MEMORANDUM

DATE: March 24, 2008

TO: Stephen L. Weber
    President

FROM: Sally F. Roush
      Chair, President’s Budget Advisory Committee

SUBJECT: President’s Budget Advisory Committee
         Recommendation of March 20, 2008

Attached is the Recommendation from the President’s Budget Advisory Committee (PBAC) vote of March 20, 2008, for approval of several items. The supporting material is attached for your information.

Please sign and return a copy of the recommendation at your earliest convenience. Please let me know if you have any questions or concerns.

SFR:nl
Attachment
RECOMMENDATION

1. Approve one-time funding for 2008 Spring Over-enrollment Course Section.
   $2,263,200

2. Approve permanent funding for BioScience Utilities and Custodial Support
   $140,000

3. Approve one-time funding for Chiller Emergency Repair
   $753,871

   TOTAL   $3,157,071

Approved by:

[Signature]
Stephen L. Weber, President

Date
3/25/08
President's Budget Advisory Committee
Meeting Agenda
(Revised)
March 20, 2008
2:00 p.m. in MH 3318

I. Call to order
   a. Call for amendments to agenda

II. Funding Requests
   a. Engineering feasibility study (Attachment 1)
   b. Faculty Promotion Salary Increase Costs (Attachment 2)

III. Information Item
   a. Rally debriefing

IV. Reports
   a. 2007/08 Reserves (Attachment 3)

V. Watch List
   a. 2008/09 Budget
   b. Benefits, Legal and other one-time costs
   c. CMS
      • Long Term Workload Costs – AA, BFA, SA
      • Student Management System
   d. Master Plan Costs
   e. Freedom of Expression Policy

VI. Voting Items
   a. 2008 Spring Over Enrollment Course Section Funding (One-Time Funding - $2,263,200)
   b. BioScience Utilities and Custodial Support (Permanent Funding - $140,000)
   c. Chiller Emergency Repair (One-Time Funding - $753,871)

VII. New Business
   a.

VIII. Reminder
   a. Next Meeting Date – April 10, 2008 at 2:00 p.m. in MH 3318
Feasibility Study for Engineering Renovation and Addition - $250,000

The Capital Allocation Process for the CSU is inherently competitive; every year more universities request more projects than can ever be funded. To help make better allocation decisions the Chancellor’s Office strongly recommends that universities provide detailed feasibility studies to support their capital requests. These studies are instrumental in determining which projects are funded, and whether or not funds awarded will be adequate to build high quality academic space. In the case of the Engineering Renovation and Addition, this project could be valued at anywhere from $75 Million to $150 Million or more. A well done feasibility study will increase the likelihood of the higher amount of funding.

SDSU’s best opportunity for a Capital Outlay project is the Engineering Renovation and Addition project. The Chancellor’s Office has already told our Facilities Planning staff that our current documentation is inadequate to qualify for funding. Our first real opportunity to fund this project will be in the 2010/11 action year. To submit a 2010/11 request all documentation is due to the Chancellor’s Office by Nov 2009. The level of study needed to complete a well done feasibility study will require a minimum of 6 months, likely more. Given the need to seek proposals for the study, a lengthy process in itself, funding in the next several weeks is instrumental in having any reasonable chance of funding this project in 2010/11.

If funding for the study is deferred until the next fiscal year, this project will be lost for a minimum of one year. Since CSU universities are only allowed to submit for one project per year, this not only delays the requested project, it delays every project in our program. A project delayed 2 or more years due to inadequate justification is effectively a funded project lost forever. Additionally, projects funded without a detailed feasibility study are inevitably funded at the lowest possible budget. In the case of our $80 Million to $150 Million Engineering Building, even if the funding does eventually come after we wait years longer, tens of millions of funding will be lost due to the absence of a detailed feasibility study to document the higher budget needed for a complete project.
Rationale for Treating All Unfunded Compensation Increases In A Consistent Manner

Principle

While the specific requirements of faculty promotion are unique, they are comparable to staff compensation augmentations in that they result in mandatory and unfunded compensation costs. Therefore, faculty promotion unfunded compensation costs should be treated in a manner that is consistent with the other bargaining units.

Rationale

While faculty promotion costs are mandatory and unfunded, they are not different from other mandatory compensation costs resulting from employee performance reviews as to warrant being treated in a manner that is inconsistent with how the university treats those other costs. This inconsistent treatment would send a message that faculty salary requirements should have priority over similar costs.

There are two categories of mandatory salary augmentation that should be considered as equivalent to faculty promotion increases:

In Range Progression/Reclassification:

While it might be argued that these salary adjustments are optional, the reality is much different. We are in a labor environment that places constant upward pressure on the salary structure, some of which is impractical, if not impossible for management to resist. A timely example is the recent side letter for CSUEU in regard to in range progression. The implied message in the letter is clear. The university can (and should, in accordance with the current MOU) make funding above the allocation available for in range progressions. So should this “quasi-mandatory” cost be treated differently than faculty promotion? With regard to reclassification, many are truly due to additional skills and duties that are essential for the department and the university. Shall we treat the resulting salary increase differently than that of a faculty member’s promotion? In some, and increasingly frequent, instances reclassification of entire groups of employees is done as a labor relations tactic, much as awarding unfunded GSIs is a CSU labor relations tactic that the university has agreed to fund off the top.
**Shift Differential and Stipends:**

Shift differential is an augmentation to an employee’s base pay paid for every hour that the employee works outside of the normal work day. Salary stipends are augmentations to base pay given for specialized skills and assignments such as working with hazardous materials and completion (entirely at the employee’s own initiative and option) of specialized training or certifications. These costs are mandatory due to the university requirement to have critical staff on campus 24/7; and due to the requirement for some staff to be trained for special assignments. These salary costs are borne by the departments, eroding their operational budgets. They are also mandatory in that no administrative action can be taken to alleviate the operational necessity, or the requirement under the bargaining unit contracts to pay. These costs have been increasing due to changes in the bargaining unit agreements and increased 24/7 operation of the campus. Increases in shift differential and salary stipends are not factored into the allocation of the salary pool, therefore they are unfunded.

**Conclusion**

All divisions face unfunded mandatory compensation costs. This proposal is to treat all of these costs in a consistent manner; either funded off the top, or left to the divisions to handle as part of their budget. Setting one employee group’s salary needs above the others sends the wrong message and does not address the budget erosion impact of all divisions.

Given the difficult budgets we face in the next few years, the magnitude of these costs, and the past practice of each division absorbing these costs, we recommend that past practice continue.
Rationale For Making Faculty Promotion Salary Increase Costs  
A University-Wide Obligation

**Principle**
Faculty promotion salary increase costs are unique and mandatory unfunded compensation costs. As such, the faculty promotion salary increase costs of all Unit 3 employees in both Academic Affairs and Student Affairs should be treated as a university-wide unfunded cost obligation.

**Problem**
Prior to last year, tenure/tenure-track faculty promotion salary increases were paid from Academic Affairs’ instructional budget. As these costs continue to rise ($299,448 in FY 2007/08) they erode college budgets and compete directly with the core instructional mission of the University. These costs are mandatory and there is no administrative action that can be taken to alleviate the requirement for promotion actions. Given these factors it is proposed that these costs be treated as a university-wide budget obligation.

**Rationale**
Academic Affairs, which sustains the core mission of the university in terms of teaching and research, also bears the increasing costs of unique and contractually-mandated faculty promotion salary increases. These increases differ from in-range progressions and position reclassification salary increases in two fundamental ways:

- They are non-voluntary in the case of tenure-related promotion. Faculty cannot choose not to present themselves for tenure, since if they are not promoted they lose their jobs.

- They are based **entirely on merit** without regard to “additional duties.” The latter is the primary criterion for in-range progressions and position reclassifications.

Within the current status, as the costs associated with faculty promotions continue to increase, they must be ultimately borne by the colleges. Since colleges have little leeway in terms of their overall budget, these costs reduce instructional funds often resulting in the need to reduce course offerings in order to satisfy the cost of promotions. The problem is exacerbated in difficult budgetary conditions, when mandatory promotion costs directly threaten the instructional mission of the University.

Therefore, acknowledging these as unfunded compensation is the most rational solution to this problem.

**Other Non-Faculty Salary Increase Costs**
All divisions, including Academic Affairs, routinely face non-faculty cost salary increases in the form of in-range progressions and position reclassifications. University-wide, these costs in FY 2006-07 were approximately $374,000, excluding shift differential and stipends. Of this sum, Academic Affairs bore its fair share of approximately $72,000 for its own internal in-range and reclassification actions.
## Permanent Reserve

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>2007/08 Beginning Balance</td>
<td>$71,767</td>
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<tr>
<td>07/08 Unallocated Permanent Funding</td>
<td>1,659,611</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$1,731,378</strong></td>
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<tr>
<td>New Tenure-Track Funding</td>
<td>$(173,594)</td>
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<tr>
<td>(Approved 10/25/07)</td>
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<tr>
<td>Unfunded MPP 2007/08 Funding</td>
<td>$(693,389)</td>
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<tr>
<td>(Approved 10/25/07)</td>
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</tr>
<tr>
<td><strong>Balance as of 11/29/07</strong></td>
<td><strong>$664,395</strong></td>
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</table>
One-Time Reserve

2007/08 Beginning Balance  \hspace{1cm} $1,621,948

06/07 Institutional Carryforward  \hspace{1cm} 479,200
2007/08 One-Time Budget Requests \hspace{1cm} (1,393,000)
Risk Pool Premium Rebate  \hspace{1cm} 1,200,000

Balance  \hspace{1cm} $1,908,148

Estimated 2007/08 Revenue Over Budget

Fee Revenue Over Budget  \hspace{1cm} 6,042,912
Interest Revenue Projection  \hspace{1cm} 1,000,000

Total Estimated 2007/08 One-Time Balance  \hspace{1cm} $8,951,060

2007/08 Approved Funding Requests

Academic Affairs
Fall over enrollment course section \hspace{1cm} (1,773,600)
(Approved 10/25/07)

Balance as of 11/29/07  \hspace{1cm} $7,177,460
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Risk Pool Premium Rebate 1,200,000

Balance $ 1,908,148

Estimated 2007/08 Revenue Over Budget

Fee Revenue Over Budget 6,042,912
Interest Revenue Projection 1,000,000

Total Estimated 2007/08 One-Time Balance $ 8,951,060

2007/08 Approved Funding Requests

Academic Affairs

Fall over enrollment course sections (Approved 10/25/07) (1,773,600)
Spring over enrollment course sections (If Approved 3/20/08) (2,263,200)

Business Affairs

Master Plan Litigation (Approved 2/28/08) (300,000)
Chiller Emergency Repair (If Approved 3/20/08) (753,871)

Balance as of 3/20/08 $ 3,860,389
VP Roush called the meeting to order at 2:02 p.m.

a. **Call for Amendments to Agenda** - VP Roush inquired if there were any changes to the agenda. Provost Marlin inquired if Item IIb, “Faculty Promotion Salary Increase Costs” could be voted upon today since she will not be available for the next meeting on April 10th. VP Kitchen stated he will miss the next meeting as well. VP Roush suggested the vote be scheduled for the April 24th meeting instead to allow more time to review, especially since there are two opposing white papers that have been presented. Everyone agreed to postpone the vote. AVP Burns commented that beginning in April, PBAC would meet biweekly until the end of the semester to allow more time to discuss next year’s budget. There were no other changes to the agenda.

II. **Funding Requests**

a. **Engineering Feasibility Study (Attachment 1)** - AVP Stewart stated although the Engineering Renovation and Addition Project may not be funded until 2010-11, the planning process still continues. This item was discussed in detail. Dr. Ornatsowski asked for a time line of the project. VP Roush agreed to bring the time line and life expectancy of the study to the next meeting.

b. **Faculty Promotion Salary Increase Costs (Attachment 2)** - AVP Burns distributed the white paper entitled “Rationale for Treating All Unfunded Compensation Increases in a Consistent Manner” which was produced by BRAT. There was much discussion on this paper and the white paper “Rationale for Making Faculty Promotion Salary Increase Costs a University-wide Obligation” (Attachment 2). VP Roush stated unfunded compensation is a fairly new problem. The impact is great and all unfunded costs cause a severe erosion of services to the students. Members were not able to agree on a funding principle. VP Roush asked if BRAT could revisit the issues and try to find common ground and solutions. Dr. Ornatsowski
requested a budgetary analysis of each case and AVP Burns agreed to provide it at the next meeting.

III. Information Items

a. **Rally Debriefing** – All agreed the rally was a success. About 1,000 people attended – faculty, staff and students. The local news stations filmed the event. Similar events are occurring at other California State Universities as well.

IV. Reports

a. **2007/08 Reserves (Attachment 3)** – AVP Burns distributed a revised attachment. Figures include items that were approved at the last PBAC meeting and voting items from today’s meeting. VP Roush explained we will begin discussing next year’s budget in April. Unspent permanent reserve will be carried forward to next year’s budget as one-time revenue.

V. Watch List

a. **2008/09 Budget** – VP Roush said she is attending a CSU Vice Presidents’ Meeting in April. The CSU does not have the outcome on next year’s budget yet but there may be more insights as to what is likely. We must recommend a University budget before July 1st, and will need to use our best judgment in assessing the likely final scenario.

b. **Benefits, Legal and other one-time costs** – No update.

c. **CMS** – No update.

d. **Master Plan Costs** – There will be a court hearing in August which should give an indication of the strength of our position.

e. **Freedom of Expression Policy** – Our new policy may result in higher maintenance costs to keep the campus clean. Physical Plant is tracking the added costs.

VI. Voting Items

a. **2008 Spring Over Enrollment Course Section Funding (One-Time Funding - $2,263,200)**

b. **BioScience Utilities and Custodial Support (Permanent Funding - $140,000)**

c. **Chiller Emergency Repair (One-Time Funding - $753,871)**

Provost Marlin moved to approve all three items; VP Kitchen seconded, and the motion passed unanimously.

VII. New Business - None

VIII. Reminder

The next meeting is scheduled for Thursday, April 10, 2008, at 2:00 p.m. in MH-3318. (This meeting may be cancelled.) The meeting was adjourned at 3:02 p.m.