

# **PRESIDENT'S BUDGET ADVISORY COMMITTEE**

**May 28, 2009**

## ***MEMBERS PRESENT:***

Ruben Armiñana	President, SSU, Chair
Larry Furukawa-Schlereth	CFO, Vice-President for Administration and Finance, Co-Chair
Eduardo Ochoa	Provost, CAO, Vice-President for Academic Affairs, Co-Chair
Dan Condrón	Vice-President for University Affairs
Matthew Lopez-Phillips	Interim Vice-President for Student Affairs & Enrollment Management
Elaine Leeder	Dean, School of Social Sciences, AABAC Representative
Susan Moulton	Chair of the Faculty, Art Department
Scott Miller	Immediate Past Chair of the Faculty, Director, Writing Center
John Wingard	Chair-Elect of the Faculty, Chair, English Department
Heather Hanson	President, Associated Students
Nick Curry	Vice-President for Finance, Associated Students
John Kramer	Faculty Representative at Large, Political Science Department
Andy Merrifield	CFA Representative, Political Science Department
Henry Amaral	Staff Representative, Facilities

## ***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
Sandy Ratliff	Administrative Manager, Student Affairs & Enrollment Management

## ***MEMBERS ABSENT:***

Letitia Coate	Associate Vice-President for Administration and Finance
Patricia McNeill	Vice-President for Development
Janice Peterson	Senior Director for University Budget, A&F, CRC Representative
Sam Scalise	Chief Information Officer, Administration and Finance

## ***AGENDA***

- I. APPROVAL OF THE MINUTES
- II. REVIEW OF CAMPUS RESERVE

- III. MAY 19 ELECTION RESULTS – IMPACT TO SSU
- IV. NON GENERAL FUND ITEMS
- V. SUMMER MEETING SCHEDULE

## **I. APPROVAL OF THE MINUTES: April 30<sup>th</sup>, 2009**

Eduardo Ochoa called the meeting to order at 8:06 am. Ochoa welcomed new members to the committee including John Wingard, the new Chair-Elect of the Academic Senate, Heather Hanson, AS President and Nick Curry, the Vice-President for Finance for Associated Students. Ochoa called for a motion to approve the minutes of April 30<sup>th</sup>, 2009. Scott Miller moved, Henry Amaral seconded. The minutes were approved with no objections and one abstention.

## **II. REVIEW OF CAMPUS RESERVE**

(Please see the May 28th, 2009 agenda packet for related documents)

Schlereth explained that the review of the campus reserve is on the annual budget cycle twice a year. The campus sets aside \$625,000 a year in the University Reserve. Typically, for an item to be funded from the reserve, it has to either be an unforeseen cost or a mandatory expense with no permanent funding source. The Cabinet provides recommendations to the President for items to be funded from the reserve.

Schlereth reviewed each of the items funded from the University Reserve in 08/09. The one time budget reduction from the state that came in October was partially funded from the prior year's roll forward funds. The remaining balance of \$267,855 was funded from the reserve to avoid a direct impact to instruction. Faculty fellows that support the accreditation effort are also funded from the reserve for \$50,240. This was approved by the PBAC three years ago and this is the final year of funding. There is no permanent budget in place for graduation and since the fee that students pay does not fully cover the costs, the reserve provides additional funding of about \$27,000 each year. Hopefully this item will eventually become a permanent budget item. The fee waiver cost of \$20,760 relates to the collective bargaining agreement which states that those participating in the fee waiver program do not have to pay the Associated Students or Student Health Center fee. This created a gap in revenue for these self support areas and the CSU system agreed that each campus would provide that revenue and this has not yet been built into the base budget. The Faculty Sick Leave cost, currently at \$36,742, has been discussed in PBAC and is a variable cost. In other areas, these costs are absorbed in the department and a position is typically not filled when someone is out on extended leave, but this is not possible in the academic context, so the funding is provided from the reserve in order to lessen the impact on the departments. The current estimate for this item is \$36,742 but it may change before the year ends. The Risk Pool Deductible relates to grievance settlements and varies every year. This year we had several employment cases and are obligated to pay the entire \$100,000. The

Grants program does not generate sufficient IDC, so the gap of \$90,000 is covered from the reserve. The Disabled Accessibility item of \$100,000 is related to various expenses in support for students in the classroom. The Course Sections item of \$450,000 was allocated to cover new courses from the semester. The State University Fee revenue generated from additional enrollment covered most of that cost, but the balance of \$100,000 needed to be covered from the reserve. Lastly, the Financial Aid Distribution work study program allocations are calculated on historical patterns which typically create an excess balance, but given the financial climate, students took full advantage of the program this year, which left it in a deficit of about \$150,000.

The total net result on the reserve is a deficit of \$327,297. As part of the year end process, the balances available in all of the Divisions and at the University-wide level will be analyzed and discussed in PBAC. The key areas are the benefits pool and the utilities budget which may be used to offset this \$327,000 deficit in the reserve. If it is not possible to cover the deficit with year end funding, the deficit will be divided out amongst the divisions. This situation will be clearer by the July meeting. Sometimes, there is excess student fee revenue and unutilized financial aid funds, but this year, those funds have all been spent already. Schlereth did point out that without the October budget cut and the addition of the spring sections, the reserve would be in balance, so this was a very atypical year.

### **III. MAY 19, ELECTION RESULTS – IMPACT TO SSU**

(Please see the May 28th, 2009 agenda packet for related documents)

President Armiñana reviewed the most current information regarding the budget reductions to the campus. The expectation is for a budget reduction for the system of \$785M. The \$410M reduction is now the best case scenario and it looks like an additional \$375M will be added to that. To provide some perspective, President Armiñana explained that this cut would amount to about \$18M to SSU which is about 18% of our total Operating Budget. CSU-wide this equates to about 92,000 FTE, the equivalent of three large campuses. SSU's funding cut equates to 2,124 SSU FTES. This cut would be the equivalent of 4,200 faculty systemwide, 97 at SSU and 10,467 employees systemwide and 240 at SSU. This cut is the equivalent of nine weeks of labor costs and a 95% increase in fees. Obviously, there is no single solution to this magnitude of a cut and none of the campuses has the capacity to handle these cuts within their budgets. The Chancellor will be meeting next week with all of the campus presidents and the UC and CSU chancellors are appearing before the budget committee in Sacramento on Monday. Elaine Leeder asked what kind of planning is occurring to deal with these cuts at the system level and President Armiñana replied that, though he was not privy to that exact information, he assumes that it will be a combination of things such as enrollment reductions, fee increases and reduction of labor costs. Any strategy to deal with this budget cut will have to include a combination of various measures.

Andy Merrifield inquired as to the current cost of all of the campus lecturers. Schlereth responded that part time faculty costs about \$4M with another \$1M in FERPS. Ochoa added that, even with the analysis done for the smaller \$410M cut, after cutting from the margins, it still looked like it was necessary to cut 80% of the part time faculty pool.

Merrifield asked how the federal stimulus money would affect the cut and President Armiñana replied that this funding was already factored into the \$785M cut. President Armiñana also pointed out that the campus has a scheduling problem since we need to lock in the fall semester in the next few weeks. If we don't take action for the fall, we will have to absorb all of the cuts in the spring which is basically impossible. Merrifield noted that at least one of the larger campuses has put their fall schedule on hold and President Armiñana confirmed that this was a single campus response and not a CSU recommendation. Miller asked what it would mean if a portion of the cuts were non-discretionary. President Armiñana replied that, for example, the student outreach programs may not be funded. Schlereth added that the community colleges have taken their cuts in categories and the CSU is hoping to avoid that. Leeder asked what the campus will do about payroll if the state runs out of money. President Armiñana replied that we don't run out of money as early because we hold the student fees in trust, so depending on how many students we enroll, we can usually make about another three months of payroll, which would take the campus through September. Moulton referenced a sheet that had been passed out at the Town Hall meeting regarding MPP costs. President Armiñana replied that he believes those figures to be inaccurate and that the cross-campus comparison is like comparing apples and oranges. President Armiñana added that should the campus commitment to no layoffs for permanent employees be removed, it would apply to all employees.

#### **IV. NON GENERAL FUND ITEMS**

(Please see the May 28th, 2009 agenda packet for related documents)

Schlereth reviewed several non-general fund items of concern that will have an impact on the general fund. Extended Education Bridge Funding for 2009-2010 is a cost of about \$500,000. This distribution makes up a substantial portion of the Schools' operating expense. Extended Ed should be back in a balanced position in 2010-11. Amaral asked how the GMC debt plays into this deficit. Schlereth replied that as the GMC is completed, Extended Ed will be able to use that space to generate revenue. Extended Ed has a number of issues including increased labor costs and the loss of the summer school but they have a good plan for recovery. Another challenge relates to a number of ongoing campus programs and scholarships which are funded from distributions from the endowment. Schlereth is in the process of meeting with each of the Deans to understand where each of those programs stands and how much money they will need to keep the programs functioning in the coming year. The normal distribution is about \$1.2M but Schlereth believes that number may be reduced. The

last non-general fund budget challenge is the \$200,000 in Athletics Scholarships which are required by the NCAA.

## **V. SUMMER MEETING SCHEDULE**

There are currently two PBAC meetings scheduled during the summer on June 19<sup>th</sup> and July 30<sup>th</sup>. Town Hall meetings on the budget are also scheduled at noon on the same days. The Town Halls will be videotaped and posted on the SSU home page. Schlereth emphasized that these budget reductions are severe and are beyond the capacity of the campuses to handle on their own. There needs to be guidance from the system. Leeder asked if the campus should start considering cutting fall classes by 18% or spring by 36%. President Armiñana replied that we should wait until after we receive further guidance from the Chancellor. Ochoa added that it is difficult to avoid the conclusion that the Fall schedule will need to be cut back in some way.

Schlereth adjourned the meeting at 8:51 am.  
Minutes prepared by Laura Lupei.