

CAPRA Report on Bunsis Financial Analysis of SBU

University Senate Meeting 3/4/2019

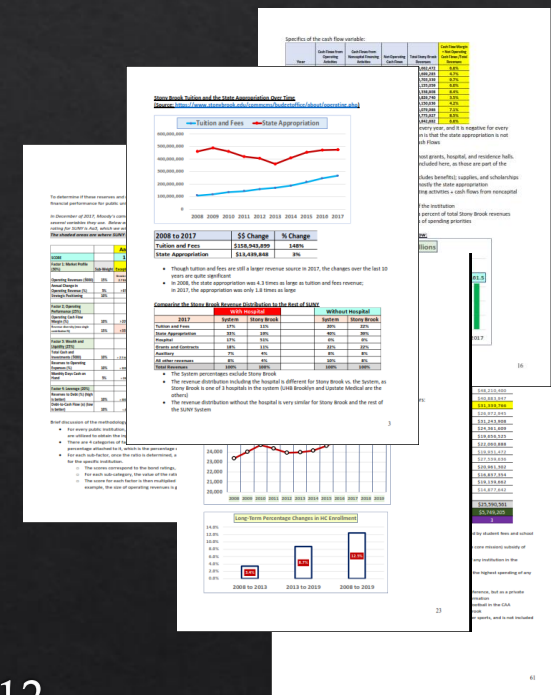
Axel Drees – Norm Goodman – Peter Salins

What is the Bunsis Report?

- ◇ An independent analysis of the financial situation of SBU
 - ◇ By Prof. Howard Bunsis
 - ◇ 70+ pages of in-depth analysis

- ◇ Commissioned and paid for by group of SBU faculty

- ◇ Time line
 - ◇ Report dated October 2018
 - ◇ Received by University Senate President 1/14/2019
 - ◇ Reviewed by CAPRA, report to Senate President 2/12
 - ◇ Report and review shared with Administration 2/15
 - ◇ Shared with all senators 2/20



Who Is Howard Bunsis?

Prof. of Accounting at Eastern Michigan University

- PhD University of Chicago
- MBA University of Chicago
- Certified Public Accountant (CPA)
- Council Member of AAUP (American Association of University Professors)

Bunsis has done a large number of financial analyses of US Universities, including Rutgers, California State, Washington State, Portland University, Oregon State University, and many more.

What Data is the Report Based on?

Publically available data reported by SBU

- Integrated Postsecondary Education Data System
- Annual Financial Reports of SUNY and SBU

The screenshot shows the IPEDS website interface. At the top, it features the IES and NCES logos, the text 'National Center for Education Statistics', and a search bar. Below this is the IPEDS logo and the text 'Integrated Postsecondary Education Data System'. A navigation menu includes icons for search, home, information, user profile, help, and a hamburger menu. A search bar with the text 'Search IPEDS' is also present. Below the navigation is a section titled 'Use the Data' with the subtitle 'Access IPEDS data submitted to NCES through our data tools or download the data to conduct your research'. This section lists several data access options: 'IPEDS Survey Components', 'Data Trends', 'Look Up an Institution', 'Data Feedback Report', 'Statistical Tables', and 'Summary Tables'. Each option includes a brief description of the tool and its capabilities. For example, 'Look Up an Institution' allows users to view an institution's profile and reported data, while 'Data Feedback Report' provides a graphical summary of institutional data compared to peer institutions.

The image shows the cover of the Stony Brook University 2016-2017 Annual Financial Report. The cover features a photograph of three students walking outdoors. The text on the cover includes '2016-2017' at the top, 'STONY BROOK UNIVERSITY' in the middle, and 'ANNUAL FINANCIAL REPORT' in large, bold letters at the bottom. The Stony Brook University logo is also visible in the bottom right corner.

The image shows the cover of the SUNY 2018 Annual Financial Report. The cover features a photograph of students sitting at tables in a library or study area. The text on the cover includes 'THE STATE UNIVERSITY OF NEW YORK' at the top, '2018 ANNUAL FINANCIAL REPORT' in large, bold letters in the middle, and the SUNY logo at the bottom right.

How does the Report Compare to Information Given to University Senate?

The University Senate has been told at numerous occasions (see minutes of Senate meetings):

- There is a structural deficit affecting all units on campus.
- The unrestricted reserves have been spent (deficit of \$25M projected for 17/18).
- To address the deficit a hold on hiring and the non-renewal of contracts, including junior faculty was necessary.

CAPRA and University Senate never received a complete picture of the University's finances.

Numbers that were shared are difficult to compare or reconcile with the Annual Financial Reports.

Overall Conclusion of CAPRA

The Bunsis Financial Analysis seems accurate.

It does not support the administration's claim that SBU is or has been in a dire financial crisis.

We strongly recommend shifting the dialogue with the administration away from the discussion of budget shortfalls to institutional priorities.

Bunsis Analysis

Analysis uses standard accounting tools and follows established accounting standards.

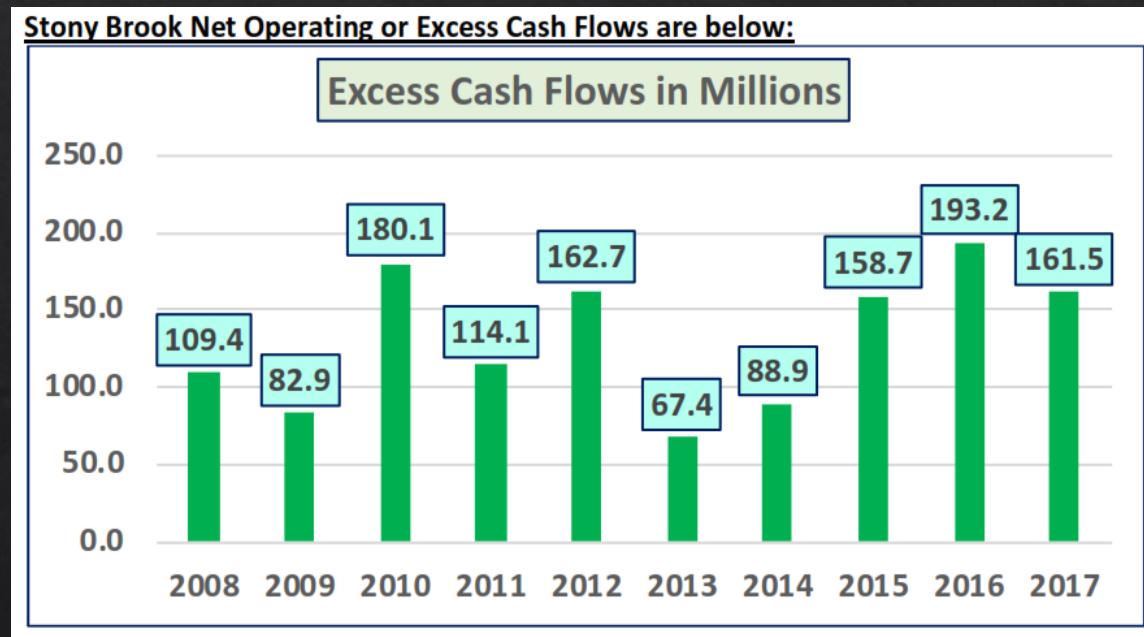
Financial condition of SBU is determined by 3 factors

1. **Net Cash Flow:** Inflow – Outflow of cash
2. **Unrestricted Reserves:** Non Capital Assets – Liabilities
3. **Bond rating:** Independent ranking of financial strength

Net Cash Flow

Net or Excess Cash Flow: Inflow – Outflow

- ◇ From Annual Financial Report
- ◇ Inflow: state appropriation, tuition/fees, grants, residence halls + hospital revenue ...
- ◇ Outflow: employee salaries, benefits, supplies, scholarships ...

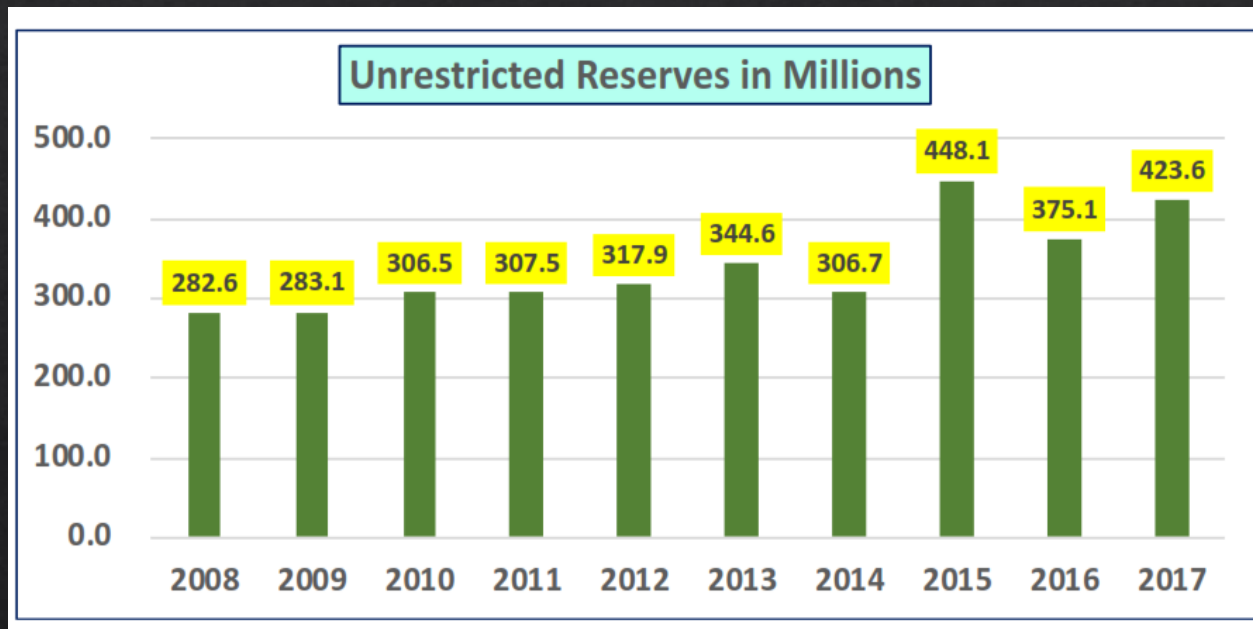


Net cash flow is positive for every of the past 10 years

Unrestricted Reserves

Unrestricted Reserves: Non Capital Assets – Liabilities

- ◇ From Annual Financial Report
- ◇ Liabilities are corrected for future pension and post retirement health care costs



Unrestricted reserves are increasing

Bond Rating

Bond Rating: issued by independent agencies

- ◇ Main agencies: Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings.
- ◇ SUNY bond rating 2017: Moody's (Aa3), S&P (A+), Fitch (A+)
- ◇ Moody's *“obligations rated Aa are judged to be of high quality and are subject to very low credit risk”*.

Bunsis uses Moody's ratio methodology to determine SBU's “bond rating”:

	2013	2014	2015	2016	2017
Score	4.50	4.30	3.85	3.55	3.70
Moody's Rating	Aa3	Aa3	Aa3	Aa3	Aa3

SBU's bond ratings would be consistently high grade

Bunsis Analysis

Analysis uses standard accounting tools and follows established accounting standards.

Financial condition of SBU is determined by 3 factors

1. **Net Cash Flow:** Inflow – Outflow of cash **Positive**
2. **Unrestricted Reserves:** Non Capital Assets – Assets **Positive**
3. **Bond rating:** Independent ranking of financial strength **High Grade**

Bunsis' conclusion:

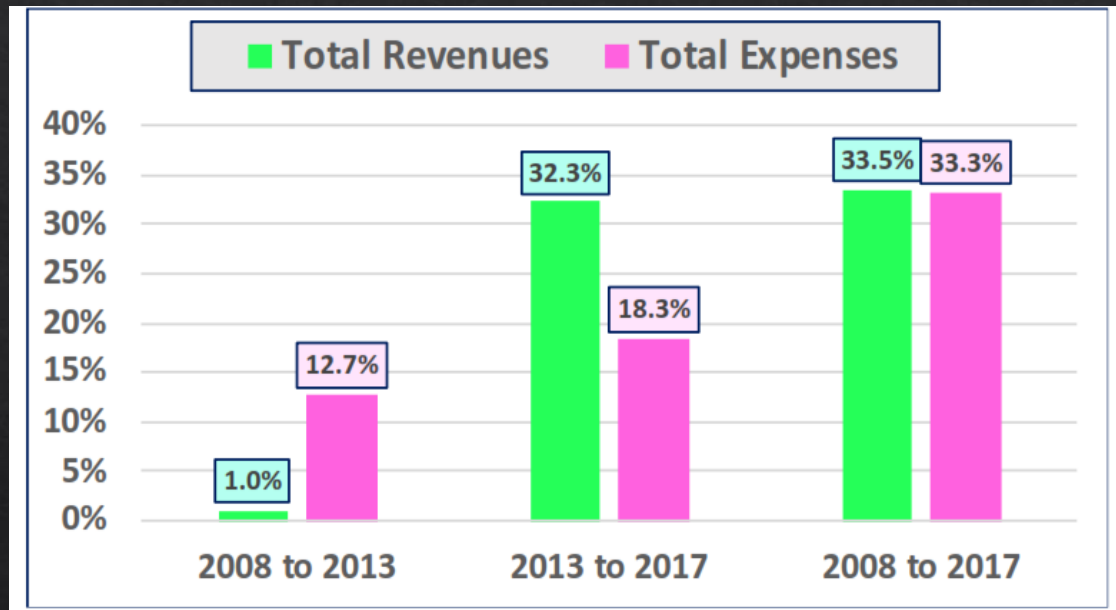
Stony Brook is in solid financial condition.

This conclusions holds independently for the Hospital and for the University without Hospital.

Revenue and Expense Growth

without Hospital

- ◇ 2017 Expenses: \$1.2B increased by \$304M over 10 years
- ◇ 2017 Revenues: \$1.2B increased by \$305M* over 10 years



Revenue and Expenses have increased at equal rate

*50% increase from tuition and fees; not all revenues included

Salary Expenses

Peer Comparison using IPEDS Data

- ◇ SBU salary expenditures in 2017: \$457M *
 - ◇ 52% Instructional 1.25x peer average
 - ◇ 13% Research 0.85x peer average
 - ◇ 13% Inst. Support 1.5x peer average
 - ◇ 14% Academic Support/Student Services
 - ◇ 8% Other

- ◇ IPEDS definition: Inst. Support includes general administrative and central executive-level services (administration above level of Deans)

SBU spends significantly more than peers on Institutional Support

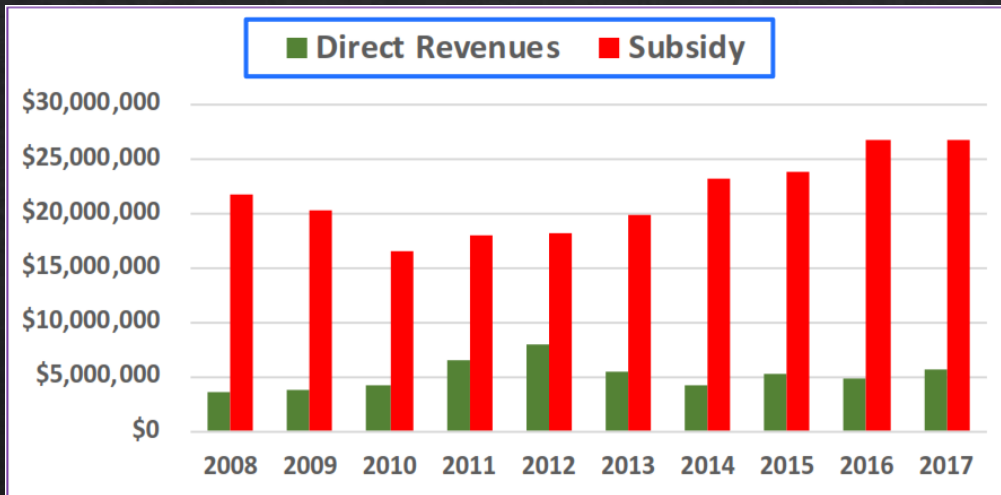
Institution	Institutional Support Salaries as a % of Total Salaries
Buffalo	13.5%
Stony Brook	12.9%
Oregon	11.2%
UCONN	9.4%
UMASS	9.1%
Indiana	8.6%
Maryland	8.5%
Arizona	8.2%
Purdue	8.1%
Kansas	6.8%
Iowa	6.7%
Rutgers	6.7%
Utah	5.8%
Missouri	5.0%
Peer Average	8.3%
SBU vs. Peer Average	4.6%
Reduction in Institutional Support Salaries if SBU Spent at the peer rate (4.6% * 1B in total salaries)	21,053,860

*not including Hospital

Athletics Programs

reported by USA Today

- ◇ 2017 Expenses of Athletics program: \$31.3M*
- ◇ 14% direct revenue – tickets sales, rights/licensing etc.
- ◇ 86% subsidy (\$26.8M: 1/3 student fees, 2/3 other SBU funds)



2017	Conference	Subsidy %	Subsidy \$	Total Athletic Expenses
James Madison	CAA	81%	\$39,119,920	\$48,210,400
Delaware	CAA	81%	\$33,063,193	\$40,883,947
Stony Brook	Am East	86%	\$26,799,950	\$31,339,766
Towson	CAA	87%	\$23,576,513	\$26,972,945
New Hampshire	Am East	70%	\$21,800,013	\$31,243,908
Albany	Am East	75%	\$18,174,536	\$24,361,609
UMASS-Lowell	Am East	86%	\$16,926,691	\$19,656,525
Vermont	Am East	73%	\$16,174,319	\$22,060,888
College of Charleston	CAA	79%	\$15,668,254	\$19,931,472
William & Mary	CAA	57%	\$15,658,354	\$27,539,636
Maine	Am East	68%	\$14,181,546	\$20,961,302
Maryland-Baltimore City	Am East	83%	\$13,938,512	\$16,837,354
Binghamton	Am East	72%	\$13,758,566	\$19,139,662
North Carolina Wilmington	CAA	73%	\$10,790,947	\$14,877,642
Peer Average		76%	\$19,448,566	\$25,590,561
Stony Brook vs. Average		10%	\$7,351,384	\$5,749,205
Stony Brook rank (of 14)		3	3	3

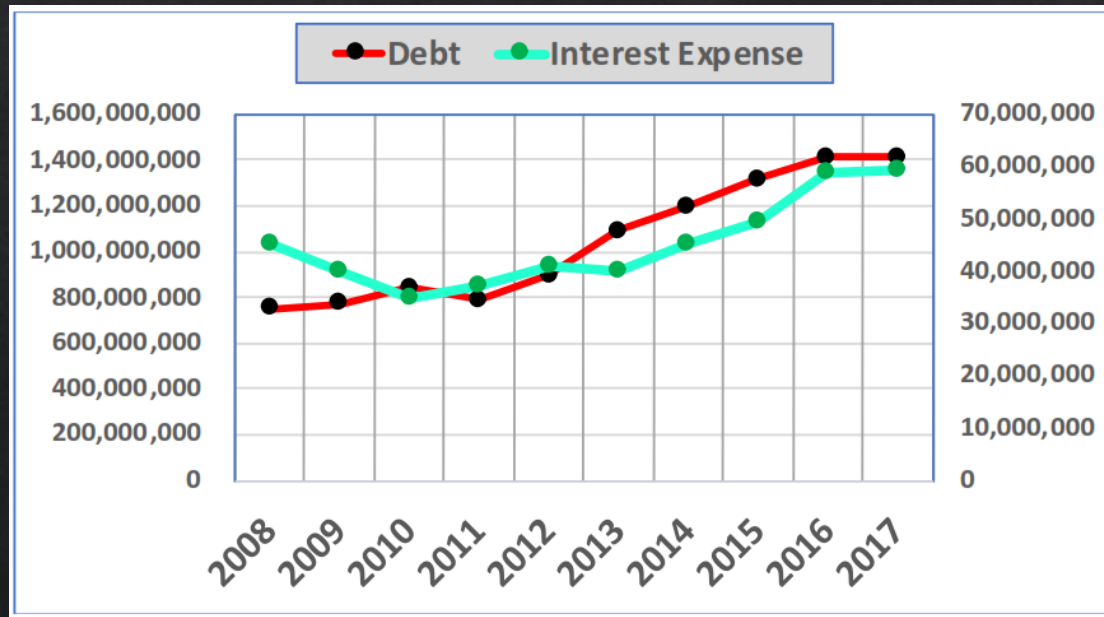
SBU ranks 3rd in subsidy among peers

*includes \$7.5M for scholarships

Construction Activities

2008 to 2017

- ◇ Capital Assets in buildings increased from \$0.5B to \$1.2B
- ◇ Debt doubled and is now \$1.4B
 - ◇ 71% in educational facilities; 22% in residence halls
- ◇ 2017 debt service: \$60M in interest and \$52M in principle



Significant impact of building boom on finances

Next Steps

- ◇ Start of a campus wide discussion through shared governance about institutional priorities and transparency.
- ◇ Collect and condense questions that will be presented to the administration
 - ◇ Senate is setting up means to do this effectively
- ◇ CAPRA will continue ongoing exchange with Senior VP Byington and her team in order to
 - ◇ Find answers to questions
 - ◇ Understand institutional priorities

Example Questions

Specific:

- ◇ How will the apparent financial debt created by occupying the MART building be addressed in the absence of NIH funding for a comprehensive Cancer Center staffed by new faculty?

General:

- ◇ The Bunsis Report concludes that unrestricted reserves are growing. This seems mutually incompatible with repeated claims that the reserves are exhausted. Please explain.
- ◇ What were the priorities that led to taking out substantial loans? What impact does the annual debt service have on academic programs and how is it paid for?