ERIE COUNTY FISCAL STABILITY AUTHORITY REPORT ON ERIE COMMUNITY COLLEGE 2011-12 BUDGET AUGUST 2011

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 13,800 students enrolled in its three campuses – North, South and City, for the 2011-2012 school year. The college's operating budget for the year totals $105.65 million, an increase of 4.89% over the 2010-11 spending plan. For 2011-112 the college has 725 full time employees, a reduction of 14 full time staff members as compared to the previous academic year, and 28 full time reductions since 2009.

BUDGET/FINANCIAL PLAN HIGHLIGHTS

I. Revenue Related

1. After remaining constant last year, full-time tuition increases by 9% for 2011-12.

2. For 2011-12 part-time tuition increases by 8.69%.

3. For 2011-12 full-time Fall and Spring credit hours are assumed to decrease at a rate of .06% over the 2010-11 budget Subsequent years include an incremental credit enrollment growth of 1% per year.

4. For 2011-12 the state-aid revenues decreased by $1.0 million due to a 6.1% reduction in the full-time-equivalent (FTE) reimbursement rate, from $2,260 to $2,122.

5. The sponsor contribution from Erie County will remain constant at $17.4 million for 2011-12. This plan assumes the county's contribution will remain constant for the period of the college's financial plan.

6. For the 2011-12 budget year and for the 2012-13 budget, the college is allocating $2.8 million in total from its fund balance as a revenue source. As of 8/31/10, ECC's fund balance was $15.9 million. With these allocations, assuming no change based on August 2011 and 2012 results, the remaining fund balance would be $13.1 million.

II. Spending Related

1. Personal services spending for 2011-12 increases $690,000 over the prior year, despite a small reduction in the number of full-time positions. Subsequent years assume negotiated cost of living increases in addition to increments and rank advancements of 2% each year, net of retirements.

2. Although cost of living increases, for county unions without current contracts have not been included in the 2011-12 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) expires on August 31, 2011.
   - CSEA (accounting for approximately 12% of personal service costs) expired on December 31, 2006.

3. Employee benefits costs for 2011-12 will increase approximately $3.2 million over the previous year, including a 6.6% increase in health insurance and a significant increase in retirement costs. Employee benefits are assumed to increase by 5% per year over the remaining period of the plan.

OBSERVATIONS/ANALYSIS

The 2011-12 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. Tuition and Fees

Unlike previous submissions, the 2011-12 budget and associated financial plan do not assume that enrollment will continue to grow at an accelerated pace. The

2011-12 budget assumes a small change in credit hours and assumes a 1% credit enrollment growth thereafter.

The college appears to be doing a good job in its outreach and retention efforts to maintain and enhance the number of students in the classroom. Yet, at some point physical plant constraints may lead to a limitation of that growth.

Like the county, with its sales tax revenues, the college's financial health is tied to tuition revenue. In 2007-08, tuition revenues comprised only 37% of total revenues. For the 2011-12 budget that percentage has increased to 52.8%.

As time has gone by, with reductions in New York State and leveling of Erie County sponsor support, 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.

2. *Sponsor Contribution*

As Erie Community College's sponsor, the county provides financial support to the college each year. The college in its 2011-12 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.

Unlike previous versions of the college'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. Although, in the notes to its financial projections, the college indicates "ECC will lobby aggressively for annual increases."

3. *Fund Balance*

The 2011-12 Erie Community College budget includes $1,432,823 in fund balance as a revenue source to balance its $105,650,529 million budget. In reviewing the associated financial plan, it appears that this is a not one-time transfer to balance the first forecast year. The plan, in the "other revenue" section assumes a second transfer of $1,432,823 in 2012-13.

These transfers, though just over 1% of revenues for their respective years, are problematic in that there is an allocation of non-recurring revenues to cover recurring operations spending. Prior to the transfers, the college had $ $15.9 million in fund balance (per audited 8/31/10 financials), which is approximately 15% of budget.

The college is not affected by the county's 5% requirement for fund balance, but if it were, the revised fund balance would exceed the minimum by over $7.8 million.

4. State Aid

The college has absorbed significant decreases in state aid over the last two years. In 2011-12 alone, the college is expecting a 6.1% reduction in the full-time-equivalent (FTE) reimbursement rate, which represents a $1 million cut. Despite the recent downward trend in state revenues, the college is anticipating a $100 increase in the reimbursement rate for each year of the plan starting in 2013-14.

New York State has made tremendous strides to address its fiscal issues in its most recent budget, and appears poised to continue the job started this year, in successive budgets. With this in mind, it appears that an anticipated increase in state revenues to the college may be optimistic at this point.

5. Personnel

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

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 2011-12 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.