

REPORT ON BUDGET ALLOCATIONS

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February 11, 2008

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In this report, I briefly summarize the results of the budget negotiations that have been going on since it became clear that the University had significantly more permanent and one-time money than the Administration estimated when the Board of Governors (BOG) approved the FY 2008 Budget on September 26, 2007. In brief, the academic side did reasonably well in obtaining permanent funds to replace the nearly \$8 million of cuts it suffered in the FY 2008 Budget. It did far less well in obtaining one-time money. Indeed, the Administration treated the permanent money for FY 2008 as one-time money and captured most of that money for its own priorities.

As a result of complaints that the Administration was underestimating revenues, with an eye toward moving funds from the academic side of the budget to the administrative side, the BOG adopted a Priority Resolution. That resolution states that unbudgeted amounts will be allocated according to the following priorities: (1) Instruction, (2) Academic Support, (3) Research, and (4) Administration. A major point of the Priority Resolution was to direct unbudgeted funds to undergraduate programs that have been experiencing a sharp increase in enrollment in the past few years while suffering painful budget cuts.

The ability of the academic side to recover lost money, both permanent and one-time, was weakened substantially by the decision of the BOG and the Administration to set aside nearly \$10 million of one-time money for the rainy day fund and \$2.7 million of permanent money for the new president's discretionary fund. In addition, the Administration was unwilling to reexamine its estimate of income from investment of the cash pool in light of actual experience during the current fiscal year. For FY 2007, it had estimated only \$2 million of investment income, whereas the actual figure was \$8.7 million. The estimate used in the FY 2008 Budget is \$4.1 million. The Academic Senate, at its January 6, 2008, meeting, had made budget recommendations on the assumption that tuition revenues would exceed the Administration's revised estimate for FY 2008 by around \$300,000. The final Winter Term enrollment figures suggest, however, that an upward adjustment of tuition revenue is not warranted.

In computing the percentage of funds going to the academic side of the budget, the Administration simply eliminated funds going to the rainy day fund and to the new president's discretionary fund. In addition, it treated expenditures allocated to the Divisions for the construction and renovation of buildings as instructional costs or research costs. As a result, the percentage numbers it presented to the BOG are essentially meaningless.

The revenue sources and allocation of previously unbudgeted amounts are set forth in the attached tables. Note that the permanent funding has not yet been allocated for specific schools or colleges. The BOG approved a total of 22 faculty positions at \$100,000 per slot and 16 graduate assistant positions at \$35,000 per slot. No money was provided for faculty set-ups because of the assumption that the positions would go to those teaching undergraduate courses, where set-up costs are trivial.