FY 2013 ConnSCU Budget

Board of Regents Meeting
June 21, 2012

Connecticut State Colleges & Universities
Board of Regents for Higher Education

Transitional Context

Previous Boards

Previous Boards adopted FY 12 budgets and remained in place for 6 months of the year

Rolling Forward

Rolling forward existing budgeting processes from prior systems

- Respects statutorily mandated segregation of finances
- Bridges a 6 month transition, but
- Creates quirks in numbers across the two systems

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“Budget Making” in a System

System budgets traditionally look different than institutional budgets

System Role

- Focus on revenue: approve tuition and allocate state block grant
- Approve spending plan but play a limited role in detailed expenditure decisions

Institutional Role

- Develops detailed expenditure budget

Shared shortcoming of typical budget formats

- Limited actionable information
- Fails to show relationship between dollars and policy goals

Traditional Approaches (CSU vs. CC)

CSU

- Campuses present budget proposals to System Office
- Tuition based on their own enrollment projections and
    board approved rate of increase
- Block grant allocated by formula as stated in Board policy
- Transparency across institutions

CC

- SO develops budgets for campuses based on rollout of prior year (determines block grant allocation), some adjustments (high cost programs), enrollment projections and tuition transfers
- An approach, but not a real formula
- No transparency across institutions
- BOR requested campus budget proposals for FY '13 for first time in recent CC system history

Central | Eastern | Southern | Western
Connecticut State Universities

Connecticut Community Colleges

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Budget Documents

The resolution and attachments A1 and A2

Summary financial data as systems (p. 12)

- CSU/CTC/COSC (not including system office)

Summary financial date as institutions

- CTC (starts on p. 7)
- CSU (p. 10)
- COSC (p. 11)

Further detail in Finance Committee materials

Key differences across systems

- Auxiliary: room and board (CSU only)
- Grants (CTC only)
- Fringe benefits paid by the state (not in CTC)

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The Big Picture: FY '12

A year of major financial change ends

- 10.5% decline in state block grant from FY '11
- First year after loss of federal stabilization funds
- Total revenue declined 0.8%
- Expenditures increased 4.5% (Includes 27th payroll)
- Swing in operating results from +$37M in FY 11 to -$17M in FY 12, thus reserves used to balance budgets

The Big Picture: FY '13

A more stable year begins

- Slight decline in block grant
- 3.5% increase in tuition and fees
- Revenues increase by 1.4%
  - Note decline in CC grants
- Expenditures decline by 0.6%
  - Use of reserves for operating subsidy in FY '12 does create a challenge in FY '13 that is bigger than these numbers suggest

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Community Colleges

Total expenses shows the bottom line for a campus, total revenues do not

- Total Revenues are adjusted up or down by transfer

Differences across campuses

- State Appropriations: operating costs for new facilities: Gateway, Norwalk and Tunxis
- Tuition: enrollment projections or fee variations
  - Flat for all except Gateway (large) and Manchester (small)
- Grants

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State Universities

Less Variation

- Much less variation across campuses in rate of change

Revenues Increase

- Revenues increase in a range of 2.4% to 3.2%
  Slight variation in enrollment projections by campus

Expenses Increase

- Expenses increase in a range of 0.9% to 2.4%

System Office/Reserves

System Office

- elimination of 24 positions; total savings of $5.5 million

Reserves

- Contingency and undesignated reserves are available to manage the risk of operating deficits
- Reserves are adequate for FY 13 risks but decline in CC reserves shows problem with recurring deficits

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Transfers across CC's

Longstanding CC allocation process

- Longstanding CC allocation process has transferred tuition across campuses to fill gaps

Transfer amounts from "donor" institutions

- Transfer amounts from "donor" institutions decrease in FY 13 (with one exception)
  - Suggest that we do an expedited review with donor institutions in July and August to consider interim relief in FY 13 while new allocation approach is adopted for use in FY 14 and beyond

Policy Implications

- Holds tuition in range of projected CPI
- Keeps spending flat
- Prioritizes instruction and student services over administration