Memo

Budget Committee, Academic Senate

To: Policy Committee

From: Michael J. McIntyre, Chair

Subject: Budget Report on Unallocated Funds, FY 2007 and 2008

Date: November 25, 2007

An earlier version of this report was prepared for the Budget Committee of the Academic Senate and shared with the Administration. I have revised it to reflect additional information obtained at the Budget Committee meeting of November 12, 2007, and to omit discussion not related to unallocated funds. I have not updated numbers just released by the Administration in anticipation of the November 28 meeting of the Board of Governors (BOG).

The Administration has yet to provide a budget report on FY 2007, which apparently is now going to be produced for the December 12, 2007, meeting of the BOG's Budget and Finance Committee. Information relating to the FY 2008 budget has just been released and agrees generally with my estimates.

A central feature of the budget deal set by the Board of Governors is that amounts above those anticipated in the FY 2008 budget, plus any recovery of the amounts shorted in the FY 2007 budget, will be distributed according to a priority list, with the institutional programs within the Schools and Colleges getting the top priority and Academic Support getting the second priority.

Here is my list of the funds available (in millions). Items marked by an asterisk are my rough estimates. As the table indicated, there are now ample funds not only to fully restore all of the budget cuts suffered by the Schools and Colleges and Academic Support but also to make some headway in adjusting those budgets for prior losses.

1. Recovery of last payment for FY 2007 . . . . . $ 20.0
   (some distributed to units with 2007 sequestered funds)

2. Unneeded contingency tuition for Fall 2007 . . . . . 4.5
   (net of financial aid)

3. 1% State increase (on base cut by $3.5) 2.3

4. Year-end balances from FY 2007 . . . . . *2.0
   (difficult to estimate w/o withheld data from Administration)

5. Net tuition revenues over FY 2008 budget 4.5
(Estimated 1.6% ($2.6) down, actual is 1.2% ($1.95) up)

TOTAL $33.3

The Administration froze spending in the Schools and Colleges in June of this year, ostensibly to cover the $20 million loss from the possible failure of the State to pay the last installment due under the FY 2007 budget. As shown in the above table, that $20 million has now been recovered. In fairness, that recovered $20 million should be used to make whole the units that had their spending frozen.

The Administration has released 75% of the sequestered funds. Stated differently, it has so far retained 25% of those funds, despite the fact that the University received the full $20 million payment in October. I have no information on the treatment of the sequestered funds outside the Schools and Colleges.

The asserted rationale for withholding the 25% amount is that the University typically imposes a 25% tax on year-end balances. Under the present circumstances, of course, such a rationale has no merit. The year-end balances are not the result of units failing to spend their budgets. They resulted from the decision of the Administration to freeze their spending. There may be some small amounts that might have been subject to the 25% tax under normal circumstances. But from what I have heard from various units, almost all of the balances are due to the freeze (I have no information on the School of Medicine). At the meeting of the Budget Committee, the budget director was asked to provide the amounts of captured balances over the past five years, and he agreed to obtain that information. The information will be useful in understanding how much of the money still frozen was likely to be due to the freeze and not to normal operations of the units.

As the faculty representative on the BOG's Budget and Finance Committee, I have been requesting throughout the summer an accounting of the amounts frozen. For whatever reason, that accounting has not been provided. The BOG requested a full accounting of the funds obtained over the estimates in the FY 2008 budget by the end of October, but that accounting also has not been provided. Rumor is that the balances from funds sequestered are well in excess of the $20 million shortfall for FY 2007 (which, as noted above, has now been paid by the State).