System Administration Update

- State Budget Environment and Request
- Direct Charges and Assessments

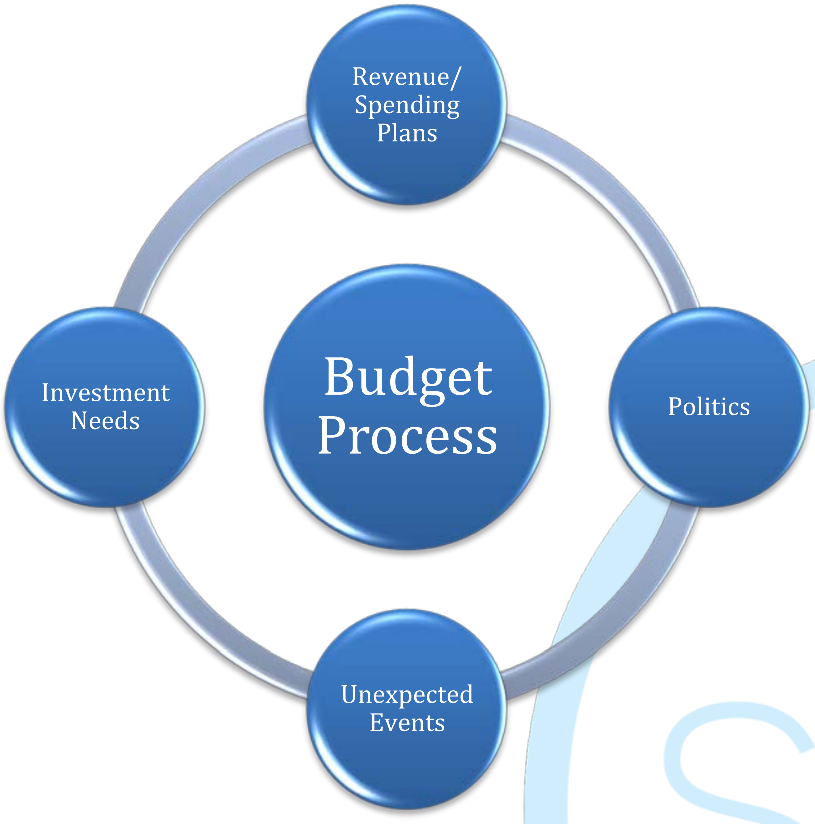
October 23, 2014

Syracuse, NY

State Budget Environment and Request

SUNY

Factors Impacting the State Budget Process



Revenue and Spending Plans

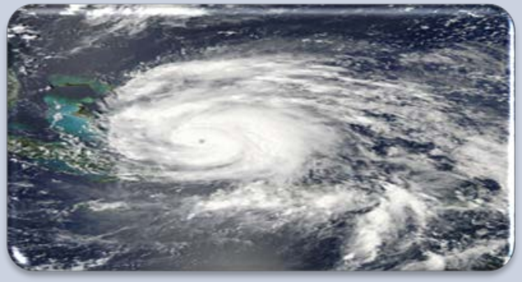
April	Enacted Budget Financial Plans	• Includes both Operating and Capital Plans • Reflect spending and revenue for a five-year period under the enacted budget
July	1^{st} Quarter Update	• Comprised of Operating Plan only • Rarely changes from Enacted

Oct. / Nov.	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

Jan./ Feb	Executive Budget Update	• Last Update of the year • Includes results of initial revenue forecast

A Venn Diagram Depiction of Dealing with Politics

Unexpected Events



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

State Budget Crisis Task Force

Hurricane Irene	Lawsuit Settlements	Recessions

Investment Needs

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

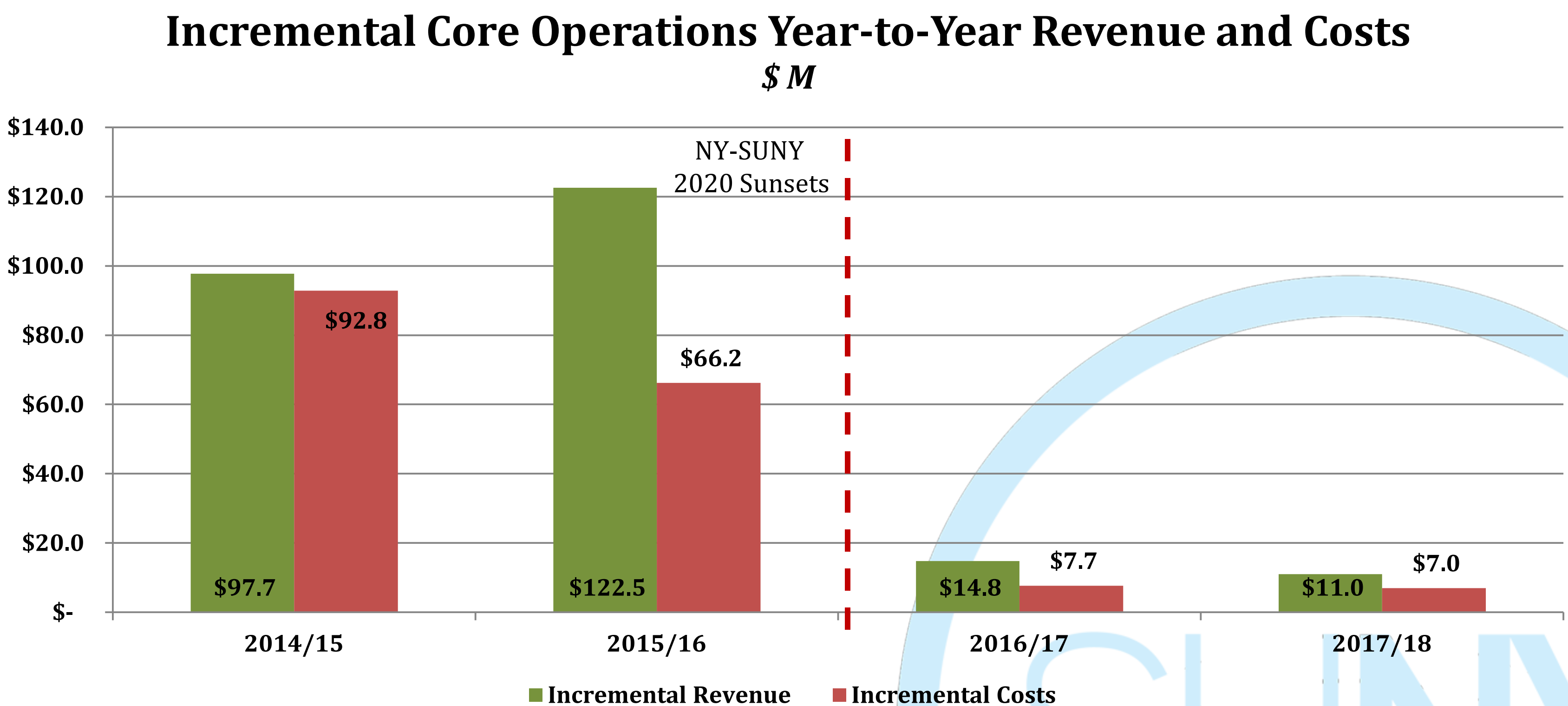
Statutory Spending Increases

- School Aid
- Medicaid
- NY-SUNY 2020

2014/15 Surplus

- Unexpected legal settlements

2015/16 Budget Request: Operating



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

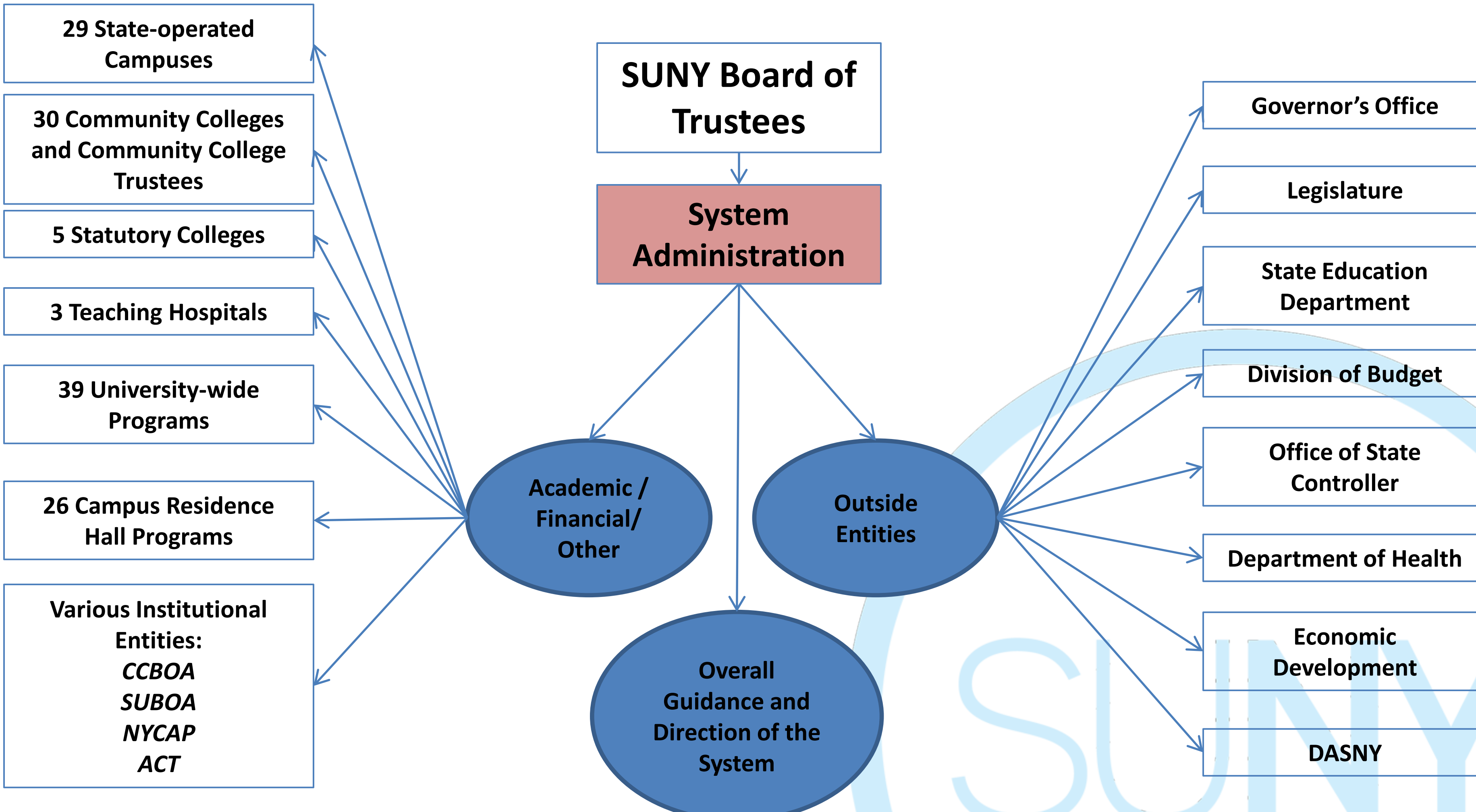
Direct Charges and Assessments

SUNY

Recharges and Assessments

Why?	Does System Administration need funding?
What?	Sources of funding does System Administration have?
Why?	Does System Administration need more $?
What?	Was the process?

Role of System Administration: Governance



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)
- **Self-Supported Programs ($1.1B)**
  - **SUTRA**
    - Overflow Tuition
    - Overseas Programs
    - Contract Courses
    - Summer session
  - **General IFR**
    - Student Fees
  - SUTRA and General IFR: $0.7B Combined
  - **Stabilization ($-)**
    - Carryover funding
  - **Dormitory Operations ($0.4B)**
    - Room rents and fees

Statutory Colleges ($0.6B)

- State Tax Support
  Included in Core Operations ($0.1B)
- 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)

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Why an Assessment?

Challenges	Solutions for Campuses	
	New State Support	Increased Tuition / New Fees
Increased Salary Costs		X
Increased Utility Costs		X
Inflation		X
External Initiatives		X
External Initiatives Indirect costs		X
Internal Initiatives		X

- 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

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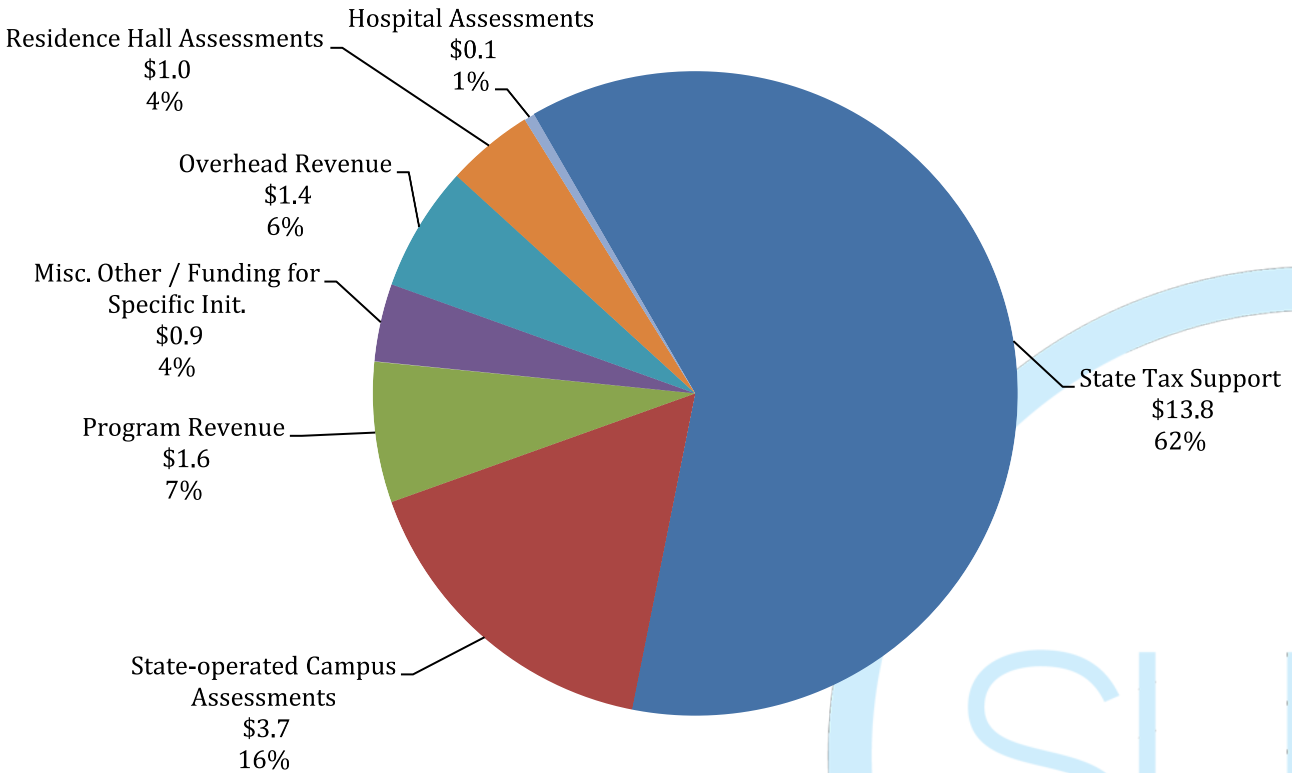
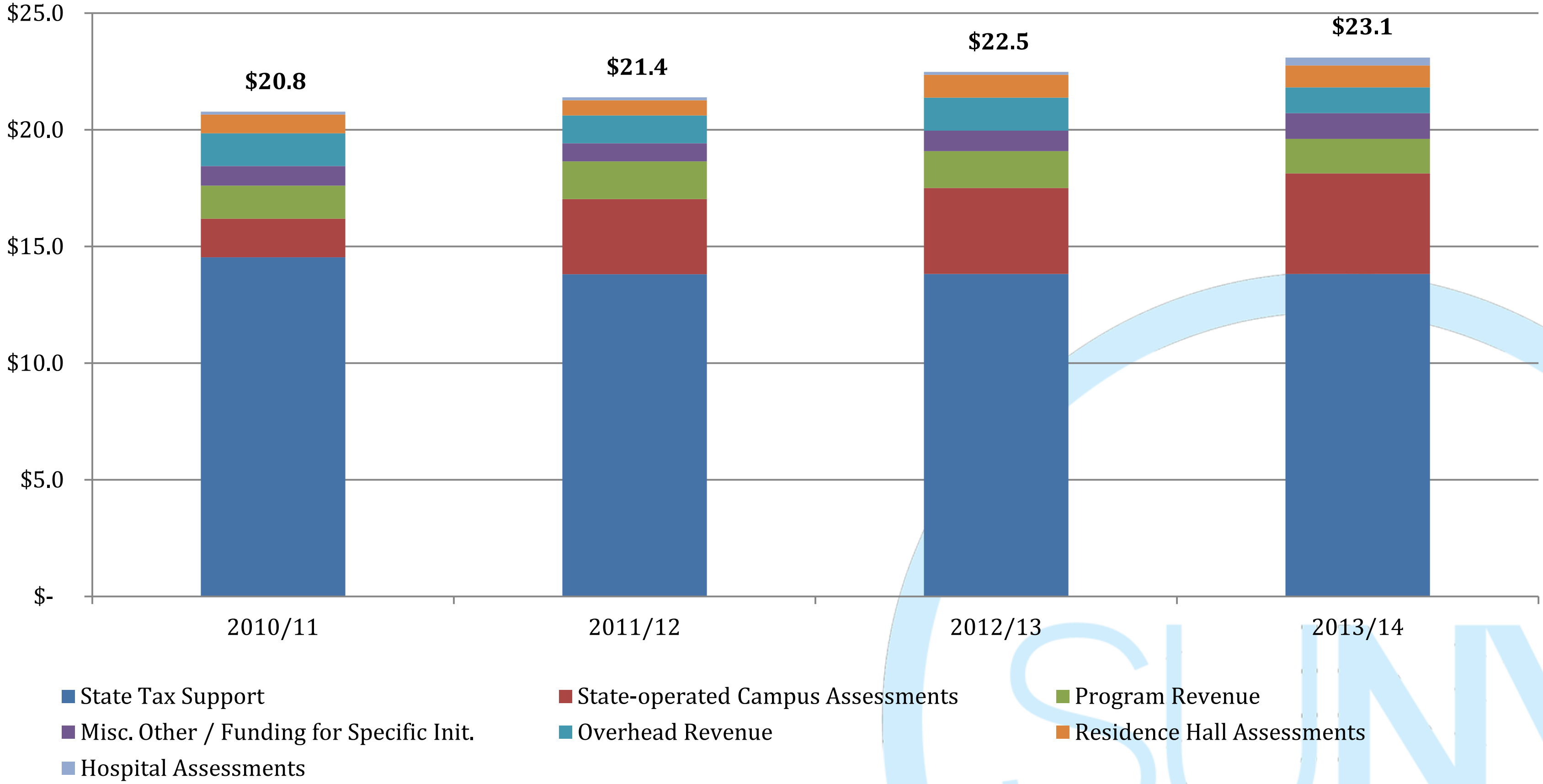
What Sources of revenue does System Administration currently have?
($M)



$22.5M Total: 2012/13 final

History of System Administration Funding *($M)*



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

Review of System Finances

- 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

Report on Assessments

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

Follow-Up

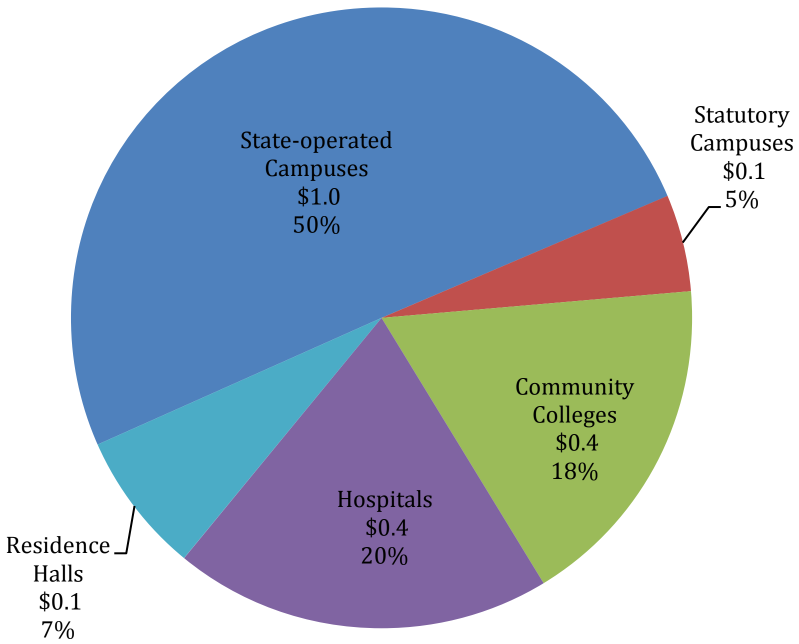
- Spoke with representative presidents
- Made adjustments to the model / approach
- Agreed to additional informational dialog with Campus presidents

9/8/14 BOT Meeting

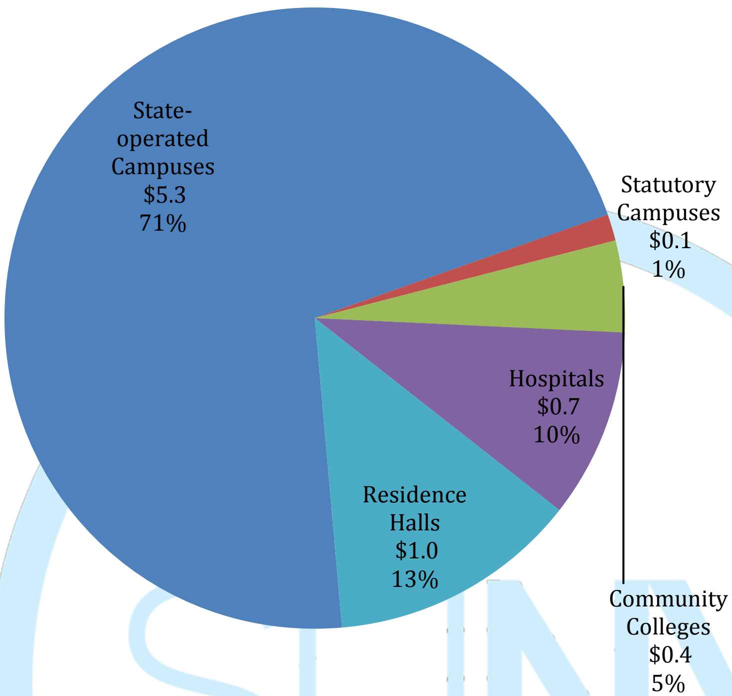
- 2014/15 set **at the first year amount** for Colleges and Campuses as contained in the report
- 2015/16 Chancellor or designee will submit revisions to the model for the consideration of the SUNY Board

2014/15 Assessments *($M)*

New Assessments for 2014/15



Total Assessments for 2014/15

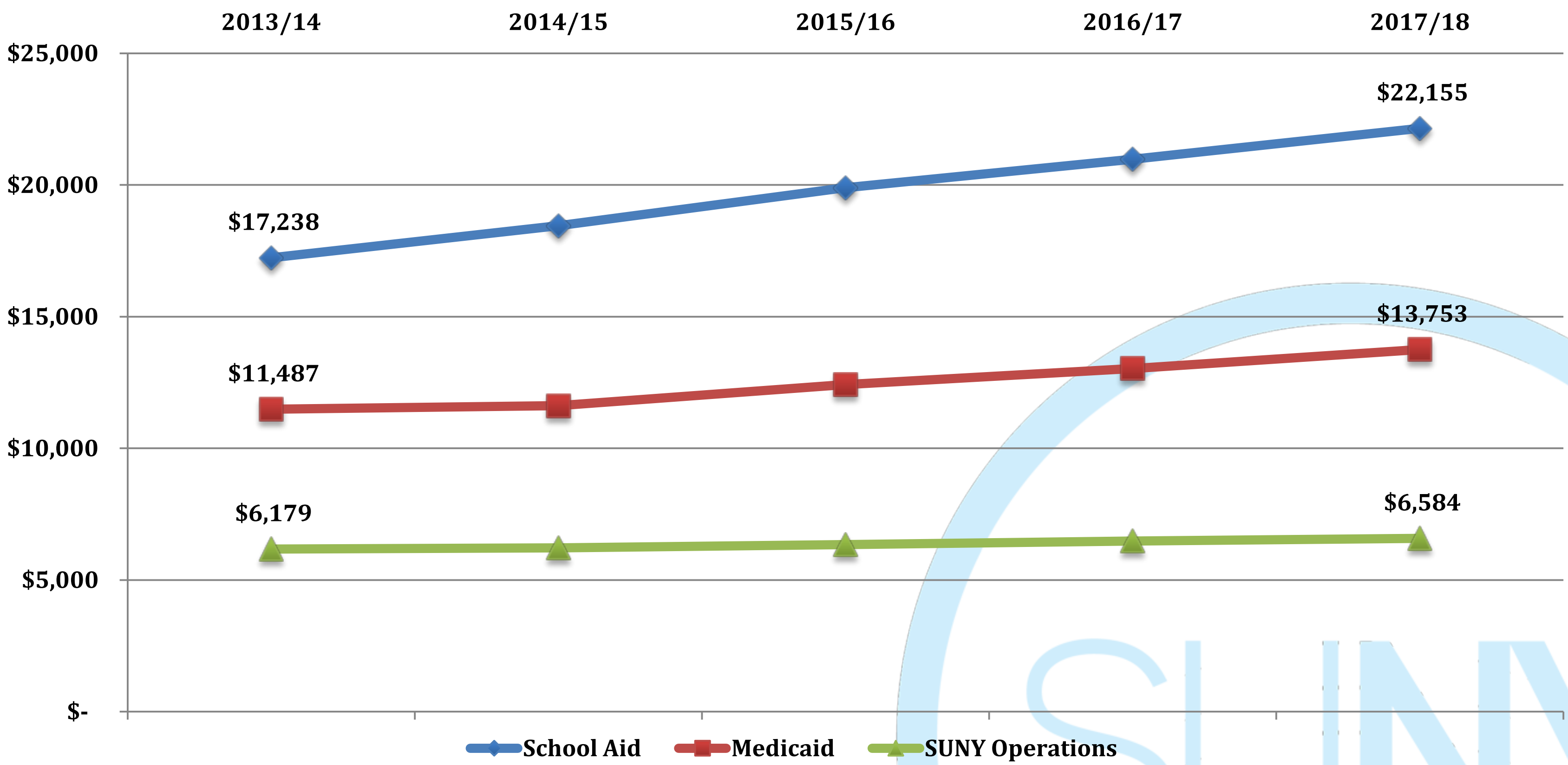


2 Percent Spending Growth

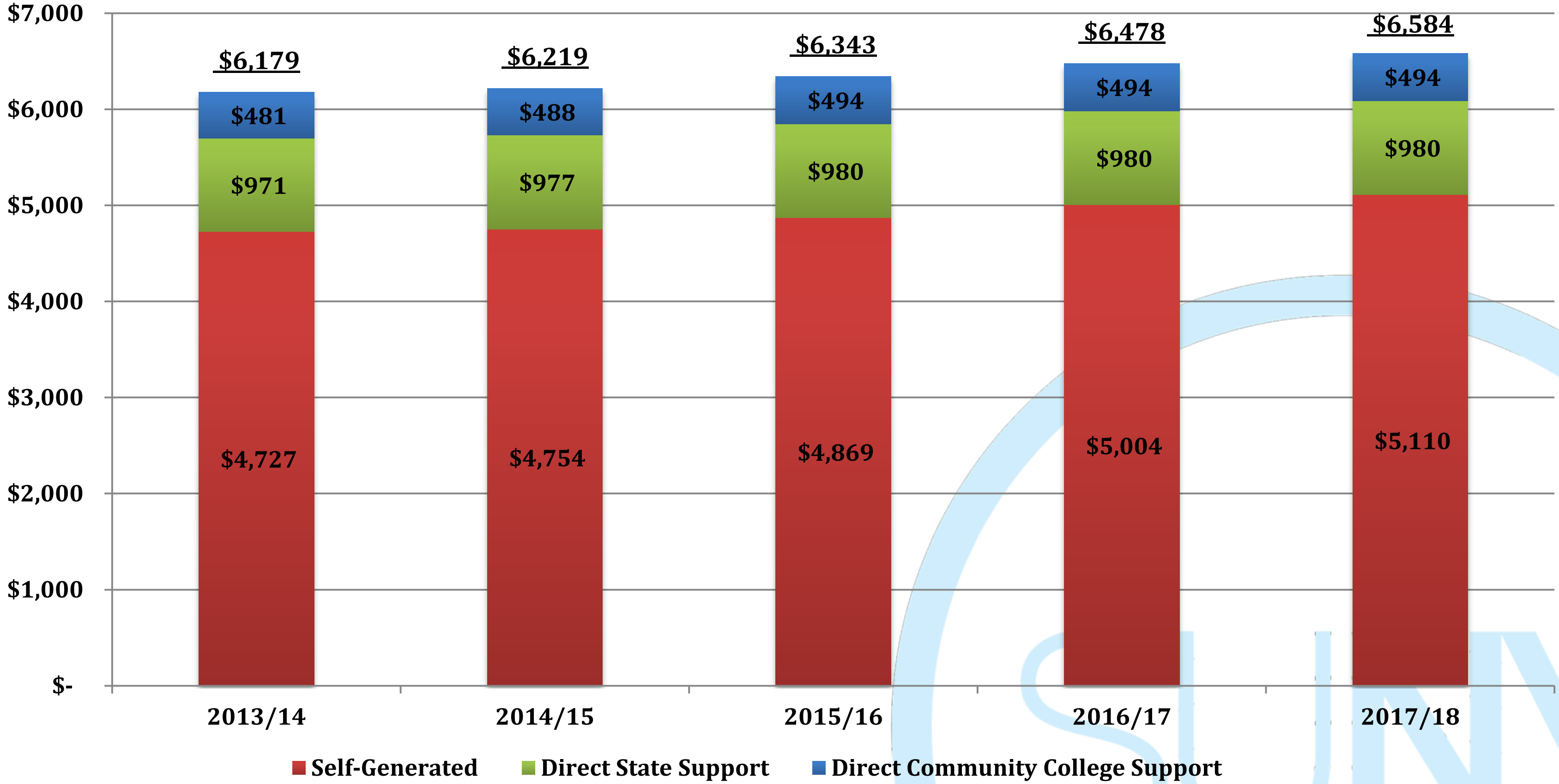
	State Operating Funds	Non-State Operating Funds
State-operated Campus Direct State Tax support	X	
Statutory Campus Direct State Tax Support	X	
State-operated Tuition revenue	X	
Statutory Campus Tuition and Fee revenue		X
State-operated Campus fee revenue	X	
Hospital Revenue	X	
Community College Base Operating Aid	X	
Community College Tuition and Fee Revenue		X
Federal Funds (Pell, Perkins, etc)		X
Capital Expenditures		X[1]

1. Some limited capital expenditure is considered State-operating funds (Parks, Transportation, Mental Hygiene)

2 Percent State-Operating Spending Growth
($ M)



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