

**University Budget Committee Meeting
March 28, 2008**

In attendance: Robert Snyder (Co-Chair), Mark Larson (Co-Chair), John Powell, Lumei Hui, Michael Thomas, Judith Little, Mary Kay, Saeed Mortazavi, Steve Butler, Amy Moore, Laura Weare, Rob Gunsalus

Guests: Rollin Richmond, Nick DeRuyter, Frank Whitlatch, Sara Wilmot

1. Revenue/Expense Planning for FY08/09 Budget

The first handout shows University revenue and cost projections for 2008/09 at 7,150 FTES. The University Budget Office uses this year's headcount for next year's student revenue projection. Items listed under University Costs are augments to base. The prior year compensation shortfall of \$108,289 is for the 2% salary increase at June 30 for faculty. This number will probably be closer to \$300,000 because it doesn't include some recent raises, i.e., the equity increase for faculty and In-range Progressions for staff. The CMS loan is a fixed cost but we will only have to pay \$600,000 for next year's payment; the other \$600,000 can go towards our budget shortfall; subsequent payments will be \$1,200,000 each for 8-9 more years. The State University Grant is a financial aid set-aside. Utility costs are increasing and \$128,000 may not be adequate. A separate set-aside is required for Forbes Complex maintenance since we were successful in keeping the building. Other base augments are for International Programs, University Advancement for planned giving, and Student Affairs for retention and police. The bottom line is a \$2,500,000 to \$3,000,000 deficit. A student fee increase will be on the May Board of Trustees agenda.

The second handout shows the distribution of the All University budget for 2008/09. The Executive Committee has recommended that many of the All University line items be decentralized to divisional budgets as shown in this table.

It was noted that \$3,000,000 is the reduction target from the Chancellor's Office. This amount would have to be made up from fee increases. It does not include any potential salary increases for next year. The \$7,300,000 reduction being quoted by the media includes salary increases as agreed to in the Governor's compact, enrollment growth funding, and mandates. Collective bargaining will be reopened if the compact is not honored. If the compact is honored, we may get some percentage of salary increases and we will have to make up the difference.

The third handout shows the balance left in the All University budget for 2008/09. The reserve is approximately \$845,000. Risk management is over \$2,000,000 and includes the cost of layoffs. The University is able to make interest on this pool of funds until it is taken by the Chancellor's Office. Utilities costs vary dramatically from year to year and we typically underbudget this cost. The PERS rate reduction of \$202,000 must be given back to the State Controller's Office.

2. President and Vice Presidents' Proposal for 08/09 Budget Reductions

The President's priorities to be used for decisions on budget reductions have been grouped into three clusters that include: Student Success, Academic Excellence and Educational Quality, Fiscal Stability and Revenue Enhancement, and Service to the North Coast Community. It was suggested that Campus Infrastructure may have been omitted from Cluster 2. This plan is our current best estimate; further reductions and fee increases may alter this plan. Not included in the plan are any compensation increases, which would significantly increase the deficit. We also need to maintain enrollment in order to position ourselves for the future.

Academic Affairs

The proposal exempts Academic Affairs from reducing its budget in 2008/09 but enrollment must be maintained at the current level or increased if possible. Academic Affairs needs money for increasing freshman and General Education classes. This gives Academic Affairs time to continue its effort on program prioritization. However the division will be required to cut approximately \$2,000,000 from its budget in 2009/10.

Administrative Affairs

The proposed cut for Administrative Affairs is \$502,500. The number of employees in this division has been significantly declining in recent years and funding for long term maintenance needs to be found from within its existing budget. A \$200,000 augmentation is required to continue maintenance of Forbes Complex.

Student Affairs

The proposed cut for Student Affairs is \$317,500. Augmentations are required for police services (\$85,000) and a retention program (\$150,000). We have the lowest sophomore to junior retention rate in the system at approximately 74%. Data on retention is sorely needed.

University Advancement

The proposed cut for Advancement is \$85,000. The Planned Giving initiative requires an augment of \$180,000.

President

The proposed cut for the President's Office is \$45,000. This means that the President will be unable to provide as much support for many of the activities he currently funds.

University Wide

The proposed cut for the University Wide budget is \$550,000 and will have to come from one-time funds since many of the items in this budget are mandatory, i.e., utilities and risk management.

Discussion ensued on the proposal:

A question was raised as to whether or not there are enough one-time funds to cover shortfalls? (Thomas)

The handout does not include any money that will be rolled forward at year-end; additional money will be available from roll forward for the one-time funds required in 2008/09. Multi-year collective bargaining agreements may not be honored and this will reduce the salary increase requirement. (Snyder)

There is usually a balance in the University Reserve fund each year and each of the divisions also tries to maintain a reserve. (Richmond)

The group was reminded that these are one-time funds and once used, they are gone. There is a \$600,000 one-time balance from the negotiated payment for CMS for next year. Excess benefits are also anticipated to roll forward. There is approximately \$1,000,000 in a business trust fund. (Butler)

Some funds have specific purposes and cannot be used for other purposes without hurting the growth of those funds. (Gunsalus)

Information on sources of one-time funds and their purposes was requested for a future meeting.

The percentage reduction for each division came from a consensus of the Vice Presidents in order to reach the \$3,000,000 total reduction. The criteria listed above were used to evaluate and adjust reductions assigned to each area. Academic Affairs and Student Affairs received the lowest percentage reductions, followed by University Advancement. (Richmond)

A question was raised on what is included in the International Programs cost of \$175,000? (Hui)

The cost is primarily personnel for the program and support for the international students. **The Provost will bring a budget plan for the International Students Program to a future meeting.** (Snyder)

Discussion continued on what information the Vice Presidents should provide to the committee, the role of the University Budget Committee, and the expectations of the President on recommendations from the committee.

The committee's charge is as follows (from the University Budget Office website):

The HSU Budget Review Process establishes the membership composition and role of the University Budget Committee, which replaces the former University Resource Planning and Budget Committee (URPBC). The UBC's charge is to:

- Advise the President on general budget policy issues that affect the University;
- Become informed regarding the annual budget of the University;
- Determine a methodology to use to evaluate budget proposals; and
- Recommend budget allocations/de-allocations

The President would like the committee to look at the proposal closely and determine what our priorities ought to be. He also expects the committee to make recommendations on the proposed augmentations. His goal is to make expenditures more transparent in the CMS system. (Richmond)

Some committee members are unclear as to the level of feedback to provide, especially on things like the enrollment target. They may need more information from the VP's on specifics of the proposed reductions. (Powell)

It was noted that some of the revenue projection numbers don't add up and an updated spreadsheet was requested.

The Vice Presidents expressed a willingness to talk about the approach and process used in making their reductions but are not in favor of making a presentation on the details/effects of their cuts, as was done last year in the Kate Buchanan Room. Inconsistencies and differences in style made the presentations counterproductive and difficult to compare. It also reinforces a partisan, competitive environment and divisions need to work together cooperatively.

The Provost will report process but not detail on the numbers. He'll explain how he will proceed and consult. He will review such things as assigned time and faculty workload, curriculum changes, remediation, the summer program, and program elimination. (Snyder)

The Vice President of Student Affairs is willing to talk about concept and the thought process going into it. He has started the process for prioritizing programs in Student Affairs but needs to engage all of the departments in his area first. The President is leading an effort to develop criteria for evaluating services other than instruction. (Butler)

The Vice President of University Advancement noted that reductions involving personnel issues can't be discussed in public. (Gunsalus)

The next step is for the President's proposal to go to the Senate. Recommendations are due back by April 19. There are only three potential meeting times to prepare a response to this document--April 4, 11, and 18. (Larson)

The deadline could be extended by a week but the President needs to share the plan with the campus before people leave for the summer. (Richmond)

A question was raised on what would happen if the divisions are unable to meet their reduction targets? (Little)

It is difficult for Academic Affairs to take a \$2,000,000 reduction and still maintain the same FTES level. The Provost indicated he will do what he can to make a good faith effort and try not to worry about the consequences. All divisions have some level of cushion in terms of one-time funding to help mitigate reductions. (Snyder)

Student Affairs is prioritizing all programs/services in their area in relation to the three clusters, especially the one on student success. They are grouping programs into three categories: (1) Mandatory, (2) Essential to Success/Mission, (3) Value-added Educational Programs. Student Affairs departments are weighing in on where they fall in relation to these categories. They may reduce services by cutting their time to 10 or 11 months instead of 12; they are examining the organizational structure and may cut some programs that fall into the value-added category; and they are trying to find other sources of financing, i.e., non-general funds and roll forward, to help mitigate reductions. (Butler)

University Advancement will receive an augment of \$180,000 for Planned Giving, which they will spend on salaries/benefits, travel, professional development, marketing, and legal fees. Their reduction target is \$85,000. They will use roll forward and one-time funds to help mitigate the reduction. They are considering alternatives, such as increasing the cost recovery fee on non-State revenue from endowment management; and they may investigate others, such as gift fees and short-term interest on savings. However they will consult broadly. We're last in the system in dollars for advancement per student/alumni. This affects everyone. (Gunsalus)

One difference this year is that augmentations need to be used for their intended purpose and cannot be used for the reduction. (Larson)

It was suggested that people take a look at CSU Sacramento's website as a model for transparency. (Snyder)

UBC has only three meetings left before a response to this proposal is due to the President: April 4 (Snyder will be absent), April 11 (Little, Butler, and Powell will be absent), and April 18. The meeting on April 4 was chosen to respond to the President's proposal and revisit the Task Force recommendations. Committee members were reminded to lobby their legislators. **A request was made to provide 2007/08 minutes on the website.**

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