



**California State University, Stanislaus
University Budget Advisory Committee**

March 22, 2013
11:00 a.m. – 12:30 p.m.
South Dining

NOTES

Present: E. Costa, S. Davis, D. Da Rosa, R. Giambelluca, N. Jacklin, S. Jackson, K. Jasek-Rysdahl, R. Kamali, C. Lonn-Nichols, M. Salameh, J. Strong, B. Temple, S. Wooley

Absent: J. Reynoso

Guests: M. Legg, K. Nemeth

Recording Secretary: K. McField

1. Opening Remarks

Provost Strong opened the meeting by asking if the committee would like to add any items to the agenda or make any opening remarks. Dr. Davis said that Dr. Jasek-Rysdahl requested discussion of the IPEDS report (added as item 4.b). VP Giambelluca said that we will add it to the agenda. If we do not have time to discuss it during this meeting, we will include it on the next agenda.

Provost Strong introduced Ms. Da Rosa as the newest member of UBAC.

2. Approval of Agenda

Ms. Temple motioned to approve the agenda, and Mr. Jacklin seconded the motion. Agenda approved.

3. Approval of Notes

Ms. Temple motioned to approve the notes, and Ms. Lonn-Nichols seconded the motion.

Dr. Wooley asked for a correction under item 5, "Other Business," regarding the request to update the UBAC website. This request was from Dr. Davis, not Dr. Wooley.

VP Giambelluca reported that we have updated the UBAC website. If there are financial materials for UBAC, we will probably upload them to the financial website before the UBAC website.

Provost Strong clarified some of the information from the last meeting. We had \$132m system-wide lost in the tuition reduction that occurred in FY 2012-13, and the amount that the state is budgeting to replace it (\$125m) will be in the 2013-14 budget. For this year, we had to absorb that tuition reduction. It was not necessarily clear in our discussion last time that the \$125m will not be an allocated budget item until 2013-14. That is the plan, although it could still change.

Ms. Legg said that the \$2.2m is the result of that budget proposal, but we have already allocated it to our base budget for this year. VP Giambelluca added that everyone assumes that money will be there, and that is where the \$2.2m came from. Ms. Legg said that now we are allocating one-time funds, for transitional costs, but the intention is for UBAC to recommend base budget adjustments effective July 1. VP Giambelluca said that although UBAC has been discussing the \$2.2m, we will not actually allocate that money this year. We have to make some adjustments internally (and will let you know what those are) and are conducting a mid-year review right now. That \$2.2m is a result of the system assuming that the fee reduction would be replaced in the coming year with a permanent allocation from the state. The second \$125m that the governor has proposed is still in question. It has \$10m worth of technology allocations taking from it, and that's the one that there will be a lot of wrangling about before the end of the fiscal year.

Provost Strong said that he thought the \$2,246,500 was essentially because of the change in the mix between tuition and state subsidy that resulted in a difference in financial aid. VP Giambelluca said that is not quite correct and asked Ms. Legg to explain.

Ms. Legg said that the \$2m is made up of two pieces. One is restoring the \$125m of the CSU and our part of that, and then it's the difference between that and the reduction in fees (around \$690k). The other piece is the reduction in funding we need to set aside for the State University Grant (SUG), which makes up the remainder of the \$2.2m. Provost Strong asked what that had to do with the \$125m that replaces the \$132m in tuition reduction. He believes the Chancellor's Office website that that \$125m does not enter into the budget until 2013-14. Ms. Legg replied:

What happened back in November is that the state basically allocated some one-time funds to us, and now we want to make them permanent. So as a campus we have that in our base. The other \$125m that they are talking about proposing – they gave us basically our own UEE funds. So they said you're going to get two pots of money. We're going to have you reduce your fees and we're going to give you some one-time money and the governor said he wants to make this permanent in the coming year.

Provost Strong asked if this meant they essentially gave us one-time money to cover us for 2012-13 for the tuition reduction, and that's the UEE money. Ms. Legg nodded and said:

That's the first \$125m. There is a second \$125m that would truly be – I shouldn't say enrollment growth – but budget increase, and that's what he's proposing as new money.

But for this year, he said the campuses have to basically redirect UEE money if they need those resources on the state side and basically backfill general fund cuts if needed. So those are the two pieces this year that have been funded one-time, but they're in the proposal to be permanent. We do expect the first one to be permanent because basically what they're doing is buying out student fees. So they kind of promised and said, you know, if you lower your student fees we're going to backfill with general fund money. So we do expect that one to be permanent. The second \$125m is kind of questionable because it would really result other programs [outside of higher education] getting cut to give us new money.

VP Giambelluca said that it is complicated but it is part of what we do. Now we can say that the \$2.2m is a result of the buyout, basically.

4. Discussion and Focus Items

a. UEE Resources – Kevin Nemeth

VP Giambelluca introduced Mr. Kevin Nemeth, Dean of University Extended Education. Dean Nemeth came to UEE to discuss his budget.

Dean Nemeth said that Executive Order 1000 that states that all auxiliary operations are required to repay the general fund for services they receive that are funded by state dollars. Those services are widespread across this campus – financial services, facilities, technical support, etc. Therefore, over the last eight or nine months, there was a concerted effort to come up with a more exact approach to calculate the amount needed to repay the general fund. These reimbursements are called cost recovery.

Dean Nemeth distributed handouts: UEE Reimbursement Costs for 2011-2012 and UEE Reimbursement Costs for 2012-2013. These handouts provide an overview of the value of the services provided to UEE for the entire year.

In 2011-2012, approximately \$1.3m was the amount essentially attached to these services. In 2012-2013, this amount dropped slightly to \$1.266m, but that amount will be refined a bit more as we finish the fiscal year. Ms. Legg asked about the change in Academic Affairs costs, and Dean Nemeth said that these figures represent the dollar amount so far. Library staff costs have decreased, and he will check on the other amounts.

Dean Nemeth distributed a handout detailing UEE revenues and costs by program category – transfers in and out. This includes revenues from summer sessions, salaries and other costs of operations, and Chancellor's Office charges (which are spread out over the year). Any bottom line surplus from UEE goes toward reserves that fund program development. Ms. Lonn-Nichols asked if those reserves are given to Academic

Affairs. Dean Nemeth distributed two bar graphs that segment areas and programs funded by UEE. UEE holds some of the dollars for program development costs, unexpected events, etc. For example, the ASBSN (Nursing) program in Stockton started a year ago. We received a \$300,000 gift from St. Joseph's for the program, which is spread out over three years. In the first year, the program needed additional equipment, but they had already spent the first \$100,000. UEE used its reserve funds to pay for this equipment, with the understanding that the costs will be allocated to the next \$100,000.

The chart includes costs for UEE, the provost, the deans and departments, and a small amount for a nursing grant. In midyear, the Chancellor's Office directed campuses to use UEE systemwide reserves to transfer to the general fund to cover shortages. For us, it amounted to \$1.5m (transferred out in October 2012). This is important because UEE has determined that \$1.45m is a critical reserve needed on hand to cover unforeseen events. That represents about \$900k to support UEE operations, about \$150k in program development, about \$100 in emergency funds for special sessions, and about \$300k in revenue that we collect in advance payment. That second transfer out dropped us well below this critical reserve amount (to \$369,044 on hand for UEE). Because of this critical decline, the president authorized us to use some of this \$1.5m transfer out to help rebuild our contingency reserves. Dean Nemeth said UEE expects to have a very good year from its operations, so he does not expect to need to tap this \$1.5m. We expect a significant amount of money left from this \$1.5m. However, we do not know the actuals yet. UBAC may help the university prioritize how to spend these one-time dollars.

Ms. Temple asked if any of the UEE funds would need to be repaid, and VP Giambelluca said no, it would be a one-time dispensation to cover any shortfalls. Normally, we could not use UEE money for some operations, but the Chancellor's Office mandate regarding this \$1.5m changed our ability to use that particular pot of money. (This occurred before Proposition 30 passed.) Ms. Legg added that this was a one-time move intended to cover shortfalls, but we did not need to spend these funds. Dr. Wooley asked if this means that the funds are unrestricted and we can recommend we use them to replenish the UEE reserve. Dean Nemeth agreed but said that there are still some restrictions on how we can use the money. Ms. Legg added that we may want to use them to replace other funds cut over the past five years. Mr. Jacklin asked if this money will be used to replenish this contingency reserve. VP Giambelluca said that the money is still in the UEE account; the Chancellor's Office never moved it.

Dean Nemeth said that UEE's plan is to use some of the \$1.5m money to support summer session. UEE needs to retain the \$1.45m contingency reserve, but everything above that should be used to help the university.

Dr. Jasek-Rysdahl asked about the cost recovery process; it appears to be revenue to the general fund. UBAC's job is to determine how we make planning decisions, and UEE

money represents a source of revenue to the university. He asked how we can include these ongoing cost recovery funds in committee budget analyses.

Ms. Legg said these funds used to be “reimbursement revenue,” which are now called “internal service funds.” We can provide a list of internal service funds. Dr. Jasek-Rysdahl referred to the handout and said that the Library receives \$432k – is this amount included in the budget information we received in previous meetings? Ms. Legg replied that last year we conducted a detailed analysis of all of the areas. All divisions analyzed the amount of time staff spent on special sessions and applied those costs for reimbursement from UEE. Provost Strong said the Library budget was cut by \$380k (general fund) and backfilled it with UEE funds. Ms. Lonn-Nichols said that the Library’s cut was not really a cut if it was backfilled. Provost Strong said that you must consider all sources of funds. For example, UEE funds and general fund. If UEE generates more money while we’re cutting the general fund, it is a dynamic situation. We had to provide a cut to the Chancellor’s Office from the general fund, but we had UEE money we could use. To have minimal impact, we cut the Library by \$380k from the general fund. Using the justification that the Library is used during the summer for summer session, we applied a cost reimbursement to the Library. The Library still took a base budget cut from the general fund. Ms. Lonn-Nichols asked if we could have data on the original budget, budget after cuts, and money backfilled with UEE funds. Dr. Jasek-Rysdahl agreed and said it would be helpful to have all of this information together, in one complete picture, so we may properly make decisions. Dr. Wooley said that ultimately the Library did not have a cut if they still received 100% of funds, just from different sources of money. If a department took a cut, but received money from somewhere else, we need to know the impact of those decisions. Dr. Jasek-Rysdahl said we need this kind of information because the Library base budget was cut, and we need to determine in the future whether we need to restore that base budget or whether we trust UEE to generate revenues to support the Library.

Ms. Temple asked how costs were determined for UEE reimbursement. VP Giambelluca referenced Executive Order 1000, which requires auxiliaries reimburse all services on campus produced for the auxiliary. The process we used was an annual evaluation of transactions/activities performed on behalf of the auxiliaries, and we have formulas for those amounts. Cost recovery is applied to all auxiliaries, not just UEE. For example, we could close the Library in the summer because it is funded by the general fund. Instead, the provost decided we needed to keep the Library open and use auxiliary (UEE) funds to cover the cost of operations since the Library is used by summer session students. Dean Nemeth said the \$1.266m estimated for this year is pretty predictable based on our current level of activities. He suggested that \$1m per year is a conservative estimate.

Ms. Temple asked if Dean Nemeth could discuss international recruitment. Dean Nemeth said that part of this \$1.5m will jumpstart International Education. We have also

completed a successful search for the Director of International Education. Provost Strong said that the newly hired candidate has done outstanding international recruitment at his previous two institutions, and we expect to recruit many new students for CSU Stanislaus. VP Giambelluca added that international student revenue also goes to the general fund, although we do not count these students in our state-funded FTES. Ms. Salameh asked if we will increase International Education's budget, and Provost Strong replied that yes, we will ensure the office is appropriately funded in order to support their increased operations (funded by new revenue).

VP Giambelluca said UBAC will be instrumental in determining how we present budget information and conduct campus dialogues about cuts and growing operations. Dr. Wooley asked if UBAC should take any action at this point. VP Giambelluca replied that Dr. Jasek-Rysdahl asked for information about UEE revenues, so today's presentation was meant to be informational. Dr. Jasek-Rysdahl asked about funding sources other than UEE and the general fund, and VP Giambelluca replied that those are the largest and most significant funding sources. Dr. Wooley asked if he could assist Ms. Legg in preparing data for future meetings since he has a non-financial perspective and would want to see different things on the documents than someone with a financial background. VP Giambelluca said that he is certainly welcome.

VP Giambelluca thanked Dean Nemeth for his presentation.

b. IPEDS Report

VP Giambelluca asked Ms. Temple and Dr. Jasek-Rysdahl if they would like to focus on specific areas of the report. Ms. Temple said that a large part of her inquiry was to see how our institution compares to other institutions. On page 6, fig. 14 and 15, breaks down allocation of resources. Figure 12 focuses on staffing, and at CSU Stanislaus we are understaffed in every category. In the last several years, we have posted all of our staff positions as temporary. Ms. Temple asked when that policy will change and we will see some staff permanently appointed. Staff salaries are another issue, although not included in the IPEDS report.

Dr. Wooley said our expenses per FTE appeared higher than these other institutions. Ms. Temple added that "core expenses" is a very broad category. VP Giambelluca said some of these expenses may be mandatory for us and not for others. Dr. Wooley listed the items in the expenses (operations, maintenance, etc.) and asked how any of these items would be mandatory for some and not others. VP Giambelluca said he would look into it and provide an answer.

VP Giambelluca said that UBAC will have to discuss priorities, including any changes to staffing hiring and retention. The "temporary only" restriction arose when we had a high

likelihood of layoffs. That situation may be different now if departments have permanent funds for those positions. Dr. Jasek-Rysdahl said many of these positions were cut due to budget pressure, not because they were unneeded.

5. Other Business

6. Adjourn

*Dr. Davis motioned to adjourn, and Provost Strong seconded the motion.
Adjourned at 12:58 p.m.*