

California State University, Chico
Academic Senate
(530) 898-6201, Zip 020
MEMORANDUM

UNIVERSITY BUDGET COMMITTEE MINUTES
February 28, 2019, 8:00-10:00, K-207/209

University Budget Committee meetings are recorded. Traditionally the written minutes consist of a summary of topics discussed. For more detail, listen to the audio files [here](#) and [here](#). Time stamps for each agenda item are provided in parenthesis for convenience. CSU, Chico is committed to making its resources accessible for all audiences. If you have accessibility-related difficulties with any of these documents, please email oats@csuchico.edu.

Wyrick called the meeting to order at 2:36.

1. Approve Minutes December 7, 2018. [0:00-1:06]

Hutchinson noted on page 13 line 8, that 250 students per day were being fed by the food pantry since the Camp Fire and after.

Amended Minutes Approved.

2. Approve Agenda. [1:06-1:14]

Agenda was approved.

3. 2017-18 Financial Statement & Tax Law Changes (Sherman). [1:15-8:25]

[Slide 2] Sherman noted that a change is coming in the way that group benefits are accounted for. She pointed out that the CSU net pension liability has increased and the state has offered some compensation but CalPERS is having serious financial challenges to account for their long-term liabilities.

2017-18 Financial Statements

Pension & Other Post Employment Benefit Obligations (OPEB)

CSU Net Pension Liability –increased from \$7.7B to \$8.9B

Chico \$334M (State contributed \$32.6M)

CSU Net OPEB Liability –recognition in 17/18 of \$13.9B

Chico \$631M (State contributed \$11.8M)

Governor Newsom Jan '19 Budget:

Contribute \$3B to CalPERS & \$1.8B to CalSTRS funds

Reduce unfunded debt liability to ensure long-term sustainability of the fund

Sherman wanted to introduce this topic today since conversation will continue about how the state will meet some of these long-term liabilities. She predicts there will be serious reform of the current pension system at the state and CSU levels.

She also wanted to point out some changes to business income taxes from this last year:

Unrelated Business Income Tax (UBIT)

Effective Jan 2018: Employer expense to provide employee parking must be added to UBIT

- Chico's estimated annual tax liability: \$20,000

The category treats employee parking that is provided for employees not available to the general public. These have been carefully prorated from their time of use from 7:30-5:00. This employee reservation time used to be 4:00 pm.

It was pointed out that one way the CSU's remain competitive with other Universities despite our lower salaries is the strong retirement plan we offer. Sherman said it is rare to have a defined pension plan as we do, and expected more reform maybe through a defined contribution plan. This will be a big political issue in the future.

4. 2019-20 Budget Update (Sherman) [8:25-]

[Slide 2] Sherman noted that we are in February of the typical State Budget Cycle. The Governor's Budget Proposal was less than the CSU asked for but more than ever proposed by any governor in CSU history.

The proposals are before the Legislative Analyst which is about to release their analysis, and a period of advocacy will start over the next months.

[Slide 3] This color chart compares the CSU Budget Request and The Governor' Proposed Budget 2019-20

The Governor's Proposed Budget is already completely committed to obligations we have already incurred.

- The CSU requested 5% enrollment growth, the Governor has returned with 2%.
- CSU asked for money in the base budget for facilities and infrastructure –this was not supported at this time

[Slide 4] This information appears in the 2 center columns of this graph, Chico's share is on the far right column:

- GI funding \$1.5M this upcoming year
- Mandatory Costs and Compensation increases \$7.2M
- Enrollment Increase (at 2%) \$2.3M
Total for Chico: \$11.0M

5. Capital Outlay Update (Sherman) [14:02-20:31]

Sherman observed that the CSU requested Academic Facilities and Infrastructure funds which the Governor did not support, but he did say he would consider one time Capital projects. She said there is some CSU Bond financing that is being brought forward to respond to specific projects that are on the list of priorities. We are fortunate that we have two potential building projects on this list.

[Slide 2]

1. Renovation of Butte Hall
2. Renovation of the Science Building

These projects will take careful chain of events so that we can use the Science building for overflow while we are renovating Butte hall. This can happen because on the right hand side, the CSU is proposing a *Potential State General Obligation bond*. This is tentative and would be about \$4B for the CSU and \$4B for the CU. Chico's share of that would be \$161M over some period of time.

Hutchinson noticed the excitement in the room! She observed this had been in our planning for years.

Wyrick asked about the planning for the surge space and responding to over 100 offices closed. Hutchinson emphasized that this is why we need the old Physical Science building attended to so that we can surge into it. Wyrick thought that Mike Guzzi had hoped perhaps \$20M could stabilize the old Science building and the last \$10M might be used to replace equivalent spaces from Butte hall.

Kitchell answered that there are currently feasibility studies examining these questions to determine how flexible we can be to fine tune these numbers. Wyrick noted that planning a Fall 2021 surge must be done a year in advance, which means we need to know by this May.

It was pointed out that people will need to be assured that the environmental health challenges of moving into the old Science building are explained. Hutchinson said that the intention is to abate any problems so that we can move into that space, and this will be communicated strongly.

Sherman asked if Mike Guzzi could send out a preliminary message to reassure people that feasibility studies are underway and there will be reports later. Hutchinson thought people could be reassured in this way and will have input down the line and communication will continue.

6. Student Fee Update (Lang, Kitchell) [20:31-25:24]

Lang said it was thought that it would be helpful to give a sense of what has been happening with student fees this last academic year. He noted that the Athletic funds do not go into effect until next Fall.

[Slide 2] Student Health Services

Student Health Center

Staff Hiring Updates

- 1 Medical Doctor
- 2 Registered Nurses
- 1 Phlebotomist
- 1 Family Nurse Practitioner
- 1 Psychiatrist

All of these hires have enhanced the student experience and decreased lines and improved services.

Counseling & Wellness

Added 1 new counseling position

There is conversation in the division about how to improve counseling further.

Financial Aid was also extended:

- \$214,000 additional awards in 2018-19
- \$234,000 additional work study awards in 2018-19

[Slide 3] **Student Learning Fee**

Kitchell explained that the Student Learning Fees were increased starting with the Spring semester this year.

- In May of 2018 allocated in the first round = \$825K
- This year, based on the fee increase, a second round of awards = \$400k

There is a list of the awards dispersed on this slide.

The legislation requiring the CSU's to fund 1 counsellor per 1500 students is returning to the legislature this year. Is the CSU going to support this? Lang had not heard, but thought it was a great idea.

Pittman asked what the student ratio to counsellors is at Chico with this new hire? We are above the 1 to 1500 ratio and most CSUs are at 1 to 1600. It was asked if these would be turned into tenure-track positions. Lang said there had been no discussion of it.

7. Enrollment Update (Kitchell/Fortin) [25:24-53:08]

[Slide 2] Barbara Fortin began with a check in on the enrollment management progress toward our funded target.

- 2018-19 CSU funded Resident FTES target: 15,250
- 2018-19 estimate with Spring 2019 census: 15,634
- Resident FTES above funded target: +384/2.5%

She reminded members that our non-resident FTES was declining last Fall, and we have been seeking to augment our resident FTES numbers to make up for this. It looks like this is good news to come in at this level.

[Slide 3] Kitchell said this slide is just a recap of last year's numbers (2017-18). We built our budget around an annualized FTES of 15,875 and actually came in at 16,281. This generated additional tuition fees of \$1,889,203.

[Slide 4] shows the past year and the current projections on the right. The budget this year was built around an enrollment of 16,061 (as of 2/26/19). This will bring us in **\$725,630** short in our budget plan. We hope this will be a one-time shortfall to be shored up with one-time funds.

The state only funds us at 15,250 FTES.

[Slide 5] Fortin outlined where we are on the planning side for 2019-20 Enrollment Planning.

- Currently funded for **15,250** full-time resident students
- Anticipate **2% funded enrollment increase** for next year
- Evaluating 2019-20 enrollment scenarios and fall 2019 application pools
- Enrollment Management Advisory Committee consultation on 3/5/19
- Closely monitoring student housing impact
- Hold harmless request to Chancellor's Office

We are hopeful that we will receive a 2% enrollment growth allowance from the Chancellor's Office. We are planning conservatively to allow for more California residents to enroll next Fall semester.

Hutchinson wondered about the declining enrollments in non-California residents over several years. Barbara Fortin said this has been declining significantly by a few hundred headcount which translates to a great deal of FTES. This takes multi-year investment to turn around. We are fortunate as a campus to have a strong application pool and especially the first time Freshman pool.

Jeff Bell asked if fall freshman enrollment was being targeted because we know Community College enrollment will be down in the Spring. He thought Chairs should be alerted so we can plan for the different impacts. Barbara Fortin said that we will target transfer students, who are typically upper division, and first time freshman as well.

Paiva asked if we are purposefully recruiting from our service area and places like Chico High and Orland High. Barbara Fortin answered in general over the last six years this outreach has been steadily increasing in the North State. Lang agreed that we should own this region and we should reach out to Sacramento as well so that students can see themselves on this campus.

Dan Herbert, Off-campus Housing, said including 2 private apartment complexes and campus housing there were 240 units available this morning. There are many other properties in town. If our campus contacts "The Social" apartment network, they can divide their units to add another 200 shared occupancy units if needed. This will be able to absorb some of our growth in the Fall.

Lang said we must remain mindful that other residents may move into these units when our students are away in the summer. He also said some landlords want to continue to serve students long term.

Hutchinson asked about secondary displacement of students. Dan Herbert said this does not seem to be happening in a significant way. (Paradise Apartments, with 500 beds, was already upgrading their facility before the fire to appeal to a higher rent clientele). He does not see any red flags for the traditional 18-24 year old student for housing.

Lang said students are being told to sign their leases before they leave for the summer, but information that housing is available is also being shared with folks from Southern California as well. Dan Herbert wanted to encourage students to double up on accommodations also so that they can save extensively. This is just a cultural change for us.

Paiva asked what the impacts on infrastructure and zoning would be from doubling or tripling up on rooms. She also wondered what the change in price would be. Dan Herbert said that zoning and parking would not really be impacted significantly. He said the increase of 10% in rent allowed by the city ordinance is common for probably more than 50% of the apartments he is surveying without doubling up.

Pittman asked about older and married students, staff and faculty housing. Dan Herbert answered that the Chamber of Commerce just put out a survey and concluded that the situation is bleak for this group of people. Barbara Fortin said we do not know how this will impact the non-traditional aged transfer students.

Pittman asked if there were plans of providing housing for students like that? Sherman noted the problems that Sonoma state is having as the fire marshal is not allowing some of their units to be occupied (although they were before the university bought them).

Sistrunk said he had read that 20% of CSU students have kids of their own. University housing might have to serve for them (as it did for him). Is that just system-wide figure. Lang was unsure.

Hutchinson said she had requested of the Chancellor, that Chico State be held harmless for a period of three years to respond to the fire. It looks like this will be done and signed in writing soon.

Ford noted that in EMAC they had wondered if over enrollment was a net gain for the university because the cost to educate more students continues to rise with more workload and may not be worth the additional money. He wondered if there has been research on this and if there were resources for the University to be used to lower workload? Are these marginal costs being analyzed? Kitchell said that EMAC would have to work with Academic Affairs to determine if there is, in fact, a marginal cost.

8. Academic Affairs Budget Update (Larson) [53:08-1:10:46/ 0:00-
[Slide 1] Larson said she would be drilling our conversation about the larger university context down into the division of Academic Affairs.

[Slide 2] **Divisions 2018-19 Budget Plan**

Larson noted that the division worked hard to arrive at a balanced budget for 2018-19. Reductions in spending were wide-spread and impactful.

At the end of the year revisions (that we call one-time = marked by the arrow) represent about \$1.8 reconciliation funds gained by enrolling over our budget. This amount was not available this year since we missed our target.

[Slide 3] Sadly, as of the middle of this year it is projected that we will have a deficit of \$1.4M. This is disappointing.

[Slide 4] **Divisions 2019-20 Early Projections on Budget**

She tried to explain how we arrived here. This budget took the Governor's Early Proposals and projected them all the way down to the Division. The projected enrollment moneys we hoped for did not emerge because we were under target (slide 2)

Thus, we are again with a projected deficit this time of **\$3,067,919**. If we get the 2% enrollment support from the Chancellor's Office, we will do slightly better.

[Slide 5] This slide drills down into the specific costs we will accrue with the 2019-20 Estimated Sources.

\$3,019,328 will be spent on Compensation/Benefits which are part of base adjustments. We have a pretty significant amount from the Graduation Initiative, but less than last year (about \$1,125,000). The bulk of the initial money is already encumbered.

[Slide Six] reveals the details of the Divisions 2019-20 Estimated Base Fund Uses. Between the two blue lines are important budget items. Among them are the following:

- Faculty Promotions @9% = \$200,000
- 6WTUs annually for new faculty for two years = \$715,660
- Student Wage Increases = \$200,000

These are unfunded mandates by the CO and together with other items, the Division has been funding them for about \$1.3M a year. This just eats up our discretionary funds.

The Student Wage Increase is because the Student wages must equal \$15.00 a year eventually.

Sistrunk wondered why system-wide expenses negotiated by the CO (like Faculty Promotion Rates or 6 WTUs for new faculty) are being born by local campus budgets. Larson thought these expenditures needed to be clearly defined by the CO when they negotiate them.

Ford wondered about including the ABC Model, with Faculty Promotions and maybe missing the savings from retirements. This savings is not split out, should we assume it is built into the

ABC model but Promotions are not? Larson said the savings should be assumed and she will show why below.

[Slide 7] We used to fund many things through the Provost's Office and we called them "**Central/Off-the-top Uses**". These dispersed about \$5M and we have mostly kept them the same for 2019-20.

[Slide 8] VPAA Salaries/ Benefits vs. Base Allocation

Larson pointed out that in our division history beginning in 2014, 16 and 17 we spent more money on Salaries and Benefits than we received for our Base Allocation.

[Slide 9] This is an example of CME's Salaries and Benefits vs. Base Allocation. It shows that they have about \$343,376 rollover in 2017. This will change a little because we changed the ABS Model.

[Slide11] Here is another example. Much has been done, but there is a lot of work to do in HFA.

[Slide 12] shows another division example of BUS. There are tough conversations ongoing. They are \$1M over in what the college spends.

Further Spending Reductions

Larson passed out slides 13-14 and 15 to provoke conversation about what to do to balance the Division's budget. Can we trim the \$3M deficit?

Work in Groups. We will not consider the 2% enrollment growth which may come later.

[1:10:46]

Next Steps [0:00-46:26]

Wyrick asked for thoughts and feedback

Boyd wondered if there was a way to talk about how the University can contribute to this effort as a whole. The deficit is experienced across the University and compensations is a challenge. If we are going to go through a cost cutting strategy, we should look at the University as a whole and appreciate other programs that may be across the university so that we can all pitch in.

She has not been calculating the salary saving of losing older faculty and the costs of hiring new faculty in a way that evaluates GI money as new money.

Pittman asked how prescriptive the sum that comes to the University or the broader CSU from the state really is. Larson said the Financial aid is set aside, mandatory compensation costs and other things. Pittman asked if the University really has discretion, then are the examples mentioned really unfunded mandates, or just a case of expressing preferences about where to spend the money.

Larson thinks our salary expenses are over and above our base and that is why we have a \$1.3M deficit.

Trailer said that money comes in but there are social contracts that determine much of our behavior. He wanted to note that with the ABC model we have allocated about \$3,000 per FTES. When the numbers change the allocation changes and that is one struggle. We also have a commitment to the people who already work here and they have an expectation of salary. If we just slash some things we are violating social contracts that have long been held, and this is also not a long term solution since these things exist for a reason.

We should think about how the class size is the way to resolve our problems. If each professor teaches X number of students we can exactly calculate what that number should be. We could use the UC model, where some teach very large classes and the rest teach the smaller as long as we hit our targets. Mathematically, we only need an average number taught. We should get in front of this now.

Jeff Bell thought we could use our rooms more efficiently. We have many small classrooms that are not full. Historically, we have gone through many budget swings, but our student/faculty ratio has changed very little. It costs about 80% more to have a tenure, tenure-track person teach than a lecturer. We have responded to fluctuations of the budget by wild variations in TT hiring. We never talk about the trade-off between tenure density and a certain class size.

Paiva would hate for any type of model to be carried on the backs of lecturers to bare the brunt of class size changes. We know that underrepresented students are more likely to get higher DFW rates in larger classes than others students. We must remain strategic about how we take about maximizing numbers.

Larson noted we have other constraints. We have GI2025 targets we must organize ourselves around to meet.

Zartman noted that some programs with high concentrations of International students have large value and might meet the deficits we discussed easily.

Larson hoped from the exercises today we would recognize the value of enrollment to our budgetary future. She thought that everything that comes though EPPC or FASP should be attended by considerations about the impacts decisions have on the wider community.

Zartman said that 100 international students add a million dollars to our budget.

Sara Trechter noted that there are percentages that go out to other purposes and it does not all go to Academic Affairs.

Jeff Bell noted that large lower division classes like GE also increases our expenses and student hardships and end up with low student success because they are not ready. The reason we must have these big classes is so we can have the small classes. We have over 300 degree programs to conduct. We don't have enough money to run these small majors with small classes.

Larson note that it is common that people say their new majors won't cost anything. We have a proliferation of programs.

Lang said we need to pull together a comprehensive enrollment plan with long term and short term goals and discussions of international students and the number of degrees, etc. We need to get away from ad hoc planning and work on a robust, competitive plan.

Larson thought we had moved forward today.

Sistrunk wanted to pause and congratulate the Lecturers who are the majority of the faculty since they have carried their more privileged colleagues. He hoped they would be included in the conversations as they have great ideas about how to teach and deal with large classes and maintain University level standards and instruction with little financial support.

Larson hoped to elevate the conversation about how we think about our lecturers place in the university even in small ways.

Wyrick wondered if we could reflect this conversation in the WASC response to component 7 that deals with sustainability, financial viability and moving into the 21st century. Some of this kind of planning is what he imagined WASC was looking for.

Larson said they had not thought about the 2019-20 challenges in this way. We can talk about this meeting with WASC observers. We also need to take this conversation forward. This will be started in PAC. We should also start to assess our curriculum and look at the proliferation of low enrolled programs, duplication of course content, maybe freezing of tenured track hiring. In the long term we should look at trimming some of our organization.

We will be spending \$1.4M out of our reserve. Some of these are planned infrastructure projects.

Ford said that if we lower the average number of units for a degree from 140 units to 130 and if we lowered the average student load from 14 to 13 symmetrically, we would save \$5M a year. Time to degree does not change and student faculty ratio does not change.

Larson thought the pathways to complete degrees should be clear and the advising should be sufficient to mitigate the impact of students changing their major. If students change while freshmen or sophomores, they will be happier, but if they change later it can be problematic for them.

Paiva pointed out that strategically hiring lecturers so that they teach the maximum number of classes is cost effective because we pay the full benefits once they reach .4 or 6 units of classes. Everything beyond this number is already paid for so they ought to be given full time if they went it. Larson thought department chairs should be trained that this is true so that they know the benefits. Lecturers should be fully entitled.

9. Other [46:25-46:28]

None.

10. Announcements [46:28-]

Chico State Financial Wellness Clinic is open from 4:30-5:30 today in Glenn 202. This was funded by the GI team.

Hutchinson reminded everyone that WASC will be on campus from March 5-7. Daniel Grassian said the faculty open meeting will be March 5, 4:30 and 5:15 in Colusa 100A. The meeting for students will be in Selvester's Café. The meeting for staff will be on the 6th, 1:45 in Colusa 100A. Hutchinson was confident we would do well.

She wanted to say that she has hoped UBC would cultivate this kind of dialog since she got here. She thanked everyone for the meaningful and productive conversation which knew would continue. She thanked everyone for participating.

11. Adjourn [49:23]

Meeting adjourned at 4:50 p.m.

Respectfully submitted,
Tim Sistrunk, Secretary

General Resources for University Budget Information:

State of California, Department of Finance: http://www.dof.ca.gov/HTML/BUD_DOCS/Bud_link.htm

State of California, Legislative Analyst's Office: <http://www.lao.ca.gov/>

CSU System: <http://www.calstate.edu/budget/>

CSU, Chico: <http://www.csuchico.edu/vpaa/bar/resource-allocation/index.shtml>

CSU, Chico: <http://www.csuchico.edu/bud/index.shtml>

OpenGov: <https://csuchicoca.opengov.com>