V. The State's and SUNY's Investment

Levels of Support

An essential element in the successful management of the capital program is the ability to make long-range plans. This ability is enabled by consistent and predictable funding which allows campuses and hospitals to plan, design, and schedule projects many years in advance. SUNY was fortunate to receive multiple five-year plans beginning in 1998 and as such, a robust period of planning and construction execution followed. From 1998 to 2013, the State invested $10 billion in SUNY's aging academic and hospital facilities through three consecutive multi-year capital plans. The majority of this investment facilitated the full rehabilitation and modernization of aging buildings, rather than the costlier piecemeal approach that results from year-at-a-time funding.

From the end of the 2008-13 plan until 2017, SUNY received an unpredictable level of support, which impacted campus long-range planning, and impacted the pace of ongoing capital projects in support of SUNY's mission. Since the end of the last plan in 2013 until 2017, the State provided funds for initiatives and critical maintenance projects at specific campuses, such as supplemental appropriations to NYSUNY 2020 Challenge Grants, and fluctuating levels of support for system-wide critical maintenance needs ($402 million in 2014/15, $200 million in 2015/16, and $290 million in 16/17). Beginning in 2015/16, the State's Five-Year Capital Program and Financing Plan indicated an intent to provide an annual amount of $200 million over the succeeding four-year period for critical maintenance projects.

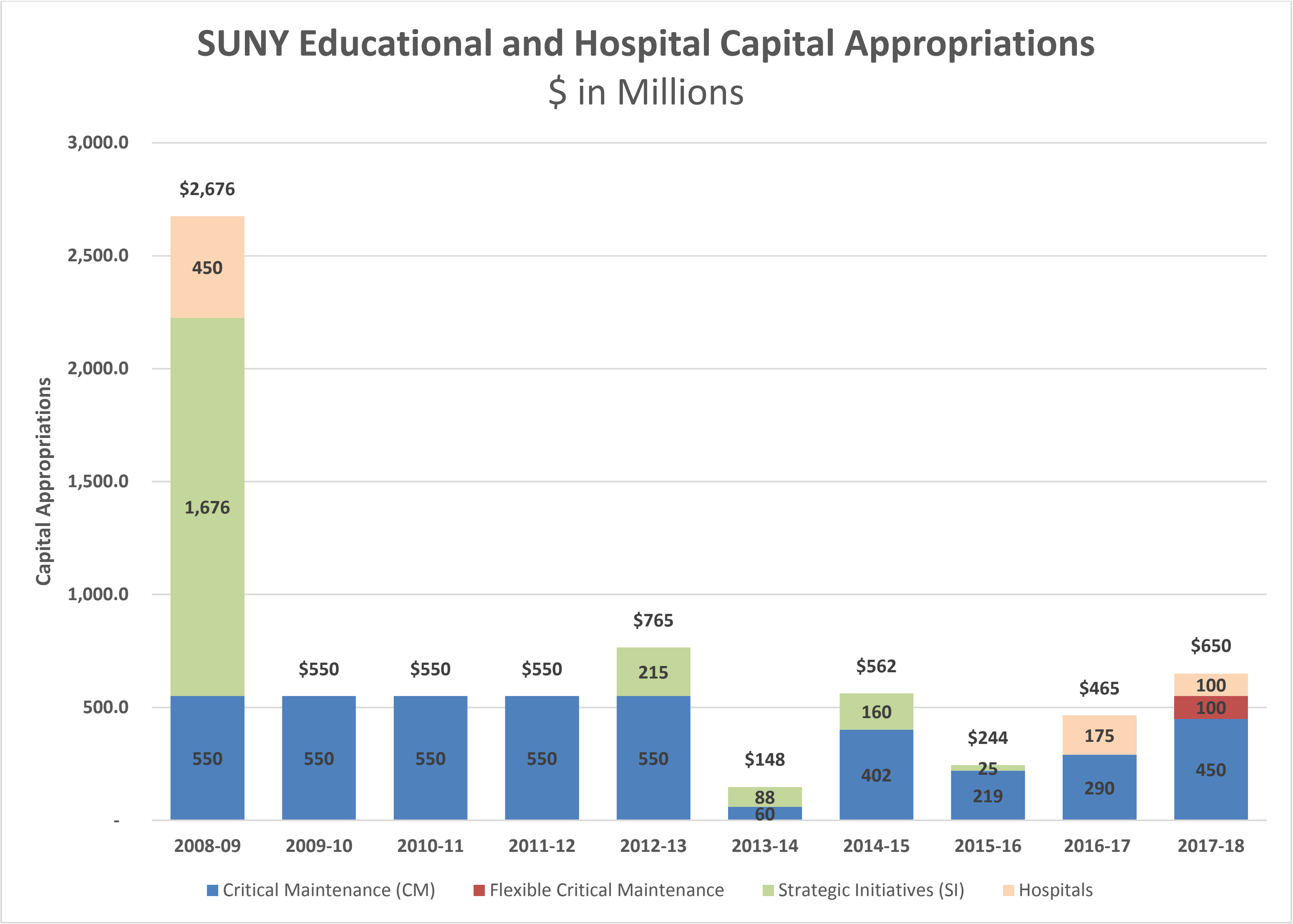
2017/18

SUNY developed a five-year plan and capital budget request, highlighting the need for an increased level of predictable investment necessary to ensure that campus core operations were maintained, ensure student safety and provide facilities to meet changing academic and programmatic needs. In light of dwindling existing capital appropriation remaining from past years, evidence of decreasing disbursements, and active advocacy efforts, SUNY received a new five-year plan, primarily to address critical maintenance needs, in the amount of $550 million for 2017/18, and a plan to continue this level of annual funding through 2021-22. For 2017/18, the $550 million was provided in two appropriations, $450 million for critical maintenance restricted to existing facilities, and $100 million in more flexible critical maintenance.

To further strengthen its ability to address the critical maintenance needs of aging facilities system-wide, the State provided a lump sum of $296 million from within the $450 million to be distributed for high need critical maintenance projects, which is a departure from the historic allocation formula. The formula previously allocated funding to the campuses based on enrollment, square footage and building age, but did not take into account actual backlog need. The lump sum appropriation allows the Fund to address a campus' most critical maintenance needs regardless of size. This more centralized approach is supported by the Division of Budget and also provides the Fund with the ability to better manage to its disbursement targets. To ensure that the allocation of the lump sum funding is in accordance with Executive intent, and to continue the Fund's exemplary stewardship of SUNY and the State's assets, an objective, data-driven methodology to identify those assets most in need of renewal and that advance campus missions has been developed.

The three SUNY teaching hospitals had not received any new State funding since 2008 to support their capital program until the 2016-17 budget cycle, and two of these hospitals, Stony Brook and Upstate Medical Center, had exhausted their available funding. In both 2016-17 and 2017-18 budget cycles, those facilities received $50 million each year to address high priority critical needs and advance projects essential to achieving their strategic business objectives. An additional $75 million appropriation was also provided in the 2016-17 budget to support construction of a new Ambulatory Care Facility at Upstate Medical.

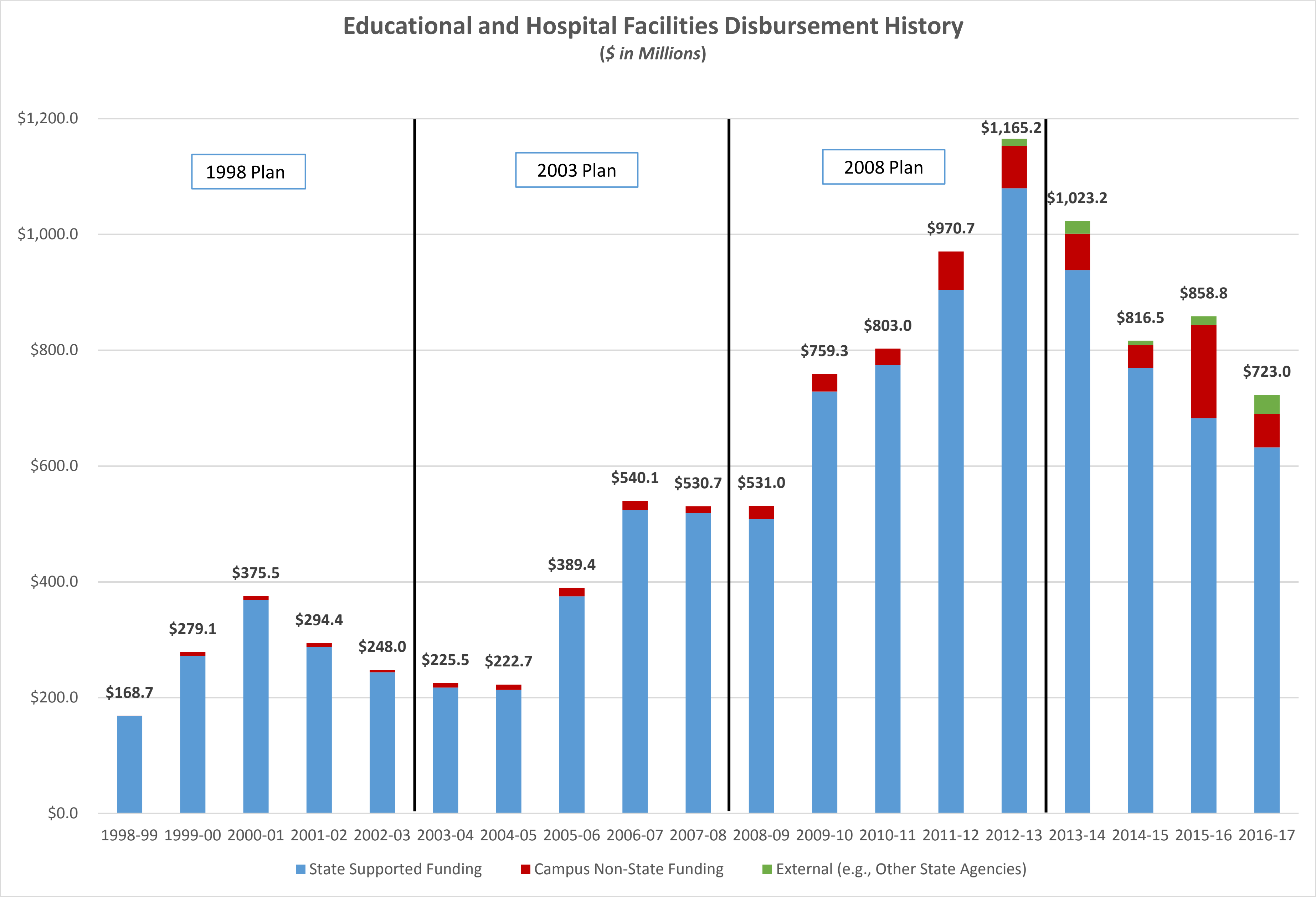
The following chart shows annual funding levels since 2008/09:



In furtherance of the Capital Plan, SUNY continues to develop its next five-year plan for 2017/18 through 2021/2022 that will balance strategic facility improvements developed by each campus in its Facility Master Plan with the critical maintenance and backlog needs of the campus. The SUNY Capital Plan will enable the SUNY system to operate with one concerted vision in mind, ensuring that each plan supports the academic mission of the University system, while providing a safe campus and maintaining critical State assets.

The State continues to be a valued partner in making proposed critical maintenance and select strategic initiative projects a reality. The following chart shows disbursements related to SUNY's educational and hospital projects from both the State and other sources, over the preceding 15-year period. Please note the upward trend of spending following the funding provided in 1998, which is immediately followed by a steady decline (as the funding provided in the 1998 plan was fully utilized) until the enactment of the new plans in 2003 and 2008. In the years following these new plans, an influx of new authority has continued to keep disbursements at a relatively high level. This demonstrates why predictable funding is necessary to ensure steady capital investment levels.

A detailed listing of historical support, by campus from 2003-04 to 2017-18, is provided on page 17 for reference.


Educational and Hospital Facilities Disbursement History
($ in Millions)
1998 Plan
2003 Plan
2008 Plan
$1,200.0
$1,000.0
$800.0
$600.0
$400.0
$200.0
$0.0
$168.7
$279.1
$375.5
$294.4
$248.0
$225.5
$222.7
$389.4
$540.1
$530.7
$531.0
$759.3
$803.0
$970.7
$1,165.2
$1,023.2
$816.5
$858.8
$723.0
1998-99
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17
State Supported Funding
Campus Non-State Funding
External (e.g., Other State Agencies)

Capital Program Financing Mechanisms

Appropriations for educational and hospital projects are paid using State funds in the first instance. The State is then reimbursed for these expenditures periodically from bonds issued by the Dormitory Authority of the State of New York under the Personal Income Tax and Sales Tax Revenue Bonding Programs. As noted above, educational and hospital project expenditures made by the State are repaid from bond proceeds. The State pays the debt service on these bonds.[2] Only a very small amount ($25.0 million) of State pay-as-you-go funding was made available to campuses during a multi-year period beginning in 2004, for smaller, less-bondable capital projects. Since then, no additional pay-as-you-go funding has been provided. In addition, in many cases, campuses provide grant funds or other campus-raised revenues to supplement and support priority capital projects.

Aside from the essential need to invest in public higher education, there are several reasons why bonding is the most appropriate method for financing capital investments in the University's physical plant and infrastructure. First and foremost, it provides a consistent source of ongoing funding to maintain the asset values of essential facilities, i.e., the availability of hard dollar appropriations sufficient to fund the capital projects is not always available.

Second, is the extended useful life benefit received from the investment. For SUNY educational and hospital capital projects, the average extension of useful (or economic) life of a facility, or facility component, exceeds 28 years for all projects undertaken. This compares favorably to the weighted average term of the bonds sold to finance these projects, which usually ranges between 15-20 years.

Last, with the advent of the enhanced revenue coverage available under the Personal Income Tax (PIT) State Bonding Program and the Sales Tax State Bonding Program implemented in recent years – which now support the bonding needs of both SUNY and CUNY capital programs, among others – the overall cost of bonding has been reduced, while bond ratings have remained high. (Most recent ratings for SUNY Educational Facility and Hospital PIT bonds were "AAA" from Standard & Poor's and "AA+" from Fitch.) The State's annual debt service cost on the bonds issued to fund the capital program is a small percentage of the amount of money made available through bonding.

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[2] *Note: Pursuant to annual transfer language provisions, each of the University's three teaching hospitals must reimburse the State, from their operating revenues, for the ongoing annual debt service costs of all bonds sold in support of hospital capital projects. Similar provisions for the University at Buffalo and the University at Albany were added in 2012-13 and 2013-14 to allow for the payment of debt service associated advance appropriations of $215.0 million and $88.0 million, respectively, in support of these campus NYSUNY 2020 projects.*