RE Comments and questions related to Ben Barnes's memo of February 8, 2021

The memo dated February 8, 2021 by Ben Barnes to the BOR's Finance Committee compares the "Community College's actual performance over the past three years with the … financial projections that were … provided in our March 2018 submission to NECHE." We do not dispute any numbers provided in the document and concur that the actual expenses and revenues correspond quite closely with what was projected in March 2018.

The memo, however, invites the inference that the system office has been a careful and thoughtful steward of the system finances and that the implement of the consolidation corresponds closely to the expectations made in 2018. This inference is not warranted. The apparent accuracy of the 2018 projection is coincidental.

More importantly, the relative accuracy of the 2018 projections is of minor importance in comparison to the more urgent questions of the size of the state's investment in the consolidation and the relative likelihood of realizing a return on that investment in actual efficiencies and in student performance.

On the Apparent Accuracy of the 2018 Projections

The 2018 report to NECHE projected that the total revenues for the Community Colleges would be $492.1 million in FY 2021, which is now estimated as $483.4 million – a variance of -1.8 percent. This is certainly within a range of reasonable expectations. On page 2, however, the Barnes memo reports that the projection for revenue from tuition and fees was $185.9 million, but the actual revenue was $155.2 million – a variance of -16.5 percent. The projected revenue for the state fringe support was $132.0 million, but the actual revenue was $170.9 million – a variance of 29.5 percent.

The memo also correctly points out that the 2018 projections did not and indeed could not predict the sharp drop in enrollment due to the pandemic that had a significant impact on the revenue from tuition and fees. Nor could it anticipate the increases in additional fringe support from the legislature to pay for fringe benefits out of the operating fund, which in FY 2021 stood at $36 million. In other words, the gains in state fringe support were offset by the revenue loss from the sharp drop in enrollment. The confluence of these two unanticipated events – a coincidence – resulted in the FY 2021 total revenue being close to the 2018 projection.

This coincidence can be illustrated in a second way.

The Barnes memo reports that in March 2018 the total expenses projected for 2021 was $502.6 million, which compares to the actual estimated expenses of $512.2 million – a variance of 1.9 percent. This also seems in the range of any reasonable expectation.

The projected expenses for FY 2021, however, grew over time. In the April 2019 report to NECHE, the projected expenses for FY 2021 was $526.7 M. In the June 2019 Finance Committee report, it was $537.2 M. And in the June 2020, the Finance Committee budgeted $544.2 M – a figure some distance from the $502.6 million. In other words, the projection of expenses for FY 2021 proved to be much closer in March of 2018, than when the original budget was set in June. The sharp reduction in the actual expenses for FY 2021 followed the budget readjustment in the fall to address the significant enrollment declines due to the pandemic.

The apparent alignment between the projections in 2018 and the revenue and expenses in 2018 is coincidental.

There is also a rhetorical sleight-of-hand remark in the Barnes memo that warrants attention.

The footnote of page 1 reads:

> "There was an earlier projection provided to the Board in December 2017 which assumed that the merger would be complete in 2019, but early discussion with NECHE led CSCU to extend the implementation to 2023. As such, these are the first detailed projections prepared in relation to the merger.

The footnote provides a rationale to ignore "the initial quantification of Students First" in December 2017 (which missed the June 2020 budgeted expenditures for FY 2021 by nearly $100 million). The March 2018 projections, however, are taken from the original Substantive Change Application to NEASC (now NECHE). The 2018 application anticipated that the merger would be complete for the Fall 2020 semester. It anticipated that students graduating after July 1, 2020 would have degrees from the one college. The decision to extend the implementation to 2023 did not occur until after NEASC denied that application. The March 2018 projections were not made with an understanding that the completion date would be 2023. Thus, based on prudent planning, it would not be possible for the March 2018 projections to be accurate for FY 2021 because in March 2018 the expectation was that the consolidation would already be completed.

On the Cost of Consolidation

The coincidental accuracy of the March 2018 projections, however, is of only minor importance. Of much greater significance for the legislature, for the Board of Regents, for Connecticut taxpayers, for students, and for all stakeholders in the Community Colleges is the total cost of the transition, the relative likelihood that real savings from that investment will be realized, whether or not the consolidated structure will eventually realize actual savings, and, most importantly, whether the state's investment in the consolidation will result in improved student outcomes.

The CSCU system office and the Board of Regents has not yet produced such an accounting.

In "The Initial Quantification of Students First" in December 2017, zero dollars were allocated for the transition. In the Substantive Change Application to NECHE in March 2018, the total implementation cost for the consolidation was $2 million. The June 2019 Finance Committee Report included implementation costs for the Student Success Center, Achieving the Dream, the Academic Consolidation, and Web Design that totaled over $11 million from FY 2018-2024. In addition, it also budgeted for new positions that were more than offset by "eliminated positions."

Not included in the list of expenses is the cost of the rehabbing of office space in New Britain for the one college; the changes in signage, stationary, and the multitude of new forms, brochures and documents; the cost of searches for the new senior positions; the ongoing transportation costs between the New Britain office and the campuses; the costs to create a single catalog, to recode all IT software, especially Banner, into a single instance, to unify student records, to institute common registration processes; and the costs of overtime to maintain necessary functionality when the new systems fail as happened with the BlackBoard interfaces at the start of this semester. Bureaucratic chaos is expensive.

The Barnes memo documents that full-time employees at the Community Colleges have been reduced by 153 non-faculty positions, a reduction of 7 percent. While this reduction reduced expenses by nearly $14 million, it is likely that some portion of this reduction would have been necessary adjustments to the decline in enrollments. Total student FTE enrollment dropped from 27,532 in FY 2017 to 22,681 by October 2021, a reduction of 17.6 percent.

In addition, since 2017 the rate of growth in the Community College budget from 2017 to the revised budget of FY2021 has been greater at the Community Colleges than at the State Universities, 13.1 and 10.5 percent respectively. For comparison, the student FTE enrollment at the CSUs dropped from 26,308 to 23,692 over the same period, a reduction of 9.9 percent.

The Barnes memo also implies that there are no costs when someone is hired from within one of the community colleges to work at the system office or the new office for the one college. Although hiring within does save the cost of the recruitment and search for a new employee, it is not appreciably different from someone leaving a position and hiring someone from outside. The table on page 4 on Administrative Attrition would look different if it included the 46 employees hired into the system office from within.

In addition, hiring people from within has not been cost neutral, as it often has included a significant increase in pay. The table on the next page includes a partial list of employees hired from within to support the system office or the one college. The salaries were collected from the open payroll site on the State Comptrollers website.

The difference in the total salaries is $990,107. If the fringe benefits are included the total expense for this partial list is roughly $1.7 million. The cumulative cost of paying these salaries and fringe benefits through the transition is significant.

Finally, to the cost of the transition is the ever-increasing functional costs as people leave the colleges and are not replaced.

Salaries of Recent Employees Added to System Office From Inside the System in 2018 and 2020 from a BOR Institution

	2018		2020	Title at System Office
Greg DeSantis	76,053	HCC	130,928	VP of Student Success and Academic Initiatives
Mike Buccilli	89,829	GCC	134,550	Assoc VP for Student Success Management
Francine Roselli-Navara	80,199	MCC	135,824	Interim Assoc VP of Academic Programs and Curr.
James Lombella	175,706	ACC	235,062	Regional President
Gayle Barrett	82,073	MxCC	134,550	Assoc VP for Enrollment and Retention Services
Tamika Davis	73,003	TxCC	134,550	Assoc VP for Recruitment, Admissions and Comm.
Ken Klucznik	102,918	MCC	134,550	Assoc VP for Academic Affairs
Diane Bordonaro	82,455	MxCC	130,000	Regional Workforce Development Officer
Leslie Cropley	80,233	COSC	89,932	Director of Project Management
Stephen Marcelynas	69,000	SCSU	107,610	Director for the Office of Transfer and Articulation
Eileen Peltier	106,816	ACC	150,632	Regional Workforce Development Officer
Kristina Testa Buzzee	95,000	NCC	130,000	Regional Workforce Development Officer
Carrie McGee-Yuroff	135,199	NCC	152,000	Regional Finance Officer
Jenn Gray	94,699	ACC	152,000	Regional Finance Officer
Gennaro DeAngelis	134,916	ACC	152,000	Regional Finance Officer
Margaret Van Cott	62,000	ACC	85,250	Admin Assistant to Regional President
Tanya Gibbs	52,764	GCC	79,693	Admin Assistant to Regional President
Kimberly Sorrentino	67,795	GCC	115,031	Interim Director of Regional and Specialized Accred.
Diane Clokey	70,699	ACC	87,916	Interim Director of the Course Catalog
Lori Angel	74,500	TRCC	86,298	HR Data Specialist
Mike Stefanowicz	71,877	ACC	134,550	Interim Assoc VP of Higher Education Transitions
Marlene Cordero	86,894	SCSU	98,739	HRSS Regional HR Manager
Tanya Millner	111,839	MCC	155,250	Interim Assoc VP of Teaching and Learning
Theresa Eisenbach	95,400	HCC	120,600	Direction of Recruitment and Talent Acquisition
Debra Freund	117,050	MCC	121,509	Manager of Diversity and Inclusion
Totals	2,288,917		3,189,024	