

COMMITTEE ON FINANCE

Status Report on 2003-2004 Support Budget

Presentation By

Richard West
Executive Vice Chancellor and
Chief Financial Officer

Summary

This item provides a status report on activity by the legislature in reviewing the Governor's January budget proposal and the impact on the California State University budget for 2003-04.

Legislative Hearings

To date, the budget subcommittees in both houses of the legislature have held hearings on issues related to the budget for the California State University. Those hearings have been framed using the analysis by the Legislative Analyst's office; therefore, the primary topics of discussion have been outreach programs, remedial education, the Center for California Studies and annual carryover funds. The Analyst also identified several intersegmental issues that have been put on the agenda for the legislature, which are enrollment funding, fee levels, and financial aid. The Senate has completed its discussions on these topics, but the Assembly has scheduled another hearing to complete its work in this area. Neither house of the legislature has taken action on any budget-related items for the University while they await the results of the May Revise.

State Budget Deficit

Early projections about the State's revenue collections seem to indicate the total deficit will be greater than anticipated, by some estimates up to \$3 billion more than the \$35 billion deficit estimated, in the Governor's January budget proposal. The Legislative Analyst believes this number is closer to \$26 billion, although this number also may be increased based upon revenue collected by the state in April. The Department of Finance will issue the May Revise on May 14, 2003, at which point the CSU will have more information about the effect of the deficit on the University budget. The increase in the budget hole, coupled with the legislature's failure to act on several million dollars of mid-year cuts in the current year, could bring even greater cuts to the University. To date the system office and the campuses have been planning on a budget level that is reflected in the Governor's January budget proposal, which includes fee increases for undergraduates of 25% and 15% for graduate students. Campuses have indicated that if the assumptions from January hold, they will be able to accommodate the expected seven percent increase in enrollment and minimize personnel disruption. However, if the budget cuts specified for the CSU increase those planning assumptions would need to be revisited.

COMMITTEE ON FINANCE

2003-2004 Support Budget Consultation

Presentation By

Richard West
Executive Vice Chancellor and
Chief Financial Officer

Jacquelyn Kegley
Chair
Academic Senate CSU

Summary

This item provides information on the expanded consultation process that has been put into place this year to advise the Chancellor on options for addressing the expected reductions in the budget for the University.

Overview

During the spring of 2003, Chancellor Reed implemented a three-prong consultation process to ensure that all members of the University community are engaged in the discussion about how best to preserve the mission and integrity of the institution in light of the state's serious fiscal problems.

As you know, the Board of Trustees Committee on Finance is meeting monthly to review the current status of budget deliberations in Sacramento and planning in the University to stay informed and to give guidance to the Chancellor on approaches to protect the University's resources.

Additionally, the Systemwide Budget Advisory Committee (SBAC) is meeting more frequently than is typical. This committee is comprised of representatives from all parts of the University: students, faculty, campus presidents and labor representatives, and gives advice and guidance to the Chancellor on priorities for the CSU budget.

In addition to their participation at the SBAC, a separate meeting with the members of the CSU Labor Council had been on the calendar for some time, when it was cancelled the morning of the scheduled meeting.

Finally, a Budget Summit for the academic leaders within the University: campus presidents, student body presidents, faculty senate chairs and the executive officers of the statewide student organization and systemwide faculty senate was held on March 14, 2003. A representative from the CSU Alumni Council also participated in this event. This group spent the day together to better understand the State and University budget picture, and give the Chancellor advice and suggest options about how to approach the current budget situation. A list of the suggestions proposed by the participants can be found in Attachment A. Attachment B is a letter from the statewide Academic Senate that prioritizes the recommendations from the Summit.

It is expected that these enhanced consultation processes will be valuable mechanisms to advise and assist the Chancellor and the Trustees in guiding the CSU through the trying fiscal times ahead.

Budget Summit Suggestions

Budget Plan Response Strategy

Short Term

- Recognize that access, affordability and quality are constrained by resources
- Establish and concentrate on core funding priorities

Long Term

- Focus on a restorative long-term budget agenda
- Inventory and evaluate the impact of cuts and fiscal accommodations so these can be restored later
- Definition of quality provided explicitly

Program Response Alternatives

Short Term

- Require students in remedial courses to pay full cost
- Reduce low-enrollment academic courses
- Reduce administrative costs
- Chancellor's Office should take deeper cuts
- Review class scheduling

Long Term

- Return to self-support summer sessions; eliminate or scale back YRO
- Reduce athletic programs
- Reduce or decentralize required General Education courses

Degree Progress Alternatives

Short Term

- Facilitate graduation planning

Long Term

- Reduce number of units required for graduation

- Improve articulation by reducing the number of courses that are repeated in order to save money

Salary/Payroll/Time (workload) Alternatives

Short Term

- Reduce assigned time for faculty
- Salary reduction: voluntary, ATB(?), maintain benefits
- Prioritize faculty, administrator and staff workload
- Allow voluntary furlough for FERP to push costs into future years
- Ensure administrative raises (*percentage increase*) are equal to staff and faculty raises
- Reduce number of administrators

Fee Alternatives

Short Term

- Increase current rates (100% suggested)
- Review category III (materials, services and facility use) and IV (fines and deposits) fees to ensure these are set at a level necessary to cover costs, but not more
- Ask the legislature for another source of funding instead of increasing fee levels

Long Term

- Guarantee return to pre-increase fee levels when state funding can be restored
- Implement a long-term policy
- Review and enforce the existing (*Partnership Agreement*) fee policy and its link to the state's economic picture, including per capita income
- Consider the burden placed on middle-income families and students

State funding Alternatives

Long Term

- Charge additional fee to recover the state funding subsidy to students over a certain number of units
- Establish agreement to "sunset" the increase in the Student Faculty Ratio
- Develop an agreement with the state to manage back to pre-crisis funding levels and recognize the cuts we absorbed, including the increase in the State University Fee (*with supplemental State appropriations*)

Revenue Source Alternatives

Short Term

- Charge back auxiliaries for services
- Expand/increase use of on-line extension courses, even on campus

Long Term

- Increase alternative funding sources through more vigorous fund-raising; find other revenue sources to help with deficit
- Increase resources from grants and contracts
- Seek additional flexibility to use lottery dollars for other purposes

Budget Approach Strategies

Short Term

- Proportional cuts are better than trying to protect one area or another
- Allow flexibility at all levels of the institution to make best decisions about how to take cuts
- The campus consultative process, shared governance, is important to maintain, including transparency and understanding of how the funding works on the campus
- Don't delay, begin planning using the Governor's budget proposal

Long Term

- Use a budgetary approach in the long-term that focuses on policy issues, not just a pragmatic response
- Work with multi-year budgets, now to minimize the impact of cuts over multiple years, and later to provide more flexibility

Enrollment Strategies

Long Term

- Evaluate enrollment management plans to ensure they are sufficient to respond to the need to reduce enrollment
- Use enrollment management tools now to plan for future years/terms
- Do not accept students without funding

Technology Funding Alternatives

Short Term

- Hold off implementation of CMS indefinitely
- CMS decision should be made by individual campuses

Long Term

- Determine best practices and emphasize value-added instructional technology
- Report on practices that didn't work

Marketing Strategies

Short Term

- Reduce outreach funding to discourage continued marketing to potential students
- Say "enough is enough"
- Ensure there is recognition (internal and external) of the importance of the diverse CSU student population
- Speak with one united CSU voice to express our needs; improve PR campaign

Other Ideas for Consideration

Short Term

- Increase the number of fully qualified lecturers
- Use unrestricted dollars from the foundation to fund student scholarships
- Implement cost improvement initiatives, i.e. streamline the accountability process; study of efficiencies

Long Term

- Outsource more services
- Defer implementation of ACR 73 targets
- Take into consideration the long-term consequences of short-term sacrifices
- Ease Chancellor Office initiatives



Jacquelyn Ann K. Kegley, Chair

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M E M O R A N D U M

Date: April 4, 2003

To: Richard P. West, Executive Vice Chancellor
& Chief Financial Officer, California State University

From: Jacquelyn Ann K. Kegley, Chair
Academic Senate CSU

Subject: Recommendations from Budget Summit Workgroups

Thank you very much for providing the members of the CSU Academic Senate and the Campus Senate Chairs with copies of the Recommendations from the Budget Summit Workgroups. We applaud again the initiative of the Chancellor in hosting this "shared governance" event. It was an excellent opportunity for presidents, campus senate chairs, ASI presidents and staff of the Chancellor's Office to discuss common concerns and issues and to get to "know each other" better.

The Budget Analysis Task Force of the CSU Academic Senate has carefully received the Budget Summit Suggestions and would like to share their reflections on (1) suggestions that deserve further exploration: (2) suggestions that probably should not "see the light of day;" and (3) suggestions that need re-wording to be, in our judgment, viable.

Items that the Task Force Believes Deserve Further Exploration

I. Short Term

- A. Establish and concentrate on core funding priorities.
- B. The campus consultative process, shared governance, is important to maintain, including transparency and understanding of how the funding works on the campus.

- C. Don't delay decisions but begin planning using the Governor's budget proposal.
- D. Explore reducing the number of repeated courses.

II. Long Term

- A. Support ACR 73 and implement targets where appropriate.
- B. Use a budgetary approach in the long term that focuses on policy issues, not just a pragmatic response.
- C. Work with multi-year budgets now to minimize the impact of cuts over multiple years, and later to provide more flexibility.

Items that the Task Force Believes "Should Not See the Light of Day."

I. Short Term

- A. Require students in remedial courses to pay full costs.
Reason: We judge this as punitive for something that is not their fault.
- B. Increase current student fee rates by 100%.
Reason: This will overburden students and damage educational opportunities.
- C. Return to summer support sessions; eliminate or scale back YRO.
Reason: We do not believe this is appropriate in light of legislative mandate.
- D. Guarantee return to pre-increase fee levels when state funding can be restored.
Reason: This contradicts a rational fee policy strategy.
- E. Proportional cuts are better than trying to protect one area or another.
Reason: The instructional mission of the CSU must be the first priority.

II. Long Term

- A. Reduce number of units for graduation. The 120 units is a reasonable and academically sound minimum.
- B. Reduce or decentralize required General Education courses. This is a curricular and educational matter and not budgetary.

Items that need re-phrasing

I. Short Term

- A. Reexamine and prioritize assigned time for faculty to protect core functions.
- B. Postpone implementation of CMS where responsible and feasible.

- C. Individual campuses and the Chancellor's Office should make decisions on CMS jointly.
- D. Only resume implementation of CMS at fulfillment of the recommendations of the Audit Report.
- E. Target outreach funding to support academic programs as needed.

II. Long Term

- A. Review and reinforce a reasonable and rational fee policy elaborated in Maddy/Dills and its link to the state's economic picture, including per capita income.
- B. Make sure that lottery dollars are used only to support instruction.
- C. Evaluate enrollment management plans to ensure they are sufficiently flexible to respond to budgetary constraints.