

S02-1

At its meeting of February 25, 2002, the Academic Senate passed the following Policy Recommendation presented by Annette Nellen for the Budget Advisory Committee.

**POLICY RECOMMENDATION
REVISIONS TO THE BUDGET PROCESS AT SJSU**

Revises F96-4

Whereas, in 1996, the Academic Senate adopted a wide-ranging policy that has been relatively successful in its goal of promoting faculty input into important budgetary decisions facing the university, and

Whereas, in each year between 1996 and 2000, the Budget Advisory Committee (BAC) issued a report suggesting improvements in the budget process, but the policy has not yet been amended to address these suggestions; and

Whereas, these suggestions address gaps in the original policy, including but not limited to the need for greater faculty knowledge of the overall university budget, assessing the effectiveness of budget priorities proposals, having the President and the BAC work together more closely on setting the budget priorities, providing general guidance on the lottery funding and ensuring faculty input during times of budget cuts; now, therefore, be it

Resolved, That the attached amendments to F96-4 be adopted as university policy.

History of the Budget Advisory Committee and its Charge

This policy revises F96-4, *The Budget Process at San José State University*. F96-4 replaced F93-2, *Financial Reports to the Senate*. S01-9 abolished the Lottery Committee and turned the functions of that committee over to the BAC. The 2002 revision of the budget process resolution includes guidelines on the work of the BAC in requesting and evaluating lottery proposals. Prior to this current resolution, there was no university policy on lottery proposals; such activities were guided by state law, CSU guidelines and SJSU Senate Lottery Committee guidelines.

The BAC was created by S93-17, which added new By-Law 14 to the By-Laws of the Academic Senate. S01-8 modified By-Law 14 to expand the membership of the BAC. After the amendment of S01-8, the BAC consists of the elected members of the Executive Committee of the Academic Senate, and additional Senators representing colleges that are not represented on the Executive Committee. The President of the Associated Students is also a member of the committee, with the

administrative members of the Executive Committee serving as non-voting consultants. Other administrators, faculty and students may be invited to attend by agreement between the Chair and the President.

THE BUDGET PROCESS AT SAN JOSE STATE UNIVERSITY

- 1.0 1.0 Principles of the Budget Process
- 1.0.1 The budget process is designed to find the most effective means to apply the resources of the University to pursue the mission of the University.
- 1.0.2 This policy is predicated upon a distinction between budget policy and budget management.
 - 1.0.2.1 The manner in which budgets shape the overall direction of the University is a matter of policy. Similarly, the evaluation of major proposals to implement University priorities, or the critique of a budget that fails to recognize or implement University priorities, is also a matter of policy. The Senate is properly consulted in all matters of budget policy, and particularly with respect to the creation of overarching policies within which the budget process takes place.
 - 1.0.2.2 The preparation of detailed budgets that do not seek to shift priorities or to alter the implementation of existing policies are a matter of budget management. The University should have a mechanism whereby the President and Vice Presidents can evaluate detailed budgets.
- 1.0.3 All those charged with implementing this policy should seek to do so in ways that pursue the following principles:
 - 1.0.3.1 The budget process should be fair and open to members of the university community.
 - 1.0.3.2 The budget process should encourage "virtuous" behavior over entrenched interests; the process should encourage the pursuit of university-wide goals over parochial concerns.
 - 1.0.3.3 The budget process should achieve a balance between centralized and decentralized decision making; too much centralized decision making tends to discourage entrepreneurial behavior, while too much decentralization tends to encourage local protectionism.
 - 1.0.3.4 The budget process should foster year-to-year stability, which allows for long-range planning, and also provide sufficient flexibility to allow for changing needs and conditions.
 - 1.0.3.5 Budget planning decisions should take into consideration information identified through assessment, (e.g., WASC, HERI, SNAPS).
 - 1.0.3.6 The budget process should focus on the academic mission of the University and should encourage cross-divisional collaboration in the effort to set university-wide priorities that transcend organizational boundaries.

- 1.0.3.7 1.0.3.7 The budget process should encourage the development of initiatives that are cost-effective and avoid duplication of effort and encourage collaborations between units on related matters.
- 1.0.3.8 The budget process should produce results which can be assessed in such a way that findings can be incorporated into future budget planning, and used for comparative analyses within the university and also with other similar universities.
- 1.0.3.9 The budget process should be educational for those who participate in it; each year's iteration should result in a better informed base of participants.
- 1.0.3.10 The budget process should encourage the development of initiatives among programs and units at all levels that strongly reflect the university's budget priorities. To help bring this about, the documentation for all budget proposals should specifically explain how they help achieve the university's overall budget priorities.
- 1.0.3.11 The budget process should encourage the development of initiatives which further long-range goals in a consistent manner, and whose effectiveness over time can be evaluated.

2.0 2.0 Setting Budget Priorities and Goals

2.1 2.1 Definitions

- 2.1.1. 2.1.1. Budget Priorities – Budget priorities are relatively general statements of objectives that the university hopes to achieve. Progress toward objectives may or may not be measurable against benchmark data.
- 2.1.2. 2.1.2. Budget Goals – Goals are very specific numerical targets that the university plans to achieve in some aspect(s) of its operation. Progress toward goals should be measurable against benchmark data. Goals may be short- or long-term, but should be consistent with budget priorities.
- 2.2 In the Fall of each year, the President and the Budget Advisory Committee (BAC) will review the budget priorities and goals adopted in the previous year. Through a collaborative process, they will determine which budget priorities and goals should remain in effect and which ones should be modified or abandoned.
- 2.3 The President should informally consult with administrative officials throughout the University prior to proposing the general budget priorities and goals, so that the President's proposals may reflect any major anticipated shifts in priorities for the coming year.
- 2.4 The BAC will draft a Sense of the Senate "Priorities Resolution."
- 2.4.1 The President and the BAC will work together to draft a Sense of the Senate resolution that sets forth their collective budget priorities and goals. This resolution will be known as the "Priorities Resolution."
- 2.4.2 If the BAC and the President disagree on one or more budget priorities or goals, the BAC's Priorities Resolution should indicate areas of agreement and disagreement.

2.5 The Senate will consider the Priorities Resolution

- 2.5.1 No later than its first meeting in the Spring, the Senate will debate the BAC's proposed Priorities resolution.
 - 2.5.2 If the Senate fails to pass a Priorities Resolution by the end of February, the President may issue budget priorities that will automatically take the place of the Priorities Resolution in the rest of the budget process.
 - 2.5.3 If the President and BAC have not been able to reach agreement on one or more budget priorities or goals, the Senate may choose to endorse either set of priorities or goals.
 - 2.5.4 If the Senate passes a Priorities Resolution, then this resolution will serve as the Senate's Recommendation to the President regarding budget priorities and goals. These priorities and goals will guide the BAC as it offers future advice to the President on budget-related matters, including but not limited to proposals for priority funding and proposals for lottery funding.
- 3.0 Preparing Proposals for Priority Funding
- 3.1 Defining budgetary units for purposes of implementing this process
- 3.1.1 For the budget process to function appropriately, the units which prepare budgets and proposals for further scrutiny must be similar in size.

Therefore, this policy defines a unique set of budgetary units that may or may not be parallel with existing administrative units.
 - 3.1.2 Each administrative unit headed by a Vice President (or equivalent) is considered a budgetary unit, except for the Academic Affairs division.
 - 3.1.3 Each college is considered a budgetary unit.
 - 3.1.4 The University Library is considered a budgetary unit.
 - 3.1.5 The remainder of the Academic Affairs division, once colleges and the library are separated, is considered an additional budgetary unit.
 - 3.1.6 Any Vice President (or equivalent) may split his/her division(s) into smaller budgetary units provided:
 - 3.1.6.1 Each unit constitutes at least 2% of the overall university budget.
 - 3.1.6.2 Each unit must hold unique budgetary concerns that distinguishes it from the remainder of the division.
- 3.2 Preparation of budget proposals for "priority funding"
- 3.2.1 Each budgetary unit may submit a proposal for "priority funding."

- 3.2.2 The proposals are not to be comprehensive base budgets; rather, they should propose the expenditure of additional base funds or one-time funds (the proposals should specify which) in furtherance of the University's approved budget priorities.
- 3.2.2.1 The proposals need not at this stage identify revenue sources, although the internal capacity of the unit to fund the proposal should be evaluated.
- 3.2.2.2 Each application or proposal should offer a clear rationale as to why additional funds are needed, and an explanation of how they would be used.
- 3.2.2.3 The application should indicate current activities of other units that may overlap with the proposal, complement the proposal, or if a collaboration between units is in order.
- 3.2.3 The Vice Presidents (or equivalent) will have final authority to modify or adjust any applications arising from subordinates in their charge. This remains true regardless of how many budgetary units answer to a particular Vice President.
- 3.2.4. Applications and proposals should be no longer than 10 pages in length, and are due by March 15.
- 3.2.5 Academic Senate policy committees may also submit proposals for priority funding. Such proposals must adhere to the same guidelines as all other priority proposals, except that rather than approval by a Vice-President, they must be approved by a majority vote of the policy committee submitting the proposal. Senate-generated proposals must specify the administrative unit(s) that should receive and administer the funds.
- 4.0 4.0 Information Gathering by the Budget Advisory Committee
- 4.1 Each academic year, members of the BAC will be "assigned" to one or more of the divisions of the university.
- 4.1.1. BAC members assigned to a division will be responsible for meeting with representatives of their division and educating themselves about major budgetary issues facing that division.
- 4.2 During the evaluation process, each Vice President (or equivalent) will advise the Budget Advisory Committee of any initiatives undertaken by or obligations imposed on his/her division with a cost greater than \$50,000 during the previous year, or anticipated during the coming year. The BAC is not required to take any formal action as a result of such reporting, but it may offer its advice and should consider such information as it evaluates proposals for priorities funding and lottery funding.
- 5.0 Evaluating Proposals for Priority Funding
- 5.1 Evaluating Proposals from a budgetary unit within Academic Affairs
- 5.1.1 If more than one proposal for priorities funding is submitted from a budgetary unit, the chairs, directors, and the dean shall meet and rank-order the proposals. If they disagree on one or more proposals, the areas of agreement and disagreement shall be indicated. The results of this prioritization shall be communicated to the Budget Advisory Committee no later than April 15.

- 5.1.2 The deans working with the provost shall also meet and rank-order all of the priorities funding proposals from all colleges. The results of this prioritization shall be communicated to the Budget Advisory Committee no later than April 15.
- 5.2 The BAC will evaluate all proposals for priority funding.
 - 5.2.1 Each Vice President (or equivalent) will advise the BAC on the proposal(s) for his/her division. Any Senate proposals will be presented by the appropriate Policy Chair. The Vice Presidents will offer advice on any Senate proposals that affect his/her division. BAC members who have been assigned to a division should take a lead role in the BAC's evaluation of proposals from that division. As part of its evaluation process, the BAC should also consider the prioritization of specific proposals submitted by department chairs, school directors and college deans as described in 5.1.1 and 5.1.2.
 - 5.2.2 During the evaluation process, each Vice President (or equivalent) will report to the Budget Advisory Committee any initiatives undertaken by or obligations imposed on his/her division with a cost greater than \$50,000 during the previous year.
 - 5.2.3 The BAC will evaluate the merits of all budget proposals, applying the criteria listed below, and utilizing procedures it will adopt for itself.
 - 5.2.4 The evaluated list of priorities proposals will then be submitted directly to the President for his/her consideration.
- 5.5 The BAC will apply four criteria to the evaluation of the proposals.
 - 5.5.1 To what extent will the proposal further the mission of the university?
 - 5.5.2 To what extent will the proposal help to implement the priorities identified in the Priorities Resolution?
 - 5.5.3 To what extent will the proposal help achieve the budgetary principles outlined in this document?
 - 5.5.4 To what extent is the proposal integrated and coordinated with other efforts being made to further the priorities identified in the Priorities Resolution?
- 5.6 The BAC will deliver its evaluation of proposals to the President prior to the end of May of each year.
- 5.7 At the first Senate meeting after the BAC delivers its evaluation of budget priorities proposal to the President, the BAC shall report its recommendations to the Senate. The BAC shall also post its report to the Senate web site.
- 6.0 Funding Priority Proposals
 - 6.1 Upon receipt of the evaluated proposals from the Budget Advisory Committee, the President and his/her officers shall prepare a funding plan.

6.2 The funding plan will identify which of the evaluated proposals will be funded and will identify the sources of funds. The funding plan may indicate that funds will be drawn from the entire budget on a pro-rata basis, or from specific units, or internally from the unit(s) making the proposals, or where appropriate, from Lottery funds.

6.3 The funding plan will be delivered to the Budget Advisory Committee for consultation and advice prior to the end of the Spring semester.

6.4 The BAC shall be notified if the expenditures described in a priority or lottery proposal change after the proposal has been approved. However, the BAC need not be consulted prior to such changes if the following conditions apply:

6.4.1 The aggregate amount of money spent on the proposal does not increase;

6.4.2 The amount of money re-directed amounts to less than 20% of the total amount allocated;

6.4.3 The purpose or goal of the proposal has not changed.

7.0 Implementing the Budget

7.1 The President makes all final decisions and shall see that the budget is implemented.

7.2 The President should provide to the Academic Senate, through the officers reporting to the President, annually, not later than November 15, reports summarizing the fiscal state of the University in all of its areas and programs.

8.0 Assessing the Budget

8.1 One year after proposals for budget priorities or lottery funding have been approved, the recipients of such funding shall report to their Vice Presidents, who shall then report to the BAC, on the expenditure of said funds. This report, no longer than one page, should indicate the purposes for which the funds were spent and an assessment of the extent to which the expenditure furthered the budget priority or goal to which it was directed. For enhancements to base budgets, this report need be submitted only once.

8.2 The BAC shall be notified if the unexpended amount of any approved proposal at the end of the fiscal year is greater than 10% of the full amount allocated.

8.3 8.3 If the base budget of any division is increased for a specified time pursuant to a budget priorities proposal, the BAC shall be notified if the program, position, or service funded by said proposal ceases to exist. The BAC has the power to recommend reductions in base budgets in response to changing conditions or priorities.

9.0 9.0 Advising the President When the Senate is Not in Session or the BAC is Not Available

9.1 Sometimes, usually due to the schedule of the California legislature, budget issues arise when the Senate is not in session and the BAC has no meetings scheduled. In order to advise the President, a subset of BAC members consisting of the Chair, Vice Chair and Past Chair may serve as a subcommittee to meet with the President. This subcommittee should only be called upon for advice if the Senate Chair determines that a quorum of the

BAC or the Executive Committee cannot be attained. Should the BAC not have a Past Chair, the Chair may designate another member of the BAC to serve on the subcommittee.

10.0 The Budget Process During Times of Fiscal Austerity

10.1 As soon as possible after the adoption of this policy, the Budget Advisory Committee, collaborating with the president and the vice presidents, shall formulate a resolution outlining a series of budgetary principles and strategies to be utilized in the event that the university general fund budget is cut. These budget-cutting principles and strategies shall be submitted to the full Senate for its approval. Although the Budget Advisory Committee may revise these principles and strategies at any time, they need not be updated on an annual basis.

10.2 At the first BAC meeting of the spring semester, the President shall inform the Budget Advisory Committee of the likely budget situation for the following academic year.

10.3 If there is likely to be little or no enhancement to the university's general fund budget, the Budget Advisory Committee may decide, by majority vote, to suspend for one year the solicitation and evaluation of budget priorities proposals as described in sections 3, 4 and 5 of this policy.

10.4 If budget cuts are necessary, university budgetary decisions shall be guided by the principles and strategies most recently adopted by the Senate pursuant to section 10.1 of this policy.

10.5 If budget cuts are necessary, the president shall consult with the BAC regarding how such cuts shall be allocated between the various divisions of the university.

10.6 Each Vice President will present their plans for cutting their budgets to the BAC no later than April 15. The Vice Presidents should explain how their budget plans conform to the budget-cut principles and strategies most recently adopted by the Senate. The BAC may offer both formal and informal advice to the Vice Presidents regarding their budget-cut plans.

11.0 Lottery funding

11.1 The University is mandated to follow the State of California and the California State University rules in the use and distribution of lottery funds.

11.2 The following rules apply to incoming lottery funds on cycle and off cycle from the CSU.

11.2.1 The BAC will recommend to the Senate, which will then recommend to the President, broad categories of funding including the funding distribution by category. Specific, mandated categories from the CSU will also be included in these discussions. The categories, along with funding distributions, guidelines, and timelines to be followed for the academic year for each category shall be announced to the campus.

11.2.2. Except where specified (e.g. Professional Development Grants), the BAC or appointed subcommittees of the BAC will evaluate lottery proposals. This is especially true where proposals will have university-wide impact.

11.2.3 Unspent lottery funds may in some cases be rolled forward to the next academic year if approved by the College dean or equivalent unit administrator.

ACTION BY UNIVERSITY PRESIDENT: