April 30, 2021

Alyssa Adamson
Executive Director, Academic Finances and Space Management
California State University Fullerton
Office of the Provost | Division of Academic Affairs
800 N State College Blvd
Fullerton, CA 92831

Sent via email: aadamson@fullerton.edu

Re: CSUF Purchase Order No. 24381 (including change order)

Dear Alyssa,

In January 2021, NACUBO was engaged by California State University Fullerton (CSUF) to perform a review and assessment of planning and budget processes and activities within Academic Affairs (AA), including staffing and funding levels. Our review included campus level budget management and allocation processes and recommendations on how best to align AA’s budget process, management of funds, and resource strategies. This assessment included document reviews, meetings with a variety of academic and administrative leaders to conduct a full review of current processes, and analyzing student and financial data in consultation with your office. In addition, we were charged with providing recommendations for a best-in-class infrastructure and staffing model in the Provost’s office to support the overall administration of AA’s resources and translation of AA’s vision in terms of resources, including conducting budget analyses, developing financial and budgetary strategies, and identifying solutions and options. This final report is based on activities outlined in revised CSUF Purchase Order No. 24381 (including change order excluding nonacademic budget planning processes).

Based on our review of pertinent documents and analyses, interviews with key stakeholders, and understanding of current circumstances in the industry and at CSUF, we are recommending that the Provost and university consider several organizational and process changes in the AA division:

1. Establish a Planning, Analysis and Resource Management Office (PARMO) within the Office of the Provost, to include the addition of management staff roles, charged with the implementation of a multi-year budget planning process within AA. This core office collaborates with other AA functions such as Institutional Research, Registrar’s Office, and individual colleges, to perform ongoing operational assessments to inform planning activities throughout the division. We strongly recommend that operating assessments take into account the full revenue and expense implications of AA operations, both to assess operational sustainability, plan for ongoing improvements to AA instructional and support functions, and link resource allocation to
strategic goals. In summary, CSUF needs to understand the breakdown of revenue and expenses by academic department and academic program. The analysis can begin at a basic level of determining whether departments and programs are generating adequate tuition revenue to cover direct instructional expenses. The process can then be expanded to include indirect instructional costs within the colleges and university-wide overhead expenses. Expanding the analysis at the expense and revenue levels will also require the allocation of indirect revenue sources, such as state appropriation at the department and program level. Furthermore, while the analysis should be performed by a central office using a reliable data set, the understanding needs to cascade down throughout the university starting with central administration and flowing downward throughout the colleges and departments. Such an understanding will serve to inform future resource allocations. Deans and department chairs, in particular, play critical roles in ensuring programs and courses are delivered in a financially sustainable manner while providing students access to courses needed to graduate.

2. While CSUF allocates budgets annually utilizing an incremental cost model, we recommend that AA deviate from this practice in its own funds management practices. CSUF can continue to incrementally adjust AA’s budgets utilizing current allocation methodologies such as enrollment goals, SFR calculations, and “over-enrollment” revenue allocation formulas. Our recommendation is that all such institutional allocations flow through PARMO for allocation to AA colleges and support functions based on a budget allocation process within AA including full participation by department chairs, deans, department heads and their respective staffs. This structure combined with the central pooling of funds will allow AA to establish budgetary incentives to advance priorities at multiple organizational levels. Incentive-based budget initiatives should also be explored as a method of moving the organization in the desired direction. Just as faculty may earn release time for obtaining extramural funding, for example, departments could be allocated a portion of their net revenue to invest in new programs or support other budget needs that foster stronger student outcomes.

3. Within the colleges, we recommend establishing management-level financial positions to assist the deans by developing college-specific business analyses, working in conjunction with the PARMO, and evaluating alternative strategies for optimizing faculty and staff complements. With the exception of one college, current financial support positions are heavily transaction- oriented, with little analytical staff support for strategic thinking by the deans. The one college with such a position has benefitted significantly from its additional analytical capabilities. We envision a combination of new management positions within PARMO and the colleges, with some shared responsibilities (e.g., PARMO or a dedicated position supporting multiple colleges).

The top three recommendations listed above are the highest priority for consideration and implementation.
4. We also recommend that CSUF consider multiple strategies to build upon CSUF’s program mix and financial strength through:
   a. introducing a mandatory student fee dedicated to instructional and support activities within AA. CSUF’s 2020-21 mandatory fee total of $1,212 per year is 28% or $469 below the average of $1,681 for all CSUs excluding CSUF. We recommend the fee level be set following a comprehensive assessment of AA’s revenue generation, staffing needs, faculty release time, and department-level cost and ROI analyses. Source: https://www2.calstate.edu/attend/paying-for-college/csu-costs/tuition-and-fees/campus-mandatory-fees/
   b. increasing graduate program offerings. CSUF has a disproportionately low graduate student enrollment for an institution of its size and stature. We recommend the university provide incentives in the form of direct tuition-sharing at the AA level for academic departments to plan and institute new graduate programs. For example, graduate tuition revenue might be evenly allocated between the central administration, Provost, college and department levels. Graduate tuition yields significantly higher revenues for the university; these programs will benefit both students seeking credentials beyond the baccalaureate level and the university.
   c. increasing international student enrollment, a process that will be accelerated through expanded graduate program offerings. Given its diverse faculty and student body, and its location in a major seaside metropolitan area, CSUF is poised to benefit from improved international student enrollments as the U.S. eases visa requirements. These students pay tuition at premium rates that we recommend are shared by the university with AA and its colleges.
   d. leveraging recent changes in faculty, current student and prospective student experiences with online learning to expand online course offerings to students. Given CSUF’s high levels of part-time and working students, increasing asynchronous course offerings may open up new opportunities for students and faculty alike. In the last year of nearly exclusive online instruction, faculty and students (including incoming first-time students) have increased comfort with online pedagogy not limited by available classroom space, transportation access, or work schedules. This strategy will enable CSUF to increase course enrollments without increasing campus footprint or classroom space, both a capital cost avoidance and operating cost savings, increasing net margin.
   e. allocating a portion of vacant salary savings among varying organizational levels within AA. Currently these funds remain within the colleges or academic departments. We recommend that salary savings be pooled at the Provost and colleges levels. We further recommend that CSUF adopt the principle of all vacant faculty lines reverting to the Provost for potential reallocation based on changing college resource needs. The PARMO would manage pools on behalf of the Office of the Provost. Salary savings are currently used to fund operating and equipment costs in the colleges, in addition to replacement term faculty. This is a major weakness in AA’s current budget structure across every unit. A component of the PARMO’s initial budget development work
should be to determine appropriate recurring expense budgets and fund these through reallocations or new revenue streams such as the increased IRA fee.

f. a similar cultural change we recommend, for the benefit of campus efficiency in serving a growing student population, that classroom space assignments be managed by the Registrar in conjunction with the PARMO, college budget managers, and department chairs. Class size and scheduling is critical not only to the student educational experience and faculty pedagogical approaches, but also to university revenue streams supporting all institutional functions. Department incentives can be used to soften the implementation of such a transformation. Related to these changes, faculty workload reporting should be standardized and comprehensive (all inclusive) across the division.

g. indexing library funding to enrollment growth and new programs (e.g., new graduate programs). This indexing may be accomplished within the PARMO utilizing fee or other revenue streams. Total salaries and wages in the library budget were 23.6% below the peer average in 2019 compared to 21.4% below the average in 2017, reflecting a slight gain although CSUF remains significantly underfunded by comparison to peers. Examining total expenditures in all categories, CSUF dropped from 13.4% below the peer average in 2017 to 19.6% below the peer average in 2019. During this period only CSUF reduced total library spending and if this trend continued in 2020 will rank at the bottom of the peer list.

These recommendations are reinforced by a combination of peer group comparisons, our analysis of CSUF-specific data and reports, and our qualitative data assessment from over three dozen interviews.

Please accept our sincere appreciation for the opportunity to assist with this project. The open and willing interactions with key individuals from CSUF proved extremely helpful in our efforts. Your assistance with gathering background information and data was indispensable, as was your administrative support for our work on this project. Please don’t hesitate to contact us if we can be of further service.

Sincerely,

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cc: Jim Hundrieser, Vice President for Consulting, NACUBO
BACKGROUND

California State University – Fullerton (CSUF) is an urban public comprehensive university located in Orange County, California, and enrolling over 41,000 students in fall 2020. Classified as a Carnegie “Master’s Colleges & Universities: Larger programs,” CSUF is designated as a Hispanic Serving Institution (HSI) with 46.2% of its student identifying as Hispanic/Latinx. An additional 29.2% of CSUF students identify as having non-white ethnicity and 3.1% are international. CSUF is the largest of the 23 campuses comprising the California State University System. In contrast to national enrollment trends, CSUF and the system overall have seen increasing enrollments and reached all time high enrollments in fall 2020. CSUF’s programs, students, and faculty thrived during a period of predominantly online instruction during the 2020-21 academic year, with high levels of student success and achievement under those challenging conditions. Prospects for future enrollment growth remain strong given CSUF’s outstanding reputation for quality and value, location in a thriving urban area, and students’ educational requirements in the post-COVID-19 economy.

CSUF engaged NACUBO to perform a review and assessment of planning and budget processes and activities within Academic Affairs (AA), including staffing and funding levels. This review included campus level budget management and allocation processes and recommendations on how best to align AA’s budget process, management of funds, and resource strategies. Central university budget planning and allocation policies and processes were specifically excluded from this review.

SITUATION ANALYSIS

There have been multiple years of successive leadership turnover in the Provost’s Office including both the provost position and longtime centralized financial management for AA. While CSUF has experienced significant enrollment growth (increased demand for services) during this time, corresponding AA budget increases have been limited to funding for instruction (faculty) only and these allocations have gone to the colleges based on calculated changes in enrollment goals and actual instructional faculty counts. Mandated salary increases have not been consistently funded through base funding increases, resulting in structural deficits in some units and depleted expense budgets throughout the colleges and academic departments. Through reorganizations including unit consolidations, and CSU extramural funding such as for the Graduation Initiative 2025, AA has maintained services in high priority support areas such as student success. Support for research has remained adequate (with exceptions noted in recommendations below) in part due to diminished levels of research activity. However, nearly all academic and support units rely significantly on one-time funds primarily from carry forward or vacant position savings to fund annually recurring operating costs. While this review was occurring, colleges and departments were required to develop 10% budget reduction scenarios in response to an anticipated CSU appropriation reduction. In response to this exercise, the majority of AA departments depleted their student wage budgets. The units making these reductions expressed their realizations that such actions would, based on current research, reduce both student retention and graduation rates – ironically, the very outcomes supported by supplemental funding through the CSU Graduation Initiative 2025 – but explained they saw no other ways to reach the
mandated savings targets. We understand the CSU will be restoring these funds, however, this exercise illustrates the extent to which AA unit budgets have been depleted over time.

Constraints on uses of funds due to public law and policy are complex within the CSU, and most financial staff time in the colleges is consumed with transaction processing and shadow system management. College staff, including long-serving budget staff, commented on their desire for more regular and comprehensive training in the use of university administrative systems and processes given their complexity. The timing of the current budget development process is such that AA is making course schedule plans – in essence, determining instructional budgets – far in advance of learning future year funding levels. The primary tool for allocating instructional funds, the SFR report (see Appendix G), includes only instructional faculty (faculty assigned to teach in a given term or year) and utilizes student:faculty ratios that have been negotiated over multiple decades in what amounts to a “shadow” budget process. Calculating and applying the SFR model has become the de facto means of allocating base budget funds from tuition and state appropriations, leaving little or no room for funding strategic initiatives or needs beyond instruction. Astute administrators know the way to increase budgets is to manage the SFR calculation, rather than having difficult discussions concerning competing priorities.

Using SFRs to allocate instructional budgets has achieved the narrow goal of maintaining average student:faculty ratios at CSUF through a period of prolonged enrollment growth. From fall 2010 to fall 2019, CSUF enrollments grew by 20.8% and throughout that period the student to faculty ratio remained essentially flat (annually varying on average by less than 0.1 faculty FTE during this period – See CSU/SHR 2/27/2020 Faculty Profile: Fullerton report in Appendix A, p.8). While on average the student:faculty ratio for CSUF has remained close to constant, relative faculty productivity within and between colleges varies greatly. The individual college ratios themselves, in comparison to peers, appear high in some areas and low in others, as would be expected for a shadow process that creates an artificial economy for budgeting purposes. For example, one college maintains average 3/3 teaching loads for tenured faculty, compared to 4/4 loads for most, yet has the highest student:faculty ratio target among the colleges. Increases to faculty productivity that might free resources for other academic purposes are actually discouraged by the SFR funding model: lower target SFRs mean additional faculty resources for departments and colleges as vacancies occur or enrollment goals increase. Faculty course release practices similarly vary widely between colleges yet these faculty are excluded entirely from the SFR calculations. Above all, however, the greatest impact on AA from the exclusive use of SFRs to fund enrollment growth is the absence of funds for management, staff, equipment and operating funds needed to support growing departments and colleges. Given the higher levels of efficiency some colleges have been able to achieve in comparison to others, we believe it is likely that instructional program efficiencies could be identified to partially offset these substantial budgetary gaps across AA academic and support units. Following a decade that saw greater than 20 per cent growth in enrollments with almost no new investments in nonfaculty expenses, such reallocations are unlikely to fully fill all such gaps.

CSUF’s use of SFRs to allocate instructional costs stands in contrast to similar models used elsewhere in the country. For example, the State Council for Higher Education in Virginia uses a similar model to calculate “base adequacy” for state institutions by calculating faculty lines necessary for current cohorts.
within an institution to complete their programs within four years. The resulting program-level SFRs are recalculated every two years and modified based on changing curricular offerings, cohort enrollments, and pedagogy. Program productivity quantitative standards are also applied to ensure programs are producing minimum numbers of graduates. CSUF interviewees described a much different use of SFRs, some of which have not been reset in decades and others that had been renegotiated by prior leadership. The ratios in use at CSUF are contrary to our experiences at both public and private universities where, for example, business schools with AACSB accreditation operate with SFRs in excess of 30:1 compared to CSUF’s ratio of 22.7:1. The overall SFR of 21.1:1 for CSUF as a whole appears low compared to peer institutions; however, since unknown numbers of faculty are on alternative workload assignments or with partial workload course releases and not reflected in the SFR calculation, the SFR ratios themselves do not provide sufficient information to conclude whether a department or college operates efficiently and effectively, or not. This determination would require combining total departmental costs including direct instruction and related indirect costs to total revenues generated by the department. Sample templates for assessing department and program net financial activity are included in the appendix.

While CSUF has a formal budget process whereby a Faculty Senate committee evaluates institutional priorities and, at least in principle, prioritizes uses of any discretionary institutional funds. On a per student basis CSUF receives among the least financial support from the CSU. “Discretionary” institutional funds are scarce and as noted above units use salary savings from vacant positions to fund nearly all non-personnel costs on a one-time basis. At CSUF, an “over-enrollment” fund allocation process, implemented midyear in each fiscal year when actual enrollments exceed established goals for the year, allocates additional expense budgets based on incremental tuition revenue but for AA only provides about 40% of the increased tuition funding resulting from over-enrollments (approximately the level of instructional costs for the university budget overall). No specific allocation for increased library, advising, equipment or other student support costs are included in the over-enrollment calculation. AA is free to allocate these one-time funds in whatever manner they find most efficacious, however, the budget process and analytical infrastructure to evaluate and inform alternative investment decisions by AA is generally lacking. For example, based on our calculations, the current allocation of over-enrollment revenues requires an undergraduate average class size of 24 students just to cover the average salary of temporary instructional faculty (see Appendix F). By the time over-enrollment revenues are distributed, AA spending commitments to teach classes accounting for these students have already been made and may exceed the levels of supplemental budget support provided.

AA units remark that there is not a clear “budget season” during which departments or colleges are asked to propose changes to their units, request seed funding for new programs, or submit multi-year plans for developing reserves for future program investments. Nearly every AA college remarked the timing of the current “budget process” and determination of fund allocations within their college precluded systematic planning or developing strategic initiatives to advance the work of the college. The one exception to this situation is in the case of CHSS, which is also the one college with a manager serving in the dean’s office. For context, many of CSUF’s colleges enroll the same numbers of students as midsize universities. They face the complexities of managing numerous academic departments,
collective bargaining constraints on faculty assignments, and complex funding rules within the CSU. Budget staff comment that transactions may take weeks or months to post to enterprise systems, and so all costs – this was the case for every unit within AA – are tracked on “shadow systems” and later reconciled to official financial reports. Deans and AVPs similarly comment that at any point in time they are uncertain where their overall units stand financially, vis-à-vis achieving enrollment targets or over-enrollments, and only the unit-maintained shadow systems enable them to stay within budget.

Successfully managing its academic enterprise to best capitalize on opportunities afforded CSUF by the emerging economic and competitive environment is a significant and complex undertaking. The absence of reliable operational data concerning the full revenue and expense activity for each academic program and department makes the systematic planning and realization of strategic initiatives untenable. CSUF has talented leadership across AA, an accomplished faculty, and dedicated support staff. Under the circumstances of inundation in transactional complexity and lack of resources – one department chair described “going begging” to a student association for funding for an academic initiative – CSUF can take measures to more fully realize the optimal contributions of these faculty and staff, for the betterment of CSUF and its students.

KEY RECOMMENDATIONS

Several times during the course of our interviews with CSUF’s academic leadership – deans, program directors, a former department chair, and others – we heard statements to the effect, “When you consider how far we have come, can you imagine how much more we could achieve with planning?” Introducing reflective and deliberate planning to CSUF’s collaborative culture constitutes a tremendous opportunity for CSUF to achieve its most ambitious goals for everyone within the institution. Higher education planning, through such professional organizations as the Society for College and University Planning (SCUP) and others, has reached levels of maturity that institutions with a culture of planning have clear competitive advantages in comparison to their peers. Most regional accrediting agencies place increased emphasis on linking resource allocations to strategic goals, precisely because doing so increases the probability such goals will actually be realized. Through formal planning, budget development is transformed from a primarily reactive process to a proactive one in which financial resources are deployed where they can most effectively result in achieving institutional goals.

From the perspective of modern budgeting approaches advocated by NACUBO, it is our considered opinion that there are two fundamental operational needs for AA to rectify its current circumstances: the first is to understand, through financial analysis, sources and uses for all its resources across the division. Although CSUF may not allocate funds based on a contribution-margin or RCM budget models, understanding which departments and academic programs are generating surpluses and which are incurring deficits is nevertheless critical management information for making decisions about where to make future investments. To date the SFR has served the role of being a surrogate for such analytical processes. The SFR allocation model conceals much that is critical to the sound financial management of an academic department or college, such as whether a given department or program is covering its direct costs; its ratios in some cases appear arbitrary when compared to peers, and its solitary emphasis on faculty costs omit other important investments in student success including advising, instructional
materials, and student academic support services. Modernizing CSUF’s budget process to deliberately link fund allocations to strategic priorities, determined in concert with leadership across the division and institution, will better serve both CSUF students and the long term financial viability of the institution.

In CSUF’s circumstances, developing robust financial analyses to support strategic decision-making at the departmental, college or division level is not a simple task. Consistent reports based on reliable and complete data must be developed; in some cases the subsystems to generate such reports must be developed as well. We have included in the appendices to this report multiple examples of reports from other systems and institutions that provide clear pictures of program and departmental financial activity.

The second great need for AA is to institute a budget planning process, informed by data and an understanding of sources and uses of funds, to plan for its multi-year program budget needs. This planning can occur outside the institutional budget process, although it will of course be impacted by CSU and CSUF institutional-level events. Consider, for the past several years CSUF has been on a growth trajectory that is quite likely predictable within gross revenue margins of 2-3%. Collective bargaining salary commitments are known, and variable personnel costs such as insurance and retirement contributions can be projected based on recent history. Based on a clear understanding of funding sources and uses, AA can develop a multi-year budget plan, and from there incorporate negotiated incentives for generating new revenues for the university through strategic initiatives and investments. For this latter work, AA must advocate and negotiate from the basis of solid data concerning its sources and uses of funds.

Concurrent with our assessment, CSUF is making changes to implement enrollment management strategies. Strong linkages between enrollment, program and budget planning will service CSUF well going forward. These relationships can be summarized at a high level by two exhibits:
It is important to note that there are both financial and operational relationships between different university planning processes, and that these processes operate according to differing timelines or calendars. For example, strategic plans typically span five-year timeframes during which new initiatives to achieve strategic goals are not uncommon. These initiatives must be funded with budgets that are typically determined on an annual basis, yet within higher education institutions both revenue streams and costs are governed by long term considerations – program offerings, tenured faculty, recruitment trends, and physical facilities among other factors – and as a result pivoting program offerings in response to changing environmental conditions may not be readily or easily accomplished. Creating multi-year enrollment and operating budget plans makes it possible to anticipate and act upon changes to revenues and expenses based on predictable trends and manageable actions. Echoing what we heard consistently in campus interviews is that robust and integrated planning efforts have not been in evidence at CSUF for an extended period, and within AA we believe such coordinated planning will provide for both sustainable financial operations and new future investments in both instructional and academic support programs. Such planning will necessarily involve leadership across AA, including deans, department chairs, and program heads.

A high level summary institutional budget spanning multiple fiscal years is shown below. The appendix to this report includes a complete five-year budget model utilized by an institution of comparable complexity to CSUF. One benefit to showing the entirety of a multi-year plan on a single page is that “everything is included” and can be seen and discussed by multiple parties. Lines are numbered to facilitate discussion at a detailed level. Key analytics are built into the schedule to increase
For AA at CSUF, we believe the first order of business is to understand the sources and uses of funds within the division and this includes the relative net revenue contributions or costs of academic departments and programs. The appendix to this report includes examples of these reports, one of which is shown here:
Generated by a system level “instructional cost tool,” this report shows full funding sources and uses including both direct instructional and indirect costs for each academic department and college. Having this information in hand makes possible discussions about the relative costs or benefits to making program changes. The intention is not to distill the entire academic enterprise into a “return on investment” calculation, but to provide information about which programs are contributing revenue beyond their costs and which are not, in order to inform decisions about the potential financial impacts of investments going forward. Such analyses are also helpful in managing the academic enterprise whether from a departmental, college or divisional perspective. All levels of management need to be engaged in the creation, interpretation and development of action plans supporting institutional direction. Although instructional cost tools can be very sophisticated, the analytical process can start with a basic analysis of determining whether a department is generating enough tuition revenue to cover direct instructional costs. This basic analysis can then be expanded to include other operational costs and indirect instructional or administrative costs. A further analysis might include other revenues within the college and university and how that supplements operational and administrative costs.

Calculation of student to faculty ratios that include all faculty workload assignments, including those assignments that appear not to be reflected in workload reporting, could aid in the understanding of where resources are being expended. In summary, if a faculty member is full-time, detailed workload
records should support the full-time assignment. Trend data can provide insight into the trajectory of the department and/or college. Similar student to staff ratios can be calculated at the department and college level.

Furthermore, developing an understanding of class size and its relationship as an expense driver will aid in understanding the revenue and expense picture for academic programs and departments.

Based on our review of pertinent documents and analyses, interviews with key stakeholders, and understanding of current circumstances in the industry and at CSUF, we are recommending that the Provost and university consider several organizational and process changes in the AA division:

1. Establish a Planning, Analysis and Resource Management Office (PARMO) within the Office of the Provost, to include the addition of management staff roles, charged with the implementation of a multi-year budget planning process within AA. This core office collaborates with other AA functions such as Institutional Research, Registrar’s Office, and individual colleges, to perform ongoing operational assessments to inform planning initiatives. Develop a revenue, expense analysis of academic programs and departments; as such, moving away from the SFR method of distributing resources. We strongly recommend that such assessments take into account the full revenue and expense implications of AA operations, both to assess operational sustainability, plan for ongoing improvements to AA instructional and support functions, and link resource allocation to strategic goals.
   - The analysis can begin at a basic level that includes only direct revenue sources such as tuition and direct instructional expenses.
   - Such an analysis will help to determine the appropriate minimum number of majors and size of academic programs.
   - Deans and chairs will develop an understanding of the revenues and expenses associated with academic departments and programs. This understanding will allow for a more effective allocation of resources. The current method of allocating revenue to departments without regard to costs or net revenue impacts.

2. While CSUF allocates budgets annually utilizing an incremental cost model, we recommend that AA deviate from this practice in its own funds management practices. CSUF can continue to incrementally adjust AA’s budgets utilizing current allocation methodologies such as enrollment goals, SFR calculations, and “over-enrollment” revenue allocation formulas. Our recommendation is that all such institutional allocations flow through PARMO for allocation to AA colleges and support functions based on a budget allocation process within AA including full participation by department chairs, deans, department heads and their respective staffs. This structure combined with the central pooling of funds will allow AA to establish budgetary incentives to advance priorities at multiple organizational levels.
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The recommendations listed above are the highest priority for consideration and implementation.

4. We also recommend multiple strategies to build upon CSUF’s program mix and financial strength through:
   - introducing a mandatory student fee dedicated to instructional and support activities within AA. CSUF's 2020-21 mandatory fee total of $1,212 per year is 28% or $469 below the average of $1,681 for all CSUs excluding CSUF. We recommend the fee level be set following a comprehensive assessment of AA's revenue generation, staffing needs, faculty release time, and department-level cost and ROI analyses. If the fee is used to directly support improvements to the student experience, and understood by students as providing value to them, the fee will likely be supported by students. Source: https://www2.calstate.edu/attend/paying-for-college/csu-costs/fees/campus-mandatory-fees/.
   - increasing graduate program offerings. CSUF has a disproportionately low graduate student enrollment for an institution of its size and stature. We recommend the university provide incentives in the form of direct tuition-sharing at the AA level for academic departments to plan and institute new graduate programs. For example, graduate tuition revenue might be evenly allocated between the central administration, Provost, college and department levels. Graduate tuition yields significantly higher revenues for the university; these programs will benefit both students seeking credentials beyond the baccalaureate level and the university.
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These recommendations are reinforced by a combination of peer group comparisons, our analysis of CSUF-specific data and reports, and our qualitative data assessment from over three dozen interviews.
INTERVIEWEES

The following CSUF leadership, faculty and staff were interviewed for this review and assessment. We found CSUF employees at every level to be highly talented, professional, knowledgeable about their areas of responsibility, positive and open in all discussions. AA is clearly committed to the success of CSUF’s students and with finding ways to realize the successful achievement of CSUF’s mission. It is rare to meet with such a broad range of institutional representatives and consistently observe such strong and positive support for making whatever improvements will better serve students in the future.

DIVISIONAL OFFICES

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<td>Carolyn Thomas, Provost</td>
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<tr>
<td>Academic Affairs – Academic</td>
<td>Alyssa Adamson, Exec Dir</td>
</tr>
<tr>
<td>Resources</td>
<td>Paul Avedissian, Dir</td>
</tr>
<tr>
<td>University Advancement</td>
<td>Greg Saks, Vice President</td>
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COLLEGES/CHAIRS/SENATE

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<tr>
<td>College of the Arts</td>
<td>Dale Merrill, Dean</td>
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<td></td>
<td>Christopher Johnson, Budget</td>
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<tr>
<td>College of Business and</td>
<td>Morteza Rahmatian, Dean</td>
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<tr>
<td>Economics</td>
<td>(Interim)</td>
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<td>Edward De La Torre, Budget</td>
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<tr>
<td>College of Communications</td>
<td>Bey-Ling Sha, Dean</td>
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<td>Jane Gallegos, Budget Staff</td>
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<tr>
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<td>Lisa Kirtman, Dean</td>
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<td>Alicia Wagner, Budget Staff</td>
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<tr>
<td>College of Engineering and</td>
<td>Susan Barua, Dean</td>
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<tr>
<td>Computer Science</td>
<td>Dolores Kimball, Budget</td>
</tr>
<tr>
<td>College of Health and</td>
<td>Laurie Roades, Dean</td>
</tr>
<tr>
<td>Human Development</td>
<td>Christa Johnson, Budget</td>
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OBSERVATIONS/THEMES FROM INTERVIEWS WITH KEY STAKEHOLDERS

Based on a qualitative assessment of interview responses from 41 CSUF employees (list precedes this section), the following were the most common observations and themes cited by interviewees:

1. Need to revise timing of campus budget process to allow for introducing planning and implementation of strategic initiatives.
2. Most budgets are based on history (baseline) and predictable allocations of over-enrollment dollars. Budget numbers are needed before the year starts.

3. Quality of student instruction is not suffering due to funding shortages. (We believe academic leaders should be commended for their willingness to pitch in and ensure funding shortfalls minimally impact student outcomes).

4. Nearly universal indication that OE&E funding is insufficient.

5. SFR provides funding for instruction only, not for all the other expenses related to enrollments including staff support, lab or other materials.

6. Over-enrollment dollars arrive at year end, too late to be used for planned purposes.

7. With the exception of new faculty, course releases and teaching loads vary dramatically across the colleges.

8. Academic Affairs is the heart of the institution and should be the first area to be funded adequately; perception is that other areas of the university are given priority over AA.

9. All units utilize shadow systems, typically spreadsheets, to manage all affairs of the organization. Budget staff expressed the need for more regular and comprehensive training in university systems.

10. With some exceptions, academic support units indicate they are adequately funded. Exceptions:
   a. Insufficient compliance staff in the research office; and
   b. Library is underfunded.

11. Only funds available to fill gaps or provide for planned uses are carry forward funds.

12. Most units significantly reduced student employment in response to 10% budget reduction requirement.

13. Almost universal lack of clarity for how Finance and Administration operates or how the institutional planning and budgeting process works to support the academic mission of the institution in its allocation of funds to AA as opposed to other functions. There was a prevailing opinion that F&A is largely responsible for the budget issues in AA.

14. Economics of summer contracts and one-time funds are not universally understood.

15. Communications with the Provost’s Office are good and recent efforts to increase transparency are appreciated.

16. The university should invest in expanded graduate programs.
17. There is no relationship between dollars generated by tuition and dollars allocated by formulas (prevalent perspective).

18. Between 90-99% of budgets within Academic Affairs are for personnel costs. People work incredibly hard to make things work for the students in this lean budget environment with inadequate staffing.

19. Discussions surrounding General Education requirements tend to be tainted by concern for revenue-generation as opposed to what’s best for students’ academic experiences.

20. Budgeting should look at college needs; differences between colleges are significant and should be recognized in the course of budget planning.

21. Increased appreciation for and understanding of the importance of fundraising activities to support the funding needs of colleges and programs.

**OBSERVATIONS FROM PEER COMPARISONS AND CSUF OPERATIONAL DATA**

**Appendix B. IPEDS comparison**

We were asked to evaluate the adequacy of funding for the CSUF division of Academic Affairs and as part of that assessment reviewed IPEDS data for CSUF and its three closest peer institutions within the CSU (which CSUF also includes in its self-selected set of peer institutions for IPEDS). Like FASB and GASB, the bodies governing the content of audited financial statements for private and public institutions respectively, IPEDS changes its data definitions periodically and comparisons across years can sometimes be inexact. Nevertheless IPEDS is the accepted standard for inter-institutional comparisons, and within any given state system the comparisons increase in validity. For example, all institutions in the sample were similarly subject to any State or CSU System funding vicissitudes during these periods. We selected the last five years of available data in IPEDS and report functional costs per student FTE. In addition we report functional costs as percentages of total costs. These data appear in Appendix B.

During the five years in this analysis, CSUF went from spending 5.7% more than the peer average for instructional expenses per FTE in 2015 to spending 4.3% less than the average in 2019. For CSUF as a whole, total expenses per student FTE were 2.6% above the peer average in 2015 and 9.2% below the average in 2019. CSUF instructional expenses as a percentage of total expenses dropped from 47.6% of total expenses in 2015 – 1.4 percentage points above the peer average – to 38.2% in 2019 where the gap above the peer average increased to 2.0 percentage points. Academic support expenses were 31.4% below the peer average in 2015 and 30.7% below the peer average in 2019, and during this period all institutions except one reported a reduction in spending. CSUF spending for instruction and academic support expenses per FTE combined, on a per student basis, declined from $9,055 in 2015 to $8,467 in 2019, a reduction of 6.5%. Total peer institution spending for the combined functions increased by 1.3% during this same period.

Total expenses for CSUF during this period increased from $16,301 per student FTE in 2015 to $18,827 in 2019, an increase of 15.5%. Among peer institutions, total expenses per FTE increased 23.4%. The most
significant increase in spending per student FTE for CSUF was for “All other core expenses” which increased from $2,699 in 2015 to $6,013 in 2019, an increase of 122.8%. All institutions within the sample show similarly large changes in this category, suggesting a centrally mandated accounting change such as for post-retirement benefits or a similarly significant GASB change. During these five years, functions showing decreased spending per student FTE were instruction, research, public service, academic support, and student services. Functions showing increased spending per student were institutional support expenses, all other core expenses, the total expenses. The one area where CSUF consistently spends more per student FTE than its peers is for institutional support, which includes multiple central support operations. CSUF spent 58.6% more than its peers in this category in 2015 and 54.1% more in 2019.

While these comparisons do not answer the question whether CSUF is adequately funding its instructional or academic support functions, they may help in explaining the widespread perceptions reported during interviews that AA is not receiving its due share of budget allocations. As noted in both our report and recommendations, additional analysis of faculty workload, classroom and course assignments, and other components of managing the academic enterprise must precede a determination the extent to which, and in which specific areas, AA requires additional budgetary resources. Among this peer group, subject to the same CSU policies and funding trends during this period, CSUF alone decreased its funding per student for instruction, and in that respect the perceptions reported to us are supported by these data.

Appendix C(1). Salaries and Wages as % of Functional Costs

No significant differences between CSUF and peers were noted. Concerning the observation above that institutional support costs at CSUF are higher than peers, these data show institutional support salaries and wages are a lower percentage of those costs than for any peer institution. In other words, salaries and wages are not the reason for the higher expenditure levels at CSUF.

Appendix C(2). Staffing per FTE Comparison

The staffing density data derived from 2019 IPEDS submissions suggest CSUF operates with fewer staff per student FTE in most operational areas. IPEDS staff category definitions can be found at this link https://surveys.nces.ed.gov/ipeds/public/hrsoc-browse

Appendix D. Library IPEDS comparison

Legacy libraries are evolving away from serving as depositories for books, journals, and periodicals, and toward providing interactive learning spaces, “maker spaces” and similar innovative settings for student collaboration. Customary measures of quality such as numbers of physical books, serials and other physical media are being replaced with electronic and digital media. Staffing is similarly evolving toward student support and mentoring roles for electronic media such as researching, searching and reviewing scholarly journal content from electronic databases. While not a part of our review, we would encourage CSUF to consider future library renovations that transform its library space from a “place for
books” into an innovation space, again, consistent with library evolutions at most major universities during the past decade.

We were asked to evaluate the adequacy of funding for the CSUF library and in that context reviewed a prior library study (Appendix G), asked about the library in each of our interviews, interviewed library leadership, and reviewed IPEDS comparisons for CSUF and several other CSU system libraries. The latter of these data compilations appears in Appendix F. For these comparisons we selected CSU system libraries of comparable size and complexity; all institutions were similarly subject to any State or CSU System funding vicissitudes during these periods. The most recent three years (2017-2019) of IPEDS data were selected for the comparisons, again reflecting common data definitions and collection methodologies.

CSUF has the highest number of students of all institutions in each year. Consistent with the trends noted above, most libraries within the peer institution sample have been shedding volumes of physical books. By contrast, electronic media have been growing significantly at all institutions. In the area of electronic resources CSUF has not been keeping pace with peer institutions in the sample, losing position in every area of digital/electronic resources in total numbers, percentage over/under peers, and rank among peers. Total electronic resources dropped from CSUF holding 14.0% more than peers in 2017 to 20.8% less in 2019. Granted the peer average more than doubled during this time, again reflecting trends toward digital media, but CSUF did not keep up.

Total salaries and wages in the library budget were 23.6% below the peer average in 2019 compared to 21.4% below the average in 2017, reflecting a slight gain although CSUF remains significantly underfunded by comparison to peers. Examining total expenditures in all categories, CSUF dropped from 13.4% below the peer average in 2017 to 19.6% below the peer average in 2019. During this period only CSUF reduced total library spending and if this trend continued in 2020 will rank at the bottom of the peer list.

Interviews and financial reviews suggest that the CSUF library, like several other noninstructional activities within AA, does not receive incremental funding increases linked to enrollment growth. Maintaining the currency of electronic materials in broad ranges of disciplines grows increasingly expensive with many subscription prices tied to enrollments. We strongly recommend that CSUF tie its library allocations to program and enrollment growth, subject to the annual submission of spending plans by the library as part of a formalized AA budget development process.

Appendix E. Prior Library Study – referenced above and so included with other materials in this report.

Appendix F. Tuition revenue by department

Tuition was calculated at the department level using the Fall 2018 and Spring 2019 Fee Revenue Reports. Net tuition was calculated using tuition amounts net of waivers at the undergraduate and graduate levels. All post-bac students were included in the graduate totals.
Fall and spring undergraduate and graduate FTE totals by department were pulled from the AY 2018-19 FTE by Department by Course Enrollment report. FTE students are translated to credit hours by multiplying undergraduate FTE by 15 and graduate FTE by 12. Fall and spring credit hours are totaled.

Total undergraduate net tuition (F&S) was divided by the number of undergraduate credits (F&S) calculated from the AY 2018-19 FTE by Department by Course Enrollment to attain a generic UG per credit hour tuition rate. Undergraduate per credit hour tuition rates can be calculated at a more granular level, such as residency if desired. A generic calculation of net revenue by undergraduate tuition revenue results in $242 generated per undergraduate credit hour.

Graduate tuition per credit hour is calculated in a similar fashion as undergraduate tuition per credit hour. Likewise, it can be calculated at a more granular level based upon special tuition rates and associated credit hours. In general, graduate tuition generated $1,285 per credit hours for the fall and spring semesters of 2018-19.

**Over Enrollment Calculation**

Assuming each undergraduate credit hour generates $242 in tuition revenue (net of waivers) or $726 per three-credit hour course, a 40 percent revenue allocation equates to $290 per student. In order to cover the salary ($5,898 per lecturer) and an 18% fringe benefit rate, results in a total cost of $6,959 for a three-credit hour course. Each over enrollment course would need to enroll an average of 24 students in each section in order to cover direct instructional costs. Additional costs related to providing student services to over enrollment students such as academic advisement, tutoring, counseling, library and other academic support costs are not formally recognized and funded through the over enrollment funding formula.
## RECOMMENDATIONS, ACTION STEPS AND TIMELINES

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<th>Recommendation</th>
<th>Action Steps</th>
<th>Timeline</th>
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| **1. Establish a Planning, Analysis and Resource Management Office (PARMO) within the Office of the Provost**, to include the addition of management staff roles, charged with the implementation of a multi-year budget planning process within AA. This core office collaborates with other AA functions such as Institutional Research, Registrar’s Office, and individual colleges, to perform ongoing operational assessments to inform planning initiatives. We strongly recommend that such assessments take into account the full revenue and expense implications of AA operations, both to assess operational efficiency and plan for ongoing improvements to AA instructional and support functions. Note: new management staff additions should be coordinated with the PARMO additions (below). We envision a total of 4-5 new management staff supporting the PARMO and colleges. | a. Develop job descriptions and recruit additional management staff roles (2-3 management staff).  
b. Pilot new budget process with AVP units within AA to include budget request process.  
c. Develop Sources and Uses operating statement showing revenues and expenses generated by each department and college within AA. Determine which departments and colleges are covering full costs and which are not.  
d. Create multi-year revenue and expense projections based on actual history. Expand to 3-5 year budget plans at division, college and department levels based on historical trends.  
e. Introduce AA division-wide budget request and development process.  
*Recommend AA budget plan commence July 1, 2022 with adjustments based on final university budget* | Immediate     |
| **2. Within the colleges, we recommend establishing management-level financial positions to assist the deans by developing college-specific business analyses, working in conjunction with the PARMO, and evaluating alternative strategies for optimizing faculty and staff complements.** With the exception of one college, current financial support positions | a. Develop job descriptions and recruit additional management staff roles (2-3 management staff)  
b. Evaluate faculty workload assignments and productivity.  
c. Working with the PARMO and Dean(s), assess department budget needs, reallocation and efficiency opportunities. | Near Term      |
are heavily transaction-oriented, with little analytical staff support for strategic thinking by the deans. The one college with such a position has benefitted significantly from its additional analytical capabilities.

Note: new management staff additions should be coordinated with the PARMO additions (above). We envision a total of 4-5 new management staff supporting the PARMO and colleges.

4. We also recommend multiple strategies to build upon CSUF’s program mix and financial strength through:

a. introducing a mandatory student fee dedicated to instructional and support activities within AA. CSUF’s 2020-21 mandatory fee total of $1,212 per year is 28% or $469 below the average of $1,681 for all CSUs excluding CSUF. We recommend the fee level be set following a comprehensive assessment of AA’s revenue generation, staffing needs, faculty release time, and department-level cost and ROI analyses. Source: https://www2.calstate.edu/attend/paying-for-college/csu-costs/tuition-and-fees/campus-mandatory-fees/

b. increasing graduate program offerings. CSUF has a disproportionately low graduate student enrollment for an institution of its size and stature. We recommend the

d. Working with the PARMO and Dean(s), develop multi-year budget plans and strategies.

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<tr>
<td>1. Following an assessment of AA strategic investment and budgetary needs, including library, student advising, operating, equipment, materials, and professional development, develop a fee proposal adequate to provide significant additional support to AA.</td>
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<td>2. Request fee increase via CSU/CSUF process, if possible indexing fee as a percentage of tuition, sufficient to provide funds to meet current structural deficits and future strategic investment needs.</td>
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<td>1. Identify new graduate program opportunities working with deans and department chairs.</td>
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<td>2. Perform market research to evaluate potential for new</td>
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<td>Within Next 1-2 Years</td>
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Within Next 1-2 Years
university provide incentives in the form of direct tuition-sharing at the AA level for academic departments to plan and institute new graduate programs. Graduate tuition yields significantly higher revenues for the university; these programs will benefit both students seeking credentials beyond the baccalaureate level and the university.

c. **increasing international student enrollment, a process that will be accelerated through expanded graduate program offerings.** Given its diverse faculty and student body, and its location in a major seaside metropolitan area, CSUF is poised to benefit from improved international student enrollments as the U.S. eases visa requirements. These students pay tuition at premium rates that we recommend are shared by the university with AA and its colleges.

d. **leveraging recent changes in faculty, current student and prospective student experiences with online learning to expand online course offerings to students.** Given CSUF’s high levels of part-time and working students, increasing asynchronous course offerings may open up new opportunities for students and faculty alike. In the last year of nearly exclusive online instruction, faculty and graduate enrollments.

| 1. Identify programs with high potential for international student recruitment, based on current international student enrollment and market research, and develop marketing strategies for promoting these programs in international student markets. International faculty can play key roles in promoting international outreach efforts. |
| 2. Promote programs and evaluate efficacy of marketing and outreach efforts. |
| 3. Negotiate revenue shares with the university. |

| 1. Develop curriculum and obtain approval through CSUF, CSU and accreditation review processes (if applicable). |
| 4. Fund marketing and promotion for new programs. |
| 5. Recommend 4-way tuition revenue split to include central administration, provost, deans and departments. |

| 1. Identify programs and courses with high demand potential for part-time students (particularly working and nontraditional students). Graduate programs, summer and interterm courses are prime candidates for online offerings. |
| 2. Develop and implement marketing strategies for new programs and course offerings. |
| 3. Evaluate efficacy of marketing and outreach efforts as |
students (including incoming first-time students) have increased comfort with online pedagogy not limited by available classroom space, transportation access or work schedules. This strategy will enable CSUF to increase course enrollments without increasing campus footprint or classroom space, both a capital cost avoidance and operating cost savings, increasing net margin.

e. **Allocating a portion of vacant salary savings among varying organizational levels within AA.** Currently these funds remain within the colleges or academic departments. We recommend that salary savings be pooled at the Provost and colleges levels. We further recommend that CSUF adopt the principle of all vacant faculty lines reverting to the Provost for potential reallocation based on changing college resource needs. The PARMO would manage pools on behalf of the Office of the Provost. Salary savings are currently used to fund operating and equipment costs in the colleges, in addition to replacement term faculty. This is a major weakness in AA’s current budget structure across every unit. A component of the PARMO’s initial budget development work should be to determine appropriate recurring expense budgets and fund these through reallocations or new revenue streams such as the increased IRA fee.

1. Through the existing process of verifying faculty complements, identify vacant faculty lines. Determine whether position will remain with current department or be pooled for reallocation.

*Recommend the PARMO determine pools on a position-by-position basis, based on department and college resource needs.*
f. a similar cultural change we recommend, for the benefit of campus efficiency in serving a growing student population, that classroom space assignments be managed by the Registrar in conjunction with PARMO, college budget managers, and department chairs. Class size and scheduling is critical not only to the student educational experience and faculty pedagogical approaches, but also to university revenue streams supporting all institutional functions. Department incentives to optimize faculty productivity can be used to soften the implementation of such a transformation. Department incentives to optimize faculty productivity can be used to soften the implementation of such a transformation. Related to these changes, faculty workload reporting should be standardized and comprehensive (all inclusive) across the division.

g. indexing library funding to enrollment growth and new programs (e.g., new graduate programs). This indexing may be accomplished within PARMO utilizing fee or other revenue streams. Total salaries and wages in the library budget were 23.6% below the peer average in 2019 compared to 21.4% below the average in 2017, reflecting a slight gain although CSUF remains significantly underfunded by

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<th>1. Options:</th>
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<td>(a) Identify colleges and departments demonstrating best practices in classroom utilization based on percentage use and capacity.</td>
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<tr>
<td>(b) From professional resources such as AACRAO, identify and implement best practices in classroom utilization.</td>
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| 1. Determine appropriate level of funding based on peer comparisons and identify funding sources to bring CSUF library to at least the same funding level as peers. |
| 2. Develop and implement student headcount based budget indexing strategies tying library funding to total enrollments. |
| 3. Evaluate library spending compared to peers and adjust baseline funding as needed based on comparisons. |
comparison to peers. Examining total expenditures in all categories, CSUF dropped from 13.4% below the peer average in 2017 to 19.6% below the peer average in 2019. During this period only CSUF reduced total library spending and if this trend continued in 2020 will rank at the bottom of the peer list.

ADDITIONAL OBSERVATIONS – SUMMER, RESEARCH AND ADVANCEMENT

In addition to the foregoing, there are three areas for which we wish to make suggestions that do not rise to the level of “key recommendations” but which we would feel remiss not to mention. The first of these is the potential for CSUF to increase its graduation rates and revenues through increased summer program offerings. Particularly as an institution serving part-time students – whether as working, degree completers or other nontraditional students – summer sessions provide students with opportunities to achieve their educational goals. For its size, CSUF provides it students relatively few summer course offerings. We learned in interviews that nevertheless some summer courses are actually money-losers for the university, as course enrollments are not sufficient to cover instructional costs. In a similar faculty union environment, within the Pennsylvania State System of Higher Education, over the past decade our institutions have seen significant growth in both interterm and summer course offerings with substantial resulting financial benefits to our institutions. Through agreements with our local faculty unions, our universities are ensured that course revenues will exceed costs. These arrangements provide faculty a means to supplement their annual salaries, students a means to improve their progress toward graduation, and the university a means of increasing both its efficiency (through utilization of its infrastructure) and revenue generation. Our institutions are, in effect, evolving toward year-round educational offerings. We encourage a comparable entrepreneurial approach to summer programming provided it is permitted by the faculty collective bargaining agreement and CSU systemwide rules governing summer programs.

The second area for which we wish to comment is CSUF’s research enterprise. Incentives for faculty writing grants or performing research or scholarship vary widely among the colleges within AA. For the size of CSUF and caliber of its faculty, the total research activity is low. Faculty release time for research activity appears to us to be out of line with these relatively low levels of research activity. Our recommendation (above) for a full accounting for faculty workload may partially address this potential issue. Beyond this, however, as an HSI with a stellar reputation for serving students and highly accomplished faculty, CSUF is potentially missing out on significant extramural funding to support its students and faculty.
Importantly, within the Research and Sponsored Projects Office itself, one individual is responsible for all IACUC, IRB and research compliance activities within the institution. We believe this represents both a potential reputational and financial risk for the university given the high levels of compliance expected by Federal and other funding sources, and the high public visibility that typically accompanies lapses in compliance. Some level of supplemental staffing or cross-training to ensure consistent oversight of these critical areas would be prudent.

The third and final area we wish to comment upon is institutional advancement. A consistent theme noted by deans was the success and financial importance of their collaborations with University Advancement. In these collaborations Advancement and AA share the cost of college-based advancement officers who work with both AA deans’ offices and Advancement to research, cultivate and close on gift prospects. CSUF’s 7 year campaign is at 85% of its $200 million goal (details are shown in Appendix H) and the university realized the most successful fundraising year in its history in 2019-20. A potential improvement on the model that we heard from both AA and Advancement is that an additional gift officer could generate additional gifts in excess of the costs associated with the additional position. To the extent such gifts might offset operating costs for AA such investment(s) made from operating funds would be budgetarily positive.

****** END OF REPORT *****

SUPPLEMENTAL MATERIALS

The following materials are provided to assist CSUF in the assessment and implementation of the foregoing recommendations. These materials are not part of the NACUBO report in response to CSUF Purchase Order No. 24381 (including change order) but are supplied on a collegial basis.

Supplement 1. Five-year budget model

Originally developed for use by George Mason University to inform its central budget planning discussions, this framework has been used at multiple public universities to develop and track budget plans over multiple fiscal years. While past actual activity ties to audited financial statements and the current budget ties to approved budgets in central administrative systems, five future plan years are based on a series of assumptions including enrollment rate and volume changes, program additions or eliminations, and other change factors. The model includes the presentation of five prior years’ actual activity to assist in the assessment of future projections and trends. While limited to the Educational and General operating budget, this model has proven helpful to explaining complex financial relationships to nonfinancial audiences.
**Supplement 2. Instructional cost tool**

This report is adapted from Pennsylvania State System of Higher Education (PASSHE) business intelligence reports linking instructional revenues and costs, and is used at the institutional level to evaluate academic programs, departments, and courses that generate revenues in excess of fully burdened costs (i.e., including indirect costs) and those that require subsidies beyond the attributable levels of state appropriation support. Institutions and provosts use this tool to evaluate financial performance of colleges (departments, etc.) and to inform decisions about where to invest or disinvest instructional resources. Through the efforts of the PASSHE IT team, which designed the analyses in consultation with system Chief Academic Officers and Chief Financial Officers, these reports are generated from transaction-level accounting system data.

**Supplement 3. Budget request template samples**

Supplements 3.1-3.4 outline an annual budget process including departmental templates tying budgets to institutional strategic objectives.

**Supplement 4. Productivity Academic Budget Model**

This example from Oregon State University describes their internal process, organizational culture considerations, and conclusions for moving to a productivity-informed academic budget model. CSUF may wish to consider having similar internal discussions among AA constituents as it designs and implements its own multi-year budget plans.

**Supplement 5. Full Operating Fund Presentation**

This summary presentation of actual institutional financial activity for all funds attributes all revenues to the units that generated them, and allocates overhead costs to these same units. There are many variations on the “responsibility-center management” or RCM model used widely by higher education institutions. “Admin & Support” costs supporting the institution overall are allocated by formula to areas that generate revenues. As this sample illustrates, some colleges generate surpluses while others produce deficits. In most RCM models, units generating surpluses are permitted to retain some or all of their surpluses, thus creating incentives for more economically efficient academic operations. We include this supplement to illustrate alternative ways of conceptualizing and presenting financial data within Academic Affairs at CSUF. Currently Education and General financial reports within AA at CSUF focus almost exclusively on expenses and do not include revenues associated with those expenses. This model adds an additional layer – indirect costs – associated with college operations.

**Supplement 6. NACUBO Function Codes, Titles, and Definitions**

Program identifiers used in Integrated Postsecondary Educational Data Systems (IPEDS) reports are based on these accounting definitions maintained by the National Association of College and University Business Officers (NACUBO).