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November 28, 2006

TO: Michael Fitzgerald
Chair, Faculty Senate

FROM: Alexander Gonzalez
President

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

SUBJECT: Response to FS 06-142/Flr.

Item number four of the Faculty Senate's recent resolution regarding the 2006-07 University Budget and the reductions allocated to each division (FS 06-142/Flr.) requested that I provide you with a written response to the resolution's three other items. Below are my responses.

1. *That the President reverse the decision to cut the 2006-07 academic program budget by \$1,642,000.*

This has already been done since I have decided to utilize resources from the University Reserve to delay the implementation of the proposed budget adjustments until the University Budget Task Force has time to review the data.

2. *That the President provide the University community a full detailed, and complete accounting of revenues and those expenditures (e.g. "administration and business affairs, all university expenses, mandatory benefit costs," etc.) over the past three academic years (2003-04, 2004-06 [sic] and 2005-06) that have created this budget deficit, including a response to those budget questions posed by the Senate Chair Fitzgerald in his letter of November 1, 2006.*

I have attempted to provide the university community the details and rationale for the budget and the actions that have been proposed. However, as the University Budget Task Force (Task Force) begins its work, I expect that a more detailed and comprehensive view of the budget and the process of how it was developed will emerge.

On the other hand, I was asked to provide answers to the set of questions that you raised with the Interim Provost. The answers are contained in the following responses:

A. The structural deficit referenced seems to have grown over three years. But isn't the university budget required to balance annually? If it is required to balance, how could the university have a \$6 million-plus deficit? And, how, if that deficit exists, can the university be allowed to take three years to scale back its operations (as the President has announced) in order to put expenditures and revenues in balance?

You are correct in that the university has to balance its budget annually. In fact we are audited to insure that we have done so. However, for the past several years (beginning before I arrived) carry over funds have been used to accomplish this result. These data were presented both at the Town Hall and at the Faculty Senate meeting. In fact, last year (2005-06) the Budget Advisory Group recommended that one-time carry over funds be used to cover the structural deficit of approximately \$2M. The previous two years when we didn't reach our target and there were also mandatory budget reductions from the Chancellor's Office of \$8.3M for 2003-04 (my first year) and \$9.6M for 2004-05, carry over funds were also used. This was accomplished internally by the Provost and each of the vice presidents. The university has now reached a point because of unrealized enrollment targets and increased mandatory costs (i.e. salaries, wages, and benefits, as well energy and other costs) that the structural deficit can no longer be covered by carry over funds. The three-year plan allows for the use of some carry over funds and one-time funding in order to soften the brunt of the size of the deficit. If this approach is not taken, then the entire reduction would have to be made on a permanent basis all at once. This approach, in my view, is not tenable.

B. The Faculty Senate Aug. 30 was audience to a budget presentation of nearly an hour by several members of the administration without a single mention of a suspected deficit. On Sept. 11, in a one-hour meeting, the President's Budget Advisory Group was presented with the \$6 million-plus deficit and asked to recommend whether to scale back expenses in one year, two years, or three years. Why wasn't the deficit – and its reduction plan – revealed at the Faculty Senate meeting?

When the request and decision to provide a briefing was made, there weren't sufficient data available from the Chancellor's Office to provide that information. However, once it was available soon after the presentation, it was presented to the Budget Advisory Group. Quite simply, it couldn't be used in the presentation because the figures weren't available, and we didn't know precisely the magnitude of the deficit.

C. The 2006/07 allocations for divisions (slide 15 of the Oct. Town Hall meeting) indicate that several divisions received increases in their budgets this year. The single largest is University Advancement – which received an additional allocation of slightly more than \$1.3 million. The note indicates that the funding was requested – and granted – “in order to meet goals set by the Chancellor.” What are those goals (both philosophical and in budget dollars)?

While you are correct that the allocation to University Advancement was more than last year, the increase is comprised of both permanent and one-time costs. For example, approximately \$250,000 was a permanent allocation in order to fund the unit at the level at which they have been operating for several years through one-time mid-year allocations. In addition, \$500,000 is in positions that are needed for each of the colleges and to respond to areas identified by the Board of Trustees to be part of Advancement. This includes not only Development but also Public Affairs. The goal set by the Board of Trustees for the campus and me as President is to raise 10% of the University's operating budget which is based on our allocation from the Chancellor's Office. In our case the goal is to raise about \$15M annually. Last year was the first year that we reached the campus goal when we raised \$16M. Prior to last year, the campus had reached its goal only once primarily through a large in-kind contribution.

The remaining allocation this year for University Advancement will be one-time money primarily aimed at increasing enrollment and the annual fund that benefits the Colleges directly since they receive the proceeds. It is my expectation that as the Task Force engages in its task, it will provide a review of this and other allocations.

D. The \$1,642,727 permanent reduction in the Academic Affairs Budget is the first of three years of similar permanent budget reductions. Are the second and third year budget reductions firm, or is there a possibility that, pending rosier finances, colleges and departments might be spared some – or all – of the budget cuts proposed?

The proposed permanent reductions for Academic Affairs are predicated on several factors (e.g. enrollment and the State allocation) which can change. If they change for the better, then it is likely to affect the size of the reductions that have been proposed. At this point in time however, we should not assume change for the better. This is a topic that will be considered by the Task Force.

- 3. That the President establish a task force composed of representatives of the administration, faculty and staff to review the University budgets for 2006-07, 2007-08 and 2008-09, including the need for cuts to the academic programs budget, and recommend budgeting strategies that will provide the University with a balanced budget while preserving the quality of its academic programs.*

As I indicated to you and the Faculty Senate before the resolution was passed, I agree with this recommendation and have already taken steps to establish a Budget Task Force. I will share the membership and charge with the University community after I have consulted with the Faculty Senate's Executive Committee on Tuesday, November 28th. It is also my intention to establish a University Budget Committee once the Task Force has concluded its work for this academic year. The University Budget Committee will operate with a specific charge and, in conjunction with the Strategic Planning Committee, recommend priorities and university allocations on an annual basis. In addition, a set of activities and timelines will be developed to guide the budget process.

I hope this answers the questions and responds to the recommendations that were presented as part of the Faculty Senate resolution. I look forward to our continuing dialogue.