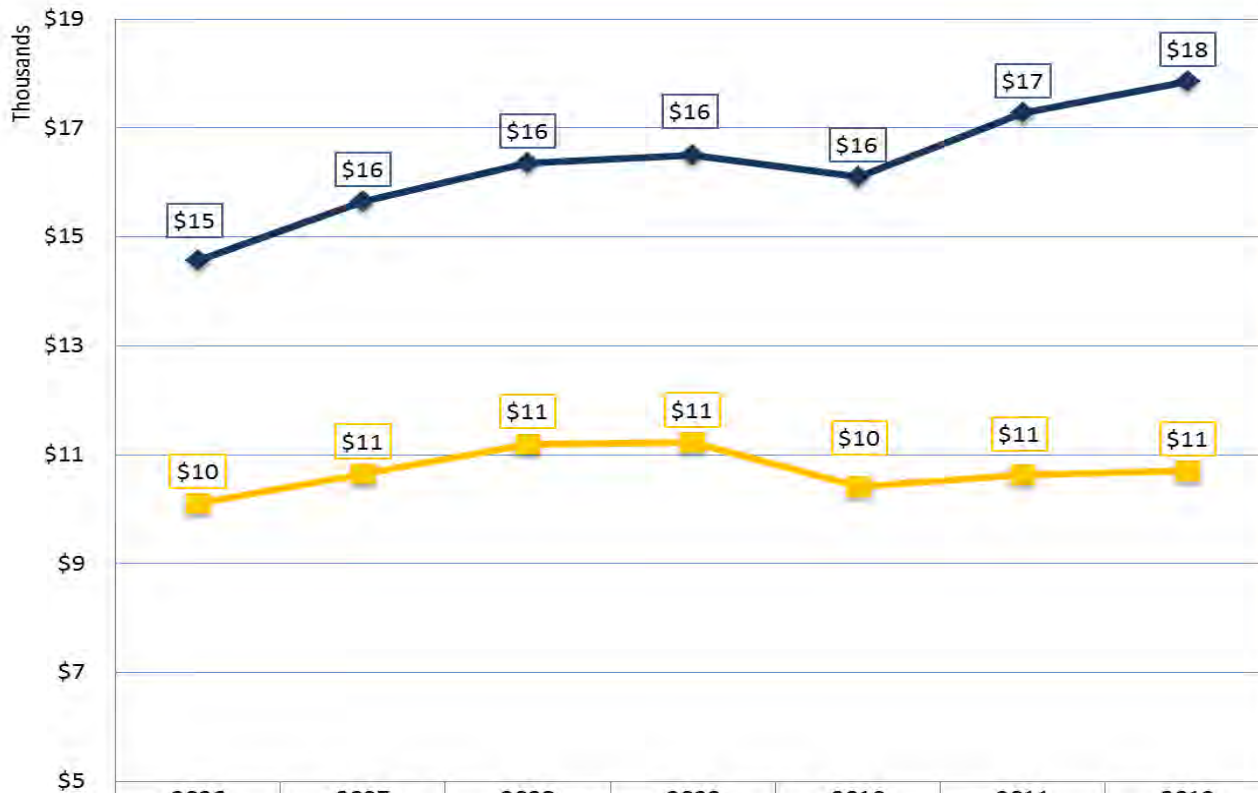
- In the beginning....
- Employees are entitled to a say in the content of their jobs
- Collective Action
 - Bargaining
 - Contract Administration
- Terms and Conditions of Employment
 - Written
 - Binding Past Practices
- One Bite at the Apple

Remedial Labor Relations

Lesson 1: Managing in a unionized environment

- Philosophy
 - Conflict
 - Defensive Endurance
 - Cooperation
 - Collusion
- Relationships are Important

Educational & General Expenditures Per FTE Student, FY 2006-FY 2012



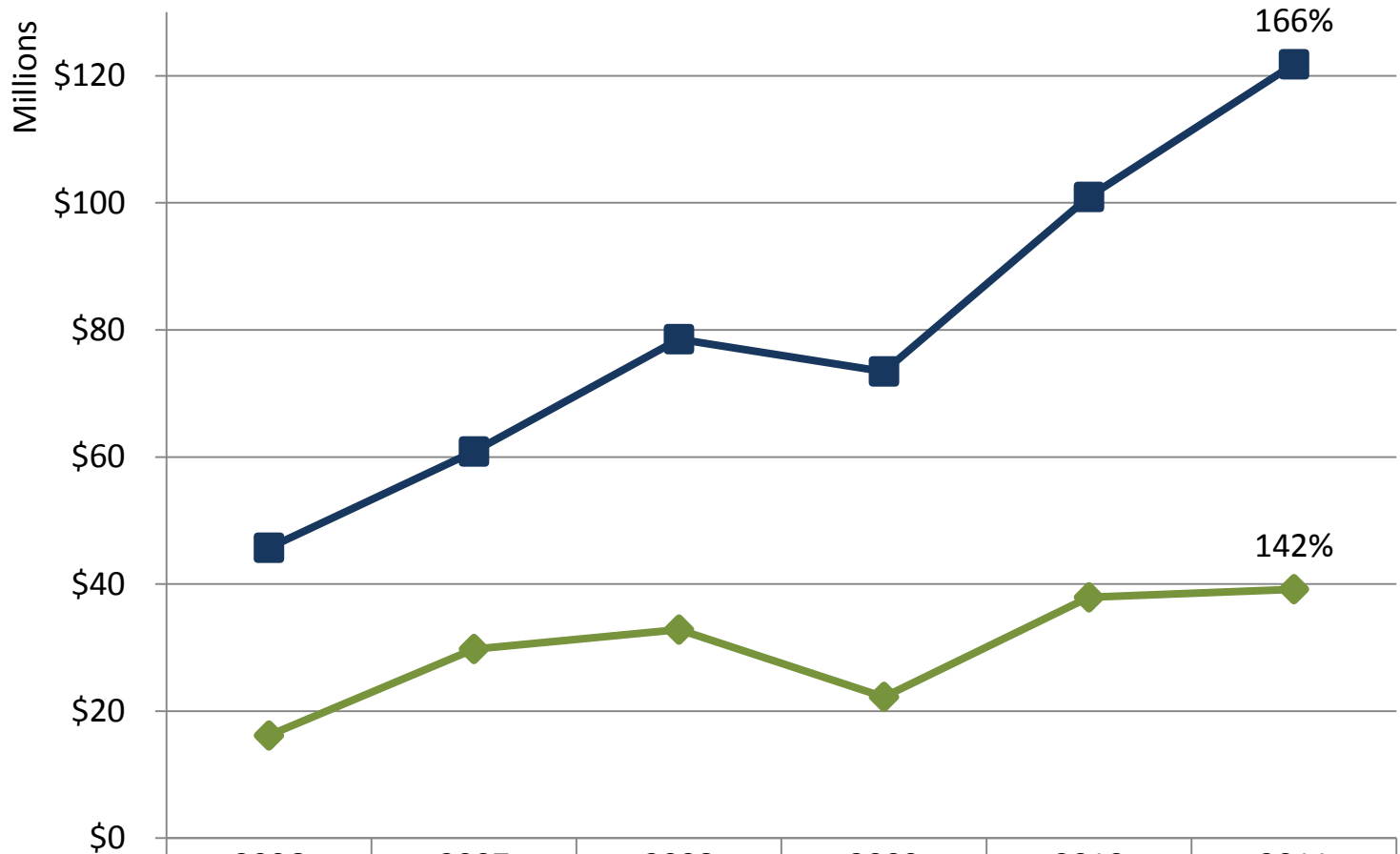
	2006	2007	2008	2009	2010	2011	2012
State Universities	\$14,560	\$15,654	\$16,350	\$16,495	\$16,100	\$17,279	\$17,851
Community Colleges	\$10,103	\$10,654	\$11,198	\$11,232	\$10,419	\$10,639	\$10,700

EVP Michael Meotti

March 15th Board Meeting:

- CSUs ranked 5th overall in 2009-2010 in total E&G spending/FTE student, but 45th in instruction-related expenditures.
- CTCs ranked 5th overall in 2009-2010 in total E&G spending/FTE student, but 48th overall in instruction-related expenditures.

System Fund Balances (Reserves), FY 2006-FY 2011



◆ Community Colleges	\$16,166,000	\$29,778,000	\$32,833,000	\$22,242,000	\$37,907,000	\$39,190,000
■ State Universities	\$45,714,856	\$60,864,408	\$78,543,863	\$73,463,602	\$100,930,324	\$121,804,974

Challenges

- Flat/Declining State Appropriations
- Flat/Declining Student Enrollments
- Use of Tuition Rate increases to manage shortfalls
- Students requiring financial assistance increasing dramatically; risk of changes in federal student aid funding
- Shifting of costs to operating funds
- Management flexibility in the context of collective bargaining agreements
- Debt capacity
- Different financial policies and procedures among units
- Highly regulated environment

Budget Projection Assumptions, FY 2013-2017

- Enrollment will remain flat through FY 2017
- State appropriations will increase to fund salary increases under SEBAC agreement
- No net increase in positions
- No significant change in student aid funding at federal or state level
- Inflation in non-personal services costs at 3% or below
- Auxiliary and other fee increase 3% to match inflation
- No increase in tuition

Given the above, we would expect a system budget deficit exceeding \$69 million by FY 2017

Board of Regents for Higher Education Budget Projections through FY 2017

	Actuals					Current Year	Projected				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY2016	FY 2017
Revenue											
State Block Grant Appropriation	301,924,698	327,569,493	325,188,528	320,935,830	320,958,323	286,549,818	285,840,757	300,132,795	315,139,435	330,896,407	347,441,227
State Fringe Benefit Appropriation	141,073,754	151,498,058	154,226,200	161,734,155	168,873,038	156,431,889	153,402,354	166,993,169	175,342,828	184,109,970	193,315,468
Operating Fund											
Tuition (with e Learning)	164,572,095	179,042,744	198,092,447	245,569,172	267,304,870	269,175,805	277,878,848	277,878,848	277,878,848	277,878,848	277,878,848
Extension (Course)	58,502,462	59,810,052	60,340,491	22,730,753	30,201,648	25,173,873	26,151,415	26,935,958	27,744,036	28,576,357	29,433,648
Auxiliary Services	71,537,283	76,984,077	83,102,860	90,485,231	95,340,754	99,263,039	101,144,915	104,179,262	107,304,639	110,523,779	113,839,493
General University Fees	74,703,905	81,286,088	91,202,688	125,426,125	134,033,530	127,100,680	131,480,539	135,424,956	139,487,704	143,672,336	147,982,506
Other -net	40,582,242	37,712,019	34,898,578	26,135,636	11,708,267	46,025,623	47,766,680	49,199,680	50,675,670	52,195,941	53,761,820
Fed, state & other grants	43,770,194	49,323,117	53,012,959	60,493,479	64,949,246	66,822,676	69,361,938	71,442,796	73,586,080	75,793,662	78,067,472
Use of Reserves											
Total	896,666,633	963,225,648	1,000,064,751	1,053,510,381	1,093,369,676	1,076,543,403	1,093,027,446	1,132,187,464	1,167,159,240	1,203,647,299	1,241,720,483
Expenditures											
Personal Services*											
Salaries	441,086,549	477,844,697	504,608,265	490,049,579	530,842,272	537,897,695	545,988,817	573,288,258	601,952,671	632,050,305	663,652,821
Fringe Benefits	181,197,043	193,391,345	206,660,064	208,220,026	216,570,328	224,884,087	221,878,702	232,972,637	244,621,269	256,852,332	269,694,949
Operating Expenses	198,682,711	221,893,716	222,403,472	228,670,560	232,957,617	225,873,124	229,133,495	236,007,500	243,087,725	250,380,357	257,891,767
Equipment	11,432,063	14,757,210	13,056,027	13,709,336	18,514,658	14,165,340	14,528,101	14,963,944	15,412,862	15,875,248	16,351,505
Financial Aid (Set Aside)	30,848,821	33,023,342	36,235,570	40,868,908	48,380,159	49,908,982	49,801,863	51,295,919	52,834,797	54,419,841	56,052,436
Debt Service	20,597,109	21,739,655	23,177,997	24,696,177	25,609,208	25,650,000	26,599,050	27,397,022	28,218,933	29,065,501	29,937,466
Other and Transfers	(8,706,209)	(8,092,681)	(5,105,056)	756,246	1,672,098	9,964,448	9,964,448	8,999,213	11,611,240	14,418,729	17,433,401
Total	875,138,087	954,557,284	1,001,036,339	1,006,970,832	1,074,546,340	1,088,343,676	1,097,894,476	1,144,924,493	1,197,739,497	1,253,062,313	1,311,014,345
NET GAIN (LOSS)	13,091,889	5,512,811	1,679,182	26,002,140	21,909,818	1,177,750	(4,867,030)	(12,737,029)	(30,580,257)	(49,415,014)	(69,293,862)

The traditional approaches used to address budget shortfalls -increasing tuition and fees, cutting costs on the margin, or making one-time use of reserve funds - would be among the levers we would use to balance the budget going forward.

However, there are other levers we can, and should, push:



Opportunities

- Consolidate system office functions
- Consolidate system-wide contracts & procurements
- Process and organization redesign
- Consolidate system-wide functions/ Employ shared services
- Proactively manage enrollment

Opportunities

- Explore feasibility of differential tuition & fees/other revenue enhancements
- Step up efforts to achieve energy savings
- Create strategies to increase philanthropic support
- Use and/or expand different delivery approaches, e.g., online learning, program collaboration, academic program specialization

Connecticut State Colleges & Universities Proposed Annual Budget Calendar

	Board of Regents System Office Staff	Board of Regents	ConnSCU Institutions	Governor/OPM	Connecticut General Assembly
January		Approves Tuition and Fee Rates for next Fiscal Year. Reviews Mid-Year Spending Plans.			
February	Meets with Joint Appropriations Committee and Higher Education Subcommittee to review Governor's budget recommendations			Presents Biennial Operating and Capital Budget Recommendations (Mid-year Adjustments in alternate years).	Begins review of the Governor's budget recommendations. Meets with Agency Heads.
March	Prepares Spending Plan guidelines for the next fiscal year and tentative allocation recommendations	Approves Allocation Strategy for the next fiscal year.			
April	Meets with ConnSCU Institutions to review spending plans.		Submits Spending Plans. Meets with BOR System Office to review plans.		
May					Passes Appropriations Bill (Short Session)
June	Begin Review of System/Institutional Budget Needs for Biennial Budget Request. Provides submission guidelines to institutions.	Approves Spending Plans	Develop set of funding needs for Biennial Budget Request		Passes Appropriations Bill (Long Session)
July	Begin preparation of Biennial Budget Request and Current Services Budget Request			Budget Guidelines for next fiscal year provided to State Agencies	
August	Submit Current Services Budget Request to Governor/OPM				
September		Approves Biennial Budget Request. Request Submitted to Governor/OPM		Begin review of the Biennial Budget Request.	
October	Respond to queries from OPM regarding the Biennial Budget Request				
November			Submit Fee Requests and Tuition Rate Increase Recommendations to BOR System Office Staff. Submit Mid-Year Spending Plans		
December	Meet with Institutions to review tuition and fee requests and mid-year spending plans.				

Questions ?

Board of Regents Workshop
April 30, 2012



CONNECTICUT STATE
COLLEGES & UNIVERSITIES

BOARD OF REGENTS FOR HIGHER EDUCATION