



California State University, Sacramento
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January 24, 2008

MEMORANDUM

TO: Provost Joseph Sheley
Vice President Stephen Garcia
Vice President Larry Gilbert
Vice President Carole Hayashino
Vice President Lori Varlotta
Vice President David Wagner
Executive Assistant Carol Ensley

FROM:

Alexander Gonzalez
President

A handwritten signature in black ink that reads "Alexander Gonzalez".

SUBJECT: Campus Operating Fund Budget Call for Fiscal Year 2008/09

This is a request for 2008/09 Campus Operating Fund budget scenarios from each Division. Included is a set of budget assumptions, developed with input by the University Budget Advisory Committee (UBAC), which should be incorporated into the Division budget scenarios. These assumptions, along with an overview of the state, CSU and campus fiscal context, are provided below. Instructions and forms to be used are also included. Please follow them in developing and submitting the Division budget scenario to the University Budget Office by **Friday, February 29, 2008**. For assistance in completing the budget scenario request, please contact Stacy Hayano, University Budget Officer.

California's Outlook

With the recent release of the Governor's Proposed Budget it has become apparent that there will need to be substantial reductions in State spending beginning in 2008/09. Predictions of state operating deficits for next year is currently in the \$14 billion range which represents about 10% of the State budget. However, in February, additional state revenue projections will be released that could change and hopefully improve that picture. Even with the picture improved somewhat, the state budget gap will remain bigger than anticipated a year ago, and significant steps will be needed to balance it. A contentious legislative budget process is expected and it is possible that the State budget will not be completed by July 1. However, a delay in the State budget should not affect the day-to-day CSU operations. As various State budget milestones are passed (the Legislative Analyst Office February economic projections, the 'May Revise' which is the updated state Department of

Finance economic forecasts, budget negotiations in the Assembly and Senate, etc.), the campus will update budget projections for 2008/09 and finalize the campus budget as soon as possible after the state budget is adopted. A preliminary or partial campus budget may be issued in May to support campus planning activities for the fall semester. This preliminary budget will be structured to give each Division an estimate of what the 2008/09 General Operating Fund budget will be.

The Governor's Budget Proposal

For the CSU, the 2008/09 Governor's Proposed Budget initially allocates funds to the CSU to provide for an operating cost increase, but it also assigns an unspecified General Fund appropriation reduction of about 10%. The Governor's Budget also assumes a 10% student fee increase, which will be a matter for the CSU Board of Trustees to address at its March 2008 meeting. Finally the Governor's Budget Proposal stipulates that the CSU will increase its enrollment by 2.5%, or about 11,000 students (8,572 FTES), over 2007/08 resident student targets.

The CSU Outlook

The Chancellor's Office *preliminary* budget planning assumption that has been communicated to campuses is that ***campus enrollment will remain at the 2007/08 target levels for resident students***. Since the state does not provide funding for over-enrollment and the CSU has overenrolled the last several years without additional resources from the state, maintaining the current enrollment targets will likely generate sufficient enrollment to meet the new FTES target set in the Governor's proposed budget, and so appears to be the most prudent enrollment strategy for the CSU. Campuses can at their discretion increase the number of ***non-resident*** students (i.e., those from other states and countries), since the non-resident fee covers marginal costs and state funds are no longer allocated for non-resident students.

Despite the assumption in the Governor's Proposed Budget of a 10% student fee increase, it is the CSU Trustees responsibility to determine any changes in student fees. When the Trustees act on student fees at their March meeting, we will know whether the State University Fee will change for 2008/09. We will then know the impact on our students and our budget. We've taken a conservative approach and have estimated a 4% State University Fee increase which equates to about a \$2 million revenue increase for Sacramento State operations after 1/3 of the increase is set aside for financial aid.

The Governor's Proposed Budget included an unspecified General Fund appropriation reduction of about 10%, and an increase for general cost increases. The result is a net General Fund appropriation reduction estimated to be \$99.3 million for the CSU. The campus share of that is estimated to be a \$5.5 million General Fund appropriation reduction.

Campus Outlook

In Sacramento State's 2007/08 budget, we carry a \$4.5 million structural gap. When we add the potential for \$2 million in new student fee revenue (assuming a 4% fee increase) and a \$5.5 million General Fund appropriation reduction, the structural deficit increases to \$8.0 million. Additionally we have a very rough estimate of unfunded cost increases of \$2 million in 2008/09, which raises the structural gap to about \$10.0 million for Sacramento State.

Budget Call

It has been typical in the past for budget requests from Divisions to be justified by their adherence to the University Strategic Plan. This budget call asks for a departure from that tradition. Rather than our traditional approach, and because the Provost and Vice Presidents have the responsibility to achieve these strategic goals, it is expected that the Division budget plans will inherently reflect individual and collaborative efforts to support the University's strategic goals.

To position the campus for long-term strategic development, it is vital that we restructure our operating budget to close the existing gap between renewable resources and on-going commitments. In that light, none of the General Operating Fund budget lines, including the All University Expense budget lines, is exempt from review or change. It is also vital that we identify and separate our intermittent or one-time expenditure needs from annual baseline costs so that we can make strategic use of our accumulated resources to address them.

Budget Planning Assumptions

- Our state funded ***resident student enrollment*** target will remain at 22,970 FTES. ***Non-resident student enrollment*** is not restricted to a specific level by the CSU since non-resident student fees cover the CSU marginal cost of enrolling. Divisions must plan to serve the resident and non-resident student population that is enrolled.
- The campus has an obligation to provide funding for unfunded mandates and will set aside funds to cover compensation and All University Expense costs. Currently, that estimate is an additional \$2.0 million for 2008/09.
- Division goals adopted for 2008/09 are to be the primary guiding force to plan and allocate resources, and identify baseline budget changes. It is assumed that Division goals will be based on continuing University activities needed to serve the student population, meet other campus operational requirements, and move towards the University's strategic goals. Within Division goals, plans should articulate assumptions, priorities and budget strategies to preserve the quality and minimize the disruption of programs and services as much as possible while also envisioning opportunities to support University strategic priorities.
- Divisions must develop a balanced budget and operate within the resources available. Division resources include:
 - 2008/09 Operating Fund baseline allocations
 - 2008/09 All-University Expenditure Line Items
 - 2007/08 Unspent Carry Forward Funds
 - Special funding sources such as Lottery, Miscellaneous Course Fees, charges for services and the like.

Budget Scenario

On advice from the University Budget Advisory Committee, the Budget Call requests Division heads to create a plan covering the next two years -- 2008/09 and 2009/10. Since we have a structural budget gap estimated at \$10.0 million, Divisions are being asked to address on-going operational needs and strategic goals while closing this structural gap. This would represent a decrease in Division *baseline* budgets of 7% over that time. Because the *baseline* reduction can be spread over two years, for the first year (2008/09), Divisions will identify *baseline plus* one-time fund reductions equaling 7%. For example, if the Division identified a 3% baseline cut in 2008/09, it would also identify a 4% reduction in its one-time carry-forward funds for 2008/09. For the Division budget scenario, the balance of the baseline cut not taken in 2008/09 would be shown in 2009/10.

Divisions may want to consider new models for utilizing resources that minimize the resources needed for operations while moving us toward the University's strategic vision. This may include cross-divisional plans for resource use and may also require that Divisions identify changes in service levels necessitated by fewer resources. Undoubtedly Divisions will think differently about ways to deliver services to support the student population and meet other operational needs with fewer resources.

The budget call requests the following for major organizational areas in your Division:

- Identify baseline reductions implemented in 2007/08.
- Estimate 2007/08 expenditures and estimate 2007/08 year end operating fund balance for the Division (i.e., projected carry-forward funds into 2008/09). Divisions have already provided information about 2007/08 baseline allocations.
- Identify 2007/08 other funding sources available used to meet operating costs.
- Identify budget changes for 2008/09 and 2009/10. Divisions must achieve a baseline budget reduction of 7% by 2009/10. Divisions can use a combination of baseline and one-time reductions totaling 7% in 2008/09 if Divisions wish to make their baseline reductions over two fiscal years (2008/09 and 2009/10).
- Identify other funding sources available used to meet operating costs for 2008/09 and 2009/10.
- List separately intermittent or one-time expenditure needs of \$50,000 or more (i.e., large ticket items) anticipated in the next three years, and possible funding sources for these items.
- Complete the All University Expense (AUE) budget requests forms for 2008/09, including an estimate of 2007/08 expenditures for AUE's funded this year.

Budget call forms and instructions are enclosed. Stacy Hayano, the University Budget Officer, and her staff are prepared to assist you with questions you have about completing the budget call.

As we get further clarification on the state, CSU and campus budget picture, we will provide updates and incorporate the changes into the budget planning process. Divisions are advised to inform their departments of these latest developments and budget updates as they are provided. I look forward

to working with you and the University Budget Advisory Committee to address campus' budget issues.

Attachments

- c. University Budget Advisory Committee
Budget Planning & Administration

Annual Budget Expense Report
DIVISION XYZ

										<p><u>Option 1:</u> Divisions can choose to implement the entire 7% baseline reductions in 2008-09. No further reductions would be identified for 2009/10.</p> <p><u>Option 2:</u> In 2008-09, Divisions can implement less than 7% baseline reductions, but must identify the remaining amount (totaling 7% reduction) from one-time funds. In 2009-10 Divisions must implement any remaining baseline reductions to achieve 7% baseline reductions by 2009/10, i.e., 7% baseline reduction less 2008-09 baseline reductions identified in Column A)</p> <p><u>Option 3:</u> In 2008-09 Divisions may use only one-time funds in lieu of baseline reduction to meet required 2008/09 reductions. In 2009-10, Divisions must then implement entire 7% baseline reductions.</p>									
<p>7% Baseline Reductions reduction amount</p> <p>Total: appears here (Can be spread over two years)</p>																			
										COLUMN A		COLUMN B		COLUMN C		COLUMN D		COLUMN E	
				2006-07		2007-08		2007-08		2008-09		2008-09		2008-09		2009-10			
				ACTUAL EXPENSES		INITIAL BUDGET SPREAD		ENTER PROJECTED EXPENSES		PROJECTED <i>BASELINE</i> BUDGET REDUCTIONS		PROJECTED <i>ONE-TIME</i> REDUCTIONS		TOTAL BASELINE + ONE-TIME REDUCTIONS (COLUMN A + B)		REMAINING BASELINE BUDGET REDUCTIONS (7% REDUCTION LESS COLUMN A)		TOTAL 7% BASELINE REDUCTIONS OVER 2 YEARS	
DIVISION	DEPT ID	DEPT ID DESC	EXPENSE TYPE	FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount
Division XYZ	10001	department A	MPP salaries											0.00	0			0.00	0
Division XYZ	10001	department A	faculty salaries											0.00	0			0.00	0
Division XYZ	10001	department A	staff salaries											0.00	0			0.00	0
Division XYZ	10001	department A	student assistant pay											0.00	0			0.00	0
Division XYZ	10001	department A	Operating Expenses											0.00	0			0.00	0
Division XYZ	10002	department B	MPP salaries											0.00	0			0.00	0
Division XYZ	10002	department B	faculty salaries											0.00	0			0.00	0
Division XYZ	10002	department B	staff salaries											0.00	0			0.00	0
Division XYZ	10002	department B	student assistant pay											0.00	0			0.00	0
Division XYZ	10002	department B	Operating Expenses											0.00	0			0.00	0
Division XYZ	10003	department C	MPP salaries											0.00	0			0.00	0
Division XYZ	10003	department C	faculty salaries											0.00	0			0.00	0
Division XYZ	10003	department C	staff salaries											0.00	0			0.00	0
Division XYZ	10003	department C	student assistant pay											0.00	0			0.00	0
Division XYZ	10003	department C	Operating Expenses											0.00	0			0.00	0
				0.00	0	0	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0
FUNDING USED FOR FISCAL YEAR OPERATIONS																			
Initial Baseline Allocation																			
Carryover Funds																			
Baseline Increases Received During the Year																			
Reimbursed and Assigned Time Allocations																			
Additional One-Time Funds Received																			
SUBTOTAL																			
DIFFERENCE																			
OTHER FUND SOURCES AVAILABLE (list below)																			
Lottery Funds																			
Miscellaneous Trust Funds																			
Reimbursed Activities Fund**																			

All University Expenses	2007/08 FY Budget	2007/08 FY Projected Expenses	Projected 2008/09 FY Budget	Difference
Academic Affairs				
Probationary Faculty Dev Grants	51,000			
Dept. Chair Stipends	60,000			
Accreditation-Department	115,000			
Alliance for Minority Participation (AMP) Project	800,000			
Disabled Students-Assembly Bill 422 Inst Materials	99,550			
Disabled Students-Contract Interp	406,000			
Disabled Students-Executive Order 665	15,500			
College Catalog	100,000			
Disabled Students-Non Classroom Accomodations	12,000			
Grad Equity Fellowship	49,500			
Calif Teacher Performance Assessment	100,000			
Space Rental for Research Administration	144,000			
Natural Sciences & Math				
Alliance of Minority Participation	50,000			
IR&T				
Accessible Technology Initiative	348,800			
Campuswide Information Security	312,518			
Campuswide Software Maintenance-moved from ABA	165,800			
Mainframe Lease	562,000			
Telecommunications	1,394,500			
Center for CA Studies				
Washington Fellow w/Cal Institute	18,474			
Administration and Business Affairs				
Tax Relief Act	36,000			
VISA/Mastercard Charges	25,000			
External Audits	41,000			
Insurance-Vehicle	92,323			
General Services Charges	24,150			
Public Safety Special Pay	45,800			
County Jail Booking Fees	15,800			
Uniform Allowance	18,600			
State Fire Marshall Inspection	15,000			
Classroom Furniture	75,000			
Lab Furniture	100,000			
Facilities Management				
Medical Monitoring	24,800			
Major Utilities	3,747,996			
Energy Bond Projects - Lighting Retrofit	492,500			
Placer Hall Maint & Utilities	26,000			
Electrical Substation-Annual Loan Payment	120,000			
Academic Information Resource Center (AIRC) UPS Maintenance	21,000			
Coastal Clarity LMS & Course Svc Agreement	2,000			
Dolphin MSDS System	5,000			
Learner Web LMS	8,700			
Human Resources				
State Controller's Office Charges	60,000			
University Staff Assembly	5,000			
Maintain Assistive Devices for Employees	60,000			
Legal Settlements/Services	35,000			
Complaint Investigation	50,000			
Medical Exams	10,000			
Background Checks	10,000			
Accounts Receivable Write-Offs	1,200			
Employee Scholarships-CSU Training Programs	30,000			
President's Office				
Trustees' Authorizations	94,200			
General Memberships in University Orgs	84,000			
Jean Cleary Mailings	6,000			

All University Expenses	2007/08 FY Budget	2007/08 FY Projected Expenses	Projected 2008/09 FY Budget	Difference
Student Affairs				
State Match for Federal Funds-Student Nursing Grants	4,360			
Athletics				
Big Sky/NCAA Fees	31,800			
University Advancement				
Capital Public Radio	50,000			
Emeritus Association	2,600			
Sac State Magazine	263,000			
Central Accounts				
Common Management System (CMS)	2,824,952			
CMS Bond Payment #1	395,561			
CMS Bond Payment #2	279,714			
Quality Improvement	20,000			
Thermal Energy Storage	266,506			
Space Rental	1,152,985			
CSUPERB (Chancellor's Office Grant)	28,000			
Risk Pool Contribution (aka Liability Contribution)	94,500			
Liability Program (aka Risk Pool Management)	573,713			
Industrial Disability Leave/Non-Industrial Disability Insurance/Unemployment Insurance (IDL/NDI/UI)	666,098			
Property Insurance	374,856			
Worker's Compensation	1,775,248			
Benefit Administration Fees (Chancellor's Office)	88,000			
Flood Control	113,323			
Athletic Injury Medical Expense (AIME)	124,154			
Campus Renovations	20,000			
Child Care	85,000			
Staff Reclass Funds (aka Non-faculty Reclass Funds)	225,000			
Faculty Promotions (New)	400,000			
Capital Project Feasibility Studies & Master Plan Revisions	100,000			
Insurance Deductible Payments	100,000			
Total All University Expenses	20,246,081			

