Eastern Connecticut State University

FY 2024 Current Estimate vs. FY 2024 Revised Budget (Deficit Mitigation Plan)

ECSU is projecting to complete FY 2024 with a $3.0 million surplus. The ability to do so is largely due in part to the $17.0 million in Operations Support provided through Short-Term Recovery Funds (ARPA) and Temporary Operating Support (State Carry Forward Funds).

Our overall Total Revenue is projected to increase by $1.1 million. This increase is mainly due to a projected $1.0 million increase in interest income with STIF rates averaging 5.4% so far, this fiscal year. Our overall full-time enrollment declined 2.8% from the prior year, in line with our forecasted budget. As a result, our projected tuition, fees, and auxiliary revenues, along with offsetting Contra Revenue are only $0.1 million over budget.

Total Personnel Services are $0.3 million lower than budgeted, which reflects the reductions in the use of adjunct faculty and University Assistants. Both full-time and part-time positions continue to be strategically managed.

Our ability to reduce our overall level of financial aid did not materialize but is expected to improve each year as cohorts graduate and a new model is implemented. Our Utilities projection has decreased by $0.4 million and while we expected inflation to have an impact on almost every expense line in the Other Expenses category, we still managed to find savings of about $0.2 million. As savings were identified, we took advantage to judiciously replace some aging equipment, failing UPS units around campus, increase targeted advertising, and cover the cost of the presidential search.

Our debt service payment for the South Residential Village was less than expected because of credits, saving us $0.3 million in Designated Transfers.

Overall, we project a surplus of $3.0 million, an additional $1.0 million from the budget surplus projected, but it is important to understand that this would not have been possible without the $17.0 million in additional state and federal funds we received.

FY 2025 Spending Plan vs. FY 2024 Current Projection

In the fiscal year to come, salaries and wages for the majority of employees are increasing on average 4.5% per SEBAC negotiations. These increases and the associated fringe benefits, along with continued inflationary costs, a shrinking pool of traditional college-age students, and a $10.0 million reduction in one-time federal/state funding dollars, initially left us with a deficit of $4.5 million. With the passing of HB5523, an additional $80.0 million of ARPA funds were allocated to CSCU, and from that Eastern will receive the amount of the projected deficit of $4.5 million.

It is important to note that this balanced budget is still reliant on one-time federal/state funding, totaling $11.1 million. To remain a balanced budget the following outstanding items need to occur:

- ECSU receives a share of funds set aside for the Retirement Incentive Plan
- That the increased level of admitted students and the attendance at the Admitted Students events manifests as registered students.
- That positions continue to be strategically filled and at the minimum salary where possible.

With an approved 5% tuition and fees rate increase and an estimated 2.0% increase in full-time enrollment, overall tuition, fees, and auxiliary revenues are estimated to increase by $4.4 million. We've implemented the following enrollment strategies and are expecting an even greater impact for the 2024-2025 academic year:

- All Out-of-State students, including International, paying the equivalent of the NEBHE rate.
- Targeted recruitment in Michigan, New York, New Jersey, and Ohio.
- The hiring of a new Admissions Director and the move to a new admissions software that allows us to communicate more effectively with prospective students and to improve data analytics.
- A new nursing major that is expected to bring in a cohort of 60 new students each fall.
- Four new online grad programs through a partnership with Bisk.

While these new strategies are projected to increase the revenue stream from students, it will not be enough to make up for the $5.9 million decrease in the additional federal/state support. The overall Total Revenue is expected to decrease by $1.2 million.

Personal Services and fringe benefits are expected to increase by $3.7 million, the result of a 4.5% wage increase and the strategic refilling of positions, in a manner that best supports the students.

Our Total Other Expenses are expected to increase $0.5 million. Institutional Financial Aid is expected to decrease by $0.9 million with the implementation of a new model for awarding and the phasing out of prior cohorts. Those savings are offset by a $1.2 million increase in Utilities and Other Expenses, the impact of inflation on our utilities, repairs, travel, and food contract costs, as well as increasing our targeted advertising.

The $1.4 million change in Designated Transfers over FY 2024, represents the inability to budget for the 3% of the housing and food service revenue for the board mandated set aside funds for Auxiliary Renewal and Replacement. The $0.9 million change in Total Other Designated Fund Requests is for the use of $0.9 million of the $4.5 million set aside in FY 2023 for IT Equipment - Cisco.

FY 2025 Budget Compared to the FY 2024 Deficit Mitigation Plan

Eastern is still projecting an increase in both undergrad and graduate enrollment over FY2024, just not at the rate anticipated back in October. The FY 2025 Deficit Mitigation Plan held the Personal Services relatively flat, while the latest projection includes the 4.5% negotiated pay increases and the filling of some much-needed vacant positions. The increases in Other Expenses over FY 2024 for Financial Aid, Waivers, and All Other Expenses are in line with the increased enrollment and expected inflation.

Because the additional ARPA funds we've been allocated through HB5523 are just enough to cover our initial projected deficit of $4.5 million, we will not be able to comply with the board mandated requirement to set aside the minimum 3% of housing and food service revenue for Auxiliary Renewal and Replacement and also a use of reserves will be needed to fund the second payment of the 7-year Cisco contract.

FY 2025 Budget Compared to the FY 2025 Deficit Mitigation Plan

Early projections for the impact Bisk would have on enrollment are not at the rate anticipated. We believe this is related in part to the concern over the possible cancellation of the contract due to System Office concerns. We are seeing increasing interest in the four online programs but have chosen to budget conservatively until we have more tangible data about them.

The preliminary Personal Services projections made in October did not include any pay increases per the instructions, as it is normal for the budget to only include increases that were approved in the contract. We expect the impact of the pay increases to be about $2.7 million plus fringe of about $0.2 million. We have also included in our budget the filling of some vacant positions that are needed.

Though it is still early in the enrollment cycle, we believe the aggressive change in our financial aid model will not reduce our awards to the level projected in October. We are making progress in this area and believe the new model will move us to an alignment of financial aid that is representative of a university of our size.

Conclusion

Eastern has been fiscally conservative for many years and will continue to do so. Our enrollment strategies will continue to increase our enrollment, however after the one-time federal and state support funds are gone, the enrollment strategies and fiscal prudence will not be enough to balance Eastern's budget. The needs of a residential public liberal arts university, coupled with the increased needs of today's students and the desire to help students succeed in attaining their degrees, requires a more sustainable base funding, which we are hopeful can be addressed in the next revision of the distribution model.