

UBAC Majority Statement – 17 April 09

The majority of UBAC members believe that attempting to cut \$6.2 million from the current budget in such a short time frame threatens the integrity of the campus in fulfilling its mission. We do not believe that the campus can absorb such a monumental cut in one year. Furthermore, we believe that the arguments presented by the minority are designed to suggest that we have only one option: to fully cut \$6.2 million from the budget. There has been an unwillingness of the dissenting members of UBAC to explore an alternative, such as the one recommended by the College of Business faculty, to roll over **a portion** of the budget deficit. We note also that the minority's statements concerning "loans" and "repayment schedules" erroneously imply that the only mechanism for spreading the accumulated deficit over multiple years involves formally borrowing money. Clearly the accumulated deficit arose over the course of several years. Equally clearly, there were no formal loans arranged or taken during those years. It is evident to the majority of UBAC members, and to the faculty of the College of Business Administration, that there are sensible alternatives to seriously damaging our university's ability to meet its core mission by mandating that the accumulated deficit be resolved in a single year-- a year in which we already face significant budget reductions.

We believe it is in the best interest of the University to acknowledge the budget crisis to the CSU system (the Chancellor) and to fully explore all possibilities for managing this crisis over a more extended timetable. Failing to acknowledge/fully disclose that we have an accumulated budget deficit (which we cannot resolve within a single year), only hampers our situation and our ability to make informed decisions.

If we proceed according to the minority opinion, not only will the budget cuts impede our ability to fulfill our mission as an institution, we will be supporting a plan that fails to acknowledge and address the actual causes of our current budget crisis. The evidence presented to date continually suggests that the current budget crisis is a result of a number of converging factors. One critical component of these converging factors is the manner in which budget decisions have been made: we have in fact raised questions of mismanagement. Nevertheless, we do not fully understand how the University's budgetary decisions have or have not contributed to the current crisis. In our considered opinion the campus community needs more time and more information if we are to make informed decision regarding how to deal with the on-going budget crisis and to ensure that any management decisions and/or practices of the past that contributed to this crisis do not continue into the future.

The following points provide context for the specific recommendations of UBAC and responses to some of the assertions in the minority statement.

Roll \$1 million of the accumulated shortfall [one time deferral]

We believe, as noted above, that attempting to resolve the accumulated budget deficit of several years in a single year, a year when our budget is already seeing drastic cuts, will seriously damage our university's ability to fulfill our core mission. We find the minority's argument about borrowing funds specious. We did not "borrow" funds to cover the deficit as it accumulated--we do not believe that is the only solution now. We believe that the most prudent approach is to roll forward a portion of the

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deficit. We fully understand that doing so requires us to find a means of covering that deficit over the next year. Doing so provides us the time we need to make considered and well thought-out modifications to our operations.

The majority of UBAC believes that the minority position inaccurately portrays the situation. The majority opinion is that the prudent course of action is to defer a portion of the accumulated deficit and that there are indeed avenues outside of “borrowing \$2.60 million” in which to do so.

Additional enrollment fees [2% over target enrollment]

Exceeding our enrollment target by 2%, which is acceptable under the criteria established by the Chancellor, will generate approximately \$320,000 in additional fee revenue.

The majority of UBAC members agree that we would be working only with incremental student fees, but believe that in this situation, and given the dire straits we find ourselves in, this seems like an effective bridging strategy. The minority opinion evidences a basic misunderstanding of marginal cost issues. We note also that this strategy furthers our “prime directive” to provide education and opportunity to the citizens of our service area.

Savings in 08-09 spending reductions

Our Chief Financial Officer has informed us that the best estimate at present for “budget savings in 08-09” is \$1 million. These are resources that were budgeted but which will not be expended for a variety of reasons [typically that spending cuts were imposed during the current year]. We do not find administrative assertions [echoed in the minority statement] about “General Operating Fund over-expenditure” a compelling argument. It is our considered opinion that including 50% of that amount, \$500,000, in our budget reduction plan is prudent, given the uncertainty around the precise amount of savings.

Retired faculty salary savings

We believe that the amount listed, \$500,000, is likely to be an underestimate. The average full professor salary is around \$87,000, and the benefits rate charged to departments is 45%. Based on the fact that the recently issued Faculty Awards Reception Invitation lists 3 full retirements and 4 FERPs, our calculations indicate that our university should see in excess of \$700,000 in salary and benefits savings. We note that our calculations do not take into account the termination of several faculty FERP periods [which means that the university will no longer be paying those retirees 50% of their salary]. We believe this will yield further savings which are not accounted for in our calculations. Given the reality that we do not replace FERPing faculty until the expiration of their FERP period, and that we have not replaced the majority of retiring faculty over the past several years, we believe that this is a reasonable estimate of the salary savings our university is likely to experience. We note further that this category, salary savings, was brought up repeatedly both in UBAC meetings and in the public budget forums. It is our intention to make the issue of salary savings a more transparent part of our budget discussions and we believe explicitly discussing disposition of those savings fulfills that intention.

OIT instructional design position

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While we understand that some programs are shifting delivery modes for some of their courses to an online model and we appreciate the reality that faculty sometimes request assistance with course redesign, we believe that hiring another instructional design professional is not a priority at this point in time. We believe that under the current circumstances it would be more fiscally responsible to find ways to make do with current staff. We are especially leery of engaging new personnel at a time when we are told, as noted in the minority statement, that the budget is likely to get worse rather than better in the short term.

Utilities savings

We believe that this is an achievable savings goal, and note in passing that there are a variety of actions which would produce energy savings, only a small subset of which are within the purview of the campus utility manager. The majority firmly believes that our campus community will be involved participants in an energy savings campaign and that we can reach this goal. We note also that there was consensus among UBAC members, including some of the minority, that this is a reachable goal if the university community is committed to it.

The remaining items on our list of reduction recommendations are selected from the budget cut scenarios submitted by the vice presidents of each respective division. Our recommendation, as noted above, is that rather than follow strictly the various proposals we focus carefully on our core mission and the resource requirements to complete that mission. One outcome of that focus is our recommendation that budget reductions not be distributed ratably across the divisions. It is our considered opinion that University Advancement, the President's Office, and the Office of Information Technology can absorb more significant budget reductions without irreparably damaging our ability to fulfill our core mission. We are by no means suggesting that UA, PO and OIT reductions as recommended will not have serious implications for how we conduct business – they will. It is our belief that those are the least harmful reductions among the limited alternatives we have.

We are deeply concerned about all cuts to personnel. We value all members of the CSU Stanislaus community, and we do not want to see positions cut unnecessarily. The reality is, however, we have been presented with a monumental task: cutting the budget, preserving the mission of the institution, and preserving positions. After weighing all of the evidence, we believe that these are the most prudent cuts, and we completely disagree with the manner in which these recommended cuts are being framed by the dissenting members of our committee.

One proposal for cost reduction was a reduction in pay of 10% for those administrative staff with base salary in excess of \$100,000 per annum. We note in passing that administrative staff compensation spending has increased by 27% over the past three years. Some of the members of UBAC believe that such an action, which echoes a common business cost reduction strategy, could well become a case of “leading by example.” and that some faculty and staff would voluntarily follow suit. This strategy would have yielded over \$400,000 in savings, and would have drastically reduced, if not eliminated, the necessity of considering staff reductions of any sort. This proposal was rejected by a minority of UBAC members.

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We have repeated several times our awareness that the California budget picture is constantly changing. We emphasize, as does the minority statement, that we may see more reductions to our budget as the year progresses. We need to, and have begun to, develop plans for dealing with changes in our funding picture. Our focus is on our understanding of the core mission of the University and our commitment to keep those resources that are needed to pursue this mission. Our highest priorities will remain the same: mission-critical services which include, a robust class schedule, retention of administrators, faculty and staff, and essential student support services.

The majority of UBAC members believe that all of our recommendations can be achieved and that we have underestimated some of the possible sources of savings. It is the opinion of the majority voice of UBAC that the divisional budget reduction scenarios fail to examine the institution as a whole and how it might function more efficiently. Our recommendations are a starting point for a continued discussion for how we might more collectively examine strategies for cutting the budget and fulfilling our mission.