

# STATE BOARD FOR COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION

June 8, 2022

**TOPIC:** FY 2022-23 Colleges and System Office Budgets

**PRESENTED BY:** Mark Superka, Vice Chancellor for Finance and Administration

**RELATIONSHIP TO THE STRATEGIC PLAN:**

Redefine our value proposition through accessibility, affordability, quality, accountability, resource development, and operational excellence.

**EXPLANATION:**

Attached to this board agenda item is a summary of the FY 2022-23 budgets for each of the colleges, CCCOnline, and the system office. In addition, the attachments contain an informational summary of the major capital construction and controlled maintenance projects from each of the colleges. Also included, for informational purposes only, is a summary of the FY 2020-21 college foundation financials. The two additional attachments, capital projects summary and foundation financials, are for your reference only in order to provide a comprehensive view of each college's financial plans for the coming fiscal year. The primary focus will be on the operating budgets, which require the Board's approval at this meeting.

Below is a brief summary of the enrollment and revenue trends for all of the colleges. In addition, an overview of the system office budget will be presented. Please note that the colleges and the system office will likely make adjustments to these budgets and enrollment forecasts after summer/fall terms and FY 2021-22 revenues are finalized. Due to uncertainty of revenues and enrollment, the timing of the June Board meeting, and the need to prepare materials ahead of time for inclusion into the Board packet, these types of changes are necessary and to be expected.

Enrollment Trends

- Resident student FTE enrollment is forecast to increase by 0.1 percent in FY 2022-23. This follows an estimated 3.6 percent decrease in FY 2021-22.
- Non-resident enrollment is forecast to decrease by 0.9 percent in FY 2022-23, following an estimated 13.2 percent increase in FY 2021-22.
- Overall student FTE (resident and non-resident) is projected to increase by 0.1 percent in FY 2022-23, following an estimated 2.8 percent decrease in FY 2021-22.

Revenue Trends

- Overall the base state funding received through COF stipends and fee-for-service in FY 2022-23 is forecast to increase by 13.0 percent over FY 2021-22.

- CCCS received new federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This funding is shown in the General Fund section of the budget templates and titled Governor's COVID Relief Funding. In addition, the colleges received federal funding through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and through the American Rescue Plan Act (ARP). These amounts are generally shown in the auxiliary/restricted section of the budget templates and titled HEERF, but there is also some funding shown in the General Fund section and titled HEERF Revenue Recovery.
- Revenue attributable to Amendment 50 is projected to increase 50.0 percent from \$11.5 million FY 2021-22 to \$17.2 million in FY 2022-23.
- In FY 2022-23, overall tuition revenue (resident plus non-resident) is forecast to increase by 2.0 percent from FY 2021-22 final projections. Revenue from instructional and student activity fees is anticipated to be flat compared to FY 2021-22 final projections.
- Overall General Fund revenue to the community colleges is forecasted to increase by 5.3 percent in FY 2022-23 compared to FY 2021-22 final projections. This is primarily due to the increase in the COF and FFS state appropriations as well as the increase in Amendment 50 and tuition revenue.

## **System Office and CCC-Online Budgets**

### Revenues for FY 2022-23

- Overall, for the System Office Budget, total E&G revenues are forecast to increase by 6.2 percent in FY 2022-23 compared to FY 2021-22 final projections. This is primarily due to the General Fund increase coming via the internal allocation formula.
- Restricted grant revenue is estimated to increase by 43.2 percent in FY 2022-23 compared to FY 2021-22 final projections. This is primarily due an increase in funding associated with the Support to Promote Advancement of Research and Creativity (SPARC) grant.
- CCC-Online revenues are estimated to decrease by 3.1 percent in FY 2022-23 compared to FY 2021-22 final projections due to shifts in enrollment back to more in-person versus online.

### Expenses for FY 2022-23

- Overall, for the System Office budget, base operating expenses are estimated to increase by 16.9 percent in FY 2022-23 over FY 2022-23 final projected expenses. Please note that this increase includes vacancy and other budgeted savings in FY 2021-22, which represents 10.9 percent of this increase. Without the vacancy and other budgeted savings, the operating increase would be 6.0 percent.

- Aside from the projected vacancy/operating savings, the increase in base expenditures is primarily due to increases in four main areas:
  - Compensation. The Chancellor outlined a compensation framework for all colleges and the system office to follow. This includes: 1) up to a 3% merit increase; 2) up to an additional 3% in retention pay; 3) additional targeted market and equity adjustments; and/or 4) additional compensation tied to if enrollment and/or student outcome goals are met. For the system office, we are proposing a 3% merit increase (\$481,029); an additional 1.25% in retention pay (\$175,788); and market and equity adjustments (including reserving funds for the results of a mid-FY market comp study) (\$380,292). In addition, we are reserving \$40,342 in skill-based incentive pools to be earned by our classified grounds, security and custodial staff as a retention tool.
  - PERA, health, life and dental insurance, and risk management increases (\$183,152);
  - Increases in system-wide software and IT hardware maintenance costs as well as operating increases for an additional Board member and student and faculty advisory council stipends (\$190,272); and
  - The addition of two new base-funded positions with one to support strategic programs and projects in Student and Academic Affairs and one to support additional rural colleges centrally with financial aid assistance (\$168,960 and 2.0 FTE).
- Restricted grant expenses are estimated to increase by 43.2 percent in FY 2022-23 compared to FY 2021-22 final projected expenses. This is primarily due an increase in funding associated with the Support to Promote Advancement of Research and Creativity (SPARC) grant.
- CCC-Online overall expenses are estimated to increase by 9.8 percent in FY 2022-23 compared to FY 2021-22 final projected expenses. In addition to vacancy/operating savings, this increase is primarily due to salary and PERA-related expenses, including increases to instructor pay.
- In addition to the base budget, the System Office is planning to spend or commit approximately \$3.7 million in one-time expenses out of reserves in FY 2022-23 and beyond for the following items:
  - \$250,000 to pay for the development of five system-wide BAS degrees.
  - \$238,000 to hire a senior level business analyst/project manager for the Data Warehouse initiative for two years.

- \$230,000 to continue financing the marketing budget.
- \$150,000 to retain a planner to conduct a strategic plan for the future of the Lowry Campus.
- \$148,000 to support the Skills Institute and develop a non-credit student information system. One-time federal funds have been secured to fully fund the initiative.
- \$133,197 to allow for overlap between the new and retiring Chief Technology Officer.
- \$120,000 to fund a cyber-security training solution.
- \$150,000 to hire a third-party to perform an assessment of the maturity and effectiveness of the CCCS information security program's controls and processes, as outlined in the Board's Audit Committee audit plan for FY 23.
- \$98,000 to purchase replacement equipment for the grounds staff on the Lowry Campus.
- \$23,740 to fund the additional 1.25% or classified employees on a one-time basis (base increases are not allowed above the 3% for classified employees)
- \$154,886 for on-boarding/coaching for new presidents, consulting to create training and a manual to document detailed business practices and federal regulations regarding student financial aid; three additional years to support the CCCS awards ceremony, the Denver Chamber of Commerce membership, and the Student Excellence Awards.
- \$335,247 to repave the north parking lot of Building 901 on the Lowry Campus.
- Please note that the following one-time funding item that was previously approved by the Board is being reflected in the FY 2022-23 budget.
  - \$1,666,667 per year, for three years (totaling \$5 million), will be used to fund a grant initiative for improving teaching and learning system wide. The goal of this initiative is to allow colleges to apply for funding to provide professional development and implement teaching and learning initiatives aimed at student success and equity.

**RECOMMENDATION:**

We are recommending approval be granted to the system office's and colleges' budgets, with the understanding that adjustments will likely be needed between now and the beginning of fall term to account for final enrollment and revenue figures and that many of these estimates could be impacted by changes in the overall state economic forecast and budget environment.