

PROVOST'S BUDGET FORM II
March 24, 2003
Kendall Hall, 207-209; 3:00 – 4:30 pm

Provost McNall opened the second Provost Budget Forum by reviewing a number of Exhibits that highlighted various aspects of the budget situation facing the State, the CSU and CSU, Chico.

Governor's Proposed CSU Budget

- The Governor proposed targeted and unallocated budget reductions for the CSU totaling \$326 million. The Governor's budget anticipates an increase in student fees in 2003-04 to compensate \$258.5 million of the General Fund reductions. In addition, the Governor's proposal provides for \$105.8 million to fund a 5 percent student enrolment increase for 2003-04 and calls for \$45 million to partially fund the extra students CSU enrolled without funding last year, for a total of \$150.8 million.
- The governor's proposal targets specific reductions:
 - ✓ \$53.2 million to be cut from Student Services (a 20% reduction)
 - ✓ \$58.1 million to be cut from academic and institutional support
 - ✓ \$12.6 million to be cut from CSU outreach funding (a 50% reduction)
 - ✓ \$ 2 million in savings by eliminating CalTeach teacher recruitment program
 - ✓ \$ 2 million in savings by eliminating the bilingual teacher recruitment program
 - ✓ \$450,000 to be cut from public service program funding
 - ✓ \$53.5 million in savings by increasing student-faculty ratio from 18.91 to 19.91
 - ✓ \$1.4 from Student Fellows Program
 - ✓ The remainder (\$118.8 million plus \$24 million) \$142.8 million are listed as unallocated reductions to be cut from the CSU base budget for all programs and services
- The governor's budget also funds increases in PERS costs, Annuitant Benefits and Lease Revenue Costs.
- The overall net change in CSU budget is projected to be \$153.6 million.

CSU Interpretation of Governor's Budget

The Provost next highlighted the entries in the column headed by ***CSU Version***:

- While the Governor anticipates additional fee funding in the amount of \$258.5, the proposed increase in fees will raise \$142 million net revenue for CSU after 1/3 of total increase is deducted for financial aid.
- The CSU recognizes \$45 million as growth monies that can be used to mitigate budget reductions. The CSU considers the \$105.9 million for enrollment growth to be in support of the cost of providing 5% enrollment growth (-\$105.9 million).

- The increases in PERS costs, Annuitant Benefits, and Lease Revenue Costs are pass-throughs and do not provide funds to mitigate budget reductions.
- In addition, the governor's budget does not provide any funding for the \$78.6 million in mandatory costs for faculty and non-faculty compensation increases, health benefit rate increases and insurance premium increases. This causes a de facto budget reduction of \$78.6 million.
- Nor does the governor's budget provide for the permanent reduction in long-term needs in the amount of \$43 million.
- Thus, the CSU recognized general fund increases in the amount of \$187 million and general fund decreases in the amount of \$ 447.7 million for a net reduction of \$260.7 million, or a 10 percent cut to its \$2.6 billion general fund budget.

CSU, Chico Impact

Next, the Provost highlighted the entries in the column headed by ***CS, Chico Impact***:

- CSU, Chico's additional fee funding is estimated to be \$ 5.8 million.
- CSU, Chico share of the \$45 million in retro funding for over-enrollment is \$ 949,500.
- The governor's proposed CSU reductions translate into a total estimated reduction in general fund budget for 2003-04 of \$14,064,000.
- CSUC's share of the unfunded mandates is estimated to be \$3.5 million.
- The campus also anticipates campus increases in costs of about \$1 million.
- Thus, CSU, Chico recognizes general fund increases in the amount of \$6.7 million and general fund decreases in the amount of \$ 18.6 million for a net reduction of \$11.8 million. ***Understanding the Budget: Academic Affairs***

The Provost shared information on the actual expenditures in Academic Affairs for the year 2001-2002. Academic Affairs spent about \$96 million in 2001-02. \$45 million of that went for faculty; \$25 million for non-faculty personnel; \$13.3 million for benefit costs; \$10.5 + \$1 million for Operating and Other Expenses and \$1.2 million for Workstudy.

He next explored with the audience some "what if" questions:

- If we are face with a 10% reduction, but we limit the reduction to faculty to \$2.345 million as targeted by the governor's budget proposal. Reducing Faculty by \$2,345,200 would leave about \$2,982,158.94 of the faculty reduction uncovered. If that amount were to be covered by Non-Faculty, the total cut for Non-faculty would be \$6,068,862.78 or a 19.66% reduction.
- Similarly, other what-ifs were provided. Each would require devastating reduction on the "select few."
- If student fee increases were to be blocked, as some are advocating, the campus would lose an additional \$6 million and the estimated general fund reduction would be \$17,664,377!

Planning Assumptions

The next overhead listed the planning assumptions proposed by the provost. He suggested that given the proposed budget reductions we cannot continue to conduct business as usual. We need to ask ourselves how do we address a multi-year problem and how to maintain our academic programs and preserve the core institutional mission.

Posing Questions and Seeking Answers

The Provost reviewed and explained a series of questions that had been posed to highlight possible responses to the budget reductions and their likely impacts. Examples included: “Do we need to continue on-line programs?”, “Do we continue to grant non-reimbursed AWTUs?”, “Can we restructure some of our course deliveries, such as in GE?”

Question and Answer Period

1. When will we know?

Current thinking is that we will not have a state budget resolution before September or October of this year. This past year, when Academic Affairs found itself in the same predicament, we chose to set a budget planning parameter of minus 5 percent. The Provost suggested that we need to do the same thing this time, i.e. set a target reduction by the first week of April, so units can plan and implement reduction strategies.

2. What is meant by planning assumption # 5; restructuring of institution and change in the level of services we provide?

The size of the targeted reductions is such that we will need to force a change in the way we do things. We need to restructure functions, workloads, and services we provide in order to be able to maintain the core strengths of the institution.

3. What about CMS?

Currently, CSU, Chico budgets about \$2.7 million a year for CMS expenditures including for CSU mandated support costs, project administration, backfill, training and support, and consultants. The Provost has asked CMS administrators to reduce their budget by 7.5 percent budget reduction. It should be understood that the implementation of CMS will continue as there are no legacy systems to which we can return. Reduction of current budgets is likely to result in delayed implementation and postponement of costs to a later year.

4. To your knowledge what solutions or partial solutions have other campuses come up with?

Campuses have responded differently. Some have used the governor’s mandated targeted reductions and assigned them to the different divisions on campus. (Sonoma State). At SLO, the President and the Provost decided that Academic

Affairs would be reduced by 5 percent and the other divisions were to make up the remainder, or 12.2% to the other divisions. Many campuses are relying on enrollment growth funding to mitigate the budget reductions. The latter strategy may prove problematic as other proposals for dealing with the state budget are surfacing; e.g. Republican's proposal for an additional 7% across the board reduction.

5. *Are we hiring an additional Vice President?*

The Provost responded that most in the audience may have read the article in the Chico Enterprise Record that the President has announced plans to add a VP for University Advancement. While that decision may seem untimely, according to Estéban, the long-term interests of the university dictate that we have someone devoting full-time to the solicitation of gifts and contributions to the university.

6. *Are lecturers not being rehired so as to avoid layoff? Doesn't that conflict with the President's principle of protecting all current employees?*

We are going to do everything possible to avoid lay-off. This does not mean, however, that we will operate next year with the same number of faculty, staff, or MPP positions.

7. *Several suggestions have been made for university-level reductions. When will we know if they can be/ will be acted upon?*

In general, university-level reductions may be used to mitigate unit-level reductions. Such suggestions as furloughs, closing for the summer, etc. need to be reviewed by more than one agency or division and may not generate short-term savings.

8. *It appears that some policies which prevent us from saving money? Can we review the policies that cause problems?*

The Provost asked for an example and was given the policy of prohibiting the use of outside vendors. The Provost asked people to send his office examples of such policies and he would look into them.

9. *What are some of the budget reduction suggestions that have been made so far?*

Suggestions made so far include: review phone use, paper waste, printing, travel, electrical use, use of appliances such as space heaters, microwaves, review of curriculum delivery: why so many courses, why all the requirements in GE, why have themes etc.

10. *If we get the fees and shut down CMS would not we solve our problem?*

If we do not receive the fees we would suffer an additional loss of \$ 6 million. The current projected loss already uses the \$6 million in fees to mitigate the CSU, Chico budget reductions. (Cannot double count). A shut down of CMS, if it were possible, would "free-up" the current budgeted \$2.7 million. The \$2.7 million does not cover \$11.7 million reduction. (If you were to shut down CMS on this

campus, whom or what system would process your paycheck?

11. Any golden handshakes for staff?

Anybody's guess at this point. There does not appear to be a way of predicting the outcome of current deliberations.

For additional information, please visit the Provost Budget Website at <http://www.csuchico.edu/vpaa/budgetupdate.html>