CALIFORNIA STATE UNIVERSITY, STANISLAUS

OFFICE OF THE PRESIDENT

MEMORANDUM

To: Eileen Hamilton, Chair, University Budget Advisory Committee

C: Members, University Budget Advisory Committee

From: Joseph F. Sheley, President

Re: 2014-15 UBAC Recommendations

Date: September 3, 2014

Let me start by extending my sincere thanks for a job well done. UBAC's July 8, 2014 recommendations indicated considerable time and energy invested in and much wisdom and sensitivity brought to the pressing issue of how to maximize use of the funds available to us. UBAC's level of consultation with the campus community was exceptional. Together with the Vice Presidents whose recommended priorities UBAC considered, the Committee has given me very sound advice for this and the coming few years.

We now have a 2014-15 allocation from the CSU, and will soon post our own 2014-15 budget, elements of which still are being checked. Our CSU allocation exceeds that of last year though not by the margin upon which we had counted. Nonetheless, we have "new" base money (about 70 percent of what we had hoped for), ongoing base dollars, and one-time dollars (in a few instances, potentially recurring) available to address our financial circumstances. Armed with recommendations from the Vice Presidents and UBAC, I have an informed sense of how best to proceed. Guided by both sets of recommendations, a number of observations are in order:

First, it is clear that the new funds available emanate from Proposition 30 allocations. These have two more years of life, with less provided by the state in the next two years than was provided in years one and two. The decrease and the looming expiration of Proposition 30 necessitate a very conservative approach to budgeting.

Second, my thanks to UBAC and the Vice Presidents for their focus on *priorities* -- with relatively little money available, the question must be not be, "Who wins?" but "How can we come closest to addressing the greater needs of the institution?" Thank you for helping me with this.

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Third, I have been proudest of the Vice Presidents as they jointly have tested the needs of each division and arrived at a balanced package of recommendations regarding spending priorities. Each recognized that every division is hurting and needs help. I am grateful to UBAC for adopting essentially the same approach. Though sorting the recommendations differently, UBAC nonetheless did not place one set above another and avoided pitting divisions against each other. Both UBAC and the Vice Presidents understand that "decisions will be made in response to changing circumstances that may not have been contemplated at the time the initial priority lists were created" (UBAC Recommendations, p. 2).

Fourth, I remain concerned about creating a structural deficit that exceeds the capacity of our base reserve to absorb a decrease in our revenue, as could occur at Proposition 30's sunset. This is especially important regarding expenditures in the area of personnel (i.e., we want to leave as few people as possible dependent for their jobs on one-time and, by definition, generally non-recurring dollars). Thus, while I am willing to move somewhat in the direction of a small structural deficit beyond base reserves, I am unwilling to proceed quite so far as some of UBAC's recommendations would take us. Indeed, I do not believe that we should *assume* any enrollment growth in the coming two years such that we could phase one-time commitments to "new" base funding during those years. Even were we to receive an enrollment increase next year, to the extent that we have built a structural deficit, the vast majority of the related new money already will have been committed, leaving us little funding to address arising needs.

Fifth and related, I am grateful to UBAC for recommending responsibly that we work toward a 3 percent base reserve over the next few years. I hope that we can achieve that end though this year will find us more or less where we were in 2013-14.

Sixth, this year we will begin better balancing the funding of the University Library across base and Lottery dollars. The Library's funding amount will not change due to the rebalancing. Instead, its funding will become somewhat less precarious through the exchange of less dependable Lottery dollars for more dependable General Funds.

Finally, nothing is clearer in the Vice Presidents' and UBAC's recommendations than the need to expand our staffing. From instructional needs through chair release time through advising and counseling through public-safety and risk-management concerns through unit administrative and operations capacity-rebuilding, we must be attentive to putting people in place so that we can better focus our efforts. Budget losses over the past many years have left us too thin across too many areas. This, more than any other element of our considerations, will guide my decisions about base allocations. Holding the line as best I can against expanding our structural deficit, I will try nonetheless to address some remaining staffing and operational needs with one-time funds.

Again, I am exceedingly grateful to the members of UBAC for the careful and thoughtful manner in which they engaged the campus community as well the Vice Presidents in seeking to understand our budget constraints and needs. The Committee has set the bar very high for years to come. I look forward to continued work with UBAC.