

**ERIE COUNTY FISCAL STABILITY AUTHORITY  
REPORT ON  
ERIE COMMUNITY COLLEGE  
2015-16 BUDGET  
AUGUST 7, 2015**

**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 11,000 full-time-equivalents (FTE's) for the 2015-2016 school year. The college's operating budget for the year totals \$110,978,792, a decrease of 1.2% over the 2014-15 spending plan. For 2015-16 the college has 697 full time employees, five more than the previous academic year.

**BUDGET/FINANCIAL PLAN HIGHLIGHTS**

***I. Revenue Related***

1. Full time tuition increases by 6.98% (\$300.00) as compared to the 2014/15 academic year. Tuition increased by 7.51% in the 2014-15, as compared to 2013-14.
2. For 2015-16 part time tuition rates increased by 7.26%, which was preceded by a 7.19% 2014-15 increase.
3. Since 2010-11 (the college's high point), full time enrollment is projected to decrease from 13,650 FTE's to 10,878 – an overall decline of 20.3%
4. For 2016-17 enrollment is assumed to remain flat. In 2017-18 there is an incremental credit enrollment growth of 2.4%, and then 2% per year thereafter.

5. For 2015-16 full time fall credit hours are assumed to decrease by 9.1%. In 2014-15, budgeted full time fall credit hours decreased by 4.8% as compared to the previous year's budget.
6. For 2015-16, full time spring credit hours are anticipated to decrease by 8.2%. For 2014-15, full time spring credit hours are assumed to decrease by over 6.7% as compared to the previous year's budget.
7. For 2015-16- ECC is budgeting a decrease of \$600,000 in state aid. The rate increased by \$100, per FTE, but declining enrollment led to the total decrease.
8. The sponsor contribution from Erie County will remain constant at \$17.55 million for 2015-16. This plan assumes the county's contribution will increase by \$125,000 per year for the period of the college's financial plan.
9. For the 2015-16 fiscal year, the college is budgeting \$4 million in fund balance as a revenue. For the 2014-15 budget year, the college designated \$4 million in total from its fund balance as a revenue source.

## ***II. Spending Related***

1. Personal services spending for 2015-16 decreases by \$556,904 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 2015-16 budget, all other terms and conditions of collective bargaining agreements been factored in.
  - The Faculty Federation contract (accounting for approximately 59% 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) expires on December 31, 2016.
3. Employee benefits costs for 2015-16 will decrease by \$652,819 over the previous year, a 2.24% reduction. Employee benefits are assumed to increase by 4% per year over the remaining period of the plan.

## **ANALYSIS/RECOMMENDATION**

The 2015-16 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 43% of total revenues. For the 2015-16 budget that percentage is 50.9%. 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 2015-16 budget lists a figure of \$17,554,317. The county in its budget and plan submission lists a figure of \$15,754,317. The difference is the capital component of \$1,800,000 that is not presented in the college section of the county's financial plan.

The college assumes a \$125,000 per year increase in the Sponsor Contribution. The Erie County Adopted Budget based financial plan assumes a constant amount – no annual increases.

### **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 2015-16 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 \$3,500,000 in 2016-17, and \$2,000,000 in 2017-18.

These transfers are problematic in that there is an allocation of non-recurring revenues to cover recurring operations spending. The current unrestricted fund balance is \$17,728,086. \$4,000,000 of that \$17.7 has been designated as a funding source for the 2015-16 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 2015-16 the state-aid revenues are decreasing by just over \$0.6 million due to declining enrollment, though the FTE rate is increasing by \$100, from \$2,497 to \$2,597. The college is anticipating a \$100 increase in the reimbursement rate per year for the remainder of the financial plan period.

#### **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**

Two of the College's major collective bargaining agreements, with FFECC, and the AAEECC (comprising approximately 75% 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 decreased by over 20%. 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.