

**ERIE COUNTY FISCAL STABILITY AUTHORITY
REPORT ON
ERIE COMMUNITY COLLEGE
2014-15 BUDGET
AUGUST 12, 2014**

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, generating an estimated 11,800 full-time-equivalents (FTE's) for the 2014-2015 school year. The college's operating budget for the year totals \$112,324,381, an increase of 0.76% over the 2013-14 spending plan. For 2014-15 the college has 692 full time employees, a figure that remains unchanged from the previous academic year.

BUDGET/FINANCIAL PLAN HIGHLIGHTS

I. Revenue Related

1. Full time tuition increases by 7.51% (\$300.00) in the 2014-15 academic year, as compared to 2013-14. Tuition increased by 2.4% last year, 8% in 2012-13 and 9% in 2011-12.
2. For 2014-15, part time tuition rates increased by 7.19%, a significant increase from the 2013-14 part-time tuition increase of 2.45%.
3. Since 2010-11 (the college's high point), full time enrollment is projected to decrease from 13,650 FTE's to 11,822 – an overall decline of 13.4%
4. For 2014-15, full time fall credit hours are assumed to decrease by 4.71% as compared to the previous year's budget. In the 2013-14 budget full-time fall credit hours are assumed to decrease at a rate of 2.3% as compared to the 2012-13 budget. For 2015-16 enrollment is assumed to

remain flat. Starting in 2016-17 there is an incremental credit enrollment growth of 0.5% per year.

5. For 2014-15, full time spring credit hours are assumed to decrease by over 6.7% as compared to the previous year's budget. For 2013-14 full-time spring credit hours were assumed to decrease at a rate of 4.8% as compared to the 2012-13 budget. For 2015-16 enrollment is assumed to remain flat. Starting in 2016-17 there is an incremental credit enrollment growth of 0.5% per year.
6. For 2014-15 the state-aid revenues are increasing by just over \$0.1million due to a \$75.00 increase in the full-time-equivalent (FTE) reimbursement rate, from \$2,422 to \$2,497.
7. The sponsor contribution from Erie County will remain constant at \$17.4 million for 2014-15. This plan assumes the county's contribution will remain constant for the period of the college's financial plan.
8. For the 2014-15 budget year, the college is allocating \$4 million in total from its fund balance as a revenue source. For the 2013-14 fiscal year \$3.5 million in fund balance was budgeted as a revenue. Total fund balance per the audited financials @ 8/31/13 is \$22,360,903 of which \$2,391,650 is reserved for encumbrances. Of the unreserved amount - \$19,969,253 has been designated \$4,000,000 as a funding source for the 2014-15 budget.

II. Spending Related

1. Personal services spending for 2014-15 decreases by \$62,027 over the prior year. Subsequent years assume negotiated cost of living increases in addition to increments and rank advancements of 1.5% each year, net of retirements.
2. Although cost of living increases for county unions without current contracts have not been included in the 2014-15 budget, all other terms and conditions of collective bargaining agreements been factored in.
 - The Faculty Federation contract (accounting for approximately 60% of personal service costs) expired on August 31, 2009.
 - The Administrators contract (accounting for approximately 16% of personal service costs) expired on August 31, 2011.
 - CSEA (accounting for approximately 12% of personal service costs) expired on December 31, 2006.

3. Employee benefits costs for 2014-15 will decrease by \$159,300 over the previous year, a 0.54% reduction. Employee benefits are assumed to increase by 4% per year over the remaining period of the plan.

ANALYSIS/RECOMMENDATION

The 2014-15 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 in the out-years of the financial plan included within the budget documents. Those items include:

1. Tuition and Fees

Situation

Like the county, with its sales tax revenues, the college's financial health is tied to tuition and fee revenue. In 2007-08, tuition and fee revenues comprised only 37% of total revenues. For the 2014-15 budget that percentage increased to 51.2%. Over time, the college has become more heavily reliant on its tuition. The viability of its financial plan, in many ways, is tied to the college's successful efforts to fill its classrooms.

Recommendation

That the college continues to hone and implement a strategy to attract students through STEM (Science, Technology, Engineering and Mathematics) facilities and programming and that the college maintains current efforts and creates additional opportunities to stem the tide in decreased enrollments through targeted student outreach and retention activities.

2. Sponsor Contribution

Situation

As Erie Community College's sponsor, the county provides financial support to the college each year. The college in its 2014-15 budget lists a figure of \$17,429,317. The county in its budget and plan submission lists a figure of \$15,629,317. The difference is the capital component of \$1,800,000 that is not presented in the college section of the county's financial plan.

There is no difference between the college's financial plan expectation of support from the county and county's anticipated sponsor contribution.

Recommendation

That the college maintains positive relationships with county officials to at least maintain the current level of county “sponsor” support and that, strategies and programs be considered that could reduce the county’s outlay of funds for Erie County students attending out-of-county community colleges

3. Fund Balance

Situation

The 2014-15 Erie Community College budget includes \$4,000,000 fund balance as a revenue source to balance its budget. In the out-years of the financial plan, the college continues to list fund balance as a revenue with \$4,000,000 in 2015-16, \$3,500,000 in 2016-17 and \$1,500,000 in 2017-18.

These transfers are problematic in that there is an allocation of non-recurring revenues to cover recurring operations spending. Unrestricted fund balance per the 8/31/13 audited financials is \$19,969,253. \$4,000,000 of the \$19.9 million has been designated as a funding source for the 2014-15 budget.

Recommendation

That the college weans itself from using accumulated fund balance as a revenue to balance its budgets and that the college establishes a fund balance policy that maintains a reasonable level of reserves.

4. State Aid

Situation

For 2014-15 the state-aid revenues are increasing by just over \$0.1million due to a \$75.00 increase in the full-time-equivalent (FTE) reimbursement rate, from \$2,422 to \$2,497. The college is anticipating a \$150 increase in the reimbursement rate for 2015-16 and 2016-17, then \$100 per year thereafter.

Recommendation

That the college maintains beneficial relationships with Albany policymakers to help provide some assurance that this important revenue source meets anticipated funding levels.

5. Personnel

Situation

Three of the College's collective bargaining agreements, with CSEA, FFECC, and the AAEEC (comprising approximately 88% of personnel costs) are presently expired. The college's financial forecasts do not specifically include amounts that might be negotiated in future potential agreements. The college has focused on a bargaining strategy that calls for retirements, staffing and/or benefit reductions that would mitigate the financial impact of any potential, non-forecasted salary adjustments.

Recommendation

The college has maintained good control of its personnel costs through judicious hiring and appropriate vacancy control. The ECFSA is looking for ECC to maintain those controls and participate in labor negotiations in such a way that the necessary labor force is maintained without financially overburdening the college's students.

CONCLUSION

Erie Community College, in addition to its primary goal of educating its students in a way that will make them career-ready upon graduation, has included economic development as a focus.

The next couple of years are critical for the college. With the initiation of STEM (Science, Technology, Engineering and Mathematics) facilities and programming, the college is betting its future, and in some ways, the workforce in Erie County, on the college becoming a leader in providing job-ready graduates necessary to make this economic sector successful in Western New York.

Since the 2010-11 school year, ECC full time equivalents have gone down by over 13%. Despite this downturn, the college has done a good job in revenue generation, cost control and resource management to balance its budgets.

However, ECC cannot continue to raise tuition rates well beyond the cost of living index, cannot continue to use fund balance as a revenue and at some point, will run out of significant cuts to make in annual budgets.

Given that, it is critical that ECC grows its largest revenue source – tuition – through generating more FTE's. The college is improving its facilities and programs to do just that. But it's not a process that happens overnight.

Over the period of the current financial plan, the ECFSA is looking to the college to pursue a targeted student outreach and retention strategies that focus on the college's strengths of employment-enhancing curriculum and updated facilities. In order to flourish and become the economic driver it seeks to be, ECC must implement this strategy sooner, rather than later.