

# WASC – Financial Documents (#4, #9, and #11)

## 4 NEW ACADEMIC BUDGET MODEL:

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### WHAT IS IT?

The Division of Academic Affairs utilizes an [Activity Based Costing \(ABC\) budget model](#), which applies a variety of data to determine a fair and equitable budget allocation to each of the seven colleges. Adopted in 2004-05, the model has evolved over the years. Most recently, the Provost created a task force charged with examining the model, analyzing data on current costs, and recommending changes to her and the University Budget Committee (UBC). Implemented in 2018-19, the approved revisions to the model included the application of a salary index by college, factors to account for advising and retention services, technical support staff, and faculty development. The college base allocations derived from the ABC Model accounts for only a portion of the entire Academic Affairs divisional allocations, as shown in the General Fund Planned Sources and Uses file:

<https://www.csuchico.edu/vpaa/assets/documents/aa-sources-and-uses-2018-19-plan.pdf>.

### HOW IS IT USED?

In the ABC Model, approximately 70% of college funding is allocated based on the number of students taught (FTES) and the type of instruction. Funding amounts are determined by averaging the cost per FTES for different types of instruction across all colleges (see “[Analysis of S17 Instructor Costs](#)” and “[Analysis of S17 Assigned Time Costs](#)”).

Two key factors are used to determine appropriate budget costs per FTES, course level and instruction type:

1. Course Level	Factor
General Education (GE)	1.0
Lower Division (LD)	1.14
Upper Division (UD)	1.5
Graduate (GRAD)	3.0

2. Instruction Type	Factor
Lecture	1.0
Writing Intensive	1.6
Activity	1.9
Supervision	2.0
Laboratory	3.0

Combining factors for course level and instruction type generates a cost per FTES that ranges from ~\$1,000 for a GE lecture class to ~\$9,000 for a graduate laboratory class. The average University FTES cost, coupled with the salary index of instructor costs, determines the instruction budget for each college. The average salaries of faculty and the proportion of instruction done by tenure/tenure-track faculty makes up the college specific salary factor. For example, the College of Business at the high-end receives ~36% more funding per FTES than the College of Behavioral and Social Sciences at the low-end due to the high salaries for Business faculty.

The remaining 30% of the colleges’ budgets are allocated at either the same rate per FTES for all colleges (for staff and administration), based on the headcount of majors (\$180 per major), or for a specific programmatic need (specialty or technical staff salaries). These rules then result in the following category breakdowns:

- 18% of the budget is allocated for administrative support purposes and is based on average administrative costs per FTES across all colleges and a variable amount per FTES for unique technical needs. Thus, 88% of the college budgets are based on college FTES.
- 4% of the budget is allocated based on the number of majors in the college to cover extra expenses for advising and providing special services to majors.
- 8% of the budget is allocated to cover known costs for operations that do not fit into an FTES based model, such as the costs of the farm in the College of Agriculture, support for various museums, or the Nursing program with its requirement for very small classes.

To determine budget amounts for the next academic year, the proportion of FTES by course level and instruction type from the prior year is multiplied by the overall current year FTES target in each category for each college. The available budget for the colleges, as determined by the University budget process and the Provost, divided by the target FTES for the University gives an input cost per FTES. This cost per FTES is then used to normalize the model so the amounts budgeted to each college will add up to the amount of funds available.

The advantages of an ABC Model are that the college allocations can be quickly determined once the available funding is known. This methodology allocates funds through a transparent and equitable process based on average expenses for all colleges. Colleges providing more expensive instruction (graduate programs, etc.) automatically get more funding, and money is reallocated from colleges where the number of students taught is decreasing to colleges where the number is increasing. While the model allocates specific amounts for each type of instruction, colleges are free to use their own allocation mechanism to fund the individual departments, and colleges or departments can spend more or less on different types of instruction based on strategic plans. However, the budget model encourages discipline in that spending more than budgeted in one area requires decreases elsewhere in the budget. Trade-off decisions are the responsibility of the dean and are expected to be made within the framework of the college's mission, values, vision and strategic priorities.

### HOW IS IT INTEGRATED INTO ACADEMIC PROGRAM REVIEW?

The ABC Model is designed to compute basic allocations to the colleges; these allocations are then distributed across departments and other college activities by individual deans according to the collaboratively developed current and future plans for their respective areas. The [Academic Program Review](#) (APR) process is a comprehensive tool to identify of any programmatic and allocation changes that could be considered.

The [program review guidelines](#) require evidence that fiscal resources are effectively aligned with the mission and objectives of the program, are appropriately diversified, and are sufficiently developed to support and maintain the level and kind of program offerings, both now and in the foreseeable future. Program coordinators are asked to provide data on trends in budget allocations and uses since the last review. They are also asked, relative to the mission, to describe the adequacy of resources in terms of: general fund allocation; faculty, non-faculty, and operating expenses; lottery and work-study funding; and non-general fund resources including grants, contracts, and advancement.

The program review process and accompanying data informs the Provost, the Vice Provost for Academic Programs, deans and chairs of program outliers and trends, and provides a wealth of data; administrators can then make highly informed allocation decisions based on the review.

## HOW IS IT INTEGRATED INTO THE UNIVERSITY'S OPERATING BUDGET PLANNING?

The University's operating budget allocates to the divisions based on historical distributions; when new money is allocated from the CSU system, those dollars are appropriated first to mandatory or central costs, and then out to the divisions based on their historical proportions of the base budget. However, new money can be specifically targeted to particular divisions for strategic purposes. For instance, new Graduation Initiative (GI) 2025 dollars have exclusively been allocated to Academic Affairs and Student Affairs the past two years as part of the efforts to prioritize student success. Within AA and except for the GI 2025 funds, the majority of new dollars are allocated based on the ABC Model. AA's share of the GI 2025 funds are allocated in accordance to the broader goals of student success and faculty hiring as exemplified by the 2018-19 distribution:

- College Advising and Tutoring: \$495,600
- Extra Course Sections for General Education Quantitative Reasoning and Writing: \$220,000
- GI 2025 Team – High Impact Practice Projects: \$274,340
- Course Redesign Activities: \$100,000
- Ongoing High Impact Projects: \$141,330
- New Tenure-Track Faculty Hiring: \$1,020,000

Additionally, funding shortfalls for supplemental educational supplies, services, and opportunities for students were identified and it was determined that a modest increase of the [Student Learning Fee](#) was needed. These new funds allow the University to better meet classroom, laboratory and co-curricular needs that prepare students for the demands of today's professions and disciplines.

Each year, Cabinet, the Fiscal Administration Committee, and the University Budget Committee consider adjustments to reflect changing circumstances and priorities of all divisions. Once the University Strategic Plan is complete, and when new money is available, we will prioritize and strategize on how best to allocate funds. The ABC Model will be the primary method to allocate new base dollars within the Academic Affairs division.

## 9 CAN WE HAVE AN UPDATE ON THE UNIVERSITY'S FISCAL YEAR 2020 BUDGET PROJECTIONS AND AN OPERATING FORECAST FOR FISCAL 2019?

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The University operating budget projections for fiscal year 2020 are slightly improved from 2019 (Attachment A). The projections include a conservative funding increase of \$2M for 2% enrollment growth and compensation funding sufficient to cover the estimated 2.5% increase in expenses. Undesignated operating reserves are projected to be \$36.5M at June 30, 2020.

The University operating forecast for fiscal year 2019 has been updated and projects a \$37.6M undesignated ending balance at June 30, 2019 (Attachment B). The most notable item in the forecast is that the Centrally Managed balance declined from \$3M to \$0. The university's tuition and non-resident fee revenue for the current year is forecast to be less than budgeted. As a result of a decline in non-resident enrollments, a budget decision was made to increase resident enrollments; however the decision was made too late in the admission process. Consequently, the annualized FTES is estimated to be 160 short of budget projections resulting in a revenue shortfall, which the campus can absorb with a one-time allocation from central earnings in the next fiscal year.

## 11 UPDATE ON CAPITAL CAMPAIGN PROGRESS AND GOALS.

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### **TRANSFORM TOMORROW, THE CAMPAIGN FOR CHICO STATE**

California State University, Chico's first ever capital campaign is about to go public with a final push toward its goal of raising \$100 million by 2020. Transform Tomorrow | The Campaign for Chico State has raised \$72,698,542 as of January 8, 2019. Planning is underway to kick-off the public phase of the campaign with a series of campus events for donors, friends, alumni, and the campus community on April 27, 2019.

New programs in the campaign include Chico State's leadership giving program, the Tower Society, which currently has 398 members who have given \$3,655,821 so far this fiscal year. The Student Philanthropy Council, featuring students inspiring other students to give, was established in fall of 2015 and has been successful in raising senior class gifts to support the Chico State Basic Needs Project each year since. Its 929 student members have given \$20,844 so far in fiscal year 2018-2019.

When the region's catastrophic Camp Fire devastated the community on November 8, [Wildcats Rise](#) was established to help focus fundraising efforts on students and colleagues who had lost their homes and were dealing with a host of unprecedented challenges. The extraordinary cross-campus and community collaboration raised over \$690,000 from over 5,000 donors across 49 states, Japan and Canada. \$661,000 has already been distributed to 534 students, faculty and staff.

Current progress on the capital campaign can be found at [www.csuchico.edu/transformtomorrow/](http://www.csuchico.edu/transformtomorrow/).