

UB 2020

Funding Our Priorities

Faculty Senate Executive Committee
April 16, 2014

GOALS FOR PRESENTATION

- **Restate strategic university priorities**
- **Review financial capacity to fund these priorities**
- **Review changes in financial policies that would best align financial capacity with strategic priorities**
- **Discuss how these changes impact unit and task force plans**
- **Review next steps – implementing strategic initiatives and financial policy**

REALIZING UB 2020

Priorities

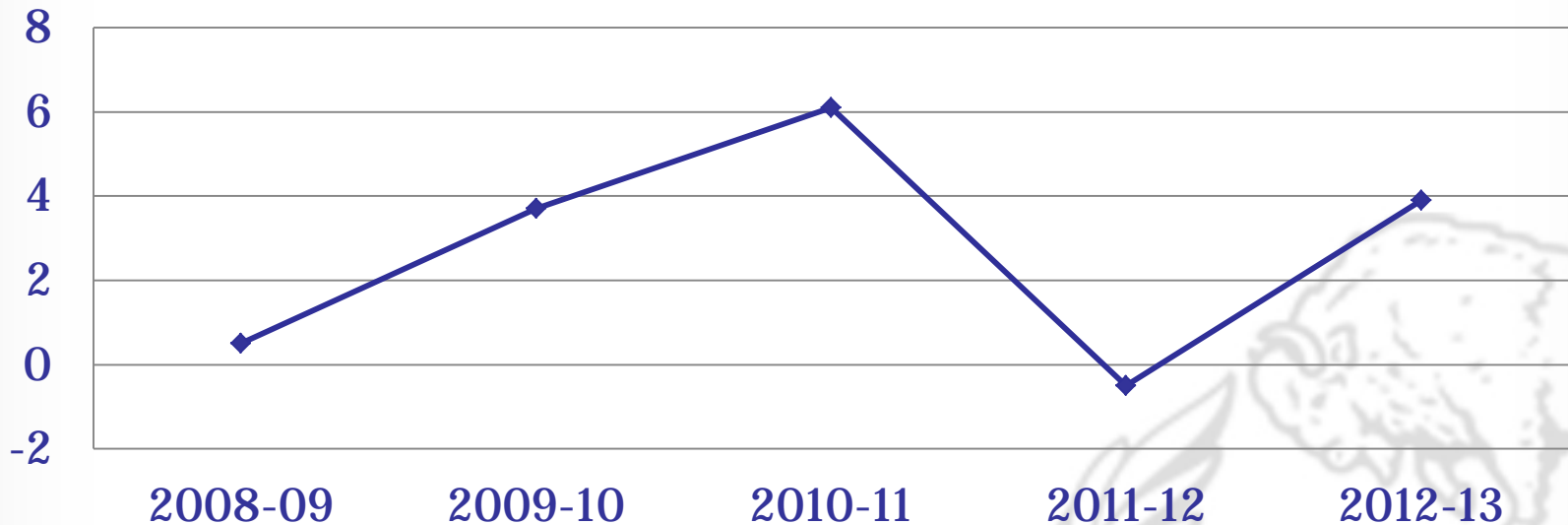
- **Communities of Excellence**
- **Curricular distinction**
 - Revised general education
 - Experiential learning
 - SIE – significant international experience
 - Capstone requirement
- **Key infrastructure improvements – operational excellence**
- **Strategic communications**
- **Unit success – achieving three-year plan goals**
 - Faculty growth
 - Research and scholarly achievement
 - Enrollment stability

IMPERATIVES

- **Maximize the base budget investment to achieve these priorities**
- **Optimize new revenues and reserves to achieve these priorities**
- **Balance central and unit fund distribution to achieve these priorities**
- **Increase and diversify revenue streams**

UNIVERSITY FINANCIAL HEALTH

Composite Financial Index 2008-09 through 2012-13

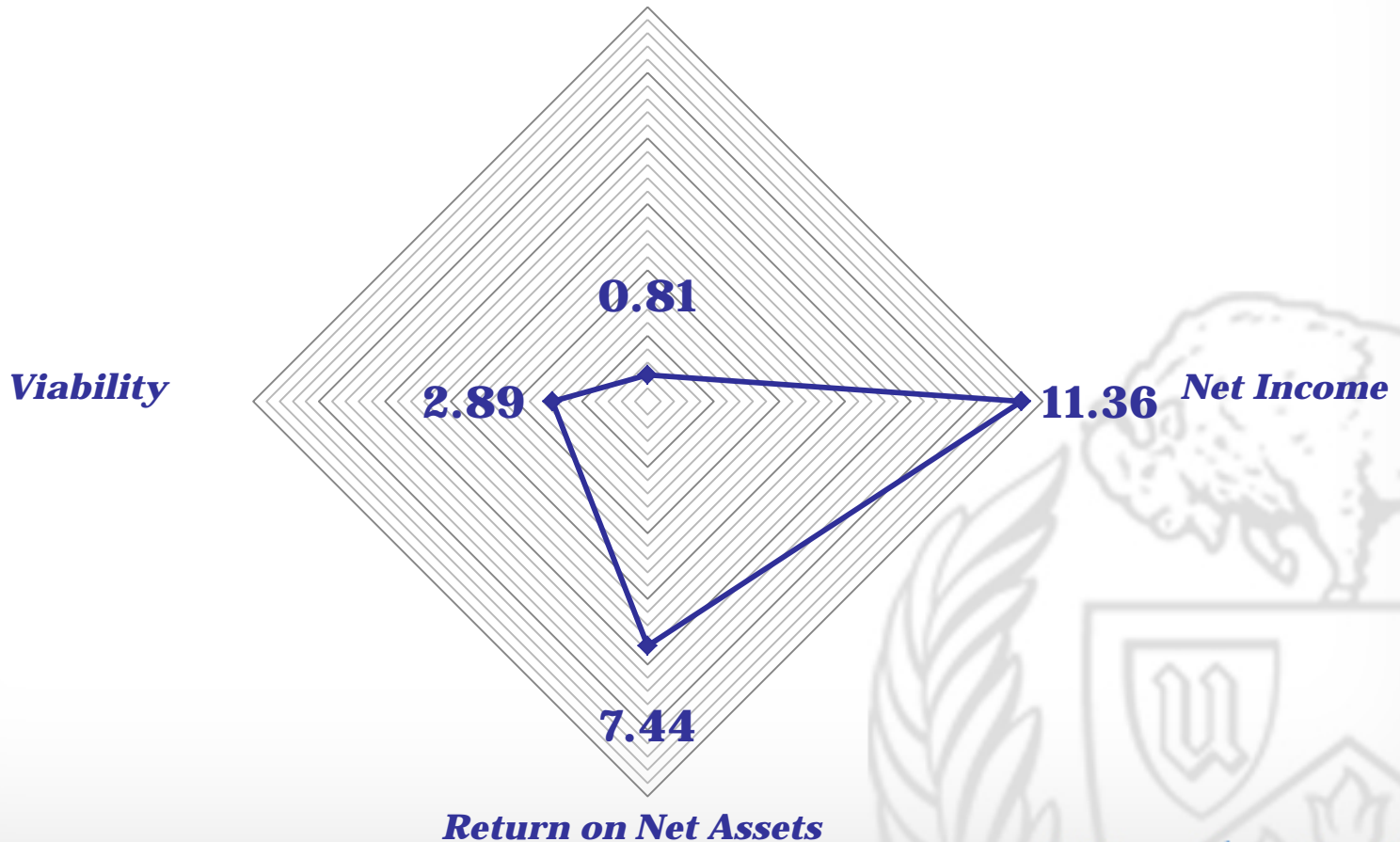


CFI Index
Score of 1 = Very Little Financial Health
Score of 3 = Relatively Strong Financial Health
Score of 10 = Strong Financial Health

2011-2012 – Dip in CFI index primarily attributed to \$300m liability for Other Post-Employment Benefits as per GASB 45.

COMPOSITE FINANCIAL INDEX (CFI) Fiscal Year 2012-13

Primary Reserve

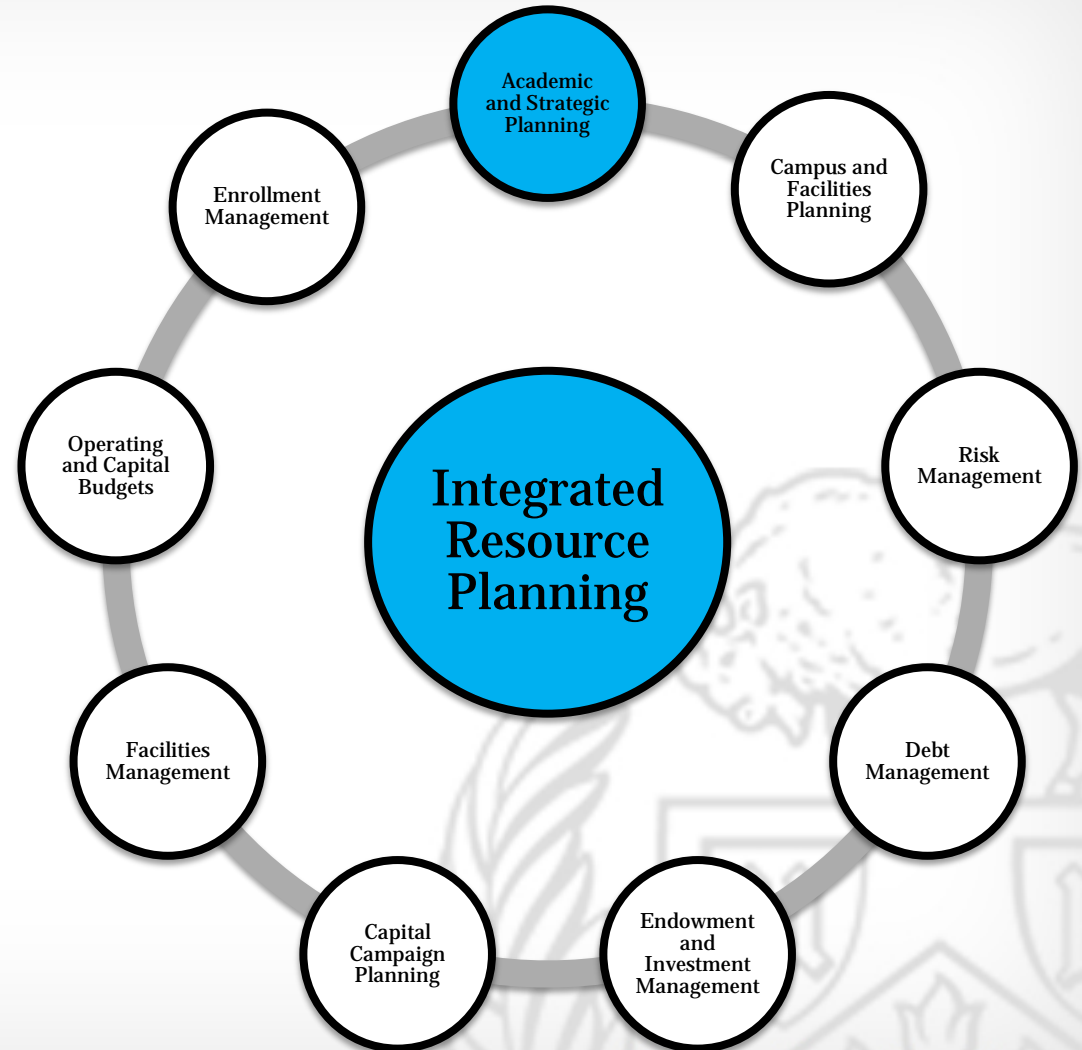


A New Financial Planning Framework

Engage strategic and financial planning models that ensure a financially sustainable and resilient university for the future

Best Practices Model: Integrated Resource Planning

- Comprehensive asset/liability management
- Integrative - single institutional point of view
- Long-term in nature
- Analyzes returns on investments
- Proactive
- Dynamic and scenario-based
- Transparent



STRATEGIC RESOURCE ALLOCATION & MANAGEMENT



BUDGET MODEL: GUIDING PRINCIPLES

- **Strategic** – We align incentives with our mission and with strategic behaviors.
- **Predictability** – We build models that provide reliable foundations for planning.
- **Flexibility** – We build planning models that anticipate and are responsive to changes in the economic environment; we incorporate appropriate risk management strategies.

BUDGET MODEL: GUIDING PRINCIPLES

- **Integration** – We consider the university as a whole and make intentional connections between varying types of organizational needs and priorities.
- **Stewardship** – We exercise prudence in managing our resources; diversify revenues to promote resilience; maintain appropriate reserves; and reward efficiency and effectiveness.

GOALS FOR OUR BUDGET MODEL

- **Predictability** – We build models that provide reliable foundations for planning.
 - Establish and maintain a published planning **calendar**;
 - Ensure **clarity and consistency** in the budget model and in distribution methodologies;
 - **Eliminate any unnecessary complexity** in our budget model and accounting practices;
 - Establish **policies that clarify the intended purposes** of different funding streams.

GOALS FOR OUR BUDGET MODEL

- **Flexibility** – We build planning models that anticipate and are responsive to changes in the economic environment; we incorporate appropriate risk management strategies.
 - **Remap budgets to funding streams** to maximize revenues and ensure that funds available match our strategic purposes;
 - **Establish disciplines around reserve levels** – both at institutional and unit levels; maximize reserves at decanal and university levels and minimize held by programs/individuals.
 - Insufficient reserves = lack of flexibility
 - Excessive reserves = not putting our resources to work

GOALS FOR OUR BUDGET MODEL

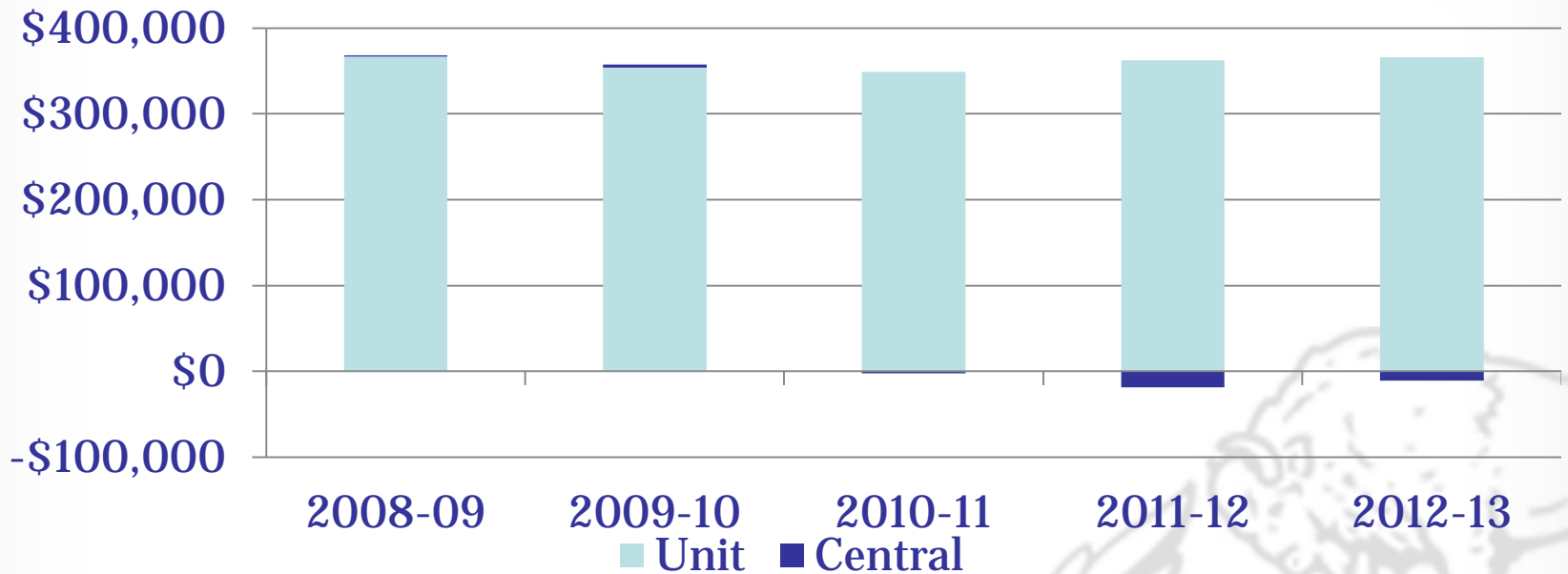
- **Integration** – We consider the university as a whole and make intentional connections between varying types of organizational needs and priorities.
 - **Understand linkages between operating and capital budgets** and needs – e.g., hiring and space; enrollments and classrooms.
 - **Understand returns on investment** and use them as long-term financial planning and management strategy;
 - Understand where **cross-subsidies** exist and ensure they are **consistent with strategic intent**;
 - Recognize **debt as an institutional resource** and manage it accordingly.

GOALS FOR OUR BUDGET MODEL

- **Stewardship** – We exercise prudence in managing our resources; diversify revenues to promote resilience; maintain appropriate reserves; and reward efficiency and effectiveness.
 - **Institute a rolling, dynamic 5-year financial plan** intended to optimize short- and long-term investments; document assumptions; update regularly.
 - Institute **regular financial variance reports** that monitor outcomes and financial health;
 - **Regularly monitor and continuously improve our model** while not compromising predictability;
 - **Ensure accountability** for managing within available resources and achieving desired outcomes; understand that one unit's overspending diminishes everyone's available resources.

STATE PERMANENT FUND BALANCES

(\$ in thousands)



	2008-09	2009-10	2010-11	2011-12	2012-13
Unit	\$367,093	\$354,182	\$349,023	\$362,618	\$366,319
Central	1,207	3,501	(2,056)	(18,599)	(11,155)
Total	\$368,300	\$357,683	\$346,967	\$344,019	\$355,164

BUDGET PLANNING CALENDAR

August

- Prior Year carry forwards loaded
- Initial 5-Year Financial Plan and planning assumptions completed
- Budget Model solidified for following fiscal year

September -
December

- Annual plan reviews and budget requests presented
- Enrollment, tuition and fee plans solidified
- Hiring plans solidified
- Capital plans solidified

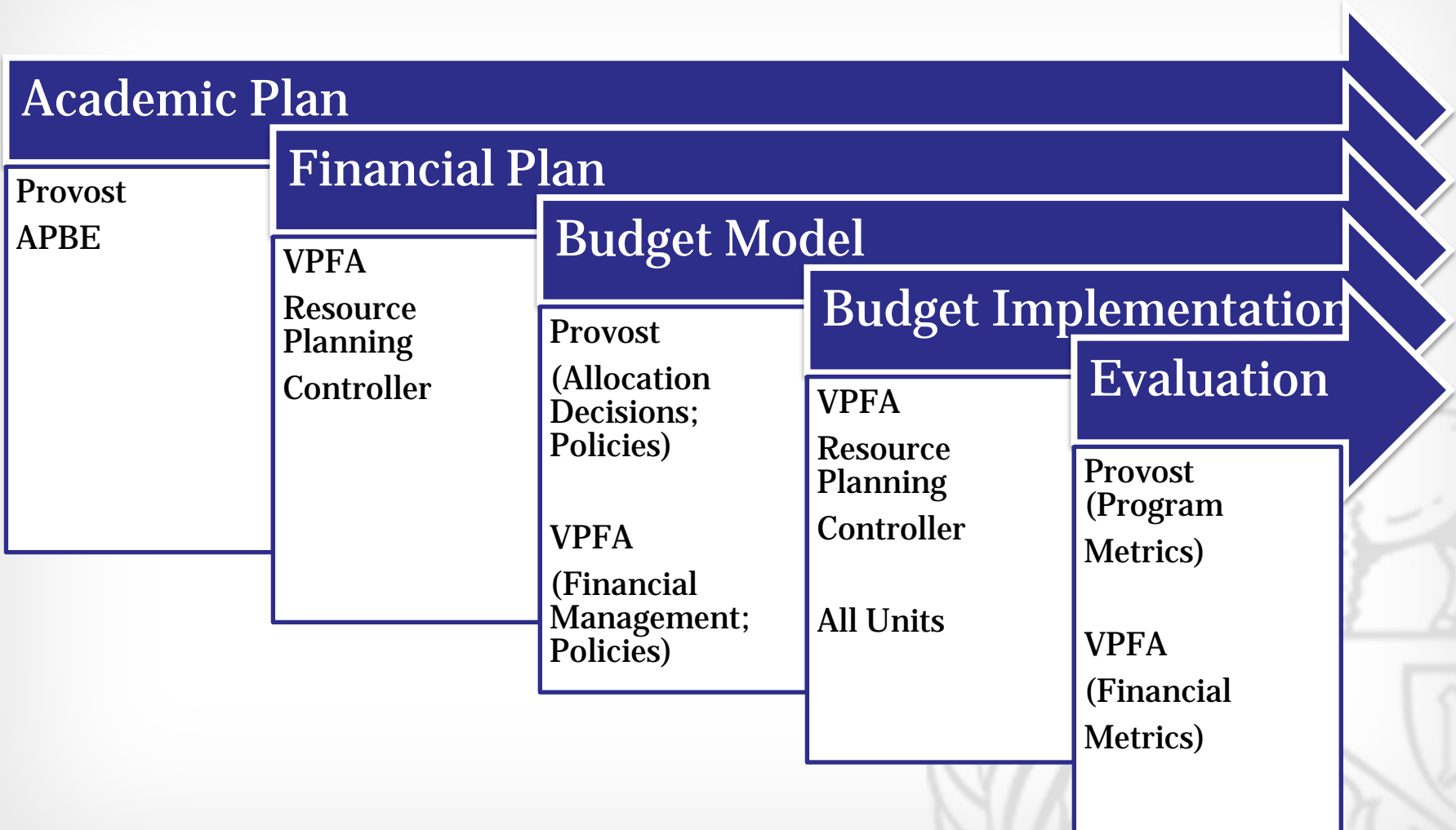
January -
June

- 5-Year Financial Plan updated
- Budget hearings
- Resource allocation decisions finalized and communicated to units
- Units prepare and submit final budgets

July

- Prior fiscal year closed
- New fiscal year budgets loaded in financial system

ROLES AND RESPONSIBILITIES



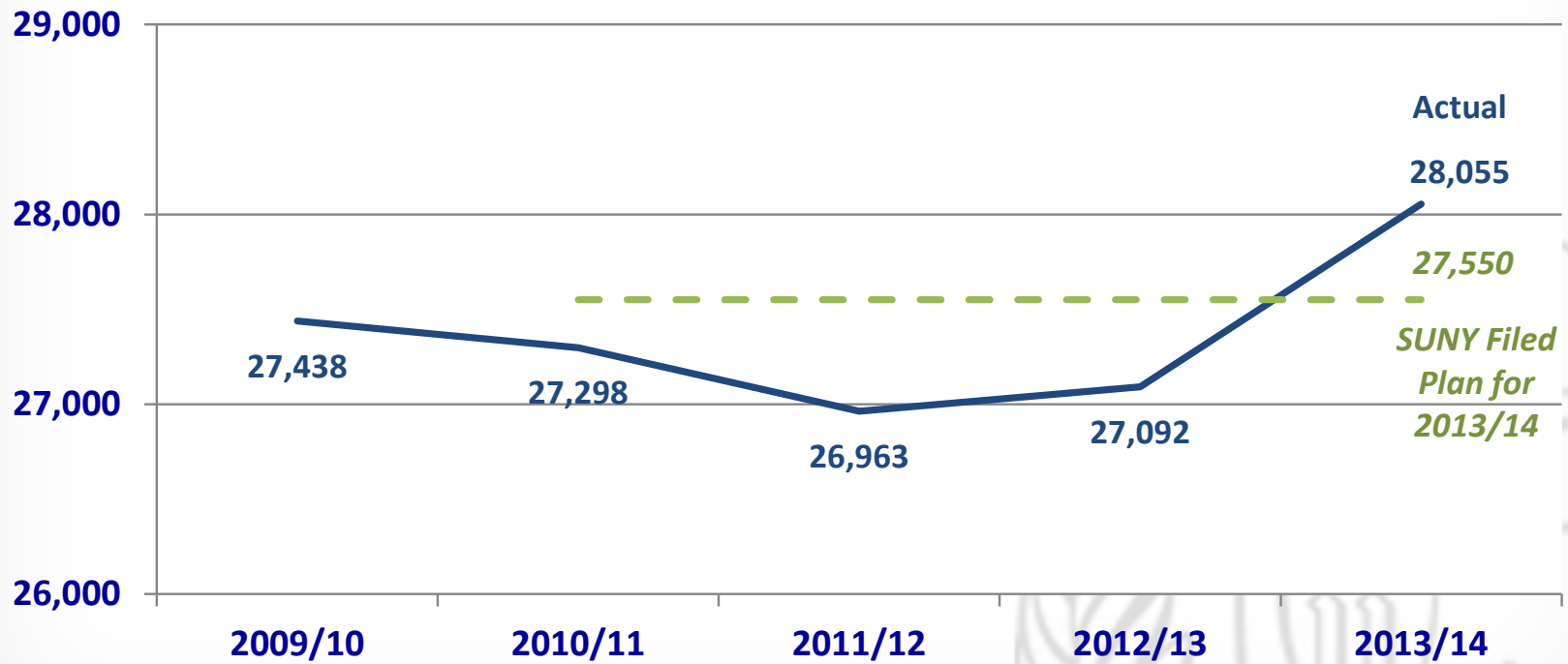
CURRENT STATE

- **We have seen 3 years of tuition growth**
- **Funds have been distributed in a formulaic manner**
- **We have established expectations in enrolment , hiring and research funding**

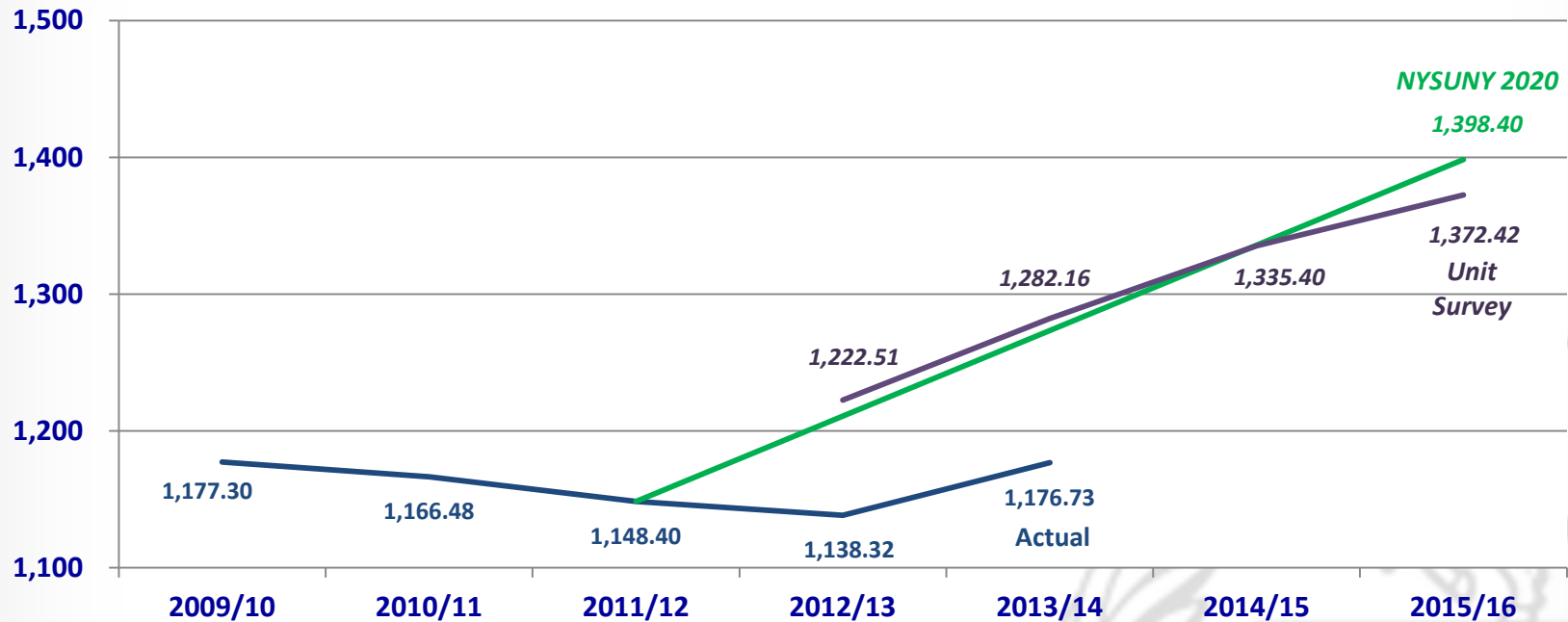
ENROLLMENT

Last 5 Years

Headcount TOTAL



LADDER FACULTY FTE

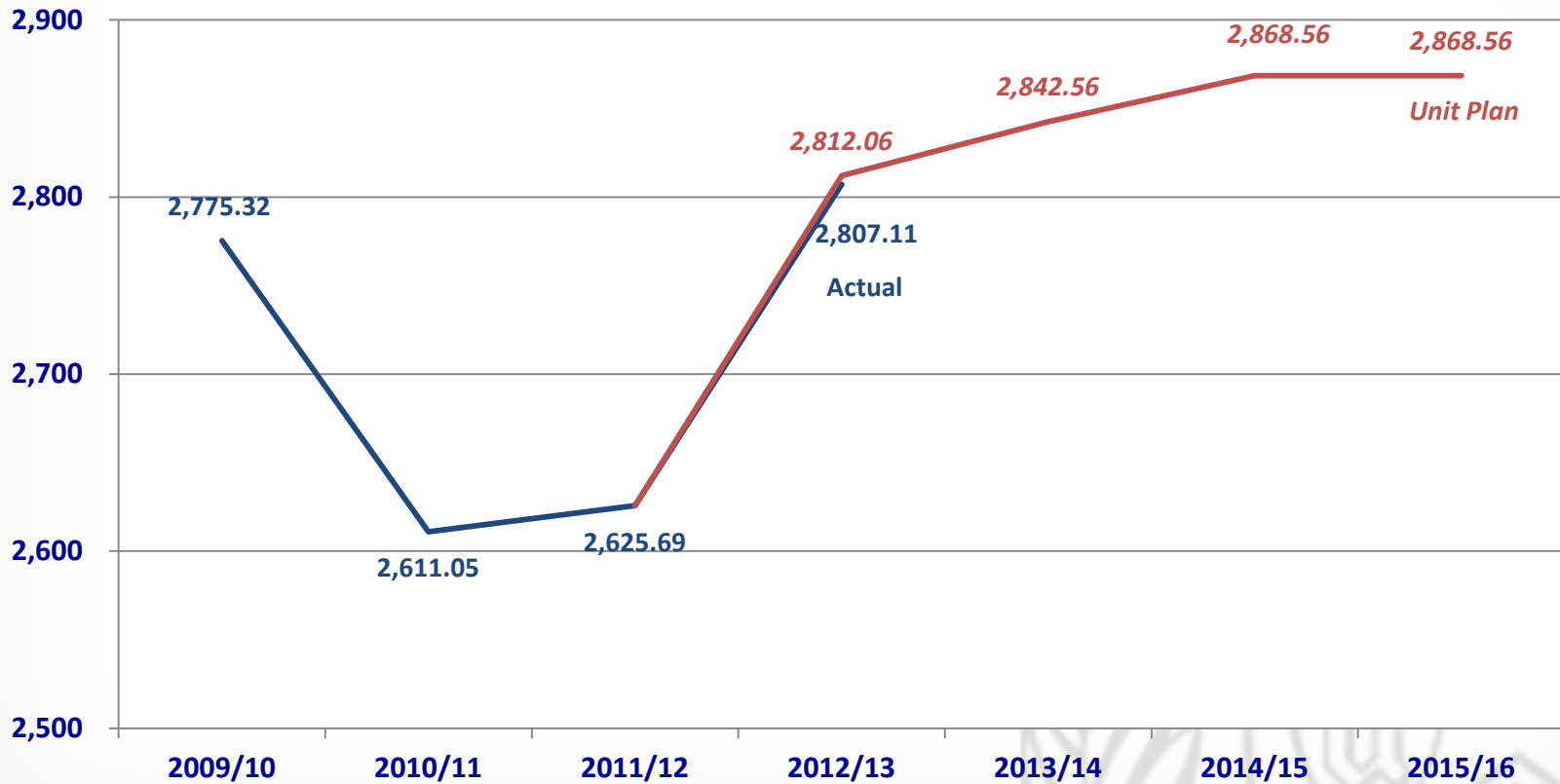


NOTES:

- ~ Actual Faculty levels as of November 1 of the indicated years
- ~ Unit Survey levels represent unit responses to the 2013/14 Faculty Hiring Plan Request sent by Academic Planning and Budget on May 17, 2013 with subsequent verification/adjustments as of February 4, 2014
- ~ GFT positions are counted as 1.00 FTE each

STAFF

Classified and Professional State Only FTE

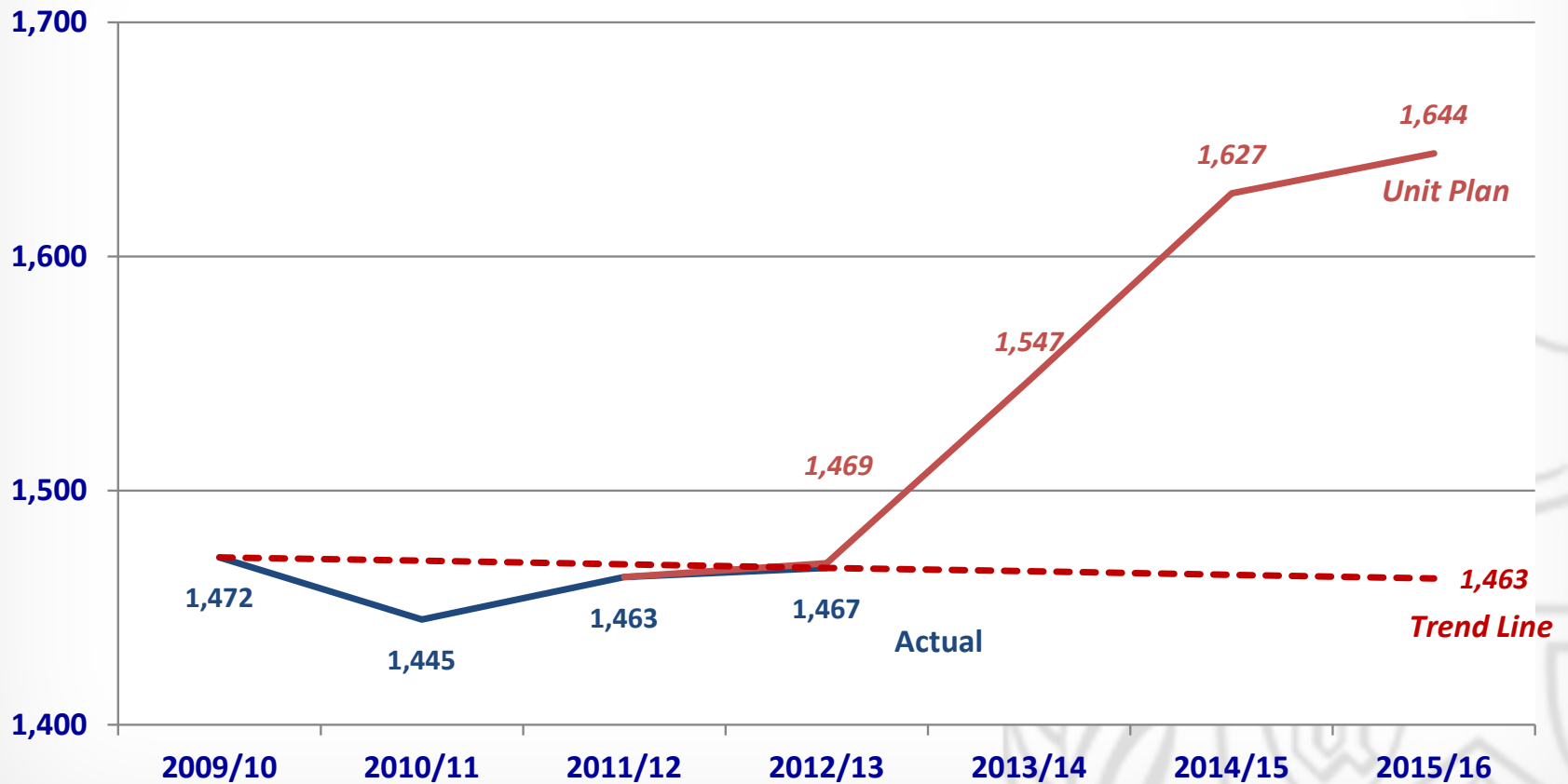


NOTES:

- ~ Actual Staff levels as of November 1 of the indicated years
- ~ 2015/16 Plan amount does not include the total number of hires per the approved year 2 E Fund initiatives

RESEARCH

Proposals



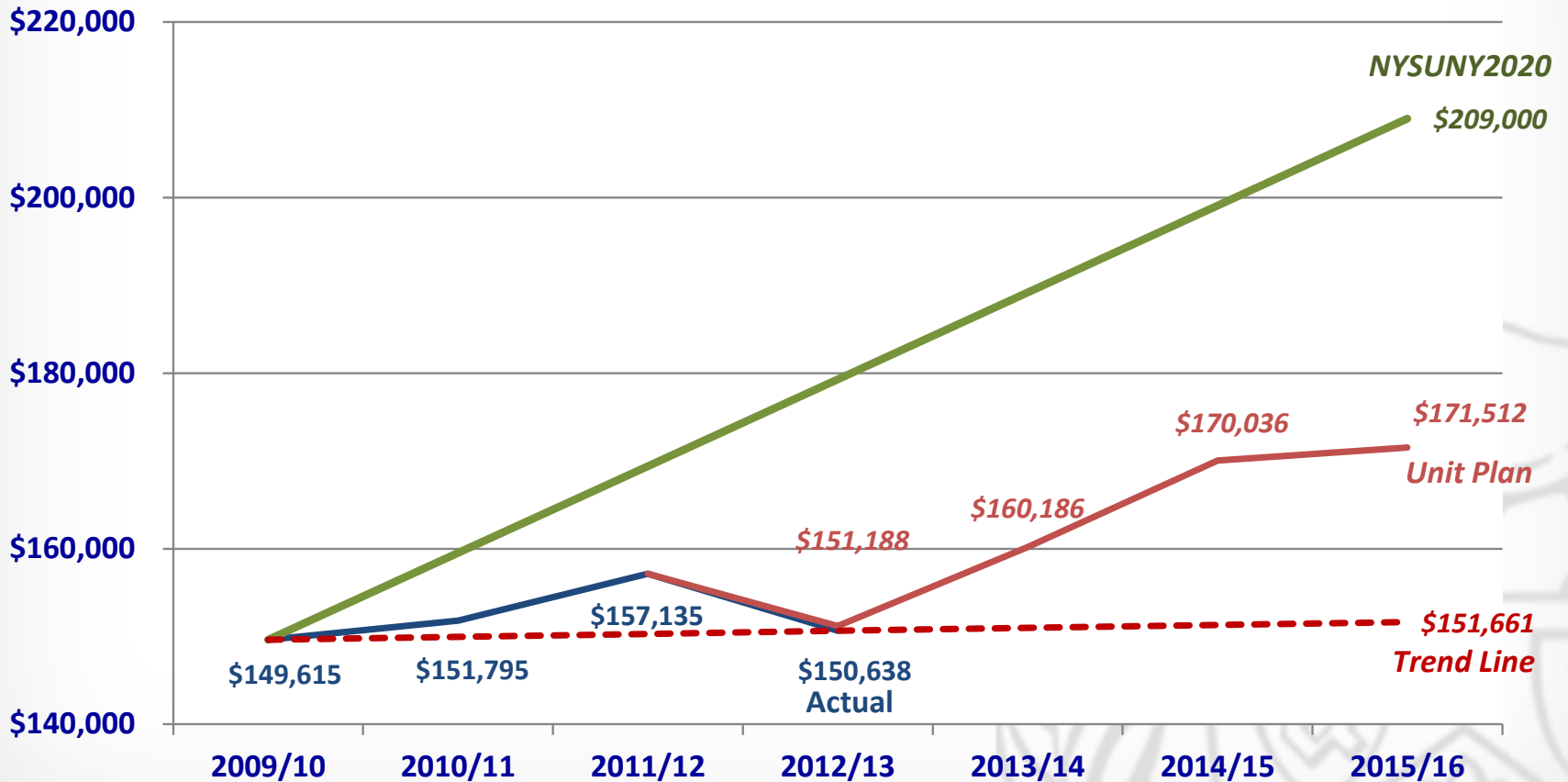
NOTE:

~ Trend Line amounts are based on average growth per FY from 2009/10 through 2012/13.

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RESEARCH

Expenditures
\$ in 000s

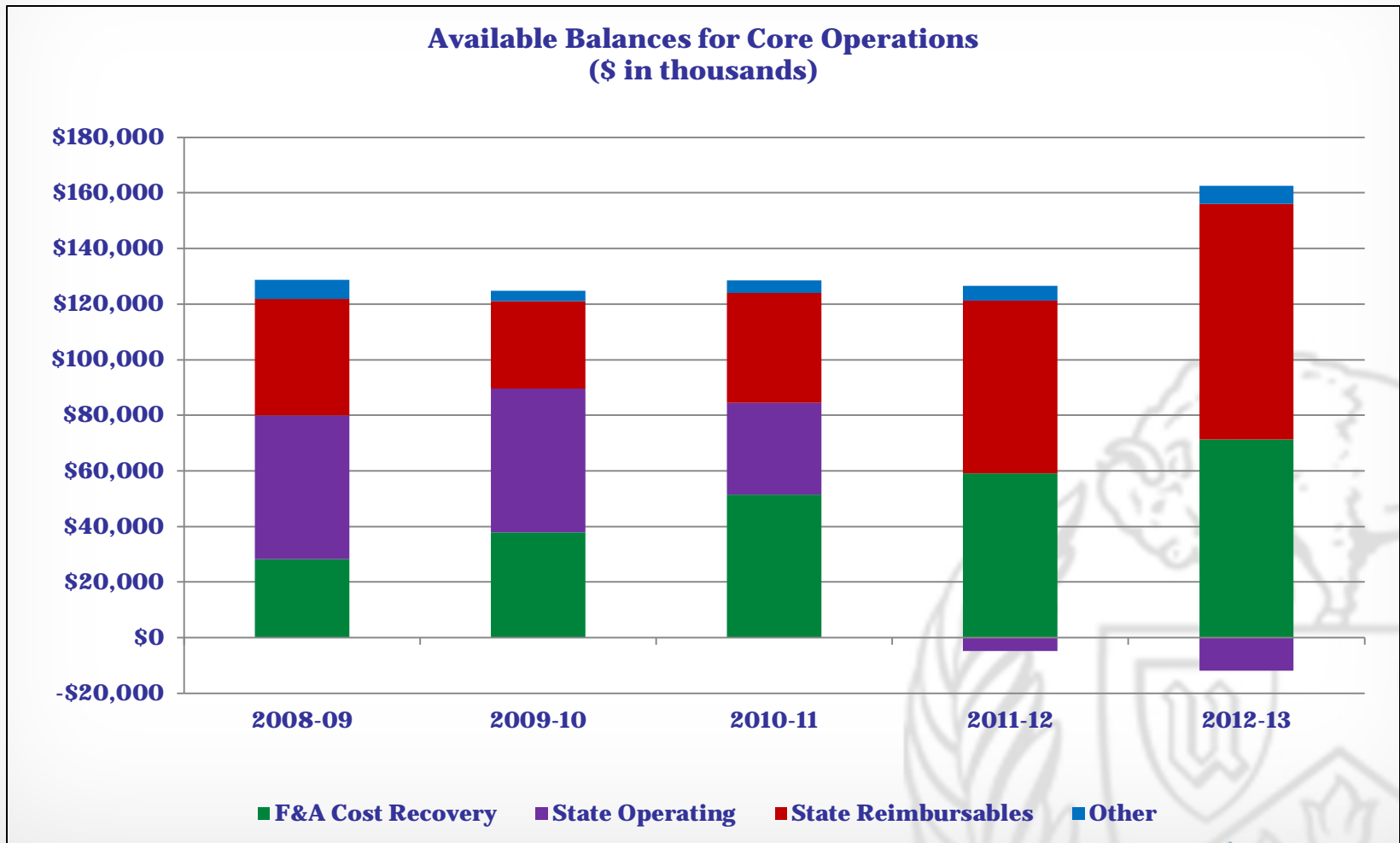


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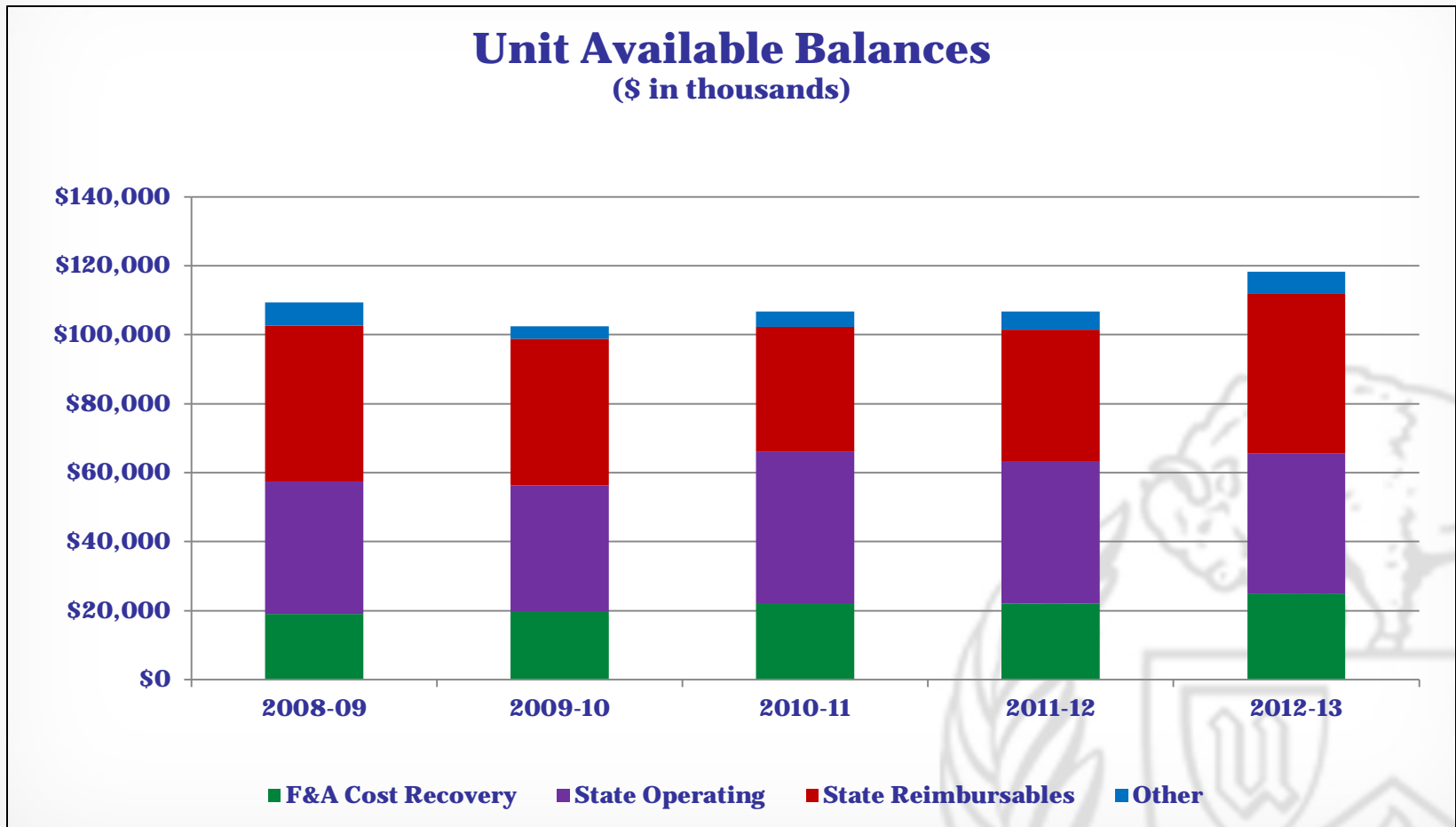
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UNIVERSITY FUND BALANCES



UNIT FUND BALANCES



OBSERVATIONS

- Our revenues are tightly coupled to our enrollments
- Our hiring plans are not at pace
- Our research productivity is not increasing
- We are not fully utilizing the our financial capacity: we have large carry forwards and these are concentrated in the units
- Our revenue world is changing

FINANCIAL CAPACITY

Unfunded Mandates (projected)

	Amount
U-Wide (High Needs, EIP, RIA, MCEER)	5,400,000
Capital (Operating and Personnel)	8,900,000
Negotiated Salary Increases (2013/14-2015/16)	21,500,000
Total	35,800,000

FINANCIAL CAPACITY

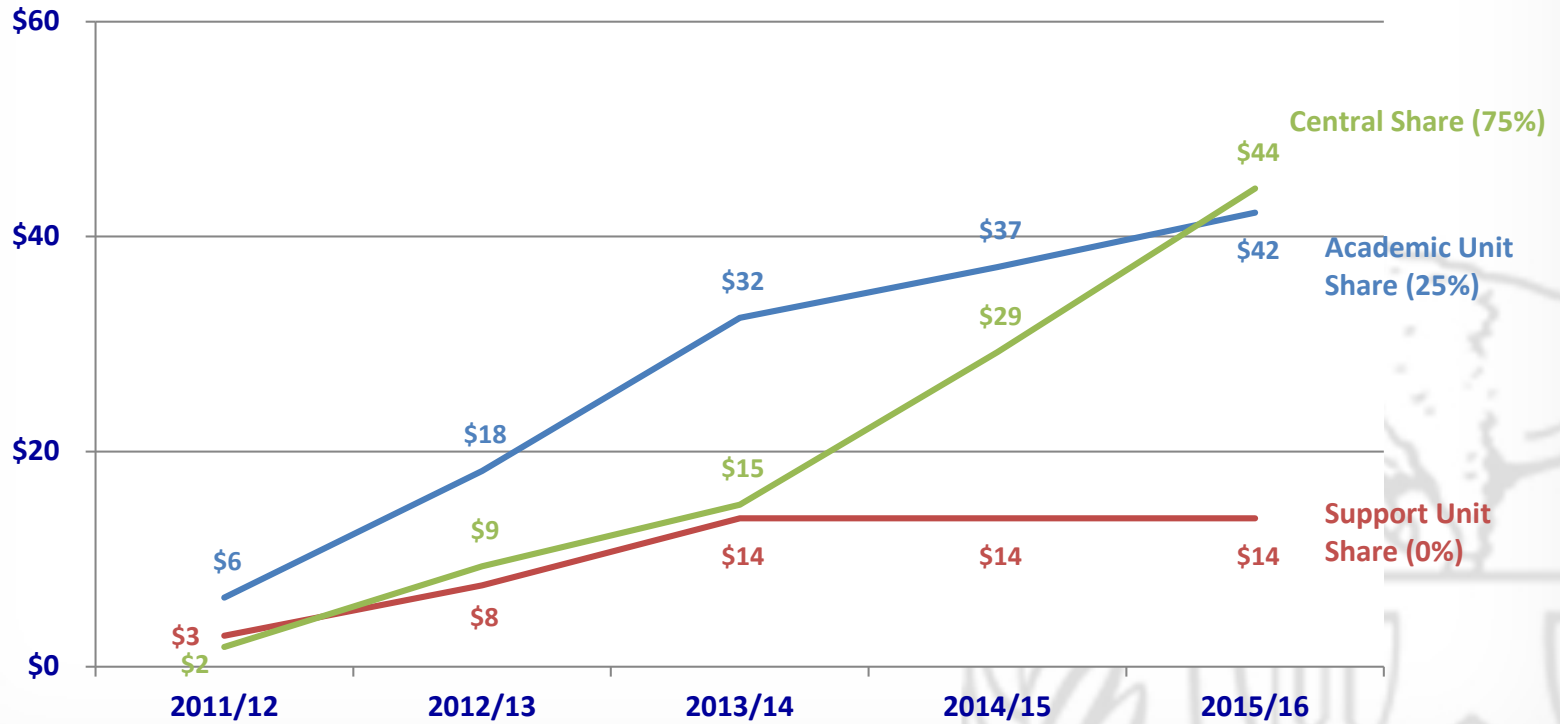
Recap

- **All-funds fiscal health**
- **Revenue expectations**
 - Enrollment volatility
 - No tuition increases after 15/16
 - Research trends suggest no growth
 - No net growth in other streams
- **Pressure on state funds must be abated**
 - Central requires more capacity for strategic initiatives
 - Units are underspending
 - Can other funds support State-funded costs?
- **Unfunded mandates – salaries, capital need**

KEY CHANGES

- **A new revenue sharing policy**
 - Tuition/ICR shares added to base for all units for 11/12-13/14
 - Academic units receive **25%** of tuition growth for 14/15-15/16
 - Academic support units receive **0%** for 14/15-15/16
 - ICR shares will be **12%** in FY 14/15 and beyond
- **A larger central fund for strategic investments**
- **New financial processes and management disciplines**

TUITION – SHARING New Funds \$ in M



CENTRAL FUND USES

- **New investments**
 - Communities of Excellence
 - Curricular distinction
 - Strategic infrastructure investments
 - RENEW
 - Genome Project
 - Extending 3E Commitments
 - Other priority task force initiatives
- **Addressing unfunded mandates**