

# HUMBOLDT STATE UNIVERSITY

Lisa A. Rossbacher, Ph.D. President

5 August 2015

Dr. Theo Kalikow, Interim Provost and Vice President for Academic Affairs

Dr. Erick Eschker, Professor of Economics

Co-Chairs of the University Resources & Planning Committee (URPC)

Dear Theo, Erick, and URPC members:

I greatly appreciate the time and energy that the University Resources & Planning Committee invested in developing the 2015-16 budget recommendations for Humboldt State University. The one-year budget proposal, accompanied by a five-year financial plan, reflects a well considered approach to identifying and allocating resources in support of our institutional priorities. The recommendation reflects HSU's strategic goals and the CSU's Student Success and Completion Initiative, and it provides a solid framework to begin future budget planning cycles.

Since the URPC submitted the budget recommendation in May, the CSU budget situation has improved significantly, notably with the State of California fully funding the CSU's Support Budget Request for \$225 million in additional funding, rather than the anticipated \$119.5 million in new funds. As a result, HSU's revenue budget for the 2015-16 fiscal year will be about \$2.5 million higher than the revenue budget projection that the URPC was able to assume in its planning. This additional funding allows some positive changes to HSU's 2015-16 budget that will reduce the level of proposed reductions, support a more robust faculty salary equity program, and provide one-time funding for additional course sections to support enrollment growth. While our budget deficit situation is not solved, the picture for this fiscal year is considerably improved. Instead of a 2015-16 base budget deficit of \$2.2 million, we are now facing a base budget deficit of approximately \$700,000. While the URPC's 2015-16 budget planning principles strive for a balanced budget by 2017-18, I strongly encourage the committee to focus on a balanced budget by 2016-17, in light of this more positive budget situation.

A majority of our new funding is related to enrollment growth. The CSU has increased our Resident Full-Time Equivalent Student (FTES) target by 3.2% from 2014-15, to 7,483 FTES. We have until fall semester 2016 to meet this target, although we anticipate much of this growth will occur in 2015-16. Therefore, we are increasing our campus Resident FTES target for 2015-16 to 7,400 FTES, for an overall FTES target of 7,910 FTES

after incorporating Western Undergraduate Exchange (WUE), non-resident, and international student enrollment. We must continue to be aware of the increased costs of supporting this enrollment growth to ensure that sufficient resources are allocated to educate and support these additional students.

While funding from the CSU is being allocated on a discretionary basis to maintain flexibility at the campus level, all institutions will be held accountable for how we utilize these funds. Our 2015-16 budget allocation emphasizes that campuses will be expected to address Graduation Initiative 2025 goals, achieve our enrollment targets, and address the six Student Success and Completion Initiative priorities established in the CSU Board of Trustees budget request for 2015-16. These Student Success and Completion Initiative priorities focus on tenure-track faculty hiring, enhanced advising, augmenting the CSU Enrollment Bottleneck Solutions Initiative, student preparation, high-impact practices for student retention, and data-driven decision making. We will need to factor in these priorities, along with HSU's strategic plan priorities, as we make funding decisions in the coming years. In this vein, the URPC should plan to develop strong accountability metrics for resource allocations and reductions to ensure alignment with University and CSU priorities.

Finally, I want to mention the importance of the University's reserves. I commend the URPC for drafting a reserve policy, and I fully support the need to build reserves. Increasing reserves should not be our primary budget priority, but reserves are critically important to our long-term ability to plan for the future and to help finance needed academic facilities. As of a year ago, HSU had the second lowest reserves in the CSU as a percentage of our operating budget. We must balance our competing financial priorities with the need to invest for the future, and increasing reserves needs to be a key component of our evolving multi-year financial plan.

More detailed information about the changes from the URPC's recommendation for 2015-16 and my approved budget is described in the attached narrative and spreadsheet. In addition, an attached spreadsheet summarizes changes in the Allocations and Cost Realignments, Savings, and Reductions that were included in the budget proposal.

I appreciate the URPC's focus on activities in the upcoming academic year regarding budget planning for the University. As noted in the Committee's recommendations for 2015-16, these focus areas include the following:

- Continue progress toward a sustainable long-term budget with no structural deficit;

- Review and improve the budget planning process and the role of the URPC, a committee of the University Senate, to establish clearer guidelines and enhance effectiveness;
- Evaluate our current budget to determine whether resources are being allocated effectively and in alignment with the campus mission, vision, values, and strategic plan;
- Improve the resource allocation process to incorporate links to strategic planning and accreditation initiatives, utilize performance measurements, and include on-going training for campus personnel;
- Re-evaluate our enrollment-growth funding model (currently on hold) to ensure appropriate staff and faculty levels to support current and projected enrollment, including benchmarking costs and ratios against peer institutions;
- Understand how our unique mix of programs and units affects costs;
- Establish an on-going plan for how to support facilities and technology infrastructure projects, such as deferred maintenance and computer refresh projects; and
- Develop a plan to address future capital reserve needs.

Thank you again for serving on the URPC and being a part of this important process. I look forward to working with the Committee in the coming year as we plan for 2016-17.

With very best wishes,

Lisa A. Rossbacher, Ph.D.  
President

## Key Revenue Changes in HSU's Approved 2015-16 Budget

### **Enrollment - CSU Resident FTES Target for HSU: 7,483 FTES (Line 1)**

*Change from URPC Budget Assumptions: +196 FTES*

Initial CSU enrollment targets for 2015-16 assigned HSU 0.5% growth, compared with system-wide average growth of 1%. Assuming 0.5% growth, HSU's initial target for 2015-16 was 7,287 Resident FTES, which is the basis for the URPC budget recommendation. In May, HSU's target increased to almost 1.5%, compared to 1.75% system-wide growth. Following the State of California's full funding of the CSU Support Budget Request, HSU's target became 3.2% enrollment growth, compared to 3% system-wide growth. The increase in the state allocation carries the responsibility for educating more California residents.

### **2015-16 State Appropriation: \$69.5 million (Line 19)**

*Change from the URPC Budget Assumptions: +\$1.85 million*

The two major funding increases pertain to enrollment growth and Student Success and Completion Initiatives:

- **HSU Enrollment Growth Funding: \$1.3 million (Line 9)**

*Change from the URPC Budget Assumptions: +\$1.1 million*

The URPC budget recommendation was based on anticipated enrollment growth funding for an additional 36 FTES. Subsequently, the Chancellor's Office developed a new, more straight-forward methodology for allocating enrollment growth funding. Utilizing this new methodology, final CSU allocations provided \$5,664 per FTES, an increase of \$932 per FTES from the preliminary CSU Budget Memo funding level of \$4,732 per FTES. The additional \$932 per FTES provides HSU with an additional \$216,000.

- **Student Success & Completion Initiatives: \$675,000 (Line 13)**

*Not included in the URPC Budget*

This additional state funding must be directed to six priority areas. The campus will be accountable for how these funds are spent, consistent with the stated priorities. Details are forthcoming.

Note: The 2015-16 state appropriation assumes a 2% compensation pool for faculty, but this amount is being held at the Chancellor's Office and is subject to change pending final salary negotiations.

**Tuition: \$45.1 million (Line 21)**

*Change from the URPC Budget Assumptions: +\$627,000*

Even though the CSU Resident FTES target increased to 7,483, the campus Resident FTES target for tuition projection purposes is 7,400 (Line 2). This increase of +113 FTES above the enrollment level in the URPC budget recommendation generates an additional \$627,000 in tuition revenue; approximately one-third of this tuition is set aside for financial aid (Line 34).

Other differences between the URPC recommended budget for 2015-16 and the approved budget are highlighted in the attached spreadsheets on “Sustainable Budget Planning Detail for 2015-16” and “Summary of Changes to Proposed 2015-16 Allocations and Reductions.”

Humboldt State University  
Sustainable Budget Planning Detail for FY15-16

Ln#	HSU Operating Fund Budget Planning Sheet - Comparison Revised August 5, 2015	2015-16 URPC Proposal	Change from Proposal	2015-16 Approved Budget	Notes: Changes based on information from the approved State of California budget, CSU 2015-16 Final Budget Allocations (Coded Memo 2015-03), and conversations with the campus community
1	CSU Resident FTES Target for HSU	7,287	196	7,483	CSU increased HSU's resident FTES target to 7,483 by Fall census 2016 (State Approp. Enrollment Growth) Updated to 7,400 resident FTES to reflect anticipated enrollment for 2015-16 (Tuition Budget) Includes WUE, non-resident and international students; reflects higher HSU resident FTES target for 15-16
2	HSU Resident FTES Target	7,287	113	7,400	
3	Total HSU FTES Target	7,797	113	7,910	
4					
5	<b>Beginning Fund Balance</b>	<b>5,519,316</b>		<b>5,519,316</b>	
6					
7	<b>Revenue Budget</b>				
8	Prior Year State Appropriation	63,858,110		63,858,110	
9	Enrollment Growth	190,000	1,124,000	1,314,000	Resident FTES target increased from 7,287 to 7,483; funding per FTES also increased
10	Health Benefits	290,000	22,000	312,000	
11	New Space Funding	-	49,000	49,000	New space funding, offset by expenditure budget increase - offset on Line 36
12	2% Compensation Pool	1,610,000	-	1,610,000	Faculty compensation still held at CO (estimate - \$706k), this amount factors in a 2% increase for faculty
13	Student Success & Completion	-	675,000	675,000	CSU will require accountability plans associated with this funding
14	Other Adjustments	-	17,000	17,000	Reflects General Fund Adjustment for Tuition Discount
15	<b>Subtotal New 2015-16 General Fund Allocations</b>	<b>2,090,000</b>	<b>1,887,000</b>	<b>3,977,000</b>	
16	2014-15 Retirement Funding	1,725,000	(64,000)	1,661,000	
17	2014-15 Supplemental Compensation	-	30,400	30,400	Adjustment related to 2014-15 State University Police Association (SUPA) agreement - offset on Line 30
18	<b>Subtotal 2014-15 Appropriation Adjustments</b>	<b>1,725,000</b>	<b>(33,600)</b>	<b>1,691,400</b>	
19	<b>Total State Appropriation</b>	<b>67,673,110</b>	<b>1,853,400</b>	<b>69,526,510</b>	<b>State Appropriation increase of \$1.85 million</b>
20	Student Fees and Other Revenue	-	-	-	
21	State Tuition Fee	44,509,000	627,000	45,136,000	Tuition increase for +113 FTES
22	Non-Resident Tuition Fee	1,819,000	-	1,819,000	
23	Materials, Services and Facilities Fee (MSF)	2,526,000	36,000	2,562,000	MSF Fee increase for +113 FTES - offset on line 35
24	Other Fees and Revenue (MBA Fee, App Fee, CR)	5,232,432	-	5,232,432	
25	<b>Total Student Fees and Other Revenue</b>	<b>54,086,432</b>	<b>663,000</b>	<b>54,749,432</b>	
26	<b>TOTAL Revenue Budget</b>	<b>121,759,542</b>	<b>2,516,400</b>	<b>124,275,942</b>	<b>State Appropriation and Tuition increases totaling \$2.5 million</b>
27					
28	<b>Total Prior Year Expenditure Budget</b>	<b>120,153,237</b>	<b>-</b>	<b>120,153,237</b>	
29					
30	2014-15 Compensation Adjustments	-	30,400	30,400	Adjustment related to 2014-15 State University Police Association (SUPA) agreement - offset on Line 17
31	Projected Compensation Increases	1,610,000	-	1,610,000	
32	Projected Benefit Increases - Health, etc.	565,000	-	565,000	
33	Projected Benefit Increase - Retirement	1,735,000	-	1,735,000	
34	State University Grant (SUG)	46,000	225,000	271,000	SUG set aside based on Resident FTES increase
35	Dedicated Budget Allocated to Depts	263,000	36,000	299,000	MSF Fee increase distributed to colleges - offset on Line 23
36	New Space Allocation	-	49,000	49,000	New space cost offset by state appropriation allocation - offset on Line 11
37	General Univ Adjs: Utilities, Space Mgmt, Insurance	100,000	-	100,000	
38	CMS Loan Payment Decrease	(380,000)	-	(380,000)	
39	Cogen Plant Expense Decrease	-	-	-	
40	Base Allocations / (Reductions)	(130,000)	679,000	549,000	See "Summary of Changes" spreadsheet for line item details
41	<b>Subtotal Base Expenditure Adjustments</b>	<b>3,809,000</b>	<b>1,019,400</b>	<b>4,828,400</b>	
42	<b>TOTAL Base Expenditure Budget</b>	<b>123,962,237</b>	<b>1,019,400</b>	<b>124,981,637</b>	<b>Cost increases totaling \$1 million</b>
43	<b>Net Base Budget Surplus / (Deficit)</b>	<b>(2,202,695)</b>	<b>1,497,000</b>	<b>(705,695)</b>	<b>Base Deficit reduced by \$1.5 million</b>
44					
45	<b>One-Time Adjustments</b>				
46	Enrollment Growth One-Time Funding	-	650,000	650,000	Allocation for additional course sections to support enrollment growth
47	One-Time Allocations/Reductions	(500,000)	-	(500,000)	Represents 12% of divisional roll forward from 2014-15
48	<b>Subtotal One-Time Adjustments</b>	<b>(500,000)</b>	<b>650,000</b>	<b>150,000</b>	
49	<b>TOTAL Expenditure Budget</b>	<b>123,462,237</b>	<b>1,669,400</b>	<b>125,131,637</b>	
50					
51	<b>Net Budget Surplus / (Deficit)</b>	<b>(1,702,695)</b>	<b>847,000</b>	<b>(855,695)</b>	<b>Net 2015-16 Deficit reduced by \$847,000</b>
52					
53	<b>Operating Fund Ending Fund Balance</b>	<b>3,816,621</b>	<b>847,000</b>	<b>4,663,621</b>	
54	<b>(Operating Fund balance as % of base exp.)</b>	<b>3.1%</b>		<b>3.7%</b>	
55	Pledged Business Mgmt Trust Fund Balance	800,000	-	800,000	
56	<b>Total Ending Fund Balance</b>	<b>4,616,621</b>	<b>847,000</b>	<b>5,463,621</b>	
57	<b>(as a % of base expenditures)</b>	<b>3.7%</b>		<b>4.4%</b>	

Color Legend	
Fund Balance	
Base Revenue Budget	
Base Expenditure Budget	
Projected Base Surplus/(Deficit)	
One-Time Allocations	
Net Budget Surplus/(Deficit)	

Humboldt State University Operating Fund  
 Summary of Changes to Proposed 2015-16 Allocations and Reductions  
 August 5, 2015

Base Budget Cost Realignments, Savings, and Reductions	2015-16 URPC Proposal	Change	2015-16 Approved Budget	Notes
International Programs State-side Overhead Reimbursement	100,000	(100,000)	-	Shifted to future year to provide time to evaluate and implement
Non-Academic Efficiencies*	500,000	-	500,000	
Self-Support/Auxiliaries – Assess Reimbursements for Services Provided**	45,000	(220,000)	(175,000)	Reduced to reflect agreed-upon 2015-16 Business Service Agreement amounts
Travel Expense Decrease by 15%	150,000	(150,000)	-	Removed - Travel savings can be component of non-academic efficiencies
Utilities Budget Decrease	150,000	-	150,000	
<b>Total Cost Realignments, Savings, and Reductions</b>	<b>\$ 945,000</b>	<b>\$ (470,000)</b>	<b>\$ 475,000</b>	

\*Non-Academic Efficiencies represent additional non-instructional reductions that will need to be identified in all divisions.

\*\*-\$175,000 reflects net decrease after the existing \$280,000 charge to CEEE is removed.

Base Budget Allocations	2015-16 URPC Proposal	Change	2015-16 Approved Budget	Notes
<b>Base Fund Existing Ongoing Commitments</b>				
Administrative Affairs Deficit	75,000	(75,000)	-	Incorporated into Non-Academic Efficiencies above
Advising Counselor Position (1 FTE)	50,000	-	50,000	
Enrollment Management Software Maintenance Agreements	40,000	-	40,000	
Gov't Relations Liaison (.25 FTE)	25,000	-	25,000	
RAMP Staff Positions (2 FTE)	130,000	-	130,000	
Sexual Assault Prevention Committee	25,000	-	25,000	
<b>New Mandated Costs</b>				
Title IX Advocate Contract	60,000	2,000	62,000	Updated to reflect revised contract amount
<b>New Costs</b>				
Equity, Market, IRP Plans, Other Salary Adjustments (Staff and Faculty)	350,000	282,000	632,000	Updated to reflect approved funding level for 2015-16 faculty equity program
Centers for Academic Excellence	60,000	-	60,000	
<b>Total Allocations</b>	<b>\$ 815,000</b>	<b>\$ 209,000</b>	<b>\$ 1,024,000</b>	
<b>Net Base Allocations / (Reductions)</b>	<b>\$ (130,000)</b>	<b>\$ (679,000)</b>	<b>\$ 549,000</b>	