



Provost, AVP for Finance Discuss Latest State Budget Impacts on Cal Poly in Jan. 21 Memo to Employees

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TO: Cal Poly Employees

FROM: Robert Koob, Provost/Vice President for Academic Affairs
Larry Kelley, Vice President for Administration & Finance

RE: Budget Update

Every news program or daily paper these days seems to have some report about the economy or California leadership and the budget crisis. As we've written previously, these are related but separate issues. The recession is broad in scope and is likely to be part of the news for some time. The void in meaningful action by the California leadership continues to add to the problem. Lines have been drawn with steadfast conclusions, regardless of the specifics of the problems. Declaring a problem solution prior to defining the problem is an exercise in futility and the California leadership seems well exercised, if nothing else.

To allow the economy to suffer as it is, for the great State of California to actually be running out of money, to be planning to issue State IOUs rather than payments, and to continue to battle without solution has made the budget crisis even worse. So what does this mean to Cal Poly?

First of all in response to the economic realities, the Cal Poly operating budget began the year with a \$3 million shortfall and has been cut further twice since then. The first budget cut after the fiscal year began was \$1.6 million and was presented as a one-time, rather than base-budget, cut. The second budget cut was \$3.5 million and is a reduction to the on-going base budget. The second cut (\$3.5 million) is prescribed by the CSU in anticipation of action by the State leadership in response to recessionary realities. Collectively, this has been an \$8.1 million budget challenge for the 2008-09 fiscal year. The entire \$8.1 million shortfall has been allocated on campus and reduced budgets are in place.

In addition to the shortfalls in the operating budgets, if the State runs out of cash, the CalGrants will not be distributed to the students for the Spring quarter. The lack of action by State leadership also has caused a need to freeze all State-funded capital projects. Although capital funding is separate from operating funding in source and use, the lack of a State operating budget signals to the bond market (from which capital funds come) that the State might not be able to pay its debt. This means that investors are unwilling to purchase California debt and the State, therefore, is unable to get the money to fund capital projects.

The specific impact on Cal Poly state-funded projects has been to stop work on Mott/Anderson pool, the upgrade to the electrical sub-station, and planning for the Center for Science. Work on a number of smaller projects also has been put on hold. These projects can begin again after the State leadership acts on the budget. Until then, we are incurring added costs to shut the projects down and, in time, to start them up again.

Then comes the 2009-10 operating budget. The Governor has sent his 2009-10 budget proposal to the Legislature. We have not received the Chancellor's Office evaluation of that budget as it relates to Cal Poly, but--if the Governor's budget is adopted by the Legislature--it is fair to anticipate a budgetary shortfall to Cal Poly of at least

another \$500,000 for next year. The budget challenges over the current and next fiscal year, as well as those in the early part of this decade, reflect a reduction in the State's share in funding higher education. With this in mind, the Cal Poly administration and academic leadership are working with students to develop a plan to help ensure class availability and progress to graduation by increasing revenue from College-Based Fees.

If the State leadership does not adopt a new operating budget and runs out of cash in February, then State bills will not be paid. It isn't clear what it will mean to State workers; however, we are told that the CSU has resources from fees and enterprise activities to meet payroll for the remainder of this fiscal year if the State runs out of money. The need for this "local" money is a big reason that we've been asked to limit travel, equipment and supply purchases as well as freeze all non-essential hiring until the State money starts to flow again.

State leadership needs to approve an adjusted 2008-09 budget in order to not make the recession even worse in California. They also need to get a realistic budget in place for the 2009-10 year, which begins July 1, 2009. These are challenging times and we're continuing to watch the two separate, but related, issues as they develop.

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