



The State University
of New York

Resource Allocation Update

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What is Being Allocated

\$3.7B: Enacted Budget Funding

Less \$1.4B (Fringe Benefits)

Less \$1.4B (Tuition)

Less \$165.3M
(System / University-Wide program funding)

\$787.2M: Amount To Allocate



Why a New Allocation Tool?

- SUNY's current method of allocating funds is broken
 - Two of the major components are outdated: specifically cost of instruction and enrollment levels
 - Distribution of cuts was not done consistently. Creating allocations that did not address strategy, mission or enrollment changes over time
- Limited resources must be allocated to meet the instructional needs while acknowledging SUNY's unique composition and broad missions
- Establishing an intelligent tool for allocating funding will ensure SUNY is nimble and able to adapt and excel in the face of a changing educational and fiscal environment



Why a New Allocation Tool?

- Prior tool is outdated and used many assumptions:
 - Based on SUNY-centric direct instructional expenditures
 - Old cost data had been estimated, prorated and factored down and did not align with true cost of instruction.
 - Costs were set in 2003 and were not differentiated between sectors
 - Overall costs in higher education have increased by 29 percent since 2003
 - Low cost discipline types in the lower division area such as Business were valued at \$1,706/FTE, versus \$4,075/FTE in the new tool
 - Funded enrollment frozen at 2007-08 levels
 - 8 percent enrollment growth: 187,427 AAFTE versus 172,628 AAFTE
 - Provided funding for centers and institutes that no longer exist



Principles

- Optimize the System's limited resources
- Responsive to strategic goals
- Acknowledge campus differences
- Sensitive to each campus (and to campus retention of tuition)
- Rational and data driven
- Predictable and useful for longer term planning



Model Components

- Cost/Enrollment
- Research
- Academic Mission Adjustments
- Geographic Differential





How is this Tool Different?

- Data Driven:
 - Adopts nationally normalized, up to date external costs
 - Based on a “fair share” approach: State Support distributed equitably based on discipline & level mix while accounting for variance in tuition revenue by level
 - Works hand in hand with Rational Tuition & Maintenance of Effort to provide an opportunity for predictability and planning



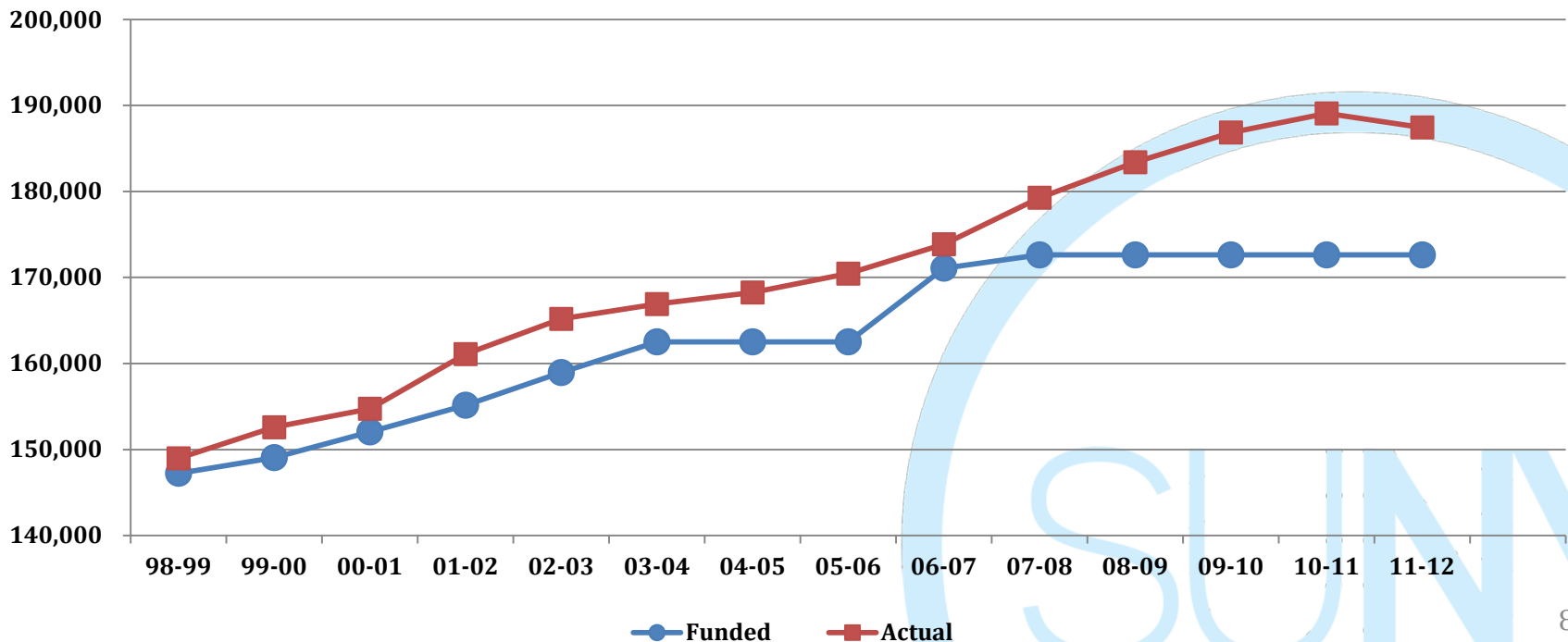
How is this Tool Different? (cont)

- New tool enhances focus on enrollment & costs as main drivers of allocation
- Moves away from various distributions used from 2008-09 through 2011-12 that did not recognize mission, strategy, or enrollment changes
- Geographic costs differences are still acknowledged but are now based on accurate, contractual based costs
- Mission Adjustment, which are based on Academic Mission, are included in the Enrollment/Cost Component
- Small Campus Adjustments are eliminated
 - As directed, many campus have driven efficiencies and enrollment improvement eliminating the need
 - Transition funding available to support campuses over a three year period
 - Shared Service will provide additional offsets as planned



Example of Need To Change: Age of Enrollment Data

While there has always been a disconnect between funded and actual enrollment, “freezing” funded enrollment in 2007-08 led to continued and widening impacts to the campuses





Need to Change: Impact of reductions

Reductions forced by economic downturn – and the way they were distributed- had disparate effects on campus budgets:

Changes Since 2007-08		
Campus	Change to State Support	Change to Overall Budget
Empire State	44 % reduction	3.6 % increase
Optometry	19 % reduction	0.5 % increase
Why did this happen?:	• Various approaches to managing reductions • Manual adjustments to tool • Impact of tuition increase • Average State support reduction of 29% or 0.1% of total Financial Plan	



What is the Impact of the New Tool?

- The last two years have seen major transformational impacts on how SUNY operates:
 - Maintenance of Effort provides protection to the Rational Tuition revenues through a stable level of State Tax support
 - Rational Tuition provides a predictable and long term revenue source. The Resource Allocation Tool matches the tuition and the state support.
- The Resource Allocation Tool will allow SUNY to more intelligently utilize this stable funding and invest in areas that are priorities to the State, the students, the System, and the campuses



Resource Allocation Tool Implementation Plan

- Negative impacts will be implemented as follows:
 - 2012-12: Transition and planning – no impact
 - 2013-14: **30%** of total impact
 - 2014-15: Additional **30%** of total impact
 - 2015-16: Remaining **40%** of total impact
 - 2016-17: **100%** implemented





Effects of the New Tool

Sector	New Tool Impact	Mitigating Impact*
Research Centers/Other Doctoral	• Overall Increase in State Support of 1.8% (\$10.0M) • Increases: - o 3 campuses - o Largest increase of 11.0% • Decreases: - o 5 Campuses - o Largest decrease of 18.6%	Transitional Funding to Be Provided or Received in Years 1-3; Additional Funding Options For Downstate to be Explored
Comprehensive	• Overall Decrease in State Support of -4.0% (\$7.1M) • Increases: - o 3 campuses - o Largest increase of 5.2% •Decreases: - o 10 campuses - o Largest decrease of 21.6%	Transitional Funding to Be Provided in Years 1-3
Technology	• Overall Decrease in State Support of -4.3% (\$2.7M) •Increases: - o 3 campuses - o Largest increase of 13.2% •Decreases: - o 5 campuses - o Largest decrease of 27.0%	Transitional Funding To Be Provided in Years 1-3

*For all campuses, tuition revenue increases from Rational Tuition are expected to more than offset decreases in state support each year.



Impact & Implementation

	2013-14	2014-15	2015-16	2016-17
Total Downward Adjustments	(\$4.2M)	(\$12.3M)	(\$22.7M)	(\$24.0M)
Total Upward Adjustments	\$4.2M	\$12.3M	\$22.7M	\$24.0M



Transitional Funding

- Short term and long term plans are required to ensure campuses are able to work towards a fiscally viable position: Getting everyone on their own bottom-line.
- Campuses will submit plans demonstrating need and use of funds
- Not a permanent adjustment; will be phased out over implementation period



Transitional Funding Recommendations

- Available to only certain campuses based on Mission Review Meeting (Academics, Finance, Operations)
- Additional support through the SUNY loan process/policy as needed requested; The support is out of the tool.
- Transition funds require an investment and improvement plan
 - Funding to be used for driving improvements, addressing the issues
 - Regular meetings, discussions and updates
- System-wide support to address broader issues will also be required:
 - Recruiting & Marketing
 - Enrollment & Program Support
 - Retention & Student Success
 - Transfer Programs & Partnerships
 - Shared Services & Investments in Savings



What is the Alternative?

- Continued reliance on outdated information will provide funding that is unfair and in a manner not conducive to the long term fiscal health of the System
- Without change we have created a significant disconnect with Rational Tuition
- Without a stable platform from which to plan for the future, SUNY will not be prepared to meet eventual and likely changes in the State's fiscal situation and what may come following the conclusion of the NY-SUNY 2020 legislation



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Backup Material

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SUNY



What is the Tool?

Basket	Description	Purpose
Enrollment	Recognizes the cost to educate an individual student based on course level & discipline	Normalizes the cost of educating a student so that State funding supplements tuition to provide funding for degrees/programs that are unique and defines the institutional identity and purpose
Research	Unchanged from prior tool	N/A
Geographic Location	Recognizes the collectively bargained location pay amounts	Provides adjustments to funding for the cost of educating a student in areas of the State that have higher salary costs due to the campus location
Special Mission Funding	Focuses mainly on the extraordinary costs of maintaining unique portions of SUNY's mission	Funding from this stream provides support for those activities that are unique and defines a campus' identity and purpose



Comparison of New Allocation Tool Versus Prior Approaches

Component	Prior Model	New Tool	Impact of Change
Enrollment	Internal Cost Data; Used to Distribute 55% of Funding	External Cost Data; Used to Distribute 88% of Funding	Enhanced Emphasis on Instruction (Core Mission); Some Dislocation Between Campuses
Geographic	Differential Provided to Recognize Downstate & Mid-Hudson Costs	Differential Tied to Contractual Location Pay Costs	Focus on Tangible, Easily Tracked Costs
Research/Public Service	Funding Distributed Based on Weighted Average of Research Volume	Same as prior tool	New Approach to be Formulated Following Further Research & Discussions
Mission	Funding Provided To “Outlier” Campuses to Cover Extraordinary Costs	Limited to Very Few Campus Based on Specific Criteria Critical To Academic Mission	Limited to Campuses Truly in Need of Specialized Funding to Support Academic Mission
Other Targeted Funding	Separate Targeted Funding Provided For Specific Campus Needs	Eliminated in New Tool	Allows For Shift To Enrollment Basket and Focus on SUNY Core Mission of Instructing Students



Tool Development: Major Groups & Events

- **Each group has met multiple times**
- **Chancellor's Executive Committee**
 - Meeting to discuss tool: 8/27/12
- **BOT Finance Committee**
 - Tool discussion: 3/27/12, 5/9/12, 8/2/12, 9/11/12, 11/1/12
- **Campus Presidents:**
 - Meeting to Review/Discuss tool: 9/6/12
- **SUBOA**
 - Meeting to discuss tool: 3/20/12, 4/4/12, 8/22/12, 8/31/12
- **SUBOA, Presidents and the & RAT/FAST Committees**
 - Draft tool released: 4/30/12, 8/20/12, 8/31/12, 9/23/12, TBD
- **Resource Allocation Committee & Sub-Committees**
 - Kickoff: September 2011
 - Regular meetings and development of tool framework: Sept 2011- Aug 2012
- **Final Working Draft Tool Completed and Distributed to All: Forthcoming**



A Brief History of Resource Allocation

- **Prior to 1985:**
 - **Line Item Budgeting**
 - The 40-cell Matrix: Very specific allocations
- **1985: SUNY Flex**
 - The Benchmark: Authority granted to Broad to make overall allocation decisions
- **1995: Rethinking SUNY**
 - 1998-99 RAM/BAP: Additional flexibility granted to campuses, now responsible for own tuition
- **2006-07: BAP II**
 - Modifications to original model; all distributions based on share of available funding and did not generate additional state support need
- **2008-09 / 2011-12:**
 - Various incremental approaches used to deal with each reduction as it happened; no opportunity to look at all reductions in total and develop a cohesive overall strategy
- **2012-13:**
 - Allocation same as 2011-12
- **2013-14:**
 - Implementation of new campus distributions begins



History of Reduction Distribution Methodologies

- **2008-09 (\$356.0M) (3 separate actions)**
 - Proportionate to state tax support
 - Proportionate to financial plan (with application of one-time funds)
 - Proportionate to tuition increase
- **2009-10 (\$350.4M) (2 separate actions)**
 - Multiple reduction methods applied, dependent upon rationale for reduction. Methods included proportionate to: tuition, financial plan, and certain research expenditures
 - Best case scenario (with application of one-time funds)
- **2010-11 (\$439.2M) (2 separate actions)**
 - Proportionate to state tax support
 - Proportionate to total financial plan; University-wide programs were not reduced
- **2011-12 (\$289.4M) (One action)**
 - Blended Scenario (Applied through a mix of proportion of state tax support & total financial plan)
 - \$14.0M held outside model for direct Hospital Support
 - Additional \$5.0M in funding re-distributed to Other/Small Doctoral Sector from other campuses