System Administration Update
- State Budget Environment and Request
- Direct Charges and Assessments

October 23, 2014
Syracuse, NY
State Budget Environment and Request
Factors Impacting the State Budget Process

- Revenue/Spending Plans
- Politics
- Unexpected Events
- Investment Needs
Revenue and Spending Plans

- **Enacted Budget Financial Plans**
  - Includes both Operating and Capital Plans
  - Reflect spending and revenue for a five-year period under the enacted budget

- **1st Quarter Update**
  - Comprised of Operating Plan only
  - Rarely changes from Enacted

- **Mid-Year Update**
  - Last update before “Budget Season”
  - Includes major revisions due to:
    - Enrollment in entitlement programs
    - Greater or lower revenue or spending
    - Unexpected events

- **Executive Budget Update**
  - Last Update of the year
  - Includes results of initial revenue forecast
A Venn Diagram Depiction of Dealing with Politics

YOUR LOGIC

THEIR LOGIC

MY LOGIC
Unexpected Events

- Hurricane Irene
- Lawsuit Settlements
- Recessions

- BNP Paribas Guilty Plea Is Latest Big Settlement to Bolster New York State’s Fiscal Position

- State Budget Crisis Task Force
Investment Needs

- Initiatives
- Multiple Agencies
- Multiple Stakeholders

- Non-Initiative Costs
- “Unneeded” Costs
- Non-Performing entities
2015/16 Budget Timeline

October
- 10/1: Budget Call Letter Released by Governor’s Office
- SUNY Discussion/Prioritization of Budget Request Items (ongoing)
- Formulation of Budget Request
- Development of Budget Request Packages for NYS Division of Budget (DOB) and SUNY Board of Trustees

November
- 11/6: Presentation of 2015/16 Request to SUNY Board of Trustees
- Upon Approval: Formal Submission of SUNY Budget Request to DOB

December-January
- December-January: DOB Review of Agency Requests, Development of Executive Budget by DOB & Governor’s Office
- Mid-January-2/1: Governor’s Office releases Executive Budget*

February-August
- February-March: Legislative Action (Hearings & Negotiations, Potential Modifications of Executive Budget, Passage of Appropriation Bills)
- April: Enacted Budget Released
- April-August: Implementation of Enacted Budget

*Executive Budget normally released mid-January; deadline moved to 2/1 in election years
2015/16 Budget Atmospherics

2 Percent Spending Growth
Entire State

Statutory Spending Increases
- School Aid
- Medicaid
- NY-SUNY 2020

2014/15 Surplus
Unexpected legal settlements
2015/16 Budget Request: Operating

Incremental Core Operations Year-to-Year Revenue and Costs

$ M

Assumes:
- Continuation of $7.6M State tax support included in 2014/15
- No tuition increases past 2015/16 (current law)
- Freezing of Tuition Credit at 2015/16 Cost

Note:
- Incremental costs reflect only salary costs, UUP DRL repayment and tuition credit
- Does not include changes in utility costs, inflation, or new programs
2015/16 Budget Request: Capital

• Capital Plan
  – Educational Facilities:
    • Multi-Year Funding
  – Residence Halls:
    • Self-Supporting
  – Hospitals:
    • Something… Anything…

Need Vs. Capacity = Sizing
Direct Charges and Assessments
## Recharges and Assessments

<table>
<thead>
<tr>
<th>Why?</th>
<th>Does System Administration need funding?</th>
</tr>
</thead>
<tbody>
<tr>
<td>What?</td>
<td>Sources of funding does System Administration have?</td>
</tr>
<tr>
<td>Why?</td>
<td>Does System Administration need more $?</td>
</tr>
<tr>
<td>What?</td>
<td>Was the process?</td>
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</tbody>
</table>
Role of System Administration: Governance

SUNY Board of Trustees

System Administration

Overall Guidance and Direction of the System

Academic / Financial / Other

Outside Entities

29 State-operated Campuses

30 Community Colleges and Community College Trustees

5 Statutory Colleges

3 Teaching Hospitals

39 University-wide Programs

26 Campus Residence Hall Programs

Various Institutional Entities: CCBOA, SUBOA, NYCAP, ACT

Governor’s Office

Legislature

State Education Department

Division of Budget

Office of State Controller

Department of Health

Economic Development

DASNY
Role of System Administration: Fiscal

SUNY Appropriated and Non-State Funds ($12.4B)
State Appropriated, State Held
State Appropriated, Not State Held
Non-State Funds

State-operated ($3.6B)
- Core Operations ($2.5B)
  - State-operated Tuition ($1.4B)
  - Pooled Offset ($0.1B)
  - State Tax Transfers ($1.0B)
- Statutory Tuition ($0.5B)
- State Tax Support Included in Core Operations ($0.1B)
- General IFR
  - Student Fees
- Self-Supported Programs ($1.1B)
  - SUTRA
    - Overflow Tuition
    - Overseas Programs
    - Contract Courses
    - Summer session
- Stabilization (-)
  - Carryover funding
- Dormitory Operations ($0.4B)
  - Room rents and fees

Statutory Colleges ($0.6B)
- State Tax Support
  - Statutory Tuition ($0.5B)

Community Colleges ($1.7B)
- State Tax Support ($0.5B)
- Local Sponsor Support ($0.4B)
- Student Tuition ($0.8B)

Hospitals ($2.7B)
- Patient Revenue
- State/SUNY Subsidy
- DSH/Other funds

Other Items ($3.8B):
- Debt Service:
  - State pays State-operated + Stats ($0.7B)
  - State pays Hospital (and is repaid) ($51M)
  - State pays 1/2 Community Colleges ($87M)
- Fringe Benefits:
  - State pays State-operated directly ($1.1B)
  - Community Colleges, Hospitals self pay
- Sponsored Activity in RF ($0.9B)
- Foundations / ASC’s ($1.0B)
Why an Assessment?

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Solutions for Campuses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New State Support</td>
</tr>
<tr>
<td>Increased Salary Costs</td>
<td></td>
</tr>
<tr>
<td>Increased Utility Costs</td>
<td></td>
</tr>
<tr>
<td>Inflation</td>
<td></td>
</tr>
<tr>
<td>External Initiatives</td>
<td></td>
</tr>
<tr>
<td>External Initiatives Indirect costs</td>
<td></td>
</tr>
<tr>
<td>Internal Initiatives</td>
<td></td>
</tr>
</tbody>
</table>

• The situation is similar for System Administration
• With each new cost, increased existing cost, or initiative resources become strained
• System Administration does not have a Tuition or Fee revenue source
What Sources of revenue does System Administration currently have? ($M)

- **State Tax Support**: $13.8M (62%)
- **State-operated Campus Assessments**: $3.7M (16%)
- **Hospital Assessments**: $0.1M (1%)
- **Program Revenue**: $1.6M (7%)
- **Misc. Other / Funding for Specific Init.**: $0.9M (4%)
- **Residence Hall Assessments**: $1.0M (4%)
- **Overhead Revenue**: $1.4M (6%)

**Total**: $22.5M (2012/13 final)
History of System Administration Funding ($M)

- State Tax Support
- Misc. Other / Funding for Specific Init.
- Hospital Assessments
- State-operated Campus Assessments
- Program Revenue
- Residence Hall Assessments

<table>
<thead>
<tr>
<th>Year</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$20.8</td>
<td>$21.4</td>
<td>$22.5</td>
<td>$23.1</td>
</tr>
<tr>
<td>State Tax Support</td>
<td>$10.0</td>
<td>$10.0</td>
<td>$10.0</td>
<td>$10.0</td>
</tr>
<tr>
<td>Misc. Other / Funding for Specific Init.</td>
<td>$5.0</td>
<td>$5.0</td>
<td>$5.0</td>
<td>$5.0</td>
</tr>
<tr>
<td>Hospital Assessments</td>
<td>$5.0</td>
<td>$5.0</td>
<td>$5.0</td>
<td>$5.0</td>
</tr>
<tr>
<td>State-operated Campus Assessments</td>
<td>$5.0</td>
<td>$5.0</td>
<td>$5.0</td>
<td>$5.0</td>
</tr>
<tr>
<td>Program Revenue</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>Residence Hall Assessments</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
</tbody>
</table>
Why Does System Administration need more funding?

- Flat State funding
- Increased contractual costs
- Increased responsibility
- New system-wide initiatives
- Lack of other revenue sources (i.e. tuition)
Process Review for Assessments

- Engaged campus representatives
- Discussed source, amount, and use of System Administration funding
- Discussed overall effort by System Administration
- Reviewed and worked to find agreement on an allocation methodology with Business Officers
- None of the Business Officers agreed to an assessment, as expected
- Process was viewed as transparent by the Business Officers

- Provided to both the Board and Campuses / Colleges
- Discussed at July 31st Board meeting

- Spoke with representative presidents
- Made adjustments to the model / approach
- Agreed to additional informational dialog with Campus presidents

- 2014/15 set at the first year amount for Colleges and Campuses as contained in the report
- 2015/16 Chancellor or designee will submit revisions to the model for the consideration of the SUNY Board
2014/15 Assessments ($M)

New Assessments for 2014/15

- State-operated Campuses: $1.0, 50%
- Statutory Campuses: $0.1, 5%
- Community Colleges: $0.4, 18%
- Hospitals: $0.4, 18%
- Residence Halls: $0.1, 7%

Total Assessments for 2014/15

- State-operated Campuses: $5.3, 71%
- Statutory Campuses: $0.1, 1%
- Community Colleges: $0.4, 5%
- Hospitals: $0.7, 10%
- Residence Halls: $1.0, 13%
## 2 Percent Spending Growth

<table>
<thead>
<tr>
<th>Source of Revenue</th>
<th>State Operating Funds</th>
<th>Non-State Operating Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>State-operated Campus Direct State Tax support</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Statutory Campus Direct State Tax Support</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>State-operated Tuition revenue</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Statutory Campus Tuition and Fee revenue</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>State-operated Campus fee revenue</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Hospital Revenue</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Community College Base Operating Aid</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Community College Tuition and Fee Revenue</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Federal Funds (Pell, Perkins, etc)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td></td>
<td>X^1</td>
</tr>
</tbody>
</table>

1. Some limited capital expenditure is considered State-operating funds (Parks, Transportation, Mental Hygiene)
2 Percent State-Operating Spending Growth
($ M)

<table>
<thead>
<tr>
<th>Year</th>
<th>School Aid</th>
<th>Medicaid</th>
<th>SUNY Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>$17,238</td>
<td>$11,487</td>
<td>$6,179</td>
</tr>
<tr>
<td>2014/15</td>
<td>$19,569</td>
<td>$12,844</td>
<td>$6,584</td>
</tr>
<tr>
<td>2015/16</td>
<td>$20,736</td>
<td>$13,178</td>
<td>$6,679</td>
</tr>
<tr>
<td>2016/17</td>
<td>$21,854</td>
<td>$13,555</td>
<td>$6,705</td>
</tr>
<tr>
<td>2017/18</td>
<td>$22,155</td>
<td>$13,753</td>
<td>$6,584</td>
</tr>
</tbody>
</table>

2013/14 to 2017/18:
- School Aid: $17,238 to $22,155
- Medicaid: $11,487 to $13,753
- SUNY Operations: $6,179 to $6,584
Spending Increases: SUNY Operations ($M)

- Self-Generated category includes tuition, fees, and hospital operations
# 2014/15 Budget Surplus

State is currently planning to finish 2014/15 with a “surplus” of $4.2B

This revenue is the result of a series of favorable settlements with several companies such as BNP Paribas, Credit Suisse AG, and Metropolitan Life Insurance

Surplus is one time only and not usable for ongoing costs (salary, etc) much like SUNY reserves

Funds will be held in an undesignated balance in the State General Fund and options include:
- One-time capital expenses
- Bolstering reserves
- Reducing debt