

**ERIE COUNTY FISCAL STABILITY AUTHORITY  
REPORT ON  
ERIE COMMUNITY COLLEGE  
2012-13 BUDGET  
AUGUST 21, 2012**

**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 14,400 students enrolled in its three campuses – North, South and City, for the 2012-2013 school year. The college's operating budget for the year totals \$111 million, an increase of 5.07% over the 2011-12 spending plan. For 2012-13 the college has 681 full time employees, a reduction of 44 full time staff members as compared to the previous academic year.

**BUDGET/FINANCIAL PLAN HIGHLIGHTS**

***I. Revenue Related***

1. After a 9% increase in the previous year (\$300.00), full-time tuition increases by 8% (another \$300.00) for 2012-13.
2. For 2012-13 part-time tuition increases by 8.67%, after a like increase in 2011-12.
3. For 2012-13 full-time Fall credit hours are assumed to decrease at a rate of 8.8% over the 2011-12 budget. Starting in 2013-14 there is an incremental credit enrollment growth of 1% per year.
4. For 2012-13 full-time Spring credit hours are assumed to decrease at a rate of 5% over the 2011-12 budget. Subsequent years include an incremental credit enrollment growth of 1% per year. Starting in 2013-14 there is an incremental credit enrollment growth of 1% per year.

5. For 2012-13 the state-aid revenues increased by over \$1.3 million due to a \$150.00 increase in the full-time-equivalent (FTE) reimbursement rate, from \$2,122 to \$2,272.
6. The sponsor contribution from Erie County will remain constant at \$17.4 million for 2012-13. This plan assumes the county's contribution will remain constant for the period of the college's financial plan.
7. For the 2012-13 budget year, the college is allocating \$3.5 million in total from its fund balance as a revenue source. For the 2011-12 fiscal year, the college allocated just over \$1.4 million in fund balance. As of 8/31/11, ECC's fund balance was \$18.4 million. With these allocations, assuming no change based on August 2011-12 results, the remaining fund balance would be \$13.5 million.

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

1. Personal services spending for 2012-13 increases \$649,378 over the prior year, despite a 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 2012-13 budget, all other terms and conditions of collective bargaining agreements been factored in.
  - The Faculty Federation contract (accounting for approximately 61% of personal service costs) expired on August 31, 2009.
  - The Administrators contract (accounting for approximately 15% 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 2012-13 will increase approximately \$2.2 million over the previous year, an 8.45% increase. Employee benefits are assumed to increase by 5% per year over the remaining period of the plan.

## **OBSERVATIONS/ANALYSIS**

The 2012-13 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 2012-13 budget and associated financial plan do not assume that enrollment will continue to grow at an accelerated pace. The 2012-13 budget assumes a 5.26% decrease in credit hours and assumes a 1% credit enrollment growth starting in 2012-14.

In previous versions of this report, the ECFSA commented that, despite the best efforts of college recruitment officials, the assumed high growth in enrollments would not continue – the 2012-13 is evidence that the student pool has or is reaching its short-term limit, particularly with recent and assumed future tuition increases.

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 2012-13 budget that percentage has increased to 52%.

As time has gone by, with prior years reductions in New York State funding 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 2012-13 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.

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 2012-13 Erie Community College budget includes \$3,500,000 fund balance as a revenue source to balance its \$111,005,258 million budget. There is a trend of the college using fund balance to close its financial gaps. In 2010-11, the

college transferred \$882,193, in 2011-12 that figure increased to \$1,432,823, for 2012-13 that figure increased again to \$3,500,000.

In the out-years of the financial plan, the college continues to list fund balance as a revenue with \$2,500,000 in 2013-14, \$1,500,000 in 2014-15 and \$500,000 in 2015-16.

These transfers are problematic in that there is an allocation of non-recurring revenues to cover recurring operations spending. Prior to the transfers, the college had \$ \$19.2 million in fund balance (per audited 8/31/10 financials. The current, audited fund balance is \$18.4 million).

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 approximately \$10 million.

#### **4. State Aid**

After absorbing significant decreases in state aid over the previous two years, the college is budgeting a \$1.35 million increase for 2012-13, as compared to the 2011-12 budget. In addition, the college is anticipating a \$150 increase in the reimbursement rate for each year of the plan starting in 2013-14. A 5 year, \$150 per year increase was almost agreed to as part of the state budget. This was the state's commitment to a "rational" state aid increase similar to the "rational" tuition plan agreed to for SUNY schools.

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 last year. The increase in state aid for 2012-13 is a good sign, but continued, consistent increases may not be warranted at this time.

#### **5. Personnel**

Three of the College's collective bargaining agreements, with CSEA, FFECC, and the AAEECC (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 reduced its enrollment estimates to more accurately reflect the available student pool, and raised tuition to help maintain its largest single revenue. ECC has reduced its full-time staffing levels and has had to use fund balance for the third year in a row to balance a budget with recurring expenses growing faster than recurring revenues.

With the 2012-13 budget and associated financial plan, ECC is relying more and more on tuition revenues. Unfortunately, for the college, the available pool of potential students generating its largest revenue source – tuition – is not increasing as it once was. Given that, the ECFSA believes the challenges the college is facing are becoming increasingly difficult.

At this point, absent any structural changes or unexpected revenue streams, it appears that the college's financial health is dependent upon bucking recent trends in getting more students in-the-door (and retaining those students) and performing the annual ritual of cutting costs, primarily through staffing reductions.

We are confident in the administration of the college to manage these issues on a year-to year basis. However, we call upon ECC to further pursue a strategy that will more closely match ongoing revenues with ongoing expenses and to develop financial alternatives, should certain elements of the college's budget and plan do not come to fruition.