TO: Academic Senate  
FROM: Committee on Budget and Resource Allocations  
SUBJECT: Annual Report

1. FORMATION AND MEMBERSHIP

The Committee on Budget and Resource Allocation (COBRA) was convened for the first time on July 11, 2003. Its membership consists of two tenured faculty elected by the faculty from each of the four colleges and one tenured faculty elected by the Library faculty; and two appointees of the President, one from Academic Affairs and one from Business and Administrative Affairs.

William Langan (chair) and Karina Garbesi (secretary) represent ALSS; Don Sawyer and Jose Lopez represent CEAS; Nancy Mangold and Don Wort represent CBE; Saeid Motavalli and Eleanor Levine represent SCI; Dana Edwards represents the Library; Armando Gonzales, Academic Affairs and Kris Erway, Business and Administrative Affairs serve as presidential appointees.

The President, after conferring with the Executive Committee, appointed the entire membership of COBRA to the University Budget Advisory Committee (BAC). Membership of the latter also includes the four vice-presidents and the Academic Senate Chair, as well as student and staff representatives.

By June 4, 2004 the committee will have met twenty-two times as COBRA and an additional three times as BAC, for more than fifty hours of meeting time.

2. CHARGE AND DUTIES OF THE COMMITTEE

Article XVI, Section 2.A of the Bylaws of the University Faculty enumerate the duties of COBRA:

1. To recommend to the Academic Senate budgetary processes, priorities and policies that help the University to achieve its long-term academic goals in the light of changing conditions;
2. To investigate, review, report and make recommendations to the Academic Senate on all budgetary issues, not limited to issues directly involving the colleges of the University;
3. To recommend to the Academic Senate processes and procedures for distribution of Lottery Funds;
4. To consult with the appropriate administrators and committees of the administration regarding academic planning, current budget issues,
allocation of resources, and campus development, and to report periodically the nature of the consultation to the Executive Committee of the Academic Senate;

5. To make recommendations concerning principles and procedures (including procedures for faculty consultation) governing the development, improvement, and use of the academic facilities of the University and the allocation of all categories of funds and staff directly related to the instructional program; and

6. To consult, when appropriate, with other Standing Committees.

We understand the work of COBRA and its members’ contributions to BAC as a principal way the faculty and administration at CSUH has chosen to fulfill the mandate for joint governance which is part of Board of Trustee policy.

The committee faced two primary initial tasks: to learn how the budget and resource allocation process works on our campus; and to advise the President on distribution of the very significant reductions anticipated for the 2004-05 fiscal year budget. A primary long-range task of COBRA is to recommend to the Academic Senate improvements or changes in the campus budgetary process, so that faculty input reflecting its funding priorities in order to meet University goals can be made in a meaningful fashion, before decisions are actually taken.

COBRA spent most of this year reviewing detailed budgets for each of the vice-presidential units, and for each of the major fiscal units within those divisions. We also reviewed the actual Expenditure Report for the 2002-03 fiscal year. All the vice-presidents and the directors of the major fiscal units appeared before COBRA, to explain how the budget process works in their division or unit, to explain the reductions already taken and the anticipated effect of future reductions on the services their units provide, and to inform COBRA about those services.

To inform the faculty and wider campus community about the pending reductions in spending, and to solicit faculty input while we are in the process of making recommendations to the President about how much to cut in which programs for 2004-05, COBRA and the Executive Committee have convened a Budget Summit to be held from 1:00 to 2:30 on June 1, 2004 in the Biella Room of the Library.

3. UNDERSTANDING THE BUDGET PROCESS

At CSUH two processes must be carefully differentiated: allocation of funds constitutes the process whereby the total amount of funds to be allocated to each fiscal unit for the coming fiscal year (July 1 to June 30) is determined. The expenditure process constitutes the process wherein the managers of each fiscal unit actually spend funds from their initial allocation during the fiscal year.

The managers of the divisional units are the four vice-presidents (and the president, who has her own budget).
Managers of the fiscal units are the heads of the various units who report directly to their vice-presidents. The deans of the four colleges, the director of the Library, the director of Enrollment Services and others report directly to the Provost; the director of Human Resources, the director of Business and Financial Services and others report to the Vice President of Business and Academic Affairs; the chief of police and others report directly to the Vice-President of Student Services, and so on.

A. Outline of the Budget Allocation Process

Funding for the campus budget comes from two primary sources: General Fund allocations, and student fees. The latter go directly to the campus, and are projected based on past enrollment patterns and anticipated enrollments, including student fee increases.

The Governor unveils his proposed budget in January. (The Chancellor’s Office and the CSU Board of Trustees prepare a budget request before January and submit it to the Governor for his consideration while he is preparing his proposed budget.) In May the Governor revises his budget proposal, based on updated information, and submits it to the legislature. The legislature is supposed to pass a budget by June 15 of each year, and the governor is supposed to sign a budget by June 30 of each year. Delays have regularly occurred in recent years.

The Chancellor’s Office projects an allocation for the upcoming fiscal year for each campus, based on the Governor’s May revision of his proposed budget (called the May revise.) The president and vice-presidents project a first draft of a CSUH budget shortly thereafter to the BAC. That draft contains allocations for campus wide expenditures, such as utility costs and employee benefits; for the four divisions (Academic Affairs, Business and Administrative Affairs, Student Services, and University Advancement); and for the President’s own unit expenses. The amount of funds available for allocation is determined primarily by the General Fund allocation from the Chancellor’s Office and an initial calculation of expected revenue from student fees done by the campus budget director.

Determination of these initial allocations is the result of a complex process. An initial allocation to each divisional unit is made, based on the percentage of that unit’s allocation of the present fiscal year’s funds, adjusted for various factors, such as salary increases, inflation (in the cost of benefits, utilities, and other mandatory expenses) and newly mandated services or programs. Special Allocation Provisions (SAP’s) also affect the amount allocated to the different divisional units. The source of these special allocations may be legislative, allocations provided for specific programs by the Chancellor’s Office, or campus-based decisions, including priorities recommended by last year’s BAC.
BAC reviews the initial allocations to the four divisional units. Each vice-president presents requests for programs to be offered should additional funding for their unit become available. BAC then recommends a priority ordering of those requests.

Once a final budget is passed by the legislature and signed by the Governor the President authorizes allocations to the divisional units.

[In recent years mid-year cuts have not been unusual, due to legislative action or executive order by the Governor. When such mid-year cuts occur, allocations to the divisional units are revised following a process similar to the one just outlined.]

Each vice-president makes an allocation to the managers of the various fiscal units in his or her division. That process varies from division to division.

B. Actual Expenditure of Funds

The different fiscal units are allocated a budget by the vice-presidents to whom their managers report. Targets in the form of services to be provided, programs to be administered or other responsibilities to be fulfilled are established. Managers are granted considerable discretion in determining how best to spend their allocated funds in order to meet their targets.

At the end of each month and at the end of the fiscal year the budget office of the University prepares a Budget Expenditure Report. That report shows how funds were actually spent by each fiscal unit.

The process is designed to allow specific decisions about the expenditure of funds to be made, to a great extent, by the actual managers of each fiscal unit. The advantage of this approach is that decisions about the best way to spend limited funds are being made by those directly overseeing the actual programs on which those funds are being expended. Presumably those with the best working knowledge about how the programs operate can identify the best ways to achieve fiscal efficiencies.

The disadvantage of this approach is the difficulty presented in identifying points within the process at which major decisions concerning the expenditure of funds are taken, so that meaningful faculty input can be made.

Department chairs function as managers of their own academic units. But the input they have in the allocation process and the flexibility they enjoy in the expenditure of funds allocated to the department varies considerably from college to college.

4. COBRA’S RECOMMENDATIONS ABOUT THE BUDGET PROCESS

Most of this first year has been focused on learning the budget process. However COBRA is formulating some initial recommendations to present to the administration and to the Academic Senate for consideration. Among them are:
a. Institute a discussion of priorities with the administration early in the academic year, in order to reach agreement about their implementation sufficiently before the May revise, so that the input of BAC can reflect those priorities in a thoughtful and considered manner.

b. Formulate its recommendations in terms of functions as opposed to funds or personnel. Each unit has goals or duties to perform in order to fulfill its service to the campus community. Decisions as to how to utilize their personnel to provide those services are best left to unit managers. As long as the budget remains restricted, which will be into the foreseeable future, COBRA should fulfill its task by prioritizing services or programs in terms of fulfilling the University’s mission and goals.

c. Identifying baseline levels of services. No programs or services in the University are without value. Few of them can be eliminated without disadvantaging one or another group of students. In order to make recommendations about reductions in spending, COBRA must begin to identify the minimum level of support without which a unit cannot provide its program or service. This figure will often change from one year to the next. Some functions are mandated by law, by the Chancellor’s Office, or by other external factors.

d. Units whose budget allocations have been cut should be assigned realistic targets or goals that match their identified base levels of service to their base allocations. The units should be encouraged to find creative and cost-effective means for meeting those targets.

e. Some method for standardizing the information presented in budget allocation documents and in expenditure reports should be established, to facilitate comparisons between initial allocations and actual expenditures, as well as comparisons of different fiscal units with one another.

f. Assure that adequate consultation between deans and the faculty of each college occurs, in order to protect the curriculum and maximize the quality of instruction we can offer in these financially constrained times.

g. Greater responsibility for academic department chairs and program directors in participating in their college budget allocation process and in making decisions about the expenditure of funds allocated to their departments or programs should be explored.

h. Academic departments, in particular, might be given FTES targets and then allowed to determine how to meet those targets in ways that optimize pedagogical resources while maximizing their academic program goals and research priorities.

5. ADDITIONAL RECOMMENDATIONS BEING CONSIDERED

As the budget crisis passes, a number of steps should be undertaken. Among them are:
a. Devising a new procedure that allows for the initial budget allocation to be based more on goals prioritized by the University as opposed to simply reflecting the current year’s spending patterns.
b. Developing a Recovery Plan, so that valuable practices that are now being suspended in order to meet the budget crisis are reintroduced.
c. Reviewing the steps taken by the different colleges and departments to maximize enrollment, in order to determine the effects on the quality of instruction and implement ways to restore lost teaching effectiveness.
d. Plan for the implementation of ACR 73 level ratios of tenure-track faculty to lecturers. Given the curtailment of tenure-track hiring in recent years due to budgetary constraints, the need for increasing the ratio of tenure-track faculty to lecturers has been recognized by the CSU, the statewide Academic Senate and the CFA.
e. Consider how to integrate review of the budget process with recommendations about the number of tenure-track searches to be authorized in the coming year or years.
f. Consider ways to coordinate the work of COBRA with the WASC process, in establishing and refining University goals and priorities.

6. THE 2004-05 CSUH BUDGET

Until the legislature passes a budget and the Governor signs it, we will not know the actual allocation for CSUH for 2004-05. On May 28th a projected budget will be presented to the BAC, based on the Governor’s May revise of his state budget proposal.

On that date the four vice-presidents will report on the effects that a 15% reduction from the level of allocation in the present (2003-04) fiscal year would have on their units.

The vice-presidents will also present a list of programs or services which they would implement or expand, should additional funds (beyond the 15% reduction from this year’s budget) become available for their division or unit.

On June 4th BAC will meet again to recommend to the President how the 8.4% overall reduction in general funds, together with other mandated expenses that were unfunded, is to be met. In essence, those recommendations will be recommending which programs or services will be cut and by how much, to achieve an overall reduction in funding that meets both the 8.4% reduction in the CSUH allocation and the unfunded mandates.

The Budget Summit is being held on June 1st so that COBRA and the Academic Senate can provide members of the CUSH community with the latest information available (hence after May 28th) while enabling them to make recommendations to COBRA before it must make its recommendations to the President as members of BAC on June 4th.
This report is being prepared before the May 28th meeting, so the figures in it are based on the Governor’s January budget proposal.

Total resources from all sources available to CSUH amounted to $121,594,749. These include estimated student fee increases.

To continue, in the 2004-05 fiscal year, the same level of programs and services being offered in the 2003-04 fiscal year, we would need to spend an estimated $128,867,226. The shortfall is $7,272,477.

Some actions to meet this shortfall have already been implemented.

1. Contract terms for all employee units establish a procedure for layoff. Permanent employees who will be laid off are entitled to a certain number of days notification (for staff, it varies, but typically between 60 and 75 days). The largest two vice-presidential units, Academic Affairs and Business and Administrative Affairs, have been forced to issue layoff notices in order to have actual layoffs begin on or near the beginning of the new fiscal year, which is July 1, 2004. Temporary and probationary employees in affected classifications must be terminated first.

2. Summer and fall schedules of classes have been submitted by all academic departments. Student registration for summer and fall has begun. Those schedules already contain a significant reduction in the number of sections being offered.

3. The University Committee on Layoffs (UCL) has, in its report to the President, determined that no layoff of tenured, tenure-track or FERP faculty will be necessary. But reductions in the teaching load of part-time entitled faculty are occurring. Reductions in the teaching load of one year faculty have also occurred. Many quarterly faculty are not being rehired.

7. RECOMMENDATIONS ABOUT IMPLEMENTING FUNDING CUTS FOR 2004-05

The CSU and each campus have been given FTES targets for 2004-’05, reflecting a 5% reduction from this year’s enrollment targets. Since CSUH fell 1.6% short of this year’s enrollment target, its target for next year amounts to a 3.4% reduction from this year’s actual enrollment.

Future budget allocations for campuses that fail to meet their enrollment targets will be reduced. If the cuts made to instruction for the coming year result in such failure, that will cause a reduction in future year allocations, hence necessitate more cuts to instruction (and to other campus programs), quite likely leading to further shortfalls of target and additional cuts. A spiraling effect downward of enrollment decline followed by budget reductions followed by enrollment declines could very well ensue.
It is imperative that the reduction in expenditure of instruction be held to a level that ensures we meet our enrollment target, or come close enough to it so that no budget reduction penalty in the 2005-06 budget is triggered.

The UCL has recommended a number of steps for the four colleges to consider which are designed to increase FTES while not affecting the quality of instruction too drastically. Some of those steps were implemented this year in some colleges to meet the budget cuts imposed last year. A 2.5% reduction in funding for instruction accompanied, if not resulted in, a net reduction of FTES of 2.7% and a drop in student headcount of 2.8%.

Despite its lower FTES target, the University should make every effort to admit more students, and in particular more first year undergraduates, who tend to take more units. Student fees increase according to headcount, not FTES.

Any cut in the lecturer budget necessitates increasing FTES output by the remaining faculty. Implementation of some of the suggestions by the UCL should help achieve that goal.

Next year an assessment of the effect of those steps on enrollment and on the quality of education should be undertaken.

A 15% cut in the instructional funding budget would result in a 78% reduction in the combined summer quarter and academic year non-entitled lecturer budgets, according to the Provost. This is because most of the instructional funding goes to entitled faculty.

According to reports submitted in May by the four college deans, a 15% cut in their instructional budgets would result in the loss of 1105 sections in 2004-05 and the estimated loss of 2208 annualized FTES. (An unknown portion of the latter would be offset by the steps taken in response to the UCL recommendations.) That figure represents a 20% decrease in campus FTES, and would undoubtedly trigger a reduction in funding for the following fiscal year.

A 5% cut in the instructional funding budget (which was $37,746,793 in 2003-04) would result in $35,859,453 being available for instructional funding in 2004-05. This would necessitate an 18.5% cut in lecturer funds (which were approximately $10 million in 2003-04). Not counting offsets provided by the steps recommended by UCL discussed above, whose results can not presently be predicted, an 18.5% cut in lecturer funding would result in a 4.6% cut in FTES if the pattern that occurred in 2003-04 would continue.

Of course, there are other units in the University that cannot withstand further cuts if they are to provide the minimum level of service deemed necessary to meet the educational mission of the University.
Apart from a limited cut to instruction and to those units whose budgets cannot be further reduced, all other units of the University must incur cuts of a magnitude sufficient to meet the overall 8.4% plus the unfunded but mandated expenses mentioned earlier.

COBRA is seeking to determine a balance between minimizing the cuts to instruction (which necessitate larger cuts to non-academic units) and providing all fiscal units with a budget sufficient for them to provide their baseline services. Holding instruction to a 5% cut, for example, might necessitate 15% cuts in non-academic fiscal units.

In order to mitigate the effect of the next year’s reductions in funding on the services they provide, units should be permitted to bank or save funds from this year’s allocation.