

PRESIDENT'S BUDGET ADVISORY COMMITTEE

February 26, 2009

MEMBERS PRESENT:

Larry Furukawa-Schlereth	CFO, Vice-President for Administration and Finance, Co-Chair
Eduardo Ochoa	Provost, CAO, Vice-President for Academic Affairs, Co-Chair
Janice Peterson	Senior Director for University Budget, A&F, CRC Representative
Sam Scalise	Chief Information Officer, Administration and Finance
Elaine Leeder	Dean, School of Social Sciences, AABAC Representative
Scott Miller	Chair of the Faculty, Director, Writing Center
Tim Wandling	Immediate Past Chair of the Faculty, Chair, English Department
Henry Amaral	Staff Representative, Facilities
Nicolette Margi	Vice-President for Finance, Associated Students

STAFF PRESENT:

Lori Heffernon	Director of Academic Resources, Academic Affairs
Bill Ingels	University Treasurer, Administration and Finance
Laura Lupei	Budget Manager, Administration and Finance

GUESTS PRESENT:

Ian Hannah	University Associate Treasurer, Administration and Finance
Kathy Mahler	Lead Budget Manager, Administration and Finance
Mike Ogg	Budget Manager, Administration and Finance
Sue Riley	Administrative Assistant, University Development

MEMBERS ABSENT:

Ruben Armiñana	President, SSU, Chair
Letitia Coate	Associate Vice-President for Administration and Finance
Dan Condron	Vice-President for University Affairs
John Kramer	Faculty Representative at Large, Political Science Department
Andy Merrifield	CFA Representative, Political Science Department
Patricia McNeill	Vice-President for Development
Matthew Lopez-Phillips	Interim Vice-President for Student Affairs & Enrollment Management
Susan Moulton	Chair-Elect of the Faculty, Art Department
Derek Pierre	President, Associated Students

AGENDA

I. APPROVAL OF THE MINUTES

- II. 2008-2009 BUDGET PLANNING
- III. FEDERAL STIMULUS BILL
- IV. 2009-2010 GOVERNOR'S BUDGET AND CAMPUS FINANCIAL PLANNING
- V. BUDGET REDUCTION STRATEGIES – CAMPUS BUDGET FORUMS

I. APPROVAL OF THE MINUTES: December 18, 2008

Eduardo Ochoa called the meeting to order at 8:08 am. Ochoa asked for a motion to approve the minutes of December 18, 2008. Janice Peterson moved; Elaine Leeder seconded. The minutes were approved with no opposition.

Laurence Furukawa-Schlereth welcomed Mike Ogg as a new member of the Budget Office. Ogg will be working on the auxiliary budgets and focusing on the Athletics budget.

II. 2008-2009 BUDGET PLANNING

(Please see the February 26, 2009 agenda packet for related documents)

Schlereth discussed the \$66M spring reduction for the 08/09 year, which is a \$1,471,000 cut to our campus. Schlereth provided the breakdown of the cut by Division and noted that Peterson will be contacting each area to collect the funds. Academic Affairs' portion of the cut is \$855,000. The cut, along with the \$450,000 which was previously allocated to mount additional courses, will be covered by the estimated \$1.3M in excess student fee revenue. The excess student fee revenue may not be enough to offset the entire shortfall and the remaining balance would be covered from the University Reserve.

Schlereth clarified that the payroll projections are less worrisome because of the recently signed budget deal. However, if the budget deal experiences further delays or shortfalls, the campus may still have to worry about covering payroll.

The capital projects that had been frozen by the state have been funded from campus operating funds. The outstanding bills have been paid. The campus will be at a deficit at year end if it is not reimbursed and will result in the need to develop a financing strategy. Schlereth clarified that the GMC equipment project is being funded by donor funds.

Schlereth said that the allocation for Faculty Development Year II will be made for 08/09, though probably not until close to the end of the year. Tim Wandling thanked Ochoa for his email on SenateTalk explaining the Faculty Development Funds and asked how the cash flow concerns affect the spending of this money. Schlereth responded

that he would like to wait to start spending the money until April, when the budget deal and the Federal Stimulus Package effects become clearer.

Schlereth expressed concern regarding the Foundation Endowment Distribution for 2009-2010. Schlereth asked Ochoa and Lori Heffernon to find out from the Deans when they need the funds to be committed. The Foundation Finance Committee is currently not planning on making the distribution due to financial market losses so another source of funding needs to be identified. The funding is typically distributed on June 30th, so recommendations may be made at the April PBAC meeting.

Similarly, the Schools are expecting the Extended Education distribution, but Extended Ed is not currently in a position to make this distribution. A number of factors have led to this problem – the loss of the Summer school session, changes in the bargaining agreements, and debt service obligations. Ochoa added that, considering all of the challenges, Extended Ed is doing quite well. They will likely be fully recovered in a couple of years and generating revenue for the campus once again.

The final item is Athletics scholarships which is an issue for 09/10. In 08/09, it is a smaller issue and A&F will be covering about \$46K with Division funds. It is more difficult to fundraise in this economic climate and these scholarships are existing commitments to students and requirements of the NCAA. Scott Miller asked if other campuses were having the same difficulty, would the NCAA consider lessening the requirements. Schlereth replied that he has not heard of any changes to policies but imagines that this is a wide-spread issue.

Miller noted that all of these items together are about \$2M, which could be seen as an additional cut to the campus due to the economic downturn and asked how are we going to deal with these problems? Schlereth responded that there are a number of strategies, and it will be important to see what happens at year end. Much of this is still uncertain with the ambiguity of the budget plan and the stimulus package. A close look needs to be taken at the areas relying on the distributions and when they actually need the cash to spend.

III. FEDERAL STIMULUS BILL

Schlereth explained that there are a number of components of the federal stimulus bill that effect higher education such as increases in Pell grants and a variety of tax incentives for families of students. These components will help students but will not directly impact the campus budget. There is a \$56 billion state stabilization fund and that is the main portion that will potentially affect the CSU. Those funds are supposed to assist in mitigating budget reductions to the states' public education systems. California will need to receive \$10 billion in order to prevent the additional \$50M cut to the CSU in 09/10. It is very unlikely that there is much funding for capital activity in the stimulus package, but there is substantial funding for grants to stimulate research.

IV. 2009-2010 GOVERNOR'S BUDGET AND CAMPUS FINANCIAL PLANNING

(Please see the February 26, 2009 agenda packet for related documents)

Schlereth reviewed the items affecting the 09/10 budget planning. It is anticipated that there will be a fee increase for next year. This is an assumption in the budget deal, though the fee increase will not go to the Trustees until May. One-third of the increase will be set aside for Financial Aid. The one time reduction this year will become permanent in 09/10. Unfunded mandatory costs include benefits, new space and energy. The Faculty PPI salary increase is going to cost approximately \$180,000 to \$200,000 and the campus has a projected utilities shortfall of \$200,000 for next year. Additionally, funding should be set aside for the Center for Gender, Culture and Sexuality related to the Presidential and campus commitments to work on the area of Diversity. The figure of \$325,000 was derived from the \$200K the Student Union budgeted for CCGS, plus debt service for space in the University Center at \$80K and an additional \$50K per Ochoa's request for particular items.

Lori Heffernon asked what the difference is between the mandatory costs for energy and the unfunded utilities costs. Schlereth responded that the mandatory costs are based on the funding from the CSU. The second item is the shortfall based on projections of the budget and probable costs, for the Operating Fund only. Schlereth added that we are also getting underfunded by the CO to begin with.

These items total a \$1,585,000 decrease for 09/10. Additionally, depending on what happens with the stimulus package, the CSU could have another \$50M cut, which would be another \$1,150,000 to SSU for a total of \$2,735,000. Schlereth noted that the President believes we should plan for both possibilities. We should know more about the stimulus package around April 1st. Ochoa added that the California budget is based on a certain forecast of the California economy and there is a lot of uncertainty.

V. BUDGET REDUCTION STRATEGIES – CAMPUS BUDGET FORUMS

(Please see the February 26, 2009 agenda packet for related documents)

Schlereth presented some of the suggestions from the Town Hall Budget Meetings to deal with these cuts. Various ideas that have been generated are being studied by the various divisions to which they apply. The one that seems to be most widely spread is not filling vacant positions, which of course, increases workload for remaining employees.

Discussion ensued regarding several ideas to save money and generate revenue, including holding off on distributing faculty development funding, to which Ochoa

responded that he would prefer to take a broader view of faculty development and use the funding to provide faculty the tools they need to be better teachers. The committee also discussed using spaces such as Warren Auditorium to allow for bigger classes. Leeder noted that we have been through budget cuts before and wondered if this is worse than before. Schlereth responded that yes, up until now, we have managed to avoid feeling the cuts by bridging the bad years with one-time funds, but now the one-time fund sources have dried up and we will really have to absorb the cuts. The committee also discussed the difficulty of controlling enrollments and Ochoa expressed optimism regarding our campus' ability to control enrollment. Ochoa also reminded the committee that any over-enrollment over 2% is entirely unfunded. Schlereth noted that there is no PBAC meeting in March and this is a good time for the Divisions to reflect on their cuts. The committee will review proposals of how to deal with the cuts at the April meeting. Ochoa noted that the Diversity Town Hall will now be on March 19th and the Budget Town Hall will be moved to April 2nd.

Ochoa adjourned the meeting at 9:08 am.
Minutes prepared by Laura Lupei.