



CALIFORNIA STATE UNIVERSITY, FULLERTON

College of Education

P.O. Box 6868, Fullerton, CA 92834-6868 / T 657-278-3411 / F 657-278-3110

MEMORANDUM

Date: May 5, 2016

To: Mildred García, Ed.D.
University President

From: Erica Bowers, Ed.D.
Chair, Planning, Resource, and Budget Committee (PRBC)

Subject: PRBC Recommendations for FY 2016-17

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 2016-17. The recommendations presented herein reflect the committee's discussions regarding the financial 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.

CSU Financial Context

In November of 2015 the Board of Trustees (BOT) provided their annual budget request for FY 2016-17 to the Department of Finance. The request included a budget baseline increase of \$242 million in state funds. The plan for these funds would keep tuition rates flat for a fifth straight year, fund mandatory retirement and healthcare costs, create a 2% employee compensation pool, allow for a 3% enrollment growth, provide \$50 million for student success programs, and \$25 million for infrastructure investments.

The Governor's January proposed budget, in turn, reflected his commitment to provide the CSU an annual baseline growth of only 4% or \$140.5 million. The use of these funds would include mandatory retirement and healthcare costs, a 2% employee compensation pool, a 1% enrollment growth, and \$7 million for system wide use in student success programs. Additionally, the Governor's budget included \$35 million in one-time infrastructure investment which would not add to our baseline allocation.

The differences between the CSU budget request and the Governor's proposed budget are illustrated in Figure 1.

THE CALIFORNIA STATE UNIVERSITY

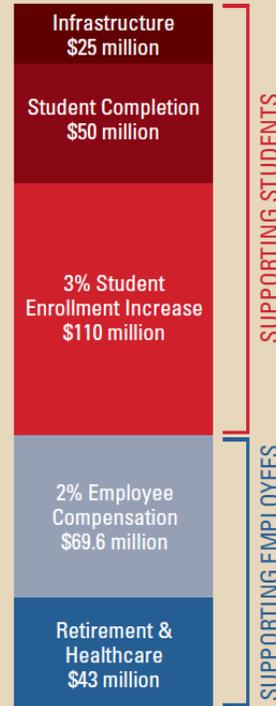


BUDGET CHOICES

GOVERNOR'S BUDGET PROPOSAL*



CSU BUDGET REQUEST



SUPPORTING STUDENTS

SUPPORTING EMPLOYEES

*This is the likely scenario for how \$140.5 million in ongoing funding would be spent. These graphs do not include proposed one-time funding appropriations. Tuition revenue from student enrollment increases included.

Figure 1

In order to bridge the \$101 million gap between the Governor’s proposed budget and the BOT requested funding, the CSU is actively working with the Legislature to include the University’s full request in the final budget for the second year in a row. California State University, Fullerton (CSUF) supports these CSU budget advocacy efforts through the Office of Government & Community Relations in partnership with Associated Students, Inc. Our campus faculty, staff, and students continue to actively meet with our assigned legislative delegation throughout the spring until the budget is approved by the Legislature (by June 15th) and signed by the Governor.

The CSU participates in local and Capitol visits with all members of the legislature for both budget and issue based advocacy. In spring 2016, the CSUF Office of Government & Community Relations will have met with our legislative delegation members or their staff at least 9 times formally before the passage of the 2016-17 budget. Each of these visits underscore and highlight reasons why the CSU is a good steward of state funds and communicates outcomes provided to the State via this investment.



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In addition to in-person advocacy efforts, the campus also participates in e-mail and social media outreach that highlights the investment worthiness of the CSU – our faculty, staff, and especially our students and alumni. One can see the many efforts underway by viewing <https://twitter.com/TitanAdvocates> or searching social media sites for #standwithCSU.

Adding to these challenges next year will be the funding of the CFA salary settlement. While the agreement has yet to be ratified and there is the possibility that the state could augment its budget allocation to the CSU to cover all or part of the corresponding settlement costs, the fact remains that campuses may be expected to absorb some of the currently unfunded amounts. Indeed, the fact-finder report that informed the settlement agreement acknowledged that the CSU does not have the resources to fully fund the CFA's original salary increase requests and recommended that the CFA and CO work together to advocate for more funding for the state and that the CO pursue budget reallocation strategies and/or the postponement of new programs to fill the gaps.

CSUF FY 2016-17 Budget Outlook

The PRBC has reviewed the amounts that would be available for Cal State Fullerton based on the Governor's current proposal and corresponding CO's plan of distribution 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, the campus is expected to realize new gross baseline and one-time funds of \$9.4M and \$13.1M, respectively. However, after covering mandatory adjustments and existing commitments, only \$640K baseline and \$4.05M one-time are expected to be available. The details of these figures are shown in Table 1. The budgeted baseline enrollment increase this year is only 264 FTES compared to 579 FTES in 15-16 and thus corresponding new baseline dollars available for allocation are much lower. In addition, the decreased one-time funds reflect prior commitments such as the \$2.5M for deferred maintenance. Without these prior commitments, the one-time amount would be roughly the same as last year given that over-enrollment levels remain relatively constant.

It is important to note, however, that the above description does not account for the direct and indirect ("fairness clauses") budgetary impact of the recently announced bargaining settlement between the California Faculty Association (CFA) and the CSU. Per the official CSU press release¹, "Under the tentative agreement, which must be approved by the CFA Board of Directors, ratified by CFA members and approved by the CSU Board of Trustees, all faculty unit employees will receive 10.5 percent in general salary increases over a three-year period (fiscal years 2015-16, 2016-17 and 2017-18). If the tentative agreement is approved and ratified, faculty unit employees will receive a 5 percent general salary increase on June 30, 2016, a 2 percent general salary increase on July 1, 2016, and a 3.5 percent general salary increase on July 1, 2017. The agreement also includes a 2.65 percent service salary increase for all eligible faculty unit employees in fiscal year 2017-18."

¹ <http://news.calstate.edu/csu-and-cfa-leaders-reach-tentative-multi-year-agreement>



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Additionally, the CFA settlement indicates that "Effective July 1, 2016, the minimum increase upon promotion will increase from 7.5% to 9% for tenure-line faculty who are promoted from assistant to associate professor and associate professor to full professor".

Table I

| | FY 16-17 |
|----------------------------------------------------------|-----------------|
| Total Gross Baseline Increase | \$9.4M |
| Mandatory Costs and Commitments: | |
| Retirement | (1.4M) |
| Health Care | (2.4M) |
| Compensation Increases (does not include CFA settlement) | (2.4M) |
| Enrollment | (0.862M) |
| Faculty Hiring Plan | (1.14M) |
| Deferred Maintenance | (0.250M) |
| Total Net Baseline Increase | \$0.64M |

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 exhorts Cal State Fullerton to 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.

As we turn to our recommendations, the need for these advocacy efforts is becoming increasingly critical. Over the past several years, a number of initiatives have been implemented. The results of these efforts have manifested themselves in our attainment of increased student graduation rates, closing the achievement gap for under-represented minorities, and the progress made toward the goals and the objectives of the CSUF strategic plan. Funding these initiatives was possible because the state of California was recovering from the Great Recession and began to partially restore its investment in higher education. However, going forward in an environment of flat-line allocations and restricted options for revenue generation creates a budget situation where future funds may not be sufficient to sustain, much less grow these student focused initiatives.

THE CALIFORNIA STATE UNIVERSITY



Recommendations

The PRBC recommends a transparent campus-wide conversation regarding inequities in our internal funding models. It is our hope that our campus can provide a model for a collegial process the system could replicate.

For consistency with previous budget cycles, the PRBC recommends that decisions regarding the allocation of new funding (after new mandatory costs, continuing commitments, and contractual costs are met), the reallocation of existing funding, and the strategic investment of campus reserves be classified according to the following seven major budget categories:

- Operationalizing the University's Strategic Plan
- Reinvesting in Instructional & Support Infrastructure
- Supporting Core Operations
- Strategically Addressing Structural Deficits
- Capital and Facilities Infrastructure Projects
- Faculty Hiring, Retention, and Tenure Track Density
- Mission Critical and Compliance Initiatives

As a general framework, it is our recommendation that the University prioritize the identification and correction of existing infrastructure deficiencies when considering the pursuit of new initiatives.

Within the above categories, the PRBC has identified the following priorities (in descending order).

1. 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 addition to the estimated cost of \$150 million, the estimated cost on this campus exceeds the Governor's proposed \$35 M for the system. 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**).
2. Invest in staff and salary programs such as development, retention, in-range progression, and reclassification. The University's continued commitment to faculty hiring is commendable. This increase in tenure-track faculty requires a commensurate increase in staff commitment. The PRBC recommends the University formulates a sustainable operational plan for addressing staffing needs. This plan should be incorporated into the forthcoming Academic Master Plan (**Supporting Core Operations**). As part of this effort, we recommend the



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division of Human Resources, Diversity and Inclusion provide the PRBC with an annual workforce report.

3. Improve the infrastructure to support research and creative activities. Goal #4 of the university strategic plan requires efforts to increase external grant submissions. The success with writing and submitting grant proposals is predicated on sufficient staffing and infrastructure such as college specific Research Grant Specialists and support staff. In addition, the PRBC recommends reviewing the funding structure to adequately incentivize and sustain funded faculty research. (**Operationalizing the University's Strategic Plan**).
4. Invest in instructional equipment. With the budget downturn in 2008, baseline funds for instructional computer lab and specialized equipment and their maintenance were forfeited. The PRBC recommends re-prioritizing the maintenance and investment in instructional equipment to ensure the implementation of best practices in our academic programs (**Reinvesting in Instructional & Support Infrastructure**).
5. Cover inflationary costs of library resources. Library resources are key to meeting each goal within the universities strategic plan. To meet or exceed these goals the library and its staff must be funded at a level commensurate with a comprehensive university of our stature. While our standing and costs have increased, the library operating budget has steadily contracted (**Supporting Core Operations**).
6. Invest in High-Impact Practices. Our university has been leading the national conversation with regard to high impact practices and we are on track to meet goal #2 of the University strategic plan. The PRBC recommends sustaining our investment to improve student persistence, increase graduation rates and narrow the achievement gap for underrepresented students (**Operationalizing the University's Strategic Plan**)

As far as the University's Strategic Plan, more generally, the PRBC recommends that division heads work with the corresponding academic and administrative units to ensure that the following 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.

THE CALIFORNIA STATE UNIVERSITY



Conclusions

In closing, the PRBC once again 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 fall 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 L. Cruz, Provost and Vice President for Academic Affairs
Emily Bonney, Academic Senate Chair
Ann Camp, Chief of Staff
Michael Shafae, 2016-17 PRBC Chair