CSU STANISLAUS
UNIVERSITY BUDGET ADVISORY COMMITTEE
MARCH 7, 2014

SUMMARY NOTES
(Approved March 21, 2014)

Present: Ms. Eileen Hamilton, UBAC Chair; Mr. Carl Whitman, UBAC Associate Chair/AVP; Professor David Lindsay (FBAC); Professor Paul O'Brien (Sociology); Professor Stuart Wooley (Biology); Alissa Aragon (Staff/Campus Life); Ms. Lori Phillips (Staff/CAHSS); Dean James Tuedio (CAHSS); Director Julia Reynoso (Facilities Planning); Budget Manager Michelle Legg (non-voting); Ms. Julia Fahrenbruch (non-voting/volunteer). Not Present: Ms. Mariam Salameh (ASI President); Mr. Marvin Hooker (ASI Vice President).

Chair Hamilton called the meeting to order at 12:30 p.m. Action: It was moved and seconded to approve, as distributed, the draft February 28, 2014 summary notes. The motion passed unanimously.

UNIVERSITY EXTENDED EDUCATION (UEE)
Budget Manager Legg distributed and reviewed four documents relating to the 2013-2014 University Extended Education Budget Plan: 1) UEE Budget Plan Summary; 2) Uses of Extended Ed Reserve Fund Balances; 3) Indirect Cost Budget Details (breaks down the more detailed cost allocation budget plan); and 4) Fiscal Years' Comparison. Mr. Chuck Gonzalez, Executive-in-Charge of Extended Education, also was present to respond to questions regarding the UEE program and documents.

Indirect Cost Budget—In response to questions from Professor Wooley and Associate Chair Whitman, Mr. Gonzalez confirmed that the indirect cost document links back to the item listed as mandatory reimbursements to the General Operating Fund shown on the budget plan summary ($1,431,137). The systemwide expense item ($94,989) represents the mandatory annual distribution back to the systemwide CSU Extended and Continuing Education program for their personnel costs and other endeavors, such as Commission grants (Commission on the Extended University). Mr. Gonzalez noted that the systemwide charge is not based on a percentage of the total revenue; instead, there are a lot of other factors that determine what is assessed to the campuses and it is a very complicated formulae to understand. He said that if UBAC wishes to know how that figure is generated he would try to find out; the number is given to the campus by the Chancellor's Office and is not generated by UEE proper.

In response to questions from Professor O'Brien regarding the indirect cost budget item for Library staff ($480,000), Ms. Legg said this represents the prorated Librarian salary costs to support UEE programs in Summer and Winter. Mr. Gonzalez said it was placed in there due to the proposed budgetary cuts for FY 2012-2013; they were looking for ways UEE could help to avoid great harm across an entire division. UEE does a lot of business with the Library in the Sumer session relative to the number of students and faculty accessing those services, and this was identified as a fair share of those costs during that particular time. However, Mr. Gonzalez also indicated he would like to do a reassessment of that particular amount, because there also are state-side programs operating during the Summer and those costs need to be proportional; it is rational to come to an agreement on what are the justifiable costs and what is allowable for cost recovery.

Noting that the Library receives approximately one-half million in Lottery funds and one-half million from UEE, Professor O'Brien asked for a percentage representation; for example, is it a $2M budget so it's one-half, or is it $20M so it is just a fraction? Professor Wooley also said it is helpful to have these numbers; even if there might be a better way, at least we are aware of the situation. He noted that due to the uncertain nature of this money, it might be better to put in a structural fix rather than waiting for a difficult situation to arise in these areas and cause us to react.
Follow up: Ms. Legg said she could put something together to display the requested information.

Uses of UEE Reserve Fund Balances—Mr. Gonzalez said the UEE unallocated line ($465,557) is revenue generated based on Special Session degree programs operating within the colleges. It is the Provost's account money that resides in the unallocated line and is used to provide additional program support when needed. Approximately fifty percent of the revenue generated by each individual program goes into that particular line. Provost Strong pointed out that it is really surplus funds or a contribution to overhead after all the other direct costs are allocated. He pointed out that a policy was recently passed for discipline specific special session programs that divides the contribution to overhead between a program and the Provost's Office—for programs generating up to $50,000 it is one amount and for programs generating more than $50,000 it is a different amount. That money is then used to encourage additional program development.

Regarding the operations reserve line ($735,000), Mr. Gonzalez said that this is basically untouchable money as campuses are encouraged by the Chancellor's Office to keep a fixed amount, or balance, in the budget. In response to questions from Professor O'Brien, Mr. Gonzalez said the reserve is not formally mandated, but strongly encouraged by the Chancellor's Office as a way to ensure that the campus can pay everyone and make good on our obligations—the figure is arrived at by looking at a minimum of six months of salaries and general operating expenses for UEE.

Mr. Gonzales reported that the outstanding commitments line ($300,000) is revenue categorized in advance of expenses. The program development line ($150,000) is money that UEE allocates to encourage or kick-start new programs (e.g., research proposals, funding of specific marketing endeavors, new curriculum development), and part of that is used for any Extended University Commission grants, since there is a matching component to that as well. The contingency reserve line ($150,000) is used to support higher cost programs (e.g., the accelerated second bachelors in nursing program is very expensive to manage and operate, so the funds are there in case some things need to be purchased on behalf of that particular program)—if a program cannot manage it, the funds are provided from the contingency reserve and we reimburse that back from the program expenses.

Professor O'Brien asked about the campuswide reserve and where that money is—is it in an account where it is earning interest? Ms. Legg said that money is held in a local bank account and does earn interest. This was the result of an agreement reached in 2005, whereby the State authorized the CSU to invest its own funds, but the CSU has to pay back the State Controller's Office for the lost interest earnings that used to go through their bank—part of the agreement was that we had to keep the State whole, but the agreement also allows us to begin purchasing July 1, even if the final State budget has not yet been signed. Vice President Giambelluca emphasized that the main reason for reaching that agreement with the State was for the operating cash freedom it provided, even though they took the interest; there is an annual deduction for the interest earned. Vice President Giambelluca also pointed out that UEE is a fund inside the University and not an auxiliary.

UEE Fiscal Years' Comparison—In response to questions from Associate Chair Whitman regarding the contract extension line ($51,523), Mr. Gonzalez said it is predominantly for Teacher Education—teachers use contract extension grants for outside instruction activities supported by the College of Education and to meet some of their career advancement opportunities relative to teacher education and credentialing.

With respect to the line labeled as ORBIT ($111,000), Mr. Gonzalez said it is time to go in and clean up some of these line items that have names that are no longer accurate; the account designation remained the same, but the name has been changed. When asked by Chair Hamilton, Mr. Gonzales said he does not remember what the account is called now.

Professor Wooley said that what this document is comparing to is not clear. Ms Legg noted that it is a comparison between prior year revenues and expenses and what the contribution to our reserve fund is—

this is only one fiscal year of revenue and expenditure actuals from 2012-2013, and the bottom number ($591,690) is the amount that carried forward into the one-time reserve. Mr. Gonzalez pointed out that the UEE Budget Summary sheet is a budget plan for FY 2013-2014 that projects a reserve amount of $314,067 at year-end, while the comparison document is showing the FY 2012-2013 actual reserve amount that was carried forward. Noting that this means UEE expects to have less reserve in 2013-2014 than in 2012-2013, Professor Wooley asked, where does that reserve go? Ms. Legg responded that the $314,067 goes into the carryforward and would be added to the minuses in the unallocated. Mr. Gonzalez said those carryforward dollars help to alleviate problem areas relative to some of the expenditures in various accounts/programs mentioned earlier. He pointed out that UEE collects the bulk of revenue in one fiscal year, but the bulk of expenses occur in the next fiscal year so it is going to look very skewed; basically refunding those particular balances and the life cycle of some programs also has an impact.

MARGINAL COST OF INSTRUCTION

Budget Manager Legg distributed a CSU Chancellor's Office document that provides a five-year comparison of the marginal cost of instruction calculation rate per FTES. She noted that, this year, they deducted the financial aid tuition fee discount that goes to grants ($1,312) to arrive at the total marginal cost per FTES ($9,527). In addition, Ms. Legg distributed a narrative document that explains the methodology and history of the marginal cost of instruction—the Marginal Cost is a negotiated funding standard used to quantify the incremental cost of adding one new full-time equivalent student at CSU.

In response to Dean Tuedio's comment that the proportion of students receiving the State University Grant (SUG) is higher than the proportion that is taken out of student fees, Ms. Legg said that our campus has more students who qualify and the subtractions adjust for the amount of revenue we don't actually receive because those student fees are covered by the SUG. Campuses are expected to set aside 1/3 of student fee revenue and the Chancellor's Offices subsequently conducts an actual need calculation. As a result, the CO might cut one campuses budget and give it to another campus that has a higher need than what 1/3 of their fees would cover—they are beginning to recognize it is really tuition fee discounting.

Professor O'Brien asked whether we get that money from the State or is it just an accounting procedure? Vice President Giambelluca said it is not a dollar-for-dollar adjustment; rather it is recognition that those are mythical dollars that only exist on paper—the State has finally recognized that the actual price students' pay is lower by at least 1/3 and in our case even lower. The CO makes a one-time General Fund adjustment every year that speaks to that issue, but it does not completely fix the problem we have in terms of our need. Professor Wooley commented that this doesn't change the cost of instruction. Vice President Giambelluca responded that it just changes the revenue that the campus recovers—the primary conversation is, what is the discount rate and what is the impact on the money you have to cover the fixed costs of running the University?

Provost Strong commented that the marginal cost funding received in year one rolls into the historical base budget, but year two may be at a different rate than the State might give us. If you change the marginal cost rate in year two, the only increase is for the growth amount in budgeted FTES—we are at whatever the historical budget was at each year of marginal funding and the new marginal rate is only for the growth. Ms. Legg concurred and noted that a 200 FTES target for our campus is roughly $1.9M, but we don't get any funds for those additional costs (e.g., an assistant professor hired at a higher salary).

Vice President Giambelluca said that the State budget is an incremental budget and the increment they work with is the marginal cost. Provost Strong pointed out that during a period of inflation our historical budget would be out of sync; however, the cost of instruction is not historical, it is year-by-year and would be out of sync with current costs. Vice President Gimabelluca added that the campus would be required to pay that extra cost and concurred with the Provost that the historical budget is more attractive in a period of deflation, because the costs have not escalated as rapidly; Science I is an example of things that worked in our favor.

Vice President Giambelluca pointed out that at the macro level we use the marginal cost and are always using formulas to allocate funds, but when it gets down to the campus level there are other elements that enter into determining what the effective dollar level is for that student. An example is facilities—as the campus is trying to grow, the cost of what it takes to maintain new space is often neglected (what it actually costs to do square footage maintenance on campus). It is a problem of balancing where those funds are going. Provost Strong further elaborated that growth in FTES and funding from tuition fees comes from new heads or increased unit loads from the heads you already have on campus. He pointed out that three percent of all last Fall's growth was from an increase in the average unit load; we don't get any additional tuition if they take over six units, so we could be generating more FTES, but not getting any additional funding.

Associate Chair Whitman asked if there is any reality as to how those individual numbers are calculated—any relationship between that and what it costs to grow? Vice President Giambelluca responded that it is a macro level communication tool between the CSU, the Legislature, and the Department of Finance—a way for the State to listen to the CSU. It is a very gross measure that is not designed to speak to each particular campus.

Professor O'Brien said that he understands the abstract nature, but asked whether newer campuses are better off than older ones—our campus is relatively new, so aren't we better off? Vice President Giambelluca responded that although the concept is correct, our campus has many buildings for which we never received funding for maintenance or replacement costs. We are a 50-year old campus and many buildings are close to that edge; we are right on the cusp of major maintenance. The CSU system is discovering that it has a huge problem systemwide with some campus buildings that may have to shut down because the warranties and actual service life of equipment are at, or nearly at, the end of their life cycle. Professor O'Brien asked if Science I was reset so that it received a higher amount for maintenance, or is the CO using the original figure? Director Reynoso responded that the Science I square footage was never taken off-line, so the campus is getting the maintenance funding we had before, but we never got any new or additional funding.

FACULTY STATISTICS

Budget Manager Legg distributed two documents titled "10 Year Full Time Equivalent Faculty By Area Classification (2004 through 2013)", noting that this data is pulled from the HR system as of October 31 of each year. The first document is based on "Full Time Equivalent Faculty (FTEF)" and the second on "Faculty Headcount." Ms. Legg said these snap shot data sets are typically generated for the auditors and represent an historical picture of FTEF and Headcount.

Follow up: Ms. Legg indicated that Staff and MPP data sets would be provided at an upcoming meeting.

CAMPUS COMMUNITY FORUM—MARCH 14

Associate Chair Whitman reviewed the proposed agenda sequence and key documents to be included in the slide presentation, noting that the Vice Presidents have been asked to incorporate information on how the priorities for their respective divisions have been implemented during this budget year—provide simple bullet items highlighting the outcome of the priority decisions.

Discussion regarding financial items to be included focused on the 2012-2013 Fiscal Year actual and ending balances and allocations by Division, and the 2013-2014 Fiscal Year budget plan summary by Division, including the General Fund one-time carry forward allocations.

Professor Wooley asked if the issue of Lottery funding for the Library should be raised? Dean Tuedio expressed his belief that this issue should come up as part of UBAC's discussion of priorities.

Professor O'Brien suggested a slide be included regarding the reserve fund. In response to questions from Dean Tuedio, Ms. Legg confirmed that the 5% maximum of the annual budget is about base dollars—that means building up to and maintaining a maximum of 5% in the base budget reserve. Associate Chair Whitman noted that some confusion arises because one-time funds are included in the reserve budget line.

Follow up: Budget Manager Legg will send the financial sheets to Associate Chair Whitman for review and incorporation into the slides and for subsequent distribution to the Committee for review prior to the forum. Mr. Whitman noted that the Vice Presidents individual bullet items might not be ready until the last minute. Chair Hamilton noted that UBAC members would be seated up front at the forum.

ADJOURNMENT — The meeting adjourned at 1:55 p.m.