



THE STATE UNIVERSITY *of* NEW YORK

MEMORANDUM

TO: SUNY State-Operated Campus Presidents

FROM: James Van Voorst
Interim Vice Chancellor for Finance and Administration

DATE: April 1, 2009

SUBJECT: 2009-10 State Budget

We recently became aware of a letter circulated widely within the University community by UUP which purports to describe the University's budget proposal and the impact of the recently announced 2009-10 State Budget.

Our analysis indicates that this document is inaccurate in a number of areas. Below is an annotated version of the letter which includes the SUNY comments in an effort to provide correct information so that all can approach this difficult situation with a proper understanding of the real impact of the budget.

We feel that it was important to pass this information along to you in case you are approached by campus faculty and staff regarding the impact of the budget on the State University.

We are in the process of meeting with UUP to discuss this and other issues of mutual concern. We will be in further contact with you as soon as the final budget is adopted to review it in more detail.

cc: SUNY Board of Trustees
John J. O'Connor, Officer in Charge
SUNY Vice Chancellors
State University Business Officers
Chief Academic Officers

UUP LETTER

March 30, 2009

(Annotated with SUNY comments in bold-italics)

Colleagues.... (Chapter Presidents, please circulate widely)

In this toughest-ever budget battle, UUP achieved some extremely significant gains!

UUP may have achieved gains, but SUNY remains challenged as to how its 34 state-operated and statutory campuses will be able to maintain not only access, but also quality and affordability as we enter the 2009-10 academic year.

While it has been widely reported that SUNY received an increase in state funding, this is mainly the result of funding for mandated collective bargaining increases. The 2009-10 state budget reduces state support to SUNY by \$118 million (excluding changes related to collective

bargaining). This consists of an 80% tuition sweep of \$63.5 million, a reduction of \$40 million related to campus fees and other self-generated revenues, a \$7.8 million reduction in support reflective of the 10% Research Tithe, reductions to statutory colleges, and a reduction to a university-wide program.

State Support

2008-09

\$1,282,813,700

2009-10

\$1,116,453,700 (-9.1%)

What follows is our first-pass analysis of what's in the more-than 700 page Executive Budget, slated to be enacted sometime tomorrow, Tuesday, 3/31.

- "Fair Share" Tax Reform is included in this Budget and will help stabilize revenue and make the tax system more progressive. An estimated \$4 billion will be raised by increasing taxes for those earning \$200,000 in adjusted gross income as single payers and \$300,000 as joint filers.

- In an agreement that UUP fought extremely hard for, the Budget provides that \$75 million from SUNY's unallocated reserves will be available to preserve access to student programs and to protect campus positions, which include full- and part-time faculty and staff.

These are NOT "unallocated reserves" but are individual campus funds generated through student fees, user fees and the other revenues that enable the campus to fund ongoing programs and take advantage of programmatic opportunities for which no funding is received from the state. As we have explained, use of these funds on a one-time basis to cover a budget shortfall is short-sighted and in the long term harmful to a University system. This would also further draw on these campus revenues which have already been targeted for state general fund deficit reduction purposes.

- The Legislature rejected the Governor's plan to merge The New York State Theatre Institute (NYSTI) with "The Egg."

- The Legislature restored cuts to SUNY's university-wide programs--except for the Levin Institute--by adding back \$17.4 million.

As we look ahead we must recognize that even in difficult times there are important opportunities to strengthen SUNY in this rapidly changing and challenging world. We are looking at ways to better use the System's assets in the international field to benefit campuses, while expanding the University's global reach and reputation. While The Levin Institute was not funded in the budget, SUNY remains fully committed to supporting a University-wide international program that includes continuing programs and activities in New York City.

The Governor's Budget also provides that EOP and EOCs are spared cuts originally proposed by SUNY. In the next few days, I'll send out a list enumerating the above program restorations.

In neither the SUNY Board budget request nor the 45-day Budget Report did SUNY propose any reduction to EOP or EOC.

- The Legislature agreed to a \$620 increase in SUNY tuition for '09-'10, with 20 percent of it retained for SUNY. The Legislature also provides a new plan for escalating tuition retention in subsequent years

allowing SUNY to keep: 30 percent in '10-'11; 40 percent in '11-'12; and 50 percent in '12-'13. This is a significant gain that implements UUP's recent proposal to the Governor, DOB, and the Legislature to phase-in tuition revenues for the benefit of our campuses.

In order to meet our academic/instructional obligations and to partially fill the \$214.8 million in reduced state support in 2008-09 for budget deficit reduction purposes, the SUNY Board raised annual tuition by \$620 with the anticipation that the \$152 million in additional tuition revenue generated in 2009-10 would stay with the campuses.

Unfortunately, the 2008-09 and the 2009-10 state budgets swept \$122 million of our student's tuition into the state's general fund for state budget reduction purposes to fund other state programs, not for the purpose tuition was raised.

The budget also includes a reduction of \$10.1 million tied to a \$12.6 million in-state graduate and 1st professional tuition increase that has not been approved by the SUNY Board.

We fail to see any circumstance under which a withdrawal of 80% (\$132 million) in student tuition could be looked at as a "significant gain" to UUP, its members or the campuses.

As stated by the SUNY Student Assembly, the student organization representing all 440,000 SUNY students, "the budget also left intact the unconscionable proposal to take 80 percent of the recently approved tuition hike and use it to fill the State's deficits. Students remain outraged that their tuition is being stolen from them, as they are essentially being assessed the highest excise tax in America for doing their part to improve the quality of New York's future workforce."

-While the Legislature went along with the proposed \$25 million cut to the SUNY hospital state subsidy, the state will use this money to leverage an increase in federal monies for disproportionate share payments (DSH) to these hospitals in the approximate amount of \$48 million. More specific information will follow when we fully decipher how the Stimulus Plan and Medicaid Package impact our hospitals. On the positive side, it appears that our hospitals will benefit by some \$30 million per year from the Stimulus Plan's "rebasement" program. However, there are potential downsides for our hospitals from the new Gross Receipts (Sick) Tax of 0.35%, and from what appears to be a redirection of federal Graduate Medical Education (GME) dollars. Again more information will be forthcoming, as a clearer picture of hospital funding evolves.

In addition to the \$25.4 million cut in state support, the final overall Medicaid impact on the SUNY hospitals is a loss of \$15 million – for a total year-to-year reduction of over \$40 million in funding to the hospitals. The \$48 million in Disproportionate Share (DSH) support is an acceleration of funding already owed to the hospitals for losses already incurred.

-The Legislature rejected proposals for a Tier V retirement plan for new hires. There was no cut to Retiree Medicare Part B Premium Reimbursement to state retirees; and, there was no cut to state employee retiree health insurance based on years of service.

-The Legislature rejected all proposals for SUNY flexibility.

The express purpose of the flexibility proposals was to permit campuses to explore revenue enhancement opportunities and implement efficiencies to make additional funds available to support faculty and programs. While care was taken in the development of these proposals, as the budget process evolved changes were offered to address UUP and other union issues in an effort to work collaboratively. Unfortunately, a wholesale rejection of all of the proposals resulted in none of the potential being realized. In other words, enhanced campus revenues that would

benefit the campuses, and in turn, students, faculty and staff, will not be realized. We are hopeful that many of these issues can be dealt with and resolved before the 2009 Legislative Session concludes.

-There is no provision to seek elimination of negotiated pay increases for state employees or to create a new state employee pay lag.

-In what may well be a "message to SUNY," the Legislature provided an additional \$20 million in operating aid to CUNY's senior colleges. Our speculation is that this "add" will restore the reserve funds CUNY tapped in preserving its programs, access for students, and faculty and campus jobs. SUNY was asked to tap \$40 million of its reserves to aid operating expenses, but it chose to pass that amount along to campuses as a cut under the BAP formula.

We do not understand the "message to SUNY" reference; however, this observation is a misinterpretation of the appropriation as it is a \$20 million restoration of the CUNY university-wide programs that were reduced in the Executive Budget and NOT a supplemental add to their state operating dollars. This action was the same as the \$22.7 million reduction to the SUNY university-wide programs. The difference is that CUNY's are paid in a lump sum and SUNY's are lined-out in the budget.

The reference to the reduction of the \$40 million in revenue funds is incorrect once again. These are not "reserves" but campus revenue and SUNY found it irresponsible to tap revenues that were already allocated to programs by the campuses. As state support to SUNY is either increased or decreased, the mechanism for distribution of such changes is the BAP.

Overall, this is a very reasonable outcome in the face of very difficult fiscal circumstances. And, in stark contrast to how other state agencies fared, SUNY came out fairly well, indeed!

I want to send my heartfelt thanks to all of you who have contributed so much to UUP's success in these trying times. Did we make it happen? Yes, we did!

Throughout this fiscal crisis, SUNY has recognized the severity of the situation and has responded in a positive and collaborative way with the Governor in absorbing our fair share of \$214.8 million in 2008-09 reductions and this budget will enact another \$118 million in reductions. SUNY has been assessed the largest dollar amount of any state entity for budget reduction purposes.

As noted above, based on the level of state support and available tuition revenue in the 2009-10 state budget, SUNY's campus allocations will be less than those of last year. This situation will require campus presidents to make careful and strategic decisions as to where to implement spending reductions while still servicing the educational needs of SUNY's 440,000 students. With the release of our financial plan in late April, we will be in a better position to assess the overall financial situation of the University.

This budget places SUNY in the worst fiscal situation it has ever faced and we hope UUP will join forces with SUNY for the benefit of our students, faculty and staff to address this fiscal situation in which we find ourselves.