

# URPC Campus Budget Meeting

November 7, 2019



# Meeting Goals – What Success Looks Like

Audience members will have:

- An awareness of our current budget situation
- An understanding of the URPC's charge, approach, and progress to develop a multi-year balanced budget plan
- Provided input to further inform URPC allocation model development
- Knowledge of additional opportunities to provide input

# Agenda

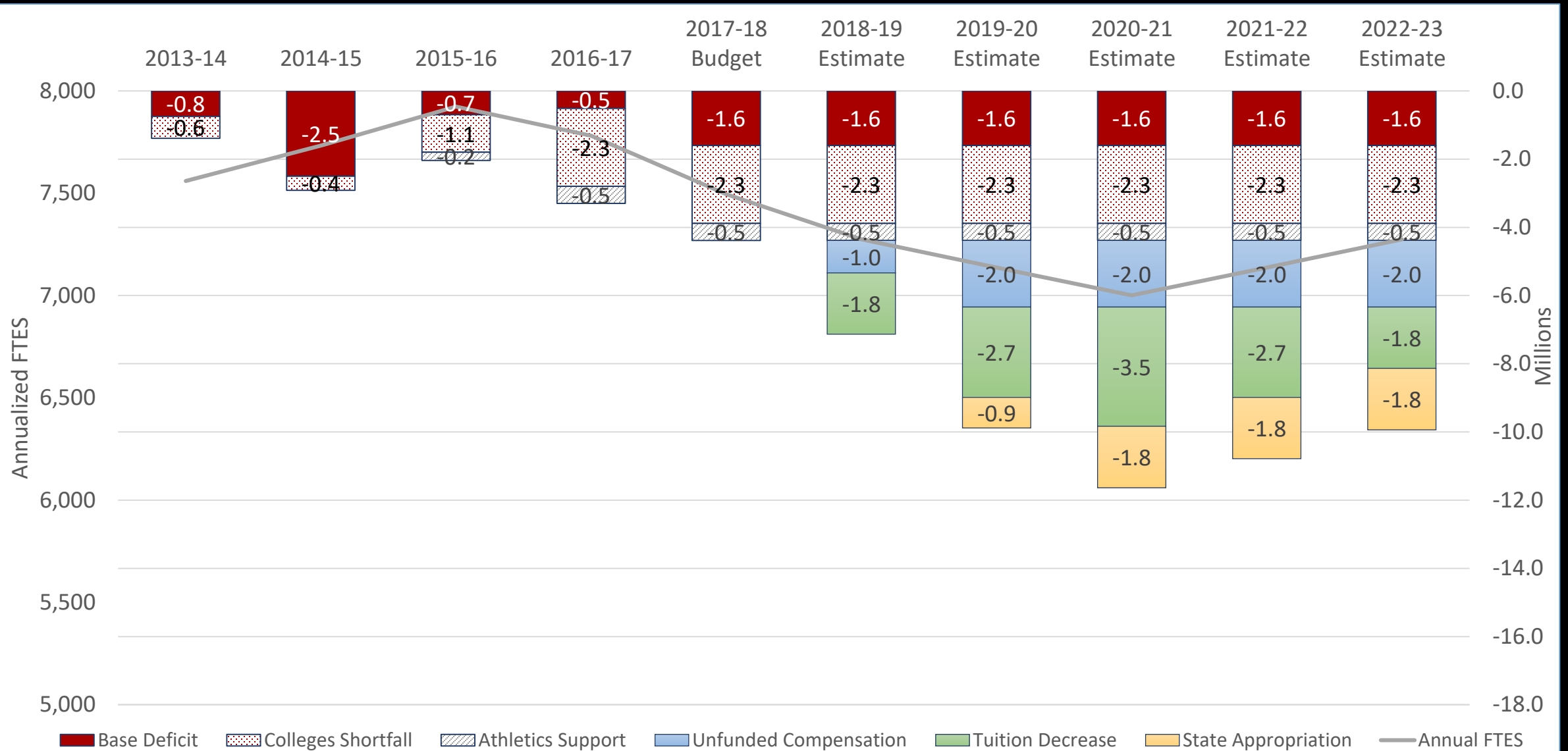
- How did we get to where we are?
- Where are we now?
- How are we addressing the projected shortfall?
- URPC charge and model development
- Campus input – we need your input!

# How'd we get to where we are right now?

- We've reduced the budget gap by \$11.5M over the past three years
  - We have made significant progress to stabilize our budget
- Multi-year stabilization planning initially anticipated enrollment of:
  - -4% from fall 2017 to fall 2018
  - -2% from fall 2018 to fall 2019
- Actual enrollment drop was:
  - -7% from fall 2017 to fall 2018
  - -10% from fall 2018 to fall 2019
- The larger than anticipated decline has resulted in a remaining enrollment driven budget gap

# HSU Deficit History and Projection (in millions) (2/2/18 presentation)

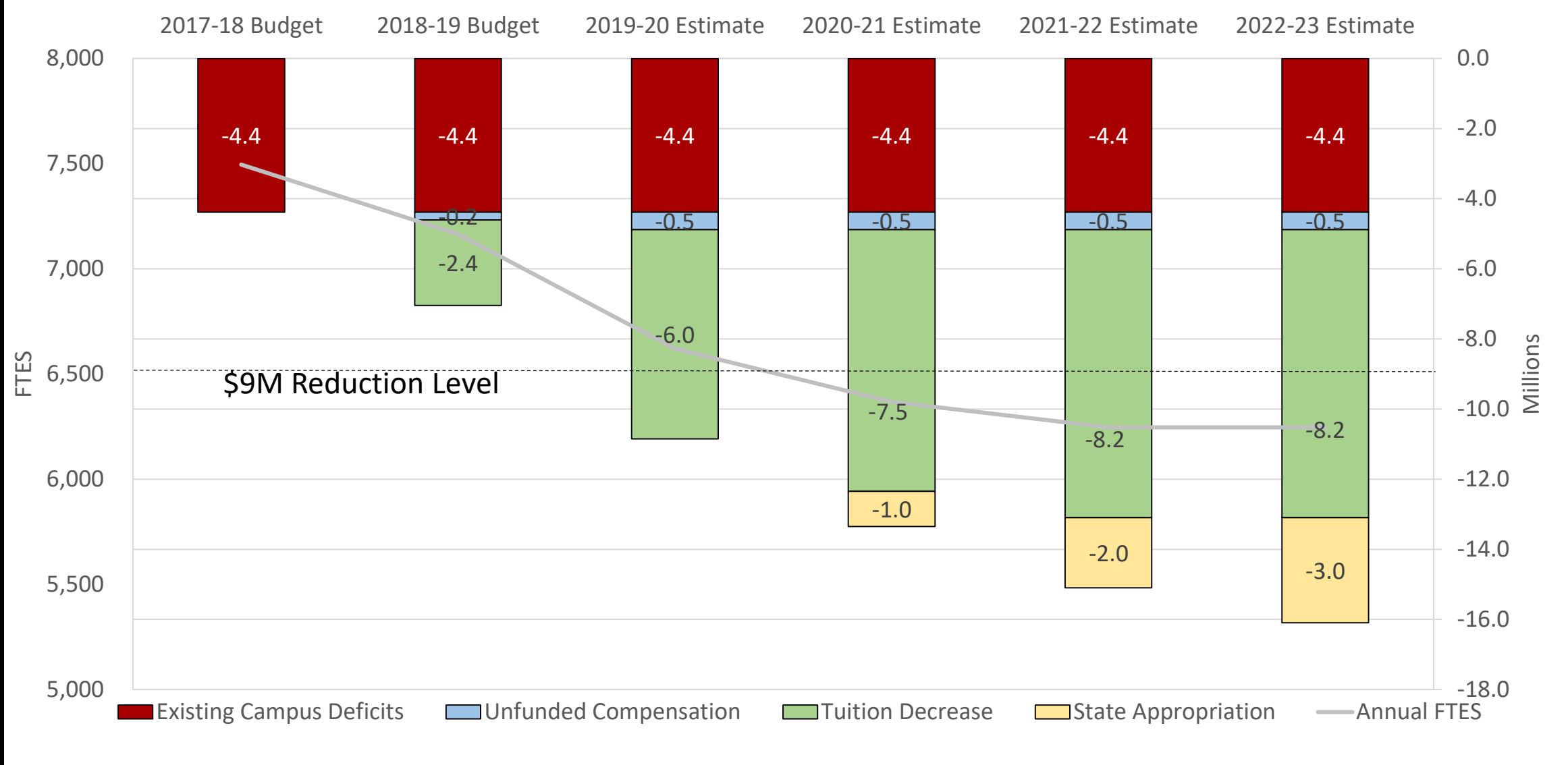
6



Sources: HSU Budget Website, HSU IE Website, 2018-19 Budget Planning

# Compounding Resource Gap Effect of Declining Enrollment

(12/6/2018 presentation)



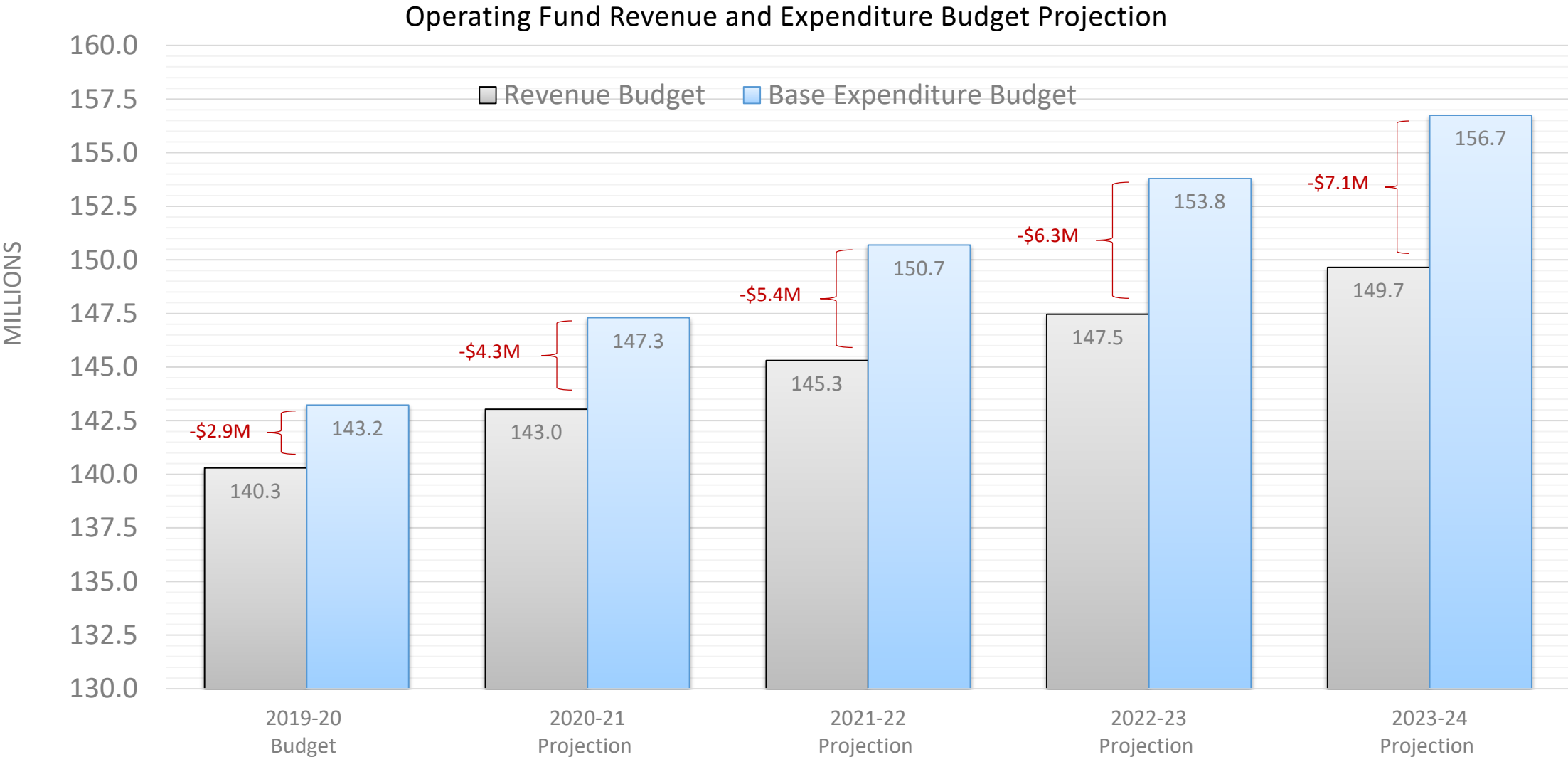
Sources: HSU Budget Website, HSU IE Website, 2018-19 Budget Planning

# Signs of Progress

- Retention – back up to almost 75% (highest since 2014)
- Recruitment – this weekend's fall preview numbers up over 300% from last year (370 prospective students signed up)
- Reserve levels have increased – reflecting concerted effort to proactively reduce spending rather than rely on reserve balances; at 35% of reserve policy targets and 80% of amount needed for campus share of science building

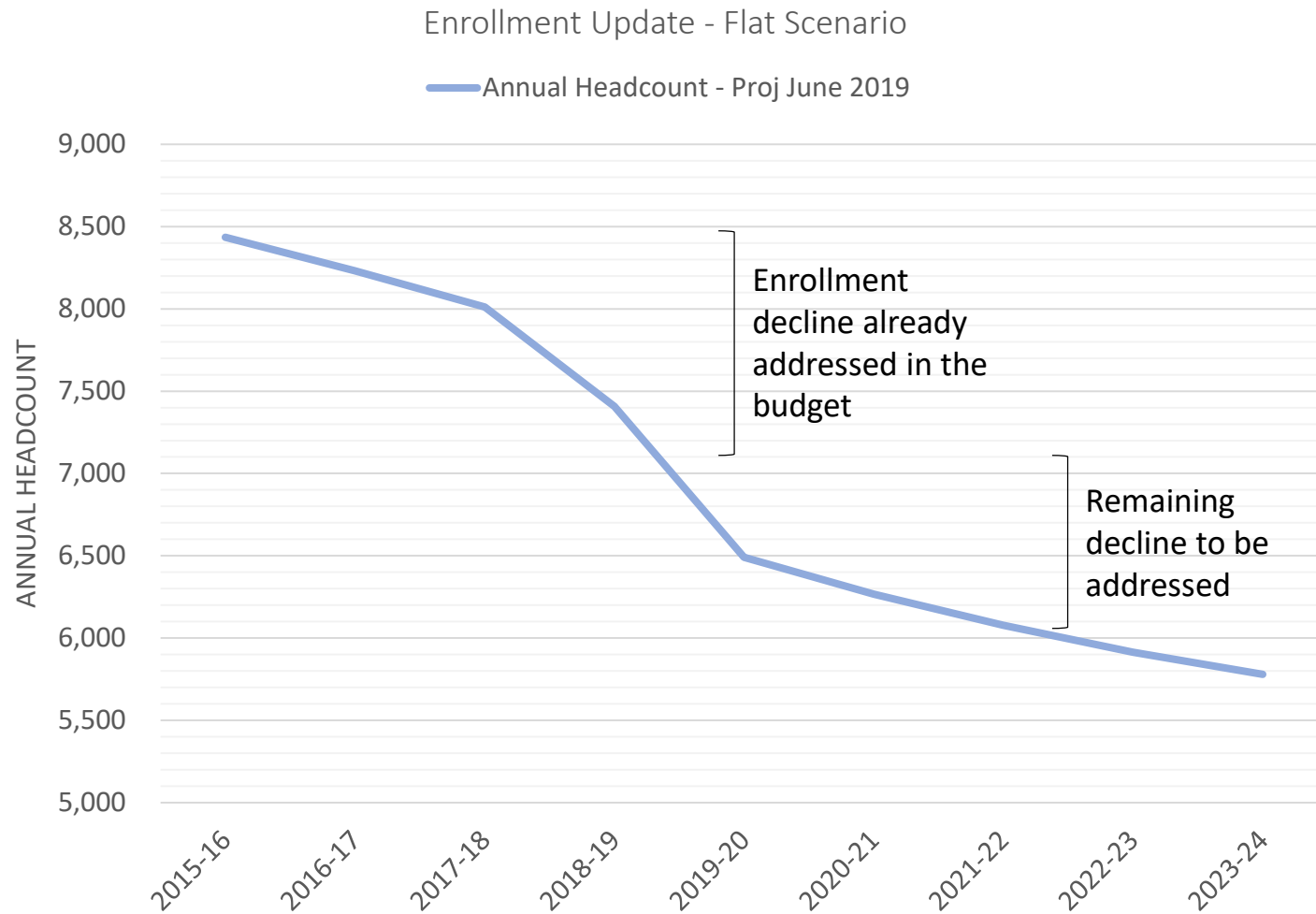
# HSU Operating Fund Budget Planning Projections

(Estimates as of Spring 2019)





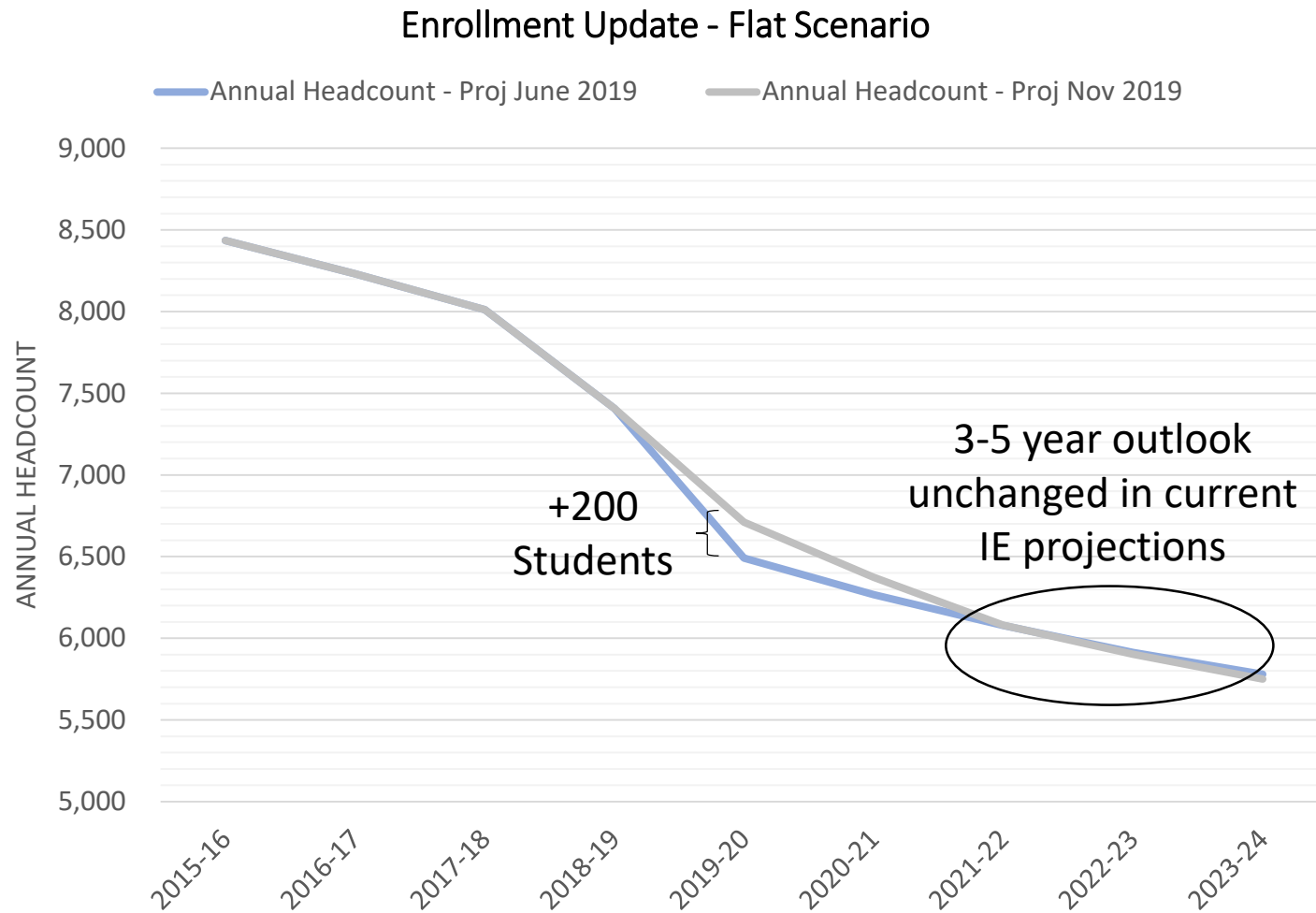
# \$5.4 Million – where does this number come from? Declining Enrollment, less Tuition



*Every 100 students generate approximately \$560,000 in tuition revenue*

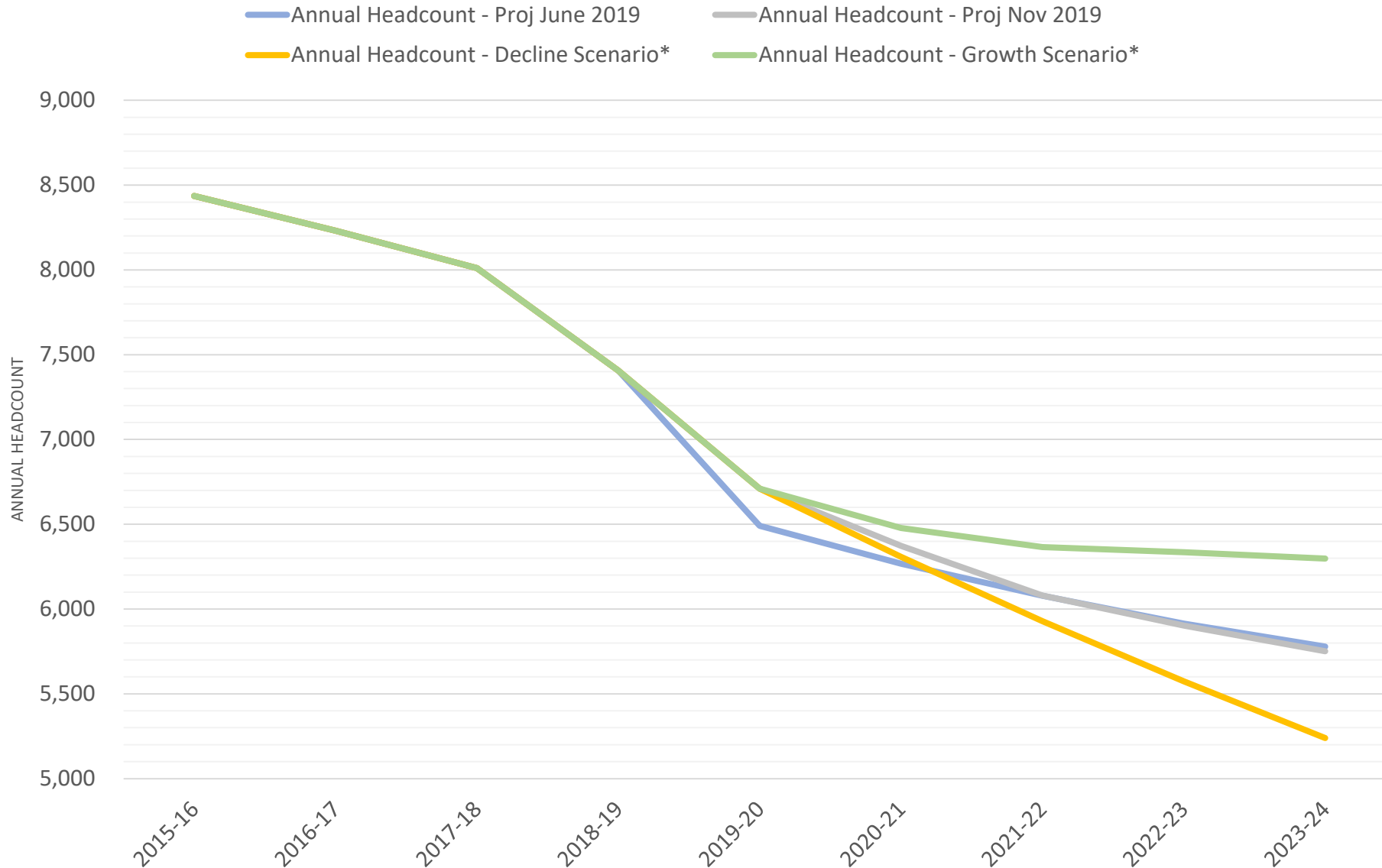
*A \$5.4 million budget gap reflects the tuition impact from an enrollment decline of close to 1,000 students*

# \$5.4 Million – where does this number come from? Declining Enrollment, less Tuition



*But wait, what about all of the great work we have underway with recruitment and retention?*

## Enrollment Update - Scenarios\*



### Budget Planning Takeaways through 2021-22:

- Enrollment rebound will take time
- Need a budget allocation model that can scale with enrollment growth and decline
  - GROWTH SCENARIO: Gap in the \$4M range
  - FURTHER DECLINE SCENARIO: Gap could grow to \$7M

\*Growth: 5% increase in fall 2020/fall 2021 incoming freshmen and UD transfers, maintain 74% retention; Decline: -6% annual enrollment decline

# How are we addressing the anticipated shortfall?

- Parallel strategies underway:
  - Cost saving strategies
    - Staffing strategy – Over 80% of our budget is personnel, with 20% less students, our staffing levels need to scale down as well - focus on reducing budgeted positions through attrition, emphasis on preserving jobs for existing employees
    - Operational efficiencies – reduce/eliminate redundancy, process improvement, realignment, restructuring, etc.
  - URPC charged with developing a three-year balanced budget plan
    - Reductions will be distributed at a division level

# URPC Charge

“Lead the campus effort to develop a balanced three-year budget through 2021-22 which will include \$5.4 million in reductions and submit the URPC’s recommended three-year budget plan to the President for consideration by December 2019. It is acknowledged this will be challenging work and I am confident this committee is best situated to lead this critical effort. Please ensure broad campus communication and participation are included in the development of this plan.”

# URPC Approaches Considered

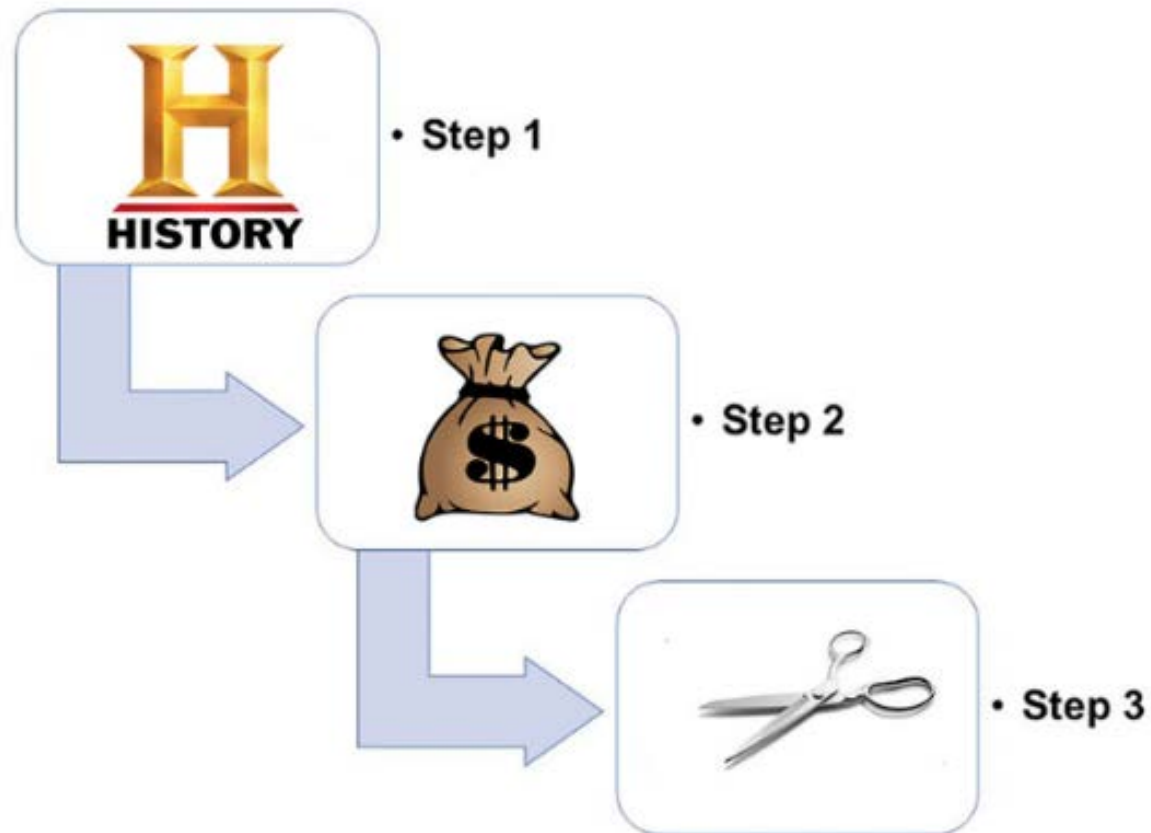
- Across the Board Reductions
- Reductions based on Marginal Cost of Instruction
- Reductions by FIRMS Codes
- Campus call for ideas
- Develop a scalable budget model

# URPC Approach Chosen

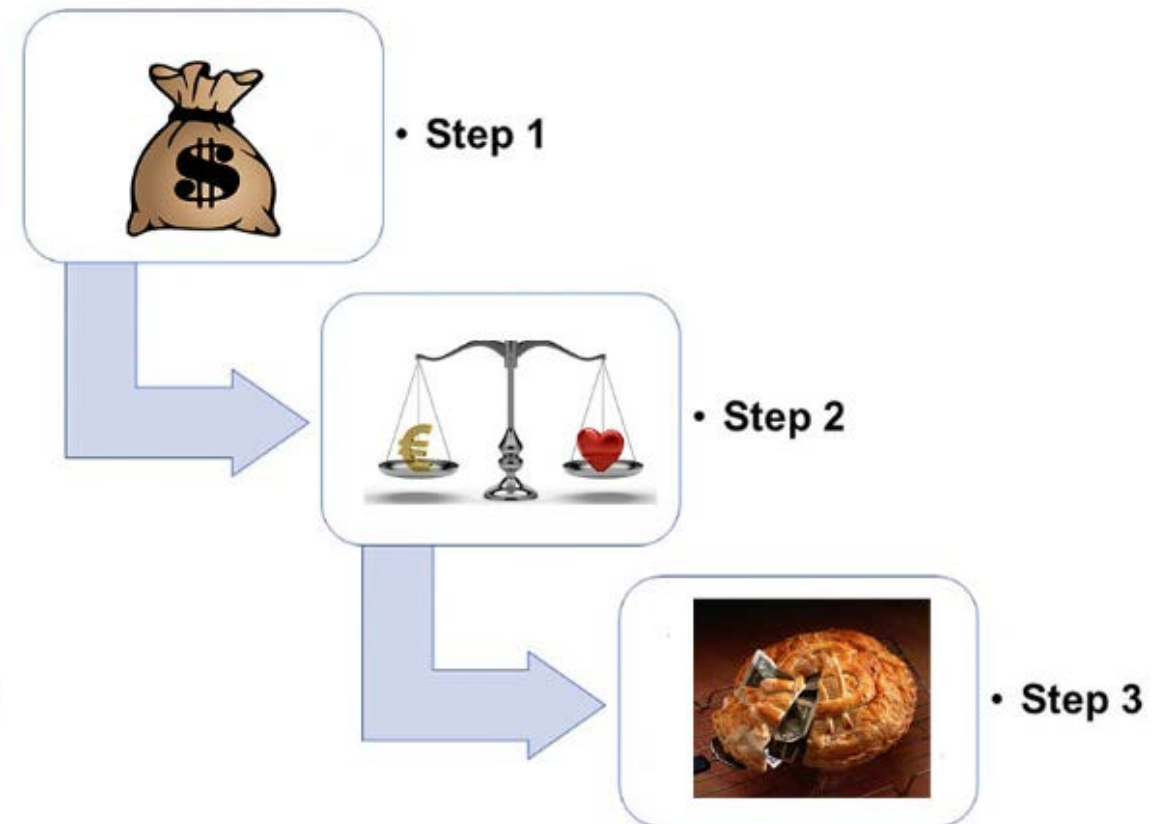
- Across the Board Reductions
- Reductions based on Marginal Cost of Instruction
- Reductions by FIRMS Codes
- Campus call for ideas
- **Develop a scalable budget model**
  - Challenge: time – most budget models take 2-3 years to develop

# URPC Allocation Model Development Strategy

## Historical Approach



## New Approach





# URPC Allocation Model Development Strategy

## – Short Term (through 2021-22)

Develop a high level, scalable model using FIRMS codes that distributes budget to the divisions based on resources available

- The budget is balanced because we only allocate what we have
- This model will stabilize the University level budget distribution approach for the next few years rather than revisiting it every cycle
  - > supports proactive planning and consistency
- Allows focus to shift to development of key guiding plans (new strategic plan, academic master plan) to support long-term budget allocation model development

# URPC Budget Allocation Model Considerations

- The budget is the financial reflection of our values
- We over me – decisions should be made in the context of what's best for the University as a whole
- Data gathering and comparative analysis – understanding five-year campus budget and actuals trends, CSU peer comparisons
- This is a short term model and will not be perfect, three months is insufficient time to develop a robust, comprehensive allocation model
- There is only 100% to distribute, so a higher percentage in one category, means less in another
- Tuition is diminishing for the foreseeable future, which will mean less total available \$ to support the categories

From a FIRMS Code allocation standpoint, are we where we need to be? If not, where do we need to adjust?

# FIRMS Scalable Allocation Model Concept

Current  
Distribution



Functional Classification	19-20 Budget*	19-20 Distribution
Instruction	\$ 56,560,000	46.3%
Research	\$ -	0.0%
Public Service	\$ -	0.0%
Academic Support	\$ 16,280,000	13.3%
Student Services	\$ 12,030,000	9.9%
Institutional Support	\$ 21,620,000	17.7%
Op & Maint of Plant	\$ 15,590,000	12.8%
Scholarships/Fellowships	\$ -	0.0%
	<b>\$ 122,080,000</b>	<b>100.0%</b>

What should  
it be?



URPC Developing
20%
0%
0%
20%
20%
20%
20%
-
<b>100.0%</b>

Scalable Examples - % stays  
consistent, \$ amounts change based  
on available budget



Allocations @ \$120M	Allocations @ \$122M	Allocations @ \$124M
\$ 24,000,000	\$ 24,400,000	\$ 24,800,000
-	-	-
-	-	-
\$ 24,000,000	\$ 24,400,000	\$ 24,800,000
\$ 24,000,000	\$ 24,400,000	\$ 24,800,000
\$ 24,000,000	\$ 24,400,000	\$ 24,800,000
\$ 24,000,000	\$ 24,400,000	\$ 24,800,000
-	-	-
<b>\$ 120,000,000</b>	<b>\$ 122,000,000</b>	<b>\$ 124,000,000</b>

\*Excluding Scholarships, Provisions for Allocation, and Housing Facilities activity

OPENBOOK ORIGINAL EXPENDITURE BUDGET - FUNCTIONAL FIRMS CATEGORIES BY DEPARTMENT

Instruction

\$56.6M (46.3%)

General Academic Instruction, \$56,509k

Institutional Support

\$21.6M (17.7%)

General Administration, \$8,053k

Executive Management, \$4,915k

Administrative Information Tec, \$3,153k

Fiscal Operations, \$3,541k

Public Relations/D evelopment, \$1,961k

Op & Maint of Plant

\$16.3M (13.3%)

Security and Safety, \$3,423k

Building Maintenance, \$3,360k

Utilities, \$2,469k

Custodial Services, \$2,212k

Physical Plant Administration, \$2,468k

Landscap e and Grounds Maint...

Logisti cal Servic es,...

Academic Support

\$15.6M (12.8%)

Academic Administration, \$5,615k

Academic Support Information T, \$4,144k

Ancillary Support, \$1,904k

Libraries, \$3,118k

Educatio nal Media Servic...

Acad emic Pers on...

Student Services

\$12.0M (9.9%)

Social and Cultural Developmen, \$3,188k

Student Services Administratio, \$2,432k

Student Admissions , \$1,992k

Student Records , \$1,458k

Student Health Services , \$1,218k

Financia l Aid Adminis tration, \$1,195k

Counseling and...

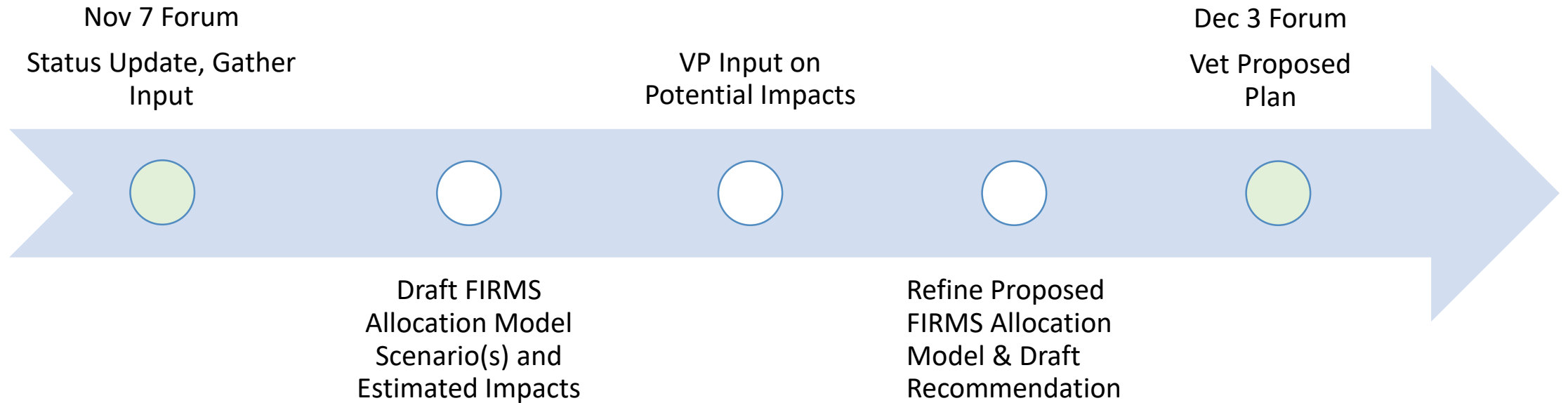
# FIRMS to Division Conversion Example

Allocations by FIRMS Code are then distributed to divisions based on each division's proportional share of the activity

Functional Classification	Allocations @ \$122M
Instruction	\$ 24,400,000
Research	-
Public Service	-
Academic Support	\$ 24,400,000
Student Services	\$ 24,400,000
Institutional Support	\$ 24,400,000
Op & Maint of Plant	\$ 24,400,000
Scholarships/Fellowships	-
	<b>\$ 122,000,000</b>

% DISTRIBUTION BY FIRMS PROGRAM						
Division	Instruction	Acad Support	Student Svcs	Instit. Support	O&M of Plant	Distribution
President's Office	-	-	5%	6%	-	2,568,951
University Advancement	-	-	-	20%	-	4,973,223
Academic Affairs	100%	98%	13%	33%	-	59,408,811
Admin & Finance	-	-	-	31%	86%	28,498,733
Enrollment Management	-	2%	83%	3%	-	21,509,475
University Wide	-	-	-	7%	14%	5,040,807
Total	100%	100%	100%	100%	100%	122,000,000

# URPC Timeline



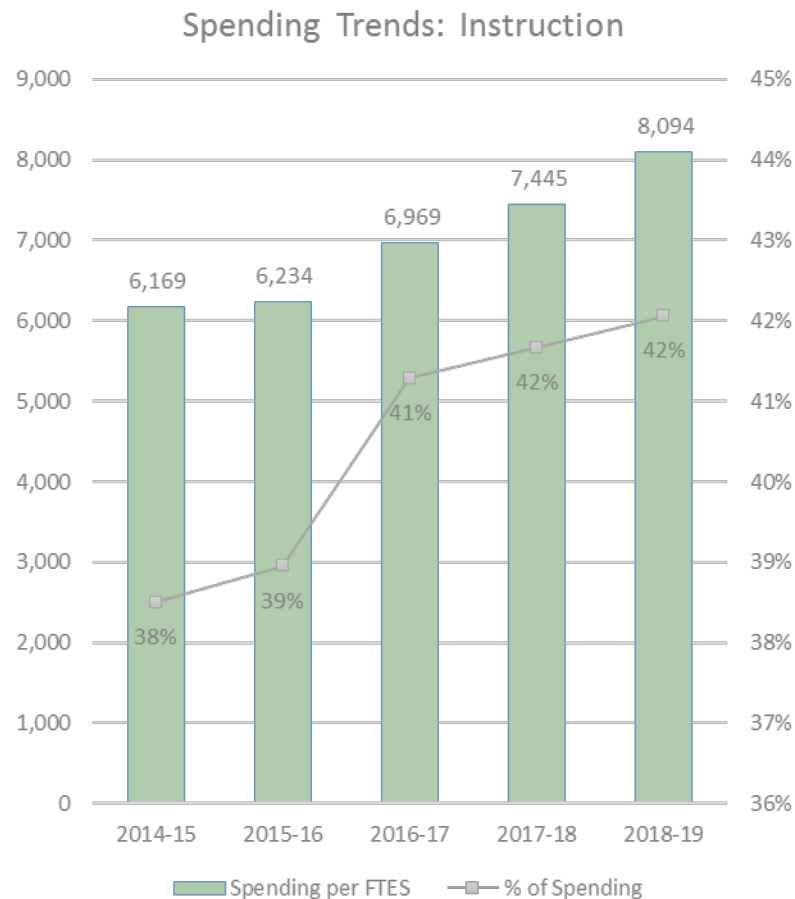
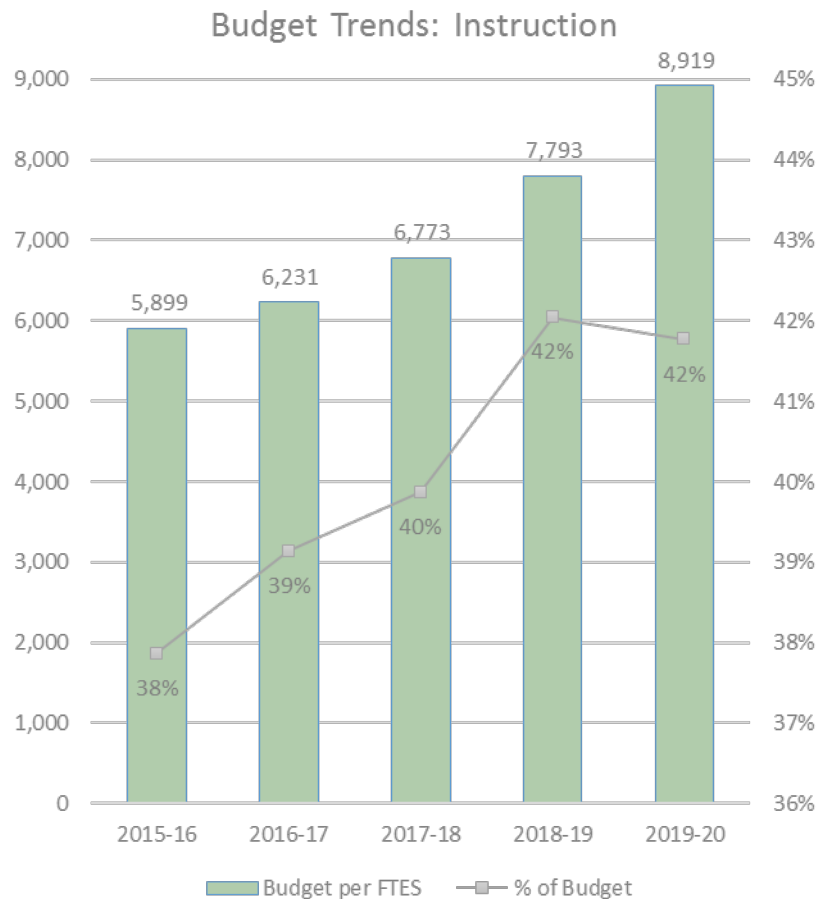
# What are FIRMS Codes?



What are our trends? How do our peers spend compared to **US**?

# Instruction (2019-20 Budget: \$56.6 million)

Instruction includes expenses for all activities that are part of an institution's instruction program. Instruction includes academic departments that directly offer instruction; does not include academic support units, such as Dean's Offices, and support departments such as the Marine Lab or Ancillary Support.



## 2017-18 Spending per FTES Peer Comparisons:

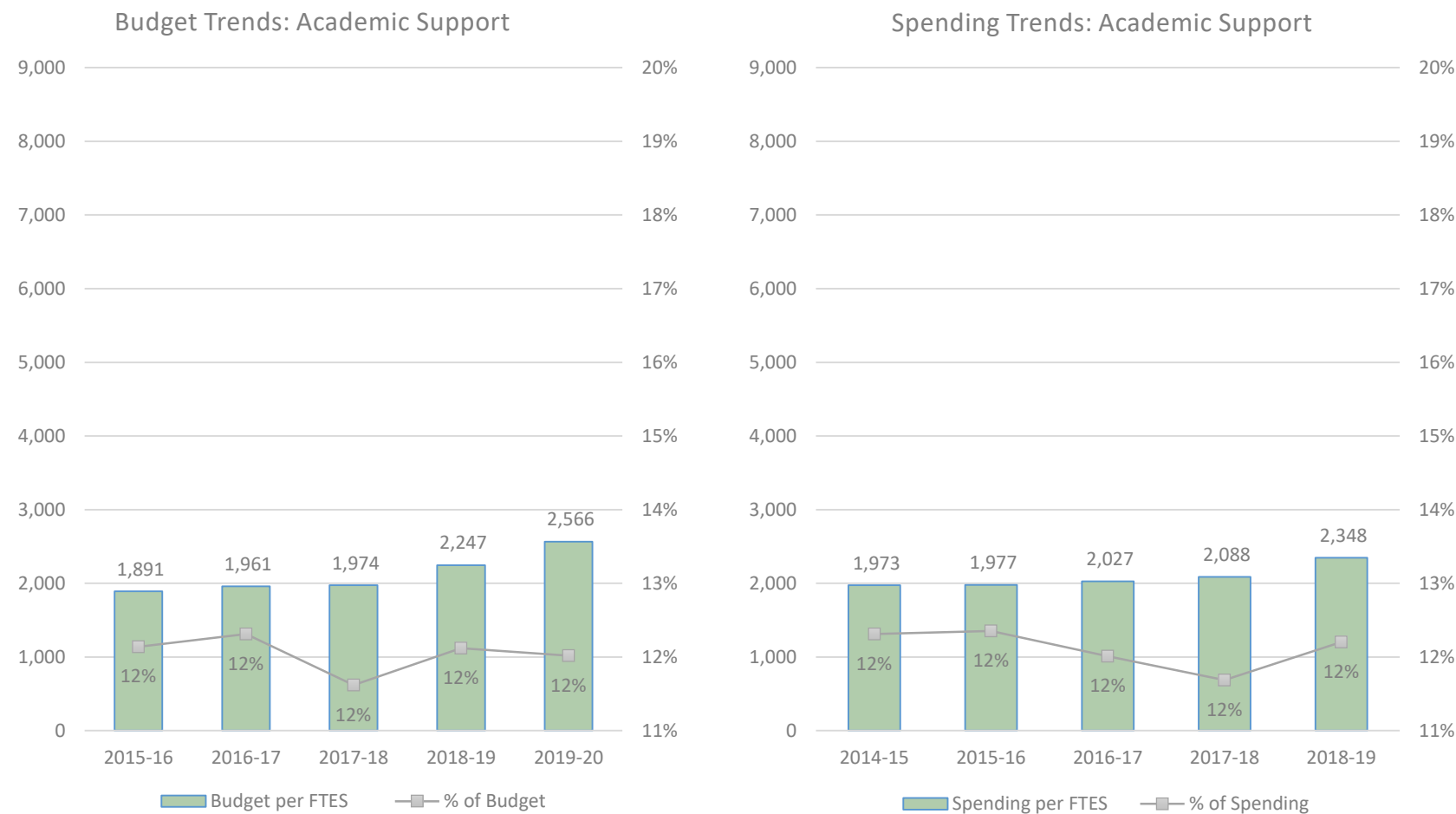
- 10% higher than CSU Average
- 17% higher than similar size campus average
- 3<sup>rd</sup> highest in the CSU behind Maritime and CalPoly SLO

Note: charts data excludes Provisions for Allocation and Housing Facilities activity, but includes Scholarships activity, whereas the draft allocation model percentages reflected on an earlier slide excludes Scholarships given they are restricted and cannot be reduced. Therefore, the percentages reflected on the percentage line are different but still comparable.



# Academic Support (2019-20 Budget: \$16.3 million)

Academic support includes expenses to provide support services to the institution's primary missions: instruction, research, and public service.



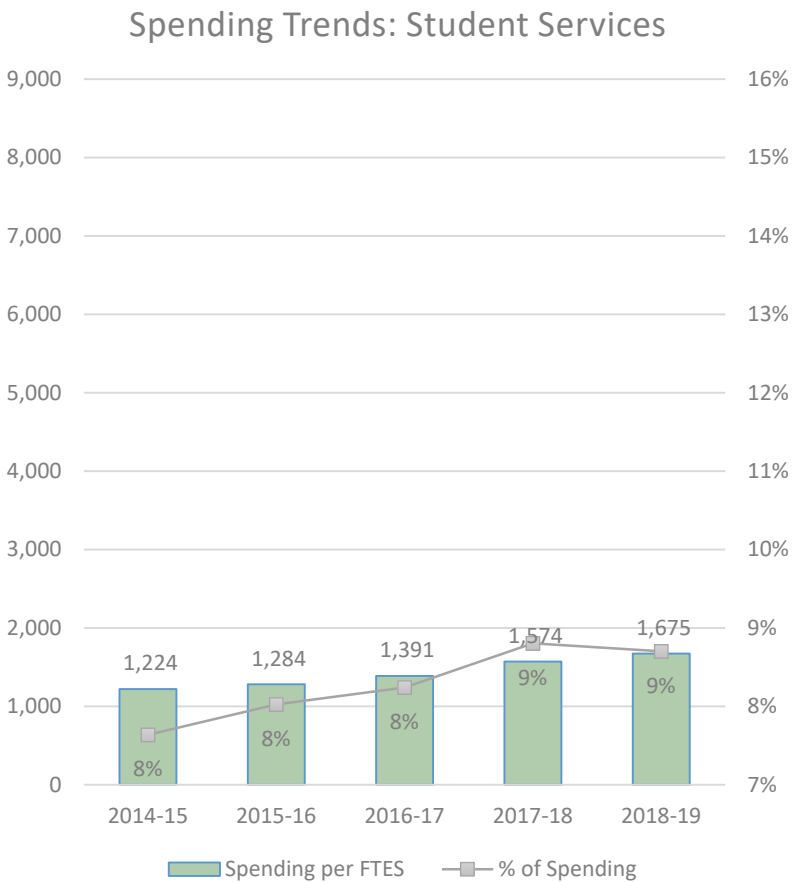
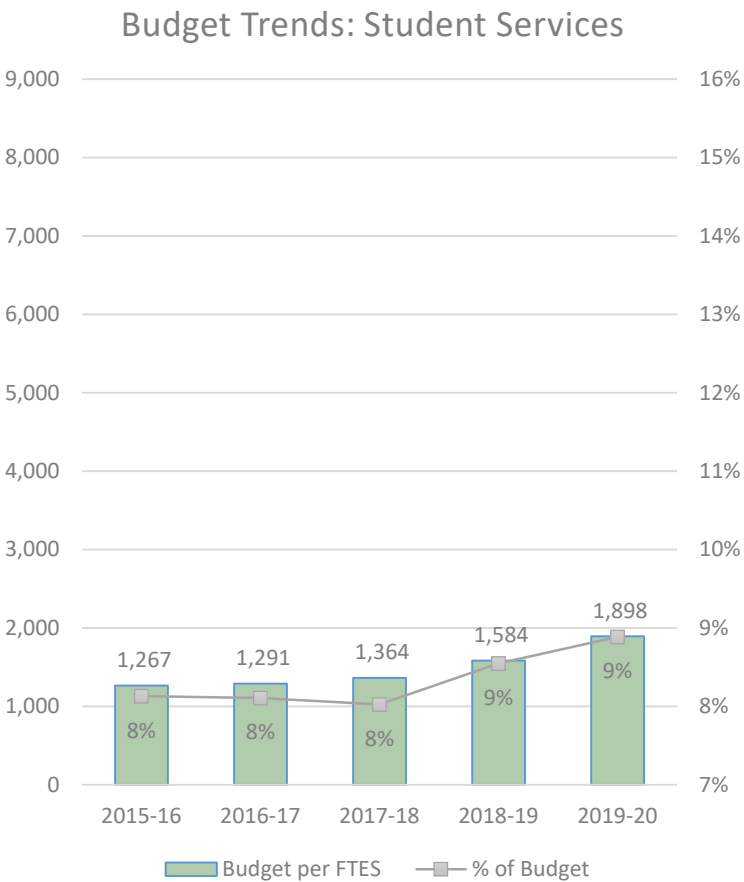
2017-18 Spending per FTES  
Peer Comparisons:

- 24% higher than CSU Average
- 19% higher than similar size campus average

Note: charts data excludes Provisions for Allocation and Housing Facilities activity, but includes Scholarships activity, whereas the draft allocation model percentages reflected on an earlier slide excludes Scholarships given they are restricted and cannot be reduced. Therefore, the percentages reflected on the percentage line are different but still comparable.

# Student Services (2019-20 Budget: \$12.0 million)

Student services includes expenses incurred for offices of admissions and the registrar and activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program.



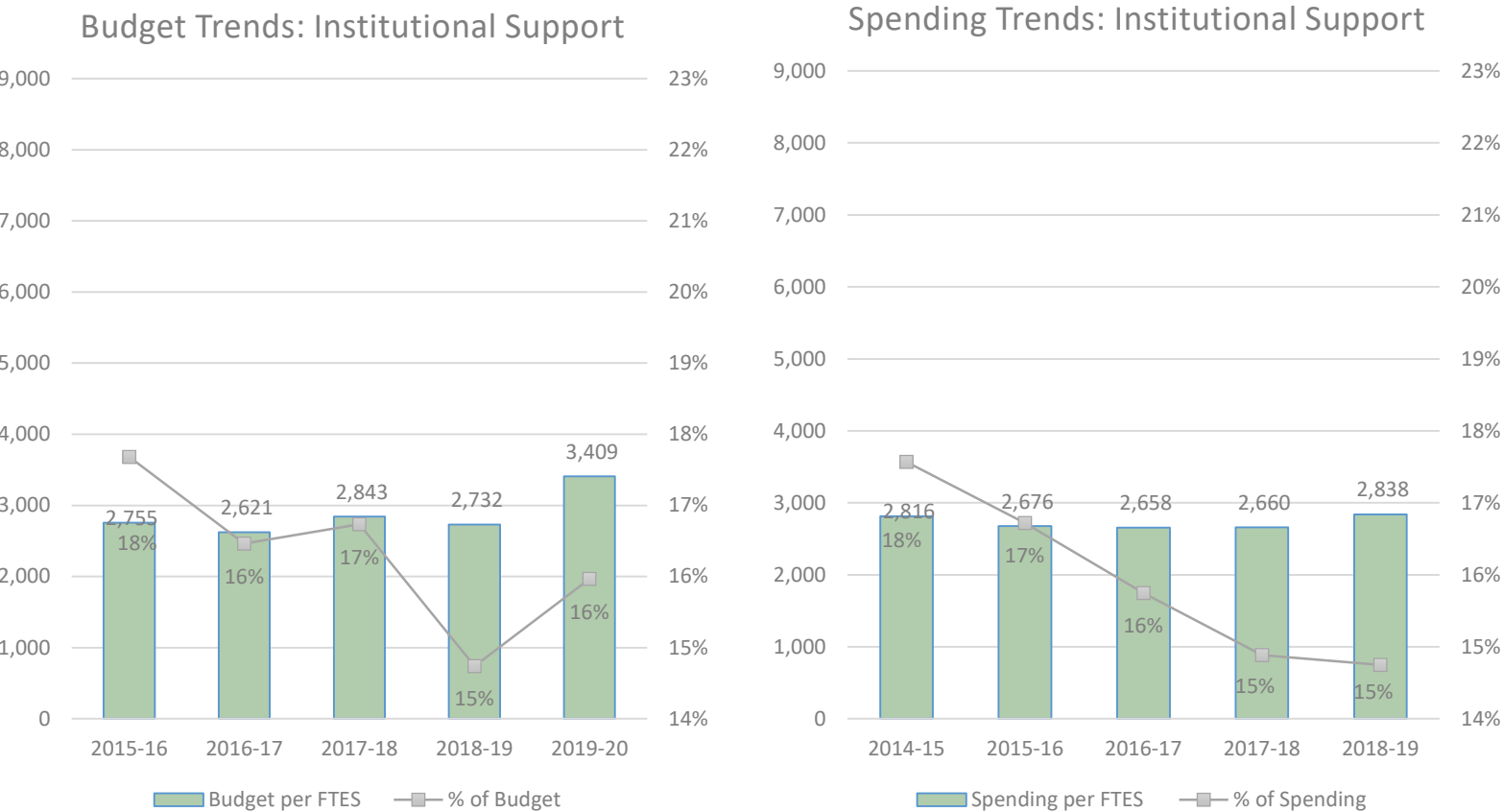
2017-18 Spending per FTES  
Peer Comparisons:

- -2% higher than CSU Average
- 3% higher than similar size campus average
- *Note: Other campuses have higher state support for Athletics (much of HSU's cost is in IRA fee), which results in higher comparable costs for other campuses*

Note: charts data excludes Provisions for Allocation and Housing Facilities activity, but includes Scholarships activity, whereas the draft allocation model percentages reflected on an earlier slide excludes Scholarships given they are restricted and cannot be reduced. Therefore, the percentages reflected on the percentage line are different but still comparable.

# Institutional Support (2019-20 Budget: \$21.6 million)

Institutional support includes expenses for central executive-level activities concerned with management and long-range planning for the entire institution.



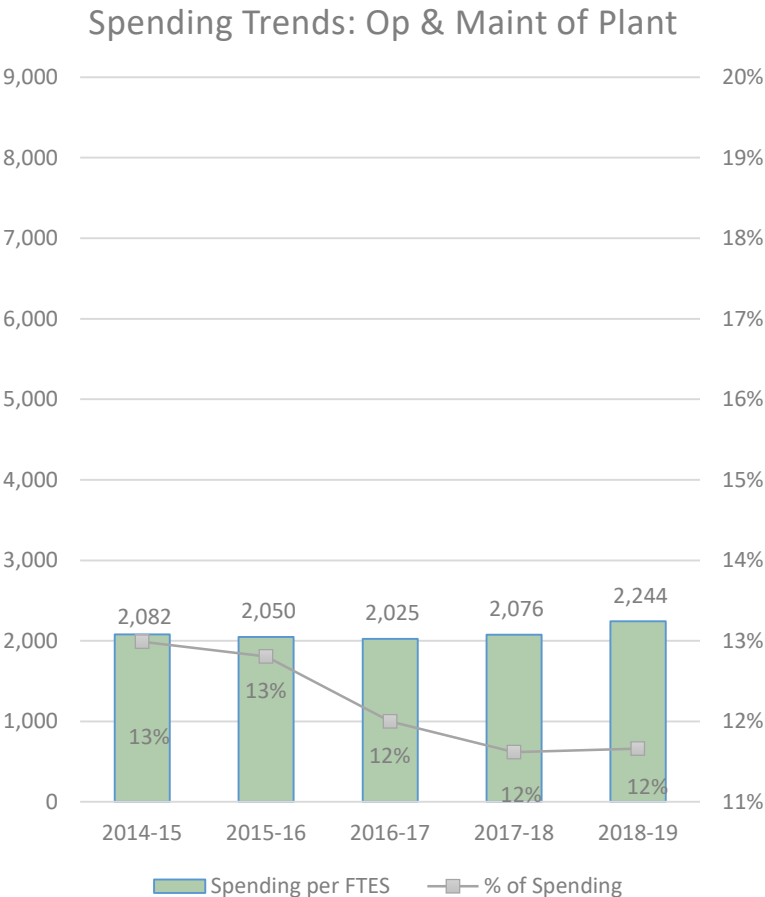
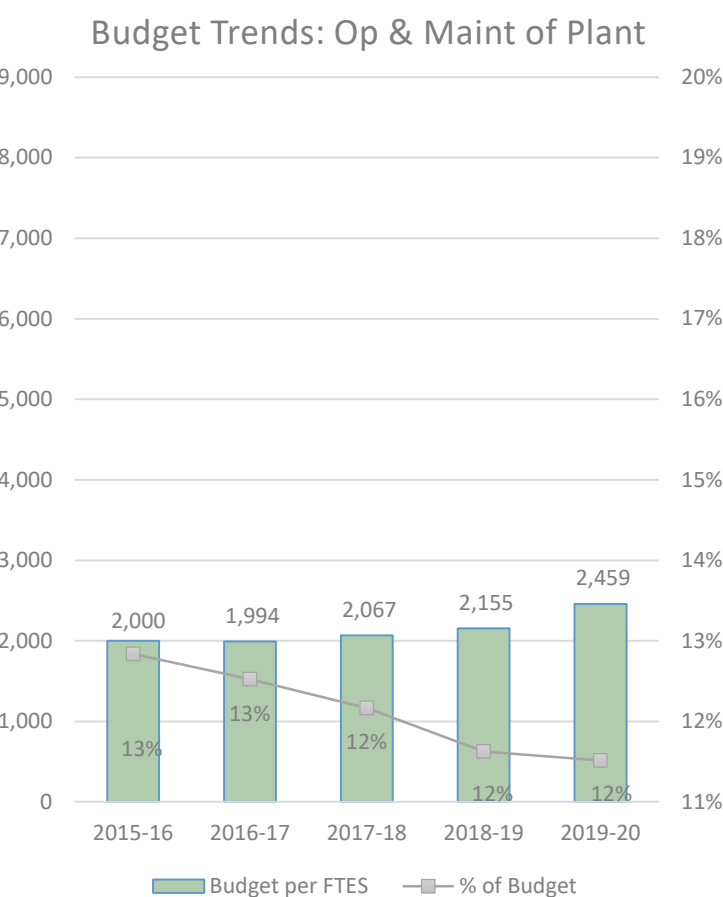
## 2017-18 Spending per FTES Peer Comparisons:

- 13% higher than CSU Average
- 10% higher than similar size campus average

Note: charts data excludes Provisions for Allocation and Housing Facilities activity, but includes Scholarships activity, whereas the draft allocation model percentages reflected on an earlier slide excludes Scholarships given they are restricted and cannot be reduced. Therefore, the percentages reflected on the percentage line are different but still comparable.

# Op & Maint of Plant (2019-20 Budget: \$15.6 million)

Operation and maintenance of plant includes all expenses for the administration, supervision, operation, maintenance, preservation and protection of the institution’s physical plant.



2017-18 Spending per FTES  
Peer Comparisons:

- -8% higher than CSU Average
- 1% higher than similar size campus average

*Note: there is significant variability in Major Repairs & Renovations subcategory (HSU spending out of a different fund per CSU guidance); excluding Major Repairs, HSU’s spending is 6% and 16% higher respectively*

Note: charts data excludes Provisions for Allocation and Housing Facilities activity, but includes Scholarships activity, whereas the draft allocation model percentages reflected on an earlier slide excludes Scholarships given they are restricted and cannot be reduced. Therefore, the percentages reflected on the percentage line are different but still comparable.

# Audience Input –Questions via Live Polling

- <https://directpoll.com/r?XDbzPBd3ixYqg8OK4iP67bIJyKVAnMoJs4rJh7YGg8>

# Ways to Participate

- Feedback Form available via the Budget website
- Rank identified themes
- Balance the Budget simulation tool

FEEDBACK REQUESTED BY  
MONDAY, NOVEMBER 18!



## Welcome

The University Budget Office provides leadership and support in the planning and allocating of campus resources, including developing and implementing budgets, training and educating the campus on financial concepts, policies and processes and collaborating with the campus community to advance the University Mission.

## Latest



**Submit budget planning  
feedback and questions »**



**Rank Identified Themes »**



**Balance the Budget simulation tool »**



Thank you!

Questions?