

What Have We Achieved? Celebrating Campus Accomplishments

Three years ago, the HSU community began the challenging work of implementing spending reductions instead of continuing to spend reserves to cover structural deficit spending. While progress has been made toward stabilizing the University's financial position, it is important to acknowledge how difficult this has been for faculty, staff, and students. This has been hard but necessary work and we did it together. Using the feedback solicited from the campus over the past two academic years, we have collectively [completed \\$9 million in targeted reductions](#). We appreciate the dedication and contributions of the URPC and the campus community that were required to achieve this financial reduction. We extend a heartfelt thank you to each and every one of you.

As we finish implementing the last of the targeted Phase 1 and Phase 2 reductions, positive signs of financial progress have emerged that are worthy of celebration:

- Current year spending in all of the University's Operating Fund/All Major Budget Units (MBUs), are on track to spend within their 2018-19 allocated budgets as of March 2019 – the first time this has happened in many, many years
- HSU's financial solvency has improved as reserve balances have increased in each of the past two years, reflecting the proactive reduction planning undertaken by the campus to address spending issues as they arise
- This spring, the 2019-20 Graduation Initiative 2025 Funding Request for Proposals process piloted the new Integrated Assessment, Planning and Budget (IAPB) framework, complete with rubrics, assessment plans, and financial plans as part of an institution-wide, transparent process – a major step to integrate assessment and evidence into resource allocation decisions.

Our "Student First" perspective has continued to be the guiding principle in our resource allocation decision making, minimizing reductions whenever possible to areas that directly serve students, while maximizing our investments in areas that do. A few highlights of student success progress include:

- [Student debt at graduation in 2017-18 was \\$12,743](#), down significantly from \$20,982 in 2008-09, and well below the current national average (\$28,350), state average (\$22,744), and CSU average (\$16,625)
- Four year graduation rates for first-time undergraduates are at a record high of 22% and six year rates at 52% in spring 2018
- Two year California Community College transfer student graduation rates are at a record high of 38% and four year rates are at 76% in spring 2018
- First year student retention rates increased by almost 3% from fall 2017 to fall 2018 to 71%, although still far below our targeted first year retention level of 80%

Much of our investments are a result of Graduation Initiative 2025 funding that totals \$4.6 million over the past two years. This funding has allowed HSU to invest in high priority areas to support student success (including basic needs) in the midst of the \$9M budget reductions being completed this year. Based on the Governor's preliminary budget allocation to the CSU, we anticipate receiving \$1.1 million in ongoing funding to support these efforts in 2019-20 and are currently utilizing the IAPB process referenced above to determine allocations. To date, here are highlights of our GI2025 investments:

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- \$2.7 million invested for new faculty hires since 2016; currently \$55 million (40%) of the Operating Fund budget in 2018-19 directly supports Instruction
- \$1.9 million invested in learning communities, advising support, tutoring and supplemental instruction, peer mentoring (RAMP), academic scheduling and space utilization, cultural centers for academic excellence, student clubs, CARE services, a basic needs single point of contact position, student financial support, and expanding our institutional assessment capacity
- Our RAMP peer mentoring program, which has received additional funding through GI 2025, was recently highlighted in special report issued by the Chancellor's Office (report available [here](#))
- Increased our investment in student employment opportunities by \$400k in spring 2019 and have earmarked \$600k out of the anticipated \$1.1 million in available one-time funding for investment in 2019-20
- Additional information about all GI 2025 allocations to date is available in [OpenBook](#)

In addition, we are investing over [\\$1M in instructional space remodeling and equipment updating for Summer 2019](#), focusing on highly utilized campus classrooms and laboratories. The Strategic Initiatives Pool, established as part of the [University's Operating Fund Roll Forward Guidelines](#) to advance institution-level strategic initiatives, is being leveraged this year to:

- Provide support for [Equity Arcata](#), a partnership with the City of Arcata and local businesses working "to create a welcoming, safe and racially equitable community by eliminating racial disparities for all people of color in housing, health, education, and employment."
- Conduct an Economic Impact Study to quantify HSU's economic impact on the region
- Explore alternate revenue streams to diversify campus resources
- Support upcoming Master Plan processes

Where Are We Now?

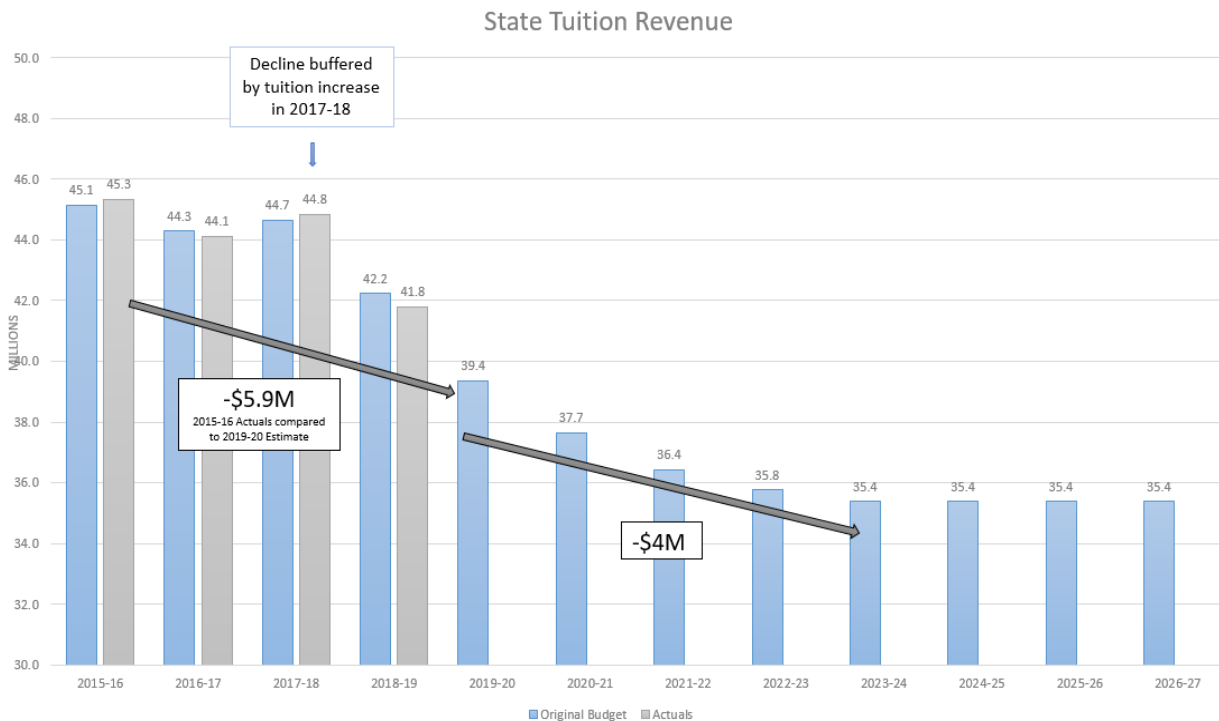
Good news – State fully funded 2019-20 compensation and mandatory cost increases

For the first time in recent years, the State has fully funded all compensation and mandatory cost increases, providing sufficient support to cover all projected 2019-20 general salary increases, minimum wage increases, health and retirement cost increases, new space, and average unit load (AUL) changes. This is welcome news and helps to further stabilize HSU's financial position. With the caveat that the State of California Budget is not final, a May Budget Revision and the Final Budget in June are still to come, and the context that current year state revenue projections are lagging behind expectations. Hopefully this will not impact funding to the CSU and we will continue to monitor it closely and keep you informed if anything changes.

Continuing challenge - Enrollment

Given enrollment has declined beyond what we had anticipated during 2017-18 and 2018-19 budget planning, we are still facing an [estimated \\$953k deficit in 2019-20](#). We have successfully addressed the structural and spending issues that existed in previous cycles. However, our forecasts indicate it will take several years for our enrollment, even with significant investments for recruitment and retention related activities, to stabilize. Examining State Tuition Revenue over time helps illustrate the current financial challenge (see chart below). We are experiencing a drop of almost \$6 million in tuition revenue from 2015-16 to 2019-20, most but not all of which we had anticipated in our \$9 million reduction

planning effort, with a further \$4 million decline anticipated through 2024-25 if current enrollment trends persist.



Action being taken

Right away, we are leveraging the previously developed enrollment growth funding model methodology to distribute the projected 2019-20 deficit by division. This model was developed by URPC back in 2013 and used to distribute 2014-15 enrollment growth funding. The model is based on the [Marginal Cost of Instruction from the CSU Support Budget](#), adjusted to HSU’s organizational structure. Given that the current deficit is related to declining enrollment, leveraging this model to allocate the reductions by division is an established mechanism to maintain a balanced budget for 2019-20.

- An outline of the model with applied reductions by division is available [here](#)
- An overview of the URPC’s previous enrollment growth funding model used back in 2014-15 is available [here](#)

Guided by the robust campus-wide [Strategic Enrollment Management Plan \(SEM Plan\)](#) approved by the campus in Spring 2018, significant recruitment and retention efforts are underway to improve our enrollment trajectory. Earlier this month an in depth [recruitment activities update](#) was posted on the [SEM website](#) highlighting the great work underway.

We are optimistic that many of these initiatives will take hold and help us achieve our SEM plan goals, get us closer to our CSU funded enrollment target of 7,603 Resident FTES, and dramatically improve our financial position. Specifically, achieving our first-year retention goal to increase our one-year retention rate for first-time, full-time undergraduate students to 80% for the fall 2024 cohort and achieving recruitment goals to increase our first-time undergraduates back above 1,300 over the next several

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years, would stabilize enrollment in three years' time and put us back in a surplus financial situation in five years. A five-year planning spreadsheet illustrating the impact of this growth is available [here](#).

In addition, HSU is in the quiet phase of a campus-wide, charitable giving campaign called Humboldt Together. The priorities are all related to student support, including new scholarships, paid work experiences, and programs that reduce costs for students. The goal for this campaign is currently \$7 million over three years, with more than half expected to be raised in time for the public launch in Fall 2019.

We will begin next academic year with a new president who will have the opportunity to embark on creating the 2020-2025 revised HSU Strategic Plan. This important work will involve campus and community stakeholders and embraces the shared governance model. The strategic plan will be the foundation for the development of an Academic Master Plan (AMP), the Campus Physical Master Plan, and support organization plans, all of which will provide a long-term framework for advancing HSU's vision for our academic identity, values, and future direction. The development of these plans will help inform and refine the implementation of the strategic enrollment management plan, demonstrate a direct link to HSU's 2020-2025 Strategic Plan, support the implementation of the integrated assessment, planning, and budget (IAPB) process, and demonstrate our commitment to assessment for the 2021 WSCUC visit. All of this work is interrelated and interdependent.

Looking Ahead

While we have stabilized our financial position for the coming year as we enter a period of transition, challenges remain on the horizon. The results of our recruitment and retention efforts as well as the culmination of the plans highlighted above will have broad impacts on long-term resource allocation decisions. We appreciate everyone's continuing dedication and support and are confident we can achieve our short and long term goals together.

Attachments

[Appendix A: 2019-20 HSU Budget Planning Assumptions](#)

[Appendix B: 2019-20 HSU Budget Planning Spreadsheet](#)

[Appendix C: 2019-20 HSU Budget Planning Spreadsheet - Growth Scenario](#)

[Appendix D: 2019-20 Budget Reductions by Division using Marginal Cost Method](#)

[Appendix E: \\$9 million Reduction Summary](#)