



# HUMBOLDT STATE UNIVERSITY

Office of the President

12 August 2016

Dr. Alex Enyedi, Provost and Vice President for Academic Affairs  
Co-Chair of the 2015-16 and 2016-17 University Resources and Planning Committee (URPC)

Dr. Erick Eschker, Professor of Economics  
Co-Chair of the 2015-16 University Resources and Planning Committee (URPC)

Dr. Mark Rizzardi, Professor of Mathematics  
Co-Chair of the 2016-17 University Resources and Planning Committee (URPC)

Dear Alex, Erick, Mark, and URPC members:

I want to thank the University Resources and Planning Committee for the hard work you have done in developing the 2016-17 budget recommendations for Humboldt State University. The recommendations reflect the critical move toward strategic budgeting, which will align our budget with the priority goals of the University and planning for the future.

As the cover letter for the recommendation stated, URPC focused on creating the framework for strategic budgeting this year, and next year will bring an emphasis on eliminating the structural deficit, developing a strategic asset policy, and completing the reserve policy. Last year's recommendations from URPC targeted a balanced budget by 2017-18. This continues to be a critical goal for the next planning cycle.

## **Planning assumptions can change.**

The URPC submitted the budget recommendation to me on June 15. The details of the 2016-17 CSU budget have changed somewhat since then, although many of the assumptions that URPC incorporated into the budget planning are still valid. Here are the most significant changes that will impact the 2016-17 budget:

1. Changes in funding and cost estimates for salary increases (*mixed impact*)
  - a. Salary increases not fully funded by the state (*negative impact on institutional budget, but positive for the individual employees*)

The URPC recommendation correctly anticipated that the campus would have to cover approximately 1% of the salary increases that were negotiated during the spring semester through collective bargaining; however, the final state allocation underfunds the allocated portion of these increases by \$69,000. This shortfall must be covered with institutional resources.

- b. Lower salary increases than planned for unrepresented employees (*positive impact on institutional budget, although negative for the individual employees*)

URPC's planning projected a 3% salary increase for all non-faculty employees, including unrepresented employees, but the CSU Board of Trustees only approved a 2% increase for these groups. The salary increase for Unit 8, the State University Police Association, also remained at 2%. The net result is a savings at the institutional level of \$130,000.

The above changes result in a net positive impact of \$61,000 and slightly reduce the 1% unfunded campus portion in 2016-17 to \$736,000. In total, the estimated cost of the general salary increases is \$3,790,000, while the CSU funding to support these increases is only \$3,054,000. In addition, it should be noted that \$696,000 of the funding from the Chancellor's Office for these salary increases is from one-time funds in 2016-17, so planning for 2017-18 will need to establish a way to make these funds on-going (i.e., to provide base funding for these salary costs).

2. Changes in enrollment projections for fall 2016 (*negative impact*)

With approximately 40% of the University's revenue coming from tuition, enrollment is critical for our budget, and our current projections for fall enrollment are not where we planned for them to be. We won't know the final enrollment for another month, but adjustments in the 2016-17 University budget will be necessary because the projected tuition will not be realized. The 2016-17 budgeted HSU resident FTES enrollment target is being reduced from 7,428 to 7,295, a decrease of 1.8%. Reasons for the lower enrollment are currently being assessed by colleagues in Enrollment Management and Institutional Research.

In establishing the base funding for 2016-17, the CSU Chancellor's Office ultimately assigned HSU an enrollment target of 7,603 Resident Full-Time Equivalent Resident Students (FTES), an increase of 0.5% (38 FTES) over the preliminary CSU target included in the URPC recommendation. HSU has been allocated \$177,000, net of the State University Grant set-aside, based on the assumption that these additional students will be served in 2016-17. The CSU Resident FTES target for HSU is currently well above our campus budget target. If these students do not matriculate, the additional funding will be difficult to justify and retain. Depending on the final enrollment numbers, we may need to reduce, reallocate, or even return funds to the Chancellor's Office.

The lower-than-projected enrollment will also reduce the funding available to campus operations that depend on student fees, including academic programs that utilize the Materials, Services, and Facilities Fee, Counseling and Psychological Services, the Health Center, Associated Students, Athletics, and University Center. Although URPC does not manage these allocations, the Committee should be aware of the financial pressures that will affect these fee-supported operations and programs on campus.

3. Additional funds to support the Student Success and Completion Initiative  
*(positive impact)*

This initiative began in 2015-16 and focuses on six priority areas: increasing the percentage of tenure-track faculty, enhanced advising, addressing enrollment bottleneck courses, student preparation, high-impact practices for student retention, and data-driven decision making. The additional base funding in 2016-17 for the Student Success Initiatives (\$495,000) is nearly the same as the amount recommended for investment in hiring additional tenure-track faculty.

4. Successful redirection of internal resources *(positive impact)*

I am aware that some of the resources that were originally requested from new institutional resources for 2016-17 have been identified internally; the planned reconfiguration of the Office of Institutional Research and Planning to the Office of Institutional Effectiveness is an excellent example of this type of strategic collaboration. By working together across divisions, we will be able to create a more comprehensive and coordinated function that serves the entire University, with limited new resources – and no new positions -- required. This is just what our strategic budgeting process should be accomplishing, and I look forward to additional opportunities to utilize this model.

5. Additional one-time funds for specific purposes *(positive budget impact for 2016-17, but negative if on-going funds cannot be identified for 2017-18)*

One-time funds have been allocated to HSU in 2016-17 for deferred maintenance, student success initiatives, and faculty compensation. These allocations will require attention in planning for 2017-18; negotiated compensation increases are on-going, student success initiatives need to be maintained, and deferred maintenance requires continuing attention. One-time funds are not a sustainable solution for these allocations.

**Here's the bottom line.**

Overall, the increases in base funding for 2016-17 are offset by a projected decrease in enrollment and therefore lower tuition revenue. The net result is a slightly greater deficit than planned by the URPC, by about \$12,000. The new projected base deficit will be \$508,695 (compared to the URPC's recommendation of \$496,695). An additional \$12,000 in one-time savings will be leveraged to offset this change and maintain the \$500,000 allocation to reserves included in the budget recommendation.

**And this is the approved 2016-17 University budget.**

The attached spreadsheet reflects URPC's original recommended budget, as modified due to subsequent information and the approved state budget. The changes are noted on the spreadsheet. Although the net impact of the modifications to the recommended budget is relatively limited, many of the line items will be significant in planning for the 2017-18

budget. As the URPC has noted, using one-time funds for on-going commitments (including salaries and benefits) is not a sustainable option. Our goal is to align continuing needs with base funding in 2017-18.

**It's not too soon to be looking ahead to 2017-18.**

As noted last year, I want to reiterate the importance of the University's reserves. Reserves are a critical aspect of our multi-year financial planning, for both operations and capital planning. Our reserve level is still among the lowest in the CSU. A critical goal for URPC is to balance our competing financial priorities with the need to invest for the future, and increasing reserves must be a key component of our strategic budgeting.

As you begin planning for URPC's work in the coming year, I would like to ask you to keep the following goals as high priorities:

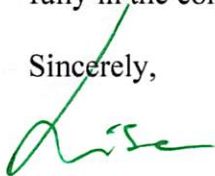
- Continuing implementation of strategic budgeting principles and defining strategic assets;
- Recommending a balanced budget for 2017-18;
- Beginning the planning process with actual previous-year enrollment, not targets;
- Developing multi-year budget plans (at least for the two subsequent fiscal years);
- Asking all divisions to develop a budget scenario and describe the impact of a 5% increase in the budget and a 5% decrease in 2017-18, as a tool for understanding strategic priorities and planning; and
- Completing and recommending a formal reserve policy for both operations and capital projects.

I will also outline these points in the charge to the 2016-17 URPC in a subsequent memo, which I will send shortly.

**Thanks for the great work.**

Thank you again for serving on the URPC and being a part of this important process. I am impressed with the progress that was made in 2015-16 to develop the framework for strategic budgeting, and I look forward to working with you to implement this process fully in the coming year.

Sincerely,



Lisa A. Rossbacher, Ph.D.  
President

Attached: Spreadsheet with recommended and approved 2016-17 HSU budget

CC: Julie Alderson, Professor of Art and Chair of the University Senate  
Peg Blake, Vice President for Enrollment Management and Student Affairs  
Amber Blakeslee, Interim Budget Director  
Joyce Lopes, Vice President for Administrative Affairs  
Colleen Mullery, Senior Associate Vice President for Faculty Affairs and Human  
Resources  
Craig Wruck, Vice President for University Advancement

Humboldt State University  
Sustainable Budget Planning Detail for FY16-17

HSU Operating Fund Budget Planning Sheet - Detail Revised: August 12, 2016	2016-17 Budget Proposal (6-15-16)	Change from Budget Proposal	2016-17 Approved Budget	Notes Regarding Changes
Resident FTES Target	7,428	(133)	7,295	Reduced based on lower fall 2016 enrollment est.
WUE FTES (reduce by ~20 per year)	320		320	
Out-of-State FTES (-15 in 2016-17, then flat)	95		95	
International FTES (flat)	70		70	
<b>Total FTES Target</b>	<b>7,913</b>	<b>(133)</b>	<b>7,780</b>	
<b>Beginning Fund Balance</b>	<b>5,800,000</b>	<b>-</b>	<b>5,800,000</b>	
<b>Revenue Budget</b>				
Prior Year State Appropriation	<b>68,820,510</b>		<b>68,820,510</b>	
Enrollment Growth (+120, CSU Res FTES Target 7,603)	476,000	221,000	697,000	CSU memo increased target by 38 FTES
Health Benefits	949,000		949,000	
2% Compensation Pool (Non-Faculty in 16-17, 17-18)	933,000		933,000	
Estimated 2% Compensation Pool (Faculty 16-17, 17-18)	760,000	(31,000)	729,000	CSU did not fully fund the increase
Student Success & Completion Funding		495,000	495,000	
Other Adjustments	7,000	3,000	10,000	New allocation
<b>Subtotal New 2016-17 General Fund (GF) Allocations</b>	<b>3,125,000</b>		<b>3,813,000</b>	
Retirement Funding	523,000		523,000	
Estimated 2% Compensation Pool (Faculty 15-16)	715,000	(19,000)	696,000	Allocation lower than estimate
<b>Subtotal 2015-16 GF Allocation Adjustments</b>	<b>1,238,000</b>		<b>1,219,000</b>	
<b>Subtotal State Appropriation</b>	<b>73,183,510</b>	<b>669,000</b>	<b>73,852,510</b>	
One-Time State Appropriation (15-16 Faculty 2% Savings)	715,000	(19,000)	696,000	Lower than estimate, Note: One-time allocation
<b>State Appropriation Updated with 2015-16 Faculty Adj.</b>	<b>73,898,510</b>	<b>650,000</b>	<b>74,548,510</b>	
Student Fees and Other Revenue				
State Tuition Fee	45,041,000	(748,000)	44,293,000	Reduced - FTES target change
Non-Resident Tuition Fee	1,640,000		1,640,000	
Materials, Services and Facilities Fee (MSF)	2,577,000	(43,000)	2,534,000	Reduced - FTES target change
Other Fees and Revenue (MBA Fee, App Fee, CR, etc)	4,717,135		4,717,135	
<b>Subtotal Student Fees and Other Revenue</b>	<b>53,975,135</b>		<b>53,184,135</b>	
<b>TOTAL Revenue Budget</b>	<b>127,873,645</b>	<b>(141,000)</b>	<b>127,732,645</b>	
<b>Beginning Expenditure Budget</b>	<b>124,275,637</b>		<b>124,275,637</b>	
GSI/SSI Pool - All (16-17 3%/7%, 17-18 2%/4.5%, 2%)	3,920,000	(130,000)	3,790,000	2% for MPP, confidential, Unit 8
Projected Benefit Rate Increases - Health, etc.	900,000		900,000	
Projected Benefit Rate Increase - Retirement	570,000		570,000	
State University Grant (SUG)	97,000	44,000	141,000	CSU set aside based on CSU FTES growth
Dedicated Budget Allocated to Depts	(645,297)	(43,000)	(688,297)	Reduced - lower MSF Fees to distribute
General Univ Adjs: Utilities, Space Mgmt, Insurance	(150,000)		(150,000)	
CMS Loan Payment Decrease	(1,200,000)		(1,200,000)	
Cogen Plant Expense Decrease	(497,000)		(497,000)	
Fold Back in Unrealized Non-Academic Efficiencies	500,000		500,000	
Base Allocations	600,000		600,000	500k TT Fac, \$100k other allocations
<b>Subtotal Base Expenditure Adjustments</b>	<b>4,094,703</b>	<b>(129,000)</b>	<b>3,965,703</b>	
<b>TOTAL Base Expenditure Budget</b>	<b>128,370,340</b>	<b>(129,000)</b>	<b>128,241,340</b>	
<b>Net Base Budget Surplus / (Deficit)</b>	<b>(496,695)</b>	<b>(12,000)</b>	<b>(508,695)</b>	Net deficit change
<b>One-Time Adjustments</b>				
One-Time Allocations	1,317,500		1,317,500	
One-Time Savings	(2,314,195)	(12,000)	(2,326,195)	Increased to cover \$12k deficit increase
<b>Subtotal One-Time Adjustments</b>	<b>(996,695)</b>	<b>(12,000)</b>	<b>(1,008,695)</b>	
<b>TOTAL Expenditure Budget</b>	<b>127,373,645</b>	<b>(141,000)</b>	<b>127,232,645</b>	
<b>Net Budget Surplus / (Deficit)</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>	
<b>Operating Fund Ending Fund Balance</b>	<b>6,300,000</b>	<b>-</b>	<b>6,300,000</b>	

Color Legend
Fund Balance
Base Revenue Budget
Base Expenditure Budget
Projected Base Surplus/Deficit
One-Time Allocations
Net Budget Surplus/Deficit

2016-17 Budget: One-Time Allocations					
August 12, 2016					
Type/Description	Functional Category	Strategic Plan Goal	Strategic Budgeting Category	Total	
<b>CSU Student Success &amp; Completion Initiative Funding (NEW in Final CSU Memo)</b>				<b>445,000</b>	
Additional Course Sections	Instruction	Goal 1	Programs	125,000	growth dependent support needed
Klamath Connection Match	Instruction	Goal 1	Programs	150,000	pilot RFY academic program
Data-Driven Decision Making (Institutional Research)	Institutional Support	Goal 4	Personnel (one-time)	72,000	only needed for 2016-17
ADA Accommodations	Student Services	Goal 1	Consumables	18,000	fluctuates annually
Accessible Technology Initiative (ATI)	Institutional Support	Goal 1	Personnel	80,000	long-term base need
<b>Projected Unrestricted/Uncommitted Roll Forward (One-Time) Balance</b>				<b>2,830,766</b>	
<b>Compliance</b>					
ADA Accommodations	Student Services	Goal 1	Consumables	50,000	fluctuates annually
Title IX Contract Increase	Institutional Support	Goal 2	Consumables	7,500	long-term base need
Title IX Investigator	Institutional Support	Goal 2	Personnel	125,000	long-term base need
<b>Sustain Existing Operations</b>					
Athletics Support	Student Services	Goal 1, 3	Programs	500,000	long-term plan needed
Behavioral Intervention Team	Student Services	Goal 1	Consumables	25,000	long-term base need
Honors Dinner	Institutional Support	Goal 2, 3	Consumables	15,000	long-term plan needed
Pantheon (Web Hosting)	Institutional Support	Goal 4	Brand	40,000	long-term base need
<b>Innovation - New Costs</b>					
Haas Institute (John Powell)	Institutional Support	Goal 2	Consumables	10,000	only for 2016-17
Sustainability	Op & Maint of Plant	Goal 4	Personnel	100,000	long-term base need
<b>Not One-Time Funded</b>					
Homecoming Related Events				0	seeking alternate funding
Community Support				0	proposed for base funding
Data-Driven Decision Making				0	proposed for base funding
RISS Support				0	base funded through internal reallocation
uDirect 1 FTE temp 16-17				0	utilizing existing funding
Reserves (in lieu of Contingency)			Reserves	500,000	
One-Time Deficit Coverage				508,695	
<b>Total One-Time Funding Need</b>				<b>1,881,195</b>	
<b>Remaining Unrestricted Balance</b>				<b>949,571</b>	
<b>TOTAL ONE-TIME ALLOCATIONS (excluding deficit and reserve allocations)</b>				<b>1,317,500</b>	
<b>TOTAL ONE-TIME SAVINGS/FUNDING</b>				<b>2,326,195</b>	