

From: William Covino
Sent: Friday, March 06, 2009 11:44 AM
To: Randall Harris
Cc: Faculty-Staff
Subject: Response to College of Business Administration Resolution

March 6, 2009

TO: Randall Harris
CBA Faculty Speaker
Professor of Management

FROM: William A. Covino, Provost
Suzanne Green, Interim Vice President, Business & Finance

SUBJECT: College of Business Administration Resolution
CBA Faculty Meeting February 27, 2009

We have reviewed the issues and recommendations raised in the Resolution (attached) passed by the Business faculty.

There clearly is some confusion on campus about the use of the term "structural budget deficit". Its use in the Resolution seems to imply that the current situation results from inattention to maintaining a balanced budget. We assure you this is *not* the case. There have been projected base-budget gaps of varying sizes from year to year and these gaps have been closed through efficient management and the application of one-time dollars. These base-budget gaps largely reflect our efforts to fund enrollment growth, build CSU system confidence in our capacity for growth, and substantially increase our enrollment growth funding. These efforts were moving along very successfully when the economic downturn hit. If there had been continued growth dollars available to us, we could have funded more than thirty new faculty positions and closed the budget gap as well.

To put our current budget situation into perspective, at the beginning of this year (08/09), the campus had a base budget gap of approximately \$1.5M. This gap increased due to a combination of unfunded mandates and state budget cuts, as detailed below:

Carry forward Budget Gap (from 07/08)	\$ 1,534,500
1.1% Cut (our share of \$31.1M)	704,600
Unfunded Salary Increases (faculty)	671,100
Unfunded Benefits Costs (faculty/staff)	1,345,200
Teacher Performance Assessment (COE) (state mandated but not funded)	<u>150,000</u>
TOTAL (before January 6, 2009)	\$ 4,405,400

We have used virtually all of our one-time funds this year (08/09) to delay the implementation of permanent budget cuts until next year (09/10). Given the prospect of no enrollment growth funding in the near term, the continuing burden of unfunded mandates, and cuts to the CSU budget that may very well worsen, we are anticipating that our total campus budget gap in 2009/10 will be at least \$6 million as follows:

Carry forward Budget Gap (from 08/09)	\$4,405,400
Estimated campus share of CSU initial gap (\$15.8M)	300,000
Estimated campus unfunded mandatory costs	200,000
Estimated campus share of \$50M cut to CSU	<u>1,100,000</u>
TOTAL – Estimated 09/10 Base-Budget Gap	\$6,005,400

Spreading this budget gap over five years is not a viable or prudent option. We do not have internal campus resources to borrow that will mitigate the gap for that time frame. Additionally, the campus may only borrow within authorized CSU financial programs, and none are available to cover operating costs. For those of you who are familiar with the CSU commercial paper program, it's available only for capital costs (note: after consultation with bond counsel, the CMS project was determined to be a capital investment, and therefore qualified for loans).

Based on the magnitude of the current State budget gap and the tenuous nature of their budget balancing plan, the prudent and responsible next step for this campus is to continue with the 2009/10 budget planning process to cut the campus base budget by \$6 million.

Division budget scenarios will be delivered to UBAC on March 9 for their consideration and deliberation process. UBAC's recommendations for a balanced budget are due to the President by April 17, and we anticipate the President will make a preliminary announcement to the campus about the 2009/10 budget changes in May. We look for the continuing involvement of faculty, students and staff and their support for the budget development process as we move forward.

cc: Faculty/Staff

ATTACHMENT: CBA Resolution