

RESOLUTION

concerning

AMENDMENT OF THE IMPLEMENTATION TIMELINE
FOR THE
GENERAL FUND DISTRIBUTION METHODOLOGY
AND THE
CONNECTICUT STATE UNIVERSITY GRANT PROGRAM
DISTRIBUTION METHODOLOGY

June 11, 1999

WHEREAS, Board Resolution 95-53 established the distribution methodology for CSU Grants and Board Resolution 96-68 established the distribution methodology for tuition and general funds, and

WHEREAS, Both resolutions required that the new allocation methodologies be implemented over a period of ten years, and

WHEREAS, The ten-year implementation penalized those universities for whom the new methodology corrected under-funding caused by the old methodology, and

WHEREAS, In these cases, the universities have had to do with less funding than they would receive if the new methodology were to be implemented immediately, causing financial hardship for these universities, and

WHEREAS, FY1999-00 is year five of the ten-year implementation, therefore be it

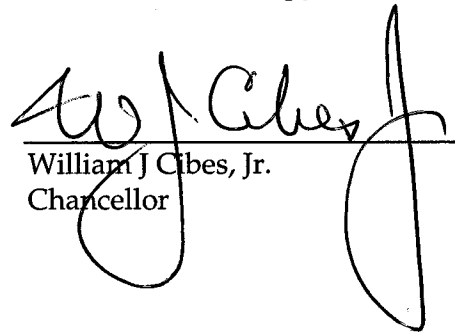
RESOLVED, That for those universities that were under-funded by the old methodology, the implementation of the new methodology for general funds and CSU Grants be accelerated and accomplished in six years rather than ten, with no retroactive funding, and be it further

RESOLVED, That the difference in funding for the universities utilizing the accelerated implementation would be provided from Systemwide reserves, and be it further

RESOLVED, That repayment of these reserves will take place through the suspension of the Goal Achievement Set-Aside program until the reserves are repaid, as well as the use of a portion of ERIP savings, and be it further

- RESOLVED, That effective with the FY2000-01 Spending Plan, balanced budgets will be required of all universities, and be it further
- RESOLVED, That any exceptions to the balanced budget requirement must be approved by the Board prior to the adoption of annual spending plans, and be it further
- RESOLVED, That until such time as Systemwide reserves are fully replenished, individual university reserves may by Board action be diverted to Systemwide reserves if necessary to cover any unexpected needs.

A Certified True Copy:



William J Cibes, Jr.
Chancellor

USE OF RESERVES TO FUND ACCELERATED IMPLEMENTATION OF GENERAL FUND AND CSU GRANTS DISTRIBUTION METHODOLOGY

General Fund

	fy00	fy01	fy02	fy03	fy04	fy05
Central	\$ 41,909,951	\$ 43,273,464	\$ 45,035,304	\$ 46,866,023	\$ 48,774,709	\$ 50,763,632
Reserves to CCSU	73,976	121,034	94,163	64,452	33,574	-
Eastern	19,553,751	20,461,093	21,578,157	22,752,892	23,986,426	25,279,913
Reserves to ECSU	694,027	1,144,605	893,230	619,795	322,418	-
Southern	41,685,036	42,889,564	44,474,735	46,118,374	47,820,045	49,586,062
Western	20,604,995	21,070,572	21,714,267	22,377,283	23,057,975	23,755,114
Total Use of Reserves - General Fund	\$ 768,003	\$ 1,265,639	\$ 987,393	\$ 684,247	\$ 355,992	\$ -

Assumes a 4% increase in General Fund appropriation each year

CSU Grants

	fy00	fy01	fy02	fy03	fy04	fy05
Central	\$ 2,106,595	\$ 2,249,079	\$ 2,367,455	\$ 2,467,688	\$ 2,572,030	\$ 2,680,784
Reserves to CCSU	19,226	17,222	13,570	9,412	4,896	-
Eastern	1,212,759	1,269,195	1,315,366	1,349,633	1,384,457	1,419,901
Southern	2,097,098	2,155,889	2,272,810	2,372,326	2,476,318	2,584,849
Reserves to SCSU	-	29,646	23,360	16,129	8,389	-
Western	968,088	1,034,079	1,092,194	1,142,558	1,194,884	1,249,575
Reserves to WCSU	26,974	21,961	17,305	12,075	6,281	-
Total Use of Reserves - CSU Grants	\$ 46,200	\$ 68,829	\$ 54,235	\$ 37,616	\$ 19,566	\$ -

Assumes a 3% increase in Tuition each year, 2% increase in Enrollment FY00 and 01, 1% increase thereafter

	fy00	fy01	fy02	fy03	fy04	fy05	fy06
Total Use of Reserves	\$ 814,203	\$ 1,334,468	\$ 1,041,628	\$ 721,863	\$ 375,558	\$ -	\$ -
Repayment*	400,000	400,000	700,000	700,000	700,000	700,000	687,720
Net Use of Reserves	414,203	934,468	341,628	21,863	(324,442)	(700,000)	(687,720)
Cumulative Use of Reserves	\$ 414,203	\$ 1,348,671	\$ 1,690,299	\$ 1,712,162	\$ 1,387,720	\$ 687,720	\$ -

*From goal achievement set-aside and ERIP savings -- \$200,000 repayment due to ECSU faculty funding completed in FY05, Banner completed in FY01.

ITEM

Amendment of the implementation timeline for the General Fund distribution methodology and the Connecticut State University Grant Program (CSU Grants) distribution methodology.

BACKGROUND

BR #95-53 established the distribution methodology for CSU Grants. BR #96-68 established the distribution methodology for tuition and general funds. Both resolutions required that the new allocation methodologies be implemented over a period of ten years, in order to minimize the impact of the significant shift of funds among the universities that would be caused by the implementation of the new models. FY1999-00 is year five of the ten-year implementation.

ANALYSIS

The ten-year implementation timetable minimized the impact of the shift of funds away from those universities that would significantly lose funding compared to the old distribution methodology. However, by delaying implementation, it also penalized those universities for whom the new methodology corrected the under-funding caused by the old methodology. In the latter case, the universities have had to do without funding which was rightfully theirs under the new methodology. In the most extreme case this resulted in one university having to do without essential staffing, delaying critical projects, requiring systemwide reserves to fund faculty positions, and generally experiencing a deficit spending situation.

In order to alleviate the above scenario, it is proposed that for those universities that were under-funded by the old methodology, the implementation of the new methodology for general funds and CSU Grants be accelerated and accomplished in six years rather than ten, with no retroactive funding. For those universities that are losing funding compared to the old distribution methodology, the original ten-year implementation would remain in place. It is further proposed that the required additional funding for the universities on the accelerated implementation schedule would be provided through Systemwide reserves. It is anticipated that the cumulative use of reserves would not exceed \$1.7 million over the course of six years, as demonstrated by the attached cash flow analysis.

As stipulated by Board policy, use of reserves down to a level below that mandated by Board Resolution #97-59 requires that a plan be established to replenish the reserves. Accordingly, we are proposing that the following actions be taken to restore the Systemwide reserves to the required level:

Repayment of these reserves would take place through the suspension of the Goal Achievement Set-Aside program until the reserves were repaid, and the use of a portion of ERIP savings after Banner is fully implemented. It is anticipated that all reserves would be fully repaid by FY2006.

In addition, it is proposed that balanced budgets be required of all universities beginning with the FY2000-01 spending plan. Any exceptions to this requirement would need to be approved by the Board prior to the adoption of annual spending plans.

Because this action will bring Systemwide reserves below the level required by Fund Balance Guidelines, it is further proposed that, if necessary, individual university reserves be diverted to Systemwide reserves to cover unexpected future needs, until such time as Systemwide reserves are fully replenished.

CHANCELLOR'S RECOMMENDATION

Approval of the following: 1) the accelerated implementation of the general fund distribution model and the CSU Grants distribution model for those universities who would benefit from such acceleration; 2) the use of systemwide reserves to provide the difference in funding for the universities utilizing the accelerated implementation; 3) the action plan to restore the Systemwide fund balance to its designated level; 4) the proposal requiring balanced budgets for all universities, effective with the FY2000-01 spending plan; and 5) the proposal that individual university reserves be diverted to Systemwide reserves to cover unexpected needs until such time as systemwide reserves are fully replenished.