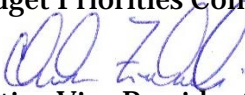



To: Faculty Senate Budget Priorities Committee

From: Charles F. Zukoski   
Provost and Executive Vice President for Academic Affairs

Laura E. Hubbard   
Vice President for Finance and Administration

Date: February 4, 2019

RE: Response to 12/11/18 and 1/14/19 communications from the Chair of the Faculty Senate Budget Priorities Committee

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We are writing in response to the December 11, 2018 and January 14, 2019 emails from Chair of the Faculty Senate Budget Priorities Committee (FSBPC), Professor Jim Holstun. Together, these communications presented FSBPC priorities, requested further information about UB's resource planning process, and contained two versions of a document entitled, "Artificial Austerity in the UB Academic Core." Although these communications do not appear to have been endorsed by a majority of the full committee, we are responding as a result of the gross mischaracterizations of the university's financial situation they contain.

The above referenced communications do not reflect an informed understanding of university finances or the university budget process, but instead are built around the FSBPC Chair's interests. Moreover, the documents indicate the Chair's desire to undertake an **auditing** function, a role not in the committee's charge. The habit of the current FSBPC Chair to distribute misleading and verifiably false narratives is antithetical to the principles of shared governance and damages the strong relationships required to advance the institution's mission of achieving academic excellence.

What follows is intended to clarify, for the benefit of the full committee, the university's financial management strategy; information regarding the UB Foundation (UBF) and, in particular, the nature of UBF unrestricted funds; and a summary of UB's investment in TA/GA stipends. Moving forward, we hope that this document provides a basis for consultation.

Specifically, this document contains:

- An overview of UB's financial management strategy and key challenges facing the university's budget
- A response to the Faculty Senate Budget Priority Committee Chair's "Artificial Austerity in the UB Academic Core" (December 11, 2018 and January 14, 2019)

- I. Clarifying information regarding UB Foundation's organization and unrestricted funds and assets
- II. A detailed response to "Artificial Austerity in the UB Academic Core"
- III. A summary of UB's investment in graduate education, which contains material that has been presented to the Faculty Senate (October 16, 2018) and the UB Council (December 10, 2018)

As the committee is likely aware, the same false narratives presented in "Artificial Austerity in the UB Academic Core" have been circulated by the FSBPC Chair for months and, in some cases, years. The document persists in propagating a storyline that suggests hidden resources in the UBF. This has routinely been demonstrated as false through detailed explanations of UBF finances to members of the Faculty Senate and through externally run audits.

We will continue to be responsive to requests from the body of the FSBPC for information and discussion that are intended to build understanding and trust and that are endorsed by the majority of members of the FSBPC.

As the overview of UB's financial management strategy and current budget situation show, we are facing a growing number of financial challenges that will require our collective response. We welcome the input of the entire Budget Priorities Committee moving forward.

## **Background: The University at Buffalo's Financial Management Strategy**

The University at Buffalo (UB) utilizes an Annual Resource Planning Process (ARPP) to plan for its financial needs. The planning process, which employs five guiding principles, takes a holistic approach to understanding the programmatic needs within available revenues and works to integrate and prioritize the competing needs of the entire UB community.

Understanding those priorities is fundamental to understanding the decisions reflected in the ARPP. These principles are:

- 1) **Strategic:** The plan aligns incentives with our mission and with strategic behaviors.
- 2) **Predictable:** The plan builds models that provide a reliable foundation for planning.
- 3) **Flexibility:** The plan builds planning models that anticipate and are responsive to changes in the economic environment as well as incorporating appropriate risk management strategies.
- 4) **Integration:** The plan considers the totality of university activities and is designed to make intentional connections between varying types of organizational needs and priorities.
- 5) **Stewardship:** The plan exercises prudence in managing the university's resources, diversifies revenue streams to promote resilience, maintains appropriate reserves and rewards efficiency and effectiveness.

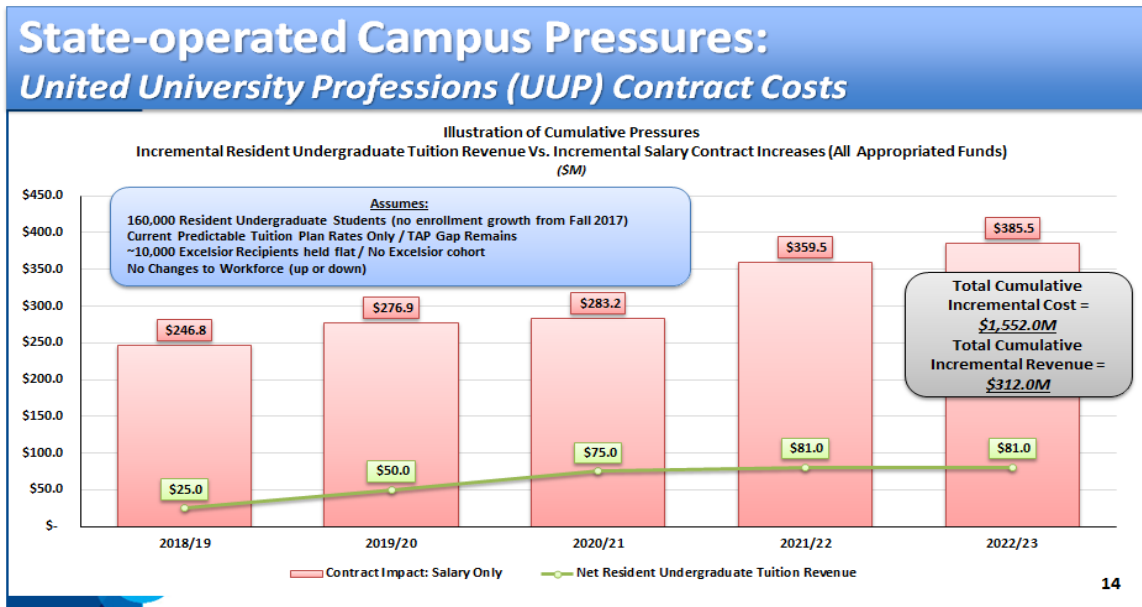
While engaged in the ARPP, UB utilizes seven strategic priorities, which have been established through planning processes engaging university stakeholders. These priorities reflect the university's values and the goals that have driven our planning process. These priorities demonstrate our commitment to providing a dynamic and engaging learning experience for each of our students; an environment that fosters the spirit of intellectual curiosity and discovery for both students and faculty; and a commitment to our local and global communities. These priorities are:

- 1) Build faculty strength, productivity and impact
- 2) Recruit great students and help them fulfill their educational expectations
- 3) Provide a support structure to our students and faculty which will help ensure their success
- 4) Create a diverse campus community
- 5) Become an increasingly global university
- 6) Engage our local community to enrich our students' experience as well as enhance our region's well-being
- 7) Strengthen partnerships for improved regional healthcare outcomes.

## Key Issues and Their Impact on the University

Like most public higher-education institutions, UB has for years been experiencing decreasing state support and increasing dependence upon tuition revenue, and we are faced with a growing number of challenges, which we will highlight in this section.

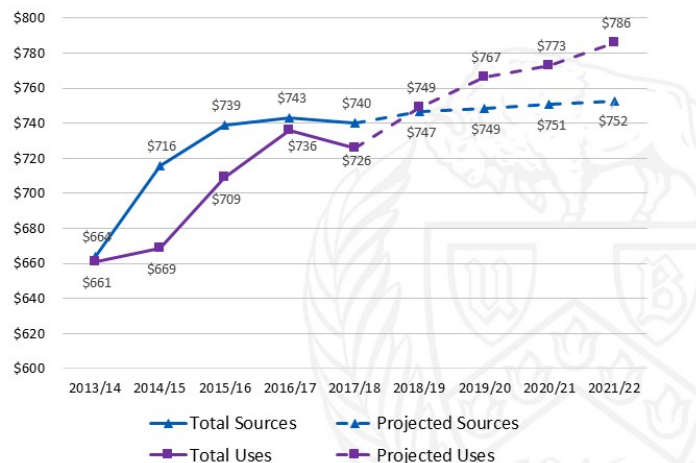
The graphics below, the first shared recently with the Division of Budget from SUNY and the second from UB's December 2018 ARPP presentation, highlight the financial challenges we are facing:



## Financial Capacity Operating Sources and Uses 2013-22 (\$ in M)

With the exception of small enrollment growth, sources are flat.

Operating expenses, especially due to negotiated salary increases, continue to rise.



These graphics show the projected tightening of SUNY's budget as expenses outpace revenue growth and the impact of this on UB's budget. The current challenges are substantial and require careful consideration. The university's ARPP enables campus leadership to set a course that will help UB sustain and grow academic excellence. The projections indicate our expenses will outpace our revenues. As a result, over the next several years, academic and support units must take action to shrink expenditures and/or grow revenues. By continuing to plan and implementing our plans, UB will continue to achieve our strategic priorities, and sustain and grow academic excellence.

The largest budget challenges we are facing include:

- ***Unfunded negotiated salary increases:*** The university's most pressing financial concern is unfunded negotiated salary increases in the new UUP contract. We estimate this will cost the university \$50 million over the next three years. This is in addition to the \$30.6 million already incurred under the last contract, bringing the university's total cost to at least \$81 million recurring, with no associated increase in direct state support. Our current projections show that over the next several years, with these additional costs, if we do not change how we are operating, we will face financial difficulties.
- ***Enrollment mix change:*** As we have discussed multiple times with the Faculty Senate, over the past five years, we have seen substantial changes in our enrollment mix with fewer master's, out-of-state and international students and increases in resident undergraduates, the lowest tuition revenue group. The result is substantially lower per student tuition revenue than if we had the same mix of students as five years ago.
- ***Flattening tuition revenue:*** Although tuition rates have risen due to NYSUNY 2020 rational tuition increases and the reinstatement of this program (albeit at a lower rate of tuition increase) and although total UB enrollment has increased, because of the changing enrollment mix and slowing of tuition increases in graduate and professional programs, total tuition revenues coming to the campus are flattening. This reduction in the rate of growth of tuition funds, when coupled with the negotiated salary increases, is reflected in the difficulties academic and academic support units have in growing the number of faculty and staff across campus.
- ***Increasing costs of campus services:*** In response to growing demand from well-prepared applicants, we have planned for and are now enrolling ~500 more freshman than five years ago. The result is not only increasing needs in academic programs but also growing pressure on our infrastructure and academic support units such as advising, University Libraries and student services.
- ***Deferred maintenance/academic space needs:*** Due to capital budget cuts in 2013 and an aging infrastructure, UB's deferred maintenance needs have grown dramatically, reaching \$512 million. Shifts in majors over the last decade have altered demands for types of teaching space (labs and lecture halls) while growth in

undergraduate enrollment has increased demand for all types of teaching and office spaces on the North and South campuses. Our strategic capital plan was built under the presumption of continued State capital expenditures seen historically before 2013. The dramatic reduction in state capital funding that took place at that time slows implementation of the strategic plan, for example, affecting the speed at which we can move schools to the South Campus, leading to crowding on the North Campus.

### ***How the University is Addressing the Challenges of the Current Fiscal Climate***

Because the university has been using an integrated resource planning process that is designed to enable institutional flexibility and resilience, unlike several of the other SUNY campuses, UB currently is financially strong. This puts us in a position to create and implement plans that will ensure our future excellence and success. In order to address the challenges detailed above and continue serving the public good, these plans must include increasing tuition revenue and/or reducing costs.

Across campus, departments have been building innovative new programs – particularly at the master’s level – to attract new students. These programs respond to changing societal and student needs, and are built on UB faculty expertise and academic excellence. Many of these programs are using technology to expand the university’s reach and impact.

As a result of the growth of these new programs and through using an integrated planning process that utilizes actionable data available to all schools and the college, UB has been able to remain financially stable. UB is continuously implementing strategies to mitigate recent trends in declining international and graduate enrollment, shifts in student interest in majors, and associated changes in tuition revenue flows.

UB is a research university and our continued success depends on faculty research and scholarship. We continue to invest in these activities as one of our highest priorities while recognizing fiscal constraints facing the university. Growing our research and scholarly activities requires external support (state and federal grants/fellowships and philanthropy). Moving forward, our institutional success depends on faculty expertise and creativity to grow the visibility and impact of faculty research and scholarship.

Financial stability and good stewardship of resources also require continuous efforts to improve efficiencies and reduce costs. At the administrative level, a number of steps are being implemented that streamline operations and reduce costs. Among these efforts:

- Through the Annual Resource Planning process, which is built on an integrated resource planning model, we work closely with academic and academic support units to enhance their ability to prioritize among many competing needs in order to continue achieving their individual and our institutional goals. These efforts are facilitated, where possible, through selective investments enabled by administrative cost reductions and a small pool of tuition and fee revenue set aside for these selective investments. Through the

ARPP process we focus on aligning operating sources with uses, determining areas of need where we can provide central support, and employing financial and staffing planning to identify areas for cost savings.

- We created a data analytic function that provides both central and units with department and program level information, which is used to forecast enrollment, tuition and resource planning.
- We developed a multi-phased approach to achieve our Capital Master Plan aspirations.
- We convened a Space Utilization Study and made progress in aligning our budget models with enrollment and tuition information.
- We implemented multi-year utilities planning to achieve energy savings. To date, nearly \$18 million in utilities savings have been reallocated to rehabilitate classrooms, teaching and research laboratories, and spaces key to student experience and success.
- The university has also embraced a number of technological and business process solutions to reduce costs or better manage our resources. Through these [Operational Excellence](#) initiatives, we have created a number of shared central resources and adopted more efficient systems in order to release money back to the academic units for academic programs. Examples include:
  - The implementation of the Shop Blue (Jaggaer) e-procurement system will enable UB to streamline its purchasing process, enhance visibility and control over spending and fully utilize the contracts negotiated by the purchasing department.
  - The implementation of new systems like EDGE (a new learning management system), E-Travel Solutions (Concur Travel and Expense software) and a new Time and Attendance System are reducing costs, helping the university find efficiencies, creating a culture of continued improvement and maximizing its human resources.
  - The ongoing implementation of UPlan, a new budgeting, planning and forecasting system that will improve accuracy and efficiency, and support scenario planning.

Because of our ongoing efforts, we have the opportunity to respond to our financial challenges by undertaking long-term planning and innovative programs. Across campus, there is excitement around UB's academic and research/scholarly programs, as well as the experiential learning and academic support programs that prepare students for success. Moving forward, continuing to have advice from the full Budget Priorities Committee is important for growing UB's impact.

## **Section I: UB Foundation Organization and Unrestricted Funds and Assets**

### ***UBF Background, History and Mission***

The University at Buffalo Foundation, Inc. was chartered in 1962 by the Regents of the State of New York as a non-profit educational corporation in the same year the private University of Buffalo became part of the State University of New York (SUNY) system. The foundation operates in a manner consistent with the policies of the SUNY trustees and the University at Buffalo. However, the foundation trustees and directors are completely independent of the State and of SUNY in the exercise of their fiduciary responsibilities.

The mission of the University at Buffalo Foundation, Inc., is to support and promote the activities and programs of the University at Buffalo. This is accomplished by providing advice and counsel regarding philanthropy and fundraising, managing gifts on behalf of the university, providing a wide range of financial services for the various units of the university, developing and managing real property on behalf of the university, and providing a strong base of private-sector support for the university through the foundation's trustees and directors.

### ***UBF Corporate Structure***

The UBF corporate structure is comprised of seven entities:

1) UB Foundation, Inc.

- Processes and manages gifts
- Investment portfolio management
- Endowment services and stewardship
- Governed by a Board of Trustees

2) UB Foundation Activities, Inc.

- Processes program service (non-gift) revenues for UB-related units
- Expenditures of gifts, program service, and investment revenues to support UB programs
- Payroll administration
- Governed by a Board of Directors

3) UB Foundation Services, Inc.

- Administration of legacy-sponsored programs for UB
- Administration of other agency activity



- Governed by a Board of Directors
- 4) UBF Corporation
- Owns, develops, and operates real estate for the benefit of UB: campus bookstore and The Commons
  - Governed by a Board of Directors
- 5) FNUB, Inc.
- Owns and operates off-campus real estate for the benefit of UB
  - Holdings include parcels in the medical corridor, Anderson Gallery, Jacobs Executive Development Center, and 889 LeBrun
  - Governed by a Board of Directors
- 6) University at Buffalo Foundation Incubator, Inc.
- Owns and operates Baird incubator adjacent to North Campus
  - Stimulates growth and increases interaction between UB and start-up businesses
  - Governed by a Board of Directors
- 7) UBF Faculty-Student Housing Corp.
- Constructs and operates student housing for UB
  - Currently operates six housing projects totaling 2,770 beds
  - Governed by a Board of Directors

### ***UB Unrestricted Funds and Assets***

Recently, the FSBPC Chair spoke at a Faculty Senate meeting about assets held by the UBF in a manner that left the false impression that unrestricted funds managed by the UBF were available for use to support programmatic priorities, including graduate student stipends. The following is intended to elucidate the nature of unrestricted funds, which is included in the [UB Foundation's Consolidated Financial Statements](#). We note that these statements are developed according to generally accepted accounting principles (GAAP)<sup>1</sup>.

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<sup>1</sup> Generally accepted accounting principles (GAAP) refer to a common set of accepted accounting principles, standards, and procedures that companies and their accountants must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.  
<https://www.investopedia.com/terms/g/gaap.asp>

The FSBPC Chair has correctly stated that the UB Foundation’s Consolidated Financial Statements report UBF’s unrestricted funds as approximately \$277 million. The Chair, however, has incorrectly stated that these UB Foundation unrestricted funds could be appropriated for the express purpose of increasing TA/GA stipend levels. Because the FSBPC Chair discussed these funds without including the itemization and definitions of unrestricted funds, our faculty may have been misled into believing that these UBF unrestricted funds are a viable source of funding for TA/GA stipend increases. The UBF Consolidated Financial Statements include a list of the value of these unrestricted funds and assets and later provide a list of definitions for these unrestricted funds,<sup>2</sup> which include:

- (1) Property, building and equipment (approximately \$12.9 million): These funds are **not** liquid assets in that they represent the book value of property, equipment, and fine arts assets (i.e., student housing, Anderson Gallery). This also includes reserves to maintain such assets.
- (2) Designated for specific operating units (approximately \$94 million): These funds are for the support of specific university units but are limited in their use to a university unit and/or specific program.
- (3) Designated for investment purposes (approximately \$170 million): These funds are for investment purposes—to maintain the purchasing power of the foundation’s resources due to inflation and/or downward market trends.

These categories are not defined arbitrarily by UBF or UB. The UB Foundation’s Consolidated Financial Statements are prepared in conformance with GAAP. They are audited annually and certified by an independent audit firm as to their reliable representation of the UBF financial position and compliance with GAAP and all other relevant accounting and financial standards. The Independent Auditor’s Report, which provides this certification, is part of the UBF Consolidated Financial Statements. As noted in footnote 1, these are, by definition, nationally recognized accounting standards and rules that are used across public and private business and industries.

In summary, \$277 million in unrestricted funds cannot be appropriated for the use of increasing TA/GA stipend levels. Although called “unrestricted,” these funds, as described above, are either **not liquid** or are **designated for clearly circumscribed purposes**.

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<sup>2</sup> The value of the unrestricted funds and assets are included on page 2 of the UBF Consolidated Financial Statements and the list of definitions for these unrestricted funds is on page 7.

## **Section II: Clarifications and Corrections of Budget Statements from “Artificial Austerity in the UB Academic Core” (December 11, 2018 and January 14, 2019)**

A detailed series of clarifications and corrections to misstatements in “Artificial Austerity in the UB Academic Core” are delineated in the following section (IIa). The errors and misstatements fall into three general categories:

- 1) ***Miscalculations and/or misrepresentations of the university’s changes in State Tax Support and in both gross and net incremental tuition revenue from NYSUNY 2020.*** For example, the Chair states that UB accrued \$553 million in incremental (new) tuition revenue from NYSUNY 2020. UB in fact received \$92.5 million in *gross* tuition revenue and \$71.5 million in *net* tuition revenue from NYSUNY 2020 over the 5-year period.
- 2) ***Lack of understanding of financial statements and of distinctions between UB’s revenues and expenses for Operating Activities (its operating budget) and total assets, which include non-liquid assets, restricted assets (such as sponsored research), and revenues and expenses carried by the State and imputed to UB’s financial statements (such as benefits and debt service).*** This results in erroneous conclusions regarding funds available to be budgeted by the university for faculty hiring.
- 3) ***Lack of understanding of basic accounting principles, standards, and compliance.*** For example, the Chair states that “Capen increased liabilities by 336%” and implies mismanagement by UB. In fact, the increase in liabilities is primarily related to implementation of a Governmental Accounting Standards Board (GASB) requirement to reflect liabilities related to post-employment benefits owed to employees. This standard was implemented nationwide and across all New York State agencies, including SUNY. Currently the State is covering these costs on behalf of the university while also requiring SUNY to record the liability on its own financial statements.

**Section IIa: Detailed Clarifications and Corrections of Budget Statements from “Artificial Austerity in the UB Academic Core”**

<b>Statement</b>	<b>Clarification/Correction</b>
NYSUNY2020, provided UB with capital grants and authorized substantial tuition increases: \$553 million total and \$139 million a year by 2018.	<p>NYSUNY 2020 – rational and predictable tuition increases established in 2011-12 through 2015-16 for undergraduate tuition. Since 2015-16 tuition increases have been approved on an annual basis. <b>Gross</b> tuition revenue collected in each of those years is as follows:</p> <p>2011-12- \$203,532,568            2012-13- \$229,197,287            2013-14- \$255,836,113            2014-15- \$270,335,004            2015-16- \$287,404,365            2016-17- \$296,016,164</p> <p>Overall, increases to gross tuition revenue collections from 2011-12 amounted to \$92,483,596. Financial aid TAP gap funding, required per NYSUNY 2020 legislation, amounted to \$21,035,723 over this same period resulting in an adjusted overall increase in NYSUNY 2020 net tuition revenue of \$71,447,873.</p>
In 2011-2012, UB’s leadership promised to replace departing faculty and hire 250-300 new tenure-track faculty by 2016, over 400 by 2018.	<p>UB’s NYSUNY 2020 key objectives included growing ladder faculty by 300, replacing 300 FTE faculty who were projected to leave the university over the next several years with 400 FTE faculty, improve academic support infrastructure (state of the art educational and research environments for faculty and students), relocate UB School of Medicine and strengthen regional economic impact. A key assumption noted in the plan is that the State would achieve a Maintenance of Effort (MOE) by not reducing State Tax Support from 2010-11 levels throughout and that the State would fund mandated costs including fringe. Mandated salary increases (\$81 million) have <b>not</b> been funded by the State. The State has, however, continued to cover the costs associated with fringe benefits.</p>
University at Buffalo Foundation has gone un-audited for thirty-five years.	<p>An external accounting firm audits the University at Buffalo Foundation on an annual basis: <a href="https://ub-foundation.org/wp-content/uploads/2018/10/2018-Final-Financial-Statements.pdf">https://ub-foundation.org/wp-content/uploads/2018/10/2018-Final-Financial-Statements.pdf</a>. The UBF was also audited by both the Office of the State Controller and by SUNY in the past two years. Both audits reported that UBF is in substantial compliance with applicable policies and laws. The SUNY audit also found that the UBF operates with a high degree of</p>

	transparency which exceeded what other campus-related foundations publicly disclose.
<p>UB's "Operating Activity" of \$743 million, its "Financial Statement Revenues" of \$1.34 billion, "UB and affiliated entities revenue" of \$1.7 billion</p>	<p>The "Operating Activity" figure represents a management report of operational dollars, i.e. State Operating, IFR, SUTRA, DIFR, U-Wide, UBF Activities, UBF Housing Corp, UBF Inc, RF Indirect Cost Recovery and RF other. Operating revenues noted of \$743 million are correct. "Financial Statement" includes operating activities plus capital, additional UBF companies, direct sponsored research, FSA as well as financial statement journal entries, i.e. depreciation, imputed fringe, post-employment benefits, etc. Financial Statement revenues noted of \$1.34 billion are correct. "UB and affiliated entities" represents financial statement figures plus Dental/Medical residents, Clinical practice plans, Student Associations and clubs. The amount noted for UB and affiliated entities, \$1.7 billion, represents expenses, not revenue. The Operating Activity revenues reflect the fungible operating dollars that are budgeted each year via the university's Annual Resource Planning Process (ARPP) and reviewed with the Faculty Senate Budget Priorities Committee. Other revenues reported in the financial statements are restricted (e.g., sponsored research), dedicated to specific activities and not permitted to be reallocated to other purposes by SUNY policy (e.g., FSA), and/or represent funds managed by the State but imputed to UB. They are not budgeted by UB, nor can they be used for general purposes.</p>
<p>From 2008 to 2017, UB's total liabilities expanded by 336%, from \$287,517,000 to \$1,254,645,069.</p>	<p>The increase in liabilities is primarily attributed to the implementation of Governmental Accounting Standards Board (GASB) 45 journal entry (later updated by GASB 75), an accounting standard requiring entities to measure and report the liabilities associated with Other Post-Employment Benefits (OPEB). All State agencies, including SUNY, are required to report this liability. While the university's financial statements are un-audited, the financials were updated to comply with the standard. The accumulated post-employment liability as of 6/30/17 is \$681,710,050.</p>
<p>In 2008 SUNY increased UB's net assets considerably by transferring UB's share of the "State University Endowment Fund," directing the UBF to manage it.</p>	<p>The movement of investment assets from the State to UBF had a net zero implication on the university's consolidated financial statements. It did, however, increase UBF net assets. It did not change the nature of the funds, which were endowments when held by the State and continue under the same donor restrictions at UBF.</p>

<p>Increases in 2012 may derive from a one-time jump in NYS appropriations which we cannot explain... perhaps a one-time transfer from Albany to UB of both liabilities and assets?</p>	<p>The increase is not associated with a transfer of funds available for general spending. Rather the change is merely the result of financial statement journal entries made to offset the expenses/liabilities associated with fringe benefits, capitalized interest, capital projects, etc. Currently the State is covering these costs on behalf of the university. It is important to keep in mind that this is an accounting entry whose purpose is to record these expenses incurred by the State on behalf of UB and does not reflect appropriations/revenues allocated to UB for use.</p>
<p>Long term debts jumped \$296m in 2017, primarily to finance the Jacobs School</p>	<p>Long term debt increased \$208.6 million between 2016 and 2017, primarily related to financing issued by the State for the Jacobs School of Medicine and Biomedical Sciences.</p>
<p>Odd Entry under State Operations: "Other (\$143,065,972)"</p>	<p>Entry represents unearned State appropriation revenues (contra-revenue not expense).</p>
<p>Revenues increased 17%</p>	<p>Revenues in 2008 were \$1,266,044,000; revenue in 2017 is \$1,337,114,991 for a change of \$71,070,991 or 6%. To do an apple-to-apple comparison, however, Clinical Practice Plans and Other Agents should be removed from the 2008 figures, as these revenues (which legally belong to other entities and are managed on their behalf) are no longer reflected in the 2017 financial statements. With this adjustment, revenues for 2008 are \$961 million and the increase in financial statement revenue since 2008 is 40%. This represents increases in all forms of revenue activities – including tuition, sponsored research, auxiliaries and student housing, gifts, etc. – some of which are restricted or dedicated for specific purposes.</p>
<p>Net assets increased 22%</p>	<p>Net assets in 2008 were \$ 1,348,218,209; net assets in 2017 were \$1,638,254,035 for a change of \$290,035,826 or 22%. To do an apple-to-apple comparison, however, Clinical Practice Plans and Other Agents should be removed from the 2008 figures. Adjusted net assets for 2008 are \$1,296,665,000 for an increase in financial statement net assets of 26% since 2008. As noted above, this represents all forms of net assets related to a variety of activities.</p>
<p>Capen cut salary dollars, and their share of expenses from 44% to 37%</p>	<p>Salary expenses in the 2008 financial statements totaled \$541,853,000. The 2017 report notes salary expenses at \$524,057,482. To do an apple-to-apple comparison, Clinical Practice Plan (CPP) salaries (\$126,854,000) should be removed from 2008 as it is not included in 2017. With the CPP adjustment, salary expenses have increased 26% since 2008.</p>

<p>Capen cut core [Instruction/Research] dollars, and their share of expenses from 46% to 40%.</p>	<p>Instructional and Research expenses associated with UB's core mission are accounted for in the State Operations and Research Foundation funds. In 2008 State Operations Instruction and Research expenses amounted to \$286,563,000 or 49% of total State Operations expenses compared to \$411,696,952 or 50% in 2017. In 2008 Research Foundation instruction and research expenses amounted to \$106,969,000 or 75% of total RF expenses compared to \$120,390,252 or 78% in 2017. Comingling other funding sources distorts a good analysis of what has transpired.</p>
<p>Capen increased support dollars, and their share of expenses from 14% to 20%</p>	<p>Academic and Institutional support costs associated with UB's core mission are accounted for in the State Operations and Research Foundation funds. In 2008 Academic and Institutional support amounted to \$110,645,000 or 15% of total expenses in these funds. In 2017 Academic and Institutional support expenses amounted to \$196,944,633 or 20% of total expenses. It's important to note that Academic and Institutional support costs are incurred in central operations as well as in academic departments.</p>
<p>Capen increased UB Foundation assets 167%</p>	<p>UB Foundation assets in 2008 amounted to \$481,457,000; assets in 2017 amounted to \$1,131,342,804. When comparing foundation assets year over year one will want to take into consideration the incorporation of the State-held endowment into the foundation and investment returns over the 10 year period. In 2008 State-held endowment assets totaled \$325,211,000.</p>
<p>Capen increased liabilities 336%</p>	<p>The increase in liabilities is primarily attributed to the implementation of Governmental Accounting Standards Board (GASB) 45 journal entry (later updated by GASB 75), an accounting standard requiring entities to measure and report the liabilities associated with Other Post-Employment Benefits (OPEB). All State agencies, including SUNY, are required to report this liability. While the university's financial statements are un-audited, the financials were updated to comply with the standard. The accumulated post-employment liability as of 6/30/17 is \$681,710,050.</p>
<p>Between 2011 and 2017, NYS appropriations for UB – over and above tuition increased by 43%, or \$183 million a year.</p>	<p>The NYS Appropriation increase is not associated with a transfer of funds available for general spending. Rather the change is merely the result of financial statement journal entries made to offset the expenses/liabilities associated with fringe benefits, capitalized interest, capital projects, etc. Currently the State is covering these costs on behalf of the university. It is important to keep in mind that this is an accounting entry and not hard dollars available for expenditure use.</p>

	<p>Overall increases to gross tuition revenue collections from 2011-12 to 2016-17 amounted to \$92,483,596. Financial aid Tuition Assistance Program (TAP) gap funding, required per NYSUNY 2020 legislation, amounted \$21,035,723 over this same period resulting in an adjusted overall increase figure of \$71,447,873.</p>
<p>NYSUNY2020 delivered new revenues of \$553 million</p>	<p>The Chair does not explain how he derived this number. This analysis is flawed primarily based on the assumed calculation itself and secondarily based on inclusion of all funding sources and fees revenue. For example, it appears that in calculating the \$553 million the Chair consistently included the change in total net tuition revenue to the base year 2011-12. He then went on to add these changes for the 7 years to derive the \$553 million in new revenues. An everyday life example of this would be as if an individual's salary in 2011-12 was \$30,000. In 12-13, 13-14, 14-15, 15-16, 16-17 and 17-18 the individual received a salary increase of \$5,000, thus resulting in a salary of \$60,000 in 17-18, for an overall increase of \$30,000. If we were to calculate this example based on the formula utilized by the Chair we would have added 5,000 (35-30) + 10,000 (40-30) + 15,000 (45-30) + 20,000 (50-30) + 25,000 (55-30) + 30,000 (60-30) for a total of \$105,000 of new salary dollars available as opposed to the true change of \$30,000.</p>
<p>NYSUNY2020 delivered new revenues of \$101m a year by 2016 and by 2018 \$139m a year</p>	<p>The calculation utilized the total (all funding sources) Financial Statement line item Tuition <b>and Fees (net)</b>. NYSUNY 2020 generates <b>gross tuition</b> revenue for State operations only. The overall increase to gross tuition revenue collections from 2011-12 to 2016-17 amounted to \$92,483,596. Financial aid TAP gap funding, required per NYSUNY 2020 legislation, amounted to \$21,035,723 over this same period resulting in an adjusted overall increase figure of \$71,447,873. For context purposes, it is important to note that during this timeframe the university experienced unfunded salary increases projected at a cost of \$81 million.</p>
<p>UB Administration cut the compensation of core UB professors, instructors, GA's RA's and TA's (Instruction plus Research) by \$48m or 8%.</p>	<p>Instructional and Research expenses associated with UB's core mission are accounted for in the State Operations and Research Foundation funds. In 2015-16 State and Research Foundation Instruction and Research expenses amounted to \$559,652,565 or 55% of total expenses compared to \$532,087,204 or 55% in 2016-2017.</p>
<p>UB increased support spending by \$46.9 million or 20%</p>	<p>Academic and Institutional support expenses associated with UB's core mission are accounted for in State Operations and Research Foundation funds. In 2015-16 these costs</p>



	amounted to \$197,138,168 or 19% of total expenses compared to \$196,944,633 or 20% in 2016-17.
UB Foundation core spending/ support spending	Unlike 2015-16, the UB Foundation did not break down expenses between instructional and institutional support in 2016-17. The UBF financial statements are developed under Financial Accounting Standards Board (FASB) standards, which do not utilize the National Association for College and University Business Officers (NACUBO) program codes for reporting purposes. For consolidation purposes UB Financial Management staff reported the UBF expenses within the Institutional Support program code.
Did financing the Jacobs School entail a cut to the UB Core, directly or indirectly?	No. Non-recurring funds loaned to JSMBS through the internal bank process (borrowing on leveraged cash balances) is consistent with what has occurred with several of the academic departments within the university, e.g., upgrade of Dental School clinic, bridge loans to the College of Arts and Sciences, etc.
Will the core suffer another hit if the Jacobs School does not realize its eagerly anticipated revenues?	No. The Jacobs School of Medicine and Biomedical Sciences, like all decanal units on campus, is expected to meet enrollment goals to support existing university base budgets.
In 2011 Capen promised more than one hundred additional medical school faculty	As noted earlier, a key assumption noted in the NYSUNY 2020 plan is that the State would not cut the 2010-11 budget throughout and that the State would fund mandated costs including fringe. Mandated salary increases have not been funded. However, the State has continued to fund fringe benefit expenses. The JSMBS, consistent with the NYSUNY 2020 plans, continues to build and change its programs and has increased its class size in order to increase the number of medical school graduates in NYS. Faculty hiring (both tenure-track and clinical) is part of the JSMBS plans.
UB's Boldly Buffalo campaign does not note the strategy to increase tenure-track faculty.	Tenure-track faculty, by policy, are hired through the State and thus salary expenses incurred and supported by the State operating fund (State tax/tuition revenue). The Boldly Buffalo campaign does include important fundraising goals – which were established by all UB deans – for faculty support: <a href="http://www.buffalo.edu/campaign/about-the-campaign/find-your-cause.html">http://www.buffalo.edu/campaign/about-the-campaign/find-your-cause.html</a>
If there is no problem to a 336% increase in liabilities, why not a 500% increase instead?	It is unclear what is being suggested here. As noted previously, the increase in liabilities is primarily attributed to the implementation of Governmental Accounting Standards Board (GASB) 45 journal entry (later updated by GASB 75), an accounting standard requiring entities to measure and

	<p>report the liabilities associated with Other Post-Employment Benefits (OPEB). All State agencies, including SUNY, are required to report this liability. While the university's financial statements are un-audited, the financials were updated to comply with the standard. The accumulated post-employment liability as of 6/30/17 is \$681,710,050.</p>
<p>Is there any relation between these liabilities and the 400+tenure track faculty promised in 2001, but never hired?</p>	<p>No.</p>
<p>Jacobs School of Medicine debt service</p>	<p>NYS sells bonds for all State capital projects based on the State's projected capital expenses and cash flow needs. The JSMBS is responsible for covering the debt service.</p>

### **Section III: PhD Student Support and UB's Investment in Graduate Education**

During the Fall 2018 semester, we presented to the Faculty Senate UB's investment in graduate education. We have taken the opportunity here to restate much of what has been communicated widely regarding our investment in PhD students.

Across the university, graduate students who serve as teaching assistants at UB receive a total funding package averaging about \$38,000 per year, which includes a tuition scholarship paid by the university, a stipend, and health and retirement benefits. This does not include supplemental fellowships awarded to PhD students or payment for extra service such as summer teaching or summer research. In 2017-18, for example, the Arthur A. Schomburg Fellowship and the UB Presidential Fellowship Program provided additional awards totaling \$2,562,988 with 84 graduate students receiving Schomburg Fellowships and 163 graduate students receiving Presidential Fellowships.

Stipend levels vary from program to program and, above a negotiated floor, the stipend levels are established by the department or dean. Academic deans continue to work with departments and programs to ensure that these substantial investments in doctoral students remain competitive.

For the 2017-18 academic year, the average UB stipend was \$18,006. When annualized, the average stipend amount equates to between \$22 and \$30 per hour. Stipends are awarded for the nine-month academic year for providing up to 20 hours of service per week – such as through teaching one course – to an academic department.

UB's average stipend is on par with the stipends paid by other AAU public research universities, just above the \$18,004 average of the 22 institutions that provided data to the Association of American Universities Data Exchange (AAUDE) for 2017-18.

PhD scholarships and fellowships are used to cover tuition and fees. Stipends are payments for work that offset living expenses. Knowing that there has been much consternation voiced regarding fees, we think it important to provide verifiable data regarding PhD student fees:

- No GA/TA pays the full amount of student fees per academic year because the transportation fee is waived through the Graduate Student Employees Union (GSEU) contract.
- Fees are prorated based on credit hours taken, so a full-time GA/TA who has completed coursework and is taking one credit hour of dissertation research would pay \$343 in fees per academic year.

- The average UB doctoral student is charged \$1,290 in fees per academic year.
- The median fee charge is \$789 per academic year.
- 41% of doctoral students are charged less than \$500 per academic year.

There has also been much discussion regarding the MIT Living Wage Calculator. The MIT Living Wage Calculator estimates that someone working full-time (52 weeks per year, 40 hours per week) at the Living Wage rate would earn an annual income of \$24,072. The calculation is based on a single adult living in Erie County and making an hourly wage of \$11.57, which is the Living Wage Calculator's minimum standard given the local cost of living. This calculation assumes that this single adult works full-time, year round, or 2,080 hours per year.

On average, a UB PhD student with an academic year assistantship (40 weeks) earned \$18,006 in 2017-18 by working up to 20 hours per week. This translates to an hourly rate of \$22.51 for up to 800 hours of work. The New York State minimum wage is \$10.40 (through the end of 2018). The MIT Living Wage is \$11.57 per hour. The GSEU contract minimum is \$12.45 per hour.

In summary:

- The university remits to the State University of New York system the cost of tuition scholarships provided to graduate assistants.
- The UB Foundation provides an estimated \$5 million annually in support of UB graduate students in the form of scholarships, fellowships and graduate student stipends.
- UB's investment in stipends and tuition scholarships for graduate students has grown by an estimated \$8.4 million since 2012-13.
- We estimate that we invested a total of \$39.5 million in PhD stipends and tuition scholarships in 2017-18.
- UB is a large organization with a diversity of academic programs, but within that diversity there is a constant across our campus: the deans and department chairs are working every day to attract the very best students.
- With that, we have developed a budget model that encourages flexibility and priority setting at the decanal and departmental levels so the schools and the college can achieve their goals.
- Most of our university's resources are in existing academic and academic support units' base budgets, and the academic units align these resources with their research, academic, and academic support priorities. The number of PhD

students and their stipend levels are but two of the priorities against which base budgets must be balanced.

- UB deans and academic departments continuously review graduate student programs and funding packages in order to offer competitive stipends, attract the very best students to UB and ensure their success.