Dr. Jane Gates, Interim President, Provost and Senior VP for Academic and Student Affairs
Connecticut State Colleges & Universities
Before the Appropriations Committee
March 4, 2021

Senator Osten, Representative Walker, Senator Miner, Representative France, and members of the Appropriations Committee, thank you for the opportunity to testify on the Governor's proposed budget adjustments as they pertain to the Connecticut State Colleges & Universities (CSCU). For the record, my name is Dr. Jane Gates, and I am the Interim President as well as the Provost and Senior Vice President of Academic and Student Affairs for CSCU. I am joined today by CSCU Chief Financial Officer Ben Barnes, CSCU Chief Operating Officer and Chief of Staff Dr. Alice Pritchard, Connecticut State Community College (CSCC) Interim President Dr. David Levinson, CSCC Interim Chief Financial Officer Kerry Kelley, CSCU Vice President for Enrollment Management Dr. Alison Buckley, and CSCU Senior Director of Government Relations and External Affairs Sean Bradbury.

COVID CHALLENGES:

This has been a tremendously challenging year for our students. Our faculty and staff have done extraordinary work to help our students meet these challenges. They transitioned our institutions to virtual and hybrid learning to safely teach our students. They rearranged our support services to find new ways to serve students in a pandemic. Our faculty, staff and administrators have risen to these challenges, giving our students an opportunity to continue their studies under circumstances that are more challenging than any of us have experienced before.

Sadly, far too many of our students have not been able to weather the challenges of continuing their education during the pandemic. Many students could not attend our colleges and universities because of economic uncertainty, and their responsibilities to their families, to their communities, and to public health. Many university students opted for fully online classes rather than navigating campus life in a pandemic. As a result, fall enrollment was down a staggering 16% at the community colleges and 6% at the universities. For some students, the shift to online courses was difficult. The technology can be difficult to master, the social isolation can be debilitating, and the need to balance school, work and family can be overwhelming. Many students experienced mental wellness issues. And, of course, we must all confront these challenges in the context of grief and the loss of more than 7,000 people in our state to the virus.

For so many that we serve at CSCU, the pandemic has meant loss of work, disruption of childcare arrangements, or other economic hardship, on top of the challenges of pursuing their education. We have distributed federal funds to our students, waived fees, extended payment arrangements, suspended collections on delinquent payments, and otherwise done everything that we can to relieve students and their families from the cost burden of college. It has not been enough, and we are trying to find ways to do more. This month, the Board of Regents will consider a tuition freeze across CSCU. Also in March, we plan to distribute nearly $30 million in direct payments to students using federal funds from the CRRSA legislation passed in December.

As we appear before you today, we call on you to help us in meeting our mission of accessible, affordable higher education. Your continued support for our block grants, our fringe benefits, and, most importantly, student assistance through the Roberta Willis and PACT programs, is more important than ever as we pull out all the stops to bring students back and help them to succeed as we emerge from the COVID-19 pandemic.

CSCU institutions have been fortunate to receive significant direct and state-controlled federal aid to help us weather the pandemic. This has allowed us to transfer nearly $60 million to our students so far, and to replace some of the revenue that we lost as enrollment dropped and occupancy of our residence halls declined. Assistance from the State's Coronavirus Relief Fund and Governor's Education Emergency Fund has not only helped with laptops, hotspots, and software needed for remote learning, but also with virus testing, retrofitting classrooms and offices, increased cleaning, providing space and services for students in quarantine or isolation, and all the other new tasks we have had to take on as part of our responsibility to keep our campuses safe for all who work and learn there. But we recognize that we have an obligation to use these one-time resources to meet the extraordinary needs of our students and our communities. We will direct more than the federal minimum straight into the hands of our students, and we will partially fill the hole in our revenues that has resulted from the pandemic. But we still need ongoing, consistent state support to meet our growing expenses without transferring those costs to students and their families.

CSCU institutions have been proud to be part of the state's response to COVID, hosting testing sites, providing space for field hospitals if needed, training medical professionals, and doing whatever our state and communities have asked us to do. During the spring of 2020, Southern Connecticut State University and Western Connecticut State University facilities were converted into mobile hospitals by the National Guard to assist with the anticipated surge of patients affected with COVID-19. Residence halls and rooms were also made available for emergency use for medical personnel and non-critical COVID-19 patients. In addition to making space available, institutions donated personal protective equipment (PPE) to local hospitals and frontline health care workers. CSCU donated approximately 200,000 gloves, 12,000 masks, 2,000 gowns, and 15 ventilators.

Our community colleges repurposed advanced manufacturing technology centers to meet the state's need for personal protective equipment, creating face shields and devices for health care providers. Our foundations at the colleges and universities supported CSCU students affected by COVID-19, particularly to make sure that students have access to food, housing and technology necessary to continue their education throughout this public health crisis.

However, the costs of the pandemic are far from a one-time expense. Our colleges and universities still face the tight finances and limited reserves they faced a year ago, as the specter of COVID first began to cast its shadow over us all. We have cut significant expenses from our budgets during this fiscal year but will continue to need state support for the next biennium as we attempt to bounce back from the enrollment losses and declining revenue.

CONTINUING ENROLLMENT AND REVENUE CHALLENGES

FY 2021 continues to be a challenging year for CSCU. Financial and enrollment data for the spring semester show continued weakness in enrollment and residence hall occupancy driving further reductions in revenue. The Universities saw their enrollment drop grow from 6% in the fall to over 8%

this spring, including a 10% drop in full-time students. Housing revenue has also continued to suffer at the universities. In FY 2019, the universities generated $70 million in housing revenue, which dropped to $52 million in FY 2020 and is projected to be only $41 million this year, reflecting refunds in FY 2020 and FY 2021, and reduced numbers of residential students.

In the Community Colleges the drops are even more stark. Spring enrollment is just under 19,000 full-time equivalent students, or 34,185 total students, the lowest in many years and down 17.4% compared to spring 2020. The groups that saw the steepest drops in enrollment compared to last year include males and students on Pell, each down 25%; African-Americans, down 21%; and students over 40, down more than 20%. With the steepest drops hitting populations that have long been underserved in higher education, the scale of our challenge in recovering from COVID is clear.

In addition, our latest projections show that some other areas are also adding to revenue weakness: growing student receivables driving bad debt expense in the colleges and reduced on-campus operations leading to significant drop-off in other revenue from activities like bookstore sales, food service and room rentals. While federal aid will help fill our hole this year, if we do not bring those students back as soon as possible our state's educational crisis will be compounded by fiscal calamity at CSCU.

CSCU institutions have responded with spending restraint, including reduced personal services expenses based on the hiring freeze and effective use of federal funds to defray COVID-related other expenses. For the universities, this spending restraint has exceeded revenue deterioration, leading to a $16 million improvement in operating results compared to our projections last fall. The colleges' spending has also been reduced by actions at each campus, but revenue losses have continued to outpace austerity, and the colleges' collective deficit has grown from $16 million to $22 million.

Charter Oak State College is projecting an increase in their deficit to $118,000 reflecting their increased marketing and student support expenses as they have worked to sustain and grow enrollment during this challenging year.

FEDERAL FUNDS:

These results do not directly reflect the impact of additional funds provided by the federal government under the Higher Education Emergency Relief Fund (HERF), but they do reflect the first round of relief under this program in 2020. In FY 2021, we received state-directed Coronavirus Relief Funds to reimburse us for FY 20 expenses totaling $5.1 million ($4 million for the universities and $1.1 million for the colleges) plus $11.8 million for room and board refunds at the universities. In addition, the state has reimbursed us for $19.6 million of FY 21 expenditures related to COVID ($12.5 million for the universities and $7.1 million at the community colleges).

The new round of funding, called HEERF II, has not yet been expended. While the federal government has eased the restrictions on HEERF II funds compared with the funding under the CARES Act last year, there remain significant requirements for both the type of expenses that can be reimbursed, and the timing of those expenses. CSCU is doing everything we can, with support from the Governor and OPM, to maximize the federal funds available to support our students and protect our campuses from budgetary harm. Both rounds are shown in the table below:

Connecticut State Colleges & Universities
CARES / CRRSA Federal Grants

	2020 HEERF I Section 18004 (a)(1)	2021 HEERF II Section 314(a)(1)	TOTAL	GEERF - Gov Relief	CRF Funds	GRAND TOTAL
State Universities						
Central Connecticut State University	9,009,014	14,879,577	23,888,591	-	10,203,231	34,091,822
Eastern Connecticut State University	4,433,725	7,060,353	11,494,078	-	6,783,479	18,277,557
Southern Connecticut State University	8,390,168	13,594,612	21,984,780	-	6,870,612	28,855,392
Western Connecticut State University	4,256,393	7,148,969	11,405,362	-	3,937,572	15,342,934
CSU System Office	-	-	-	-	492,706	492,706
State Universities Total	26,089,300	42,683,511	68,772,811	-	28,287,600	97,060,411
Community Technical Colleges						
Asnuntuck Community College	1,215,438	2,735,540	3,950,978	57,824	191,259	4,200,061
Capital Community College	2,032,022	5,110,446	7,142,468	105,640	526,453	7,774,561
Gateway Community College	4,296,723	9,850,045	14,146,768	162,352	837,934	15,147,054
Housatonic Community College	3,450,869	7,936,666	11,387,535	108,976	796,639	12,293,150
Manchester Community College	3,235,201	7,524,805	10,760,006	135,664	607,345	11,503,015
Middlesex Community College	1,323,379	2,987,020	4,310,399	61,160	176,575	4,548,134
Norwalk Community College	3,189,661	6,885,402	10,075,063	7,479	619,076	10,701,618
Naugatuck Valley Community College	3,819,528	8,536,320	12,355,848	154,568	847,998	13,358,414
Northwestern Community College	602,265	1,431,434	2,033,699	53,376	44,718	2,131,793
Quinebaug Valley Community College	889,048	2,015,443	2,904,491	-	183,431	3,087,922
Three Rivers Community College	2,253,229	5,525,543	7,778,772	-	531,228	8,310,000
Tunxis Community College	2,185,505	5,023,592	7,209,097	-	236,561	7,445,658
CCC System Office	-	-	-	-	2,510,847	2,510,847
Community Technical College Total	28,492,868	65,562,256	94,055,124	847,039	8,110,064	103,012,227
Charter Oak State College	$0	$284,861	284,861	152,961	74,133	511,955
GRAND TOTAL CSCU	**54,582,168**	**108,530,628**	**163,112,796**	**1,000,000**	**36,471,796**	**200,584,592**

All of the CSCU institutions are planning to make student financial assistance payments in March 2021 based on the amount designated under the law to be used for that purpose – about $30 million out of the HEERF II funds. Charter Oak, which has received HEERF funding for the first time, is required to use all of its allocation for student financial assistance. The colleges and universities will also draw down funding from the Institutional Aid portion of the HEERF II funds to replace lost revenue due to COVID. In the cases of the universities and Charter Oak, we expect these activities will fully utilize available funds. While there remains some significant uncertainty about certain key provisions of the new funding program, we expect that the colleges will still have approximately $20 million in funding available after these activities on June 30, 2021. These funds will be used for a combination of student financial assistance and revenue replacement in the fall of this year.

The table below summarizes the impact of current year operations and anticipated use of new federal funding on system reserves. It is notable that even after utilizing all available HEERF II funds the universities will still see a decline in reserves. The colleges will have some funds remaining that can be used for supplemental student financial assistance or for institutional assistance in compliance with the rules of the federal program. Nevertheless, the colleges will continue to have extremely low reserve levels to support operations as we recover enrollment in the coming years.

Projected Reserves	**CSUs**	**CCs**	**COSC**
Actual adjusted UNP as of 6/30/2020*	118,628,150	32,647,687	5,996,432
Mid-year projected results for FY 2021**	(36,106,966)	(22,032,612)	(117,635)
(includes HEERF I funds for lost revenue replacement in FY 2021)		13,386,176	
HEERF II funds for lost revenue replacement (preliminary)	29,638,860	27,995,881	-
Projected Reserves at 6/30/21	**112,160,044**	**38,610,956**	**5,878,797**

Additional HEERF funds not included above			
HEERF I funds for student financial assistance, awarded during 2020	13,044,651	14,246,438	
HEERF II funds for student financial assistance, Spring 2021	13,044,651	14,246,438	284,861
Additional HEERF II funds available for supplemental student assistance or future lost revenue replacement in FY 22	-	23,319,937	-

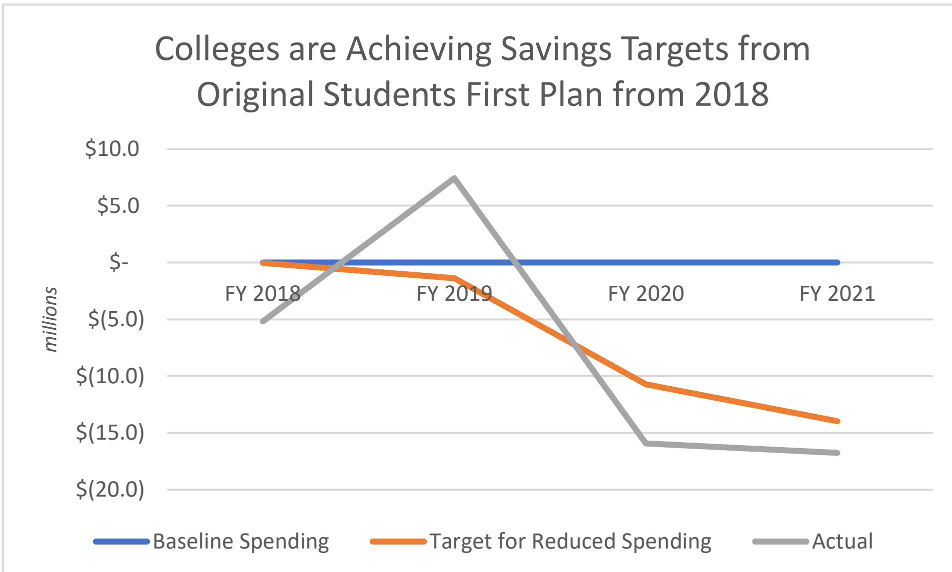
* UNP, Unrestricted Net Position, includes designated and undesignated portions. CSCU uses an adjusted UNP as a measure of reserves.
** Includes HEERF I, CRF contributions through 12/31/2020

COMMUNITY COLLEGE MERGER UPDATE:

The plan for the community college merger was approved by the Board of Regents in 2017 and presented to our accreditor in 2018. “We believe this is the right moment,” wrote President Ojakian on March 12, 2018, “for our colleges to come together to address our state’s financial challenges, improve student outcomes, and set a path forward.” Within the attachment to that letter, a “substantive change request” to the accreditor included lengthy descriptions of what steps we would take to achieve the goals regarding both student outcomes and system finances.

Today, the merger continues to move forward, with its dual goals of improving student success measures and shoring up the colleges’ finances remaining top priorities. The Board of Regents has been steadfast that we should meet these challenges through reorganization and careful management rather than rely on tuition hikes to cover uncontrolled costs. The community colleges must be reorganized to be financially sustainable, to reach more students, and to achieve better outcomes for those students.

In our plan to promote financial sustainability, CSCU has achieved the $14M in savings projected to date. Our results have been consistent with the representations we made to NECHE when our plan was first put in place and savings of $23M is still targeted by 2023. We have achieved these results through reorganization and staff attrition, which is ongoing and will allow us to continue to hold to the spending targets in the original plan.



A February 8 [report to the BOR Finance committee] provided a detailed analysis of results of this effort so far. It shows that we have been able to stay on course with our projections by strategically using attrition and reassignment of existing staff to reduce wage and salary expenses while meeting accreditation standards. Between October 2017 and October 2020, the Community College system has reduced its full-time employee headcount by 7%. In addition, we moved 46 positions from campus positions into shared services for the fall of 2020, a trend that will grow during this year and next as we transition more campus-based administrative functions to a merged-college or shared-service model.

Community College Full-Time Employees, October of each year

FY18	FY19	FY20	FY21	18-21 change
2,342	2,266	2,182	2,177	-7%

The attrition among full-time staff that the colleges have experienced is primarily among staff, not faculty, as the plan envisioned. Recall that the college merger plan was put in place shortly after the SEBAC 2017 concession agreement that provided job security protections that continue through the current fiscal year, leaving no alternative for restructuring during the first 3 years of the plan. This has required adaptation and flexibility, as we find ways to merge back-office functions while honoring the provisions of the 2017 job security provisions and other contract terms with our employees.

The college merger entails moving back-office functions to a shared service model, with staff moving from positions at a particular campus to a single department carrying out business functions for the entire community college system. We have completed the transition for payroll and our human resources shared service model, and have begun merging accounts payable, purchasing and enrollment management functions such as financial aid administration, registration, and admissions. Other areas had previously effectively merged including accounting and facilities management.

In all these cases, our reorganizations are giving rise to new efficiencies and improvements, as the best practices from across the system are implemented for the entire system. It is especially critical that we see positive outcomes in the area of enrollment management: enrollment under COVID has dropped to 19,000 FT students this spring from more than 30,000 in the fall of 2015. Recovering these students as soon as possible is key to our financial success, and to fulfillment of our mission.

In order to merge the colleges into a single accredited institution, we need to create a single organization that can meet all of the ongoing requirements of accreditation, including academic and financial leaders and staff to carry out the detailed work involved with aligning curriculum for hundreds of programs across the colleges. NECHE, our accrediting body, has encouraged us to build the administration of the merged college while maintaining the 12 independent colleges during the transition. By 2023, with the opening of CT State Community College, all of our resources will have shifted to the merged college. In the meantime, during the transition, we are continuing to fund instruction and other activities necessary to maintain accreditation at each campus while other functions begin to be merged. CSCU has been able to accommodate the early costs of the new merged-college administration while still meeting the savings goals through reorganization and attrition.

To date the merged college has hired or transferred thirty-seven total staff to build this organization. Thirty-two of these staff came from within CSCU, while five are new to the system. We plan to hire or transfer another 48 employees by June 30, all of whom are expected to be members of bargaining units.

Most of these new staff (thirty-five) will be hired or transferred to implement Guided Pathways on three campuses:

- 3 Regional Advising Directors – HIRED
- 3 Campus Advising Leads
- 15 Advisors at Housatonic Community College
- 9 Advisors at Middlesex Community College
- 5 Advisors at Northwestern Connecticut Community College

Investing in more advisors under this Holistic Case Management Advising model is critical to efforts to improve student outcomes and rebuild college enrollment.

Among the most impactful changes to date in the reorganization has been in our regionalization efforts particularly around workforce development and finance. We have hired three Regional Presidents with accompanying regional workforce development and finance officers to improve the student experience through program alignment, replication of best practices, and a streamlined enrollment process. These efforts have been instrumental in helping us achieve regional efficiencies and leverage our resources before we transition to the one college. In fact, our regional workforce development efforts have already brought in more than $6.6 million in new grant funding in their first 6 months.

COLLECTIVE BARGAINING UPDATE

CSCU is in the process of negotiating contract renewals with our bargaining units, including AAUP. While we cannot discuss the particulars of the contracts, which should be and have traditionally been discussed in good faith at the negotiating table, CSCU is guided by five specific principles as we work with our partners to come to terms on a fair contract.

1. We serve our students first and foremost.
2. We focus on ensuring affordable access to a quality education for CT students with a focus on serving our underserved and students of color.
3. We work to create an operational and educational environment that ensures we meet or exceed accreditation requirements.
4. We are responsible for the financial stability of the system as a whole to ensure the viability of individual institutions so we can continue to serve our students.
5. We support fair pay, equity and tools necessary to serve our students and ensure their success.

While there has been a great deal of rhetoric surrounding this process, it is important to note that we are in the very early stages of negotiations. At this point, both sides have put initial proposals on the table. We will adhere to the traditions and agreements of the bargaining process and will not get into specifics around proposals from either side at this early stage. However, we respect and value that our bargaining units put forth proposals that advance the interest of their members by advocating for increased wages, decreased workloads, and more flexibility for faculty. Likewise, our team put forward proposals which we believe will best serve our students, their families, and our institutions, by holding cost increases down to keep tuition and fees affordable, and to allow for more flexibility for our institutions in these unpredictable times. This is the way we have always operated, with similar proposals from both sides in prior years, and we always end up with an agreement that supports our students and institutions, while providing fair wages and benefits, job stability and professional development for our faculty and staff.

GOVERNOR'S PROPOSED BIENNIAL BUDGET:

CSCU appreciates that in a year of difficult budget choices, the Governor's proposal provides relatively flat funding for our block grants. Additionally, we are grateful and excited to see that the Governor proposed first-time funding for the PACT program in FY22 and FY23. This funding will support the current cohort of students with room for small growth. As you know, this program was created in the 2019 legislative session, but has been only funded during the pandemic year by the Board of Regents out of scarce Community College reserves. The $6 million that system has invested in these scholarships has been enough to get PACT off the ground and provide grants to more than 3,000 students this fall semester and a similar number this spring.

Unfortunately, due to limited funding, we were not able to fully market and expand the program this spring semester, with only a handful of new students accepted into the program. The $6M in annual funding the Governor's budget provides, will allow us to continue serving the current cohort of students participating in the program, and possibly add a few who had applied and were eligible, but for whom no funds were available. During the fall, only about two out of three eligible students received PACT grants. Serving all of those students would have cost an additional $1.4 million just for the fall. Data for the spring cohort, and a new projection for the costs of PACT will be provided later in March. However, it is clear that the $6 million per year will fund an even smaller share of demand as we add a new, larger post-COVID cohort this fall.

There are two areas of particular concern for CSCU in the Governor's proposal. The first is the elimination of additional fringe benefit support for the colleges, amounting to a cut of $20.35 million. In the last biennium, enhanced fringe support was provided to several state agencies that must pay fringe benefits out of program revenues, including the community colleges. In the Governor's proposal this funding was continued for the University of Connecticut Health Center but was not continued for the community colleges or any other state entity.

Fringe Benefit Support for the Community Colleges

(in $ millions)

	Act	Est	Gov Rec	Gov Rec	*Diff*	*Diff*
Authorization	FY 20	FY 21	FY 22	FY 23	*FY 21-FY 22*	*FY 21-FY 23*
PA 18-81 Sec 16	16.2	16.2	16.2	16.2	*0.0*	*0.0*
PA 19-117 Sec 44(b)(c)	8.2	20.35	0	0	*-20.35*	*-20.35*
	24.4	**36.55**	**16.2**	**16.2**	***-20.35***	***-20.35***

This supplemental fringe benefit support has been key to the community colleges' ability to survive the challenges presented by the pandemic without placing too much of our pension and benefits burden on our students. This year, we project that students through tuition will only pay for $2.6 million out of $173 million in total fringes charged by the state. This burden will grow nearly tenfold if this cut is implemented next year. Unfortunately, we do not believe that we can seek federal reimbursement for this budget cut as we can for tuition and fee revenue that has dropped during the pandemic and recession.

The second area of concern for us is the lack of funding appropriated for public higher education to support the 27th payroll in FY 2023. We estimate that this will cost CSCU approximately $12 million. The state's general fund should support these costs, just as we would hope to see support for collective bargaining costs, with an increase in the block grants, funding from its GAAP accruals or through the Reserve for Salary Adjustments. We should avoid pushing these costs onto our students and their families.

Charter Oak State College, CSCU's on-line institution, has made great strides in strengthening its programs, its outcomes, and its finances. The cost structure of Charter Oak's teaching platform is financially sound, with teaching costs directly linked to enrollment and the number of seats filled in each classroom. While this model has given Charter Oak the flexibility to meet changing student needs, it does not work well to cover Connecticut's extraordinarily high fringe rate. Growth in these rates threatens Charter Oak's success in improving student outcomes including low student loan default rates from our students. To preserve our core services, Charter Oak is looking to increase its state appropriation by $350,000 in order to defray the growing cost of fringe expenses. This will allow the College to maintain its current tuition rates without cuts to our advising and academic resources for students

SUMMARY

- The Governor's budget, while providing relatively flat funding in the block grant, includes two significant cuts: the elimination of $20.35 million in supplemental fringe benefit support, and the lack of approximately $12 million in funding for the decennial 27th payroll.
- The $6 million appropriated for PACT will allow CSCU to continue the program for current students, but will only allow a handful of new students to participate.
- Enrollment levels, which had seen several years of declines before the pandemic, have collapsed, with a 17.4% year-over-year drop at the community colleges and a 10 percent year-over-year decline at the universities. The current-year projected deficits for the colleges and universities stand at $22 million and $36 million respectively.