A "Students First" Budget

Students, and their ongoing success, are at the forefront of Humboldt State University's decision-making processes. Even as we work to reduce the University's spending by 7%, considerable efforts are underway to prioritize investment and support for students:

- Lower proportional budget reductions are assigned to areas directly serving students to best protect the core academic mission.
- The first principle guiding the colleges' budget reduction planning is to maintain their capacity to provide/offer the courses that students need to make progress to degree attainment.
    - Academic Programs and the Office of Institutional Effectiveness are assisting the colleges in building fall 2018 and spring 2019 course schedules that align with student demand and utilize available resources.
    - If needed courses are not offered in a given semester, alternate courses will be identified to maintain student progress toward degree.
- No reductions have been proposed to student employment budgets – in fact, budgets for student assistants/work study, etc. will increase to keep pace with minimum wage increases and reflect our intention to invest in this area.
- A fundraising initiative is being established to seek charitable contributions to provide critical support for students with modest financial shortfalls. The details of this effort are still being established, but it responds, in part, to the call for employees to participate in addressing the University's budget shortfall.
- A Task Force on Student Fees is exploring the alignment of student fees with student needs and priorities, with a report and recommendations anticipated by mid-April.
- Additional student housing is a priority, and efforts are underway to develop a new 350-450 bed facility on the HSU campus, with the goal of having additional student housing available by fall 2022 to help alleviate student housing insecurity.
- A majority of the budget reductions are focused on administrative operations and services – focusing on how we can realign our structures, spending, and activities in ways that are more cost effective, while minimizing the impact to students.

Overview of the 2018-19 Budget

As outlined in HSU's Five-Year Budget Planning Sheet – PRE-REDUCTIONS in Appendix B, HSU's 2018-19 Operating Fund Revenue Budget is $134 million, with Base Expenditures projected at $141 million prior to reductions being made, resulting in a base budget deficit of $7 million. Left unaddressed, the deficit is projected to grow to $9 million in 2019-20. At this time, we are moving forward with the full $9 million in reductions now and will leverage one-time funding to bridge the reductions that will take additional time to implement. This approach is intended to establish clear expectations and set budget levels that all areas are expected to spend within; this approach will also proactively address current overspending and make significant progress in balancing the budget to achieve targeted reductions. HSU's Five-Year Budget Planning Sheet – POST-REDUCTIONS in Appendix C reflects HSU's five-year budget after reducing spending by $9 million, with total resources in 2018-19 of $135 million following reductions and increases to cost recovery revenue.

As part of the $9 million reduction plan, we are also addressing structural deficit issues in the academic colleges and Athletics, where existing spending levels exceed available budget, by incorporating $2.3 million for the academic colleges and $500k for Athletics into existing costs that must be reduced to achieve a balanced budget. For Athletics, $500k represents the campus' cost match to the community's $500k commitment to raising new funds to support Athletics and is an initial step toward a sustainable long-term financial structure for Athletics. We are continuing to monitor the receipt of the community's pledges and will provide an update to the campus community this summer as soon as possible after all of the 2017-18 contributions have been collected.

This budget plan is based on the most current information available from the State, the Chancellor's Office, and the campus. Additional information is expected to be available by mid-May; the new information will include the Governor's May Budget Revision, the outcomes of the May CSU Board of Trustees meeting when a tuition increase may be considered, the final State budget that will be approved in June, the Governor's final approval of the state budget later that month, and the campus allocations from the CSU soon after that. At this time, we do not anticipate our plan changing based on outcomes of these meetings and decisions, given (1) the importance of strategically reducing HSU's spending to be better aligned with our system peers and (2) the existing vulnerability of our state allocation given enrollment being below the our CSU target for in-state residents.

We will keep the campus informed as additional information about the 2018-19 budget becomes available.

Reduction Plans by Functional Category (FIRMS Code)

The following overview by functional category (the FIRMS Code) provides an update of the actions taken to date and identifies anticipated one-time bridge funding needed to allow time to implement reductions with a longer timeframe. While we are moving forward with the full $9 million in reductions in 2018-19, we anticipate achieving spending reductions of $4.84 million in 2018-19 and will backfill the remaining $4.16 million with one-time funding for reductions that will be fully achieved in 2019-20.

Description	2018-19 Reductions	2018-19 Achieved Reductions	One-Time Bridge Funding
Instruction	-3,000,000	-1,540,000	-1,460,000
Academic Support	-1,390,000	-465,000	-925,000
Student Services	-740,000	-500,000	-240,000
Institutional Support	-2,750,000	-1,520,000	-1,230,000
Operation and Maintenance of Plant	-1,120,000	-819,000	-301,000
Total Reductions	**-9,000,000**	**-4,844,000**	**-4,156,000**

Strategies for Reductions

The reduction plan reflects a combination of efforts to stop spending beyond available resources; this goal represents the rationale, or the "why?," behind these actions. In response to the initial budget reduction plan released on February 23, the University Resources & Planning Committee asked for additional rationale for some of the planned changes. Specific explanations include restructuring areas to reduce redundancy and eliminate duplication of effort, stopping specific activities, reducing positions, increasing cost-recovery reimbursements related to self-support and auxiliary activities and services, and exploring shared-services opportunities with the community that result in additional resources to the campus. The strategies listed below are not linked to the FIRMS Codes, but rather they reflect the overarching rationales behind the decisions.

Reduce redundancy and eliminate duplication of effort: Our current Strategic Plan Sub-Outcome 4.2B states this goal: *Resources are utilized and allocated with a "whole campus" perspective including auxiliaries rather than from individuals units' perspectives.* Several efforts are underway to establish unified operations to better support the campus. Examples include merging Housing facilities and state facilities operations, integrating University Center business operations with state business operations, consolidating warehouse and distribution services operations in Facilities Management, and reducing internal chargebacks.

Stop specific activities that are not central to the University's mission*:* Several current activities will be eliminated to reduce spending. In each case, the value proposition does not justify the additional expense. Examples of these changes include eliminating a staff position that functions as an intermediary between users of Enterprise rental cars and the company, reducing daily mail delivery to 3 days per week, and moving away from having an off-site Third Street Gallery in Eureka.

Reduce the number of positions to adjust to lower enrollment and increased efficiencies*:* We continue to work to protect our employees, and reductions in the number of positions are among the most challenging decisions we are making. However, the number of lecturer position appointments will be reduced in fall 2018 (reflecting the lower enrollment of 600-800 fewer students as compared to fall 2015), and 14 staff and administrator positions will be eliminated in the short-term. Looking ahead, we will further reduce an estimated 30 staff and administrator positions, primarily through attrition and reassignment, and we will not recruit any tenure-line faculty positions for fall 2019.

Increase reimbursements and explore shared-services opportunities*:* These options include both increasing revenues through reimbursement for University services that are provided to auxiliary and self-support operations and decreasing costs by sharing support for services with other CSU campuses or the local community.

Updates on Reductions Based on FIRMS Codes

Instruction - $3 million (includes elimination of $2.3 million deficit expenditures)

Instruction reflects direct costs related to delivering the University's instructional programs. Academics and student learning represent the core of HSU's mission. The 2018-19 Budget Plan strategically protects the academic colleges so they have the capacity to provide courses that ensure student progress toward degree attainment. The Operating Fund (General Fund) base budget allocation to the colleges will be reduced less than one percent - the colleges will be allocated $55 million for the 2018-19 fiscal year. By re-calibrating HSU's instructional spending to more closely align with our CSU peers, we remain committed to maintaining a 10% higher per-student FTE investment in instruction than our similar-sized CSU peers and keeping our per-student investment in the top 25% of all CSU campuses.

Progress Update:
We worked with the academic colleges to determine realistic reductions that can be achieved in 2018-19, while still supporting necessary course offerings and student progress to degree. At the moment, we are moving forward with spending reductions of $3 million in Instruction - much of this will be achieved via the elimination of deficit overspending that has plagued the colleges for the past 8 years. Because course schedule planning is now data-informed for 2018-19, planning that takes into account student demand for courses, the three colleges have already collectively reduced their spending by $1.54 million. One-time bridge funding will be provided to backfill the remaining reductions that will be achieved by 2019-20. If the colleges are able to exceed the 2018-19 achieved reduction levels referenced in the table below, the additional savings will be carried forward to help bridge the remaining reductions.

In the College of Arts, Humanities, and Social Sciences (CAHSS), savings have been identified through the thoughtful evaluation of student course offerings, with the college planning to offer 17,788 classroom seats across 615 course sections for fall 2018. The College of Professional Studies (CPS) plans to offer 12,159 seats across 340 course sections in fall 2018; a portion of the $500,000 savings in CPS were realized by reducing the number of sections offered in individual courses. The College of Natural Resources & Sciences (CNRS), will offer 14,820 seats across 413 course sections in fall 2018. In total, the three colleges will offer 44,767 seats across 1,368 course sections in fall 2018. HSU has reduced the number of seats across all three colleges by 3,143; however, in fall 2018 we plan to offer 93% of the seats we offered in fall 2017. Fall 2017 was a semester with higher enrollment (as compared to the fall 2018 projections) and the available seats offered exceeded actual student demand. (These data were provided by OIE on April 6, 2018 and will continue to be fine tuned through the beginning of the fall semester. Counted sections do not include S-class or C-78 courses such as internships, projects, directed studies, or supplemental instruction.)

Description	2018-19 Achieved Reductions	One-Time Bridge Funding
Instructional Activities		-1,460,000
College of Arts, Humanities, & Social Sciences (CAHSS)	-400,000	
College of Natural Resources & Sciences (CNRS)	-640,000	
College of Professional Studies (CPS)	-500,000	
Total Instruction	**-1,540,000**	**-1,460,000**

Academic Support - $1.39 million

Academic Support reflects our administrative activities (e.g. Dean's Offices, Sponsored Programs Foundation pre-award support) and ancillary support activities (e.g. Library, online education, advising, Trinidad Marine Lab facility, Marine Vessel) related to Instruction and Research. The Materials, Services, and Facilities Fee (MSF) provides additional support to enhance students' educational experience at HSU and augments the spending activities in this category. Reducing spending by 9% in this category still maintains higher spending per student than our peers (6% higher than similar-sized peers, 14% higher than system average).

Progress Update:

We have made considerable progress, yet we still have the farthest proportionally to go in this category to achieve the full reduction target. Progress to date is outlined below, and we will continue to move forward on the items initially outlined in the February 23 memo in the coming months.

The College of Extended Education & Global Engagement (CEEGE) is being restructured to streamline administrative structures and services, resulting in the elimination of the Associate Vice President for CEEGE position. In addition, the financial investment in the Center for International Programs (CIP), which is currently part of CEEGE but is reflected in the Student Services category in this report, will decrease to better align with international student enrollment trends and support needs. As part of the reduced CIP footprint, the CIP Director position has been eliminated. This reorganization of CEEGE allows Humboldt State to fully support faculty-led study abroad programming, continue our commitment to international students, and explore new ways to support students via Extended Education. Further evaluation is underway regarding how best to optimize these services.

In addition to fully implementing the cost allocation model as described in the Institutional Support section, we are making a conscious effort to have Operating Fund expenditures and reimbursements reflect the cost and effort to support the activity and/or deliver the service. Two specific examples include:

- Memorandums of Understanding (MOUs) will be updated to incorporate cost recovery for administrative support provided by the Dean's Offices and Provost's Office to self-support academic programs.
- The Executive Director of Sponsored Programs Foundation (SPF) position will now be split funded between the Operating Fund and SPF to reflect the shared nature of this position's workload.

The University is continuing to move forward with the decision to close the Third Street Gallery. This is a difficult decision and one that we take very seriously. Input from members of the University community and external constituents has provided valuable perspective on the role of the Third Street Gallery. Key aspects of this decision and important considerations as we move forward include:

- We are proud of the contributions of the Third Street Gallery and Humboldt State University in the ongoing development of the arts in Eureka and Humboldt County.
- The Third Street Gallery has been operating largely independent from (and auxiliary to) the HSU Department of Art and the educational mission of the College of Arts, Humanities, and Social Sciences. The structure of funding has not been diversified as needed for long-term sustainability as an auxiliary unit.
- We are excited about opportunities to more fully integrate all gallery programming with the curricula of the Art Department.
- The kinds of experiences the Gallery has provided to students are invaluable to their educational experience. We are committed to providing students interested in museum and gallery-based careers with meaningful and diverse internship opportunities. As we do so, we are committed to inclusive and equitable opportunities that attract students from diverse majors to the Museum and Gallery Practice program.
- We are investing in our Museum and Gallery Practice certificate program through a dedicated faculty search (the first in Museum and Gallery Practice) and redeployment of funds to more

fully support the management of all HSU galleries. (Third Street Gallery has been the only of our galleries with a full-time director.)

- We know that this investment can pay off for students and for our contributions to the arts in the region as we increase the quality and visibility of our campus gallery offerings.
- We have watched the community response to music, theatre, and film productions on campus and want to work with community stakeholders to create an on-campus gallery program that is accessible and vibrant. Our CSU counterparts have campus-based galleries (rather than community-based galleries), and we look forward to learning more from them about strategies for increasing community engagement on campus.
- Our students have creative ideas about how to preserve the best of the Third Street Gallery within a shifting budget environment. We look forward to working with them to envision the next decade of gallery-related educational programming at HSU.

Description	2018-19 Achieved Reductions	One-Time Bridge Funding
Restructure College of Extended Education & Global Engagement	-260,000	
Fully recover state support for self-support academic programs	-100,000	
Split fund SPF Executive Director position between state and SPF		-100,000
As part of ITS restructuring, eliminate vacant ITS position	-105,000	
Close Third Street Gallery		-55,000
Remaining reductions still in progress		-770,000
Total Academic Support	**-465,000**	**-925,000**

Student Services: $740,000

Student Services includes services and activities that promote intellectual, cultural, and social development beyond the classroom and support students' emotional and physical well-being. In addition, enrollment management activities (e.g. Admissions, Registrar, Financial Aid) are included in this category. HSU spends less per student than its similar-sized CSU peers in this category; however, HSU currently does not have any base-budget support for Athletics factored into this category, whereas our peer campuses do at a significant cost (three out of the four similar-sized campuses invest more than $3 million per year in Intercollegiate Athletics from Operating Fund (General Fund) resources).

Progress Update:

Two-thirds of the reductions within the Student Services category have already been realized. As previously discussed in the Academic Support section, the financial investment in the Center for International Programs (CIP) has been reduced to more closely align with international student trends and support needs. In addition, as mentioned in the February 23 reduction plan, two vacant positions have been eliminated in EOP and the Registrar's Office, and HSU will transition a position that manages an existing federal grant from Operating Fund support to be funded directly by the grant, following best practices at other universities. The federal grant expires in 2022, and one-time funding has been identified to bridge the remainder of the grant.

Over the past few weeks, we have received significant feedback from the University community in support of maintaining the Children's Center. The Children's Center provides important services to our students, both in the form of childcare services and student employment opportunities, as well as to our faculty and staff. However, having a Children's Center operated directly by the University is financially challenging to sustain. In the coming weeks, we will establish a representative work group composed of campus employees, students, and community members, with the support of an HSU Project Management expert, to comprehensively explore multiple options (e.g. potential partnerships, alternative funding structure, location). This evaluation will likely take 6-9 months to complete. Realistically, we are a year away from determining a definitive path forward for our Children's Center. Providing quality childcare opportunities for our students is important, and we are optimistic we can identify a solution that ensures the continuation of this vital service, while freeing up University resources.

Finally, we intend to evaluate our student support functions to determine if we can create greater synergy and better align student support services and programming efforts through reorganizing and/or co-locating services. Given that there are no anticipated cost savings with this effort, it is not one of the reduction items we have prioritized to address first, yet we remain committed to evaluating how to improve service in this area in the coming year.

Description	2018-19 Achieved Reductions	One-Time Bridge Funding
Reduce Center for International Programs (CIP) footprint	-250,000	
Eliminate vacant positions in EOP (1) and the Registrar's Office (1)	-155,000	
Shift federal grant director position salary to grant support funds	-95,000	
Evaluate options for delivering Children's Center services		-240,000
Total Student Services	**-500,000**	**-240,000**

Institutional Support: $2.75 million

Institutional Support reflects the central administrative support services for the campus, including activities related to business services, human resources, marketing and communications, executive management, philanthropy, budget, institutional effectiveness, diversity, equity and inclusion, and information technology. The reduction to Institutional Support reflects a 13% reduction to this category, almost twice the rate of the overall 7% budget reduction. This higher proportional reduction helps preserve budgets in other categories and brings spending more in alignment with peers. HSU will continue to have higher spending per student than the average for the CSU because several centralized functions are included in this category, such as Information Technology Services, Office of Institutional Effectiveness, and an integrated Human Resources and Academic Personnel Services. The inclusion of these centralized activities results in relatively higher spending in this category (and less in other categories) compared with our CSU peer institutions.

Progress Update:

We are just over halfway to our reduction target in Institutional Support. We have moved forward with shifting the timing of how we budget future year January 1 benefit rate increases (e.g. health, dental) from projecting ahead of time to factoring in the increases once they are known (results in base savings in the initial implementation year), reducing the President's Office operating budget, shifting the majority of the state-side faculty start-up budget to resources generated by the Sponsored Programs Foundation (SPF), and eliminating vacant positions in Information Technology Services (ITS) and the

Office of Institutional Effectiveness. The initial elimination of vacant positions in ITS is part of a broader effort to restructure ITS operations over the next few years to bring spending more in alignment with CSU peers.

In addition, we are moving forward with increasing self-support/auxiliary reimbursements to the Operating Fund to more fully recover the costs of services being provided by state operations. As a result, public safety, information technology services support, and space, which were not historically part of the reimbursement calculation, will now be included. The resulting higher reimbursement amounts will be phased in over the next two years to reduce the impact to our self-support and auxiliary organizations in the first year.

To move ahead with integrating University Center business operations with state business operations, a group consisting of campus staff and UC staff, with the support of ITS Project Management, will research how, and to what extent, the two business operations can be integrated to most effectively serve students. Findings and proposals will be shared with the UC Board, URPC, and Cabinet.

In the next few weeks, a work group will begin the groundwork to reduce internal chargebacks and/or streamline billing processes to make basic costs of doing business a University-wide expense for activities such as telephones, networks, and copier charges.

While not concrete yet, we are continuing to explore shared services opportunities within executive management departments and hope to identify, implement, and reduce costs in this area in the coming months.

Description	2018-19 Achieved Reductions	One-Time Bridge Funding
Shift timing of January 1 benefits budget increases by one year	-500,000	
Restructure ITS services, initially eliminate two vacant positions	-230,000	-530,000
Eliminate vacant positions in Office of Institutional Effectiveness	-190,000	
Remove state-side faculty start-up base budget	-100,000	
Reduce operating budget in the President's Office	-200,000	
Fully implement cost allocation model reimbursements	-300,000	-300,000
Reductions and reorganizations still in progress		-400,000
Integrate UC Business Operations with State Business Operations		
Explore cost savings opportunities in Executive Management		
Total Institutional Support	**-1,520,000**	**-1,230,000**

Operations & Maintenance of Plant: $1.12 million

Operations and Maintenance of Plant encompasses our investments in maintaining a safe, clean, and quality campus physical and natural environment. Our beautiful, yet remote, location results in higher comparable maintenance and construction costs than our CSU peers. Therefore, it is important to maintain a higher per student investment in this area, while still bringing costs more in alignment with our system peers.

Progress Update:
We are on track to achieve three quarters of the reduction target for Operations and Maintenance of Plant by July 1, 2018. With respect to the Housing facilities merger with state-side facilities operations, Facilities Management and Housing have held joint meetings with all affected staff to discuss timelines and to begin the process of sharing organizational charts, discussing information about processes and systems, and creating lists of issues to address. The merger is moving forward and on track to transition services by July 1, 2018. A work group will be established to evaluate LiveScan services to determine if the service should be stopped or maintained on campus at a higher fee rate, so that this service is revenue-neutral for the University.

Description	2018-19 Achieved Reductions	One-Time Bridge Funding
Consolidate facilities warehouse and distribution services	-83,000	
Reduce administrative layers within custodial services area	-72,000	
Eliminate Enterprise rental car services on campus	-77,000	
Reduce emergency maintenance contingency	-145,000	
Eliminate base allocation for sustainability projects	-100,000	
Eliminate vacant sustainability analyst position	-82,000	
Sell, restructure, and/or payoff University properties	-260,000	
Reductions and revenue opportunities still in progress		-301,000
Merge Housing facilities with state-side facilities		
Eliminate LiveScan service or make the service revenue neutral		
Explore shared services opportunities with the community		
Total Operations & Maintenance of Plant	**-819,000**	**-301,000**

Conclusion

The University has made significant progress to implement reductions for 2018-19, and the remaining reductions will be achieved in 2019-20. This is a challenging time on campus, but we continue to be impressed by the resiliency of the campus and the passion and commitment of our students, faculty, and staff. We are working to establish a comprehensive communication plan to keep the campus community informed, complete with regular communications to the campus and updates on the website as progress is made. At the end of this budget-balancing effort, we will be in a solid financial position, with $135 million in Operating Fund resources to invest in serving and educating our students.

Appendices

Appendix A. 2018-19 HSU Budget Planning Assumptions

Appendix B. Five-Year Sustainable Budget Planning Detail for 2018-19 - Pre-Reductions, April 9, 2018

Appendix C. Five-Year Sustainable Budget Planning Detail for 2018-19 - Post-Reductions, April 9, 2018