

Academic Senate Strategic Issues Committee
San Francisco State University
Academic Year 16/17

BUDGET TRANSPARENCY REPORT

2016/2017

Recommendations laying the foundation for future budget focus

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BACKGROUND: WHY SIC EMBARKED ON THIS PROJECT

Background: Why SIC embarked on this project

Though it is probably fair to say that the largest concern for members of any public University is money, two specific institutional milestones made budget transparency a primary focus for the Strategic Issues Committee (SIC) this year. First, SFSU Academic Senate Resolution RS16-342 (Support for Budget Transparency); and second, the joint agreement between SFSU President Les Wong & student protestors regarding support for the College of Ethnic Studies. Links to those two documents are here:

<http://senate.sfsu.edu/resolution/support-budget-transparency>

<http://president.sfsu.edu/sites/default/files/Joint%20Agreement%20between%20President%20and%20COES%205-11-16.pdf>

As asserted in the senate resolution, the SIC amended its charge to include a representative from each college, a staff representative, the Vice President of Administration & Finance/Chief Financial Officer (Ex Officio), the Associate Vice President of Academic Resources (Ex Officio), and recommending that the Presidential designee be a college dean. Here is the link to the updated charge:

<http://senate.sfsu.edu/constitution/bylaws#3F%20Strategic%20Issues%20Committee>

Next, the committee wrestled with its role in regards to budget transparency especially in light of the fact that there already exist other governing bodies with a budget focus – namely the University Budget Committee (UBC), an advisory body. We agreed that the role of this committee is not to influence the budget directly, but rather to facilitate communication and prioritization among stakeholders. We decided it would be best to approach budget transparency as the first/exploratory year in a long term senate/SIC engagement with the topic.

We then met with key stakeholders and decision makers in the budgetary process and gathered as much background and pertinent information as possible. We heard presentations from and held discussions with our two newly added Ex Officio members, the Interim Provost & Vice President of Academic Affairs Jennifer Summit, and the Vice President of Advancement Robert Nava. We also had a presentation from a faculty member from the Masters of Public Administration, Ernita Joaquin, about different budgeting models. Next, we determined what further information would be needed to be a useful contributing component to budget knowledge and transparency on campus and began brainstorming recommendations for improvement and future study.

Two major obstacles to this inaugural year of budget focus for the SIC were time and change. As this was the first foray into university budgeting for many committee members, there was a bit of a learning curve and time was needed to gain some base knowledge of the university's current and historical situation. Ultimately, our focus remained mostly limited to the general fund at the cabinet level and above though there is much interest in diving deeper into Academic Affairs & the colleges.

BACKGROUND: WHY SIC EMBARKED ON THIS PROJECT

Change was another major theme and obstacle this year. The Vice President of Administration & Finance/Chief Financial Officer at the time the SIC took on this project, Ron Cortez, was very interested in creating a new budgeting model for the campus which meant we had a budget system in transit. We were attempting to understand the current budgeting model/practices while being mindful that it would not necessarily continue that way in the future. In January, Ron Cortez left San Francisco State University for a University of California campus. This effectively put a changing budget model on hold and ended access to a major source budgetary knowledge for the SIC. At the same time, the membership of the SIC changed dramatically. Three of our committee members were replaced in January and we lost our student representative.

In an effort to both maintain knowledge gained over time by the SIC and to communicate to the Academic Senate and wider campus community the budget information available, one major recommendation is to have the future SIC work with the Academic Senate office staff to create and maintain a section of the Academic Senate website devoted to budget information. The Academic Senate website currently has some information that has been made public, but we believe this area could be made more robust given the information we now have. Ideally, this budget section would house links to the other budget focused groups on campus (Administration & Finance, University Budget Committee, Advancement, etc.), links to outside groups that have influence over our campus budget or have information that pertains to it (Chancellor's office, California State Legislative Analyst's Office, Governor's office, etc.), and official documents.

History

Issues

The history on carrying out budget transparency within SFSU is a multifaceted problem. Some factors contributing to why budget transparency is a problem include an absence of historical knowledge in budgetary allocations of general fund revenues to divisions, colleges, and departments within the university. For example, historical information is lost when key administrators, faculty, or staff with extensive budgetary knowledge leave or retire from the university. The budgetary decision making process is also not effectively communicated to all stakeholders in the university, resulting in unanswered questions on the budget and on budget allocation decisions for fairness, appropriateness, and equitability. The SIC identified the following problems as a history with budget transparency and decision making in allocation of budgets to adjust to university revenue short falls.

1. Prior to 2009 budget cuts, budget allocations were based on FTES targets and faculty-student ratios. Augments to the budget replaced actual funds and colleges did not hire new faculty for vacant positions as a mechanism to save money. Therefore, low faculty numbers, reduced course offerings, and overcrowded classes at SFSU negatively impacted teaching and efforts to maximize student learning, and ultimately caused delays in progress towards graduation.

2. Augments are one-time, non-recurring funding in support of university projects, and often fund additional GE and bottleneck courses. Colleges each receive a fixed amount of funds but augments to them are awarded depending on demand. Consequently, augments are not a sustainable way for colleges and departments to meet their funding needs for expenditures, general operations costs, and development activities. For example, augments make it difficult for departments to schedule classes without knowing in advance their total funding amount. Students then are hit with the consequences of lack of course availability.

3. The SFSU campus has historically grappled with decreasing budget allocations from the state leading to significant changes in university operations, infrastructure, and program activities, and to loss of university faculty, staff, and other personnel. Some recent noteworthy changes to SFSU occurred in 2006 (RTP change), 2009 (furlough year), 2012 (move from 8 to 6 Colleges), and 2014 (GE changed). Staff also appear to have taken a large proportion of the fiscal hits over time for unknown reasons adding to the need for greater budget transparency.

Recommendations.

Academic Resources desires an end to augmentations because they are a temporary solution to budgetary needs. The SIC recommends the university investigate alternative models of budgetary funding and use performance-based metrics in deciding funding allocations. Alternatively, other metrics may be considered, such as, equity-based or hybrid funding allocation.

HISTORY

There is already a plan to allocate budgets based on performance metrics such as 4-year graduation rates. At the CSU level, the chancellor's office has provided funds to help improve 4-year graduation rates by adding 200 more sections to bottleneck courses and to enhance advising. These funds could be permanent if this plan is successful.

The SIC recommends in addition that there be provided historical information on trends of CSU funding, for example, from state funding to CSU reductions through time. This information could be presented as a graphic display. Furthermore, the changes over time on tuition and general fund revenue could be divided into two parts for graphic display: (1) direct instructional cost (that is, faculty); (2) instructional support (that is, facilities, IT administration). Such information can serve to educate all stakeholders on the SFSU campus on budgetary revenue and expenditures.

Another recommendation is that a historical narrative be included or connected with the budget book(s) to maintain a yearly record of how and why budgetary decisions were made. This information could also serve as a "How to Read" guide of the budget book(s).

Recommended Responsible Parties

The Academic Affairs Budget Advisory Council is currently addressing the elimination of the augment system. The graphic display of historical trends on the budget and its break down as suggested could be produced and maintained by Administration & Finance and Academic Resources. The historical narrative connected to the budget books should be produced and maintained collaboratively by Administration & Finance and Academic Resources as well.

BUDGETARY TIMELINES AND PROCESSES

Budgetary Timelines and Processes

Issue

A prerequisite to understanding the campus's budget is to understand the broader budgetary hierarchy in which it exists and the processes by which each level's budget is produced. The SIC sees four interdependent, staggered, and overlapping budgetary processes that are of key interest to the campus community: the California state budget, the CSU budget, the SFSU budget, and the SFSU divisional and college budgets. Each of these organizational levels has its own sources of revenue, classes of committed and discretionary expenditures, timelines for its budget's development and implementation, and budgetary authorities. These are compared in the following illustrative table:

Draft budgetary hierarchy and timeline*

	<i>revenues</i>	<i>major categories of expenditures</i>	<i>timeline</i>	<i>decision making authority</i>
<i>State of California</i>	Income tax, sales tax, lottery, etc.	<ul style="list-style-type: none"> • Education: K-12, CC, CSU, UC • Etc. 	<ul style="list-style-type: none"> • January: Governor's proposed budget • April 15: tax day • May: Governor's revised budget • June 30: state budget set 	Governor and legislature
<i>CSU</i>	Enrollment/tuition, state budget, etc.	<ul style="list-style-type: none"> • Campus budgets based on formulas and FTES • Etc. 	<ul style="list-style-type: none"> • Spring semester: enrollment projections • July: state budget set • August: enrollment revisions • September: AY budget set • Etc. 	Board of Trustees
<i>SFSU</i>	Enrollment/tuition, CSU budget, grants, CEL, Foundation, U Corp, etc.	<ul style="list-style-type: none"> • Division and college allocations based on FTEF, etc. • Etc. 	<ul style="list-style-type: none"> • Spring semester: enrollment projections • July: state budget set • August: enrollment revisions • September: AY budget set • Etc. 	President, Administration & Finance (A&F),

BUDGETARY TIMELINES AND PROCESSES

<i>SFSU divisions and colleges</i>	Enrollment/tuition, SFSU A&F, CEL, grants, development, etc.	• ?	• ?	Campus VPs, Deans
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*This table is meant to illustrate the examples of information that falls in each cell, to inform the development of a budgetary timeline. It is not meant to be a comprehensive accounting of each cell's contents.

The SIC believes that the campus's budget transparency is enhanced when stakeholders understand the hierarchical contexts in which the SFSU budget exists. This broad overview not only helps the campus interpret local constraints and decisions in broader statewide contexts, but it also identifies other bodies of government that affect SFSU's budget.

Recommendation: The SIC recommends that a summary budget timeline be established, published on a SFSU budget website, and linked to current data on each level's budget. The timeline would mostly be static, except for the links to current data. Its contents should include information on each level's revenue sources and amounts, major expenditure categories, and a timeline that links the budgetary process's milestones with those of the levels above and below it.

Recommendation: The SIC recommends that the timeline be complemented with a detailed narrative describing each level's budgetary processes and the relationships between them. A potential outline of that narrative is provided below, as a starting point for its development.

Recommended responsible parties: Development of this timeline is best handled by representatives from Administration & Finance and Academic Resources. Faculty with expertise in California public finance might also be consulted.

Draft outline of the narrative describing the budgetary processes

Four levels of budgeting process were identified that need to be addressed separately, while clarifying their mutual dependencies and timelines: CA, CSU, SFSU, SFSU-Cabinets

1. CA
 - a. Revenue Sources:
 - i. Income Tax, Sales Tax, CA State Lottery
 - ii. What percentage of the CA revenue sources is given to higher education (to CSU? SFSU)? Approximately, 12% (\$15.5 B) for 16-17, split primarily 3 ways: CCC (52%), CSU (23%), & UC (22%), with Hasting Law, private non-profit, and private for-profit receiving much less (in total, 2%).

BUDGETARY TIMELINES AND PROCESSES

1. <http://www.lao.ca.gov/Publications/Report/3372>
2. http://www.ppic.org/main/publication_quick.asp?i=1119
- iii. How are these decisions made and by whom?
 1. Entitlements (voter approved) and Governor (?)
 2. <http://www.calstate.edu/budget/fybudget/2014-2015/executive-summary/funding.shtml>
 3. <http://www.calstate.edu/budget/fybudget/2016-2017/executive-summary/documents/2016-17-support-budget.pdf>

b. CA Timeline:

- i. CA begins projecting next fiscal year's budget in January.
- ii. Between January and April, the CSU (using historical data for planning from the previous year) advocates to the state for as much money as it can get.
- iii. Tax receipts in April. Governor's May revise of the budget. The CA budget is set by July.
- iv. Trustees and CSU budget calendar begins in July.

Calendar Year 2016					Calendar Year 2017						
July	August	September	October	November	December	January	February	March	April	May	June-July
Trustees											
Support Budget Planning											
		Enrollment Targets	Support Budget Adopted		Start Date		Preliminary Allocation Memo (B-Letter)			Final Allocation Memo (B-Letter)	
San Francisco State University - Budget Office											
	Budget Upload					University Budget Planning			Base Budget & Enhancement Requests		
	Annual Budget Book										
		Annual CIP Book	BOT CIP Approval						University CIP Planning		
			Q1 Financial Review			Q2 Financial Review			Q3 Financial Review (CIP only)		Year End Budget Process

Source: Budget Presentation-leadership presentation 3/27/17

BUDGETARY TIMELINES AND PROCESSES

2. CSU

a. Revenue Sources:

- i. Tuition, Out-of-State fees (including international students), CA State General Fund (GF) allocated based on FTES of California residents.
- ii. Other sources of funding include grants, financial aid, donations, and self-support programs.

b. What formula does the Chancellor's Office (CO) use to determine how much money per full time equivalent student (\$/FTES) is given to each of the 23 campus?

- i. Since budgets were established in the early 1990s, campuses receive the same marginal cost funding (\$/FTES) for new FTES. This rate has increased over the years.
- ii. Campuses that grow receive the current marginal cost rate (\$/FTES), which is higher than what it was in prior years.
- iii. Newer campuses receive the current marginal cost rate that was in existence at the time their campuses were established. This rate is typically higher than what older campuses were initially funded at. Additionally, there are other factors that go into the rate.
- iv. SFSU's overall \$/FTES funding is low, because it has not grown.
- v. The CSU begins enrollment projections in April for the following fall semester. As soon as the money is received from the state (July-August), the CSU allocates to the campuses based on enrollment.
- vi. Should there be a re-benchmarking of the marginal cost rate across the CSU system?

c. Once the budget has been received/determined, how much is already spent/earmarked?

d. CSU Timeline:

- i. The CO and campuses begin projecting next fiscal year's budget January through April. An incremental budget approach is used, based on historical data.

BUDGETARY TIMELINES AND PROCESSES

- ii. As soon as the money is received from the state (July-August), the Trustees and CSU budget calendar begins.
- iii. The CO allocates budgets to the campuses based on enrollment. Then it is time to start the planning for next year.

3. SFSU

a. Revenue Sources:

- i. Tuition, Out-of-State fees (including international students), CA State General Fund (GF) allocated based on FTES of California residents. The split between SFSU tuition and GF is 51% and 49%, respectively.
- ii. Other sources of funding include Chancellor's Office, Federal and State financial aid, grants, non-profit & for-profit enterprises (SFSU UCORP), Donations (SFSU Advancement and Foundation).
- iii. Self-Support programs, e.g., College of Extended Learning (CEL), Open University fees, EMBA, HSS programs, etc. Also, professional fee add-ons, e.g., MBA, Public Administration, etc.

b. Remaining Questions/Info. Desired:

- i. Once the budget has been received/determined, how much is already spent/earmarked? %

c. Timeline:

- i. SFSU receives its budget based on projected enrollment in August and then begins Spring projections.

d. Remaining Questions/Info. Desired:

- i. What is the formula for determining how much money is given to the various cabinet areas?
- ii. Who makes the above decisions and how/why? (A&F)
- iii. Is this how it's always been done? We would like as much historical data as possible.
- iv. We would like a better explanation of the University Wide section of the pie chart, specifically what percentage goes to benefits. Is there any benefit to showing the benefits

BUDGETARY TIMELINES AND PROCESSES

represented in the college budgets as opposed to the University Wide budget – not moving the actual money, just showing where it is used? Dual charts?

1. See attachment 2016-17-support-budget.pdf/pg 13 for CSU breakdown
- v. A possible focus for the SIC next year in regards to budget transparency could be to focus attention on the Academic Affairs cabinet level – including breaking out the college data in the budget books further.
1. What is the formula for determining how much money per full time equivalent student (FTES) is given to each college?
 - a. Prior to 2007-08 financial crisis, Academic Affairs funded colleges based on assigned FTES targets. Each college was allocated a base number of FTE T/TT faculty, depending on their student faculty ratio (SFR).
 - b. Since the financial crisis, Academic Affairs has used an incremental budget approach to fund colleges, based on their historical budgets, but adjusted for university allocated budget reductions.
 - c. The augment system was created to insure GE classes were adequately funded across the colleges. This approach persists to this day.

COMMUNICATION PROTOCOLS/ CHAIN OF COMMAND

Communication Protocols/ Chain of Command

The foundation for budget transparency rests on the ability of the university to educate, communicate and make transparent to all stakeholders (e.g., faculty, staff, students, families, administrators) information about the budget, budget processes and timelines. The SIC strongly advocates for communication mechanisms that a) provide stakeholders with access to budgetary information, b) enable stakeholders to raise questions and concerns about the budget and c) encourages stakeholders and decision-makers to engage in a transparent decision-making process with respect to budgetary decisions. To this end, the SIC has developed the recommendations below.

Recommendations

1. **Online Information:** Develop an online platform that provides detailed current, historical, and future SFSU budgets across all university divisions and funding sources.
2. **University Budget Committee:** Charge the UBC with being a primary access point for stakeholders to have input on the university budget
3. **Chain of Command:** Affirm the existing organizational structure and chain of command as the primary mechanism for faculty, staff and administrators to raise budgetary questions. Questions and concerns should be directed to one's immediate supervisor and in the event that the concerns are beyond the scope of that individual's duties, then the next level in the unit should be approached. For instance, faculty should be first directed to address questions to their Chair, then to their Dean, then to Provost or designee, then to the Vice President of Administration and Finance or their designee, then to the President or designee.
4. **Student and Families:** Request that the Dean of Students or designee serve as the primary resource for budgetary questions or concerns from students and their families.
5. **Administrative Transparency:** Affirm the importance of budget transparency for all administrators across all divisions.
6. **Shared Systems:** Explore the feasibility of developing a shared financial management system that promotes budget transparency across all divisions.

Recommended Responsible Parties

1. Administration & Finance, Academic Resources, Academic Senate/SIC
2. University Budget Committee
3. Administration & Finance, Academic Resources
4. Student Affairs & Enrollment Management/Dean of Students
5. Administration & Finance, Academic Resources
6. Administration & Finance, Academic Resources

Budget Book/ Reporting

In September 2016, the 2016-2017 Operating Budget Plan (aka the Budget Book) was published and distributed by Ronald Cortez, Vice President of Administration & Finance/Chief Financial Officer. This was the first time in at least 25 years that a comprehensive and detailed budget plan had been made available to the campus community and the public. It was prepared and disseminated in response to broadly voiced concerns among students and faculty that greater budget transparency was key to improving SFSU's ability to achieve its strategic goals. As such, it represents an important milestone in our progress toward a more transparent and accountable budgeting process.

Recommendations:

1. **Commitment to Transparency:** The 2016-17 Budget Book should be considered a fundamental baseline in SFSU's commitment to budget transparency. Administration & Finance and Academic Resources should continuously seek opportunities to enhance budgetary accessibility, clarity, detail, context and communication. At minimum, annual editions of the Budget Book, or functionally equivalent budget reports, should be published online. Responsibility for annual budget reporting should be extended to include Academic Affairs and other cabinet divisions.
2. **Clarity:** The Budget Book and similar budget reports should provide an extensive and easily accessible glossary of terms that they reference. Terms should be explained or defined in adequate detail for a lay person to understand their use or underlying meaning. For example, a definition of the term FTES should provide more information than just "= Full Time Equivalent Student," such as a brief explanation of how the figure is calculated and how it is used.
3. **Accessibility:** Online volumes of the Budget Book, or the information in them, should be made available online in clear and useful digital format. Rather than posting static copies of printed budget reports, online budget reports should take full advantage of the flexibility and depth made possible by internet technology. For example, additional levels of budget detail should be available via links or drop-down menus, rather than by requiring users to search through different sections of reports.
4. **Context:** Information should be presented in such a manner that provides adequate context for understanding the information and its implications. For example, comparable budget figures should be provided, where appropriate, for multiple years (three to five) rather than only a single year. Narratives should also accompany budget figures and illustrations whenever possible that explain the key factors or rationales that influenced budget decisions and resource allocation. Whenever possible, relevant analysis of raw budget figures should be provided. For example, graphic representation of FTEF/FTES ratios could be provided for each college, with accompanying narrative to aid in interpretation.

BUDGET BOOK/ REPORTING

5. **Sources/Uses of Funds:** Providing a clear and complete picture of sources (e.g., tuition, general fund, supplementary revenue, other income, etc.) and uses of funds (e.g., instruction, administration, grants, scholarships, etc.) should be a primary objective for budget reports prepared at all levels: CSU, SFSU, and the cabinet divisions.

Recommended Responsible Parties

Administration & Finance creates the budget book, so they would be responsible for all of these recommendations.

CONCLUSION

Conclusion

In conclusion, this first exploratory year of senate engagement with university budgeting seems a success in that we have laid a foundation for future committees to remain involved in a meaningful way. Though there were difficulties with changing committee membership and a need to establish some base knowledge on the multifaceted subject of budgeting, we feel confident that the efforts made this year will help to guide the University toward increased budget literacy and transparency. It is encouraging to see the various areas of our campus actively concerned, engaged, and willfully open to discussions around budget transparency, literacy, modeling & equity. These are not discussions that should be held in small private groups. Budget issues affect every aspect of our campus. We have intelligent and concerned members of our community spread all around the University that could be leveraged for more data from more perspectives if more opportunities for community engagement and shared governance are made available. These conversations inevitably bring to light other community concerns which makes this topic an excellent opportunity for our campus to be self-reflective and work toward holistic improvement.

One last overarching theme and recommendation that the SIC identified as needed in all areas pertaining to budget transparency is training. Faculty and administrators ranked in positions of department chair (or equivalent) and higher should be trained in the budgeting process, organizational structure and use of the chain of command in regards to budget concerns and inquiries. Having centralized, mandated and regularly scheduled trainings will help begin to move our various groups using disparate budgeting methods towards a consistent pattern of operation. Having those who actually work with budgets armed with the knowledge of our budget history, processes, timelines and current fiscal situation will help to make more informed budget decisions in the future. It would be best to have the office of Administration & Finance work with Academic Affairs to develop and implement this training.

Thank you to Ron Cortez, Jennifer Summit, Robert Nava, & Ernita Joaquin for lending us your wisdom and expertise.

We ask that this report be sent to the San Francisco State University offices of the President, the Vice President of Administration & Finance/Chief Financial Officer, the Provost & Vice President of Academic Affairs, the President of Associated Students Inc. and be made available to the public via the Academic Senate website.

This report has been endorsed by the 2016-2017 Strategic Issues Committee of the Academic Senate.