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Memorandum

Date: May 22, 2015

To: Mildred García, Ed.D.
University President

From: Robert W. Mead
Chair, Planning, Resource, and Budget Committee (PRBC)

Subject: PRBC Recommendations for FY 2015-16

I am pleased to submit for your consideration the Planning, Resource, and Budget Committee's (PRBC) recommendations on planning, strategic priorities, and budgetary matters for FY 2015-16. The recommendations presented herein reflect the committee's discussions regarding changes in the strategic context in which the University operates, the budget outlook for the next fiscal year, and the strategic and operational priorities identified throughout the year. I hope you find the committee's recommendations helpful as you work with the division heads on the finalization of next year's budget.

Strategic Context

As you anticipated in your FY 2014-15 Budget Memorandum, the era of zero-enrollment growth is upon us. As part of the 2014-15 budget process, the state of California's Department of Finance asked the CSU Board of Trustees to develop an "Academic Sustainability Plan" under the assumption that the state would only fund a one percent (1%) annual enrollment growth for academic years 2015, 2016 and 2017. This assumption was at odds with the CSU's request for a three percent (3%) annual enrollment growth. As a result of this process, the CSU allocated Cal State Fullerton a meager 0.75% increase to its 2015-16 baseline enrollment levels.

In case there were any doubts as to the state's move away from enrollment growth and enrollment-based funding models toward sustainable and outcomes-based funding models, the Governor's 2015-16 Higher Ed Budget Summary includes the following salient statement:

The Budget provides increases in funding with a focus on results, rather than funding enrollment growth. Traditional enrollment-based funding does not encourage institutions to focus on critical outcomes—affordability, timely completion rates, and quality programs—nor does it encourage institutions to better integrate their efforts to increase productivity of the system as a whole. Instead, it bases allocation of new funds on the costs of the existing institutional infrastructure, without examining whether the state is well-

served by its universities and colleges continuing to deliver education in the same way. Under this old model, increased funding comes from admitting more students, which can make ensuring students complete meaningful programs in a timely manner a secondary concern. Instead of continuing enrollment-based funding, the four-year investment plan for UC and CSU that began in 2013-14 calls for growing General Fund support for each segment annually. These multi-year investments, however, are contingent on the segments holding tuition and fees flat at 2011-12 levels.

The Chancellor has responded to the emerging changes in how the state of California funds its higher education systems by creating the “Task Force on a Sustainable Financial Model for the California State University.” The purpose of the Task Force is to propose “a sustainable plan for the future with respect to budget allocation, revenue generation, enrollment management, and institutional financial aid policies.” This proposal must consider the mission of the CSU and the needs of its diverse student populations, allow different campuses to meet varying regional needs, identify opportunities to enhance revenues, consider how to adjust state university grants to manage student indebtedness appropriately, recommend policies and practices that stabilize budget allocations within the CSU, and create a phased implementation plan that “does no harm”.

In response to Cal State Fullerton’s current funding situation and the lack of direct representation from our University on the Task Force, the PRBC authored a resolution, ultimately approved by the Academic Senate, asking that as a first step in the phased transitional implementation plan mentioned in the Chancellor’s charge to the Task Force that “... the Task Force ... include as a core value and operating principle for its deliberations [the resolution of] existing inequities in how state funds are invested on a per-FTE basis across the CSU...”

As of this writing, the Task Force has not presented its recommendations.

FY 2015-16 Budget Outlook

The Governor proposed \$119.5 million in increased funding for CSU for 2015-16. This amount represents the third of the multiyear budget plan established for the three higher education segments through 2016-17, and, according to the Governor’s Budget Summary, it “should obviate the need for CSU to increase student tuition and fees and can be used by the University to meet its most pressing needs.” However, the fact is that the proposed allocation is \$97.1 million less than the CSU budget request and therefore presents significant budgetary challenges for the system and its campuses.

It is important to note that, consistent with the move toward outcomes-based funding, the Governor’s budget includes an additional “\$25 million for innovation awards to recognize CSU institutions that implement innovations that lead to more timely degree completion.” Details regarding how the CSU will allocate this funding are not yet available, but recent experience suggests that it would be made available via competitive RFP processes.

The PRBC has reviewed the amounts that would be available for Cal State Fullerton based on the Governor’s current proposal as presented by the campus CFO. Barring any significant changes in the May revised budget, as well as in the final budget enactment from the legislative process over the summer months, Fullerton is expected to realize \$7.7 million (gross) in new baseline operating funds and \$7.8 million in new-one time funds as shown in Table I. This amount represents Fullerton’s share of the Governor’s \$119.5 million proposal combined with additional income from local adjustments such as tuition fee revenues (including non-resident tuition and over-enrollment), also shown on Table I.

Table I

	FY 14-15	FY 15-16
Total Gross Baseline Increase	\$19.2M	\$7.7M
Total Net Baseline Increase	\$5.4M	\$1.76M
Total One-Time	\$10.3M	\$7.8M
Net Available	\$15.7M	\$9.56M

Table II presents the amount of new baseline and one-time funding available for FY 2015-16 after deducting mandatory costs.

Table II

	Baseline 14-15	Baseline 15-16	(1) One-Time 14-15	(1) One-Time 15-16
GF Enrollment	\$3.057M	\$0.947M		
Tuition (net)	\$3.203M	\$1,088M	\$10.3M	\$7.8M
Total *	\$6.260M	\$2.035M		
Net Available **	\$5.414M	\$1.76M	\$10.3M	\$7.8M

*Excluding mandatory pass-through allocations

**After faculty equity adjustments and campus funding mandatory shortfall

*** (1) One-Time 14-15 based on 5.2% increase, one-time 15-16 based on 3.5% total increase assumption (includes increase from non-resident tuition)

PROJECTIONS ARE BASED ON \$119M PRELIMINARY BUDGET AND SUBJECT TO CHANGE WITH THE FINAL BUDGET ACT

Recommendations

Clearly, the amounts of new baseline and one-time funding are insufficient to fully cover continuing commitments, the multi-year funding recommendations adopted in previous years, and the strategic and operational needs that have been identified by the PRBC through its deliberative process during this past year.

Hence, the PRBC's FY 2014-15 budget recommendations presented herein acknowledge both the challenge to and the need to align institutional budgeting and financial management practices with the realities of the near zero-growth and outcomes-based funding models being adopted by the state and implemented by the Chancellor's Office.

While we await the findings and recommendations of the Chancellor's task force, the PRBC recommends that Cal State Fullerton continue to advocate for additional state investments in the CSU and for additional CSU investments in our University that will help reverse the historical and counter-productive inequities that have led to Cal State Fullerton's students being funded at a significantly lower rate than students on all other CSU campuses. Accordingly, we reaffirm [CSUF Academic Senate Resolution ASD 14-167](#). We also believe it is time to expand our advocacy to address the issue of the overall actual cost of educating a student. The use of a marginal cost of instruction funding model with antiquated formulaic fund allocations fails to account for both overhead (buildings, support staff, utilities, etc.) and the fulfillment of additional responsibilities (compliance, audits, reporting, etc.). While CSUF has managed and finessed these challenges to date, a continued "business as usual" approach is unsustainable.

In addition, the PRBC over the past several years has categorized its recommendations in four major budget categories: Operationalizing the University's Strategic Plan; Reinvesting in Instructional & Support Infrastructure; Supporting Core Operations; and Strategically Addressing Structural Deficits. As the University continues to make its Strategic Plan a success, the PRBC believes the inclusion of three additional categories—Capital and Facilities Infrastructure Projects; Faculty Hiring, Retention, and Tenure Track Density; and Mission Critical and Compliance Initiatives—would serve as a refinement and allow the campus to better illuminate and address identified needs.

Within these categories, the PRBC acknowledges that certain obligations must be met.

- Cal State Fullerton is committed to providing its campus community with a safe learning and working environment and to meeting all relevant federal, state, and system-level regulations. To this end, the PRBC recommends that the University develop the staffing and operational plans needed to be fully compliant with Title IX and Clery Act requirements (**Mission Critical and Compliance Initiatives**).
- The University's continued commitment to faculty hiring is commendable, yet continuous hiring is of limited benefit without the ability to retain our current faculty. To this end, we first recommend and support the university's planned

efforts to implement a faculty equity program designed to address existing salary inversion and compression issues, as contemplated in the current Collective Bargaining Agreement (**Faculty Hiring, Retention, and Tenure Track Density**).

- Second, the PRBC recommends that the University continue to invest in hiring tenure-track faculty members. To this end, we are committed to the second year of the current two year plan to hire a total of 150 tenure-track faculty members and recommend continuation of this hiring model. Looking prospectively, PRBC believes such efforts should be guided by an Academic Master Plan to be promulgated by the summer of 2016. Accordingly, the University must explore additional strategies to improve the following four metrics, among others: (1) the ratio of the number of tenured/tenure track faculty members to FTEF; (2) the ratio of the number of tenured/tenure track faculty members to FTES; (3) contingent faculty density; and (4) student to faculty ratios. To this end, the University should reconcile allocations for faculty hiring with actual instructional costs and examine the impact of assigned time and part-time faculty assignments (**Faculty Hiring, Retention, and Tenure Track Density**).
- Third, the PRBC supports the Provost's proposal to continue development and execution of a plan to improve the professional experience of our contingent faculty. The plan, which includes focus groups; a review of the onboarding process; identification of critical resources; faculty development support; and recognition have been identified as key themes in the 2014-15 academic year. In 2015-16 the goal is to further develop these key themes and develop a process where our contingent faculty feel more included and engaged in our campus environment (**Faculty Hiring, Retention, and Tenure Track Density**).
- Fourth, beyond our faculty needs, the PRBC also recognizes the necessity of increasing the number of high quality and diverse staff essential to advancing the University's mission and making progress towards its strategic goals. Across the campus, there are gaps between the work that needs to be accomplished and the staff to fulfill those needs. However, solving this problem requires not only hiring additional staff but insuring that both existing and newly-hired staff have the training necessary for the performance of their duties. Where practicable, cross-training may facilitate balancing workloads for those areas that have predictable annual cyclical peaks. (**Operationalizing the University's Strategic Plan**).
- Other ongoing obligations that must be met include funding the third year of the current five-year classroom refurbishment plan (**Reinvesting in Instructional & Support Infrastructure**) and continued subsidization of the cost to faculty and staff of childcare at the Children's Center (**Core Operations Critical to Advancing Institutional Mission**).

Beyond these obligations which must be met, the PRBC has identified a number of additional high priority initiatives.

- Finance the improvements identified through the Library of the Future project (\$9 million) that are not covered by the funds received from the Chancellor's Office for earthquake repairs (**Capital and Facilities Infrastructure Projects**).
- Address the University's growing deferred maintenance needs. The currently estimated total of \$150 million exceeds the cost of the campus's two most recent new buildings: Mihaylo Hall and the Clays Performing Arts Center. In light of the legislature's reluctance to fund new or ongoing programs, addressing deferred maintenance needs, which often involve a single expenditure with multi-year benefits, is an ideal use for surplus state revenues. (**Capital and Facilities Infrastructure Projects**).
- Identify current structural deficits and develop options for strategically addressing them in a zero-growth funding environment. It may be prudent to couple these efforts with initiation of a baseline central reserve whereby we could direct unobligated carry-forward balances held in the divisions to augment this year's budget process. The Chancellor's recently revised reserve policy will give us the flexibility to create an effective multi-year funding strategy that could, to the extent possible, carry us through zero-growth periods and continue to support innovation and planning for the future (**Strategically Addressing Structural Deficits**).
- Identify a funding source to cover the lease payments associated with the space that will be vacated in College Park due to the moves associated with the purchase of the Western Law School Building (**Capital and Facilities Infrastructure Projects**).
- Narrow the achievement gaps. Our university is making good progress toward achieving the goals in its 2013-2018 Strategic Plan, but it needs to accelerate the narrowing of achievement gaps. The recent establishment of Student Success Teams and the proposed work to expand student access to HIPS promise to add a new level of intentionality to our efforts to close the achievement gap. The PRBC recommends that division heads work with the corresponding academic and administrative units to ensure that these initiatives, as well as others associated with the strategic plan, are adequately funded through the reallocation of existing resources and by securing external funding from sources such as the Chancellor's RFP programs (**Operationalizing the University's Strategic Plan**).

Finally, the PRBC recommends that your administration maintain the principles that have guided previous budget allocations: the budget must be balanced; the budget must be aligned with the University's strategic priorities and institutional mission; and the University reserves should be at a sufficient level to address contingencies.

Conclusions

In closing, the PRBC emphasizes that it is important to acknowledge the importance of ensuring that the University's effort to develop an Academic Master Plan is successfully completed by summer of 2016. Faced with the shifting landscape of challenges in the way we are funded by the state and by the Chancellor's Office, the Academic Master Plan, together with the Strategic Plan, will serve as both map and compass to maintain and assert the vitality of our institution and mission through the effective use of our limited resources.

Cc: José Cruz, Provost
Emily Bonney, Academic Senate Chair
Ann Camp, Chief of Staff
Erica Bowers, 2015-16 PRBC Chair
Cheryl von Mirbach, Presidential Assistant