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 plan long term. This ability is enabled by consistent and predictable funding which allows campuses and hospitals to plan, design, and schedule projects many years in advance. Over the past ten years, SUNY has experienced periods of consistent and predictable funding, as well as periods of unpredictable funding.

2008-2012

From 2008-2012, the State enacted a multi-year capital plan for SUNY totaling $4.9 billion, which included; annual funding of $550 million over five years, for a total of $2.75 billion, to address critical maintenance needs; $450 million for the three SUNY teaching hospitals; and nearly $1.7 billion for campus specific strategic initiatives, which included major building renovations and new buildings.

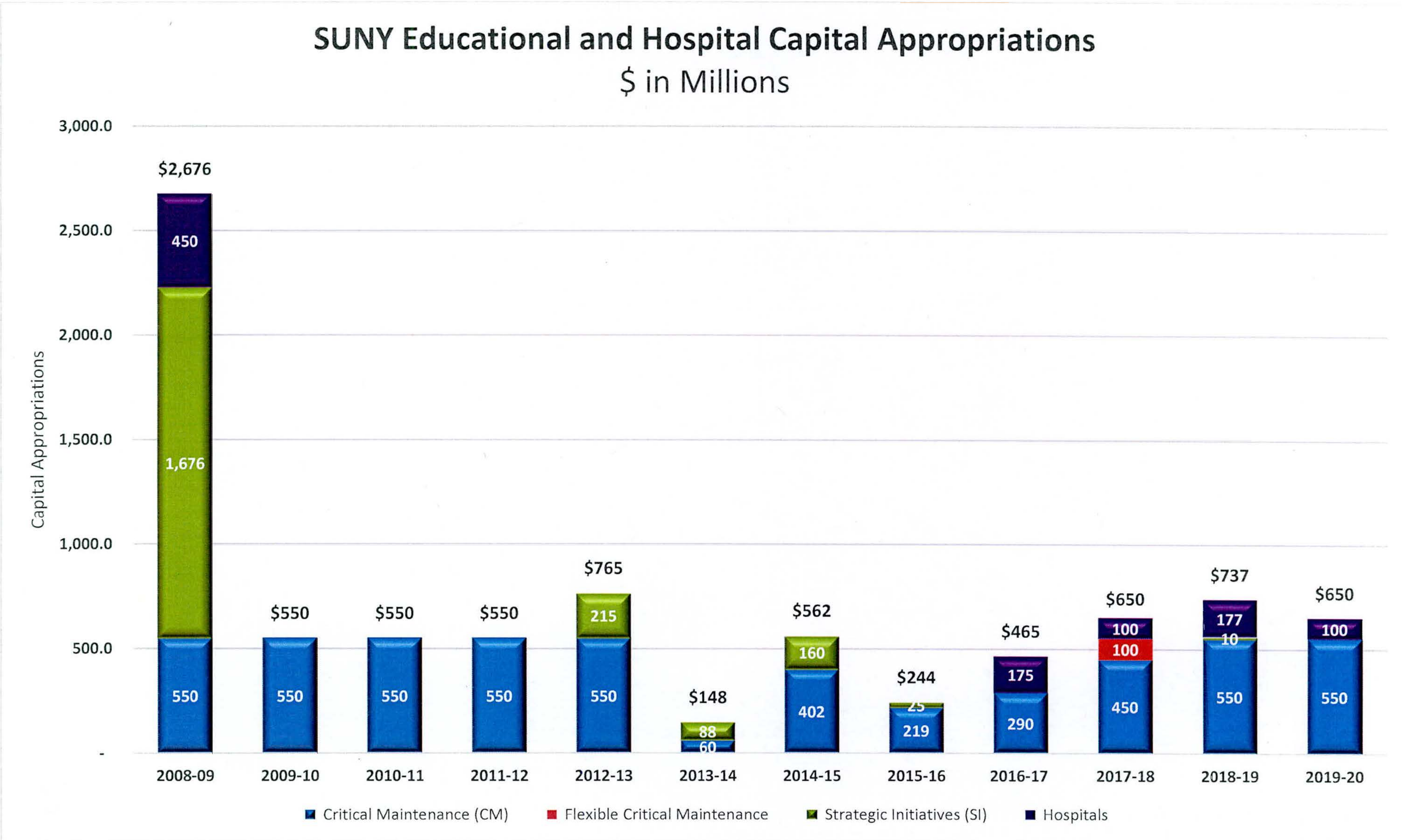
2013-2016

From 2013-2016, inconsistent and unpredictable levels of funding were provided. This negatively impacted campus long-range planning and curtailed the pace of ongoing capital projects that supported SUNY's mission. During that four-year, span SUNY received a total of $1.4 billion, a significant reduction from the prior five-year period. Of the $1.4 billion in capital support provided, $892 million was for system-wide critical maintenance, $100 million for two of the three teaching hospitals at Upstate and Stony Brook, and $427 million for campus specific strategic initiatives, primarily for large projects at the University Centers provided through the NYSUNY 2020 grant program.

2017-2019

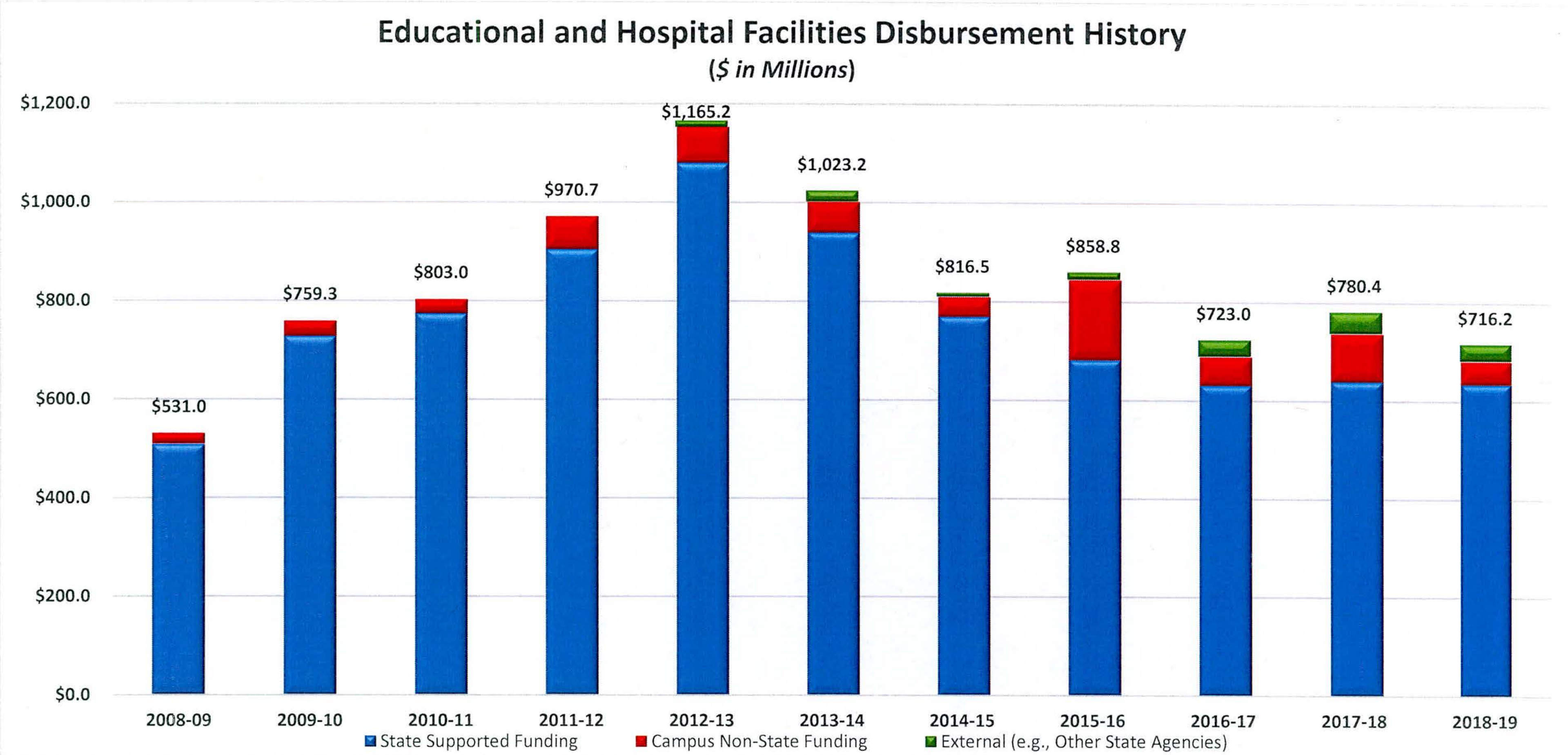
SUNY developed a five-year plan and capital budget request, highlighting the need for an increased level of predictable investment necessary to ensure that campus core operations were maintained, ensure student safety and provide facilities to meet changing academic and programmatic needs. In light of dwindling existing capital appropriation remaining from prior years, evidence of declining 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. An additional $100 million in support was provided for two of SUNY's three teaching hospitals at Upstate and Stony Brook As per the plan, the State provided another $550 million in 2018-19 and 2019-20, with a plan to continue this level of support through 2023-24, and another $100 million for Upstate Medical University Hospital and Stony Brook Hospital.

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 2020/21 through 2024/2025 that will balance strategic facility improvements developed by each campus in its Facility Master Plan with the critical maintenance and deferred maintenance 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 annual disbursements since 2008 related to SUNY's educational and hospital projects from the State and other sources. Spending peaked in 2012-13, then declined, and fluctuated as funding became less consistent and predictable after 2012. This demonstrates why predictable funding is necessary to ensure steady capital investment levels.



Capital Program Financing Mechanisms

Appropriations for educational and hospital projects are paid using State funds in the first instance. The State is 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 "Aa1" from Moody'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.*