



C A L S T A T E  
FULLERTON

# **University General Fund Budget Update To PRBC**

**Division of Administration and Finance**

**February 16, 2007**

# General Fund Budget Update

- **The General Fund consists of allocated State tax revenue and student fees (e.g., State University fee, non-resident fee, application fee).**
- **The majority of the University's General Fund is allocated as baseline revenue, however, General Fund revenue may also include one-time allocations.**
- **As of July 1, 2006, the University 2006-07 General Fund baseline budget was \$281,405,957 (including \$16.6 million in reimbursed activities).**
- **The University also received General Fund one-time budget allocations of \$11,782,477 in 2006-07.**

# General Fund Baseline Structural Deficit

- **In conjunction with the State of California budget deficit, the University received General Fund baseline budget reductions from 2001-02 through 2004-05.**
- **In addition, the University has been required to fund a variety of non-negotiable mandatory costs without receiving additional revenue from the CSU and/or the State. For example, negotiated salary increases and staff benefit increases.**
- **In response to the General Fund baseline budget reductions, the University used a combination of baseline budget reductions along with one-time budget reductions.**
- **One-time budget reductions were used to give the divisions greater flexibility in how the cuts were taken.**

## **General Fund Baseline Structural Deficit** (continued)

- **One-time budget reductions would provide only temporary relief in meeting the baseline budget reductions, however.**
- **Additional baseline budget reductions or new General Fund revenue increases will ultimately be necessary.**
- **As a result of making one-time budget reductions rather than baseline reductions, the University General Fund maintained a baseline structural deficit of approximately \$5.4 million at the beginning of 2005-06.**

# **General Fund Baseline Structural Deficit** (continued)

- **The General Fund baseline structural deficit also increased as a result of additional expenditures without either additional revenue allocations to support these expenditures, or expenditure reductions occurring elsewhere in the budget.**
- **The General Fund baseline structural deficit increased from \$5.4 million at the beginning of 2005-06 to \$10.6 million at the beginning of 2006-07. This was largely due to the assumptions used to develop, recommend, and allocate new 2006-07 General Fund revenue.**

# 2006-07 Budget Development

- In December 2005, General Fund revenue projections were provided by Budget Planning and Strategy to the President, PAB, and PRBC for 2006-07 budget planning.
- These projections indicated approximately \$31 million in new revenue (including \$23.2 in baseline and \$7.8 million in one-time).
- In May 2006, Budget Planning and Strategy developed revised 2006-07 projections, reflecting less revenue than the earlier projections.
- The May 2006 projections were not compared to the December 2005 projections, which would have shown \$11.8 million less revenue than was projected in December 2005.
- As a result, PRBC recommended, and the President approved, new 2006-07 General Fund budget allocations based on projections provided in December 2005 rather than updated projections.

# 2006-07 General Fund Baseline Deficit

	<b>GF Baseline Revenue Assumptions Used To Develop 2006-07 Expenditure Budget</b>	<b>Corrected GF 2006-07 Baseline Revenue Budget</b>
State Allocation	162,912,220	160,100,530
Revenues	111,022,037	104,655,427
<b>TOTAL</b>	<b>273,934,257</b>	<b>264,755,957</b>
	<b>Approved 2006-07 GF Baseline Expenditure Budget</b>	<b>Approved 2006-07 GF Baseline Expenditure Budget</b>
Total Expenditures	275,384,195	275,384,195
<b>BASELINE DEFICIT</b>	<b>(1,449,938)</b>	<b>(10,628,238)</b>

## **Impact of 2006-07 Budget Assumptions on Deficit**

- **Consequently, the University allocated \$10,628,238 more in 2006-07 General Fund baseline revenue than the actual 2006-07 General Fund baseline budget allocation the University subsequently received.**
- **The 2006-07 General Fund baseline structural deficit of \$10.6 million was reduced for one year to approximately \$8.7 million through the use of one-time enrollment-related funding of \$1.9 million.**

# Steps Taken To Address 2006-07 General Fund Deficit On A One Time Basis

<b>2006-07 General Fund Budget Deficit</b>	<b>(\$10,600,000)</b>
Enrollment Funding (One-Time)	\$1,900,000
CMS Budget Deferral	\$1,500,000
Allocation of 2005-06 Carryforward	\$1,400,000
PRBC-Recommended Lottery Allocation To 2006-07 Budget	\$1,500,000
Lottery Fund In 2006-07 Revenue Estimates For Budget Planning	\$1,500,000
Six Months of Salary Savings on New Positions	\$700,000
Investment Interest Income on Fees	\$600,000
One-Time Divisional Budget Reductions*	\$1,500,000
<b>TOTAL</b>	<b>\$10,600,000</b>
*Reductions taken in Academic Affairs, Administration & Finance, Student Affairs, and IT Budgets	

# Strategies For Eliminating The General Fund Structural Deficit On A Permanent Basis

- **PAB and PRBC need to discuss and recommend to the President strategies for eliminating the General Fund baseline deficit on a permanent basis.**
- **Based on ongoing needs, this will most likely require a multi-year strategy.**

*“Enlightenment is to be without anxiety about non-perfection.”*

-Zen Statement