

SENATE COMMITTEE ON BUDGET AND FISCAL AFFAIRS

November 7, 2007

This is the first regular report from this Committee to the University Senate this academic year. The current fiscal year (FY 2007-8) is the second full year of operations under the Responsibility Center Management (RCM) budget system. It is the first opportunity to review the impact of the change to RCM budgeting. In this report, we (1) review FY 2006-7 budget versus actual revenues and expenditures as revealed by the July 1, 2007 budget reconciliation, (2) report on activities of the Senate Budget Committee in the current academic year, (3) report on recent activities of the RCM committee, and (4) outline planned activities of the Senate Budget Committee for the remainder of the FY 2008-9 budget planning cycle.

Fiscal Year 2006-7 Budget Reconciliation

The institution's bottom line fared well in the July 1 reconciliation. The FY 2006-7 budget called for net sources and uses¹ of negative \$13.7 million. This meant that units were expected to draw upon carryover and reserve funds or revenues generated in excess of budget in order to balance their budgets on July 1. In fact, the reconciliation showed that total carryover and reserve balances decreased by only \$5.9 million, i.e., by \$7.8 million less than budget. This happy outcome arises from unexpectedly favorable comparisons (budget versus actual) on both the revenue and expense sides of the ledger. These include, on the revenue side,

- Net tuition income from higher than expected enrollment and a lower than expected discount rate
- Additional overhead return resulting from unanticipated growth in sponsored research

On the expense side some of the factors accounting for the favorable difference were

- Lower than expected compensation expenditures
- Lower than expected debt service expenditures
- An increased propensity for units to cover some of their expense budget using restricted funds.

One must be careful in interpreting the reserve balance. It includes both restricted and unrestricted reserves, and some fraction is already committed.

Almost all individual responsibility centers emerged in better financial condition after the first full year of RCM. Many responded to RCM incentives by diversifying their revenue sources and by aligning sources and uses more efficiently. Many centers saw net growth in both restricted and unrestricted reserves and almost all had net growth in their combined restricted and unrestricted reserves. Many units increased their emphasis on fundraising.

¹ This figure excludes carryover and reserves.

Details on the FY 2006-7 budget to actual reconciliation can be found on the Office of Management and Budget web site: <http://budplan.syr.edu>.²

The Office of Budget and Planning will produce a revision of the FY 2007-8 budget in late October. This revision takes into account actual fall enrollments and any changes in the tuition discount rate. It will be one of the primary starting points for the design of the FY 2008-9 budget.

Update on Senate Budget Committee Activities

In addition to its review of the outcome of the first year of RCM budgeting, the Committee invited Chancellor Nancy Cantor, Treasurer Barbara Wells, and Vice President for Enrollment Planning Donald Saleh to separate meetings in order to hear their views on issues that will affect the FY 2008-9 budget.

The committee also heard a report from Executive Vice President and Chief Financial Officer Louis Marcoccia on factors that will influence the committee's recommendation on the Room and Board rate increase, and from Vice Chancellor and Provost Eric Spina on the current distribution of faculty salaries in comparison with recent history and with salaries at peer institutions.

The committee also discussed the recent Senate resolution introduced by the Senate Committee on Lesbian, Gay, Bisexual, and Transgendered Concerns that calls upon the institution to implement changes in fringe benefits and eligibility for fringe benefits. The committee strongly recommends that decisions on implementation of this resolution be made in view of a careful assessment of its possible budgetary impact.

Update on RCM Committee Activities

RCM Committee activities centered on review and oversight of the work of two task forces charged to conduct a first round of planned annual RCM Special Studies. The purpose of RCM Special Studies is to evaluate key areas of the University and to provide advice and recommendations on the use of resources to accomplish that area's mission. Topics for Special Studies are to be selected by the RCM Committee in consultation with the academic deans and the Senate Budget Committee.

The two task forces met through the summer and submitted their final reports to the RCM Committee in September. One task force studied operations of Information Technology Services (ITS) and the other studied the structure of the University fringe benefits package in comparison with those offered by other institutions. The ITS report has been thoroughly reviewed by the RCM committee and its main recommendations accepted for action in the current and subsequent fiscal years. Findings of the fringe benefit task force are still under review.

² The latest 2007-8 Macro budget column differs from the April report in that carryover and reserve balances reflect July 1 actuals.

Planned Committee Discussions and Activities in Fall 2007

The Committee will meet with Associate Vice President Neil Strodel, and Karen Morrissey, Director of Benefits, Compensation, and Human Resource Services as it continues to gather data relevant to its January report to the Senate. The January report will include recommendations on the tuition rate increase, the pro forma salary increment, and other key parameters that will determine the final version of the FY 2008-9 budget.

The Committee also plans to study the impact of RCM budgeting on academic units which rely heavily on indirect funding. These include SU Abroad, the Honors Program, University College, and the Library.

The Committee asks the help of all Senate committees in the early identification of issues that may have a significant budgetary impact.

Senate Committee on Budget and Fiscal Affairs

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