



Dear Kyle,

I read the Congress of Connecticut Community Colleges' ("CCCC") recent newsletter, dated March 23, 2015, and I wanted to correct this account for you in the event our legislators, or the Governor's office, ask you for clarification.

The Budget Process and Gap Analysis

First, it is a serious misstatement that we received the funding we need to meet our continuing cost requirements. In the current fiscal year, we received an additional \$42M of funding in order to keep tuition at a minimal (2%) increase. We did not receive enough for fiscal year 2016 to cover the costs of developmental education or early college investments already made. Further, the \$10.9M received for Transform CSCU 2020 was entirely applied to tuition remission but was still less than the \$24M received in the current year for the same purpose.

Second, without additional funding and ensuring educational affordability to the greatest extent possible, our only available alternative is to reduce costs. This is the only part of the equation remaining. With bargaining unit agreements dictating pay increases for fiscal year 2016, and with the current job protections provided for in the agreements, our ability to control costs is marginal at best.

Third, Dr. Gray did not instruct the Colleges on which actions to take, or direct specific budget mitigation plans. Quite the contrary, my staff and I carefully evaluated the impact of the proposed budget, and we determined the overall gap in funding to the Colleges (as well as to the Connecticut State Universities and Charter Oak State College). We prepared an initial gap analysis by institution, and then asked each President and their Finance staff to refine the calculation based on, among other factors, their projected enrollments, individual fringe experience rates, etc. They were then asked to present a proposal for a break-even budget. It is up to them to determine the plan that is best for them. Dr. Gray and I, followed by the BOR Finance Committee and then the full Board of Regents, must approve their plans. It is important to note that with the Colleges' dwindling reserves, a negative fiscal year 2016 proposal for any College is not acceptable.

Fourth, we are grateful that employees and students of CSCU continue to advocate on behalf of our institutions in a variety of fora. However, with fiscal year 2016 a mere two and one half months away, we must be responsible and develop a budget with the information we have available today.

ARP to SERS Conversions

First, we have indeed indicated that the conversions represent a significant cost for CSCU going forward. This is a correct statement.

Second, I believe that Mr. Livingston's letter has been misrepresented in the CCCC newsletter: His letter highlights that the cost of these conversions has in fact impacted the operating fund.

The CSCU operating fund is comprised of tuition and fees. The general fund, however, is provided by the State. The State Comptroller funds the cost of fringe benefits associated with the general fund; **however**, CSCU pays the cost of fringe benefits associated with the operating fund.

We disagree with Mr. Livingston’s letter in that he maintains only part-time employees are covered by the operating fund. That may have been the case years ago when the State paid CSCU based on its full-time roster, but that has not been the case for many years. As the general fund appropriations have been impacted by rescissions over the years, more full-time employees have fallen into the operating fund each year. Further, as the general fund has become “saturated” due to appropriation increases lagging behind the cost of wage increases, even more employees have been covered by the operating fund.

For full-time employees covered by the operating fund, CSCU pays the cost of their fringe benefits. In terms of the total of fringe benefit expenses incurred, the State pays roughly 70% and CSCU pays 30%.

The cost to CSCU for SERS employees (for all tiers, including Hybrid) in fiscal year is 54.9%, essentially including a normal portion, a portion covering the unfunded pension liability, and a portion covering retiree medical care. The fiscal year 2016 cost to CSCU for ARP employees is 12.3%. The principal difference in the rates is the portion associated with the unfunded pension liability – the normal costs and retiree medical costs are relatively close between the two plans. This is a 42.6% rate differential paid by CSCU for the two plans. Although the Hybrid plan, which allows for the conversion from ARP to SERS, was created recently, it is among all of the SERS tiers paying the same fringe benefit rates. The majority of the unfunded liability however was generated by the Tier I SERS plan.

Because the general fund is saturated (i.e. no additional employees can be covered) the impact of ARP to SERS conversions full-time employees will certainly **directly or indirectly** impact the operating fund fringe benefit payments. The indirect impact is created by the movement of employees between the operating fund and the general fund; this allows CSCU to maximize the portion paid by the State Comptroller. Whether direct or indirect, as employees move from ARP to SERS the operating fund is negatively impacted.

The following calculates the impact inception-to-date of the 1,106 employees who have converted from ARP to SERS:

	<u>Count</u>	<u>FY16 Payroll</u>	<u>42.6% Differential</u>	<u>CSCU Share</u>	<u>Total</u>
Full-time employees	846	77,151,912	32,866,715	30%	10,955,572
Part-time employees	260	5,347,781	2,278,155	100%	2,278,155
Total	1,106	82,499,694	35,144,870		13,233,726

Further, we currently have 4,023 additional employees eligible to convert. If all elected to do so, we estimate the **additional** potential impact to be:

	<u>Count</u>	<u>FY16 Payroll</u>	<u>42.6% Differential</u>	<u>CSCU Share</u>	<u>Total</u>
Full-time employees	2,018	177,961,443	75,811,575	30%	25,270,525
Part-time employees	2,005	9,679,292	4,123,379	100%	4,123,379
Total	4,023	187,640,735	79,934,953		29,393,903

Third, these are most certainly significant costs borne by the CSCU operating fund, and therefor negatively impact our ability to hold down tuition and fees as well as negatively impact our ability to maintain our current cost structure.

Leadership’s Responsibility

First, since the CSCU consolidation in 2011/2012, the System Office has reduced its headcount by 33 employees (through fiscal year 2015). As with the seventeen institutions, the System Office is also reducing costs and cutting programs in fiscal year 2016. As a reminder, the System Office exists to support the seventeen institutions with services, representation, infrastructure needs, and other system-wide requirements; the System Office exists solely to provide support and oversight.

Second, Transform CSCU 2020 is our system’s strategic plan; many of the initiatives are mission critical for our future, impacting enrollment strategies and necessary improvements. With the inability secure specific strategic funding for the upcoming biennial period, we must delay implementation of certain actions requiring such funding, thereby reducing the benefits to the entire system. Nevertheless we remain committed to making improvements in those areas that can be achieved without additional funds.

Third, it would be irresponsible for our Presidents to avoid making the difficult decisions facing them. They are not being forced into a crisis; they have **joined** forces in a crisis. They are looking at all options, and recommending those that they feel will have the least impact on our students while maintaining the highest quality education possible. This is what strong leaders do in challenging times.

Lastly, I cannot understand the comment in the CCCC newsletter suggesting that “the System Office is withholding \$40 million dollars of the Governor's proposed block grant for the Community Colleges for itself” – this makes no sense as all additional funds provided by the State have been applied towards tuition remission.

I would be pleased to provide additional clarification or information at any time in order to promote a greater understanding of our financial situation.

Erika H. Steiner

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Connecticut State Colleges and Universities
 From 2003 to date Conversions from ARP to SERS
 3/26/15

Institution	FT Empl. SERS Hybrid		PT Empl. SERS Hybrid		Total FT & PT SERS Hybrid	
	Employees	Annual Rt	Employees	Annual Rt	Employees	Annual Rt
CCC System Office	21	2,073,807	1	59,340	22	2,133,147
Asnuntuck CC	11	692,809	7	113,503	18	806,312
Capital CC	19	1,453,228	18	401,051	37	1,854,279
Gateway CC	39	3,565,438	39	929,298	78	4,494,737
Housatonic CC	14	1,067,278	8	133,361	22	1,200,639
Manchester CC	22	1,847,700	28	396,233	50	2,243,933
Middlesex CC	19	1,539,824	9	212,851	28	1,752,675
Naugatuck CC	31	2,621,607	29	404,799	60	3,026,406
Northwestern CC	13	1,185,789	10	243,655	23	1,429,444
Norwalk CC	17	1,202,234	13	331,005	30	1,533,239
Quinebaug CC	12	932,921	6	110,831	18	1,043,752
Three Rivers CC	11	838,159	11	188,801	22	1,026,960
Tunxis CC	23	2,033,429	9	122,960	32	2,156,389
CCC Total FT	252	21,054,223	188	3,647,687	440	24,701,910
Central CSU	201	18,463,794	27	504,465	228	18,968,259
Eastern CSU	158	13,356,824	13	263,972	171	13,620,797
Southern CSU	138	12,341,704	18	382,543	156	12,724,247
Western CSU	68	5,886,148	8	145,104	76	6,031,252
System Office CSU	5	522,822	0		5	522,822
CSU Total FT	570	50,571,292	66	1,296,084	636	51,867,377
Charter Oak	23	1,726,328	6	149,354	29	1,875,682
Board of Regents	1	126,168			1	126,168
Grand Total @ FY15 Wages	846	73,478,012	260	5,093,125	1,106	78,571,137
FY16 at 5% higher wages		77,151,912		5,347,781		82,499,694
Increase in Cost 42.6%		32,866,715		2,278,155		35,144,870
Our Share Ratio		30%		100%		
Our Share of 42.6%		10,955,572		2,278,155		13,233,726

	Count	FY16 Payroll	42.6% Differential	CSCU Share	Total
Full-time employees	846	77,151,912	32,866,715	30%	10,955,572
Part-time employees	260	5,347,781	2,278,155	100%	2,278,155
Total	1,106	82,499,694	35,144,870		13,233,726

- NOTES/ASSUMPTIONS:
- (1) 42.6% is the FY16 rate differential between ARP and SERS
 - (2) Share of total Fringe Expense Approx 30% CSCU and 70% State for Full Time Employees
 - (3) Share of Fringe expense for Part Time Employees is 100% BOR
 - (4) FY16 Impact of Employees converting to SERS Hybrid through 3-1-15
 - (5) FY16 Wages are 5% higher than FY15

Connecticut State Colleges and Universities

Summary - Estimated Cost to CSCU of Conversions to SERS Hybrid

3/26/15

<u>Description</u>	<u>FT Employees</u>	<u>PT Employees</u>	<u>All Employees</u>
FY16 Estimated Cost of Inception-to-Date Conversions	10,955,572	2,278,155	13,233,726
FY16 Estimated Cost if Remaining Eligible Were to Convert	25,270,525	4,123,379	29,393,903
Total Cost Exposure	<u>36,226,096</u>	<u>6,401,533</u>	<u>42,627,630</u>

FY16 RATE DIFFERENTIAL

SERS Fringe Rate	54.9
ARP Fringe Rate	12.3
Difference	<u>42.6</u>

NOTE: This is an estimate of the CSCU impact only, and does not consider the State Comptroller payments of fringe benefit costs for employees in the General Fund.

Connecticut Colleges and Universities

FY16 Projected Cost of Remaining ARP Employees' Conversion to SERS

3/26/15

Institution	FT		PT		Total	
	Employees	Annual Rt	Employees	Annual Rt	Employees	Annual Rt
Asnuntuck CC	37	2,700,007	66	271,856	103	2,971,863
Board of Trustees	50	4,676,935			50	4,676,935
Capital CC	59	4,979,563	101	712,096	160	5,691,659
Gateway CC	71	5,358,053	219	2,233,728	290	7,591,781
Housatonic CC	76	5,766,880	92	829,678	168	6,596,557
Manchester CC	90	6,763,284	169	448,929	259	7,212,212
Middlesex CC	43	3,402,190	91	262,305	134	3,664,495
Naugatuck CC	60	4,355,267	148	1,402,083	208	5,757,350
Northwestern CC	26	2,119,126	42	323,961	68	2,443,086
Norwalk CC	119	9,619,424	192	729,299	311	10,348,723
Quinebaug CC	41	3,085,706	57	314,267	98	3,399,973
Three Rivers CC	60	4,367,184	94	494,780	154	4,861,964
Tunxis CC	46	3,249,526	150	914,012	196	4,163,539
Total CCC	778	60,443,146	1421	8,936,991	2199	69,380,137
System Office CSU	30	2,642,768			30	2,642,768
Central CSU	372	32,654,804	198	85,722	570	32,740,526
Eastern CSU	154	12,986,738	99	17,792	253	13,004,530
Southern CSU	356	30,928,128	155	372,550	511	31,300,678
Western CSU	285	25,408,513	95	58,276	380	25,466,789
Total CSU	1197	104,620,950	547	534,340	1744	105,155,290
Charter Oak	36	2,992,318	37	207,961	73	3,200,279
Board of Regents	7	1,430,674			7	1,430,674
Grand Total @ FY15 Wages	2,018	169,487,088	2,005	9,679,292	4,023	179,166,381