University Budget Committee (UBC)

Presenters
Robert Fenning, VP Administration and Finance
Stephen Mastro, AVP Administration and Finance
Homaira Masoud, University Budget Director
March 11, 2016
I. Welcome – Theo Byrne
II. Charge – President Hagan
III. Fiscal Update – Stephen Mastro and Homaira Masoud
   • What is a Base Budget deficit and how was it created.
   • The status of the 2015-16 Budget and Projected Spending.
   • The Process to Create a Sustainable Spending Plan
IV. Discussion of Fiscal Realities– Robert Fenning
V. Future Meeting Topics and Dates – Theo Byrne
Overview

• How is a Base Budget Deficit created
  – Divisional Budget Management vs Departmental
  – Program Development Without Base Resource allocation
  – Spending increases in excess of base allocation increases
  – Changes in divisional, College, and departmental management

• The Projected 2015-16 Spending Plan compared to resources available.
  – 2015-16 CSU Budget Allocation to Dominguez Hills
    • State Funding vs Tuition Funding
    • Mandated Expenses vs. Discretionary Expenses
  – 2015-16 AADHT Operating Budget by Division
    • Blue Book Base and one-time Carry forward
    • February Actuals by Division
    • Projected June 30th expenses
      – Some Divisions are projected to spend more than they have current Budget.
The Plan to Create a Sustainable Spending Plan
- Assumptions for 5-year plan analysis
  - CSU Allocation Methodology
  - Enrollment funding
  - Funded and unfunded Mandates
  - Campus investments
- Development of 5-year Budget Model that considers base AN one-time Resources
  - AADHT Base and one-time Resources
  - Enrollment Funding
  - Other Trust Resources
- Divisional Requested Increased Spending over Base Allocation
  - Personnel and OE totaled $17.85M above Blue Book Base
    - This level was not sustainable
  - Maximum Sustainable Spending Authority set at 12.5M above Blue Book Base.
Overview (cont.)

• Divisional Operating Budget Realignment to Revised Maximum Spending Plan in 2015-16.
  – Reduce unfunded expenses
  – Utilize Other Resources
  – Increase Revenues
How is a Base Budget Deficit Created

- Chart showing 2011-12 to 2014-15 actuals and 2015-16 projected spending vs budget. Also shows decrease in one-time carry forward.
Proposed 2015-16 Requested Spending Plan

• CSU Final Budget Memo Allocations
  – State Funded Mandatory costs
  – Unfunded Mandates
  – Enrollment Funded Costs

CHART SHOWING THE ALLOCATED AMOUNTS TO DIVISIONS AND CENTRALLY MONITORED IN THE ABOVE THREE CATEGORIES.
2015-16 AADHT Operating Trust Spending Plan by Division

– Chart showing 2015-16 current AADHT budget showing blue book budget, total budget, total projected Expenses and BBA as of June 30th.

– This chart will show that some divisions will spend more than the divisional base & one-time budget will cover in 2015-16.
Establishing a Sustainable Spending Plan

- Establish 5 year plan to match with the Strategic Plan.
  - Enrollment state and tuition funding assumptions
    - 1% state enrollment growth
    - 3.5% campus over enrollment

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**Estimated Revenue from Enrollment Growth**

<table>
<thead>
<tr>
<th>State Funded Growth %</th>
<th>FTES #</th>
<th>State FTES Funding @ $5,664</th>
<th>Campus Gross Tuition from New Headcount</th>
<th>Tuition plus FTES funding</th>
<th>Adjustments for MUL &amp; Instructional Costs</th>
<th>Net Increase to Campus</th>
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<tbody>
<tr>
<td><strong>2016-17</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.0%</td>
<td>105</td>
<td>589,056</td>
<td>1,519,960</td>
<td>2,109,016</td>
<td>(1,699,000)</td>
<td>410,016</td>
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<td>312</td>
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<td>3,491,800</td>
<td>5,258,968</td>
<td>(1,749,000)</td>
<td>3,509,968</td>
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<tr>
<td><strong>2017-18</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1.0%</td>
<td>106</td>
<td>600,384</td>
<td>839,963</td>
<td>1,440,347</td>
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<td>(279,969)</td>
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<td>321</td>
<td>1,874,784</td>
<td>1,856,318</td>
<td>3,731,102</td>
<td>(1,749,000)</td>
<td>1,982,102</td>
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<td><strong>2018-19</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.0%</td>
<td>107</td>
<td>611,712</td>
<td>860,831</td>
<td>1,472,543</td>
<td>(1,699,000)</td>
<td>(226,457)</td>
</tr>
<tr>
<td>3.0%</td>
<td>331</td>
<td>1,988,064</td>
<td>1,902,437</td>
<td>3,890,501</td>
<td>(1,749,000)</td>
<td>2,141,501</td>
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<tr>
<td><strong>2019-20</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.0%</td>
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<td>606,048</td>
<td>850,397</td>
<td>1,456,445</td>
<td>(1,699,000)</td>
<td>(242,555)</td>
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<td>3.0%</td>
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<td>1,931,424</td>
<td>1,879,378</td>
<td>3,810,802</td>
<td>(1,749,000)</td>
<td>2,061,802</td>
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<td><strong>2020-21</strong></td>
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<td>2,141,501</td>
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</table>
Establishing a Sustainable Spending Plan

- Determine Base and one-time resources being under utilized.
  - (CREATE CHART TO LIST THESE ANDS BASE or ONE-TIME AMOUNTS)
    - Other trusts
    - Foundation resources
    - Fee trusts
    - Campus Partner funds
Requested Increased Spending Authority Above Base Budget

• 2015-16 Estimated Need by Division
  – (INCERT CHART BY DIVISION OF PERSONNEL AND OE COSTS TOTALING $17.85M)
A Five Year Spending Plan Sustainability Model was created that utilized all Base and one-time resources available.

The $17.85M Requested Spending Authority was entered as the starting point of the 5 year plan with three different enrollment assumptions: 103.5%, 106%, and 108%

<table>
<thead>
<tr>
<th></th>
<th>Base Budget over Blue Book</th>
<th>One-time Carry Forward From All Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enrollment &gt; CSU Assigned Target</td>
<td>103.5%</td>
</tr>
<tr>
<td></td>
<td>103.5%</td>
<td>106.0%</td>
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<tr>
<td>July 1, 2015</td>
<td>(17,847,036)</td>
<td>(17,847,036)</td>
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<tr>
<td>2016-17</td>
<td>(12,876,494)</td>
<td>(9,806,368)</td>
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<td>2017-18</td>
<td>(9,331,424)</td>
<td>(5,885,284)</td>
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<tr>
<td>2018-19</td>
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<tr>
<td>2019-20</td>
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<tr>
<td>2020-21</td>
<td></td>
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</table>
Establishment of Maximum Spending Authority at $12.5M

- Determine a level of Spending Authority that is sustainable at the 106% Enrollment Level.
- It was determined that a $12.5M Maximum Spending Authority (above the Blue Book Base) could be bridged by 2017-18. If a 108% campus enrollment growth or increased state enrollment funding is achieved the gap will be closed more rapidly.

<table>
<thead>
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<th>One-time Carry Forward From All Resources</th>
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<tr>
<td></td>
<td>103.5%</td>
<td>106.0%</td>
</tr>
<tr>
<td>July 1, 2015</td>
<td>(12,500,000)</td>
<td>(12,500,000)</td>
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<tr>
<td>2016-17</td>
<td>(9,120,686)</td>
<td>(7,196,062)</td>
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<td>2017-18</td>
<td>(7,001,130)</td>
<td>(3,603,296)</td>
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<td>2018-19</td>
<td>(5,907,674)</td>
<td>(986,026)</td>
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<tr>
<td>2019-20</td>
<td>(7,146,355)</td>
<td>(648,276)</td>
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<tr>
<td>2020-21</td>
<td>(8,400,629)</td>
<td>(273,504)</td>
</tr>
</tbody>
</table>

Beginning in 2015-16 with Spending Authority of **$12.5M** above Base Allocation

One-time Carry Forward From All Resources

<table>
<thead>
<tr>
<th>Enrollment &gt; CSU Assigned Target</th>
<th>103.5%</th>
<th>106.0%</th>
<th>108.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(12,500,000)</td>
<td>13,667,222</td>
<td>13,667,222</td>
<td>13,667,222</td>
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<tr>
<td>(9,120,686)</td>
<td>491,903</td>
<td>2,416,527</td>
<td>3,297,407</td>
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<td>(7,001,130)</td>
<td>(2,604,227)</td>
<td>2,718,231</td>
<td>4,877,509</td>
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<td>(5,907,674)</td>
<td>(4,680,901)</td>
<td>5,563,205</td>
<td>9,406,382</td>
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<tr>
<td>(7,146,355)</td>
<td>(9,009,236)</td>
<td>8,732,949</td>
<td>14,670,847</td>
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<tr>
<td>(8,400,629)</td>
<td>(12,563,784)</td>
<td>12,305,526</td>
<td>20,754,289</td>
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</tbody>
</table>
Maximum Spending Authority BUDGET Development at $12.5M Level

• Each Division create list of spending plan reductions for 2015-16 that are either base or one-time in nature equal to a target amount provided.

SHOW CHART: REQUESTED SPENDING VS APPROVED SPENDING = REDUCTION FOR EACH DIVISION.
Maximum Spending Authority BUDGET Development #2

• Create department level budget of personnel and OE expense for 2016-17 equal to the newly established maximum authorized spending level.
• No New personnel or OE expense is allowed to be established until the budget gap between the current available divisional resources and the maximum spending authority is closed.
• The Goal is to close the 12.5M gap in base funding by the beginning of the 2017-18 fiscal year.
Bridging the $12.5M Budget GAP by 2017-18

– INCERT CHART OF INCREASED RESOURCES TO CLOSE THE $12.5M GAP BY YEAR AND TYPE OF REVENUE

– Move expenses as appropriate from AADHT to other resources.
– Increased Revenues EO1000
– Increased Enrollment/Tuition Funding
– New Revenues: Land Monetization
– Leveraging Student Fee resources
Utilizes On-time Resources to close gap in 2015-16 & 2016-17

- Lottery
- StubHub
- Foundation
- Course Fee Trusts
- Miscellaneous trusts
- Student Success
- Category II Student Fees: IRA and Health Services
Enrollment Assumptions

• State Enrollment Funding
  – $5,664 per FTES
  – 1.5% enrollment for 2015-16 = 156 FTES and $xxx,xxx
  – 3.0% enrollment funding = xxx FTES and $x,xxx,xxx

• Campus Over Enrollment
  – Student Retention
  – Student Success
  – MUL
  – 103.5%
  – 106%
  – 108%
Tuition Revenue & MUL

- INCLUDE INFORMATION ON MUL IMPACT ON TUITION REVENUE, FTES, AND HEADCOUNT.
EO1000 Cost Recovery

• 2014-15 Cost Allocation Plan was $827,803. This plan did not recover from the enterprise and auxiliary partners:
  – Benefits costs
  – Risk Management Costs
  – Information Technology Costs
  – Student Affairs management services to ASI and Housing
  – Academic Affairs management services to Extended Learning and Campus Partners

• 2015-16 Cost Allocation Plan also included recovery of Police services to Parking.
  – Cost Recovery was calculated at $3,625,360
  – Institutional Adjustments provided to ASI ($75,000) and Loker Student Union ($100,000).
Student Fees Impact on Base Budget GAP

• IRA: Increased funds would assist with funding in colleges, athletics, student affairs and reduce pressure on ASI and Loker funds.

• Health Services: Funding of a portion of deficit partial current

• Course Fees: Better utilization by Colleges will reduce the pressure on AADHT OE funds.

• Student Success: Utilize this Source of funding for the successful student success initiatives started on campus over the past couple of years.
Next Steps

- Continue Preparations of the 2016-17 Budget
- Maintain Spending Levels Established in 2015-16
- Grow the Base with new Allocations and Revenues
Reinvestment Begins in 2017-18

• Re-establish faculty tenure density hiring.
• Re-establish strategic goal reinvestment