

May 5, 2009

TO: All Faculty and Staff

FROM: Lou Spiro
Administration and Finance

RE: Update on the SUNY 2009-10 Budget and Recommended College Actions

We now have a “semi-final” view of how the SUNY 2009-10 enacted budget will impact the campus. It should be noted that until the financial plans for both SUNY and the individual campuses are formally approved by the SUNY Board of Trustees, which is expected to take place on May 12 – one week from today - this *cannot* be considered final information. Thus, the information provided to you now should be considered *preliminary* even though you will see some dramatic percentage reductions in state support – one more compelling reason to elevate our fund-raising and entrepreneurial activities at the College! While it is possible that some changes could still take place, once again this is currently our best *estimate*.

This estimate will help to guide our discussions about the targeted level of permanent reductions that we need to generate in 2009-10, the continuance of the hard hiring freeze, the use of reserves to offset reductions on a temporary basis, and other revenue and expenditure considerations. It should be noted that most other SUNY campuses are deploying similar strategies and, in some cases, much more dramatic reductions such as entire academic programs. This estimate will be updated again at the end of the 2008-09 fiscal year when we should have an approved financial plan.

2009-10 Budget

Despite the best advocacy efforts of the SUNY Board of Trustees, SUNY System Administration and campus leadership and constituencies, there has been minimal restoration to the SUNY budget, primarily restoring nearly all of the University-wide programs that had been either reduced or eliminated. The result is an estimated \$120 million reduction to SUNY, *excluding* funding for contractual salary increases. Yet, by any measure, this frankly is not good news for SUNY.

In the past two fiscal years (2008-09 and 2009-10) SUNY has had state support reduced by \$320 million (21.5%), not including contractual salary increases. Similarly, The College at Brockport has had state support reduced by \$8.9 million (33.2%). Even with the recent tuition increases, SUNY has lost \$160 million (6.6%) and The College at Brockport has lost \$3.4 million (5.8%).

Our portion of the SUNY budget reduction is substantial, and we must now consider more serious reduction strategies to meet this increasingly serious financial situation.

Major Considerations for our 2009-10 Budget: \$1.4 million reduction (excluding salary increases)

- Contractual salary increases of \$1.75 million have been funded, however, these funds *cannot* be used to offset budget reductions.
- OTPS and energy inflation increases of \$181,600 have been used to offset budget reductions.
- The portion of the 2008-09 budget reduction that was funded temporarily by SUNY last year (\$25 million) now becomes a permanent reduction of \$638,400.
- \$3.4 million as our share of the \$120 million reduction to SUNY in 2009-10.
 - \$1.86 million - our share of the reduction in state support for the undergraduate tuition increase - \$53.5 million reduction (80 percent) to SUNY.
 - \$1.17 million – our share of the \$40 million base budget cut to SUNY.
 - \$321,500 – our share of the reduction in state support for the graduate tuition increase - \$10.1 million reduction (80 percent) to SUNY.
 - \$30,700 – our share of the \$7.8 million reduction in state support for the Research Foundation tithes.
- Additional 2009-10 increase in revenues of nearly \$2.5 million is obtained from the second half of the tuition increase.

Major Assumptions

- Contractual salary increases are presumed to be funded in 2010-11 and beyond.
- No additional base budget reductions are presumed to be imposed in 2010-11 and beyond.
 - This may very well not be considered realistic considering the substantial reduction to SUNY while the state budget increased nearly 9 percent in 2009-10 and the fact that a significant structural state deficit is highly likely to occur in 2011-12 when federal stimulus funds are no longer available. But note that federal stimulus dollars did not go to SUNY except in the case of community colleges according to the state's plan.
- \$750,000 permanent reduction in expenditures will be achieved in 2008-09 through staff position management and/or other approaches, and this reduction will carry forward until restoration is deemed appropriate.
- Projected enrollments and tuition revenues will be realized.
- No significant expenditures will be made for either temporary or permanent Priority Needs purposes.

Financial Implications

Based on these budget considerations and financial assumptions, the balance from our annual current operations would be negative in 2009-10 and would continue to be negative in future years. Even the cash balance that we have available will decline rapidly in future years, becoming depleted by the end of 2010-11. Given the likelihood of additional budget reductions in the next two years, additional permanent reductions, using a variety of strategies, *must* be made in 2009-10 to prevent this situation from occurring. Plus, it simply is not prudent fiscal management to live on reserves.

Reduction Level for Review/Discussion

- *Consider* an additional \$1.3 million base budget reduction in 2009-10 in order to bring the state operating budget more into balance.
 - This would need to be achieved through some combination of staff and faculty reductions due to retirement/resignation, and perhaps OTPS reductions.
- This would allow the cash balance to be depleted at the end of 2011-12, unless additional budget reductions were imposed in the 2010-11 or 2011-12 budget processes.

Alternative/Complementary Considerations

- Maintain the 2009-10 level of faculty lines, but consider how we might increase student enrollments by 100 to 200 FTE's above actual Fall 2009 enrollment levels to increase tuition revenue by \$500,000 to \$1,000,000 in 2010-11 and in succeeding years.
 - Maintaining student quality is an important consideration and enrollment increases may be obtained through expansion into new student markets along with an expected increase in applications within our traditional student markets.
- Require the divisions to continue to be as financially self-sufficient as possible and minimize the number and dollar amount of requests for College funding. We have a good track record of this strategy and appreciate the cooperation of all divisions of the College.
- Minimize to the greatest extent possible College funding for temporary or permanent requests.
- Generate new and creative cost cutting and revenue generating ideas campus-wide. This is a must to continue the vibrancy and forward movement of our College.
- Continue to analyze enrollment and tuition revenue trends and future projections very carefully to ensure that enrollments are realistic to obtain and that tuition revenues are consistent.
- Evaluate and implement actions that will have significant revenue generation or expenditure reduction outcomes.

Next Steps

This is an extremely serious financial situation driven by the state and national economy. Given the very limited amount of restoration it will be essential that hard, prudent choices be made very soon to bring our level of expenditures in line with our anticipated revenues. It should be underscored that we are not alone in this challenge as private colleges such as Dartmouth and Cornell University are making substantial cuts and drastic changes in their workforces and operations, as of course, are Rochester area private colleges and businesses. This information will be shared in more detail with the Budget and Resource Committee and their suggestions and recommendations will be solicited prior to any final budget reduction decisions being implemented.

As always, we recognize the importance of keeping the campus informed as we move from this semi-final estimate to the final financial plan approved by the SUNY Board of Trustees. We will also continue to keep the lines of communication open with our various campus constituencies, as has always been our practice.

Please feel free to e-mail me with any questions that you may have about our current efforts to address these very serious budget challenges. We are committed to providing quality education to assure student success; yet, we will need your help and cooperation to manage these very difficult times.

We thank you for your continued commitment to The College at Brockport and for your willingness to help us meet these financial challenges facing our state, SUNY, our nation and the world economy as one united community with a common mission.