Senate Committee on Budget and Fiscal Affairs
Report to the Senate, December 2017.

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1. **Fiscal Year 2017 Results and Fiscal Year 2018 Budget Projections**

The Senate Committee on Budget and Fiscal Affairs examined both the budget and the year end results for FY17 and the budget for FY18. Definitions of all terms used are presented here for clarity in the following sections.

Definitions of Sources:
Undergraduate, Graduate, and Law Tuition are the gross revenues from all "for-credit" tuition charged to students. Auxiliary direct revenues are largely accounted for by room and board charges but also includes other University auxiliary unit revenues such as athletic ticket sales, bookstore sales, and parking fees revenue. Sponsored F&A recovery is that portion of sponsored research funds that covers facilities and administration. Academic Other includes program fees, course fees, applications fees, deposit forfeitures, and other academic sources of funds. Academic Initiatives are one time funds for new academic initiatives such as seed money for new programs or projects, temporary funding for faculty hires or start-ups. Grants and contracts are sources of funds from sponsored research and teaching. Endowment distributions are the portion of endowment earnings that is used as a source of funds each year; this amount is based on a 3-year average of the market value of the endowment. Gifts are one-time donor gift receipts received in that budget year.

Definitions of Uses:
Salaries are those paid to faculty and staff. Fringe Benefits are the cost to the university of healthcare, retirement contributions, employee tuition benefits, statuary benefit costs such as FICA, worker's compensation, disability and unemployment, and other benefit costs such as dental, vision, life insurance, salary continuation, wellness and childcare initiatives. Operating and Equipment are the direct costs associated with running each unit not accounted for by the categories above. Online Vendor Fees are the administrative fees charged by third-party vendors, such as 2-U, that market and administer online programs for the schools and colleges. Capital Projects are the costs of infrastructural projects of $100K and above, funded directly by schools, colleges and other responsibility centers. Undergraduate, Graduate, and Law Financial Aid are the costs of all aid, i.e., aid funded by tuition and restricted funds, granted to students in each category across the university. Debt service is interest and principal payments for repayment of university debt.

Administration is the collection of costs that fund administrative, academic and administrative support units such as Academic Affairs, which includes Library, Enrollment

Management and the Student Experience, Office of the Vice Chancellor & Provost, Research Administration, University Art Collections, Office of Institutional Research and Assessment, Academic Programs, Graduate Studies, and Information Technology and Services. Other support units include Veteran and Military Affairs, University College, Business, Finance & Administrative Services, Office of the Chancellor, General Counsel, and Board of Trustees, Human Resources, and Advancement and External Affairs. Also included is space costs for all support units as well as central University expense such as audit, professional and legal fees. Some general university revenues such as unrestricted gifts, endowment income and other miscellaneous fees offset pooled costs.

Facilities and Network are space-related costs for the university's buildings, grounds, general infrastructure (i.e., capital renewal projects), and network infrastructure.

Definitions of Subvention and Participation:
All units pay a revenue-based assessment referred to as participations, which is credited to the subvention pool. Academic units and certain other responsibility centers receive indirect revenue in the form of subvention from the participation/subvention pool. The balance between Subvention and Participation varies by unit, sometimes considerably. These funds account for a little over 8% of all funds in the university budget. Additionally, subvention is used to fund initiative funds, debt service and research support.

FY17
The university's financial results for FY17 were an improvement from budget. Sources (revenues) were 0.4% below budget projections, but uses (expenses) were 1.6% below budget resulting in a $17.2 M increase in carryover balances.

The lower than projected sources were a result of graduate enrollment being lower than planned (it should be noted graduate income grew in FY17 by approximately 9%, but had been projected to grow more) and a decrease in endowment distributions. These revenue reductions were offset by better than projected performance in undergraduate tuition, law tuition, auxiliary revenues, and grants and contracts.

The lower than projected uses were a result of savings over budgeted amounts in fringe benefits (these can be highly variable from year to year due to fluctuations in workers compensation and healthcare expenses etc.), undergraduate financial aid, graduate financial aid, and online vendor fees (these last two being the natural consequence of lower than projected graduate income).

FY18
The university budget for FY18 is presented in Figure 1. Items of note include: planned growth in graduate and law tuition income of 9% and 10% respectively, with attendant growth in online vendor fees and law financial aid respectively, and conservative projections for larger growth in fringe benefits and academic and administrative support (as both were under budget in FY17).

Trends in Sources
As is clear from Figure 2, which shows the proportions of sources that are accounted for by the various categories of funds, Syracuse University is a tuition dependent institution with student tuition, room, and board accounting for a significant majority of all available funds.

Grants, contracts, sponsored F&A, endowment disbursements, and gifts make up less than 10% of total sources.

Figure 3 shows the growth in total university undergraduate tuition income (gross and net) and total undergraduate financial aid from 2007-2017 and projected growth for FY18. This growth reflects *both* increases in tuition rates and tuition volume. Net undergraduate tuition has on average grown more slowly than gross, as financial aid has increased.

Figure 4A shows the growth in gross graduate tuition income 2014-2017 and projected growth for FY18 alongside the net tuition for online graduate programs, law, and all other graduate programs respectively (accounting for graduate and law financial aid and online vendor fees). It is worth noting here that the primary driver of growth in net graduate tuition in recent years has been growth in ***net*** tuition from online programs (this can be seen more clearly in Figure 4B which shows trends in net graduate tuition).

Figure 1: *FY18 Budget*

University Funds x $1000	Budget 2018
SOURCES:	
Undergraduate Tuition	661,394
Graduate Tuition	172,777
Law Tuition	29,769
Auxiliary direct revenues	272,720
Sponsored F&A	8,997
Academic Other	20,487
Academic Initiatives	7,233
Grants and Contracts	54,136
Endowment Distributions	14,831
Gifts	34,178
Subvention	114,377
Total Sources	1,390,899
USES:	
Salary	306,169
Fringe benefits	100,383
Operating and Equipment	186,921
Online Vendor Fees	34,519
Capital Projects	29,388
Undergraduate Financial Aid	253,574
Graduate Financial Aid	55,854
Law Finacial Aid	14,332
Debt service	23,796
Administration	220,781
Facilities	48,200
Participation	114,377
Total Uses	***1,388,294***
Net Change in Carryover Balances	2,632
Beginning Carryover Balances	142,188
Ending Carryover Balances	144,820

Figure 2: *FY 2018 Budget: Sources of Funds*

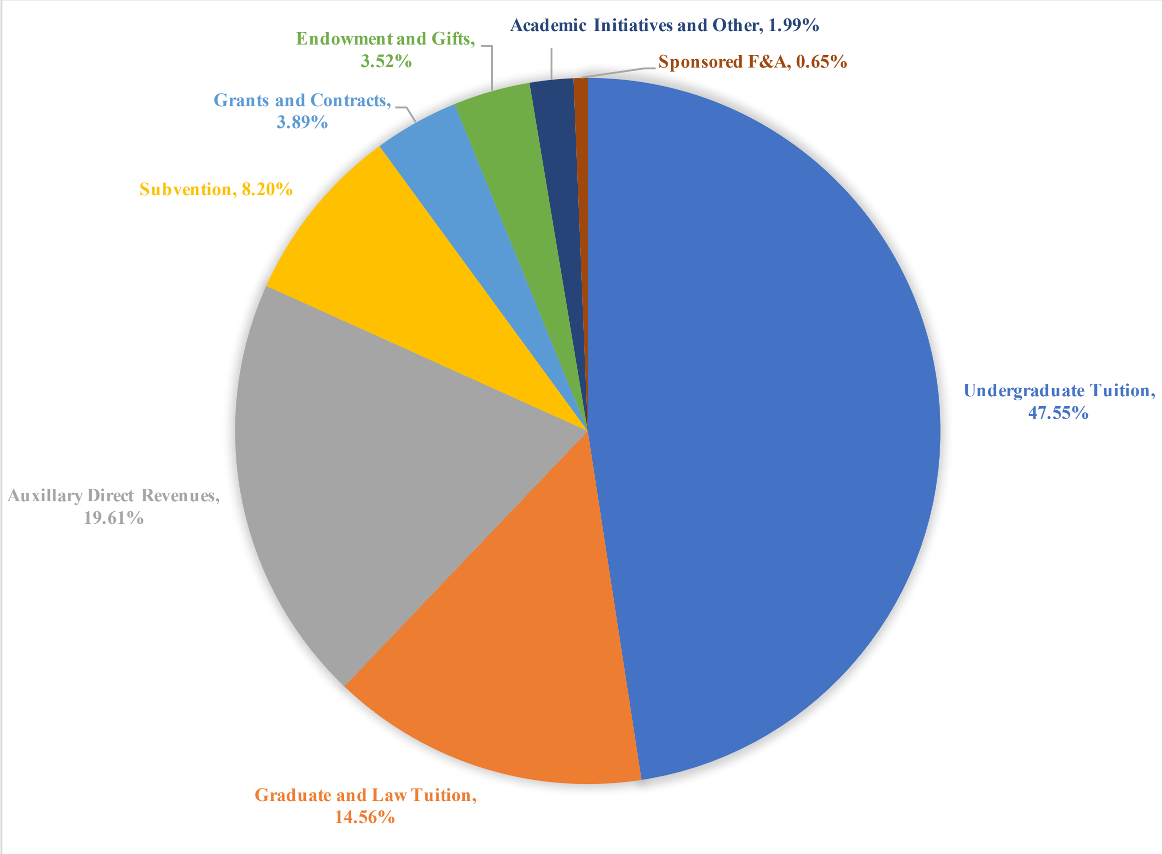


Figure 3: *Trends in Total Undergraduate Tuition Income*

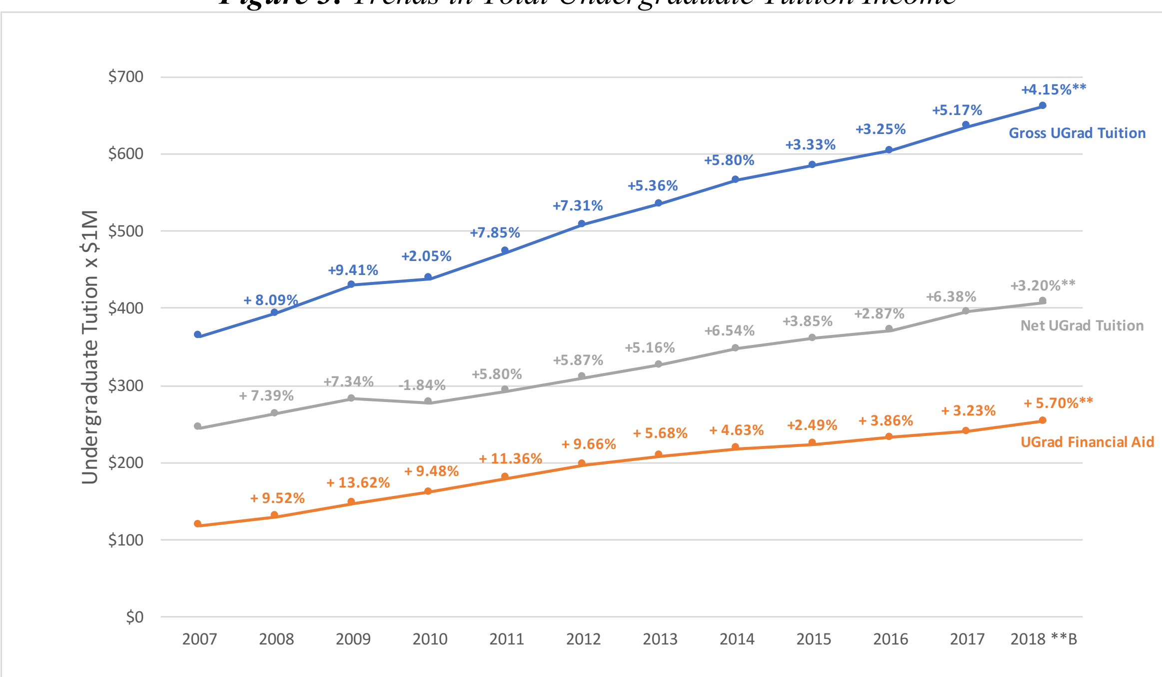


Figure 4A: *Trends in Graduate Income*

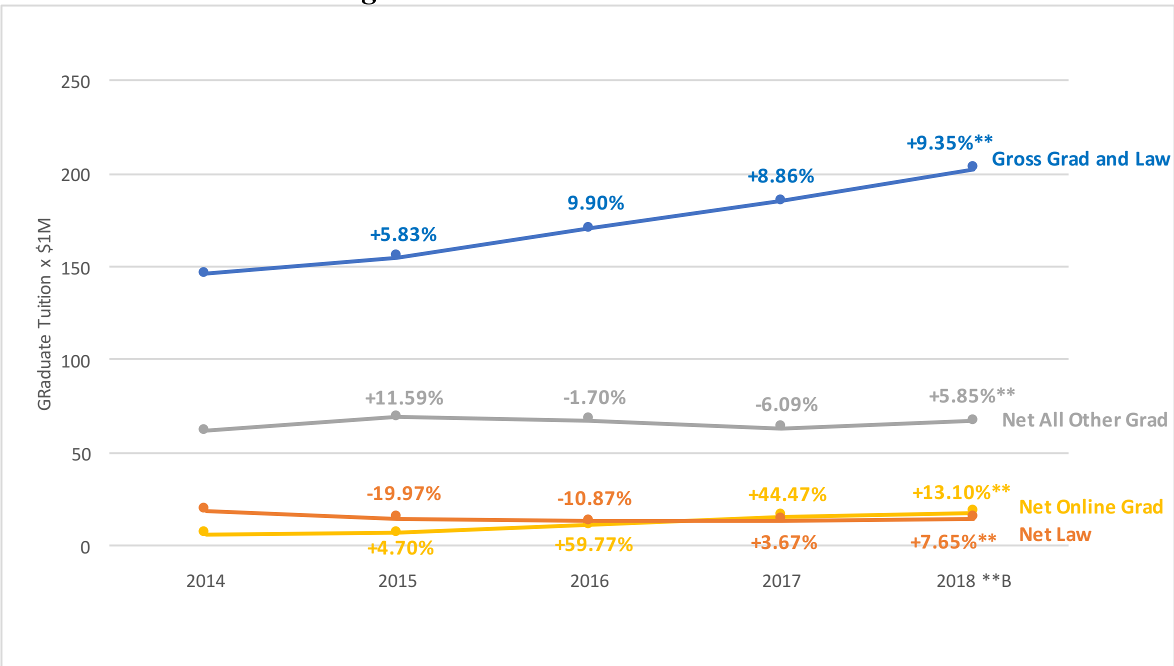
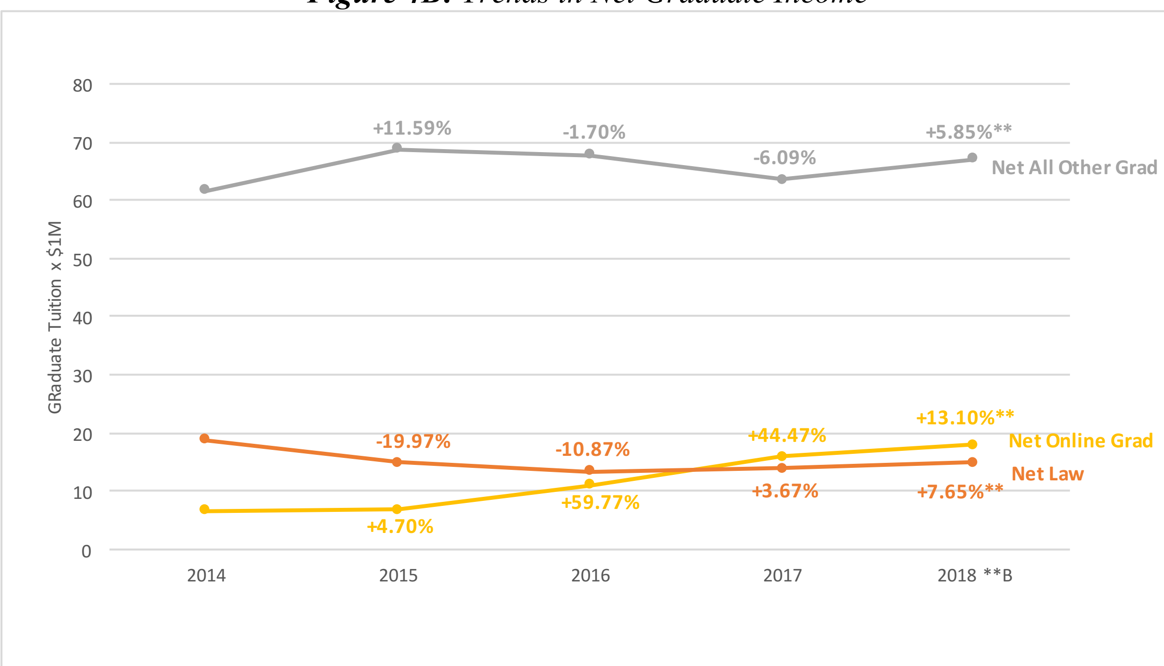


Figure 4B: *Trends in Net Graduate Income*



Trends in Uses

Figure 5 shows the proportions of uses that are accounted for by the various categories of funds. Salaries (and the associated fringe benefits) are the largest single category of use. Undergraduate student aid, the administrative cost pools, and operating costs make up the bulk of the remaining uses. Growth in student aid can be seen in Figure 3, while Figure 6 shows the growth 2012-2018 Budget in the other significant categories of use.

Figure 5: *FY 2018 Budget: Uses of Funds*

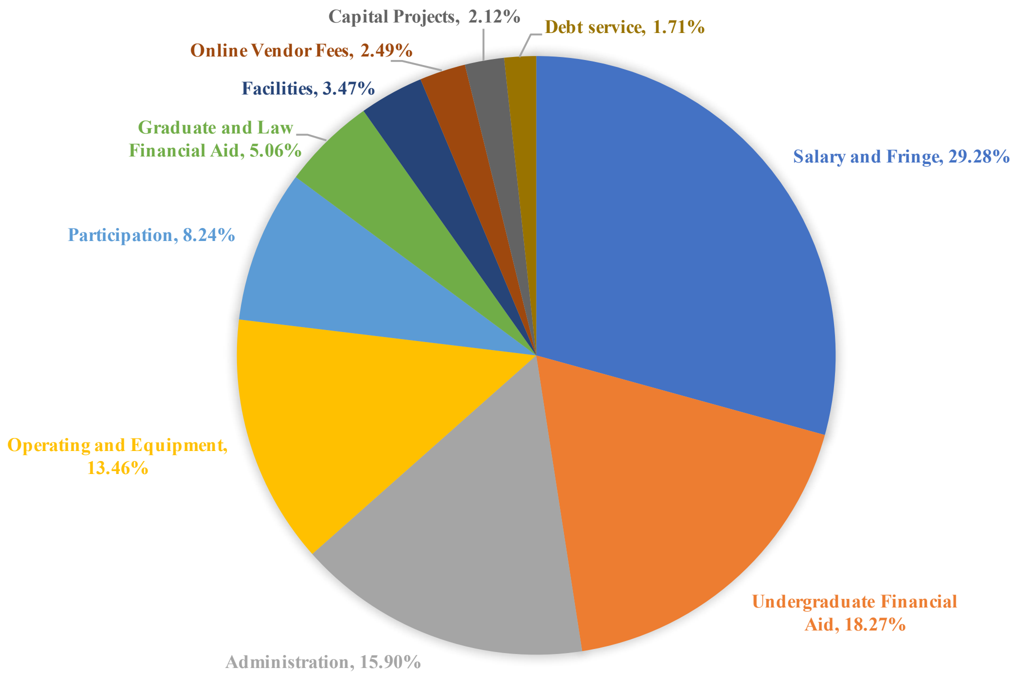
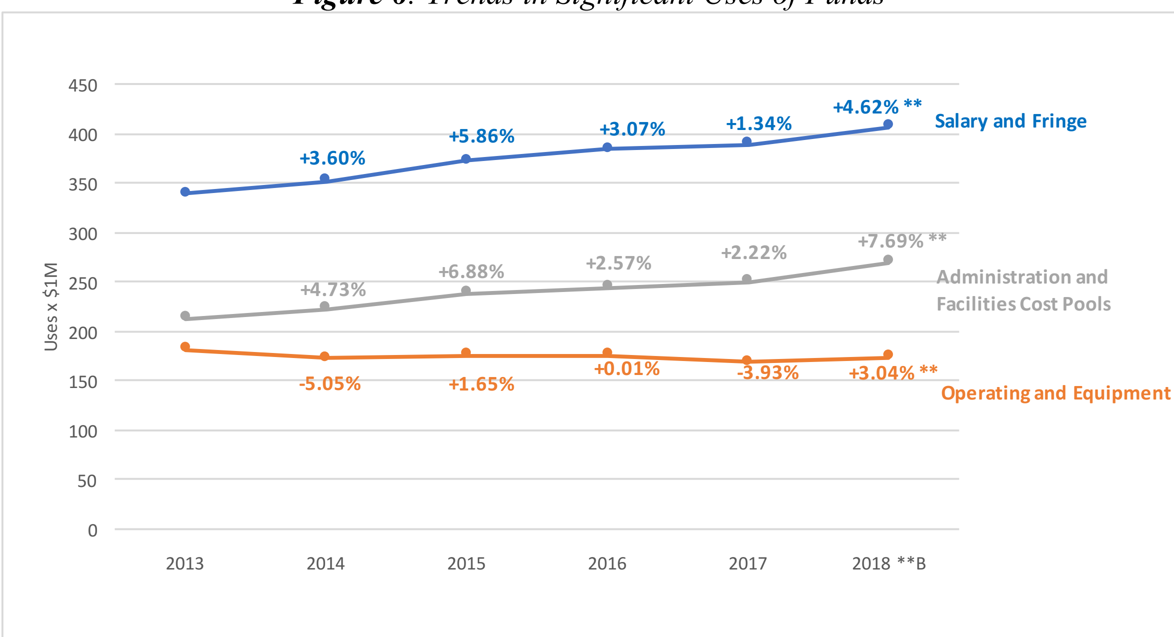


Figure 6: *Trends in Significant Uses of Funds*



2. VSIP, Salaries, Bain

In 2015 as part of Workforce planning and Fast Forward, the VSIP program was initiated. There have been a number of requests from Senate Members and from the Committee on Budget and Fiscal Affairs for a full report on the outcomes of the VSIP program: the numbers of staff who took up the program, the number of positions that were ultimately reduced, the associated cost savings, and what those savings were used for.

Since 2014 the AAUP Committee Z Report tabulating faculty salaries across campus is no longer produced on an annual basis. In response to faculty concerns on this issue the Provost convened a Taskforce to come up with both an alternative reporting structure and recommendations regarding faculty salary equity more generally. The committee looks forward to the publication of that report shortly.

The Bain report of 2014 had a number of findings concerning salaries at Syracuse University for both faculty and staff. Among the findings that the committee found most pressing was their assertion that salaries above $125,000 grew at faster rates than those below that number during the study period. A full report to the Senate on this matter by this committee would require access to confidential salary information, and significant time investment.

In order to facilitate a transparent and informed discussion on salaries across the university, the committee wrote to the Chancellor suggesting that he, or Chief Human Resources Officer and Vice President Andrew Gordon, might take the opportunity of the Faculty Salary Taskforce report to the Senate as an opportunity to report to the Senate and the wider university community on the issues raised above. The Chancellor reported to the Senate in the November meeting that he has received the memo and will respond in due course.

3. **Health Care Provider Switch**

Beginning on January 1, 2018, Excellus BlueCross BlueShield (Excellus) will serve as the administrator for the Syracuse University Medical Plan. Syracuse University is self-insured and the change in administrators is not associated with higher co-pays or a change in the services covered by the health plan. These and any other changes to the health plan are determined by the university's Administrative Benefits Committee in consultation with the Office of Human Resources, health care experts, and the Benefits Advisory Council. Like POMCO, Excellus will administer the university's plan.

Syracuse conducts routine reviews of its health plan administrator and the contracts are renegotiated every three to five years. The previous administrator, POMCO, was purchased by UnitedHealth Group and this was the main reason for this recent change. Prior to 2009, Excellus administered the university's medical plan. In addition, Excellus has the largest nationwide provider network.

Syracuse actively manages health care costs and has historically outperformed the national average. National health care costs have increased 6-7% annually on average. Over the past few years, the university's health care costs have increased annually by an average of 4.6%. Employee contributions have increased an average of 3% annually during this period.

4. **5 and 10-year Budget Planning**

The University routinely engaged in five-year, long-range budget planning until fiscal year 2017 when ten-year budgeting was implemented at the request of the University's Board of Trustees. In response to interest in the University's ten-year budget plan expressed periodically by the University Senate, the following information is offered.

Long-range budget plans of five to ten years are relatively common in large organizations, employed to provide an awareness of trends that may potentially influence the organization's financial position in the longer term. A long-range budget plan may identify financial risks that can be addressed during planning processes. At the initial stages of the annual budget planning process, planning assumptions are typically formulated by central administration and the central budget office, which are used by individual units to use in conjunction with projections made by respective deans or department heads in building out the ten-year plans by unit.

The University's ten-year forecast is updated as part of the University's annual budget and planning process. Schools, colleges and other responsibility centers work collaboratively with the Office of Budget and Planning to update their individual budget plans. Ten-year forecasts are initially adjusted to reflect general planning assumptions such as tuition, room and board, student fees, financial aid, compensation, and indirect cost assessments. Unit specific adjustments such as planned enrollments, faculty and staff changes, and other adjustments occur to facilitate the alignment of each unit's budget plan with its current strategic plan. Planning assumptions for the upcoming update of the University's ten-year forecast are currently being formulated. Recent years' planning assumptions included:

- tuition increases in the range of 3.5% to 3.9%,
- room and board increases of 2.0% and 2.5% respectively,
- salary increases of 2.0% for staff,
- salary increases of 2.0% - 3.0% for faculty,
- salary increases of 2.5% - 7.0% for graduate assistants,
- no increase in operating costs,
- increases in financial aid discount rates 0.0% - 1.0%,
- increases in academic, student and administration support of 3%,
- increases in facility related costs of 3.0%, and
- no increase in the participation assessment rate.

Initial planning assumptions for the current year ten-year update will likely coincide with prior year rates. Detailed planning occurs in the first few years of unit budget plans with an awareness that there may be major events that occur after year three to five that could change the current planned ten-year trajectory. It is rare that long-term projections are widely shared due to the significance of unknown factors, making them less relevant for greater public consumption. However, the long-range plan exercise serves to alert leadership of signs of financial distress and identify the need to identify alternatives for solutions and corrective action plans.

5. Invest Syracuse

On Monday August 28th, the committee heard a presentation from Provost Michele Wheatly, Chief Financial Officer Amir Rahnamay-Azar, Chief Advancement Officer Matt Ter Molen, and Senior Vice President for Enrollment and the Student Experience Dolan Evanovich, regarding the Invest Syracuse strategy. The committee offered observations to clarify and refine the presentation before it was presented to the wider university community. In Spring 2018 the committee will meet again with Provost Wheatly, Vice President Dolan, and Matt Ter Molen to discuss Invest Syracuse in greater detail.

6. Graduate Tuition

Trends in graduate tuition income were presented in Figure 4 and 4A. The committee met with Associate Provost and Dean of the Graduate School, Peter Vanable, to discuss challenges and opportunities with respect to graduate income for the university and his office's role in fostering growth and quality in this area. Dean Vanable provided the committee with data on: PhD graduates across the schools and colleges; graduate and law tuition; graduate and law financial aid; online vendor fees; and trends in same for the last 5 years. Significant discussion items included:

- The goals of the Dean of the Graduate School, specifically: focus on oversight and support of masters and professional programs; growth in PhD production and the attendant impact on Carnegie R1 Classification; consolidation and growth of staffing to better support graduate programs; and the strengthening of relationships with all schools and colleges.
- The committee's concerns regarding the need for a budget to support market analysis, marketing, and enrollment management for new and existing graduate programs.
- The committee's concerns regarding improvement of both centralized and decentralized career services for graduate students.
- The committee's suggestions for lowering barriers to including PhD students on sponsored grants by waiving graduate tuition for students so supported.
- The committee's concerns regarding the implication of current proposed changes to the US tax code and US immigration policies for continuing growth and quality in graduate enrollment.

7. Future Reports

The Senate Budget Committee on Budget and Fiscal Affairs will report to the Senate again in February 2018 and April 2018. Items on our agenda for future reports this AY include:

- Research Funding
- International Students and income growth.
- The Campus Framework and the associated funding structures, specifically the Dome, the ARCH, and NVRC building projects,
- Investments in HR
- Investments in Advancement
- Investments in Enrollment, the Student Experience, and Invest Syracuse.
- FY 19 Budget Planning Assumptions.

The Senate Budget Committee on Budget and Fiscal Affairs would like to acknowledge the invaluable assistance of Gwenn Judge and Cynthia Carnahan of the Budget Office with all of our work this semester, and the preparation of this report. Likewise, we thank our guests Provost Michele Wheatly, Chief Financial Officer Amir Rahnamay-Azar, Chief Advancement Officer Matt Ter Molen, Senior Vice President Dolan Evanovich, Associate Provost Roberta Jones, and Associate Provost and Dean Peter Vanable, for their time and their collaboration.