

**ERIE COUNTY FISCAL STABILITY AUTHORITY
REPORT ON
SUNY ERIE COMMUNITY COLLEGE
2022-23 BUDGET/FINANCIAL PLAN
December 16, 2022**

INTRODUCTION

SUNY Erie/Erie Community College (ECC) 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.

In its budget submission to the Erie County Legislature, the College put forward an annual spending plan that accounts for revenue losses associated with the continued decline in Erie County's school aged population, with 47.3% of its students under the age of 21. From its high point in the 2011-12 school year, credit enrollment has gone down by 44%.

The 2022-23 spending plan assumes a budget of \$98,695,349. As compared to the College's 2021-22 adopted budget, spending is down \$4,051,048 (3.94%). Personnel costs are down \$2,263,135 (3.85%), fringe benefits are down \$927,885 (3.85%), and contractual services are down \$607,570 (3.31%).

BUDGET HIGHLIGHTS

I. Revenue Related

1. For the 2022-23 academic year, there is a 3% tuition rate increase.
 - The financial plan assumes a 3% tuition for 2023-24, with a 1% increase for 2024-25 and no increase for 2025-26.
2. For the 2022-23 academic year, there is a \$6 (2.84%) per credit hour part-time tuition increase. The assumptions for the out-years of the financial plan appear to be the same as those for full-time tuition, with annual increases of 3%, 1% and 0% respectively.
3. The Charges-to-Non-Residents budget for 2022-23 has decreased by \$31,293 (1.37%) as compared to the 2021-22 budget.

4. Since 2011-12 (the college's high point), credit enrollment has decreased by 44%.
 - The 2022-23 SUNY Erie budget calls for a decrease in FTE's of 107 (1.44%), from 7,441 to 7,334 as compared to the 2021-22 budget.
 - The financial plan assumes 2023-24 FTEs would increase by 1 (0.01%) as compared to the 2022-23 budget. Then increase by 13 (0.17%) for 2024-25 and 25 (0.34%) for 2025-26.
5. For the 2022-23 academic year, fall credit hours are assumed to be reduced by 1,523 (1.54%) as compared to the 2021-22 approved budget.
6. For the 2022-23 academic year, spring credit hours are assumed to be reduced by 1,349 (1.37%), as compared to the 2021-22 approved budget.
7. For the 2022-23 academic year, the College is budgeting an increase of \$90,815 (0.32%) in state aid as compared to the prior year approved budget.
 - State funding remains flat in 2023-24 and increases 1% per year in succeeding financial plan years.
8. The sponsor contribution from Erie County increased by \$1 million over in the 2021-22 budget to \$19,804,317. With no additional increases over the period of the plan.
 - The financial plan assumes the sponsor contribution will remain constant, with the \$1 million increase, for the 2022-23 through 2025-26 period.
 - The College has put forward a \$33 million capital budget, with \$16 million of that total anticipated in the county's 2023 fiscal year - \$6 million to be bonded, \$8 million from New York State and \$2 million as pay-as-you-go capital projects.
9. The accumulated SUNY Erie fund balance, absent corrective financial measures, is anticipated to go negative by fiscal year 2024-25, reaching a low of minus \$5 million in fiscal year 2025-26.

SUNY Erie	Y/E Fund	Previous
	Balance	Year Change
2019-20	6,400,691	
2020-21	8,097,360	1,696,669
2021-22	14,611,860	6,514,500
2022-23	6,468,580	(8,143,280)
2023-24	2,975,428	(3,493,152)
2024-25	(1,179,985)	(4,155,413)
2025-26	(5,052,029)	(3,872,044)

II. Spending Related

1. Budgeted personal services spending for FY 2022-23 has decreased by \$2,263,135 (3.85%) as compared to the prior fiscal year's approved budget.
 - The financial plan calls for 2% increases per year in personal services for F/Y 2023-24 and 2024-25. Personal services spending for the final year of the financial plan (2025-26) shows no increase from the prior year.
 - For the 2022-23 budget year, the College is including turnover savings in the amount of \$2,250,000, mainly as a result of an early retirement incentive and staff layoffs. For the remainder of the 4-year plan, turnover savings increase to \$3,000,000 per year.
2. Budgeted employee benefits costs for 2022-23 are assumed to decrease by \$927,885 (3.85%) as compared to the prior year's approved budget figure.
 - The financial plan calls for employee benefits to decrease by 3.98% in 2023-24, followed by a 2.11% increase in 2024-25. For 2025-26 employee benefits are unchanged from the prior year.
3. For FY 2022-23, contractual expenses decreased by \$607,570 (3.31%) as compared to the prior year approved budget.

- The financial plan calls for contractual/other expenses to decrease by 7.84% in 2023-24, followed by a 6.1% decrease in 2024-25. For 2025-26 contractual expenses are unchanged from the prior year.

SUNY ERIE COLLEGE BUDGET/FINANCIAL PLAN ASSESSMENT

College financials indicate an organization that is currently very good at cost and budget cutting (figures in millions of \$'s):

<u>Annual Spending:</u>	<u>Amount</u>	<u>% Change Prior year</u>
2022/23 Approved Budget	\$ 98.7	2.41%
2021/22 Projected Actuals	\$ 96.3	(3.23%)
2020/21 Actuals	\$ 99.6	(8.90%)
2019/20 Actuals	\$109.3	(0.83%)
2018/19 Actuals	\$110.2	3.56%
2017/18 Actuals	\$106.4	

Current College spending is 10.4% lower than it was 4 years ago – a significant accomplishment, given inflation over time.

However, the decrease in enrollment (full time equivalents – FTE's) has been steeper than College budget cuts over the same period:

<u>FTE's:</u>	<u>Amount</u>	<u>% Change Prior year</u>
2022/23 Approved Budget	7,334	(1.44%)
2021/22 Approved Budget	7,441	(10.83%)
2020/21 Actuals	8,345	(10.51%)
2019/20 Actuals	9,325	(5.99%)
2018/19 Actuals	9,920	(4.53%)
2017/18 Actuals	10,391	

Current College FTEs are 29.4% lower they were 5 years ago. The cost per FTE has risen significantly over that time:

<u>Cost/FTE:</u>	<u>Amount</u>	<u>% Change Prior year</u>
2022/23 Approved Budget	\$13,458	3.99%
2021/22 Actuals/App.Budget	\$12,957	8.47%
2020/21 Projected/Actuals	\$11,931	1.80%

2019/20 Actuals	\$11,720	5.49%
2018/19 Actuals	\$11,110	8.48%
2017/18 Actuals	\$10,241	

The cost per FTE has risen by 31% over the last 5 years.

This analysis indicates the College, under its current configuration is fiscally well run, but SUNY Erie is facing a long-standing, long-term enrollment problem that cannot be addressed solely or primarily through cost cutting. For the previous two fiscal years, federal COVID dollars, a retraction in NYS cuts and additional county support gave the College some time to reconfigure its education and business model, but change is necessary.

The ECFSA views the currently approved 2022-23 budget as in balance and achievable at this point. However, the associated out-year financial plan shows a material deficit. Structural change, NOW, is necessary for the College to remain a going concern.

Long-term falling enrollment trends along with fiscal and operational challenges do not bode well for SUNY Erie's future financial health. As the College's sponsor, there may be increasing stress on Erie County to provide significant ongoing support to the College, while SUNY Erie transitions to an ongoing economically viable entity.

Under its current configuration, SUNY Erie's finances are highly dependent on continued reduced spending in a declining revenue environment. The College's current business model will not sustain the institution for the long term, even under the best expenditure reduction measures.

Student driven revenues have declined precipitously. A previous College President stated SUNY Erie, as configured, is not financially sustainable. Erie is not alone in this situation, educational institutions throughout the state and around the country are facing similar hurdles.

A concept for reducing the number of full-service campuses has been brought forward as a potential resolution to the College's financial situation. However, there has been significant opposition to SUNY Erie's proposal to break down long-standing organizational and financial silos.

The ECFSA is looking to SUNY Erie leadership to turn crisis into opportunity in reinventing the College so that it will be able to sustain its charge of developing a workforce that will facilitate not only economic recovery, but future growth, as well. We are unsure of who will lead the College on a long-term basis. As of the writing of this report, the current president is on a board-imposed leave and the provost is performing both position duties.

The overarching recommendation of the ECFSA is for the College to completely review its business and education model, bringing in outside technical assistance and stakeholders together to reinvent the College and apply that new vision in meeting its charge.

SPECIFIC RISK ITEMS

The following are a list of specific concerns the ECFSA has regarding the 2022-23 SUNY Erie budget and comments/recommendations on addressing those items:

1. Tuition and Fees – FTE Driven

Situation

Since peaking in 2011-12, credit enrollment has declined 44% and the pool of eligible high school students is anticipated to decline for the foreseeable future.

Recommendation

The College must systematically review and revise its educational and business model, with relevant community, educational and government partners, to provide reasonable assurance SUNY Erie will continue to provide its educational and job development charge to Western New York. This review is more extensive than a campus and function related exercise. It includes input from and extensive coordination with educational, business and government partners.

2. State Aid

Situation

State Aid - even with legislature enacted funding floors, state funding is primarily dependent on enrollment.

Recommendation

The College should continue to work with New York State officials on getting appropriate State funding, but plan for continued, reduced levels of support in the future.

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3. Sponsor Contribution

Situation

As SUNY Erie's sponsor, the County provides annual financial support to the College. The College in its 2022-23 budget lists a figure of \$19,804,317, a \$1 million increase over 2020-21. That higher level of county funding is assumed through the period of the financial plan.

Recommendation

Given the County's status as local sponsor for the College, SUNY Erie must work closely with County leadership (as funders and stakeholders) not only on revenue and capital project issues, but also on reinventing the College to sustain itself for the future.

4. Fund Balance

Situation

SUNY Erie's fund balance is anticipated to go negative in FY 2024-25, without some sort of intervention. By the end of the last year of its financial plan (2025-26) the College fund balance will reach a negative \$5 million. Thereby creating significant cash flow and operational issues and endangering the College as a going concern.

Recommendation

At this point, the College is still planning to use fund balance to augment its revenues. Reconfiguring SUNY Erie should include a goal of revenues matching expenses on a long-term basis.

5. Capital Project Spending/Funding

Situation

The College has reduced its county capital funding expectations significantly. Previous submissions included a total of \$81 million. That has been scaled back to a more reasonable \$33 million.

Recommendation

That future capital projects be viewed considering a reinvented SUNY Erie.

CONCLUSION

Since the 2011-12 school year, Erie Community College has suffered a 44% loss in credit enrollment. The ECFSA expects reduction in enrollment to continue based upon declining high school graduation rates.

To balance its budget, SUNY Erie continues to rely on expenditure reductions and use of reserves. Although the College has implemented several initiatives to increase revenue, and enhance student enrollment and retention, these initiatives taken individually or collectively are not enough. Unless this is changed, the College will face fiscal uncertainty resulting in an inability to meet its core mission, a mission that has been an integral element in the network of higher educational opportunities in the region.

The ECFSA continues to recommend that there be a very public discussion about the future of SUNY Erie and how it fulfills its role in the region and within the network of higher education. This should be a bold and visionary discussion including elected officials, taxpayers, the business community, philanthropic entities, and educators at all levels. The SUNY Erie of today is not equipped to meet the needs of the students and community of tomorrow under its current structure and financing.