URPC Balanced Budget Proposal for 2019-2022 – Methodology
December 23, 2019

On August 29, 2019, Douglas V. Dawes, Humboldt State University's Vice President for Administration and Finance, conveyed [HSU President Thomas Jackson's Charge] to the 2019-20 University Resources and Planning Committee (URPC). The President's 4-part charge began with a request to "*lead the campus effort to develop a balanced three-year budget through 2021-22 which will include $5.4 million in reductions*…[to] *submit the URPC's recommended three-year budget plan to the President for consideration by December 2019*…[and to] *ensure broad campus communication and participation are included in the development of this plan."* The scope of this first portion of the charge was so impactful and complex in its implications that the committee determined at our first meeting that we would commit the entirety of our focus for the Fall '19 Semester to that task.

The reduction referred to in the President's charge comes from the projection of an approximately $5.4 million budget gap expected by 2021-22, in light of the University's current and continuing enrollment decline. Although robust initiatives are underway in the Office of Enrollment Management and across the campus to address this decline, a turnaround in enrollment that returns us to our current state is unlikely to occur until at least 2023-24.

After considering [five potential budget reduction approaches], the URPC decided that the most strategically nimble option would be to develop a long-term *scalable budget model* through which we would proportionally allot allocations based on available resources, rather than our previous approach, through which we have maintained historical budget commitments and then imposed "cuts" in spending to balance the overall budget each year, based on revenue shortfalls.

The URPC determined that there was insufficient time available, given the timeframe of the charge and the enormity of the undertaking, to completely develop the desired long-term scalable model at the onset, and as such developed a short term allocation model to be leveraged for the next few cycles to allow time for the campus to engage in the work necessary to develop a more robust, long-term funding model. This long-term budget model will afford the University the ability to scale allocations upward and downward in a predictable fashion as enrollment/tuition and other resource drivers change, and ensure that resources are being allocated to meet the needs of students as the University evolves, rather than based on historical structures. Such a model could further facilitate a much needed cultural shift in focus from maintenance of ongoing spending behavior until fiscal necessity requires abrupt and decisive action. It would encourage us to instead critically, creatively, and collaboratively define how we might address historical inequities that may exist in current budget allocations, rather than maintaining our status quo and trimming along the "periphery" of our institutional project, when needed.

Throughout the University there are fixed costs, and, in order for the scalable model we propose to work, ongoing resource commitments must be evaluated, re-prioritized, and assessed for scalability. For instance, the ebb and flow of on-campus curricular need will necessitate thoughtful and forward-thinking hiring strategies as part of our college-level planning, especially in regards to retaining disciplinary expertise in the region. This will be difficult, given our geographical distance and relative seclusion from major metropolitan areas, and is one example of the sort of concepts we should factor into how we envision the overall scalability of University's structures.

We acknowledge that there were several potential detractions to this proposal: again, there was insufficient time this semester to develop and vet such a scalable model; the result might require budget recalibrations that would take time to achieve; and implementation of that model would likely necessitate the use of some one-time funding to bridge the transition towards full implementation by 2021-22 (a practice we have already determined to be an undesirable and unsustainable institutional habit). Despite these concerns, we agreed that a substantial change in our operational model was warranted, not only spurred by the immediate financial realities of the University, but also because a change in our means of resource distribution and communication in regards to that distribution was identified by WSCUC as a requirement tied to our accreditation.

The WASC Senior College and University Commission (WSCUC) Report For Reaffirmation of Accreditation' recommendations for Humboldt State University, submitted in March 2018, included an expectation that HSU will strengthen "communication across campus and continue to be transparent about budget challenges" encouraging us "to incorporate sound business practices, clear roles, responsibilities, and lines of authority" and to "address the structural deficit" through engaging in "realistic budgeting, enrollment management, and diversification of revenue sources." Maintaining a status quo-based, hierarchically directed, historical model, does not affect the kind of transparent communication, ongoing assessment, normalized working/consultation roles, and ongoing maintenance of a balanced budget that WSCUC advises and requests, but a strategic, scalable model, reflecting campus values solicited through ongoing, reciprocal communication, might.

URPC has resolved that the allocations of available resources (reflecting the projected deficit at hand) should be distributed as *Division-Level Allocations*, as that is the most appropriate framing of the URPCs purview. We proposed that we could implement a short-term strategy of University-to-Division distribution of revenue amongst FIRMS Codes while we simultaneously begin the process of phasing in a more nuanced apparatus for scalable budget allocations regarding shared values.

Using FIRMS codes as a point of comparison allows for imperfect but workable juxtaposition between HSU and other institutions, while also offering a means to evaluate internal distributions in terms of the services they support, and thus allows us to assess whether our current budgeting practices reflect the HSU we want to be. A budget that is based on the proportional allocations of annual revenue along such categories would be inherently balanced, as we would only allocate what we have. In this model there is only 100% to distribute, so a higher percentage in one category, means less in another, and as tuition based revenue will continue diminishing for the foreseeable future, difficult decisions will need to be made both at the Division level suggested here, and then, through consultation and cooperation, through the Major Budget Units (MBUs) and Departments.

This model would thus help to stabilize the University-level budget distribution approach for the next few years rather than revisiting it every cycle, providing time to develop key guiding plans (a new Strategic Plan, an Academic Master Plan) to support long-term budget allocation model development. It would also allow the MBUs and Departments to begin to envision the mechanisms through which they would make their allocation decisions based on their respective proportional share of the budget. As stated above, this is a short term strategy and will not be a perfect representation of what we hope to work towards. As such, it is important to emphasize that this is not the new model, but rather a starting point for something different, an onramp to institutional change.

One part of that institutional change, namely an increased adherence to the professed values of the campus community, will necessitate broader campus input in the ongoing resource allocation practices of the University. In order to begin the work of normalizing shared, campus-wide authorship of the budget moving forward, we hosted two Campus Budget Meetings to support the development of our recommendation, and engaged the Vice Presidents of each of the University's Divisions in discussions of our developing proposals.

The first of these meetings was held on November 7th, from 1pm to 3pm, in The Great Hall, and was designed to provide initial context and include interactive opportunities to solicit input from the campus community and invite participation in the process of shared resource stewardship. Prior to the first event, the University Budget Office conducted extensive data gathering and comparative analysis addressing five-year campus budget/actuals trends in CSU peer comparisons in order to inform our discussion. Following presentation of those findings, participants engaged in live polling regarding the concepts addressed, and engaged in an online budget balancing tool through which participants could make suggestions for how to allocate funding based on the FIRMS codes.

The second meeting, held on December 3rd, from 11:30am - 1:30pm, in Goodwin Forum, served as an opportunity to vet a more complete draft of the URPC's plan with the campus community prior to submission. At this "World Cafe"-style meeting, we asked participants to provide qualitative responses to an initial outline of proposal through consideration of six guiding questions. The feedback from these two events was integral to the development of our rationale and helped to shape and reaffirm our proposal, and the opportunity to converse with a broad swath of colleagues about the issues at hand was informative and affectively rewarding, but the data derived from these events was admittedly indeterminate. Moving forward, expansion of this type of campus feedback structure will be even more vital to the creation of a budget that can be said to reflect a rich and responsive vision of HSU, and, to that end, the URPC will commit to working with the Office of Institutional Effectiveness to design more valid measures of campus opinions as they relate to budget decisions.

Between these two Campus Budget Meetings, the URPC tasked each of HSU's Vice Presidents with reviewing a set of proposed "reduction ranges" for their Division and providing the URPC with a high-level overview of the strategies each division would take to achieve the high and low end of those identified ranges. They were asked to describe the approach they will take to reduce their spending, what anticipated impact either end of the provided range of reductions might have on their division, what insight they might have regarding differential impacts between the high and low amounts listed on those ranges. They were further asked to describe: whether potential reductions had already been identified for consideration, and if so, to what extent;

whether potential impacts to their divisions based on those potential reductions had been contemplated, and to what end; what interdivisional collaboration opportunities should be considered to affect cost savings; and what their initial thoughts were regarding the time needed to implement those reductions might be.

We were reassured by evidence that while we worked to develop our FIRMS Code-based proposal, parallel, campus-wide strategies were underway to mitigate the deficits that would need to be addressed. Across all of the Divisions, stakeholders have already been asked to engage in cost saving strategies, improving operational efficiencies by reducing and eliminating redundancy, refining processes, and realigning or restructuring institutional models. As more than one stakeholder remarked, our decline in tuition and related revenue has been an ongoing issue, and one that has been duly considered and addressed at all levels of the University over several of preceding budget cycles.

One of the challenges reinforced time and again throughout our vetting process has been the recurring concern that as over 80% of our current budget is personnel, and that with 20% less students and related revenue due to enrollment decline, our staffing levels will need to scaled down as well. In spite of this challenge, the University has committed to focusing on reducing budgeted positions through attrition, with an emphasis on preserving jobs for existing employees in a manner that supports proactive planning and consistency.

Development of a long-term budget model could take up to three years, depending on the process and approach we choose to adopt. We will have to start in short order if we hope to generate a robust and meaningful structure that meets our needs and values as an institution, and that will be fully formed and ready to implement by 2022. We have drafted a series of initial Guiding Measures and Principles that reflect the URPC's initial thinking regarding how we will achieve this end, but the development process will be necessarily iterative and responsive to ongoing and reciprocal campus feedback, and as such will be subject to change as our understandings and tactics evolve. Despite the work ahead of us, we are exceedingly encouraged by the outpouring of campus participation seen thus far. Based on this evidence, we, the URPC, thank all participants in advance for the hard work, input, thinking, and time that you, the entirety of the HSU community, will assuredly offer towards the maintenance and stewardship of a high quality, sustainable Humboldt State University that optimizes our available resources to provide educational opportunities to students for years to come.