

Campus Conversations with Chief Financial Officer Rosemarie Rae

By BSA Reporter

During the noon hour on January 26, campus Chief Financial Officer (CFO) Rosemarie Rae joined a large audience of staff, faculty, and students at the Alumni House as the first speaker in a new series, Campus Conversations. The series has been publicized as an opportunity to engage campus leadership with staff and other campus stakeholders. The session was very well attended, with attendees heavily weighted toward staff. Rae strongly urged the audience to review her website (<http://cfo.berkeley.edu>) and even to contact her personally. Notecards were provided so that the audience could submit questions, which were moderated. Throughout the discussion, Rae seemed very sincere in her encouragement of campus participation in the budgeting process and a desire to facilitate transparency.

Rae began by addressing items she anticipated would be of interest to the audience including reviewing the areas under her purview such as Capital Strategies, the Controller, Financial Planning and Analysis, and the University Partnership Program. Rae also gave an overview of the budget's components, the flow of funds, and the central ledger. The total budget for the campus is around \$2.7 billion. Various sources of income and revenue are recorded in the central ledger, including approximately \$700 million in tuition and fees and \$375 million in state support, which represents only 14% of our total budget. Of interest to many of us, the central ledger also records expenses not attributable to specific departments and units, including the assessment we pay to UCOP. More later on the value of the assessment paid to UCOP! The largest disbursement made from the central ledger is \$1.4 billion in allocations. Detailed budget figures referenced by Rae will be available on the CFO website.

Rae also provided an overview of the campus' budget process. A five month process, Rae described that budget planning begins with the central ledger budget; in February each unit starts to prepare a strategic plan for a 3-year period with provisional targets; and in late March the final targets are released to campus units.

Rae suggested that "budget follows strategy" and stated she is aware that a lot of us experience "winding and then unwinding work." Rae addressed two additional anticipated questions in her prepared remarks.

Who makes longer term budget decisions and when are they made?

Per Rae, many of the players in the budgeting process are not on campus and include UCOP, the Regents, the UC Berkeley Foundation, the Board of Visitors, the California Department of Finance, the state legislature, and the public. Rae stated Cal does not have sufficient resources and this deficiency is a challenge for long term budget planning. Campus has operated at a deficit for about ten years and Rae described this deficit as being fueled, in part, by declining support from the state. At its peak the state contributed \$506 million per year, but that contribution is now at about \$375 million. In addition, state funding for capital projects is \$0.

Rae informed the audience that the campus is on target for a balanced budget by the 2019-2020 fiscal year, but acknowledged that this is not being achieved without sacrifices and she “didn’t want to sugarcoat it.” Rae described that we need to shift our revenue generating strategies, in accordance with our values, and move away from unreliable streams. At various points in the discussion, Rae acknowledged that a lot of thought is paid to the needs of students and faculty, while staff is consistently third.

How do we reach people who influence the budget (legislature etc.)?

Rae said that staff and students need to have input and make our voices heard. She believes that familiarizing ourselves with the timeline of the budgeting process could help to increase the impact of our input. She again implored the audience to go to her website to see the transparent budgeting information.

Questions from the audience included:

What does she mean by revenue generation? Rae responded that philanthropy and self-supporting graduate degree programs are part of it. We are at a disadvantage because we are not currently able to acquire debt – so what do we do? Rae was not overly optimistic; campus has \$700 million in deferred maintenance for which we cannot incur debt to repair.

The memorial stadium debt was discussed. Rae advised that the portion of debt to be paid by campus for the seismic retrofitting is not yet final. She referenced Chancellor Christ’s plan for campus to pay for the seismic portion of the costs but advised that amounts have not yet been finalized.

How can we rebuild trust on campus after so many years of cuts? Rae said that transparency is a part of this, and she sees herself contributing to the “respiriting” of campus by supporting transparency. She strongly believed that Chancellor Christ is sincere in her desire to help campus thrive, not just survive.

Why are we in the business of athletics? Rae deferred to the Chancellor and encouraged all to attend her talk on April 24.

Does the campus get a good value for the assessment we pay to UCOP? Before answering this question, Rae joked that her cup of “water sure tasted good,” which caused laughter from the audience. She acknowledged that there are always opportunities for greater efficiency and her job is to protect Cal’s interests. As UCOP reduces its own budget, Rae is looking to make sure that they don’t pass on costs to campuses.

All questions submitted by the audience and the answers will be made available on the CFO website and/or campusconversations.berkeley.edu. You can also watch the 53 minute presentation in its entirety embedded in the campus news article at <http://news.berkeley.edu/2018/01/26/campus-budget-leader-we-have-to-stabilize/>.