

Developing a State of Minds

Connecticut State University System

BR#06-60



RESOLUTION

concerning

FY 2007-09 BIENNIAL BUDGET REQUEST - GENERAL FUND AND OPERATING FUND

August 25, 2006

- WHEREAS, The Board of Trustees for the Connecticut State University System (CSUS) under its statutory authority shall "review and approve institutional budget requests and prepare and submit to the Board of Governors of Higher Education,..." for review and recommendation, and
- WHEREAS, A proposed FY 2007-09 Biennial Budget Current Services request which includes continuation funding for positions projected to be funded through the General Fund and the Operating Fund; funding to meet known collective bargaining requirements; and funding to meet operating costs for new General Fund facilities projected to go on-line has been developed for submission to the Department of Higher Education (DHE) and the State Office of Policy and Management (OPM), and
- WHEREAS, Inflationary increases for expenditures reflected in the Current Services request are based upon inflationary factors provided by OPM as part of their Biennial Budget instructions, and
- WHEREAS, The budget process furthermore provides for requesting funding for programmatic initiatives or other "above current service" needs, and
- WHEREAS, A budget expansion option is proposed which will fund non-faculty staffing, which has not kept pace with student growth and square footage expansion due to funding shortfalls and the 2003 ERIP, and
- WHEREAS, CSUS has added 783,737 in additional square footage in General Fund buildings since FY1997, and
- WHEREAS, Funding for operations and maintenance of these facilities has not kept pace with the capital side, and
- WHEREAS, Enrollment has continued to grow in the face of funding shortfalls as well reductions in non-faculty staffing as a result of the 2003 ERIP, and
- WHEREAS, Proper staffing of student support areas (such as registrar's office, bursar's office, financial aid office, etc.) has suffered, resulting in inadequate provision of necessary student services, and

WHEREAS, A budget expansion option is proposed which will phase in State General Fund support to increase the number of faculty in key workforce shortage areas over the next five years, and

WHEREAS, There is a critical need for additional full-time faculty at CSUS to meet the needs of the growing student population, as well as the needs of business in the new knowledge economy, and

WHEREAS, More full-time faculty will enable CSUS to initiate a number of important new programs, and

WHEREAS A budget expansion option is proposed which will fund an addition to our base General Fund appropriation to reflect the permanent increase in base energy costs experienced over the past year, therefore be it

RESOLVED, That the Board of Trustees for the Connecticut State University System hereby approves and submits for review and recommendation to the Board of Governors a biennial budget Current Services request of \$532.3 million and \$543.2 million for FY2007-08 and FY2008-09 respectively, including collective bargaining increases for settled bargaining units. A breakdown of the current service request is shown below:

| | FY 2007-08 | | |
|--------------------|----------------------|----------------------|----------------------|
| | General Fund | Operating Fund | Total |
| Personal Services* | \$147,006,664 | \$115,106,505 | \$262,113,169 |
| Fringe Benefits | 71,103,566 | 29,977,563 | 101,081,129 |
| Other Expenses** | 9,883,507 | 93,907,075 | 103,790,582 |
| Equipment | | 10,370,304 | 10,370,304 |
| Financial Aid | | 20,158,941 | 20,158,941 |
| Debt service | | 34,775,054 | 34,775,054 |
| TOTAL | \$227,993,737 | \$304,295,442 | \$532,289,179 |

*Excludes unsettled bargaining units

**Assumes inflation rates of .9% for energy and 2.1% for all other, as per OPM guidelines

| | FY 2008-09 | | |
|--------------------|----------------------|----------------------|----------------------|
| | General Fund | Operating Fund | Total |
| Personal Services* | \$147,094,735 | \$117,172,527 | \$264,267,262 |
| Fringe Benefits | 71,887,881 | 34,794,778 | 106,682,659 |
| Other Expenses** | 11,221,912 | 94,490,953 | 105,712,865 |
| Equipment | | 10,588,080 | 10,588,080 |
| Financial Aid | | 20,814,107 | 20,814,107 |
| Debt service | | 35,142,729 | 35,142,729 |
| TOTAL | \$230,204,528 | \$313,003,174 | \$543,207,702 |

*Excludes unsettled bargaining units

**Assumes inflation rates of .6% for energy and 2.1% for all other, as per OPM guidelines

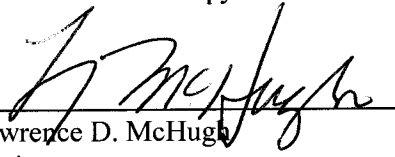
and be it further

RESOLVED, That the Board of Trustees for the Connecticut State University System hereby approves and submits for review and recommendation to the Board of Governors a Biennial Budget Above Current Services request of \$12.5 million for FY2007-08 and an additional \$1.6 million (\$14.1 million cumulatively) for FY2008-09, and be it further

RESOLVED, That these requests may be adjusted by the Chancellor of the Connecticut State University System in response to directives of the Secretary of the Office of Policy and Management or for other technical purposes, and be it further

RESOLVED, That the requests shall be transmitted to the Board of Governors for its review and recommendation by the Chancellor of the Connecticut State University System, who shall work cooperatively with said Board and its staff to provide further information and analysis as requested.

A Certified True Copy:



Lawrence D. McHugh
Chairman

ITEM

FY2007-09 Biennial Budget Request - General Fund and Operating Fund

BACKGROUND

The Board of Trustees under its statutory authority reviews and approves the universities' and System Office budget requests and prepares and submits a consolidated system request to the Board of Governors for Higher Education for its review and recommendation. The budget request is prepared in accordance with guidelines provided by the Department of Higher Education (DHE) and the Office of Policy and Management (OPM). Guidelines this year *require* a "Current Services" budget request, and *permit* an "Above Current Services" budget request, for both FY2007-08 and FY2008-09.

ANALYSIS

The Biennial Budget request to the Governor and the General Assembly represents a summary projection of Systemwide spending needs for FY2007-09, using specific inflationary factors provided by OPM. Specific university and system spending plans using updated inflationary factors are approved by the Board prior to the beginning of each new fiscal year. The "Current Services" request provides for funds to maintain services at the current level. Additional services are funded through additional appropriations "above current services". The recommended "above current services" budget request provides for funding for non-faculty staffing, which has not kept pace with student growth and square footage expansion due to funding shortfalls and the 2003 ERIP; provides for the phase-in of State General Fund support to increase the number of faculty in key workforce shortage areas over the next five years; and provides an addition to our base General Fund appropriation to reflect the permanent increase in base energy costs experienced over the past year. Minor changes to our request may be required to reflect refinements to the university submissions as a result of OPM or DHE directives.

Current Services

For the General Fund, we are requesting \$227.9 million for FY2007-08, an increase of \$4.3 million or 1.9% over FY2007. The requested \$227.9 million (including \$71.1 million for fringe benefits) includes \$1.8 million in vacation and sick leave payouts for those employees paid through the General Fund who took the ERIP in FY2003 (these payouts will be disbursed over three years, from FY2006 through FY2008); as well as funding necessary to provide for certain cost increases, including \$3.5 million to meet known collective bargaining needs and \$625,778 to meet the operating costs of new facilities projected to go on line in FY2007-08. For FY2008-09, we are requesting \$230.2 million, an increase of \$2.2 million or 1.0% over FY2007-08. This includes approximately \$71.9 million for the fringe benefit block grant, \$1.3 million to meet known collective bargaining needs, and \$2,556,540 to meet the operating costs of new facilities brought on line in FY2007-08 and FY2008-09.

For the non-General Fund portion of the Operating Fund, we are projecting expenditures of \$304.3 million for FY2007-08, an increase of \$5.2 million or 1.7% over FY2006-07. This increase includes inflationary increases for operating costs (using inflation factors provided by OPM) and salary requirements for settled bargaining units, and \$373 thousand in vacation and sick leave payouts for those ERIP'ed employees paid from other than General Funds. For FY2008-09 we are projecting expenditures of \$313.0 million, an increase of \$8.7 million or 2.9% over FY2007-08.

Above Current Services

The Biennial Budget process also provides for requesting funding for programmatic initiatives or other "above current service" needs. We are proposing a request for additional funding of \$12.5 million in FY2007-08 and an additional \$1.6 million (\$14.1 million on a cumulative basis) in FY 2008-09, specifically for three areas: (1) funding for non-faculty staffing, which has not kept pace with student growth and square footage expansion due to funding shortfalls and the 2003 ERIP; (2) phase-in of State General Fund support to increase the number of faculty in key workforce shortage areas over the next five years; and (3) an addition to our base General Fund appropriation to reflect the permanent increase in base energy costs experienced over the past year. This request, if approved by the Board of Trustees, will be submitted to the Department of Higher Education for their review and recommendation, and to OPM in accordance with their guidelines.

CSUS has added 783,737 in additional square footage in General Fund buildings since FY1997. Funding for operations and maintenance of these facilities has not kept pace with the capital side. We have requested \$11.2 million in required operations and maintenance funds over this same time period, and have received \$4.0 million, or approximately 35%. This has made it difficult, if not impossible, to maintain our buildings properly. It is important to maximize and prolong the taxpayers' investment to the fullest. Therefore, as part of this request, we are requesting an additional portion of these funds that we have not received in the past, in order to fund at the 70% level the necessary maintenance staff and operating costs to properly maintain the buildings that the State has so generously provided.

Also, our enrollment has continued to grow in the face of the funding shortfalls mentioned above, as well as reductions in non-faculty staffing as a result of the 2003 ERIP. In fact, since Fall 2000, CSUS's full-time enrollment has increased by 3,110 students, from 20,588 (the highest ever to that time) to 23,698 in Fall 2005. As a result, proper staffing of student support areas (such as registrar's office, bursar's office, financial aid office, etc.) has suffered, resulting in inadequate provision of necessary student services. Currently, the four CSUS Universities have open the following non-faculty vacancies (excluding maintainers, which would be encompassed in the operating and maintenance funds discussed above; also, coaches are included below):

- ◆ 4 Coaches

- ◆ 14 Clerical Staff (for example, Financial Aid Office Assistant, Student Affairs Clerk, etc.)
- ◆ 22 Administrative Professionals (for example, Assistant Director of Financial Aid, etc.)
- ◆ 7 Management/Confidential (for example, Associate VP of Academic Affairs, Associate VP for Academic Assessment & Planning)
- ◆ 1 Administrative & Residual
- ◆ 1 Protective Services

This portion of our request also encompasses sufficient funding to adequately staff areas served by these positions, so that all of CSUS's students, traditional and non-traditional, receive the services they deserve. The total amount of this portion of our request is \$6.7 million in FY07-08, with this amount carrying over into FY08-09 and forward.

A request for funding for additional faculty was initially made two years ago, and reiterated last year. Since then, the situation has not improved. In fact, the urgency to obtain additional full-time faculty to teach in workforce shortage areas has grown.

As Governor Rell stated this summer, "To the nation and the world, Connecticut should be synonymous with innovation and growth. We need to make Connecticut as attractive as possible for business to locate here, to stay here, to grow here and thrive here."

One key way to do this is by ensuring that workforce shortage areas are addressed. Connecticut's Next Generation Competitiveness Strategy includes a specific priority to implement training initiatives to further strengthen Connecticut's highly-skilled workforce.

It is more important than ever, then, that the State continue its investment in higher education; our request for funds to hire new faculty targeted to key workforce development areas will be crucial to CSUS's ability to provide the State with the workforce it needs to remain competitive, not just in the next decade, but for decades to come.

As discussed above, since Fall 2000, CSUS's full-time enrollment has increased by 3,110 students, from 20,588 (the highest ever to that time) to 23,698 in Fall 2005. This type of growth cannot continue without some supplemental funding. We anticipate that even more students will be knocking on our doors in the near future, driven not only by the growing demographic cohorts that will be transitioning from high school to college in the next several years, but also by the large number of students seeking to transfer into our universities.

The state should also provide support for the "full-time equivalent" ("FTE") student population. The number of CSUS's FTE students includes about 4,500 FTE part-time students (or about 11,800 actual part-time students when counting heads). In general, part-time students tend to increase in a strengthening economy, as more people return to the workforce on a full-time basis. Even though these students do not fit the traditional model of 4-year college student or the traditional model of graduate student, that

does not mean that they are not as valuable for the State. They, like traditional students, gain critical skills and acquire necessary competencies that make them valued components of the State workforce.

There is a critical need for additional full-time faculty at CSUS to meet the needs of this growing student population, as well as the needs of business in the new knowledge economy. In addition, the average age of CSUS's full-time faculty is 50, with almost one-quarter ages 60 and older. It is imperative that we begin to address the potential gap that is likely to occur as this faculty population begins to retire. If action is not taken now, it may be that there will be insufficient faculty to teach even the most basic courses to our growing student population in the future, let alone address essential workforce development initiatives.

More full-time faculty will enable CSUS to continue to address the State's workforce development needs, including initiating a number of important new programs.

While the need for additional faculty is great and immediate, CSU recognizes that the magnitude of the request is such that it is best approached through a phased process. Accordingly, CSUS proposes a budget expansion option that will phase in this additional support over five years. CSUS's request is for \$1.3 million in FY07-08 and an additional \$1.6 million (\$2.9 million cumulatively) in FY08-09, as part of a five-year phased-in State commitment of \$9.9 million in additional funding (equating to approximately 120 additional full-time faculty). The incremental additional funding would need to be built into the current services base in succeeding years.

All of the units of public higher education are still dealing with the aftermath of the years of retrenchment, including shortfalls in the funding of operating and maintenance costs for General Fund buildings (which have been historically funded at 35% of requested levels), and the 2003 ERIP (in which we were funded to refill 100% of pre-existing faculty positions, but less than half of other vacancies). As a result, there is very little latitude to reallocate State appropriation dollars to the important areas of need identified above. As the economy improves, moreover, it becomes even more important that the State continue its investment in higher education; the requested funds will be key to CSU's ability to provide the State with the workforce it needs to remain competitive in the new economy.

CSUS's energy costs in FY06 increased by over 30% (\$4.5 million) over FY05. Yet CSUS, like the other constituent units of public higher education, has not received any additional funding from the State in recognition of these increased costs. As a result, the entire burden must be borne by our students, either in the form of increased fees or reduced services. The spike in energy costs is not a short-term phenomenon; it will likely continue for the long run. While some have predicted that increases will moderate over the coming biennium, this projection is questionable at best, given the global unrest, third world development which will continue to put increasing demands on the world's supply of oil, and the shutdown of the Alaska pipeline, which is projected to reduce U.S. oil supply by 400,000 barrels a day and increase prices still more. While all new buildings costing \$5 million or more must as of January 1, 2007 be built to LEED Silver stan-

dard or equivalent, this does not guarantee short-term relief from increasing energy costs; indeed, our (and the State's) very first LEED Silver-certified building, WCSU's Science Building, exceeded its anticipated energy budget by over \$75,000 in the first year. Even if increases do moderate over the coming biennium, the base over which they will be applied remains permanently inflated, as nowhere is it anticipated that energy costs will decline.

Except for higher education, these additional energy costs were funded through the General Fund appropriation for other State agencies. Therefore, CSU is proposing a budget expansion option which will fund an addition to our base General Fund appropriation of \$4,500,000 in FY07-08, carrying over into FY08-09 and forward, to reflect the permanent increase in base energy costs.

In summary, the FY2007-09 Biennial Budget request would maintain the current services level of CSUS operations and provide operating support for new facilities going on-line or annualization of certain facilities costs. In addition, State funding support above current services of \$12.5 million in FY2007-08 and an additional \$1.6 million (\$14.1 million cumulatively) in FY2008-09 is requested to fund non-faculty staffing, which has not kept pace with student growth and square footage expansion due to funding shortfalls and the 2003 ERIP; to phase in State General Fund support to increase the number of faculty in key workforce shortage areas over the next five years; and to provide an addition to our base General Fund appropriation to reflect the permanent increase in base energy costs experienced over the past year.

Because the biennial budget request must be submitted to the Department of Higher Education by August 28, 2006, and to the Office of Policy and Management by September 1, 2006, the Executive Committee, acting on behalf of the Board, may approve the recommendation with ratification of its action by the full Board at the next scheduled meeting in October.

RECOMMENDATION

That the FY2007-09 Biennial Budget request be approved as presented subject to modification in response to DHE and OPM requirements.