Budget Update

Professional Staff Senate
April 17, 2014
## Economic Environment

### Projected State Budget Gaps

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>$1.7 B</td>
</tr>
<tr>
<td>2015/16</td>
<td>$2.9 B</td>
</tr>
<tr>
<td>2016/17</td>
<td>$2.9 B</td>
</tr>
</tbody>
</table>

### Annual Direct State Tax Support for SUNY

<table>
<thead>
<tr>
<th>Year</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>$1.8 B</td>
</tr>
<tr>
<td>2011/12</td>
<td>$1.7 B</td>
</tr>
<tr>
<td>2012/13</td>
<td>$1.7 B</td>
</tr>
<tr>
<td>2013/14</td>
<td>$1.7 B</td>
</tr>
</tbody>
</table>

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1. Excludes capital, federal, and off-budget items
2. Excludes State paid fringe benefits, debt service, and State funded grant programs (TAP)
Economic Environment

Outstanding Debt and Room Left Under Statutory Debt Cap

<table>
<thead>
<tr>
<th>Year</th>
<th>Outstanding Debt</th>
<th>Remaining Cap Room</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>$40.4 B</td>
<td>$2.4 B</td>
</tr>
<tr>
<td>2014/15</td>
<td>$43.6 B</td>
<td>$1.4 B</td>
</tr>
<tr>
<td>2015/16</td>
<td>$46.5 B</td>
<td>$0.8 B</td>
</tr>
<tr>
<td>2016/17</td>
<td>$48.9 B</td>
<td>$0.7 B</td>
</tr>
<tr>
<td>2017/18</td>
<td>$50.7 B</td>
<td>$1.5 B</td>
</tr>
</tbody>
</table>

Annual Direct Capital Appropriations for SUNY

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>$572.0 M</td>
</tr>
<tr>
<td>2011/12</td>
<td>$582.0 M</td>
</tr>
<tr>
<td>2012/13</td>
<td>$852.0 M</td>
</tr>
<tr>
<td>2013/14</td>
<td>$187.0 M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Outstanding Debt</th>
<th>Room Rem.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>$37.7B</td>
<td>$ 4.1B</td>
</tr>
<tr>
<td>2011/12</td>
<td>$39.4B</td>
<td>$ 3.6B</td>
</tr>
<tr>
<td>2012/13</td>
<td>$41.2B</td>
<td>$ 3.6B</td>
</tr>
<tr>
<td>2013/14</td>
<td>$42.8B</td>
<td>$ 2.4B</td>
</tr>
</tbody>
</table>
Highlights

- State tax support primarily flat
- Recognition of Rational Tuition increases
- Limited additional State tax support for hospitals
- Critical maintenance funding
Spending Targets Reflect Debt Limitations:
Total Debt Outstanding & Corresponding Available Bond Cap Room

<table>
<thead>
<tr>
<th>SFY</th>
<th>Debt Outstanding</th>
<th>Available Bond Cap Room</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/2015</td>
<td>$39,521</td>
<td>$3,179</td>
</tr>
<tr>
<td>2015/2016</td>
<td>$42,971</td>
<td>$1,866</td>
</tr>
<tr>
<td>2016/2017</td>
<td>$46,850</td>
<td>$157</td>
</tr>
<tr>
<td>2017/2018</td>
<td>$49,237</td>
<td>$106</td>
</tr>
<tr>
<td>2018/2019</td>
<td>$50,821</td>
<td>$1,025</td>
</tr>
<tr>
<td>2019/2020</td>
<td>$52,912</td>
<td>$1,591</td>
</tr>
</tbody>
</table>
SUNY Educational Facilities & Hospital Capital Program Bonded Disbursements: Annual Disbursements vs. Financial Plan Targets ($ in millions)
2014/15 Enacted Operating Budget Highlights

• $7.6M for personal service costs to be distributed by the SUNY Board of Trustees
  – SUNY request for contractual salary increases = $82.2M

• $2.9M in restoration of some U-Wide Programs

• $300K restored to Cornell Cooperative Extension
What Does This Mean?

Tuition revenue will support collective bargaining costs.

This, in turn, endangers NY-SUNY 2020 plans:

<table>
<thead>
<tr>
<th>Campus</th>
<th>Planned FT Faculty Hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albany</td>
<td>55</td>
</tr>
<tr>
<td>Binghamton</td>
<td>33</td>
</tr>
<tr>
<td>U. Buffalo</td>
<td>58</td>
</tr>
<tr>
<td>Stony Brook</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>204</strong></td>
</tr>
</tbody>
</table>
2014/15 Enacted Capital Budget Summary

• $402M Critical Maintenance

• $111M Campus Earmarks
  – $10M Binghamton School of Pharmacy
  – $19M Stonybrook Critical Maintenance
  – $82M Other Legislative Additions

• $49M Lump Sum TBD
REALIZING UB 2020

Priorities

• **Communities of Excellence**

• **Curricular distinction**
  - Revised general education
  - Experiential learning
  - SIE – significant international experience
  - Capstone requirement

• **Key infrastructure improvements – operational excellence**

• **Strategic communications**

• **Unit success – achieving three-year plan goals**
  - Faculty growth
  - Research and scholarly achievement
  - Enrollment stability
IMPERATIVES

• Maximize the base budget investment to achieve these priorities

• Optimize new revenues and reserves to achieve these priorities

• Balance central and unit fund distribution to achieve these priorities

• Increase and diversify revenue streams
UNIVERSITY FINANCIAL HEALTH

Composite Financial Index
2008-09 through 2012-13

CFI Index
Score of 1 = Very Little Financial Health
Score of 3 = Relatively Strong Financial Health
Score of 10 = Strong Financial Health

2011-2012 – Dip in CFI index primarily attributed to $300m liability for Other Post-Employment Benefits as per GASB 45.
COMPOSITE FINANCIAL INDEX (CFI)
Fiscal Year 2012-13

Primary Reserve

Viability
2.89

Return on Net Assets
7.44

Net Income
11.36

0.81
A New Financial Planning Framework

Engage strategic and financial planning models that ensure a financially sustainable and resilient university for the future
BUDGET MODEL: GUIDING PRINCIPLES

• **Strategic** – We align incentives with our mission and with strategic behaviors.

• **Predictability** – We build models that provide reliable foundations for planning.

• **Flexibility** – We build planning models that anticipate and are responsive to changes in the economic environment; we incorporate appropriate risk management strategies.
BUDGET MODEL: GUIDING PRINCIPLES

- **Integration** – We consider the university as a whole and make intentional connections between varying types of organizational needs and priorities.

- **Stewardship** – We exercise prudence in managing our resources; diversify revenues to promote resilience; maintain appropriate reserves; and reward efficiency and effectiveness.
CURRENT STATE

• We have seen 3 years of tuition growth

• Funds have been distributed in a formulaic manner

• We have established expectations in enrollment, hiring and research funding
ENROLLMENT
Last 5 Years

Headcount
TOTAL

2009/10: 27,438
2010/11: 27,298
2011/12: 26,963
2012/13: 27,092
2013/14: 28,055

Actual: 28,055
SUNY Filed Plan for 2013/14: 27,550
LADDER FACULTY
FTE

NOTES:
~ Actual Faculty levels as of November 1 of the indicated years
~ Unit Survey levels represent unit responses to the 2013/14 Faculty Hiring Plan Request sent by Academic Planning and Budget on May 17, 2013 with subsequent verification/adjustments as of February 4, 2014
~ GFT positions are counted as 1.00 FTE each
NOTES:
~ Actual Staff levels as of November 1 of the indicated years
~ 2015/16 Plan amount does not include the total number of hires per the approved year 2 E Fund initiatives
OBSERVATIONS

• Our revenues are tightly coupled to our enrollments
• Our hiring plans are not at pace
• Our research productivity is not increasing
• We have large carry forwards and these are concentrated in the units
• Our revenue world is changing
## FINANCIAL CAPACITY

### Unfunded Mandates

*(projected)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U-Wide (High Needs, EIP, RIA, MCEER)</td>
<td>5,400,000</td>
</tr>
<tr>
<td>Capital (Operating and Personnel)</td>
<td>8,900,000</td>
</tr>
<tr>
<td>Negotiated Salary Increases <em>(2013/14-2015/16)</em></td>
<td>21,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35,800,000</strong></td>
</tr>
</tbody>
</table>
FINANCIAL CAPACITY

• **All-funds fiscal health**

• **Revenue expectations**
  - Enrollment volatility
  - No tuition increases after 15/16
  - Research trends suggest no growth
  - No net growth in other streams

• **Pressure on state funds must be abated**
  - Central requires more capacity for strategic initiatives
  - Units are underspending
  - Can other funds support State-funded costs?

• **Unfunded mandates – salaries, capital need**
KEY CHANGES

• A new revenue sharing policy
  o Tuition/ICR shares added to base for all units for 11/12-13/14
  o Academic units receive 25% of tuition growth for 14/15-15/16
  o Academic support units receive 0% for 14/15-15/16
  o ICR shares will be 12% in FY 14/15 and beyond

• A larger central fund for strategic investments

• New financial processes and management disciplines
CENTRAL FUND USES

• **New investments**
  - Communities of Excellence
  - Curricular distinction
  - Strategic infrastructure investments
  - RENEW
  - Genome Project
  - Extending 3E Commitments
  - Other priority task force initiatives

• **Addressing unfunded mandates**
NEXT STEPS

• Implement new financial management policies and processes

• Reset unit three-year plans and set performance expectations

• Finalize Task Force project funding requirements

• Continue lobbying for capital budget growth and new funding for negotiated salary increases
OUTCOMES

• Funding capacity for key strategic initiatives and hiring

• New management principles to optimize resource impact

• Movement toward a better alignment of resource allocation and unit goal attainment

• A university moving forward in a strategic and coordinated fashion