



2018 - 2019 Budget Update

President Virginia Horvath
April 30, 2018

Good morning! Thank you to all of you who came here today to learn about Fredonia's budget for 2018-2019. When I heard that some faculty were planning to bring entire classes to this presentation, I realized that the original location would not be large enough to accommodate everyone, so thank you to Jefferson Westwood and Eric Hadley of the Rockefeller Arts Center for making King Concert Hall available. Thank you especially to all of you who have been part of our efforts in the past years to reduce costs, find efficiencies, 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), Kevin Kearns (Vice President for Engagement and Economic Development), and Betty Gossett (Interim Vice President for University Advancement). 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 PEF and Police Benevolent Association unions.

I also thank the members of our university budget team for all of their work with Vice President Mike Metzger to provide information and to make significant changes in how we approach budgeting: Ann Aldrich, Rachael Coon, and Judy Langworthy. I began hounding this team on January 4, when we met for two full days to talk about budgets across campus and to begin strategizing for new ways of reporting information and giving greater budget authority to vice presidents. You've been knowledgeable and patient, and you've worked weekly with Vice President Metzger to focus on managerial accounting. Our timeline was short, but you came through. And as Mike has said, the work on next year's budget will begin on July 1, so we'll be ready.

From all of these introductions and thanks, you all can see that we are a university community working together to manage Fredonia's financial challenges and work toward stability, and I value your presence and ideas this morning.

I'll begin with direct answers to some of the questions that have been posed to me, aware that some of you are hearing about details of the university's budget for the first time, while others have had their eyes on the spreadsheets, screens, and planning documents for years. The presentation slides and a text of the script will be available later today.

First, to address directly some of the rumors spreading around campus and in the community, I'll answer the question, "What is our financial situation?"

- We are not out of cash.
- We are not on the brink of bankruptcy or closing.
- We need to reduce our expenses to avoid borrowing next year.
- We continue to succeed with the *Nurturing Innovation* campaign (having reached \$14M of our \$20M goal).
- We continue to work toward new revenue streams for unrestricted funds.
- We have continued good news about enrollment.

Those who came to this presentation may be interested in the finer points of accounting and higher education finances, and it is a chance to learn about that, but probably you were more motivated by wondering, "What can we expect?" Here are my brief answers about our continuing priorities at Fredonia.

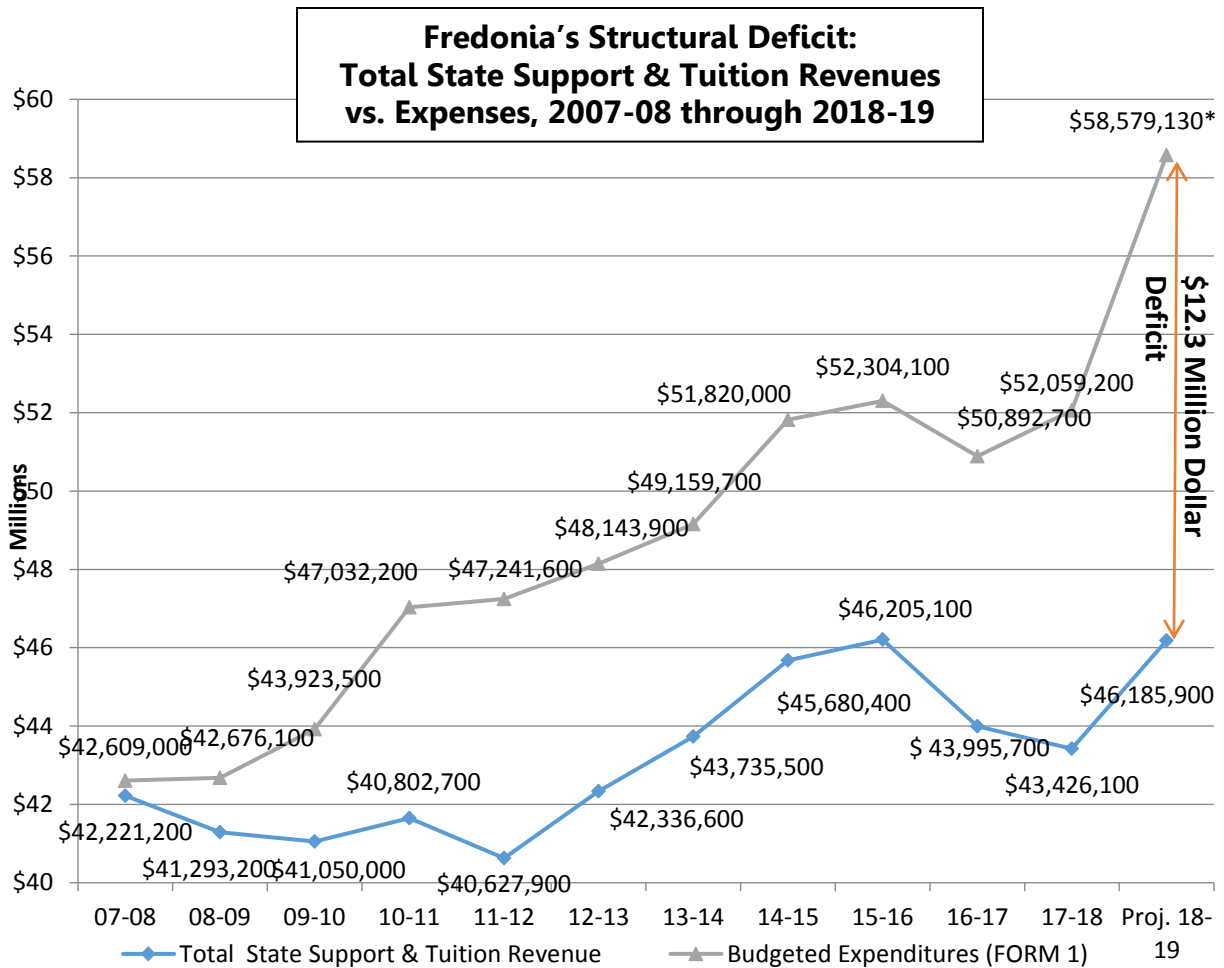
- Continued commitment to quality education and student success
- Continued employment of full-time faculty and staff
- Continued processes for contract renewal/non-renewal of contingent and UUP Appendix A and B employees
- Continued processes for efficiencies in class scheduling and use of spaces
- Clearer alignment and communication in budgeting
- **Fiscal responsibility:** addressing the structural deficit

If you have heard rumors or read my messages about the budget cuts this year, you're probably asking, "Why are there budget cuts?"

Since 2007, Fredonia has had a structural deficit (a gap between revenues and expenses) in the state operating budget. The deficit increased from **\$400K** in 2007-08 to **\$6.4M** in 2010-11 and continuing from that time, after one-time offsets and covered by moving one-time funds, such as fee support. Despite our covering the deficit for more than 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 some reserves in 2017-2018 to make up the difference. We will have to use reserves again in 2018-2019, as projected, but when they are depleted, ***we want to avoid borrowing.***

This chart shows the progression of the structural deficit over the past decade. The gap between the blue line (state support and tuition revenue) and the gray line

(expenses) rose above \$6 million by 2011-2012, and despite many efforts to control costs, it has stayed essentially the same. The projection for 2018-2019 shows 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.



*18-19 Projected Budget includes \$5.3M of expenditures realigned from other funds and \$1.5M of contractual & scholarship increased costs.

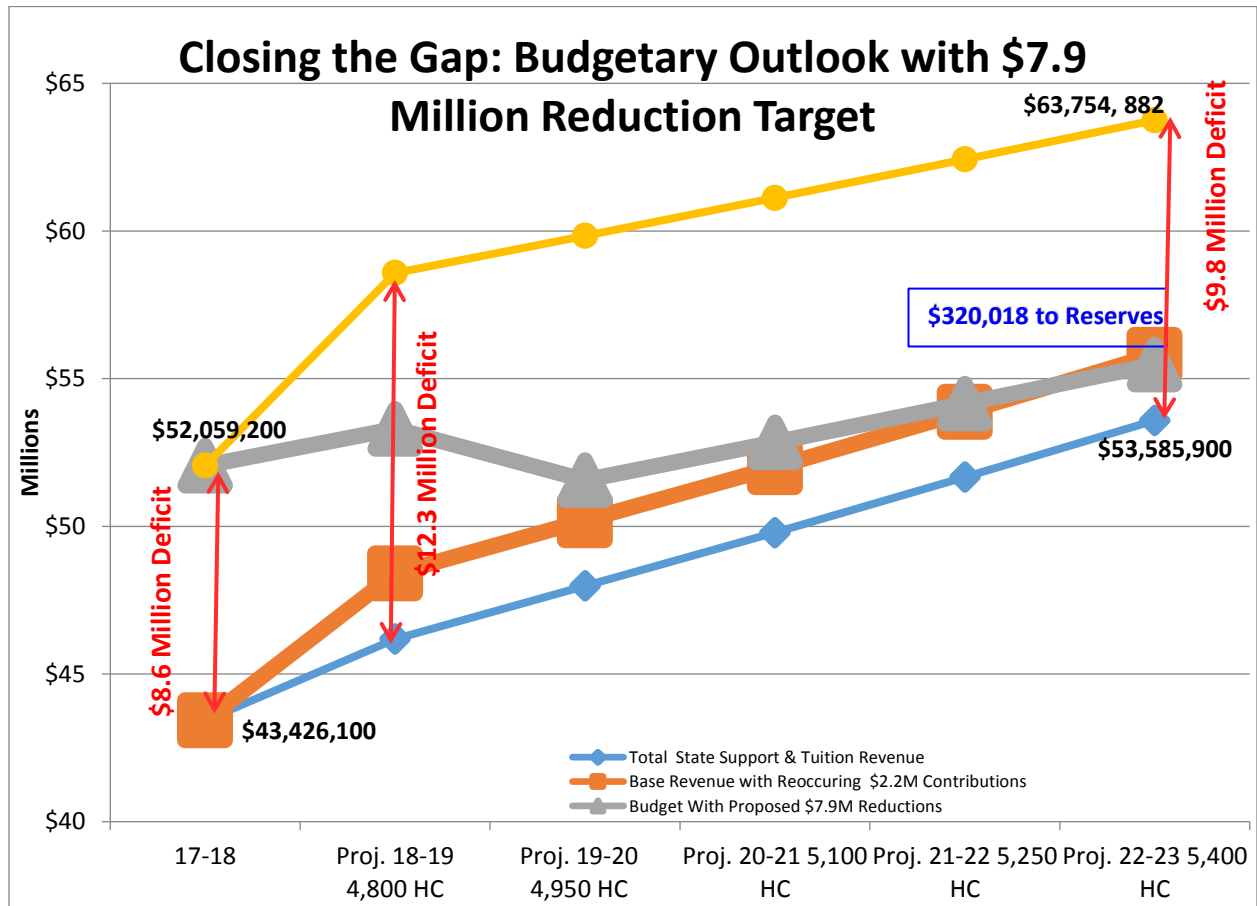
This chart shows that we need to take action now to plan for our future.

So, what is our strategy? We will reduce the structural deficit by about \$5 million in the 2018-2019 budget, which begins July 1, 2018. Reduction targets were set for each division, based not on an across-the-board percentage but on perceived opportunities in each division. Vice Presidents worked to explore what would have to happen to reach the suggested target. Depending on the size and complexity of the unit, other leaders participated in these discussions. In a budget retreat last week, the Executive Cabinet reviewed these scenarios and determined that we could not reach the suggested targets in some areas without affecting our ability to deliver academic programs and services students need. We agreed to protect certain commitments, even if that means that

other areas increased their budget targets, and we will use some one-time funds to close the gap.

Each Vice President will work with their divisions in the next two months to determine the cuts and their communication plan, and this will vary by division. The PEPRE process will also be initiated this year to assist in identifying strategic possibilities, such as restructuring, that will help with an additional \$3 million reduction in the 2019-2020 budget.

The next chart shows how our strategy, with reducing costs and planned enrollment increases, will close the structural deficit. The yellow line on the top shows what will happen if we do nothing. The blue line on the bottom is our projected state support and tuition revenue, assuming no changes in base support but incremental enrollment increases. The orange line shows base revenue with recurring \$2.2 million in contributions. And the gray line shows how the budget with proposed reductions align the revenues and expenses, even building back campus reserves.



For those who are not directly involved in budgeting here, you may be asking, "How does the budget work?" That's an important question we have to ask if we're looking for many possibilities to cut costs. And it's not easy to figure out.

New York State funds come from state base allocation, tuition, and fees. Additional dollars from SUNY Construction Fund are allocated for specific campus projects in construction, renovation, and critical maintenance. Housing is a campus-owned state account but separate from the others. FSA is separate and not a state account. This year FSA contributed over \$1 million to campus revenues, and next year it will contribute a little over \$1.2 million. The Fredonia College Foundation is separate not-for-profit organization which in 2017 provided \$1.3 million to students and programs in direct support through its endowments.

It might be easier to understand our budget in terms of buckets. If you're not that interested in the details, now is time for your nap.



On the top row, the blue buckets represent funds that we collect here and which remain at Fredonia. Each one has a specific purpose:

- PSR (Personal Service Regular) is for salaries of state employees;
- TS is Temporary Service is for overtime, extra service, or compensation for contingent or temporary employees;
- OTPS (Other Than Personal Service) is the account used to pay for stuff we buy, such as supplies and contracted services;
- SUTRA (State University Tuition Reimbursable Account) is the account for tuition collected in summer term and J-term
- IFR (Income Fund Reimbursable) is an account for collecting fees and paying expenses related to the fees.

PSR, TS, and OTPS are cleared at the end of each fiscal year. SUTRA and IFR accounts can carry a balance forward into the next fiscal year.

The white buckets on the bottom are for special purposes. Funds collected here for living in the residence halls go into the DIFR budget, shown on the right. These funds stay at Fredonia and can build reserves to plan for future projects or be directed elsewhere on campus. Funds for new construction, renovations/rehabs, and maintenance of state facilities are provided by the State University Construction Fund through a process of determining campus facilities needs and master planning. These funds are designated for specific projects and cannot be allocated to any of the other buckets.

Here are some of the recent, current, and upcoming capital projects which use restricted state funds.

- Science Center \$60.0M
- Rockefeller Arts Center \$40.0M
- Williams Center Renovation \$10.0M
- Houghton Hall Renovation \$24.0M
- McEwen Air Handling Project \$ 1.7M
- Lanford/Fenner Project \$ 1.2M (including Senate appropriation)
- Energy Metering Project \$.6M
- Carbon Monoxide Systems Project \$.2M

Although there are rumors that these projects put the campus into debt, these projects go forward only when approved by the Construction Fund, and there is no campus debt when the projects are completed. Although there are rumors and concerns that the campus is spending money on "the President's House," both Lanford and Fenner houses are state buildings, which must meet code or be shuttered. Funds allocated for rehab or demo of these properties cannot be used to pay salaries or purchase software. And as I explained to students who were visiting Lanford House this weekend, the 1867 structure does not meet safety and building codes for electrical, accessibility, and structural soundness; that is important for accommodating more than 2,500 visitors each year. The house has historic significance on Central Avenue, but with no structural improvements since it was acquired by the College in 1964, it could not meet standards for students to live there. Other projects, which ensure safety and effective energy consumption, are also approved by the Construction Fund and will occur soon.

Before I move to discuss the planned cuts across divisions, I'd like to tell you of one decision I have made about a structural change. We will be reducing the number of Vice Presidents on campus by eliminating a vacant line instead of searching for a new VP. Beginning July 1, Marketing and Communication will report directly to the President, and Jeff Woodard, Director of Marketing and Communication, will retain his title and become a member of the Cabinet. I look forward to working with you, Jeff.

Two divisions will be merged on July 1, and Kevin Kearns' new title will be Vice President for Advancement, Engagement, and Economic Development. Thank you, Kevin, for your generosity in expanding your responsibilities without an increase in salary. Betty Gossett, who has served in Interim roles for over two years, will continue to champion fundraising efforts in her title as Executive Director of the Fredonia College Foundation. She will work with Kevin to stabilize and strengthen the fundraising division, which has been in a holding pattern over the past few years. As we continue to gather momentum in the *Nurturing Innovation* campaign, Betty's knowledge of the Foundation, alumni, donors, friends, and fundraisers will move us forward. Thank you, Betty for all you have done to bring us to this point. I look forward to continued good work with you.

The new division not only achieves cost savings and reduction of administrative roles; it aligns and coordinates efforts in related areas that are important in our success:

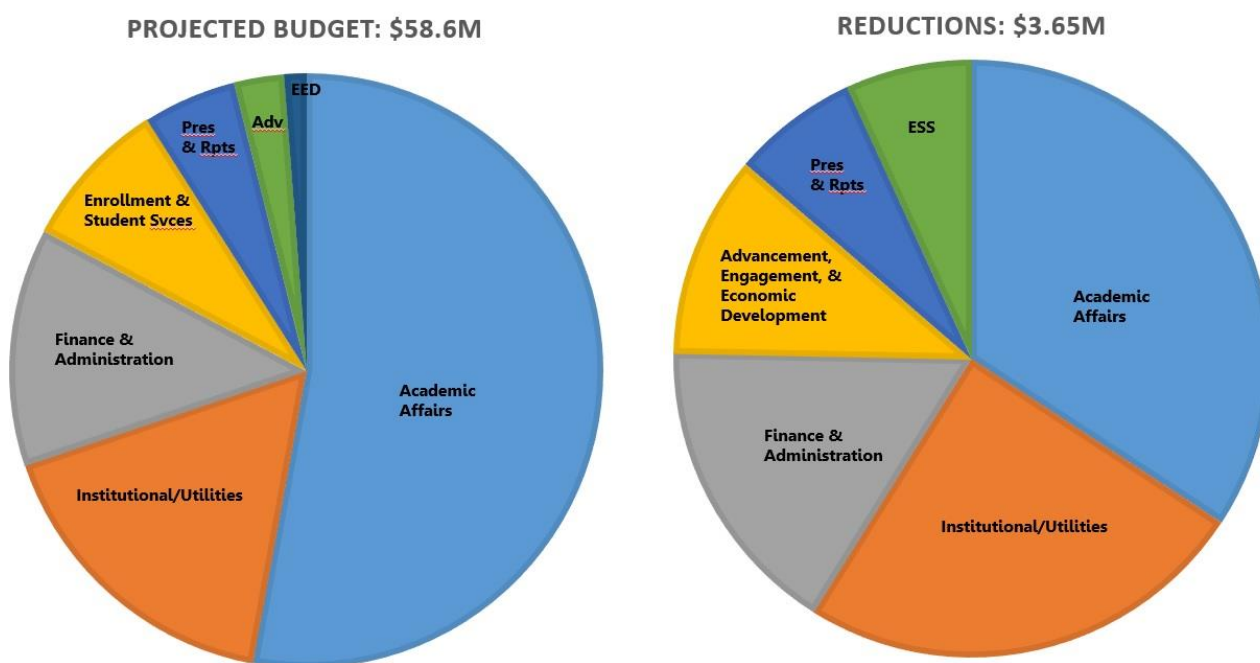
- Alignment and coordination of services in alumni affairs, career development, and community engagement
- Efficiencies in corporate relations, corporate funding, and public-private partnerships
- Greater strength in donor cultivation and fundraising with stable Advancement area
- Increased government relations and lobbying at a critical time

With that new division being introduced and their budgets and targets combined for next year, these are the ways the budget reductions in 2018-2019 will be shared across divisions.

Division	Reductions in 2018-2019 Budget
Academic Affairs	1,250,000
Advancement, Engagement, & Economic Development	400,000
Enrollment & Student Services	250,000
Finance & Administration	600,000
President & Reports	250,000
Utilities & Institutional	900,000
TOTAL PERMANENT CUTS	3,650,000
DIFR Funds (one-time offset)	1,250,000
TOTAL CUTS and OFFSET	4,900,000

As I mentioned previously, although we had planned to cut nearly \$5 million in permanent costs from the budget, we realized that we could not do this all at once. Because of all who have led efforts to recruit larger entering classes in 2017 and 2018, we can use DIFR funds to bring the total budget in balance next year. Thank you, Cedric Howard and teams in Enrollment and Student Services and Academic Affairs!

These graphs show the ways the budget and the cuts are spread across divisions. The chart on the left shows how expenses in the projected budget of over \$58 million are divided, and the chart on the right show the way the reductions are divided. Executive Cabinet members agreed that protecting the academic mission and support to students is essential, even as we take bold steps in fiscal responsibility.



As we share these plans, I want to emphasize what we are *not* planning for this fiscal year. We will not be laying off current, continuing full-time employees. We won't be borrowing from SUNY or other sources. We won't eliminate the sabbatical leaves that are investments in the academic mission. We also won't be outsourcing services or banning all travel. And although we will continue our practice of delayed hiring except when the delay affects health and safety or severely impacts a program, we are not freezing hiring. There are too many one-person areas on campus to say we won't be hiring anyone.

In each division, the process for finalizing the cuts and communication plans will differ. Because Academic Affairs is the largest and most complex, Provost Brown has clarified how she has been and will continue to be working in consultation with faculty

and staff. She has worked with deans, directors, and associate provosts to identify cuts across the units in Academic Affairs. She also met with Senate Planning and Budget to discuss the process and will meet again with them next week to discuss potential cuts. On Friday, May 4, Provost Brown will hold a special meeting of Academic Leadership (deans, directors, chairs) to present proposed cuts and to seek input, and she will hold an Academic Affairs Forum on Tuesday, May 8, at 4:00 in the Kelly Auditorium. After seeking appropriate consultation, the Provost will make final decisions by July 1, 2018.

Across campus, we'll continue with these efforts:

- Implementation of the SEM Plan (recruitment and retention)
- Implementation of *Right Sizing, Right Serving* recommendations leading to greater efficiency, effectiveness, cost reductions, strategic hires
- Greater clarity and alignment in budgeting and budget reporting
- *Nurturing Innovation* campaign and exploring new revenue streams
- Facilities improvements essential to health/safety, code compliance, accessibility, energy efficiency, and student success
- Stronger advocacy and lobbying for additional base state funding and competitive rate for out-of-state tuition

As I announced at the Senate meeting earlier this month, we will also initiate the PEPRE process, following the steps outlined in that document developed by Senate and Cabinet in 2011-2012. The timeline is here, and the work of data gathering will begin over the summer. The role of the Senate Executive Committee (or its designees), as explained in the document, is to ensure that the process is followed and to provide feedback. The document was developed with a clear understanding that union members are not to be making decisions that may affect another's employment.

In the two months before this budget is finalized, there are ways to learn of decisions and ask questions, even after the semester ends. This presentation will be posted on the President's Office and Budget Office websites. An FAQ section will be added on the Budget Office website. You can send questions to budget@fredonia.edu. Each of the Vice Presidents and the President will communicate with those in their areas and with the Budget Office about specific reductions in their areas. And throughout the fiscal year, there will be regular updates on the Budget Office website.

The process we are engaging in is a bold investment in Fredonia's students. Fiscal responsibility—stepping back and limiting spending—is not fun, whether we are talking about our family finances or our operating budgets. But the reasons we are doing this are so that we can invest in what matters here:

- Quality education, evident in faculty, facilities, and mentoring
- Student success and sense of belonging for all
- Support services
- Students' readiness for work/continued study

- Opportunities for collaborative research and creative activity
- Opportunities for leadership
- Technology to support learning and connection
- Affordability

Considerable work across all divisions of campus successfully reversed our negative enrollment in Fall 2017, when we admitted our second-largest entering class. We would not be where we are today without Vice President Cedric Howard and the dedicated teams in Admissions, Financial Aid, and across Enrollment and Student Services and Academic Affairs. We are continuing this positive trend for enrollment in Fall 2018, with the entering class projected to be Fredonia's largest.

As of this morning, we have deposits for 910 full-time first year and 131 transfer students, for a total of 1,041 undergraduate deposits. And this is a big week for students to make their final choices. Last year we received 157 deposits in the first week of May. It's looking good!

Last fall, we had the largest admitted Honors program cohort in Fredonia's history, and student housing increased more than 10%. Several new programs were successfully launched: Pre-College Outreach, Let's Talk, and College 101. And with the Destination to a Dream program in partnership with Jamestown Community College, we're making a Fredonia education even more accessible for the people in our own communities.

As we speak, students are proudly sharing that they are #FREDbound, and we are ready for them with the same commitments for a Fredonia education that we have long held. We're getting ready for a new model for summer orientation and looking forward to welcoming a new class.

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

This is our mission, and we continue to do it well. We are committed to doing it even better and ensuring that we will be able to do it well into the future.

It's been a long winter, and this process has been hard. But when I wonder why so many are working so diligently on this, all I have to do is take a walk across campus. This is an exhausting but exciting time of the year. In the past few weeks, I have been renewed and inspired by hearing students present their research at the Expo and in seminars, by seeing remarkable recitals and concerts and performances that culminate

years of work in music, dance, and acting, by seeing student groups organize and lead events that raise tens of thousands of dollars for charity.

We have announced and celebrated Chancellor's and President's Awards winners whose work in teaching, learning, service, and community engagement leaves indelible marks on Fredonia. We've seen students being inducted into honors societies, accepting scholarships and awards, and receiving their cords for Commencement. We've heard people raise their voices about the ways they want Fredonia to be even better, which I see as a strength because it's easier to walk away and say nothing. I've met with alumni and donors who speak with warmth and conviction about their Fredonia experiences and their generous commitments to sustaining our mission.

On the days that I'm frustrated and tired of looking at spreadsheets and weighing decisions, I smile to see current and former students posting about their proud completion of a recital or project, their election to a leadership role, their acceptances to graduate programs they dreamed about, their landing jobs they've wanted.

On this college campus in April, there is much to celebrate and notice. Although trimming a budget can be an all-consuming project, with false rumors and a sense of panic or despair, we are 19 days from Commencement, when we see the results of the good work that happens on this campus—that will continue to happen on this campus—every day.

These are the students we're investing in. This is the mission we're investing in. I believe in Fredonia, and I believe in all of you. Please do not lose hope or the sense of community at the heart of what we do. It's going to take a lot of work—from everyone—but I know we can get this right and emerge even stronger in the future. Thank you for being here.

And now, I welcome your comments and questions.