
CALIFORNIA STATE UNIVERSITY, FULLERTON

Division of Administration and Finance
Partners in Learning

Fiscal State of the University

Fall Semester 2008

October 16, 2008

Charge From Academic Senate

BL 07-03

“At a Senate meeting as close as possible to the beginning of the spring and fall semesters, the Chief Financial Officer shall be invited to present to the Senate a report on the fiscal state of the University. The report shall include but not be limited to:

- (a) the sources and uses of all revenues designated to the university (including auxiliary units and extended education) and
- (b) budget priorities, issues, and challenges.

Following each address, the Chief Financial Officer shall answer questions from those in attendance.”

Report Preparation

Brian Jenkins, Associate Vice President, Finance

Sarah Song, Budget Director

Henry Soto, Assistant VP, Budget Management, Planning & Strategy

Bill Barrett, Associate Vice President, Administration

Paulette Blumberg, Executive Assistant to the VP Admin. & Finance

Naomi Goodwin, Assistant Vice President, Administration and Finance

Goals

- Overview of University Finances
 - University Revenue Sources
 - Use of University Revenue--How We Finished 2007-08
 - Sample of Detailed Budget Reports Available Online
<http://finance.fullerton.edu/Budget/BudgetReport/index.htm>
 - Information Regarding Non-State Funds
 - Lottery
 - Continuing Education Revenue Fund (CERF)
 - Parking
 - Parking Fines and Forfeitures
 - Housing
 - Student Union
 - 2008-09 University Budget
 - Budget Development Context
 - PRBC Recommendations
 - Summary of Proposed Budget Allocations and Reductions
 - Budget Issues and Challenges
-

Overview of University Finances

University Revenue Budget

Excludes prior year carry forward and fund balances & billable activities

| | <u>2007-08</u> | <u>2008-09</u> | |
|--|------------------------------|------------------------------|----------|
| CSU OPERATING FUND | \$ 295,861,840 | \$ 306,907,891 | |
| LOTTERY EDUCATION FUND | 2,529,000 | 2,465,000 | |
| CONTINUING EDUCATION REVENUE FUND (CERF) | 8,915,000 | 9,400,000 | |
| HEALTH FACILITIES FEE | 220,000 | 220,000 | |
| HOUSING FUND | 4,497,290 | 4,762,500 | |
| PARKING FUND | 9,042,200 | 9,067,000 | |
| PARKING FINES & FORFEITURES | 1,197,000 | 1,500,000 | |
| STUDENT UNION | 7,002,595 | 7,995,104 | 1 |
| AUXILIARY FUNDS: | | | |
| CSUF AUXILIARY SERVICES CORPORATION | 31,904,310 | 32,449,828 | |
| CSUF PHILANTHROPIC FOUNDATION | 720,750 | 480,000 | 2 |
| ASSOCIATED STUDENTS INC. | 6,575,494 | 7,013,676 | |
| HOUSING AUTHORITY | 22,739,702 | 8,828,525 | |
| TOTAL UNIVERSITY BUDGET | <u>\$ 391,205,181</u> | <u>\$ 391,089,524</u> | 3 |

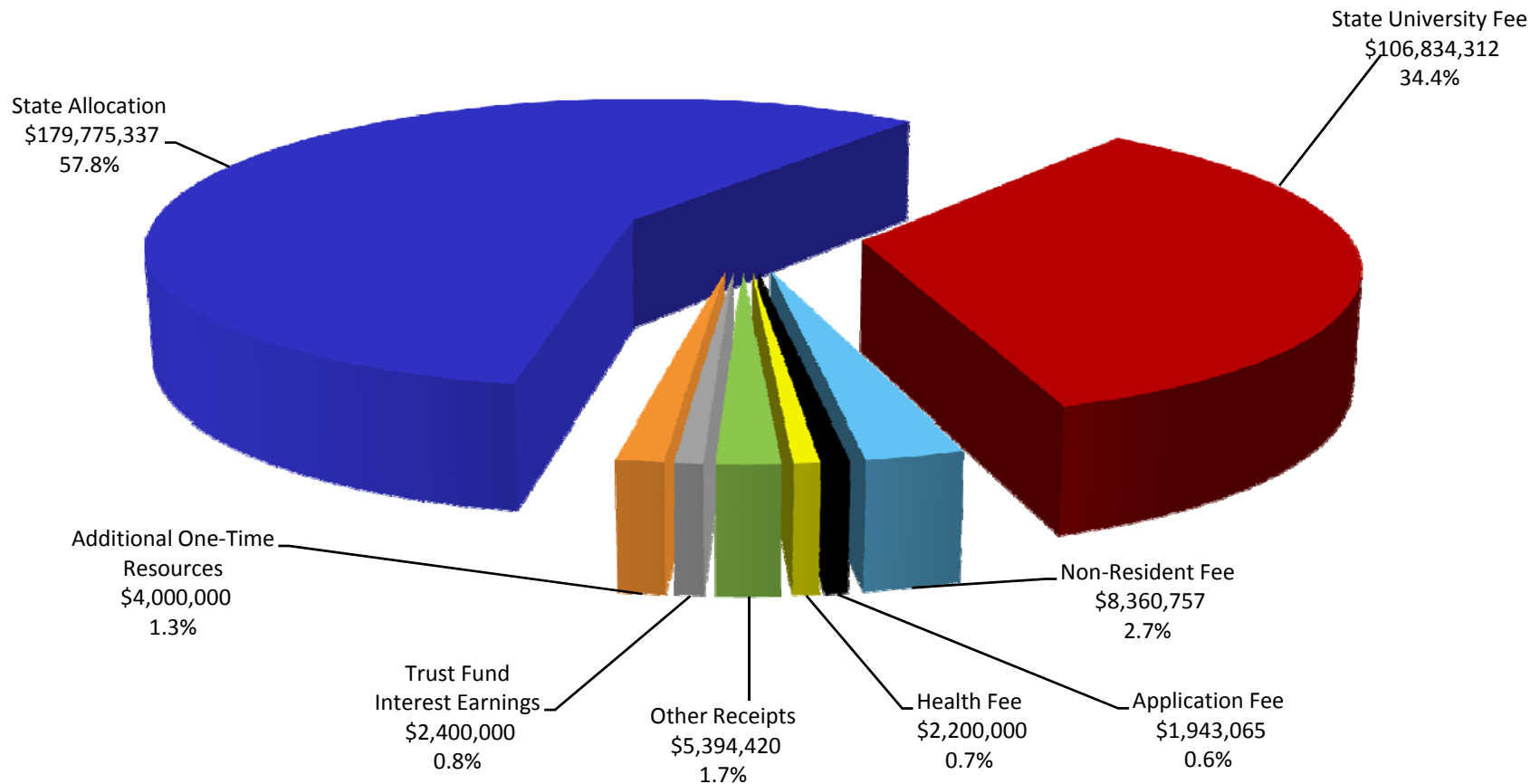
1 The Student Union budget includes the amount to be transferred to ASI to be included in the ASI budget

2 Budget figure for operations only, does not include fundraising

3 Excludes financial aid and capital funds

2008-09 Operating Fund Revenue Budget

Total: \$310,907,891*



*Includes \$4 million in one-time resources to balance the budget

How We Finished Last Year: 2007-08 Year End

2007-08 Year End Operating Fund Expenditures: Division Summary

Includes \$3.3 million in billable activities.

| DIVISION/COST CENTER | Revised Budget | | | | | Actual Expenses | | | Encumbrances | Budget Balance Available | Percent of Budget Expended + Encumbered |
|--|----------------|-----------------------|-----------------------|----------------------|--------------------------------|-----------------------|-----------------------|--------------------------|---------------------|--------------------------|---|
| | FTE (a) | SW (b) | OE (c) | PY (d) | TOTAL (b) + (c) + (d) = (e) | SW (f) | OE (g) | TOTAL (f) + (g) = (h) | OE (i) | (e) - (h) - (i) = (j) | (h) + (i) / (e) |
| PRESIDENT'S | 26.00 | 2,170,886 | 1,880,468 | 810,084 | 4,861,438 | 1,690,520 | 1,882,178 | 3,572,698 | 88,701 | 1,200,039 | 75% |
| ACADEMIC AFFAIRS | 1788.30 | 123,792,351 | 17,389,119 | 6,774,963 | 147,956,433 | 125,562,303 | 15,042,024 | 140,604,327 | 1,797,545 | 5,554,561 * | 96% |
| ADMINISTRATION AND FINANCE | 278.63 | 18,103,818 | 5,795,015 | 1,749,126 | 25,647,960 | 20,065,560 | 4,021,939 | 24,087,499 | 1,135,069 | 425,392 | 98% |
| INFORMATION TECHNOLOGY | 100.50 | 7,155,920 | 3,121,687 | 952,869 | 11,230,476 | 6,519,540 | 4,112,374 | 10,631,914 | 419,636 | 178,925 | 98% |
| STUDENT AFFAIRS | 235.65 | 15,706,662 | 5,281,886 | 1,194,691 | 22,183,239 | 16,034,248 | 3,867,414 | 17,223,877 | 272,848 | 2,088,755 | 91% |
| UNIVERSITY ADVANCEMENT | 63.50 | 4,584,135 | 3,744,632 | 316,819 | 8,645,585 | 4,426,140 | 3,748,816 | 8,174,956 | 114,052 | 356,578 | 96% |
| SUB-TOTAL DIVISIONS | 2492.58 | \$ 171,513,773 | \$ 37,212,806 | \$ 11,798,552 | \$ 220,525,131 | \$ 174,298,310 | \$ 32,674,746 | \$ 204,295,271 | \$ 3,827,852 | \$ 9,804,250 | 98% |
| ALL UNIVERSITY TOTAL | 20.90 | \$ 2,020,885 | \$ 105,797,431 | \$ 26,042,223 | \$ 133,860,539 | \$ 3,110,792 | \$ 125,489,139 | \$ 128,599,931 | \$ 4,173,224 | \$ 1,087,384 | 99% |
| TOTAL CSU OPERATING FUND BUDGET | 2513.48 | \$ 173,534,658 | \$ 143,010,237 | \$ 37,840,775 | \$ 354,385,670 | \$ 177,409,101 | \$ 158,163,885 | \$ 332,895,202 | \$ 8,001,076 | \$ 10,891,633 | 97% |

*Academic Affairs transferred \$6,672,798 prior to 2007-08 year-end towards their 2008-09 one-time budget reduction, reducing the Academic Affairs 2007-08 BA to \$5,554,561 as reflected above.

All University includes benefits, energy and utilities, deferred maintenance, insurance and risk, and financial aid.

PY=Prior Year: includes prior year carryforward and encumbrances.

2007-08 Year End Operating Fund Expenditures: Cost Center-Level Sample

| DIVISION/COST CENTER | Revised Budget | | | | | Actual Expenses | | | Encumbrances | Budget Balance Available | Percent of Budget Expended + Encumbered |
|--|----------------|------------------|------------------|----------------|-----------------------|-------------------|------------------|-------------------|----------------|--------------------------|---|
| | FTE | SW | OE | PY | TOTAL | SW | OE | TOTAL | OE | (e) - (h) - (i) = (j) | (h) + (i) / (e) |
| | (a) | (b) | (c) | (d) | (b) + (c) + (d) = (e) | (f) | (g) | (f) + (g) = (h) | (i) | | |
| ACADEMIC AFFAIRS - COLLEGE OF EDUCATION | | | | | | | | | | | |
| Admission to Teacher Ed | 6.00 | 221,606 | 10,000 | 1 | 231,607 | 231,384 | 20,672 | 252,056 | 16,597 | (37,046) | 116% |
| Cal State Teach PRJT | 0.00 | 27,862 | 1,124,826 | 37,298 | 1,189,986 | 924,000 | 469,902 | 1,393,902 | 6,566 | (210,483) | 118% |
| Dean EDUC | 12.49 | 758,404 | 383,955 | - | 1,142,358 | 749,006 | 247,744 | 996,750 | 143,751 | 1,857 | 100% |
| Educational Leadership | 7.35 | 840,998 | (59,415) | 63,782 | 845,365 | 887,621 | (25,484) | 862,137 | 4,205 | (20,977) | 102% |
| Elem/Bilingual Education | 41.30 | 2,891,931 | 75,173 | 2,123 | 2,969,227 | 3,153,868 | 37,355 | 3,191,222 | 16,865 | (238,861) | 108% |
| Instruction EDUC | -1.50 | (58,129) | 97,467 | 565,523 | 604,862 | (48,234) | 243,518 | 195,284 | 137,016 | 272,561 | 55% |
| MS Instr Design & Tech | 0.56 | 88,973 | (26,433) | 32,092 | 94,632 | 40,703 | 14,289 | 54,992 | - | 39,640 | 58% |
| Reading | 10.00 | 661,076 | 26,862 | 1,000 | 688,938 | 745,743 | 16,995 | 762,737 | - | (73,799) | 111% |
| Secondary Education | 20.00 | 2,073,653 | 156,474 | 14,475 | 2,244,601 | 2,133,988 | 186,571 | 2,320,559 | - | (75,957) | 103% |
| Special Education | 20.10 | 1,207,101 | 62,179 | 73 | 1,269,354 | 1,415,411 | 50,168 | 1,465,579 | - | (196,226) | 115% |
| Teacher Credentialing | 4.00 | 134,929 | 18,923 | 8 | 153,860 | 153,558 | 13,969 | 167,527 | - | (13,667) | 109% |
| EDU TOTAL | 120.30 | 8,848,403 | 1,870,011 | 716,375 | 11,434,789 | 10,387,047 | 1,275,699 | 11,662,746 | 325,000 | (552,957) | 105% |
| COLLEGE OF ENGINEERING AND COMPUTER SCIENCE | | | | | | | | | | | |
| Civil & Environmental Engineer | 11.00 | 871,039 | 29,717 | 4,910 | 905,666 | 876,380 | 36,066 | 912,445 | 16,245 | (23,024) | 103% |
| Computer Engineering | 0.00 | 74,242 | 10,035 | - | 84,277 | 72,864 | 5,304 | 78,167 | - | 6,110 | 93% |
| Computer Science | 19.50 | 2,089,753 | 73,652 | 23,910 | 2,187,316 | 2,107,593 | 84,313 | 2,191,905 | - | (4,589) | 100% |
| Dean ECS | 17.35 | 727,315 | (61,903) | 165,923 | 831,334 | 750,709 | 97,403 | 848,113 | 10,538 | (27,317) | 103% |
| Electrical Engineering | 14.00 | 1,300,774 | 36,126 | 300 | 1,337,200 | 1,295,357 | 26,053 | 1,321,411 | - | 15,789 | 99% |
| Instruction ECS | 0.00 | 6,126 | 201,922 | 320,802 | 528,850 | (25,502) | 85,107 | 59,605 | 65,232 | 404,013 | 24% |
| Mechanical Engineering | 7.50 | 571,569 | 95,355 | - | 666,924 | 595,134 | 87,892 | 683,026 | 12,706 | (28,808) | 104% |
| ECS TOTAL | 69.35 | 5,640,818 | 384,904 | 515,845 | 6,541,567 | 5,672,535 | 422,137 | 6,094,672 | 104,722 | 342,174 | 95% |

Non-State Funds

Includes:

- Lottery
- Continuing Education Revenue Fund (CERF)
- Parking
- Parking Fines and Forfeitures
- Housing
- Student Union

Does Not Include:

- Health Facilities Fee of \$220,000 in 2008-09 due to the small amount of budget revenue.
- Auxiliaries: ASC, ASI, The Housing Authority and Philanthropic Foundation

Each auxiliary has its own separate audited financial statement and auxiliary board. A report regarding ASC was developed by PRBC and is available on line. Additional information regarding auxiliaries can be provided at a future meeting if there is sufficient interest in these funds.

2007-08 Lottery Fund Revenue and Expenditures

- Generated from State Lottery ticket sales, a portion of which is allocated to CSU campuses
- Supplement to State revenue to be used for instructional purposes

| | |
|------------------------------------|-------------------------------|
| BEGINNING FUND BALANCE | 13,343,505.16 |
| REVENUE | |
| State Allocation | 2,218,000.00 |
| Interest Earning | 535,749.15 |
| CBE / PA loan Interest | 125,542.92 |
| Other Transfers | 22,750.00 |
| Cancelled Warrant | 426.14 |
| Revenue Total | <u>2,902,468.21</u> |
| EXPENDITURE | |
| Salaries and Wages | 323,345.01 |
| Work Study | 1,739.05 |
| Benefits | 27,920.24 |
| Travel | 126,748.21 |
| Library Acquisitions | 1,286,179.60 |
| Financial Aid | 217,848.15 |
| Contractual Services | 230,890.51 |
| Information Technology | 3,840,673.80 |
| Equipment | 2,406,407.34 |
| Misc. Instructional Expenses | 5,574,807.74 |
| PA Loan Move | 683,489.00 |
| Expenditure Total | <u>14,720,048.65</u> |
| Total Surplus / (Shortfall) | <u>(11,817,580.44)</u> |
| ENDING FUND BALANCE | 1,525,924.72 |

The University aggressively spent down Lottery Funds during 2007-08 to comply with the new CSU Reserve Policy and safeguard these funds. As part of this spend down, additional operating funds were allocated to the Divisions during 2007-08 in an even exchange for previously allocated Lottery Funds.

2007-08 CERF Revenue and Expenditures*

- Generated by student fees for enrollment in Continuing Education courses
- Must be used for self-supporting Continuing Education programs

| | |
|--|------------------------|
| BEGINNING FUND BALANCE | 3,576,450.40 |
| REVENUE | |
| <u>Fee Revenue:</u> | |
| Continuing Ed. Special Session Degree | 330,075.40 |
| Continuing Ed. Special Session Contract | 18,795.00 |
| Continuing Ed.- Open University | 3,836,426.41 |
| Continuing Ed. - Special Session-Other | 2,218,511.70 |
| Continuing Ed. - Regular Extension | 338,145.25 |
| Continuing Ed. - Contract Extension | 128,271.00 |
| Continuing Education - CEU Credits | 1,982,143.09 |
| Bad Debt Allowance | (44,834.78) |
| Fee Revenue Total | 8,807,533.07 |
| <u>Other Revenue:</u> | |
| Other Operating Revenues | 1,197,963.69 |
| Interest Earning | 544,191.24 |
| YRO Reimbursement | 176,679.43 |
| External Cost Recovery (e.g., Auxiliaries) | 1,423,700.11 |
| Community Development Fund Transfer | 336,658.00 |
| Escheat of Unclaimed Checks | 2,018.78 |
| Other Revenue Total | 3,681,211.25 |
| Total Revenue | 12,488,744.32 |
| EXPENDITURE | |
| Salaries and Wages | 5,449,477.66 |
| Benefits | 1,566,872.10 |
| Communications | 56,603.37 |
| Travel | 34,435.03 |
| Capital Outlay Projects | 1,438.50 |
| Contractual Services | 168,793.12 |
| Information Technology | 197,031.03 |
| Equipment | 92,164.36 |
| Centrally Paid Direct/Indirect Cost | 395,131.97 |
| Operating Fund Reimbursement | 243,042.00 |
| Misc. Operating Expenses | 1,371,597.69 |
| Annual Concurrent Enrollment | 137,060.00 |
| Transfer to Construction Fund | 276,818.02 |
| Prior Year Expenditure Adjustment | (65,356.34) |
| Sub-Total | 9,925,108.51 |
| <u>Academic Affairs Revenue Sharing:</u> | |
| Open University | 1,666,331.00 |
| Other Reimbursement to AA | 542,076.78 |
| Revenue Sharing Total | 2,208,407.78 ** |
| Total Expenditure | 12,133,516.29 |
| Total Surplus / (Shortfall) | 355,228.03 |
| ENDING FUND BALANCE | 3,931,678.43 |

*Excludes approximately \$3 million 2007-08 BBA in the CERF Construction Fund.

** Prior year revenue sharing in CERF accounts managed by Academic Affairs have been used primarily to fund construction and community outreach.

2007-08 Parking Fund Revenue and Expenditures

- Self-supporting fund generated from the sale of parking permits
- Parking permit revenue must be used to support the parking operation, including construction of new facilities and maintenance

| | |
|--|------------------------------|
| BEGINNING FUND BALANCE | 9,451,622.89 |
| REVENUE | |
| Parking Permits | 7,732,623.93 |
| Parking Coin Gates | 1,039,770.47 |
| Sales and Services Auxiliary Facilities-Others | 5,169.50 |
| Bad Debt | (1,609.20) |
| Escheat-Uncl Checks/ Warrants | 228.17 |
| Interest Earnings | 641,030.59 |
| External Source Cost Recovery (e.g., Auxiliaries) | 5,933.00 |
| Allowance for Other Operating Revenue (Contra Revenue) | (236.99) |
| Total Revenue | <u>9,422,909.47</u> |
| EXPENDITURE | |
| Salaries and Wages | 1,033,400.47 |
| Benefits | 339,012.96 |
| Communications | 23,576.82 |
| Utilities | 188,055.59 |
| Travel | 9,687.84 |
| Contractual Services | 36,952.00 |
| Information Technology | 83,934.79 |
| Misc. Operating Expenses | 618,031.07 |
| Centrally Paid Direct/Indirect Cost | 2,833,728.60 |
| Operating Fund Reimbursement | 1,545,543.00 |
| Parking Construction, Maintenance, and Other Transfers | 1,316,300.80 |
| Road and Sidewalk Work Related to CBE | 4,200,000.00 |
| Total Expenditure | <u>12,228,223.94</u> |
| Total Surplus / (Shortfall) | <u>(2,805,314.47)</u> |
| ENDING FUND BALANCE | 6,646,308.42 |

*Operating fund reimbursement includes services such as Police Officers.

2007-08 Parking Fines & Forfeitures Revenue and Expenditures

- Self-supporting fund generated from fines paid for parking tickets
- Parking ticket income must be used for administration of the program and alternative transportation programs

| | |
|------------------------------------|----------------------------|
| BEGINNING FUND BALANCE | 887,544.26 |
| REVENUE | |
| Fines & Forfeitures | 1,668,884.58 |
| Parking Ticket Payment | 245,648.00 |
| Interest Earning | 43,877.15 |
| Revenues-Other | 81,871.13 |
| Total Revenue | <u>2,040,280.86</u> |
| EXPENDITURE | |
| Salaries and Wages | 82,580.23 |
| Benefits | 27,831.37 |
| Travel | 6,050.69 |
| Contractual Services | 158,925.17 |
| Information Technology | 66,246.62 |
| Equipment | 35,852.69 |
| Admin Charges | 142,934.76 |
| Misc. Operating Expenses | 624,732.53 |
| Transfer Out to Other Funds | 56,066.00 |
| Total Expenditure | <u>1,201,220.06</u> |
| Total Surplus / (Shortfall) | <u>839,060.80</u> |
| ENDING FUND BALANCE | 1,726,605.06 |

2007-08 Housing Fund Revenue and Expenditures

- Generated from rents and fees paid by dormitory residents
- Must be used for the self-supporting housing program

| | |
|---|------------------------------|
| BEGINNING FUND BALANCE | 5,914,509.20 |
| REVENUE | |
| Housing Rent | 4,889,974.86 |
| Housing Revenue-Others | 3,652.00 |
| Bad Debt | (870.00) |
| Interest Earning | 308,170.20 |
| Installment Charges | 1,800.00 |
| Other Operating Revenues | 461.43 |
| Summer Bridge Program | 86,100.00 |
| Total Revenue | <u>5,289,288.49</u> |
| EXPENDITURE | |
| Salaries and Wages | 569,825.43 |
| Benefits | 208,330.16 |
| Communications | 11,017.72 |
| Travel | 2,897.54 |
| Contractual Services | 131,294.75 |
| Equipment | 12,649.31 |
| Misc. Operating Expenses | 337,955.69 |
| FY0708 EO 1000 Adm Charges | 158,742.00 |
| Centrally Paid Direct/Indirect Cost | 1,862,142.00 |
| Transfer to Housing Maint and Repair Fund | 2,100,000.00 |
| Fullerton Student Housing Project | 4,500,000.00 |
| Total Expenditure | <u>9,894,854.60</u> |
| Total Surplus / (Shortfall) | <u>(4,605,566.11)</u> |
| ENDING FUND BALANCE | 1,308,943.09 |

2007-08 Student Union Fund Revenue & Expenditures

- Generated from the mandatory University Union fee paid by all students
- Must be used for the Union facilities and related programs

| | |
|-------------------------------------|------------------------------|
| BEGINNING FUND BALANCE | 23,027,987.05 |
| REVENUE | |
| Revenues From Fees | 8,181,463.38 |
| Intest Earning | 1,116,474.90 |
| Total Revenue | <u>9,297,938.28</u> |
| EXPENDITURE | |
| Adjustments & Returns to Operations | 5,550,000.00 |
| Net Transfer to Interest & Redempt. | 1,186,446.95 |
| Transfer to Repairs & Replacement | 73,305.00 |
| General Overhead Expense | 23,097.30 |
| Student Recreation Center | 7,176,021.00 |
| Total Expenditure | <u>14,008,870.25</u> |
| Total Surplus / (Shortfall) | <u>(4,710,931.97)</u> |
| ENDING FUND BALANCE | 18,317,055.08 |

2008-09 University Budget

2008-09 Budget Development Context

- CSU budget cuts and mandatory costs of \$386 million were proposed by the Governor in January. This would have required a CSUF baseline budget reduction of approximately \$18.5 million
- In mid-May the CSU Board of Trustees approved a 10% student fee increase. This resulted in new additional CSUF revenue of approximately \$6 million*
- The Governor's May Revise restored \$97.6 million to the CSU budget and reduced the baseline budget reduction required of CSUF by \$6.5 million
- The final State budget approved in September provided funding for the CSU consistent with the Governor's May Revise. Based on the approved State budget and additional student fee revenue, a CSUF baseline budget reduction of approximately \$6 million is required
- The approved State budget requires CSUF to absorb significant mandatory costs
- PRBC identified a number of priority University funding needs
- The University aggressively spent down Lottery Funds during 2007-08 to comply with the new CSU Reserve Policy and safeguard these funds from being swept

* Adjusted to \$5.2 million after required financial aid set-aside

PRBC 2008-09 Budget Recommendations

- PRBC recommended funding the following CSUF mandatory costs and priority items, either through additional budget reductions or other means:
 - \$5 million in unfunded mandatory costs (e.g., health benefits, energy costs, and bargained salary increases)
 - \$6.1 million in ongoing baseline expenditures for items funded during 2007-08 using non-recurring revenue
 - Approximately \$10 million for priority items identified by PRBC:
 - Maintain a stable college-level SFR
 - Conduct 100 new tenure/tenure track faculty searches (requiring a combination of one-time and baseline funds)
 - Maintain critical CMS support
 - PRBC also recommended and the President endorsed that:
 - Baseline funding to maintain the SFR and hire 100 new faculty be “taken off the top”
 - New 2008-09 Lottery Funds be utilized to support one-time recruitment and faculty support costs related to new faculty searches
 - Remaining budget reductions necessary to balance the budget and address mandatory and critical budget needs be prorated across the divisions or addressed by one-time funds, divisional reserves, or unallocated year-end balances
-

PRBC 2008-09 Budget Recommendations (continued)

- At PRBC's request, the division heads agreed develop a budget reduction plan in line with PRBC's priorities after a CSU budget was finalized.
- PRBC recommended three guiding principles be employed in making budget reduction decisions:
 - Provide the highest level of campus safety and security
 - Maintain critical student support
 - Avoid permanent staff or faculty layoffs
- Note: Total budget reductions increased after PRBC made its recommendations due to a \$2 million baseline shortfall in the central All University benefits account at the end of 2007-08, required financial aid set-aside, and CMS.

Proposed 2008-09 Budget Reductions

| Division | Percent * | Baseline Reduction Total | One-Time Total | Total Baseline and One-Time |
|-------------------------------------|----------------|-----------------------------|-------------------|--------------------------------|
| President | 1.77% | 247,441 | 199,941 | 447,382 |
| Academic Affairs | 69.56% | 9,682,082 | 7,857,556 | 17,539,638 |
| Admin & Finance | 11.14% | 1,560,289 | 1,258,384 | 2,818,673 |
| Information Technology | 5.79% | 809,469 | 654,043 | 1,463,512 |
| Student Affairs | 8.89% | 1,017,889 | 1,004,222 | 2,022,111 |
| University Advancement | 2.85% | 397,164 | 321,938 | 719,102 |
| Total Without All University | 100.00% | 13,714,334 | 11,296,084 | 25,010,418 |

Divisions taking budget reductions in salaries and wages will be credited with the associated benefit amount (currently 32% for staff and 25% for faculty).

*The budget reduction is not a straight proration. For example, all Divisions are taking budget reductions to provide off-the-top funding for high priority items on the academic side (e.g., SFR, 100 faculty searches).

Proposed 2008-09 Budget Allocations & Reductions

| Division | Base Budget | 08-09 Baseline Budget Reduction ** | 08-09 New Baseline Allocation * | 08-09 Net New Baseline Allocation | 08-09 One-Time Budget Reduction | 08-09 New One-Time Allocation | 08-09 Net New One-Time Allocation | Total 08-09 Net New Baseline & One-Time Allocation |
|------------------------------------|--------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|-------------------------------|-----------------------------------|--|
| President | 3,338,607 | (247,441) | - | (247,441) | (199,941) | 235,000 | 35,059 | (212,381) |
| Academic Affairs | 130,916,644 | (9,682,082) | 2,392,025 | (7,290,057) | (7,857,556) | 4,552,145 | (3,305,411) | (10,595,468) |
| Administration and Finance | 21,031,981 | (1,560,289) | 470,000 | (1,090,289) | (1,258,384) | 920,000 **** | (338,384) | (1,428,672) |
| Information Technology | 11,285,464 | (809,469) | 200,000 | (609,469) | (654,043) | - | (654,043) | (1,263,513) |
| Student Affairs | 16,783,938 | (1,017,889) | 130,000 | (887,889) | (1,004,222) | 202,005 | (802,217) | (1,690,106) |
| University Advancement | 5,376,678 | (397,164) | - | (397,164) | (321,938) | - | (321,938) | (719,102) |
| | 188,733,312 | (13,714,334) | 3,192,025 | (10,522,309) | (11,296,084) | 5,909,150 | (5,386,934) | (15,909,243) |
| Other Mandatory Adjustments | | | | | | | | |
| University Wide | 110,793,923 | - | 15,440,189 *** | 15,440,189 | - | 9,386,934 | 9,386,934 | 24,827,123 |
| CMS | 2,462,776 | - | | | - | - | | |
| Total | 301,990,011 | (13,714,334) | 18,632,214 | 4,917,880 | (11,296,084) | 15,296,084 | 4,000,000 | 8,917,880 |

*Includes benefits related to new positions

**Benefit credit given for reductions in positions

***Includes mandatory costs such as faculty and staff compensation increases, financial aid, energy and utilities, risk and insurance, and etc.

**** Increase for new space funding to maintain CBE

2008-09 University Operating Budget Summary

| | BASELINE | ONE-TIME FUNDS | TOTAL |
|--|----------------|----------------|----------------|
| STATE ALLOCATION | \$ 179,775,337 | \$ - | \$ 179,775,337 |
| BUDGETED REVENUES | | | |
| State University Fee | 106,834,312 | | |
| Non-Resident Fee | 8,360,757 | | |
| Application Fee | 1,943,065 | | |
| Health Fee | 2,200,000 | | |
| Other Receipts | 5,394,420 | | |
| Trust Fund Interest Earning | 2,400,000 | | |
| Total Revenue | 127,132,554 | - | 127,132,554 |
| Total State Allocation and Revenues | \$ 306,907,891 | \$ - | \$ 306,907,891 |
| ADDITIONAL RESOURCES ONE TIME | - | 4,000,000 | 4,000,000 |
| BUDGETED EXPENDITURES BY DIVISION: | | | |
| President's Office | \$ 3,091,167 | \$ 35,059 | \$ 3,126,226 |
| Academic Affairs | 123,056,586 | (3,425,411) | 119,631,175 |
| Administration & Finance | 19,471,692 | (1,258,384) | 18,213,309 |
| Information Technology | 14,308,771 | (654,043) | 13,654,727 |
| Student Affairs | 15,766,049 | (802,217) | 14,963,832 |
| University Advancement | 4,979,514 | (321,938) | 4,657,576 |
| All University | 126,234,112 | 10,426,934 | 136,661,046 |
| Total Expenditures | 306,907,891 | 4,000,000 | 310,907,891 |
| FUND BALANCE | \$ - | \$ - | \$ - |

Does not include billable activities

Issues and Challenges

Issues and Challenges

The most successful approach to budgeting is to start with an effective plan—one developed with extensive input from all stakeholders—and to develop the budget based on the decisions reflected in the plan.

Larry Goldstein

Potential Mid-Year Budget Reductions

AB 1389, Chapter 751, SEC. 33

Section 13312 is added to the Government Code, to read: 13312.(a)

- (1) Commencing with the 2008-09 fiscal year, and notwithstanding any other provision of law, if after the annual Budget Act is enacted, the Director of Finance determines that General Fund total available resources for the fiscal year will decline substantially below the estimate of General Fund total resources available upon which the Budget Act was based, or that General Fund expenditures will increase substantially above that estimate of General Fund total resources available, the director may make reductions pursuant to subdivision (b). [...]
- b(2) A General Fund state operations or capital outlay item of appropriation, and a program or category designated in a line of any schedule set forth by that appropriation, may not be reduced by more than 7 percent.

Budget Act Lottery Language

- Eliminate the current provision requiring 34 percent of total annual revenues to be allocated to the benefit of public education, and instead authorizes the Director of the Department of Finance to designate a portion of net lottery revenues for transfer to the Lottery Assets Fund (for subsequent securitization and sale to the bond market pending approval of both a constitutional amendment by the voters at the next statewide election and AB 1741 of the 2007-08 Regular Session).
- Appropriate General Fund for Education:
Commencing in 2009-10, and each fiscal year thereafter, discontinues lottery funding for K-12 and higher education systems and makes General Fund appropriations instead. General Fund appropriations will be equal to amounts appropriated for K-12 and higher education systems in 2008-09 from the State Lottery Fund, adjusted annually for cost-of-living and student growth adjustments.

Issues and Challenges

- How do we focus on planning in a State environment that focuses on short term solutions?
 - How do we maintain and fund the University's highest priorities while absorbing State budget reductions and unfunded mandates?
 - How do we address SFR in light of budget reductions and other challenges?
 - How do we reconcile enrollment growth with no growth funding?
 - How do we support and increase University research success in the current fiscal environment?
 - How do we maintain and fund a viable and growing branch campus?
 - What approach should we take if lottery funds are reduced or eliminated in the future?
 - Should non State fund revenue be factored into the University's planning and budgeting process?
-

Issues and Challenges (continued)

- How do we advance University property acquisition efforts in light of current and potential budget cuts?
- How do we maintain momentum established in University fundraising efforts in the current budget situation?
- How should we best prepare for potential mid-year budget reductions?
- Are we willing to make difficult budget reduction decisions such as cutting programs, cutting administrative and other non-instructional costs, cutting deferred maintenance, and downsizing computer rollout, etc.?
- Are we willing to make difficult budget augmentation decisions to support University priorities, such as decreasing SFR, enhancing grants and contracts, and enhancing fundraising activities?

Good News

- Significant growth in University fund raising and endowment
- Strong student demand
- Recently completed and soon to be completed capital projects:
 - Mihaylo College of Business and Economics
 - Student Recreation Center
 - University Police Building
 - Children's Center
 - Student Housing
- Potential synergy derived from WASC and other planning processes in further defining University priorities

Questions?