

## University Budget Committee Thursday, February 17, 2022

### Members

Michael Spagna, Deborah Wallace, William Franklin, Chris Manriquez, Scott Barrett, Rama Malladi, Jonathan Molina Mancio, Ricardo Ortega Martinez, Kate Fawver, Edward Cleek, Sonal Singhal, Lisa Hutton, Wendolyn Vermeer, Elwin Tilson, Ken O'Donnell, Jacqueline Kuenz, Susan Sanders, Cecily McAlpine, Hadia El-Bardisy, Katie Robinson

### Summary

#### 2021-22 Budget Update – 2<sup>nd</sup> Quarter Actuals

- 2<sup>nd</sup> quarter represents the first half of the year (July Dec), which includes a full semester
- All figures in the 2<sup>nd</sup> quarter report are as of 12/31/21
  - o Actual revenues are projected to be approx. \$125k under budget
  - o Projected YE Balance is \$9.9M; most of the carryforward balance is in Centrally Monitored but will need to be used to offset potential division deficits.
  - o As of December 31st, 2021, there was \$3.6M in actuals and encumbrances in AADHT that were going to be reimbursed by CARES funds
- How accurate are these projections?
  - o Most years we could expect projections to be relatively consistent; however, there is always a footnote that different divisions have different busy quarters that may end a reporting period outside of the average.
  - o This year was different. Second Quarter saw an uptick in COVID related expenses. We can anticipate even more expenses in Third Quarter, and then substantial reimbursements from CARES in Third and Fourth Quarters.
  - o We should not be surprised if a reporting period ends with a large surplus or deficit due to timing of CARES expenses and reimbursements.

#### Cares Update

- When the pandemic struck the campus was already in a vulnerable position from both a financial and infrastructure perspective
  - o Every campus had a different set of needs based on their student population, and position prior to the pandemic.
    - Examples: food insecurities, lost enrollments, digital divide/infrastructure
- One-time funds were available, but incredibly restrictive in their use. These funds were not distributed to the campus, but are available to be reimburse after expenditures are realized.
  - o Without a reserve, the campus has NO room for interpretation we cannot absorb these expenses if the claim is not accepted
- The expenses must be directly related to moving to a virtual environment, and maintaining campus safety upon return
  - o Claims for reimbursement cannot supplant existing/operational funding
- As of 2/4/22 the campus had drawn down \$26.7M over 22 claims
- Most of these claims are associated with lost revenue since those are the easiest claims to prepare with the largest financial impact
- There are 155 claims remaining (labor and paper intensive processing), but they cannot be completed until all expenses have been recognized they range from \$741 to \$3.2M

#### Cares Next Steps

- We need to prioritize processing claims:
  - o We are requesting an extension for additional time to complete the claims.
  - o Most expenses should be realized in the Third Quarter
- We are working with Cal OES to prepare a FEMA claim for expenses related to COVID testing. This would help close the gap for unfunded CARES needs.

#### Governor's Preliminary Budget

- New discretionary state funding will be minimal in 22-23:
  - o The Governor's January preliminary budget proposed a five year compact with the CSU based on meeting targets to be identified in May.
  - o This compact includes an annual 5% "unrestricted" General Fund increase.
    - 5% is the increase to the state allocation, but without a tuition increase it represents only a 2.85% increase in the CSU budget.
    - We can assume this annual increase would only cover mandatory costs.
- Only base funding will be from Enrollment Growth:
  - o CSUDH will receive an additional 250 FTES (2.17%) in 2022/23, and we can anticipate 1% growth for the four years after.
  - o This funding does not reflect the additional SUG increase required per SB169. This amount will either be deducted from the 5% increase (where?!) or the campus will have to absorb it.
  - o As of yet there are no specific restrictions against this funding, but the campus will be expected to meet certain targets outlined in the May Revise. They will be related to closing equity gaps and increasing timely graduation rates.
- Changes to the budget are anticipated between now, the May Revise, and the Final Budget in June
  - o Updates will continue to be shared with the campus

#### 2022-23 CSUDH Division Budget Request Process

- The average YoY change in operating budget over the last five years is: 4.1%

If the AY 2022-23 operating base budget is more than the current budget of \$209.39 million, a question arises on how to distribute the delta (change) across divisions.

- There is no one better way to do this allocation.
- The new budget allocation process requires collective effort.
- Everyone needs to bat for the university, not their division.
- There are four possible ways (and many more), to start the discussion.
  1. Auto pilot: Based on current division budget size
    - o **Suppose** the new base budget goes up to \$215 million.
    - o Using the current division weight (proportion), it can be distributed in the following way.

	AY 2022-23	New Allocation	2021-22	Proportion (2021-22)
Academic Affairs	\$ 69,179,754	\$ 1,804,062	\$ 67,375,692	32%
Admin and Finance	\$ 17,852,563	\$ 465,557	\$ 17,387,006	8%
Univ. Advancement	\$ 3,626,738	\$ 94,578	\$ 3,532,160	2%
Centrally Monitored	\$ 97,338,702	\$ 2,538,388	\$ 94,800,314	45%
Info. Technology	\$ 10,668,480	\$ 278,211	\$ 10,390,269	5%
President's Office	\$ 3,691,187	\$ 96,258	\$ 3,594,929	2%
Student Affairs	\$ 12,642,576	\$ 329,692	\$ 12,312,884	6%
<b>TOTAL OPERATING BUDGET</b>	<b>\$ 215,000,000</b>		<b>\$ 209,393,254</b>	<b>100%</b>

**Pro:** No human decisions. All divisions get the pie according to their current weight.

**Con:** No scope for subjective priorities or strategic projects.

2. Auto pilot: Based on prioritized projects sequentially (waterfall)

- o **Suppose** the new base budget goes up to \$215 million.
- o Using voted priorities of new projects, new allocation can be distributed as below.

Method 2: Waterfall Projects					This is an Example. Ranks are decided by the UBC (and/or Cabinet)			
AY 2022-23 Budget (Example)	\$ 215,000,000							
New Budget Increase in AY22-23	\$ 5,606,746	or 2.6%.						
Increase for all divisions	2%							
Remaining budget for allocation	\$ 1,418,881							
	AY 2022-23	New Allocation	General Increase	2021-22	Projects	Rank	Budget Requested	New Allocaton
Academic Affairs	\$ 68,723,206	\$ -	\$ 1,347,514	\$ 67,375,692	Academic Affairs	6	\$ 200,000	\$ -
Admin and Finance	\$ 18,103,627	\$ 368,881	\$ 347,740	\$ 17,387,006	Admin and Finance	3	\$ 500,000	\$ 368,881
Univ. Advancement	\$ 3,902,803	\$ 300,000	\$ 70,643	\$ 3,532,160	Univ. Advancement	2	\$ 300,000	\$ 300,000
Centrally Monitored	\$ 97,446,320	\$ 750,000	\$ 1,896,006	\$ 94,800,314	Centrally Monitored	1	\$ 750,000	\$ 750,000
Info. Technology	\$ 10,598,074	\$ -	\$ 207,805	\$ 10,390,269	Info. Technology	4	\$ 225,000	\$ -
President's Office	\$ 3,666,828	\$ -	\$ 71,899	\$ 3,594,929	President's Office	5	\$ 300,000	\$ -
Student Affairs	\$ 12,559,142	\$ -	\$ 246,258	\$ 12,312,884	Student Affairs	7	\$ 250,000	\$ -
<b>TOTAL OPERATING BUDGET</b>	<b>\$ 215,000,000</b>	<b>\$ 1,418,881</b>	<b>\$ 4,187,865</b>	<b>\$ 209,393,254</b>				<b>\$ 1,418,881</b>

**Pro:** Highest priority new strategic projects are fully funded

**Con:** Some divisions may not get new project funding

3. Auto pilot: Based on prioritized projects using a weighting method

- o **Suppose** the new base budget goes up to \$215 million.
- o All new strategic projects get some funding, new allocation can be distributed as below.

Method 3: Project Weights					This is an Example. Weights are decided by the UBC (and/or Cabinet)			
AY 2022-23 Budget (Example)	\$ 215,000,000							
New Budget Increase in AY22-23	\$ 5,606,746	or 2.6%.						
Increase for all divisions	2%							
Remaining budget for allocation	\$ 1,418,881							
	AY 2022-23	New Allocation	General Increase	2021-22	Projects	Weights	Budget Requested	New Allocaton
Academic Affairs	\$ 68,923,206	\$ 200,000	\$ 1,347,514	\$ 67,375,692	Academic Affairs	15%	\$ 200,000	\$ 200,000
Admin and Finance	\$ 18,068,885	\$ 334,139	\$ 347,740	\$ 17,387,006	Admin and Finance	20%	\$ 500,000	\$ 334,139
Univ. Advancement	\$ 3,902,803	\$ 300,000	\$ 70,643	\$ 3,532,160	Univ. Advancement	30%	\$ 300,000	\$ 300,000
Centrally Monitored	\$ 96,946,924	\$ 250,604	\$ 1,896,006	\$ 94,800,314	Centrally Monitored	15%	\$ 750,000	\$ 250,604
Info. Technology	\$ 10,681,609	\$ 83,535	\$ 207,805	\$ 10,390,269	Info. Technology	5%	\$ 225,000	\$ 83,535
President's Office	\$ 3,750,362	\$ 83,535	\$ 71,899	\$ 3,594,929	President's Office	5%	\$ 300,000	\$ 83,535
Student Affairs	\$ 12,726,211	\$ 167,069	\$ 246,258	\$ 12,312,884	Student Affairs	10%	\$ 250,000	\$ 167,069
<b>TOTAL OPERATING BUDGET</b>	<b>\$ 215,000,000</b>	<b>\$ 1,418,881</b>	<b>\$ 4,187,865</b>	<b>\$ 209,393,254</b>		<b>100%</b>		<b>\$ 1,418,881</b>

**Pro:** All strategic projects are partially funded

**Con:** No strategic project may get full funding

4. Subjective selection of new projects by the UBC

- a. **Suppose** the new base budget goes up to \$215 million.

b. The new allocations are done subjectively by the UBC (with the help of the Cabinet)

<b>Method 4: Subjective Allocation</b>	\$ 215,000,000			
New Budget Increase in AY22-23	\$ 5,606,746	or 2.6%.		
Increase for all divisions		2%		
Remaining budget for allocation	\$ 1,418,881			

**This is an Example. New allocations are decided by the UBC (and/or Cabinet)**

	AY 2022-23	New Allocation	General Increase	2021-22
Academic Affairs	\$ 69,723,206	\$ 1,000,000	\$ 1,347,514	\$ 67,375,692
Admin and Finance	\$ 17,734,746	\$ -	\$ 347,740	\$ 17,387,006
Univ. Advancement	\$ 3,602,803	\$ -	\$ 70,643	\$ 3,532,160
Centrally Monitored	\$ 97,115,201	\$ 418,881	\$ 1,896,006	\$ 94,800,314
Info. Technology	\$ 10,598,074	\$ -	\$ 207,805	\$ 10,390,269
President's Office	\$ 3,666,828	\$ -	\$ 71,899	\$ 3,594,929
Student Affairs	\$ 12,559,142	\$ -	\$ 246,258	\$ 12,312,884
<b>TOTAL OPERATING BUDGET</b>	<b>\$ 215,000,000</b>	<b>\$ 1,418,881</b>	<b>\$ 4,187,865</b>	<b>\$ 209,393,254</b>

**Pro:** Human decisions.

**Con:** Human decisions.

5. Some other method that the UBC proposes

### Strategic Priorities

Without a strategic plan, the budget is the plan.

- The most important part in strategic budgeting is starting with planning priorities, and then assigning resources
- Once the priorities have been established, they must be tied to goals and outcomes so progress can be measured
- The goal is to create priorities that are mission driven and actionable
- By creating action items with benchmarks, we can tie investments to impact (this is helpful for increasing available funding)

*Example:*

**Step 1: What is the problem we're trying to solve?**

- Increase 4 year graduation rates

**Step 2: What are the barriers to solving the problem?**

- Students are seeking course planning, but are unable to do so during regular business hours.

**Step 3: What actionable work can be done to overcome the barrier?**

- Have advising space open late, reschedule advisors to work more accessible hours, increase access to digital planner, second year program planning intensives programming

- Once these actionable items have been identified, we can start the process of allocating resources toward them
- This includes existing resources! I will not torture you with another picture of an iceberg, but we can't focus solely on new resources, and ignore the other 98% of the budget already on campus

- Departments and divisions are already empowered to address goals with existing priorities.  
Example: evaluating positions as they become vacant.

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**Action Items**

None.

Full recording available upon request.