

2009/10 Budget Proposal for Humboldt State University

Submitted to the University Budget Committee
by the Vice Presidents and the President
January 30, 2009

Last year the Vice Presidents and the President established the following general priorities to guide our decisions on budgetary matters. We continue to believe that these priorities remain important to the university and have used them in our development of this proposal for the 2009/10 budget.

Student success, both in improving retention and graduation rates as well as advancing the success rate of traditionally underrepresented students, remains the top priority (WASC, Theme 2) along with academic excellence and educational quality as defined in WASC, Theme 1. The second priority concentrates on making Humboldt State fiscally stable and centers on revenue enhancing functions such as enrollment, advancement, and grants and contracts. The third priority focuses on our responsibility of service to the north coast community.

Assumptions for the 2009/10 Budget

The Governor released the details of the state budget on December 31, 2008. This budget has identified a \$14.8 billion deficit in 2008/09 that is estimated to grow to \$41.6 billion by the end of 2009/10 unless the Governor and Legislature take action. The Governor's budget for the CSU includes a \$66.5M reduction in the general fund, a \$131.6M increase in student fee revenues and an increase of \$3.6M for nursing programs. However, the CSU estimates that it will need an additional \$84.4M to fund mandatory costs such as medical benefits, potential rises in energy costs and the mandated set aside for financial aid. The allocations in the Governor's budget and the costs for mandatory expenditures and financial aid mean that the CSU will need to reduce its budget by \$15.8M in 2009/10.

What assumptions are we making for HSU?

1. Our enrollment will remain stable at 7,150 FTES. This is a conservative number since the Office of Enrollment Management estimates that we may enroll as many as 2 percent above our enrollment target. If the enrollment achieved is greater than 7,150 FTES and we are required to make a mid-year reduction in 2009/10, the additional revenue will help to meet such a reduction.
2. Estimates of increases to university-wide costs are determined to be approximately \$2.6M. The impact of these increases in expenditures can be reduced if we use unallocated base funds from the 2008/09 budget year. The only optional increase in university costs that was not mentioned above is the addition of funds to initiate an institutional research office. This was strongly recommended by the WASC review team and by consultants, Keeling & Associates and David Maddox.
3. Based on these assumptions, we will need to reduce our expenditures in 2009/10 by about \$813, 816. The items discussed above are summarized in Table 1 below.

TABLE 1- Estimated revenues and university-wide costs for 2009/10

HSU Base Budget Revenue Estimates	2009-10
Enrollment change	Flat
FTES Assumption	7,150
State Appropriation	\$74,310,440
State University Fees (10% rate increase)	\$24,363,540
Non-resident Tuition	\$1,779,054
Other fees	\$1,587,394
Estimated Sources (base budget)	\$102,040,429
2008/09 Base Budget	\$101,923,686
Change Over 2008/09 Budget	\$116,743
University Costs	
Salaries and benefits increases	\$741,864
Utilities	\$390,400
State University Grant (financial aid)	\$676,865
Nursing	\$212,000
Eliminate unallocated base budget reserve	-\$1,632,570
Recapitalize general university obligations	\$400,000
New Initiative: IR Director's Office	\$160,000
Subtotal University Costs	\$948,559
Total Change (Revenue - Costs)	-\$831,816

Proposed Reductions for Campus Units

The Vice Presidents and the President are committed to a total reduction of \$831,816 for HSU. However, the budget for the California State University remains in doubt given the failure of the Governor and the Legislature to reach agreement on a state budget. Thus, the proposals we are making below should be considered preliminary since we have had a very limited amount of time to ponder how to make the base reductions we believe are required. In addition, Academic Affairs has not yet completed its prioritization process that should provide strong rationales for reduction of its base budget. All of this means that the proposals below may be revised when the 2009/10 budget for the CSU is more certain, and we have had the time to consider more carefully how to take the proposed reduction. It is clear that our primary goals for the 2009/10 academic year are to maintain and slightly exceed our current enrollment and FTES. In addition, we must address the goals that we have presented to the WASC reviewers.

Based upon the priorities and assumptions summarized above, we propose the following preliminary reductions (Table 2) to achieve a base budget reduction of \$831,816 for the 2009/10 budget year.

TABLE 2 - Proposed base budget reductions for 2009/10

Administrative Unit	2008/09 Base Budget *	% Total Base	Proportional Reduction	Proposed Reduction	% Proposed Reduction
Academic Affairs	\$55,010,578	65.8%	-\$547,740	-\$427,093	51.3%
Administrative Affairs	\$14,952,284	17.9%	-\$148,880	-\$230,729	27.7%
Student Affairs	\$10,035,619	12.0%	-\$99,925	-\$150,534	18.1%
University Advancement	\$2,190,655	2.6%	-\$21,812	-\$10,000	1.2%
President's Office	\$1,351,800	1.6%	-\$13,460	-\$13,460	1.6%
Total	\$83,540,936	100.0%	-\$831,816	-\$831,816	100.0%

* See 2008/09 Budget Book pp. 25, 30, 33,37,42 for base, state-derived budgets. Exempted from reduction were the following budgets: general university costs, computer paper fee, course and other miscellaneous student fees, educational opportunity grant, state graduate fellowship grant, and diversity activity funds, bringing the net reduction amount to \$83,540,936.

What are the rationales for such reductions? These proposals are designed to maintain and slightly expand our annual FTES and meet the goals we are committed to for the WASC accreditation. We are doing this by reducing the proportional reduction that Academic Affairs would be required to take in order to maintain integrity in the academic programs. We have decreased the reduction required of Advancement to allow for the continued growth of this area, which is increasingly important given the ongoing reduction of state support for higher education in California. The President's Office will take a lower proportional reduction in recognition of the fact that it is a small unit and has taken larger than proportional reductions in past years.

Use of University Reserve Funds in Fiscal Year 2008/09

The university began the 2008/09 fiscal year with a reserve of \$844, 970. These reserves have been used as described in Table 3.

TABLE 3 – Use of base reserves in fiscal year 2008/09

Description	Amount
Prior Provost FERP @ 0.50 FTE	\$82,000
Faculty Athletic Rep (FAR) backfill 3/15 WTUs	\$15,000
Ombudsperson FY05 rate \$49,140 *8/15 WTUs	\$32,500
Interpreter Salaries - Disabled Students	\$60,000
Membership fees	\$6,000
American Council on Education	\$4,925
Temporary Advisor for Academic Information Referral Center	\$32,500
Total Expended	\$232,925

Unless unexpected needs occur during the current fiscal year, the university will carry forward \$612,045 in reserves for the 2009/10 year.

Use of One-Time Cash Reserves in Fiscal Year 2009/10

As a result of our conservative budgeting assumptions last year and larger than expected enrollments, the university currently has one-time cash reserves of \$3,346,000. The source and proposed uses of these funds are summarized in Table 4 below.

TABLE 4 – One-time cash reserves and proposed uses

University One-time Cash Reserves	
Risk Premium Dividend - FY0708	\$550,000
Deferred CMS Loan Payment - FY0708	\$800,000
Unbudgeted Fee Revenue - FY0708	\$2,000,000
Business Management Trust - FY0708	\$1,000,000
Unallocated Base Budget – FY0809	\$751,000
Total One-time Funds Available	\$5,101,000
Minus second mid-year reduction	<u>-\$1,755,000</u>
Sub-total University Reserve	\$3,346,000
Set aside \$1,500,000 for University contingency	-\$1,500,000
Set aside \$500,000 for President's Initiative Reserve	-\$500,000
Net Unobligated University One-time Cash Reserves	\$1,346,000

The total cash reserves of the university prior to the announcement of the Governor's budget for 2009/10 were \$5,101,000. An additional reduction of \$66M proposed in the Governor's budget resulted in a second mid-year reduction of \$1,755,000 leaving a total of \$3,346,000 in one-time funds that we propose to carry forward into the 2009/10 fiscal year. We propose to use these funds to create a university contingency fund of \$1.5M and for the first time, a contingency fund of \$0.5M for the President's use. This will leave unobligated reserves of about \$1.35M. Given the significant uncertainties of California's financial situation, we propose to retain these funds for possible additional reductions to our budget during the 2009/10 fiscal year. It may even be necessary to use these funds during the current fiscal year to meet our payroll needs if the state does not reach an agreement for its budget for the 2009/10 fiscal year.

University Budget Committee Timeline

The budget calendar published earlier (www.humboldt.edu/~budget/committee.html) requires the UBC to respond to this proposal no later than February 27, 2009. The Vice Presidents and the President will be pleased to meet with the UBC to discuss this proposal prior to this deadline. If the UBC wishes to make changes, we request that its proposal identify specific units for reduction and provide clear rationales for the proposals. We very much appreciate your service on this important group and look forward to your comments.