ERIE COUNTY FISCAL STABILITY AUTHORITY REPORT ON ERIE COMMUNITY COLLEGE 2010-11 BUDGET AUGUST 2010

INTRODUCTION

Erie Community College in 1946 was originally established as the Institute at Buffalo as a unit of the State University of New York. In 1953, Erie County assumed sponsorship of the College, which it retains to this day. It is this sponsorship, establishing ECC as a component unit of Erie County, which is the basis for Erie County Fiscal Stability Authority review and comment on the College's budget and financial plan.

ECC has approximately 20,000 students enrolled in its three campuses – North, South and City, for the 2010-2011 school year. The College's operating budget for the year totals $100.7 million, an increase of 4.02% over the 2009-10 spending plan. For 2010-11 the College has 739 full time employees, a reduction of 14 full-time staff members as compared to the previous academic year.

BUDGET/FINANCIAL PLAN HIGHLIGHTS

I. Revenue Related

1. After a 3.55% increase in tuition last year, full-time tuition remains constant for 2010-11.

2. For 2010-11 part-time tuition remains constant.

3. For 2010-11 Full-time Fall and Spring credit hours are assumed to increase at a rate of 9.88% over the 2009-10 budget, with an approximate 2% increase over the previous year's actuals. Subsequent years include a credit enrollment growth of 3% per year.

4. For 2010-11 the state-aid revenues decreased by $2.7 million due to a 15.5% reduction in the full-time-equivalent (FTE) reimbursement rate, from $2,675 to $2,260.

5. The Sponsor Contribution from Erie County will remain constant at $17.4 million for 2010-11, then increase by $500,000 per year in each of the out-years of the college's financial plan.

II. Appropriation Related

1. Personal services spending for 2010-11 increases almost $1.9 million over the prior year, despite a small reduction in the number of full-time positions. Subsequent years assume cost of living increases in addition to increments and rank advancements of 3% each year for those years for those with non-expired contracts.

2. Major college union considerations:
    - The Faculty Federation contract (accounting for approximately 65% of personal service costs) expired on August 31, 2009. Step increases and fringe benefit considerations have been included in the budget, but no cost of living increases have been factored in.
    - The Administrators contract (accounting for approximately 14% of personal service costs) expires on August 31, 2011. All contract components, including cost of living increases have been included in the budget.
    - CSEA (accounting for approximately 12% of personal service costs) expired on December 31, 2006. No cost of living increases have been included in the budget.

3. Employee benefits costs for 2010-11 will increase approximately $1.2 million over the previous year, including a 10% increase in health insurance and a 3% increase for dental insurance and an 11.2% increase in retirement costs. Employee benefits are assumed to increase by 5% per year over the remaining period of the plan.

OBSERVATIONS/ANALYSIS

The 2010-11 Erie Community College budget appears to be reasonable and doable based upon the assumptions provided. However, there are a number of risk items that could be problematic for the College. Those items include:

1. Credit Hours

The budget and financial plan assume that enrollment will continue to grow at an accelerated pace. Though, the 2010-11 budget assumes an increase in credit hours of over 12%, compared to the 2009-10 forecast, 2009-10 actuals have come in over budget. The 2010-11 budget calls for an increase of 2.1% in full-time-equivalents, as compared to 2009-10 actuals.

In the current economic climate, those unable to find employment appear to be choosing to remain in, or go back to school to enhance their skills. At some point, if that paradigm or the economy itself shifts, these assumptions of regular increases in enrollment can become problematic for the college, particularly given that student tuition revenues comprise almost 42% of the 100.7 million operating budget.

College officials have indicated that enrollment is influenced by a number of other factors, as well, including: the number of degree and certificate programs, on-line availability, vertical integration with high schools and tuition sensitivity with other educational institutions.

The college is becoming more heavily reliant on tuition revenues over time. In 2007-08, tuition revenues comprised only 37% of the total.

2. Sponsor Contribution

As Erie Community College's sponsor, the County provides a level of financial support to the College each year. The College in its 2010-11 budget lists a figure of $17,429,317. The County in its budget and plan submission lists a figure of $15,420,778. The difference appears to be a capital component that is not presented in the College section of the County's financial plan.

There is a non-reconciled difference between the College's financial plan and that of Erie County. Starting in 2011-2012, ECC assumes a $500,000 increase per year in the County's support to the College, while Erie County assumes no increase in its annual contribution.

Year	Annual Difference	Cumulative Difference
2011-12	$ 500,000	$ 500,000
2012-13	$1,000,000	$1,500,000
2013-14	$1,500,000	$3,000,000
2014-15	$2,000,000	$5,000,000

By 2014, that cumulative difference of $5 million, if not addressed, will create significant financial difficulties for the College, the County, or both. The both the College and the County are already listing out-year gaps in their respective financial plans that need to be addressed. ECC officials indicate that the college's projection on this item is adjusted based upon operating results.

3. Personnel

Two of the College's collective bargaining agreements, with CSEA and FFE, (comprising approximately 79% of personnel costs) are presently expired. The college's financial forecasts include 2.5% overall increase in base salaries for each year.

4. Benefits

The Erie Community College financial plan calls for employee benefit increases of 5% per year. The Erie County financial plan calls for increase percentages that are higher.

Erie County increases are:

2011 - 7.4%

2012 - 6.4%

2013 - 6.2

The County and the College have similar benefit cost structures - given the crossover of union personnel, health and dental and retirement benefits. A review of the county's plan established the County's benefit rate increases, at a higher rate of growth, as appropriate.

Erie Community College officials attribute the lower rate increase to negotiated changes to health insurance contribution rates for two of the College's labor unions – FFECC and AAECC - as well as initiating contribution rates of 50% for RPT employees.

Given the similarities of the two organizations employee benefit cost structures, the ECFSA would recommend that Erie Community College and Erie County Officials review contract structures and potential savings related to health insurance, in light of ongoing and upcoming contract negotiations.

College officials have indicated a sensitivity to fringe benefit structures, issues and opportunities for cost savings; further indicating an aggressive stance in negotiating beneficial contract changes.

CONCLUSION

Erie Community College has grown its enrollment, reduced its full-time staffing levels and adjusted for reductions in aid from New York State in balancing its 2010-11 budget. Given reductions in state aid, a constant, but not increasing contribution from its sponsor, Erie County, the college has become even more reliant on tuition revenues to balance its budget.

In the current economy the College still faces a number of challenges in maintaining long-term financial stability. This report discusses a number of risk items for this year's budget and the ensuing years of the financial plan and urges Erie Community College to continue to monitor and address these challenges and to create operational efficiencies that maintain the quality of education, while not overburdening the taxpayers of Erie County.

College officials have indicate that ECC has the 28th lowest, or 3rd most efficient cost structure of the 30 community colleges in the SUNY system. The college has been operating in efficient manner, with a 17.1% lower net operating cost per FTE than the state-wide average. College officials have further indicated a continued pursuit of efficiencies, given the challenges of almost 98% of the workforce covered by terms and conditions of collective bargaining agreements and the operation of aging facilities sorely in need of capital investment.