



October 28, 2016

Mr. Paul Potamianos  
 Executive Budget Officer  
 Office of Policy and Management  
 450 Capital Avenue  
 Hartford, CT 06134

Dear Mr. Potamianos:

Per your request, attached please find reduction options for the Connecticut State Colleges & Universities totaling 10% of the FY2017 current services budget allotment. This reduction totals \$56.7M (\$32.4M in general fund and \$24.3M in associated fringe benefits), which follows general fund lapses already assessed in FY2017 of \$8.3M:

SID	SID Title	FY2017			Additional 10% Reduction			
		Appropriated	Allocated Lapse	Targeted Lapse	Current Allotment	10% Reduction	Fringe Impact	Total
12235	Workers' Compensation Claims	3,571,674	(35,716)	(71,433)	3,464,525	(346,453)	-	(346,453)
12531	Charter Oak State College	2,424,330	(24,243)	(24,243)	2,375,844	(237,584)	(166,309)	(403,893)
12532	Community Tech College System	161,446,565	(1,614,465)	(1,614,466)	158,217,634	(15,821,763)	(11,866,323)	(27,688,086)
12533	Connecticut State University	153,640,756	(1,536,407)	(3,072,815)	149,031,534	(14,903,153)	(12,220,586)	(27,123,739)
12534	Board of Regents	446,390	(4,463)	(8,928)	432,999	(43,300)	(27,279)	(70,579)
12578	Transform - Operations Support					-		
12591	Developmental Services	9,469,836	(94,698)	(189,397)	9,185,741	(918,574)	-	(918,574)
12592	Outcomes-Based Funding Incentive	1,662,925	(16,629)	(33,259)	1,613,037	(161,304)	-	(161,304)
Total CSCU		332,662,476	(3,326,621)	(5,014,541)	324,321,314	(32,432,131)	(24,280,496)	(56,712,628)

This \$56.7M reduction to the FY2017 State Appropriation would be on top of the \$39.8M reduction already realized from FY2016 to the current FY2017 Allotment, as follows:

SID	SID Title	FY2016	FY2017	Reduction FY2017 vs FY2016			Additional 10% Reduction			Total Impact vs FY2016
		Final Allotment	Current Allotment	GF Reduction	Fringe Impact	Total	10% Reduction	Fringe Impact	Total	
12235	Workers' Compensation Claims	3,813,230	3,464,525	(348,705)	-	(348,705)	(346,453)	-	(346,453)	(695,158)
12531	Charter Oak State College	2,689,233	2,375,844	(313,389)	(219,372)	(532,761)	(237,584)	(166,309)	(403,893)	(936,655)
12532	Community Tech College System	161,936,815	158,217,634	(3,719,181)	(2,789,386)	(6,508,567)	(15,821,763)	(11,866,323)	(27,688,086)	(34,196,653)
12533	Connecticut State University	162,485,587	149,031,534	(13,454,053)	(11,032,323)	(24,486,376)	(14,903,153)	(12,220,586)	(27,123,739)	(51,610,116)
12534	Board of Regents	524,777	432,999	(91,778)	(57,820)	(149,598)	(43,300)	(27,279)	(70,579)	(220,177)
12578	Transform - Operations Support	10,000,000		(10,000,000)		(10,000,000)	-			(10,000,000)
12591	Developmental Services	8,602,092	9,185,741	583,649	-	583,649	(918,574)	-	(918,574)	(334,925)
12592	Outcomes-Based Funding Incentive	-	1,613,037	1,613,037	-	1,613,037	(161,304)	-	(161,304)	1,451,733
Total CSCU		350,051,734	324,321,314	(25,730,420)	(14,098,902)	(39,829,322)	(32,432,131)	(24,280,496)	(56,712,628)	(96,541,949)

As indicated above, this would put the CSCU system at nearly \$100M of funding under FY2016 levels.

**For purposes of responding to this request, the information below shows the impact of the full 10% budget reduction allocated to each of personnel costs, financial aid expenditures, or tuition and fee rates. However we note that a reduction of this magnitude would require a combination of these and other actions, and each action presents significant challenges as noted below.**

**If 10% Reduction was fully allocated to Personnel Costs and Other Line Item Reductions**

About 85% of the spending at CSCU is related to personnel costs, so a significant funding reduction of this nature would come by way of headcount reductions.

A 10% across-the-board budget reduction based on FY2017 Current Allotment would require the elimination of 391 full-time positions of which 213 are faculty positions, as follows:

<u>Personnel</u>	<u>Community Colleges</u>	<u>Charter Oak</u>	<u>State Universities</u>	<u>CSCU Total</u>
FT Faculty Positions	809		1,325	2,134
FT Staff	1,235	77	1,897	3,209
10% Reduction in Faculty	81		133	213
10% Reduction in Staff	134	3	40	177
<b>Total Reduction in Personnel</b>	<b>215</b>	<b>3</b>	<b>173</b>	<b>391</b>

In addition, we would reduce coverage of workers compensation claims by \$346K which would force longer payment cycles and discourage advantageous settlements. Further, we would have to cut back \$919K from the delivery of development education services offered to students requiring extra support.

All of these actions would negatively impact student programs and completion rates. We note also that cost elimination through personnel reductions could not be realized within one year as most employees require notification periods ranging from three months to one year.

**If 10% Reduction was fully allocated to Tuition and Fee Increases**

If the burden of a \$56.7M reduction in general fund and related fringe benefits was fully absorbed by tuition and fee increases, the impact would be as follows:

	<u>% Increase Tuition &amp; Fees</u>
Community Colleges	47%
State Universities	13%
Charter Oak State College	15%
<b>Overall CSCU Impact</b>	<b>20%</b>

This increase would clearly affect affordability and would impose a burden on CSCU’s students and their families, and in general would be contrary to public policy. It would also negatively impact the State’s economic recovery as well as Connecticut long-term economic growth.

**If 10% Reduction was fully allocated to Institutional Financial Aid**

As with the other two examples above, this scenario is hypothetical as we would not be inclined to negatively impact financial aid to the degree that would be required if this were a sole solution to the budget reduction. Impact would be as follows:

	<b>FY2017 Budget Financial Aid</b>	<b>10% Reduction GF &amp; Fringe</b>	<b>% of Financial Aid</b>
Charter Oak State College	141,804	(70,579)	50%
Community Tech College System	18,035,615	(27,123,739)	150%
Connecticut State University	36,332,238	(27,688,086)	76%

As indicated above, The Universities and Charter Oak would lose a significant amount of aid provided to students in need, and the Community Colleges do not have enough institutional aid to even cover the 10% reduction.

We appreciate the opportunity to discuss with you the hardship that such a budget reduction would create to the CSCU System. Please feel free to contact me with any questions.

Sincerely,

Erika Steiner  
Chief Financial Officer

cc: Mark Ojakian, CSCU President

Board of Regents for Higher Education

11000 - General Fund

Adjustment Type:

Reductions

Agency Title:

10% Reduction

Agency Description:

An additional 10% reduction to the FY2017 current services budget amounts to \$56.7M (\$32.4M in general fund and \$24.3M associated fringe benefits), which follows general fund lapses already assessed in FY2017 of \$8.3M. This 10% reduction of \$56.7M would be on top of the \$39.8M reduction already realized from FY2016 to the current FY2017 Allotment (see memo for details). This would put the CSCU system at nearly \$100M of funding under FY2016 levels. A 10% across-the-board budget reduction based on FY2017 Current Allotment would require the elimination of 391 full-time positions of which 213 are faculty positions. In addition, we would reduce coverage of workers compensation claims by \$346K which would force longer payment cycles and discourage advantageous settlements. Further, we would have to cut back \$919K from the delivery of developmental education services offered to students requiring extra support. We estimate that if a 10% budget reduction was fully absorbed by tuition and fee increases, it would require an increase in tuition and fees of 47% for Colleges, 13% for Universities and 15% for Charter Oak State College. This increase would clearly affect affordability and would impose a burden on CSCU's students and their families. It would also negatively impact the State's economic recovery as well as Connecticut long-term economic growth.

Agency Priority:

1

System ID:

7137

SID	Account	Program	Agency 2018	Agency 2019
Financials				
12235 - Workers' Compensation Claims	50400 - Employee Benefits		(346,453)	(346,453)
	Total-12235 - Workers' Compensation Claims		(346,453)	(346,453)
12531 - Charter Oak State College	50110 - Salaries & Wages-Full Time	81101 - Instruction	(237,584)	(237,584)
	Total-12531 - Charter Oak State College		(237,584)	(237,584)
12532 - Community Tech College System	50110 - Salaries & Wages-Full Time	81101 - Instruction	(15,821,763)	(15,821,763)
	Total-12532 - Community Tech College System		(15,821,763)	(15,821,763)
12533 - Connecticut State University	50110 - Salaries & Wages-Full Time	81101 - Instruction	(14,903,153)	(14,903,153)
	Total-12533 - Connecticut State University		(14,903,153)	(14,903,153)
12534 - Board of Regents	50110 - Salaries & Wages-Full Time	81107 - Institutional Support	(43,300)	(43,300)
	Total-12534 - Board of Regents		(43,300)	(43,300)

12591 - Developmental Services	50110 - Salaries & Wages-Full Time	81101 - Instruction	(918,574)	(918,574)
	Total-12591 - Developmental Services		(918,574)	(918,574)
12592 - Outcomes-Based Funding Incentive	50120 - Salaries & Wages-Temporary	81106 - Student Services	(161,304)	(161,304)
	Total-12592 - Outcomes-Based Funding Incentive		(161,304)	(161,304)
<b>Total Financials</b>			<b>(32,432,131)</b>	<b>(32,432,131)</b>