

Budget Discussion

Overview

Academic Affairs began AY 2007/2008 with a base-budget allocation of just over \$52,400,000.¹ This year our base-budget allocation has been adjusted in the following ways: (1) Add approximately \$3,369,000 in salary and benefits increases for last year that were funded partly by the Chancellor's Office and partly by the University. These increases are passed on to faculty, staff and administrators. (2) Subtract \$1,500,000 as part of the budget reduction process for AY 2008/2009. (3) Add approximately \$600,000 in long-standing expenditures that used to be held at the university level and later allocated to the divisions in which those expenditures occurred.² Starting this year, these funds are part of the base budget of each division. The result of these, and a few other minor, adjustments is a base-budget allocation for AY 2008/2009 of approximately \$55,000,000. It looks like an increase but actually represents a decrease of \$1,500,000.

This year only Academic Affairs received \$1,500,000 in one-time funds to cover the base-budget reduction. This gives us time to develop a plan for not having that money starting in AY 2009/2010.

Complicating matters is the recent news that the weak economy may require mid-year budget reductions. We have been asked to plan for reductions somewhere between 3% and 7%. Based on a 76 million dollar state appropriation to the campus, reductions to the University's budget would be as follows: 3% = 2.3 million, 5% = 3.8 million and 7% = 5.3 million. It looks like there is enough one-time money this year at the university level to cover reductions up to about 6.7%.³ That means Academic Affairs will not be called upon to give money back unless the reductions go beyond 6.7%. While it looks like we can cover these reductions this year, the more important question is whether to plan for base-budget reductions for the next year.

Budget-Reduction Strategies.

We have been discussing budget reductions for some time and know what most of the strategies are. However, before deciding on which combination of strategies to use, we have to have a more accurate projection of this year's expenditures,

¹ The base budget represents the beginning point for our revenue and expenditure projections for the year. To see how that budget is augmented from various sources and what our final revenue and expenditures were see our AY 2007/2008 yearend report at <http://www.humboldt.edu/~bid/>.

² This category includes items such as personnel salaries that were being paid centrally, leases and some fees.

³ The proposal can be found on the website for the University Budget Committee under its Nov. 14th meeting at <http://www.humboldt.edu/~budget/committee.html>.

particularly in the colleges, in order to compare it with what we expect our base-budget allocation to be in AY 2009/2010. In order to get that projection, we needed to wait until October when the first salary distributions are made for fall semester. We now have that information and revenue and expenditure projections from all areas in Academic Affairs.

Possible sources for budget reductions include the following:

1. Salary savings from faculty retirements and resignations. When a faculty member retires or resigns the college is provided with a full-time temporary position at the average lecturer cost.⁴ The rest of the money is collected in Academic Affairs for redistribution.⁵ We have approximately \$800,000 in that pool now. Some of that may need to be allocated to colleges to cover the difference in salary for new tenure-track positions starting in the next fiscal year.
2. Reducing the number of permanent faculty hires. The savings include on-going savings such as the difference in salary and number of courses taught; and one-time savings such as release time, recruitment and startup costs. On-going savings average \$24,000 per hire and one-time savings average \$25,000 per hire but startup costs vary dramatically by area.⁶
3. Summer session. We reduced summer session by about half this last year. FTES went from 406 to 196 and expenditures went from \$578,237 to \$214,333 – a savings of approximately \$350,000. We should be able to put some of this toward our base-budget reduction. However, it looks like we are going to miss our enrollment target this year so we may need to expand summer next year. I don't think it is an option to cut it further.
4. Across-the-board cuts for the colleges. I do not like this approach but will listen to arguments in its favor. It would involve dividing the reduction

⁴ The Divisional budget policy can be found at <http://www.humboldt.edu/~bid/>.

⁵ Last year the average salary for faculty retirements and resignations was \$81,909. With an average cost of 31% in benefits, that represents a total cost of \$107,301. Average cost per WTU in AY 2007/2008 for lecturers was \$1,638 in salary. Adding benefits at the average rate of 31%, that represents a total cost of \$2,146 per WTU or \$51,499 for 24 WTUs, which is the historic teaching load for permanent faculty. On average, that is a saving of \$55,802 per FTEF.

⁶ Savings are calculated in the following way: First, on-going savings. (1) The difference in number of units taught by tenured and tenure-track faculty vs. lecturers -- 6 WTUs = \$12,875 at the average cost per WTU. (2) The difference in salary between new tenure-track faculty and the average lecturer cost = \$11,720 based on starting salaries for faculty hired in AY 2007/2008. Second, one-time savings. (1) Search costs average \$3,000 for advertising and travel. (2) Relocation costs average \$1,900. (3) Startup costs average \$13,400 but very dramatically between experimental sciences, approximately \$30,000, and other disciplines, approximately \$7,100. (4) Release time costs average \$6,437 for 3 WTUs of release time in the first year.

- necessary among those units taking a reduction. The colleges would bear the majority of this allocation because they have most of the budget and the greater flexibility. I do not think further reductions can be taken in the academic support areas outside the colleges.⁷ Based on the percentage of base budget each college receives and a 1.5 million target, reductions would be AHSS (37.5%) = \$562,500, NRS (44.8%) = \$672,000, PS (17.7%) = \$265,500.
5. Academic-Support Program Prioritization. Like academic-program prioritization, there is an effort to identify criteria for ranking and evaluating academic-support programs. Savings would result if some programs were identified for reduction or elimination. The amount of savings would depend on the program. However, as in prioritizing academic programs I don't see this process as one aimed primarily at budget reductions so much as establishing funding priorities.
 6. Reorganization. Because savings would depend on what was reorganized, dollar figures would need to be attached to specific proposals. See 10a below for proposals involving assigned time.
 7. Remediation. Shifting Math and English remediation to CR can save somewhere around \$300,000. However, we lose around 135 FTES (annualized) that we cannot afford. I believe that we should continue to explore cooperating with CR to deliver remediation but not as a cost-saving measure. We will need to reinvest the money in generating additional FTES, perhaps in summer.
 8. Program elimination. Saving will vary by program. Most of the savings are in faculty positions. A senior position will save around \$118,000⁸, counting salary and benefits. A mid-level position will be closer to \$92,000.⁹ Our

⁷ In AY 2007/2008 Academic Affairs needed to reduce its spending by \$1,500,000, which was the size of the deficit it ran in AY 2006/2007, and absorb a base-budget reduction of \$900,800 for a total reduction in expenditures of just over \$2,400,000. The deficit was in the three colleges and they were responsible for devising plans to reduce spending by that amount. The base-budget reduction was absorbed primarily outside the colleges. Sixty-six percent of that reduction, \$595,500, was allocated to academic support areas that made up twenty percent of our total budget. The other thirty-six percent, \$305,300 was divided among the colleges, which have the other 80% of the budget. Percentage reductions to the base budgets of major budget units were as follows: OAA combined --10.16%; Centrally Managed Commitments - 10.99%; Library - 5.10%; ITS - 1.73%; AHSS -- .64%; NRS -- .66%; PS - 1.04%.

⁸ The Integrated Postsecondary Education Data System (IPEDS) estimates the average professor salary for Humboldt State University at \$90,226 compared with \$75,599 for comparison institutions. With approximately 31% benefits the total cost is \$119,098.

⁹ IPEDS estimates the average associate professor salary at \$70,099 compared with \$61,125 for comparison institutions. With approximately 31% benefits the total cost is \$92,530.

average cost for a full-time lecturer is \$64,373. We need to maintain FTES so we will need to grow some programs, which will offset the savings to the extent that programs are not able to absorb new students without adding more classes. This is a difficult and imprecise calculation but one we will probably have to use.

9. Curriculum.
 - a. SFR. Increasing the student/faculty ratio is the main way that we have tried to save money in the colleges over the past few years. In fall 2006 we generated 6876 FTES with a SFR of 18.94, which required approximately 363 teaching faculty. In fall 2008 we generated 7223 FTES with a SFR of 21.69, which requires approximately 333 teaching faculty. At an average cost of \$99,352¹⁰ that indicates a savings of around 3 million dollars for the 30 fewer faculty we now require. We need to continue to look for ways to increase the SFR but I believe we are getting close to what is possible given our mix of programs and facilities.
 - b. Courses offered. Strategies have focused primarily on reducing the number of low-enrolled courses offered. This can be done by eliminating some electives, reducing the number of major courses in those programs that require a certain number of units in an area rather than specific courses and by increasing the rotation time of required courses. We should continue to look for savings in these areas where it is sensible and sustainable. Another possible area to investigate is the number of units required in major programs. A preliminary and cursory review suggests that our programs may require more units than do comparable programs. I believe the figure to use for estimating savings is \$99,352, which represents the average cost of instruction per full-time position.¹¹
10. Short-term measures. I'm not fond of this category because it is not sustainable. However, it may be acceptable if we think the reductions are short-term. Measures include restricting travel, cutting OE budgets, hiring freezes and leaving necessary positions vacant.
11. Other. I would like to hear what else you think we should consider.
 - a. An example would be Estaban's recommendation to review assigned time. In 2007/2008 we had 24.26 positions in administrative categories, such as department chair, program leader and university-wide commitments; 10.8 positions in indirect assigned time categories, such as course development and advising but not excess enrollment or reimbursed activities; and 4.82 positions in direct assigned time, which is limited to excess enrollment. Using the

¹⁰ IPEDS estimates the average salary for all ranks at \$75,267 compared to \$58,691 for comparison institutions. With approximately 31% benefits the total cost is \$98,600.

¹¹ IPEDS.

average full-time-lecturer cost of \$64,373, that is \$1,561,689, \$695,228 and \$310,278 respectively.

b.

Process. I want to approach this by beginning with general principles for budget reductions. For example, across-the-board vs. targeted reductions. Once we get clear on that, then we can discuss particular strategies or combinations of strategies. I want to have discussions with department chairs, the Academic Senate, the Provost's Council and Council of Deans.

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