

MEMORANDUM

DATE: March 8, 2017

TO: Downstate Distribution List

FROM: Wayne J. Riley, M.D., MPH, MBA, MACP
President-Designate

Thomas J. Gray
Interim Vice President for Finance & Chief Financial Officer

RE: **FY 2017/18 Annual Budget/Resource Financial Planning Process**

The FY 2017/18 Annual Budget/Resource Planning Process is scheduled to begin shortly. Items to be reviewed include projected student enrollment and tuition revenue, anticipated funding in the proposed NYS Budget, long-range strategy, institutional priorities, immediate needs, contractual staffing agreements, broad-based fees, Federal and State mandates, trends, etc. Overall, the institution's allocation is not expected to increase significantly, which will directly impact our ability to provide supplemental funding for departments as it is necessary to plan for new and increased expenses such as the opening of the new academic building, contractual salary and OTPS obligations, IT upgrades and replacement of software/hardware as well as other requirements needed for continued efficient and effective operations at DMC. It is also important to consider the impact that current year funding decisions will have on future fiscal years.

As we anticipate another year of minimal enrollment growth and an allocation level similar to prior year levels, we need to consider ways to maximize the use of our current operating and capital allocations. The past five fiscal years have ended with significant unspent allocation ranging from \$2M to \$5.8M in the Revenue Offset Fund, resulting in lost opportunities for additional state support. Clearly, funds could have been allocated to other critical needs if a more realistic approach to funding distribution had been followed at the time of the budget planning process. Thus, adjustments in our budget planning and decision making are needed going forward.

Accordingly, two new key procedures will be implemented as follows:

- The Lawson Budget & Planning (LBP) System will be utilized for the 2017/18 Annual Budget/Resource Planning Process. The necessary training and support will be provided, along with an updated budget manual.
- There will be **mandatory** Budget Hearings and presentations by all Colleges and Schools, Administrative Divisions, etc. A schedule of such sessions and instructions for preparation will be provided at a later date.

Colleges and Shared Services

In order to improve the planning process, we will be introducing a new methodology for preliminary budget allocation targets. The proposed funding targets will be reviewed and approved by the President and then the PBC will provide the funding targets to departments to allow you to develop your plan and budget accordingly. In addition, guidelines and parameters will be developed for future fiscal years' budget processes to align with the institution's strategic plan and priorities.

The preliminary funding targets will be based on a blend of:

- 1) FY 2016/17 cumulative actual expenditures and encumbrances
- 2) FY 2016/17 current spending rate annualized for the remaining part of FY 2016/17
- 3) Average of prior three year actual expenditures-FY's 2013/14, 2014/15, 2015/16

Departments are expected to prepare a "base budget" that falls within the FY 2017/18 preliminary target funding level. A supplemental budget may also be prepared which you will have an opportunity to present to a committee for consideration. A newly appointed 2017-2018 Budget Planning Committee will coordinate the review of all requests and based on funding availability will then present recommendations to the President for feedback and approval. Criteria that will form the basis of supplemental requests include:

- 1) Critical Operational and life safety imperatives
- 2) Mandated Accreditation Requirements
- 3) Availability of increased Revenue and or restricted or unrestricted State support
- 4) New Opportunities – Expansion, One-time costs, Process Improvements

Other

- Hospital & Clinics budget instructions will be transmitted by the Hospital Finance office.
- General and Hospital Income Fund Reimbursable Funds (IFR's) – Projected Revenue for each account/program will be developed. Budget preparers will be responsible to enter projected revenue from affiliation contracts or other contractual arrangements, research grants, fees or other sources, into LBP and will become the "Target", or maximum available funding for each IFR. Planned expenses that will form the basis of allocation will also be entered into the system.