

**Summary Analysis of Albany Law School
November 2013**

Summary

From a financial perspective, using data through the end of fiscal 2012, Albany Law School is in very strong financial condition. It is very unlikely that this conclusion has changed based on 2013 results. The empirical evidence does not support the idea that financial pressures are forcing the administration to cut faculty.

Before any actions are taken, the administration must address the issues reported below. In addition, the administration must disclose their audited financial statements. Even if there has been an enrollment decline, the revenue loss can easily be handled by reserves or reductions in administrative costs.

Transparency is a significant issue: I was not able to find the following information that is typically publicly available:

- Audited financial statements
- Enrollment
- Staffing levels

1. Are they broke?

Below is the balance sheet (Statement of Net Assets) based on IRS 990's for the last several years.

	2008	2009	2010	2011	2012
Total Assets	76,231,664	75,726,473	80,083,920	88,057,632	90,461,837
Total Liabilities	26,228,272	26,761,436	26,280,912	23,754,098	24,136,275
Total Net Assets	50,003,392	48,965,037	53,803,008	64,303,534	66,325,562
	2008	2009	2010	2011	2012
Total Assets	100%	100%	100%	100%	100%
Total Liabilities	34%	35%	33%	27%	27%
Total Net Assets	66%	65%	67%	73%	73%

- They are clearly not broke, as liabilities are only 27% of total assets at the end of 2012
- Over the last 5 years, we see an increase in assets and a decline in liabilities
- Net assets are simply the difference between assets and liabilities; they are 73% of total assets, which is a high and healthy percentage

2. Reserves

Per the above chart, Albany had \$66.3 million of net assets at the end of 2012. The question is: How much of these are true reserves that the administration can use? How much should they have set aside to prudently manage the institution?

To answer these questions, we first parse out the true reserves from the 66.3 million;
Then, we compare the true reserves to total expenses.

The ratio of:

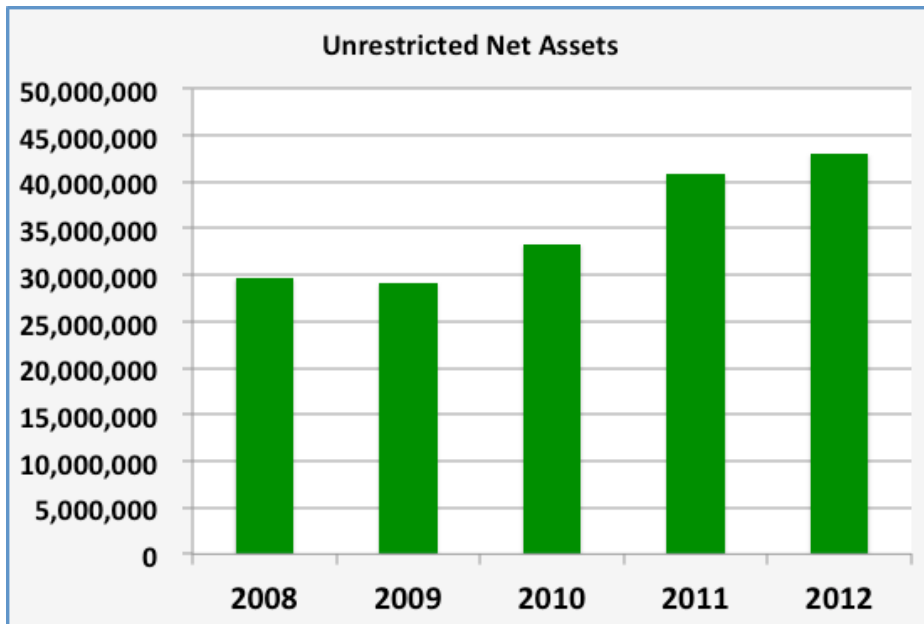
Reserves / Expenses is called the primary reserve ratio.

It is the most important ratio in describing the financial health of an institution of higher education.

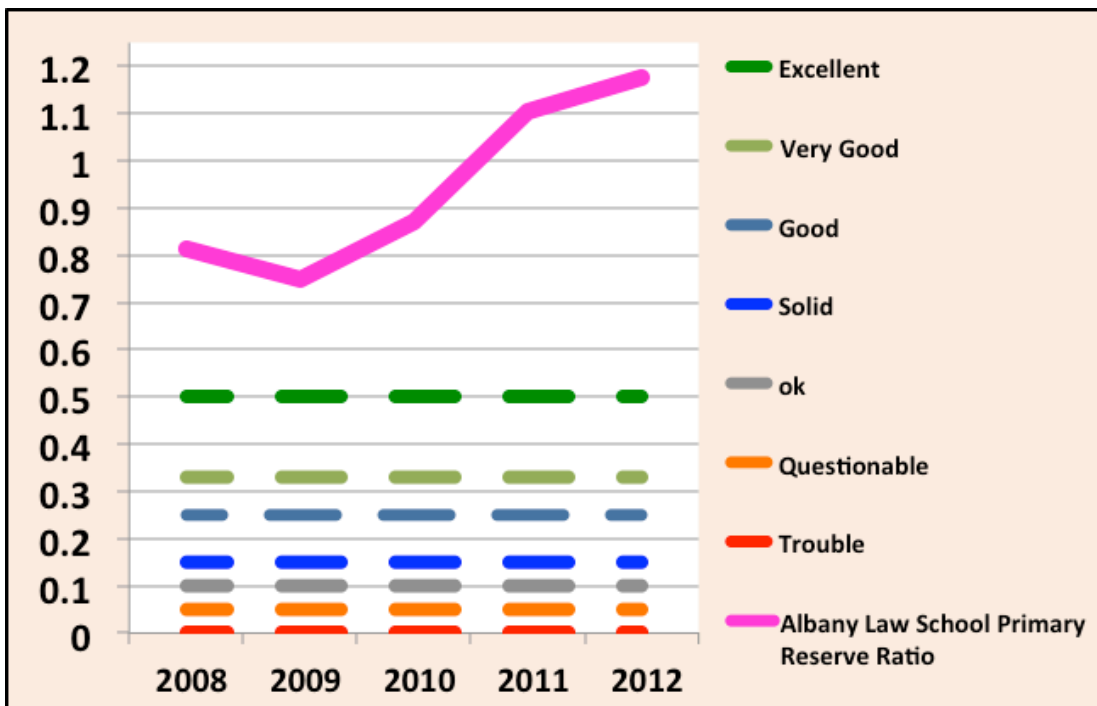
	2008	2009	2010	2011	2012
Unrestricted Net Assets	29,726,280	29,149,266	33,355,532	40,888,375	43,073,839
PPE	24,261,928	23,805,849	23,858,463	24,010,334	23,359,290
Debt Related to PPE	18,951,816	18,525,721	18,059,626	17,573,531	17,062,436
PPE free of debt	5,310,112	5,280,128	5,798,837	6,436,803	6,296,854
True Unrestricted Reserves	24,416,168	23,869,138	27,556,695	34,451,572	36,776,985
Total Expenses	30,024,304	31,877,457	31,657,633	31,200,623	31,290,647
Primary Reserve Ratio	81%	75%	87%	110%	118%

What is all of this?

- Unrestricted net assets were \$43.073 million at the end of 2012. The other \$23 million of net assets are:
 - Permanently restricted net assets (donors have given money and the principle cannot be spent)
 - Temporarily restricted net assets (donors have given money but after time or certain events, the principle can be spent).
 - Being conservative, these are excluded from the analysis below. Most analysts include temporarily restricted net assets (over \$4 million at the end of 2012)
- Of the 43.073 million, some of this is tied up in the buildings. How much?
 - \$6.296 million is tied up in the building
 - \$36.776 million are the true reserves at the of 2012
- What do we do with the \$36.776 million? We compare it to total expenses to determine the primary reserve ratio.
- First, Albany Law School's ratio of 118% is off the charts high and healthy, as we will see below
- Second, it has been increasing over time. Albany Law School is in better and better financial condition over time.



To demonstrate how strong the primary reserve ratio of Albany Law School is, consider the chart below:



3. Debt

At the end of 2012, Albany Law School had \$17 million of debt. Given the level of reserves (\$36-37 million), the level of debt is very low. It cannot be claimed that debt payments or debt service is a problem for the administration.

4. Revenues vs. Expenses (per IRS form 990)

	2009	2010	2011	2012
Total Revenues	33,499,478	34,980,165	36,078,031	34,737,990
Total Expenses	31,877,457	31,657,633	31,200,623	31,290,647
Change in Net Assets	1,622,021	3,322,532	4,877,408	3,447,343
Net Asset Ratio	4.8%	9.5%	13.5%	9.9%

- The above chart shows four straight years of “profit.”
- These numbers do not include the paper gains and losses on the endowment
- The audited financial statements would report the unrealized gains and losses, and would likely show losses in 2009 and 2010, but much larger gains in 2011 and 2012.
- Cash flows – which would exclude paper gains and losses and depreciation expense – are likely very strong and positive each year. The audited financial statements would reveal this.

5. Percent spent on faculty

The source for the data below is IPEDS, Integrated Postsecondary Education Data System of the U.S. Department of Education. The university submits this data each April. Unfortunately, we only have data through 2011 that is publicly available. The data for fiscal 2012 has been submitted to IPEDS (in April of 2013). We should ask for this data as well.

	2008	2009	2010	2011
Instructional Salaries	8,667,206	9,623,177	8,743,151	8,725,585
Instructional Benefits	2,262,281	2,232,441	2,292,222	2,365,753
Instructional Salaries and Benefits	10,929,487	11,855,618	11,035,373	11,091,338
Total Albany Law School Expenses	30,024,304	31,877,457	31,657,633	31,200,623
Percent of total expenses spent on instructional salaries and benefits	36.4%	37.2%	34.9%	35.5%

- This really is a startling result: Only 35.5% of total expenses are spent on instructional faculty and benefits.
- This demonstrates that almost 2/3 of total expenses go to other items
- It is disturbing that this percentage is generally declining over time; this happens due to:
 - Lack of raises
 - Not replacing faculty who retire/leave
 - Larger use of part-time faculty

If we just isolate total salaries, we also see a disturbing trend:

	2008	2009	2010	2011
Instructional Salaries	8,667,206	9,623,177	8,743,151	8,725,585
Instructional Benefits	2,262,281	2,232,441	2,292,222	2,365,753
Instructional Salaries and Benefits	10,929,487	11,855,618	11,035,373	11,091,338
Total Salaries and Benefits	15,224,592	16,467,861	15,733,701	16,014,203
Percent of total salaries and benefits spent on instructional salaries and benefits	71.8%	72.0%	70.1%	69.3%

- For 2011, only 69.3% of total salaries and benefits go to those who teach; the rest goes mostly to administrators
- This percentage has declined over time, which is disturbing

6. Staffing (Source is IPEDS for years up to 2011-12, then the Fact Sheet of the university for the final year - <http://www.albanylaw.edu/about/Pages/facts.aspx>)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Tenured	31	32	30	29	28	
Tenure-track	5	5	7	7	7	
Non Tenure Track	16	15	15	19	17	
Total Full Time Faculty	52	52	52	55	52	50
Executives/Admins/Managerial	30	31	32	32	31	
Support/Service	25	25	28	27	27	
Technical	13	11	11	11	12	
Clerical	24	27	27	25	21	
Service	10	10	1	1	1	
Total FT Employees	154	156	151	151	144	
Part time faculty						41

- The number of faculty for 2012-13 comes from the fact sheet
- Part time faculty are not reported to IPEDS for any of these years; the 41 comes from the Fact Sheet

7. Enrollment

	Fall 07	Fall 08	Fall 09	Fall 10	Fall 11	Fall 12	Fall 13
Fall Enrollment per IPEDS:	710	784	773	734	690		
Enrollment per Fact Sheet							591

- The fall 2013 enrollment comes from the fact sheet.
- The other data comes from IPEDS
- It is not clear if there really has been a 14% decline in enrollment, as 591 may be full time enrollment; full time enrollment was 590 per IPEDS in Fall 2013.
- Tuition seems to have increased 2% in the last year or two
- Overall, it is not clear how much, if any, the university has lost in tuition revenue. A worst-case scenario is approximately \$3.5 million.
- Note that there was over \$36 million in unrestricted reserves at the end of 2012. Reserves cannot be spent to zero, or even below \$10 million. But reserves can be used to help with temporary reductions in enrollment.