



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

MEMORANDUM

TO: Downstate Distribution List
FROM: Thomas J. Gray
Vice President for Finance & Chief Financial Officer
DATE: May 17, 2018
SUBJECT: FY 2018/19 Annual Budget/Resource Financial Planning Process

This is to inform you that the Lawson Budget and Planning (LBP) system has been upgraded to a newer version for use in preparing your budget for the FY 2018/19 Annual Budget/Resource Planning Process.

Target Funding Level

In anticipation of retroactive union salary increases that are expected to be implemented during FY 2018/19, extraordinary measures are needed to reduce expenses where possible. **The target allocation for each area is 10% lower than the FY 17/18 target combined amount for Hospital and Revenue Offset Funds**, since the institution’s allocation is not expected to change significantly due to of a combination of factors, including:

- No increases in the State support portion of campus allocation for the past 8 years, held flat at \$58.256M since FY 11/12.
- Modest proposed increases in Tuition/Fees revenue of about 4% for the last two years and a similar increase for the Bachelors, Medical and Physicians Assistant Masters programs pending approval of the SUNY Board of Trustees, which will only partially offset increased expenses for union salary increases that are currently under negotiation. (Note that tuition revenue increased 62% since FY 11/12, from \$ 27.6M in FY 11/12 to \$44.8M in FY 17/18 due to rate increases and increased enrollment for new and existing programs.)
- Campus enrollment is at or near capacity, with total Enrollment in all schools for all semesters combined changing from 4,326 in 2013 to 4,335 in 2017. An additional 38 students are expected in 2018 mainly in the School of Nursing, as a result of the new Advanced Certificate in Nursing Education program and increases in number of students accepted in Bachelors and Graduate programs.
- Expansion / Creation of new programs need to be 100% self-funded.

- SUNY, as a NY State agency, must adhere to the 2% annual spending growth cap that Governor Cuomo enacted in 2011.

This reduction request will be impossible for some departments and that is recognized in advance. However, we are asking everyone to develop budgets that come as close to a 10% reduction from their FY 17/18 allocation as possible by cutting expenses, increasing efficiency, and taking advantage of innovative opportunities in the marketplace.

When possible, alternate funding resources or revenue on a temporary one-year basis should be identified, to help cover the one-time expenses such as lump sum retroactive raises, while the institution's new operating budget level is developed in conjunction with foreseeable future revenue.

An additional challenge we face is that the State of New York accounting system is on a cash basis as opposed to accrual basis, which only allows recognition of expenses when paid, and revenue when received. Since liabilities such as retroactive raises are not accrued in the period earned, but rather recognized in the period of actual payment, funding needs to be set aside for this cost in FY 18/19, further limiting our ability to expand.

These are some examples of obstacles we face on an annual basis while striving to find creative ways to develop innovative programs, implement new technology/tools, refurbish an old facility, recruit and retain top notch faculty, researchers, staff and students in an ever competitive marketplace, and recognize the hard work and commitment of staff, despite all these hurdles.

As a result of these challenges and significant financial constraints, the ability to provide supplemental funding for departments will be directly impacted, and vacant positions are subject to review. While it is necessary to plan for campus-wide priorities and strategic investments 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, we must also consider ways to reduce or eliminate costs. It is also important to consider the impact that current year funding decisions will have on future fiscal years. Deans and Division/Department Heads are encouraged to consider ways to bring about strategic changes in their areas, including consolidation, reduction or elimination of non-essential services. All positions on campus should be closely reviewed when vacant or becoming vacant to determine if it should be filled immediately.

NEW - THIS YEAR – DETAILED TWO-YEAR PROJECTION AND NARRATIVE

The SUNY Systems Administration Budget Office is investing more time assessing the long-term fiscal health of SUNY campuses. Campus Allocation has historically been requested via a "Form 1" worksheet showing allocations by account and object code. While this is still

necessary to set campus allocation levels, it is not really a true campus budget that can speak to the financial shape of any particular program, fund, or school. This year, SUNY Systems Administration is requiring a detailed two-year projection for each fund. Fiscal detail on major programmatic initiatives for the year need to be included in the campus' narrative. There will be a focus on year-over-year changes and campuses will be asked to specifically identify the causes of changes in revenues/expenditures, and to list challenges they are likely to face in upcoming years. A template is being prepared to gather this information and will be sent out shortly.

- **Academic and Shared Services – A New Approach to Budgeting**

As the current administration enters its second year, it is continuing its commitment to an efficient, cost effective structure that streamlines processes and improves the way in which we all do our work. To this end, operating expense budgets managed by shared services will be treated as single units, decreasing the effort required by staff in managing multiple budgets with different funding sources and eliminating the need to allocate staff time/OTPS costs between Academic and Hospital. By removing the need to merge reports and split expenses among different budgets, departments will be able to budget and capture their expenses to reflect the work they do for the entire campus, as opposed to tracking costs by funding source. This simplification will allow for user friendly financial reports to bring about easy monitoring of year to date spending patterns, will allow for greater time being devoted towards improving the quality services to their customers and identifying efficiencies and cost savings as a result of the simplified way of budgeting and tracking expenses from year to year. The result will be increased transparency of the costs associated with operating the shared services component and will allow for less complex analysis of comparative costs from year to year. Staff would be able to provide Management and Campus Administration the strategic information they need in a more timely way for decisions on an ongoing basis.

- **Hospital & Clinics** budget instructions will be transmitted by the Hospital Finance office.
- **General and Hospital Income Fund Reimbursable Funds (IFR's)** – In order to spend the projected cash balances in General and Hospital IFR Fund accounts, **a budget allocation request must be entered in LBP to support planned spending for FY 2018/19.** The budget allocation represents that authority to spend the cash in the account, and a new request must be entered on an annual basis, although the cash balance in the account will carry over from the prior year. Projected Revenue for each IFR account/program needs to be developed, and budget preparers will be responsible to enter projected revenue from affiliation contracts or other contractual arrangements, research grants, fees or other sources, into LBP that will support planned spending for the upcoming year. The projected cash balance will become the maximum allocation that may be

requested. As total allocation available to our campus for distribution to all areas is limited to what the State provides, budget allocation should only be requested for realistic actual planned spending for FY 18/19, up to the maximum available funding for each IFR.

Lawson Budget & Planning (“LPB”)

The necessary training and support will be provided for the LBP System, along with an updated budget manual. There will be **mandatory** Budget Hearings and presentations by all Schools, Administrative Divisions, etc. A schedule of such sessions and instructions for preparation will be provided shortly.

Personal Service

A salary projection for FY 18/19 has been uploaded in LBP that includes estimated costs for union contractual salary increases, retroactive lump sum payments and other on-going pay components. Please review this information carefully. Any missing positions, such as those in the process of recruitment, staff returning from leave without pay, etc. will need to be added by the budget preparer.

Please note - for the Academic-College of Medicine and Graduate School areas, any issues or concerns with the projected salaries should be discussed with College of Medicine leadership, and changes should only be entered in LBP after such discussion.

In planning for personal service expenses, please prioritize as follows:

- 1) **Mandated** – by Federal, State or local government agency or other agencies (i.e. accrediting agency).
- 2) **Core/Essential**-designated for mandatory operations and life/safety related functions.
- 3) **Strategic** - needed for the institution to achieve its goals and mission.
- 4) **Non-Essential**-positions that are not crucial to our health and safety.

OTPS

It is important to take into consideration all planned OTPS expenses for the coming year. The budget allocation requests should be entered in the correct object code in LBP. This is more significant now than in prior years, due to the use of the Procurement Card for all eligible purchases under \$15K. Budget allocation will be required in the correct expense categories in order to process the monthly certification. If there is insufficient allocation in the required object code to process the certification, a transfer of allocation form will be required, causing

a delay in the certification process. If the problem persists, use of the P-Card may be downgraded to probationary status as a consequence.

One-time vs. Ongoing Costs - When entering budget requests in LBP, please identify if expenses are one-time purchases or on-going costs.

Consulting Contracts – SUNY Systems Administration requires submittal of an annual projection of consulting contract costs. To be prepared for this requirement, please identify any planned consulting contracts and enter the budget request in the object code specified for this purpose, as instructed in the manual.

Departments are expected to prepare a “base budget” that falls within the FY 2018/19 preliminary target funding level. A supplemental budget may also be prepared which you will have an opportunity to present to a committee for consideration. The Planning & Budget 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

The deadline for budget completion is June 6, 2018.

Thank you for all your efforts and thoughtfulness in preparing the budget request for FY 2018/19.