



Student Union Assembly (SUA), Office of the Chair

1156 High Street, Santa Cruz, CA 95064
Student Union Assembly 2nd floor, c/o Soar

October 9th, 2014

Fall 2014 Budget Report

Dear Student Union Assembly,

To ensure transparency, accountability, and fiscal security, the Assembly passes a budget each spring to regulate the next Assembly's spending. To serve its intended purpose, a budget must follow the bylaws and be based on realistic revenue projections.

The 2014–2015 budget, as passed by the Assembly on May 27, 2014, has a number of issues that must be corrected both to comply with the SUA bylaws and ensure fiscal stability. This report provides a detailed analysis of the approved budget document, the status of the actual SUA budget, and the relevant portions of the bylaws.

Background

Organizations with an annual budget, SUA included, allocate funds based on projected revenues and anticipated expenses. Ideally, revenue estimates are conservative and expense estimates liberal, resulting in unspent funds at the end of the year. Such funds are called a *carry forward*.

Because carry forward funds are unpredictable by nature, it is generally considered good accounting practice to not allocate them until near or after fiscal close.¹ However, the SUA budget is required to be passed during spring quarter,² which often means that the budget must be finalized over a month before fiscal close. As a result, past Assemblies, including 2013–2014, have estimated their carry forward and treated it the same as other revenue sources. This exposes SUA to the possibility of a budget shortfall, as is the case in fiscal 2015.³

Fiscal 2015 Revenue

SUA's main source of revenue is Measure 8, the Campus-wide Student Government Fee.⁴ All undergraduates pay \$7 per quarter into the SUA budget. Because Measure 8 and

¹ *Fiscal close* occurs at the end of an organization's fiscal year, when the year's transactions are finalized so the next fiscal year may begin without outstanding obligations.

² Constitution, Article VII, Section A.1.a.

³ UCSC's fiscal year begins on July 1 and ends on June 30; the current fiscal year is 2015.

⁴ <http://studentservices.ucsc.edu/business/student-fees/Campus-wide-Student-Government-Fee-Increase-Measure-8.pdf>



Student Union Assembly (SUA), Office of the Chair

1156 High Street, Santa Cruz, CA 95064
 Student Union Assembly 2nd floor, c/o Soar

its subsequent increase were passed prior to 2006, return-to-aid does not apply,⁵ so SUA keeps the entirety of the fee money. During the summer, students pay campus fees at a reduced rate; the exact portion of the fee paid to SUA is set by the Student Fee Advisory Committee.

Being a student fee, Measure 8 funds fluctuate quarter-to-quarter based on student enrollment. That being said, Measure 8 is by far SUA’s most stable revenue source.

Original and updated revenue projections are as follows.

Revenue Source	Spring 2014 Projection	Updated Projection/ Actual
Measure 8, academic year	\$297,175.00	\$314,224.81
Measure 8, summer	\$12,303.00	\$12,303.00
UCSC Foundation	\$10,067.48	\$0.00
Carry Forward	\$115,000.00	\$45,881.81
Total	\$434,545.48	\$372,409.62
Deficit		\$62,135.86

SUA receives each quarter’s Measure 8 funds prior to the beginning of the quarter. As such, the exact Measure 8 revenue for fiscal 2015 will not be known until late winter quarter. The academic year figure above is based on the exact funds for fall quarter (\$114,224.81) plus a conservative estimate of \$100,000.00 each for winter and spring quarters. The summer figure is exact.

SUA was given a one-time allocation of \$10,067.48 from the UCSC Foundation several years ago. The money sat unused until Winter 2014, when the Assembly voted to transfer it to the Ivan Mercado Scholarship Foundation.

The carry forward currently sits at \$45,881.81.

Last year’s Assembly grossly overestimated the carry forward and failed to account for the transfer of the UCSC Foundation funds when drafting the budget for fiscal 2015.

⁵ University Policy, Section 81.20.



Student Union Assembly (SUA), Office of the Chair

1156 High Street, Santa Cruz, CA 95064
Student Union Assembly 2nd floor, c/o Soar

Procedural Issues

The bylaws require that SUA put money from the carry forward into reserve to protect against unforeseen fiscal circumstances.⁶ Reserves may only be spent when the Assembly declares an emergency with a $\frac{3}{4}$ vote.⁷

No such vote took place last year, and yet the reserves have been reduced in the budget. The 2013–2014 budget allocates \$28,865.80 for reserves, but the 2014–2015 budget only allocates \$11,500, and does not include the previous year's funds.

Even if the reserves were maintained, \$28,865.80 would not be sufficient. The bylaws mandate that carry forward be allocated into reserves until the reserves are 10% of the SUA's operating costs.⁸ Operating costs⁹ under the current budget total \$363,672.00. 10% of that is \$36,367.20, \$7,501.40 more than the current reserves.

Unused Funds

Several line items in the budget have funds that will not be used.

The Office of the Internal Vice Chair was vacant for the month of July, so the \$1,300.00 of pay for July is sitting unused in the IVC summer pay line. As she took office in August, IVC Kaysi Wheeler is not eligible to be paid for July, and the money cannot be used for other purposes unless the Assembly allocates it elsewhere.

The budget allocates \$75,000.00 in salary and benefits for the SUA Adviser (formerly known as the Operations Manager). That amount is sufficient for an entire year of compensation. However, due to delays in the hiring process, the SUA Adviser will start work no earlier than November 1. As such, four months—a third of the year—will have passed with the position unfilled. This means that \$25,000.00 of that money will not be spent unless the Assembly allocates it elsewhere.

⁶ Bylaws, Section F.1.D.III.

⁷ Bylaws, Section F.1.D.IV.

⁸ Bylaws, Section F.1.D.II.

⁹ Operating costs are the SUA's total expenses for the year, not including reserves, SUA Programming, and the General Fund.



Student Union Assembly (SUA), Office of the Chair

1156 High Street, Santa Cruz, CA 95064
Student Union Assembly 2nd floor, c/o Soar

Necessary Steps to Ensure Bylaw Compliance and Fiscal Stability

The current allocation of the carry forward is based on incorrect figures and is contrary to the bylaws. In order to remain in compliance with the bylaws, the Assembly must change the reserve, programming, and General Fund allocations as follows:

Line Item	Current Allocation	Correct Allocation
Reserves	\$11,500.00	\$36,367.20
SUA Programming	\$31,050.00	\$2,854.38
General Fund	\$72,450.00	\$6,660.23

The bylaws require that after reserves, 30% of the remaining carry forward go to programming and 70% to the General Fund.¹⁰ The figures above follow that rule.

After making the above reallocations, SUA’s budget will still have a shortfall; total revenue for the year, not including the General Fund, will be \$37,144.19 short of the allocated operating costs.

Reserves	\$36,367.20
SUA Programming	\$2,854.38
General Fund	\$6,660.23
Operating Costs	\$363,672.00
Total Liabilities	\$409,553.81
Total Revenue	\$372,409.62
Deficit	\$37,144.19

At this point, the Assembly must make budget cuts to account for the difference. The General Fund, being money for the Assembly to spend as it sees fit, could cover a portion of the shortfall. The Assembly may cut other items at its own discretion.

Future Steps

Since the carry forward is unpredictable at the time of the budget process, and the bylaws provide a clearly defined mechanism for allocating it, I propose that in the future the Assembly only allocate new revenues in the spring and wait until fall to allocate the carry forward.

¹⁰ Bylaws, Section F.1.E.1.a.



Student Union Assembly (SUA), Office of the Chair

1156 High Street, Santa Cruz, CA 95064
Student Union Assembly 2nd floor, c/o Soar

Reasons for the incorrect carry forward projection this year included several transactions that hit the books months after the end of fiscal 2014. Current and future officers should be sure that their expenses are handled before they leave office.

Sincerely,
Justin Lardinois
Chair, Student Union Assembly