



Budget Update
December 13, 2018

Dr. Virginia S. Horvath, President
12:30 pm
Rosch Recital Hall

Good morning! Thank you to all of you who came here today for this update on our progress and strategies in planning the Fredonia budgets for 2019-2020 and beyond. Thank you especially to all of you who have been part of continuing efforts in the past years to reduce costs, find efficiencies, stabilize enrollment, increase revenues, and seek new revenue sources. Special thanks to the Executive Cabinet members who have looked carefully at their divisions and made some difficult decisions about any changes: Terry Brown (Provost and Vice President for Academic Affairs), Cedric Howard (Vice President for Enrollment and Student Services), Michael Metzger (Vice President for Finance and Administration), and Kevin Kearns (Vice President for Advancement, Engagement and Economic Development).

Special thanks as well to all members of the extended Cabinet, including Bill Boerner, Steve Rieks, Xiao Zhang, and Denise Szalkowski. And thank you to the many groups and individuals who have met with me and the Cabinet, shared your concerns, questions, and ideas: the University Senate Planning and Budget Committee, Senate Executive Committee, College Council Chair Frank Pagano, UUP Chapter President Ziya Arnavut and the UUP Executive Committee, CSEA Chapter President Stephanie Teachman and the CSEA Executive Committee, Connor Aitcheson and the Executive Board of the Student Association, and leaders and members in other unions.

Thank you to the Eboard and members of the Art Forum who planned today's silent march before this event and are here to demonstrate their support for visual arts. Thank you to staff in Fredonia's Budget Office Ann Aldrich, Rachael Coon, and Judy Langworthy, and although they are not here today, leaders in SUNY System Administration who have provided guidance and support for these efforts (Chancellor Kristina Johnson, CFO Eileen McLoughlin, Provost Tod Laursen, and many others. The presentation slides and a text of the script will be available later today and posted on the President's Office and Budget Office websites.

I begin with two questions about why we're here. First, why are we here on this busy, cold day in the last week of classes? Meeting in December to talk about our budget is unusual. Every year I have given a presentation on the Fredonia budget at the end of the

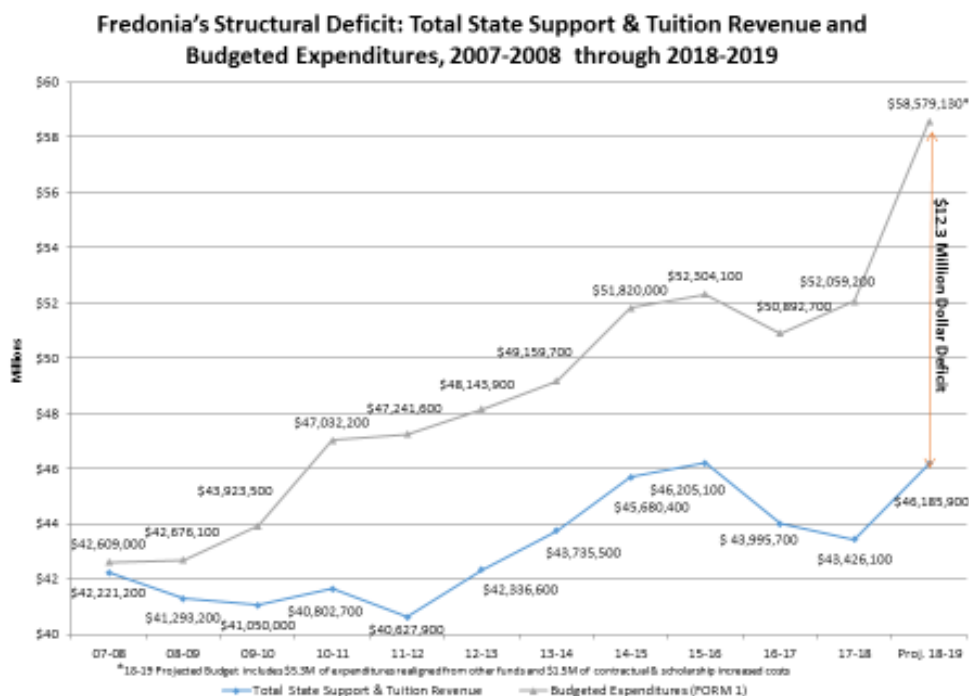
spring semester, as we have finalized planning for the next fiscal year. The enacted New York State budget is usually approved by early April, so those presentations—available on the website—have shown our projections for enrollment, state support, tuition/fees, and investment in the people and facilities here.

As I have noted in every budget presentation, this is a challenging time in public higher education, especially in key areas related to fiscal sustainability. Every year, we have shown the ways that Fredonia has worked to manage costs. The planning for this fiscal year, which began on July 1, 2018, included specific actions to reduce the structural deficit. The actions have been difficult for everyone, so before the semester closes, I wanted to provide this update on where we are and next steps in our planning.

The second question, though, is just as important: Why is each of us here at Fredonia? Students, faculty, and staff choose to be on campus for different reasons. As individuals, we have our *whys*: passion for learning and discovery, serving as mentors, developing capacities in this generation of students. Our reasons may be different, but the mission of Fredonia is at the center of our shared work.

Fredonia educates, challenges, and inspires
students to become skilled, connected, creative,
and responsible global citizens and professionals.

The university enriches the world
through scholarship, artistic expression,
community engagement, and entrepreneurship.



Many of you have seen this chart before, as it was included in the April budget presentation. This chart shows the progression of the structural deficit over the past decade. A problem that began in 2007 grew after the recession in 2008, and the high school population in Western New York declined dramatically.

The gap between the blue line (base state support and tuition revenue) and the gray line (expenses) rose above \$6 million by 2011-2012, and despite repeated efforts to control costs, it has stayed essentially the same. The projection for 2018-2019 showed a deficit of about \$12 million not because it has doubled but because we are showing it without the offsets that are used to make the deficit more manageable.

In April, I noted that we need to take action now to plan for our future. Despite our covering the deficit for over 10 years with more than **\$50M** in one-time funds and having salary savings over **\$9M** over the past six years, we had to use strategic reserves (based on higher enrollment in a few years), and in this budget year, the plan included depletion of those funds.

We are asked why these numbers change, but that is the difference between budget planning and projections versus actuals. The fluctuating expenses are negotiated salary increases, number of employees, and the actual expenditures for utilities/supplies/contracts, and unfunded mandates. The fluctuating revenues are enrollment (recruitment and retention), tuition, fees, NYS base funding.

Budget Impacts for State Regional Comprehensive Colleges

- Indirect state support for employee benefits
- **Base support:** \$18M (2007-08) decreased to \$13M (2018-19)
- **Tuition:** set by NYS legislature
- **Negotiated salary increases:** impact of recent contracts

2018-2019	2019-2020	2020-2021	2021-2022
\$3.4M	\$2.0M	\$1.0M	\$1.0M

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As part of a state system of higher education, Fredonia is glad to have the advantage of a strong SUNY voice in Albany, with Chancellor Johnson and others representing us in the political arena. We also have the advantage of state-wide unions, contracts, and

indirect state support. Because of the number of employees in each union across the state, the benefits far exceed what an individual campus could provide. That indirect state support is a clear advantage for Fredonia and all of SUNY.

A disadvantage, however, is that base support (state funds for campus operations) that once covered nearly 75% of campus budgets, now funds a much smaller proportion. None of us likes to see the cost shifted to students and families, but the price for all campuses is recommended by the SUNY Board of Trustees and approved by the NYS legislature. Unlike private institutions, we don't set our own price.

An advantage for SUNY faculty and staff is that the state-wide Bargaining Agreements ensure competitive salary levels. But a disadvantage is that there is no increase in state support for any negotiated raises. The recently ratified contracts for our two largest unions—UUP and CSEA—include well-deserved raises and back-pay for the two preceding years without a contract. I value the work of union leaders across New York to work with SUNY leadership in making the case for Maintenance of Effort as the Governor, Assembly, and Senate finalize the State budget. Each campus sees an increase in fixed costs as the raises are negotiated, but there is no corresponding increase in the base support to cover those costs. We are not alone in seeing the funding gap this creates, and how it increases over time.

We continue to do our part to manage our costs, in partnership with System Administration and elected officials.

Doing our part has meant controlling our costs and closing that deficit, even as the numbers change, based on planning assumptions that fluctuate.

Last spring, we developed a two-year goal to close an estimated \$8M deficit:

2018-19 target: \$5 M reduction (Actual: \$3.65M + \$1.25M offset)

2018-20 target: additional \$4.5M reduction in ongoing state costs

What is the urgency? Assumptions of an \$8M deficit last spring were based on a projected total student enrollment of 4,800 for this fiscal year and growth to 4,950 in the next fiscal year. Even with the large entering class this year, our total enrollment this fall is 4,657. Therefore, even with \$4.5M in reductions, we will not close this gap. With continued success in recruitment and greater attention on retaining students, the 2019-20 budget plan is based on a total enrollment of 4,700.

As anticipated, our strategic reserves will be depleted at the end of this fiscal year, and we must borrow \$3.4M from SUNY System for 2019-20 operations, with a multi-year plan for repayment. The situation is serious, as continuing to fund operations through borrowing is not possible.

To achieve the institutional savings target of \$4.5M this year, targets for each area were based on that division's percentage of the campus overall operating budget.

The savings we need as a campus to close the structural deficit are achievable through a combination of many strategies over the next few years. Reducing ongoing costs, defining and delivering the most essential services, ensuring that the size of the workforce is appropriate for the enrollment and physical size of the campus--PEPRE or no other approach can achieve that alone or in a single year.

PEPRE (Procedures for Emergency Program Reduction/Elimination) is the process developed several years ago to be prepared for a mechanism for reviewing programs and services across campus, and that process, as developed and approved through governance, has led to a narrowed list of programs, offices, and services under review. Chairs and supervisors of the programs or offices being considered will, if they wish, submit by February 1 rationales for continuing as is or changing the program or service to meet demand and reduce costs. The PEPRE team, which includes Senate designees, will read these rationales and decide on any reductions or eliminations.

In addition, we will intensify our scrutiny of requests to hire. For a decade, any vacancy has been examined in terms of the risks to programs, services, and health and safety were the position not filled. We will also be looking at restructuring and evaluation of non-reappointment for full-time employees without permanency.

In a more positive way, we have advocated for a campus-based retirement incentive, so that all long-term employees can retire with some appreciation for years of service. VP Mike Metzger has been working with SUNY System Administration since August on our proposed plan, and I'm glad that we can share the details of here as we await final approval.

Proposed Fredonia Retirement Plan

- All full-time Fredonia employees who are retirement-eligible
- Age 55+ with a minimum of 10 years of State service
- Lump-sum payments (non-state funds) based on years of service:

10 years to 14 years	20% of base salary
15 years to 24 years	30% of base salary
25 years +	50% of base salary
- Retirement between February 1 and June 30, 2019
- Email from HR on **January 11** will provide details about this proposed Plan, and information will be available on the HR website.

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We are grateful for the support of SUNY System leaders, with whom we have been discussing a campus-based retirement plan for all retirement-eligible employees at Fredonia. This includes UUP faculty and professionals, CSEA employees, and M/Cs. System administrators are discussing with political leaders in Albany the proposed

incentive for long-term employees. As final details are worked out and the plan approved at the System level, those who are eligible should consider their options over the winter break: plan to meet with HR, personal tax/investment advisors, retirement plan advisors (such as state system, Social Security, and/ or TIAA/VOYA), and family members.

There is considerable hard work to be done in the next months, as these key dates show the alignment in our extensive planning process:

- February 1: Fredonia Retirement Plan notification deadline
- February 1: PEPRE Step 4 deadline
- By February 28: PEPRE Team review of rationales/plans
- By March 15: PEPRE notification
- By March 15: Notification of non-reappointments
- April 15: Finalization of Restructuring Plans
- By May 15: Campus 2019-2020 Budget Presentation

By the end of the spring semester, I will present the details of our 2019-2020 budget plan, with actuals on this year's budget.

In the meantime, I will continue to use *Monday Updates* to keep you informed, and you are welcome to speak with me in the open office hours I hold each week.

Best wishes to those who are taking exams, finishing projects and papers, grading all that work, and planning for the next semester. If you are traveling, be safe, and enjoy the holidays.