

**ERIE COUNTY FISCAL STABILITY AUTHORITY
REPORT ON
SUNY ERIE COMMUNITY COLLEGE
2023-2024 BUDGET/FINANCIAL PLAN
October 12, 2023**

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.

The 2023-24 spending plan assumes a budget of \$87,948,753. As compared to the College's 2022-23 adopted budget, spending is down \$10,746,596 (10.89%). Personnel costs are down \$8,224,859 (14.56%), fringe benefits are down \$3,372,193 (14.56%), and contractual services are up \$1,431,106 (8.06%).

BUDGET HIGHLIGHTS

I. Revenue Related

1. For the 2023-24 academic year, there is a no tuition rate increase.
 - The financial plan assumes a 1% tuition for each of the out years of the financial plan – 2024/25 – 2026/27.
2. For the 2023-24 academic year, there is no part-time tuition rate 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 1%.
3. Since 2011-12 (the college's high point), credit enrollment has decreased by 48%. In 2011-12 total FTE's were 13,302.

- The 2023-24 SUNY Erie budget/plan calls for a decrease in FTEs over the period of the financial plan (parentheses denote reduction):

<u>Year</u>	<u>FTE's</u>	<u>Change</u>	<u>Change %</u>
2021-22	7,532.6		
2022-23	7,148.1	(384.5)	(5.10%)
2023-24	6,936.9	(211.2)	(2.95%)
2024-25	6,872.8	(64.1)	(0.92%)
2025-26	6,847.7	(25.1)	(0.37%)
2026-27	6,768.4	(79.3)	(1.16%).

4. For the 2023-24 academic year, fall credit hours are assumed to be reduced by 5,262 (5.41%) as compared to the 2022-23 approved budget.
5. For the 2023-24 academic year, the college is budgeting a reduction of \$31,124 (0.11%) in the rental aide portion of state aid as compared to the prior year approved budget. State funding remains flat for the 2024-25 thru 2026-27 period, based upon state legislation establishing 2022-23 (higher) enrollment figures as a floor to calculate state funding.
6. The sponsor contribution from Erie County for the 2023-24 thru 2026-27 period remains constant at \$19,804,317 per year. SUNY Erie officials have pointed out that the college receives lower-than-average sponsor support as compared to its peers. County contributions make up 22.5% of total revenue. Chargebacks bring that total to 24%, a 1.5% increase. Based on 2021-2022 SUNY Annual Reports, the college is 27th in the state among its peers in local funding per FTE and 23rd in total revenue.

II. Spending Related

1. Personal services spending for FY 2023-24 has decreased by \$8,224,859 (14.56%) as compared to the prior fiscal year's approved budget. Workforce reductions, lowering salary and fringe costs have served to significantly improve the college's financial stability. However, the college financial plan shows a \$4,089,679 increase as compared to previous year actuals.

<u>Year</u>	<u>Salaries</u>	<u>Change</u>	<u>Change %</u>
2020-21	\$58.7		
2021-22	\$52.4	(\$6.3)	(10.7%)
2022-23	\$44.2	(\$8.2)	(15.8%)
2023-24	\$48.3	\$4.1	9.3%
2024-25	\$49.7	\$1.4	3.0%
2025-26	\$50.7	\$1.0	2.0%
2026-27	\$50.7	\$0.0	0.0%

In millions of \$'s

- For the 2023-24 budget year, the College is including spending constraints targets (undesignated reductions) in the amount of \$1,000,000, and \$500,000 for the 2024-25 fiscal year.
2. Budgeted employee benefits costs for 2023-24 are assumed to decrease by \$3,372,193 (14.56%) as compared to the prior year's approved budget figure, reflecting the cost saving measures previously mentioned.
 - The financial plan calls for employee benefits to increase by \$593,774 (3%) in 2024-25, followed by a \$407,724 (2%) increase in 2025-26. For 2026-27 employee benefits are unchanged from the prior year.
 3. For FY 2023-24, other/contractual expenses increase by \$1,431,106 (8.06%) as compared to the prior year approved budget, primarily attributed to Workday Optimization (ERP system) costs, network switches and inflation.
 - The financial plan calls for contractual/other expenses to increase by \$500,000 (2.4%) in 2024-25, followed by a \$3,832,177 (17.9%) decrease in 2025-26. For 2026-27 other/contractual expenses are unchanged from the prior year.
 4. The College has put forward a \$22 million capital spending budget request with the following 2024 major projects. Of that amount, \$13 million (60%) was approved:

<u>Item</u>	<u>Total Cost</u>	<u>County Share</u>
Security Cameras	\$ 2,000,000	\$1,000,000
Sports Field Improve.	\$ 5,000,000	\$ 500,000
Facility Master Plan	\$10,000,000	\$5,000,000
College-wide Infra.	\$ 5,000,000	\$2,500,000
Totals	\$22,000,000	\$9,000,000

IV. Fund Balance

The accumulated SUNY Erie fund balance is expected to maintain a healthy amount through the end of the financial plan in 2026-27. Though, the college is anticipated to have operating shortfalls for the period of the plan that reduce the fund balance from a high of \$21.5 million in 2022-23 to a low of \$15.9 million in 2026-27.

In the previous version of the financial plan, the college anticipated an accumulated unrestricted fund balance of negative \$5 million at the end of the 2025-26 fiscal year, as opposed to a positive \$15.9 million surplus at the end of the financial plan period in the current submission:

<u>Year</u>	<u>Current Forecast</u>	<u>Previous Forecast</u>	<u>Difference</u>
2021-22	\$14.6	\$14.6	\$.0
2022-23	\$21.5	\$ 6.5	\$15.5
2023-24	\$20.3	\$ 3.0	\$17.3
2024-25	\$17.2	(\$ 1.2)	\$18.4
2025-26	\$16.3	(\$ 5.1)	\$21.4
2026-27	\$15.9		

In millions of \$'s.

SUNY ERIE COLLEGE BUDGET/FINANCIAL PLAN ASSESSMENT

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

<u>Annual Spending:</u>	<u>Amount</u>	<u>% Change Prior year</u>
2023-24 Approved Budget	\$ 87.9	7.46%
2022/23 Forecast	\$ 81.8	(15.01%)
2021/22 Actuals	\$ 96.3	(3.31%)
2020/21 Actuals	\$ 99.6	(8.87%)
2019/20 Actuals	\$109.3	(0.82%)
2018/19 Actuals	\$110.2	3.57%
2017/18 Actuals	\$106.4	

Comparing the 2023-24 budget to 2018-19 actuals, the college spending is 20% lower than it was 5 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>
2023-24 Approved Budget	6,937	(2.95%)
2022/23 Projected Actuals	7,148	(5.11%)
2021/22 Actuals	7,533	(9.73%)
2020/21 Actuals	8,345	(10.50%)
2019/20 Actuals	9,325	(5.99%)
2018/19 Actuals	9,920	(4.53%)
2017/18 Actuals	10,391	

Comparing the 2023-24 budget to 2018-19 actuals, the college FTEs are 30% lower than 5 years ago.

<u>Cost/FTE:</u>	<u>Amount</u>	<u>% Change Prior year</u>
2023/24 Approved Budget	\$12,678	10.80%
2022/23 Forecast	\$11,440	(10.5%)
2021/22 Actuals	\$12,780	7.10%
2020/21 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 14% over the last 5 years.

The ECFSA views the approved 2023-24 budget and associated financial plan as in balance and achievable. College initiatives to right-size itself are bearing fruit that will allow the institution precious time to reinvent itself to provide reasonable assurance that it, in some form, will continue to serve its students and its community in a meaningful way for years to come.

The ECFSA analysis indicates the college, under its current configuration, is fiscally well run and has weathered the economic impacts of COVID as well as can be expected., In the last two years, the college has taken difficult and painful steps to right-size itself and change its fiscal trajectory. However, SUNY Erie is facing a long-standing, long-term enrollment problem that cannot be addressed solely or primarily through good fiscal stewardship.

Some of the college's issues are endemic to its organization, with the college not being simply set-up as three separate campuses, but, three separate colleges, with duplicate services at each location; more full-service campuses than it might need. This college stand-alone approach is replicated at the state level, as well, with Erie and its fellow community colleges set-up as silos within their geographic regions. In many ways in competition with each other for students and resources.

The ECFSA is looking to SUNY Erie leadership to continue 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 activity, but future growth, as well.

The overarching ECFSA recommendation is for the College to continue to review its business and education model, bringing in outside technical assistance, and local and NYS stakeholders to reinvent the college and apply that new vision in meeting its charge and potentially changing the constrained business and educational environment in which it operates.

SPECIFIC RISK ITEMS

The following are a list of specific concerns the ECFSA has regarding the 2023-24 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 48% 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 Aide

Situation

State Aide - 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 and to get assistance in improving the overall environment for Erie and its community college peers across the state

3. Sponsor Contribution

Situation

As SUNY Erie's sponsor, the County provides annual financial support to the College. The College in its 2023-24 budget lists a figure of \$19,804,317. That level of county funding is assumed through the period of the financial plan. Given college assertions of sponsor funding coming in below its peers, there is opportunity for further collaboration with the county.

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

In its previous financial plan, SUNY Erie's fund balance was anticipated to go negative in FY 2024-25 and reach a negative \$5 million by FY 2025-26. Recent right-sizing efforts have changed that trajectory so that a negative \$5 million balance has been revised to a \$15.9 million positive balance by 2026-27. However, the college is still forecasting operational losses that will begin to reduce the unrestricted fund balance starting in 2024-25. The college has established a goal of maintaining an unrestricted fund balance of at least two months spending.

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 put forward a \$22 million capital request in the 2023-24 budget.

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 48% 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. Over the last two years, the college has taken a number of difficult, painful steps to right-size the institution. However, there is still more to be done. SUNY Erie must continue to reinvent itself and to make serious attempts to address its own organizational silos and cost structure, as well as the silos inherent in New York State that place Erie and other community colleges in competition with one another for students and resources.

Until these situations are addressed, 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 (both locally and statewide). 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 fully equipped to meet the needs of the students and community of tomorrow under its current structure and financing. However, the college is working diligently to meet the evolving needs of its students and has made significant strides within its environment to solidify its place in the community and stabilize its finances.

