



RESOLUTION

concerning

FY 2003-05 BIENNIAL BUDGET REQUEST - GENERAL FUND  
AND OPERATING FUND

August 23, 2002

- WHEREAS, The Board of Trustees for the Connecticut State University System 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 2003-05 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 DHE and OPM, and
- WHEREAS, Inflationary increases for expenditures reflected in the Operating Fund component of the budget are based upon guidelines provided by OPM, and
- WHEREAS, The budget process furthermore provides for requesting funding for programmatic initiatives or other "above current service" needs, and
- WHEREAS, The level of State support that CSU receives is proportionally far below that received by the other constituent units of public higher education in Connecticut, and is inadequate, and
- WHEREAS, CSU does not receive enough revenue to meet its strategic needs, and
- WHEREAS, CSU is funded by the State at a level of 56% of total costs, compared to 64% of total costs at UConn and 70% at the CTC's, and
- WHEREAS, The percentage of public higher education expenditures coming from State appropriations have decreased radically for all units of public higher education, and

WHEREAS, CSU cannot continue to provide quality education to its students, and cannot expand to meet the needs of Connecticut business without additional funding, and

WHEREAS, A budget expansion option is proposed which would phase in, over a period of six years, additional State General Fund support to bring the amount of support received by CSU to 64% of total costs, and

WHEREAS, This support would fund a series of strategic initiatives benefiting both CSU students and the State of Connecticut, including initiation and expansion of academic programs to meet important workforce needs, and

WHEREAS, Public Act No. 99-142 (the "Standard Wage Bill") was enacted by the Legislature of the State of Connecticut on July 1, 1999 and implemented on July 1, 2000, and

WHEREAS, This bill requires that wages paid on an hourly basis to any employee of certain service industries pursuant to a contract or agreement with the State or any State agent, "shall be at a rate not less than the standard rate determined by the Labor Commissioner...", and

WHEREAS, A budget expansion option is proposed which will fund the impact of the Standard Wage Act through the General Fund, as is done for other State agencies, 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 \$414,993,537 and \$433,032,922 for FY2003-04 and FY2004-05 respectively, including expected collective bargaining increases. A breakdown of the current service request is shown below:

	FY 2003-04		
	<u>General Fund</u>	<u>Operating Fund</u>	<u>Total</u>
Personal Services	\$143,249,808	\$83,431,095	\$226,680,903
Fringe Benefits	51,382,546	21,643,473	73,026,019
Other Expenses	10,749,471	64,992,058	75,741,529
Equipment		7,642,719	7,642,719
Financial Aid		13,218,084	13,218,084
Debt service		18,684,283	18,684,283
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TOTAL	\$205,381,825	\$209,611,712	\$414,993,537

FY 2004-05

	General Fund	Operating Fund	Total
Personal Services	\$150,578,191	\$86,637,140	\$237,215,331
Fringe Benefits	54,029,567	22,379,351	76,408,918
Other Expenses	11,249,758	66,642,116	77,891,874
Equipment		8,233,487	8,233,487
Financial Aid		13,945,079	13,945,079
Debt service		19,338,233	19,338,233
TOTAL	\$215,857,516	\$217,175,406	\$433,032,922

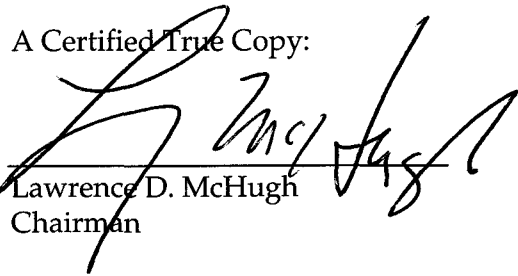
and be it further

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 \$6.2 million for FY2003-04 and \$11.2 million for FY2004-05, 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

FY2003-05 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 FY2003-04 and FY2004-05.

## ANALYSIS

The Biennial Budget request to the Governor and the General Assembly represents a summary projection of Systemwide spending needs for FY2003-05. Specific university and system spending plans 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 the phase-in of State General Fund support to bring the amount of support received to at least 64% of total costs over the next six years, and to provide reimbursement for increased contract costs due to the enactment of the Standard Wage act. 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 \$205.4 million for FY2003-04. The requested \$205.4 million (including \$51.4 million for the fringe benefit block grant) includes an additional \$10.3 million in General Fund appropriations (a 5.3% increase over the FY2002-03 base, which restores \$9.6 million in appropriation reductions enacted in FY2002-03) which will be necessary to provide for certain cost increases, including \$6.8 million to meet known collective bargaining needs and \$720,517 to meet the operating costs of new facilities projected to go on-line in FY2003-04. For FY2004-05, we are requesting \$215.9 million, an increase of \$10.5 million or 5.1% over FY2003-04. This includes approximately \$54.0 million for the fringe benefit block grant, \$6.9 million to meet known collective bargaining needs, and \$1,385,320 to meet the operating costs of new facilities brought on-line in FY2003-04 and FY2004-05.

For the non-General Fund portion of the Operating Fund, we are projecting expenditures of \$209.6 million for FY2003-04, an increase of \$7.7 million or 3.8% over FY2002-03. This increase includes inflationary increases for operating costs and salary requirements.

For FY2004-05 we are projecting expenditures of \$217.2 million, an increase of \$7.6 million or 3.6% over FY2003-04.

#### 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 \$6.2 million in FY2003-04 and \$11.2 million in FY 2004-05, specifically for two areas: (1) phase-in of State General Fund support to bring the amount of support received to at least 64% of total E&G costs over the next six years, and (2) reimbursement of the impact of PA99-142, An Act Setting Standard Wage Rates for Certain Service Workers. 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.

The level of State support that CSU receives is proportionally far below that received by the other constituent units of public higher education in Connecticut, and is inadequate. CSU does not receive enough revenue to meet its strategic needs. CSU is funded by the State at a level of 56% of total costs, or \$7,714 per FTE student; compared to 64% or \$14,171 per FTE student at UConn and 70% or \$7,678 per FTE student at the CTC's. Furthermore, data compiled by the Department of Higher Education reveals that from FY1989 to FY2002, the percentage of public higher education expenditures coming from State appropriations decreased radically for all units of public higher education (from 78% to 64% for the University of Connecticut, 84% to 70% for the Community Technical Colleges, and from 74% to 56% for CSU).

This funding shortfall is occurring at a time when it is imperative that higher education continue to be funded at needed levels, in spite of the current budget situation.

- High-school graduating class sizes are increasing, and are projected to be up 23% from 1998 to 2008. This is already affecting CSU – applications are up 26% since 1997, and our current full-time enrollment is the highest it has ever been.
- Our retention programs are working, as more students return to school in their second year than had previously.
- The "You Belong in Connecticut" campaign is working – there is an increasing percentage of in-state students staying in Connecticut for college.
- In addition, with the slowdown in the economy, citizens with poor job prospects tend to come back to college, further increasing expected enrollment increases.

The State of Connecticut is dependent on human capital. According to the Progressive Policy Institute, "When the most valuable input for many firms is the skills and talent of their workforce, a pool of skilled workers in the most important locational factor." (2002 State New Economy Index, June, 2002) Having skilled workers with college degrees will be critical to the success of the State in the future.

Higher education is an excellent investment for the State. Studies show a "cascade" of benefits, both economic and social, benefiting both the individual and society. Individuals with a bachelor's degree or higher enjoy improved health and increased life expectancy, improved quality of life, improved ability to adapt to and use technology, and increased spending and saving; while communities experience increased participation in civic life, greater social cohesion, and reduced crime. According to a Special Study released by the U.S. Census Bureau in July of 2002 entitled, The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings, an individual with a bachelor's degree is expected to earn \$914,289 in additional earnings over his lifetime compared to an individual with a high school diploma. While an increased level of education represents a direct benefit for the individual, it also creates public benefits for the State, in the form of increased competitiveness in international markets and increased Statewide productivity, as well as increased aggregate personal income, which is a measure of a State's return on investment. This is in addition to other more obvious measures of return such as increased income tax and increased sales tax. Put in monetary terms, for a student attending four years of college, the State's public investment in a CSU education is approximately \$30,856 (excluding any grants awarded under Connecticut Aid to Public College Students); while the amount of additional taxes paid to the State over the student's working life is projected to be \$69,486; resulting in a direct monetary Return on Investment of 225%.

In July, 2002, the journal, Postsecondary Education Opportunity, reported the conclusion of its research staff that "states with regularity and consistency increase tuition when appropriations are inadequate to meet the revenue needs of state colleges and regional universities." (pp. 6-7) This is true not only of states in general, but of most individual states over time. "In state colleges and regional universities inadequate state appropriations are most consistently and regularly met with tuition increase, and the most adequate annual appropriations are met with the most restraint in tuition increases." Connecticut ranks 8<sup>th</sup> highest in the country on this measure of correlation. (p. 7)

CSU is providing valuable benefits to the State of Connecticut and its citizens, but it cannot continue to provide quality education to its students, and cannot expand to meet the needs of Connecticut business without additional funding. Additional State funding will help to ensure that tuition and fee increases are impacted as little as possible.

If CSU were to receive, at minimum, 64% of total current costs, or the equivalent of UConn's State funding percentage, the result would be an additional \$1,169 per FTE student, or approximately \$30 million in additional funding at current FTE levels. CSU proposes a budget expansion option that will phase in this additional support over a six-year period (an increase of \$5,000,000 per year). This support would fund a series of strategic initiatives which would benefit both our students and the State of Connecticut, as follows:

- Initiation or expansion of academic programs to meet important workforce needs, including the following:
  - Nursing - to meet the nursing shortage
  - Education - to address the shortage of qualified teachers in critical subject areas in secondary schools
  - Information Technology and Computer Science - to expand Bachelor's and Master's offerings in these programs in response to the demonstrated need for information technology personnel in the State's developing knowledge economy
  - Bioscience - to develop programs at all four universities in the bioscience field
- Technology programs - for manufacturing technology and precision manufacturing
  - Energy Science and Technology - ECSU is developing a program that would respond to the need for graduates with knowledge of energy science, skills in economic analysis of energy use and skills in developing cost-effective measures for managing and utilizing energy
- Additional programming to enhance learning outcomes, retention rates and graduation rates - including continuing development of Freshman Year programming, additional information technology support services for academic programs, and library skills instructional programs at each university
  - Americans with Disabilities Act (ADA) compliance - including staff for counseling and testing, as well as services which ensure equal access to education for disabled individuals, such as signing services and other reasonable accommodation
  - Enhance library holdings and staffing so that they adhere to the American Library Association standards

This funding profile would also be more in line with State higher education funding in comparative states, where on average Comprehensive universities receive approximately 67% of the State funding allocated to Research universities, and Community Colleges receive approximately 33% of Research university State funding. CSU currently receives 54% of the State funding allocated to UConn; with the additional funding requested, we would be receiving 63%.

It is important to note that the \$30 million in additional funding is not a static figure; as costs and FTE count increase, it is assumed that CSU would continue to receive 64% of total costs.

Furthermore, on July 1, 1999, Public Act No. 99-142, the "Standard Wage Bill", was enacted by the Legislature of the State of Connecticut with a Senate amendment delaying the implementation date until July 1, 2000. This Bill requires that wages paid on an hourly basis to any employee of a "required employer" pursuant to a contract or agreement with the State or any State agent, "shall be at a rate not less than the standard rate determined by the Labor Commissioner..." Within the bill, "required employer" means any provider of food, building, property, or equipment services or maintenance whose rate of reimbursement or compensation is determined by contract or agreement with the State: building, property, or equipment service companies, including janitorial, cleaning, maintenance, or related service; companies providing property management services;

and companies providing food preparation or service, or both. These types of providers include, for example, security guards, plowing, landscaping, office or computer equipment

maintenance, food service and property management. The Standard Wage Bill applies to those contracts which are \$50,000 or more. An analysis was completed of those contracts to which the Standard Wage Bill would apply. Based on the analysis, the total impact to CSU is \$1,211,979 per year. This bill applies to all State agencies; and except for higher education, the impact of the bill is funded through the General Fund appropriation. Therefore, CSU is proposing a budget expansion option which will fund the impact of the Standard Wage Act through the General Fund, just as is done for other State agencies. If this mandate is not so funded, then CSU proposes that we be freed from the requirement, since the additional cost will fall to our students to fund, resulting in higher tuition and fees.

In summary, the FY2003-05 Biennial Budget request would maintain the current services level of CSU 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 \$6.2 million in FY2003-04 and \$11.2 million in FY2004-05 is requested to phase in State General Fund support to bring the amount of support received to at least 64% of total costs over the next six years, and to provide reimbursement for increased contract costs due to the enactment of the Standard Wage act.

Because the biennial budget request had to be submitted to the Department of Higher Education by August 28, 2002, the Executive Committee, acting on behalf of the Board, approved the recommendation on August 23, 2002. In accordance with Board bylaws, the action must be ratified by the full Board at the next scheduled meeting in October.

#### RECOMMENDATION

Ratify the approval by the Executive Committee of the FY2003-05 Biennial Budget request as presented subject to modification in response to DHE and OPM requirements.