



RESOLUTION

concerning

FY 2005-07 BIENNIAL BUDGET REQUEST - GENERAL FUND
AND OPERATING FUND

August 27, 2004

- 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 2005-07 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 a projection of historical trends for the Higher Education Price Index, and
- WHEREAS, The budget process furthermore provides for requesting funding for programmatic initiatives or other "above current service" needs, and
- WHEREAS, The optimal faculty/student ratio for CSU (as measured by FTE Fall students/full-time faculty) is 17:1, and
- WHEREAS, Since FY1996, CSU's faculty/student ratio has increased from a low of 20:1 to a projected 22:1 in FY2005, and
- WHEREAS, A lower faculty/student ratio will improve retention of first-to-second year students, will improve graduation rates, and will serve key work force development and shortage areas, and
- WHEREAS, The majority of our students work either full- or part-time and require that classes and student services like financial aid, academic counseling and advising, registrar and bursar, be accessible to them at night and on the weekends, and

- WHEREAS, Student affairs professionals are essential to ensure that all of our students experience all of the richness that a university education offers, and
- WHEREAS, A budget expansion option is proposed which would phase in, over a period of five years, additional State General Fund support to increase the number of faculty, counselors, and student affairs professionals, and
- WHEREAS, This support would enable CSU to reduce its faculty/student ratio to optimal levels, offer more academic counseling and advising at times convenient to our students, and provide essential student affairs programs and services to enhance learning for our increasing student population, 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 \$478.3 million and \$503.6 million for FY2005-06 and FY2006-07 respectively, including expected collective bargaining increases. A breakdown of the current service request is shown below:

	FY 2005-06		
	General Fund	Operating Fund	Total
Personal Services	\$135,405,297	\$101,740,961	\$237,146,258
Fringe Benefits	63,018,136	25,321,896	88,340,032
Other Expenses	9,577,302	85,290,021	94,867,323
Equipment		9,278,955	9,278,955
Financial Aid		18,239,151	18,239,151
Debt service		30,463,974	30,463,974
TOTAL	\$208,000,735	\$270,334,958	\$478,335,693

FY 2006-07

	General Fund	Operating Fund	Total
Personal Services	\$140,913,306	\$106,041,017	\$246,954,323
Fringe Benefits	68,597,374	27,168,003	95,765,377
Other Expenses	10,289,000	89,542,968	99,831,968
Equipment		9,978,448	9,978,448
Financial Aid		19,515,891	19,515,891
Debt service		31,518,204	31,518,204
TOTAL	\$219,799,680	\$283,764,531	\$503,564,211

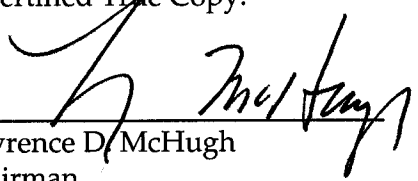
and be it further

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 \$5.4 million for FY2005-06 and \$9.6 million for FY2006-07, 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

FY2005-07 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 FY2005-06 and FY2006-07.

ANALYSIS

The Biennial Budget request to the Governor and the General Assembly represents a summary projection of Systemwide spending needs for FY2005-07. 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 increase the number of faculty, counselors, and student affairs professionals over the next five 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 \$208.0 million for FY2005-06, an increase of \$12.0 million or 6.1% over FY2005. The requested \$208.0 million (including \$63.0 million for the fringe benefit block grant) includes \$1.7 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 \$4.2 million to meet known collective bargaining needs and \$287,856 to meet the operating costs of new facilities projected to go on line in FY2005-06. For FY2006-07, we are requesting \$219.8 million, an increase of \$11.8 million or 5.7% over FY2005-06. This includes approximately \$68.6 million for the fringe benefit block grant, \$4.0 million to meet known collective bargaining needs, and \$1,154,055 to meet the operating costs of new facilities brought on line in FY2005-06 and FY2006-07; as well as \$1.7 million in vacation and sick leave payouts for employees paid through the General Fund who took the ERIP in FY2003.

For the non-General Fund portion of the Operating Fund, we are projecting expenditures of \$270.3 million for FY2005-06, an increase of \$18.4 million or 7.3%

over FY2004-05. This increase includes inflationary increases for operating costs and salary requirements, as well as increased debt service and operations and maintenance expenses for two new residence halls at Eastern projected to open in FY2006; and \$362 thousand in vacation and sick leave payouts for those ERIP'ed employees paid from other than General Funds. For FY2006-07 we are projecting expenditures of \$283.8 million, an increase of \$13.4 million or 5.0% over FY2005-06.

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 \$5.4 million in FY2005-06 and \$9.6 million in FY 2006-07, specifically for two areas: (1) phase-in of State General Fund support to increase the number of faculty, counselors, and student affairs professionals over the next five 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 optimal faculty/student ratio for CSU (as measured by FTE Fall students/full-time faculty) is 17:1. Yet since FY2000, CSU has watched its faculty/student ratio climb from a low of 20:1 to a projected 22:1 in FY2005. As CSU's enrollment growth persists, this ratio will continue to worsen if action is not taken to reverse this trend, in the form of additional full-time faculty.

There are many benefits to a low faculty/student ratio. A lower faculty/student ratio will improve retention of first-to-second year students. One of the trends indicated by a growing faculty/student ratio is an increasing number of courses taught by part-time faculty. Currently, 38 percent of lower division courses are taught by lecturers. If the faculty/student ratio continues to grow, the percentage of courses taught by lecturers could increase to 45 or even 50 percent. Per Timothy Schibik and Charles Harrington, in their article, "Caveat Emptor: Is there a Relationship between Part-Time Faculty Utilization and Student Learning Outcomes and Retention?" appearing in the Spring, 2004 AIR Professional File, "Clearly, holding academic preparation constant, exposure to part-time faculty at levels above 50% during their first semester on campus has a direct and significant negative impact on student retention into the second semester."

In addition, an increase in full-time faculty will improve graduation rates. Currently, there are often not enough full-time faculty to teach the upper-level courses that students need to graduate. As a result, students may have to postpone graduation for a semester or a year, or longer, simply because courses that they need to graduate are not offered, either at a time when they can take them, or sometimes not at all. It is not unusual for an upper-level course to be taught only every other year. Not teaching upper-division courses on a regular schedule may be a reason why 37% of those who have "senior" status are only part-time students, and accordingly pay course fees that are disproportionately higher than total tuition and fees of full-time students, since part-time course fees are not subsidized by the state

appropriation. Many of these students are also transfers, who expected to be able to come to CSU and complete their degrees on time. Having the faculty on board to teach these upper-level courses more often will mean that more students graduate in a shorter timeframe. Likewise, more full-time faculty are needed to teach Graduate-level courses; this need will become even more acute as the part-time Graduate student population grows. Additional full-time faculty, supported by the state, could be devoted to meet the needs of these graduate students.

And, a lower faculty/student ratio will serve key work force development and shortage areas. For example, the number of nursing students we can admit at any one time is limited by the number of faculty available to teach the courses, since the number of students per cohort is capped. CSU's intention is to add full-time faculty in key workforce shortage areas, to prepare more future nurses, teachers, scientists, and information technology specialists to take their place in Connecticut's workforce.

CSU has added over 2,500 full-time students since FY2000; this enrollment growth will continue through 2008 before leveling off. For this enrollment growth of full-time students alone, we would need about 150 additional full-time faculty members. However, we also have a substantial (and most likely growing) part-time population as well (about the equivalent of 4,800 full-time students). For this population, we would need an additional 250 full-time faculty.

CSU universities accommodate a student population that enters at various points in their academic careers and that has diverse needs. Only 41 percent, or 4,086 of the 9,749 new students who enrolled at CSU during the last academic year were first-time, full-time students in the fall semester. The remaining were transfers from other higher education institutions or new part-time students who entered in the fall or spring semester.

Part-time students constitute 38 percent of our total headcount (undergraduate students, 25%; graduate students, 80%), and their numbers are expected to grow as the economy improves. This large part-time student body has different needs that must be addressed: 70 percent of this part-time population is over 25 and may have family responsibilities. Many are the first generation in their families to attend college and may need more assistance navigating through our institutions. Additionally, the majority of our students work either full- or part-time and require that classes and student services like financial aid, academic counseling and advising, registrar and bursar, be accessible to them at night and on the weekends. While we believe that we may be able to address the need for "off-hours" financial aid, registrar, and bursar services through a realignment of existing professional staff, academic advising and counseling are a different matter. These key services are a one-on-one process; therefore, the number of academic advisors and counselors needed is directly proportional to the number of students enrolled.

In order to reduce the faculty/student ratio to a more acceptable level, while keeping up with projected student growth (both full- and part-time) and addressing the need for academic advising and counseling for part-time and transfer students, who

particularly require the guidance these services can provide, CSU will need to add 400 full-time faculty over the biennium, at a projected cost of \$20,000,000 (plus fringe).

Learning encompasses more than just interaction with faculty. It is a holistic experience, encompassing all aspects of campus life. Student affairs professionals are essential to ensure that all of our students experience all of the richness that a university education offers. CSU will need to add 10 full-time student affairs professionals over the biennium to develop and implement programs and services which will ensure that CSU students (full- and part-time) reap the full benefit of their university experience, at a projected cost of \$500,000 (plus fringe).

While the need for additional faculty and professional staff is great and immediate, CSU recognizes that the magnitude of the request is such that it is best approached through a phased process. Accordingly, CSU proposes a budget expansion option that will phase in this additional support evenly over five years (an increase of \$4,100,000 per year plus fringe).

All of the units of public higher education are still dealing with the aftermath of the years of retrenchment, including ERIP (in which we were funded to refill 100% of pre-existing faculty positions, but less than half of other vacancies), the salary freeze (which management, AAUP, and SUOAF-AFSCME accepted), and a calculation error which assumed a second year of a salary freeze (which was only partly corrected in the final 2004-05 budget). Accordingly, 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.

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 in FY2003 was \$1,211,979; this impact is not only ongoing in future years but subject to increase, since it is impacted by wage increases. The total

impact of this bill to CSU for FY2006 is anticipated to be \$1,324,362; the impact in FY07 is projected to be \$1,364,093.

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 FY2005-07 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 \$5.4 million in FY2005-06 and \$9.6 million in FY2006-07 is requested to phase in State General Fund support to increase the number of faculty, counselors, and student affairs professionals over the next five years, and to provide reimbursement for increased contract costs due to the enactment of the Standard Wage act.

Because the biennial budget request must be submitted to the Department of Higher Education by August 27, 2004, 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 FY2005-07 Biennial Budget request be approved as presented subject to modification in response to DHE and OPM requirements.