January 22, 2008

TO: Mark Larson, Chair, Academic Senate
    Rollin Richmond, President/Chair University Executive Committee

FROM: ad hoc Budget Review Task Force
      Scott Paynton, co-chair
      Steve Smith, co-Chair
      Greg Crawford
      Randi Darnall Burke
      Erick Eschker
      Su Karl
      Terra Rentz
      Merry Schellinger
      Ray Wang

RE: Budget Review Recommendations

In September, 2007, an ad hoc Budget Review Task Force, composed of faculty, staff, and student members, was appointed to review the Humboldt State University (HSU) budget policy and procedure documents adopted in 2004, as well as the modification made to the membership and charge of the University Budget Committee (UBC) by President Richmond in November 2006. President Richmond’s charge to the Task Force was:

Humboldt State University is working to ensure that budget information and the processes used to determine budgets on an annual basis are as transparent and inclusive as possible. In 2004, the university adopted policy and review process documents that are included. In November of 2006 after considerable discussion, I modified the membership of the University Budget Committee as discussed on the attached file. Using these documents as a basis, please review the both the policies and processes currently used to set annual budgets and make written recommendations to the Academic Senate, the University Executive Committee and the President. These recommendations should be completed as soon as possible, but not later than the date of the final Senate meeting scheduled for the Fall 2007 semester. Thank you for your willingness to serve on this important review group.

Rollin C. Richmond, President
The Task Force met weekly during Fall 2007, reviewed the existing documents, and consulted with many individuals across campus who have been and/or currently are involved with the HSU budgeting process. Those interviewed included past and present Academic Senate Chairs, past and present Academic Senate Finance Chairs, University Vice-Presidents, College Deans, College and Division Budget Analysts, faculty representatives from the UBC, and the President. All who were interviewed acknowledged common problems with the current process and structure and conveyed a sincere desire to have a campus budget process that is open, inclusive, objective, transparent, and that reflects the goals of HSU. The Task Force extends its appreciation to all who shared their concerns openly and candidly.

I. Common Concerns and Problems with the Current Budget Process

During the series of meetings with various campus individuals, the Task Force heard consistent and repeated themes regarding the HSU budget process. The unifying theme across these points was a perceived lack of trust among UBC participants, the administration, and the campus community and the lack of transparency of the budget process.

The most common concerns regarding the HSU budget process include:

- The lack of a clearly defined and consistent purpose and/or charge for the UBC
- Composition and selection process of UBC members
- Adequate training for UBC members
- A budget timeline that does not support effective decision-making
- The need to clearly articulate and communicate campus budget priorities, policies, and procedures
- The need for clear and consistent data for evaluation and decision-making
- A lack of trust, accountability, and transparency.

II. Recommendations

Purpose and Charge of UBC

Recommendation:

The HSU Budget Review Process should include a clearly articulated and consistent charge for the UBC. We recommend that the charge of the UBC is to:

1. Become competently informed about the University budget, the budget process, and budget policies
2. Be the oversight body on campus responsible for monitoring the campus budget throughout the year. Such monitoring should include but not be limited to quarterly reports from the University Budget Office on budgeted revenues and expenditures relative to actuals of agreed upon budget categories
3. Provide timely communication to the Academic Senate, President, University Executive Committee, and the campus community on budget issues, through the internet and other media, as appropriate
4. Recommend to the President, in accordance with the University Strategic Plan, allocation of unbudgeted funds (including enrollment growth funds) and provide the methodology by which the recommendation be determined
5. Review the divisions’ plans to reduce services when budget reductions are required and report findings to the President and the University Executive Committee
6. Advise the President on general budget policy.

Rationale: The Humboldt State University Budget Review Process (03/04) does not contain a clearly articulated charge for the UBC. The apparent charge of the UBC is to review and make recommendations on the divisional resource plans of the Vice Presidents to the President. In his November 8, 2006 memorandum to the UBC, the President charged the UBC to 1) Advise the President on general budget policy issues that affect the University; 2) Become informed regarding the annual budget of the University; and 3) Determine a methodology to use to evaluate budget proposals and recommend budget allocations/de-allocations.

It was clear from our interviews that, in practice, the charge and purpose of the UBC are not clear. The lack of clarity was viewed as a significant obstacle to moving the budget process forward. Furthermore, the strong consensus opinion of interviewees was that the UBC is better suited to recommend allocations of unbudgeted funds and should not be responsible for recommending where budget reductions should be imposed. It seems unreasonable to expect that UBC members will have detailed knowledge of each division’s annual budget necessary to make reduction recommendations on an annual basis. That responsibility ultimately lies with division vice-presidents in consultation with the President.

UBC Composition

Recommendation: The composition of the UBC should be structured as follows:

2 Facilitators: To be determined (see criteria below)

Members: 3, Faculty, appointed by the Provost in consultation with the Deans
1, Academic Senate Finance Officer
1, Academic Affairs representative
1, Student Affairs representative
1, Administrative Affairs representative
1, University Advancement representative
1, Staff representative selected by Staff Council
1, Associated Students President or designee

Advisors: University Budget Director
One Budget Analyst from each division

Recommendation: The composition of the UBC should be based upon its purpose and charge, not on representation from particular divisions and colleges. UBC members should participate in a required annual training program in the beginning of the fall semester that provides background and context for the complexities of the campus budget and budgeting process. Committee members are expected to apply a University-wide perspective to budget oversight and decision-
making. Terms of office will be staggered, three-year renewable terms (except the President, Associated Students). Staff support for the committee will be provided by the University Budget Director’s office, as needed.

**Rationale:** The integrity of the budgeting process requires the UBC be regarded as credible and competent, both as individual members and as a body across the campus. There were a number of concerns expressed by the interviewees about the composition of the UBC, how members were selected, their familiarity with the budget process, and their ability to express a campus-wide perspective. Because the budget is complex, it needs to be examined by individuals that have demonstrated some experience with the budget process. Most individuals we interviewed felt that many UBC members did not fully understand the complexities of the budget. Additionally, UBC members must be individuals who have demonstrated their ability to have a campus-wide perspective. Many of the individuals we spoke with were highly critical that some UBC members appeared to be unwilling to express a campus-wide perspective in their decision-making. For these reasons, the consensus opinion was that UBC members should be carefully selected and participate in an annual budget training process.

Second, the Vice Presidents should be removed as members of the UBC. According to the Humboldt State University Budget Review Process, Vice Presidents are consulted by the President before final budget recommendations are rendered. Because the Vice Presidents are currently UBC members, functionally they are making budget recommendations to themselves when they serve as voting members on the UBC. At the very least, this has the appearance of a conflict of interest in the process.

Third, we strongly recommend that the UBC employ a consensus decision-making process, thus removing the designated title of “voting” or “nonvoting” members. “Voting” members gives the appearance that the UBC is a decision-making body regarding budget allocations. In reality, the UBC is a recommending body. The purpose of following a consensus decision-making process is to make the UBC’s process inclusive, participatory, and solution-oriented rather than setting up a model where individual members vote for/against one another.

Fourth, in alignment with the consensus model, we recommend facilitators rather than chairs for the UBC. The primary roles of the facilitators should be to move the budget process forward in concert with established time lines and benchmarks and to build consensus among the members of UBC. As such, facilitators must have demonstrated campus-wide perspective; the ability to facilitate meetings; budget process familiarity; consensus building experience; and, one of two must be able to provide 12 consecutive months of service (faculty, staff, or administrator).

**Timeline of University Budget Process**

**Recommendation:** In consultation, the UBC, the Budget Office and the President’s Executive Committee (including Deans) should reexamine the budget time line that currently exists in the Humboldt State University Budget Review Process.

**Rationale:** The Task Force recognizes the difficulties associated with budget planning when the State of California’s budget cycle is asynchronous with pragmatic planning for the campus. Nonetheless, it is difficult to implement budget planning for an academic year when the final
budget is announced to the campus in May. By this time, academic plans for the next year have been established and students have enrolled. This is especially problematic in years when budget reductions (in any form) occur. We recognize that ad hoc adjustments to the budget will be necessary to align the budget planning with the State and CSU allocation to the campus. Ultimately, according to the budget policy, these decisions are to be made by the President in consultation with the UBC and the University Executive Committee. Thus, it makes more sense for the UBC to make budget recommendations in the Fall semester preceding the AY under consideration to more closely align itself with how divisions and colleges construct and plan their budgets.

Establishing Budget Priorities

**Recommendation:** Budget priorities must be linked to the university’s strategic plan. University-wide goals and priorities should be established by the President in consultation with members of the campus community. Priorities should be established on an annual basis, though some goals may continue over two to three academic years. Budget priorities should be announced by the President at the beginning of the academic year that precedes the next fiscal year. For example, general campus priorities in alignment with the University’s Strategic Plan for the 2009/2010 fiscal year should be established in the fall 2008 semester to allow enough time for those involved with the budgeting process to set budgeting priorities.

**Rationale:** All interviewees expressed concern that the campus doesn’t appear to rely on the Strategic Plan for budget planning. This is partly due to the difficulty of trying to narrow the goals of a broad and all-inclusive Strategic Plan. Linking budget planning processes at all levels to strategic planning forms the cornerstone of an institutional effectiveness model advocated by WASC and other regional accrediting bodies. Established annual goals and priorities should guide the UBC in their allocation discussions. For example, in the past few years, as a de facto priority, resources have been allocated to increasing enrollment at HSU. Now that enrollment is strong, particularly among freshmen, the priority and resource allocation could shift towards the retention of the increasing freshmen class sizes.

Office of Institutional Research

**Recommendation:** The campus should establish an Office of Institutional Research (OIR).

**Recommendation:** The OIR should conduct an expenditure analysis that compares how HSU apportions its base budget allocation relative to peer campuses both within and outside of the CSU.

**Rationale:** Nearly all interviewees agreed that the campus needs to establish an Office of Institutional Research (OIR). The consensus opinion was that there is a need for consistent data presentation and thoughtful data analysis. We recognize, however, that even though HSU has no formal Office of Institutional Research, there is an abundance of excellent data that have been provided by the Office of Academic Affairs from Analytical Studies and by the Office of Student Affairs from Enrollment Management. Nonetheless, there is a need to coordinate these resources and to provide a campus-wide analytical component that informs the campus in its decision making process. Incorporating data-based decision-making across all campus units is essential to establishing an institutional effectiveness process. We also acknowledge that establishing an
OIR has resource implications and an OIR can range widely in function. As such, the scope and role of an OIR needs to be strategically determined and implemented.

Many of the individuals we interviewed expressed concern that the campus hasn’t conducted a careful expenditure analysis that accurately compares our unit-based expenditures with other CSU campuses. Such an analysis could help the campus determine whether resources are allocated appropriately by function.

**Trust, Accountability, and Transparency**

*Recommendation:* All units and committees across campus should review and follow the current campus *Humboldt State University Budget Review Process*. Special attention should be given to following time line and consultative protocols.

*Recommendation:* To ensure consistent, current, and clear campus-wide communication, the campus should support a UBC website that includes all reports to the UBC. The campus should also publish an annual line-item budget book (similar to the CSULB Budget Book) and ensure that it is easily accessible to the campus.

*Recommendation:* The UBC should review prior year budgets and end-of-year balances to ensure that funding is spent in compliance with campus priorities and prior year allocations as articulated by the President and the Strategic Plan. This requires that at the beginning of the academic year, divisions report to the UBC on outcomes associated with additional allocations received during the prior budget cycle.

*Recommendation:* In addition, performance indicators and assessment practices must be developed for all units across campus to initiate a campus culture of institutional effectiveness.

*Recommendation:* The UBC should present its recommendations directly to the President and the University Executive Committee in a timely manner and in a public forum. Previous to announcing budget decisions to the campus community, the President should present his/her budget decisions directly to the University Executive Council and UBC in a timely manner and in a public forum.

*Rationale:* Of the many concerns expressed about the budget process, the unifying theme was that the process is regarded across campus with suspicion at all levels. Many of the aforementioned recommendations have components that promote trust, accountability and transparency. The Task Force also believes that most of the processes detailed in the campus *Humboldt State University Budget Review Process* were thoughtfully designed to ensure trust, accountability, and transparency. It is clear from our interviews and experience that the campus has not followed this policy very closely. We believe that this is one of the factors contributing to the lack of credibility of the budgeting process across the campus. Observing the established policy (and any future modifications to it) would likely be effective in establishing the desired trust and transparency.

This situation has been exacerbated by inconsistent communications with the campus community. For example, some website links pertaining to UBC meeting schedules, UBC
membership, and budget processes/policies have been inactive or out-of-date. We believe that it is essential to the credibility of the UBC and the budget process to maintain a current and accurate UBC website.

Also symptomatic of the lack of credibility and associated communication concerns is that while abundant data are readily accessibly by which the performance of most units in Academic Affairs can be evaluated, data are not as readily available to infer the effectiveness of non-academic units. This disparity provides an opportunity for the campus units to establish accessible performance indicators and engage in institutional effectiveness planning by which all units rely on data to inform their decision making. Accrediting agencies and other advocates for accountability in higher education support the wide use of performance indicators to inform planning and budget allocation.

III. Conclusion / Summary

The Task Force has thoroughly reviewed the Humboldt State University Budget Review Process, approved in 2003/2004 and revised in Fall 2006. The document succeeded in establishing the UBC and providing general guidelines for its process. However, at the time the Process was written, the purpose of the UBC was viewed primarily as one of allocating funds. For the past four years, the University has undertaken budget cutting and reallocation, for which the UBC has not been well-situated to undertake. A revised and updated HSU Budget Review Process, which includes the recommendations made above, will allow the UBC to continue to function and serve the campus community with more flexibility and accountability.

The Task Force did not review the HSU Budget Policy in depth, both due to lack of time and to the fact that it is apparent that not all units on campus are as familiar with and/or following the current policy. The guiding principles of the current policy are:

1. Protect and assure the quality of our academic programs and services
2. Provide clear and consistent priorities for funding
3. Develop and identify initial cost center level base budget within current funding levels and mission expectations using a consistent format
4. Provide a responsible university contingency reserve.

While these guiding principles are sound, it may be an appropriate role for the UBC to undertake a review of the Budget Policy, and its addendum, and recommend any needed changes and or follow-up on previous recommendations included in the policy.

Attachments:
Resolution on Humboldt State University Budget Policy (#11-03/04-SF)
Resolution on HSU Budget Process (#01-03/04-SF)
November 8 Memo from President Richmond