



# HUMBOLDT STATE UNIVERSITY

Office of the President

University Budget Committee  
Humboldt State University

November 4, 2008

Dear Committee Members:

In this letter, the vice presidents and I propose a mechanism to meet current and anticipated mid-year budget reductions. We would appreciate your prompt response either accepting our proposal, suggesting changes to the proposal or making an alternative proposal.

As reported in an earlier message from Chancellor Reed, the CSU was allocated a \$31.3 million reduction to our current year state budget. Chancellor Reed made it clear to the Governor’s Office that we would respond by giving back one-time funds, but that this reduction should not affect our base budget.

The Humboldt State University proportion of the CSU reduction is approximately \$849,000. We propose to use one-time funds that we have sequestered to meet this reduction and others that may occur. We provide details below.

Please recall that last year I asked the vice presidents to work with me to preserve any one-time funding sources that the University could identify because we needed to have a plan to carry the University through possibly three or four years of economic downturn. In addition, our plan to increase enrollments has afforded us additional revenue that was not allocated last year. Although \$849,000 is a significant reduction to our campus, this reduction will not affect any individual department’s current allocation if our proposal is followed.

We have identified the following one-time funds (see the table below) which are separate from divisional roll-forward of unexpended balances that we propose be designated to help the campus mitigate one-time reductions. An explanation for the source of each category is provided in the following table.

Risk Premium Dividend - FY0708	\$550,000
CMS Loan Repayment Deferred	\$800,000
Extra Fee Revenue from - FY0708	\$2,000,000
Business Management Trust	\$1,000,000
Unallocated Base Budget after a one-time reduction of \$849K.	\$751,000

**Risk Premium** – When the CSU initially made the decision to create a system-wide risk pool (CSURMA), each campus annually paid into that fund. HSU’s premium has been just short of \$2,000,000 annually. This year, CSURMA had more than they needed to cover the costs and have returned a \$9,867,829 dividend to the 23 campuses.

**CMS Loan** – Humboldt State borrowed funding for the Common Management System implementation costs—Finance, Human Capital Management, and Campus Solutions (student). This year HSU will make its first two payments on the loan totaling \$400,000. The University has set aside a total of

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\$1.2 million annually for these loan payments. We will not need the other \$800,000 for loan payments this year, but the full \$1.2 million in loan payments will be in effect next year.

Extra Fee Revenue from FY07/08 – Last year, the University’s budget was conservatively based on receiving student fees for 7,150 annual average full-time equivalent students (FTES). The University enrolled students well over that number which provided additional revenue for the campus.

Business Management Trust – Business Services is required by CSU Executive Order to charge auxiliaries for services that the state provides. Over the years, the balance of this fund has increased to approximately \$1,000,000.

Unallocated Base – Last year, the University Budget Committee planned its recommendations on the latest information available at the time that was the Governor’s January budget. The January budget reduced HSU by 9.3% from our 2008-09 state appropriation base requirement. By the time the final budget was signed, the cut was softened to about a 5.9% cut. Thus, HSU received some funding that we had not planned on receiving, so we set-aside \$1.6 million. Of the \$1.6 million, \$751,000 will remain this year after taking the \$849,000 reduction that we have been allocated. The vice presidents and I are proposing to use this source of funds to cover the current year, one-time reduction discussed above.

I cannot guarantee that there will not be further budget reductions this year given California’s economy. My best information says that the State may already be as much as \$10 billion short of its revenue expectations. We are no doubt facing difficult budget times over the next few years. But as much as possible, we propose to hold these funds in reserve and respond to the reductions from a university-wide perspective.

Thanks to some conservative budget planning and the thoughtful recommendations from the University Budget Committee and many others, we are prepared to manage these budget cuts. As a result, I feel strongly that HSU has even more important issues to address than budget. It should remain our high priority to develop solutions to the issues raised by the WASC accreditation report and the Keeling Report. If there are further developments regarding the budget, I will communicate that information to you.

I will look forward to your recommendations regarding this proposal for meeting current and anticipated mid-year budget reductions.

Sincerely,



Rollin C. Richmond  
President

cc: Academic Senate  
Staff Council  
AS Council