



Politics and Economics of Growth



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How Do We Get Our Funding?



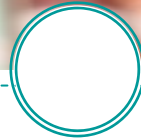
- ***August – November: Campuses and CO review fall enrollments and projections, CO issues FTES targets***
- ***November: CO sends system budget to the Governor***
- ***January: Governor releases budget***
- ***January – February: LAO critiques the proposed budget. This sets the framework for Legislative budget discussion***

How Do We Get Our Funding?



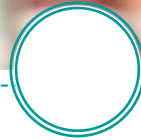
- *March: CO publishes preliminary budget by campus*
- *May: DOF updates state revenue projections, “May Revise”*
- *Summer: Legislature debates and ultimately sends budget to Governor for signature (by June 30)*
- *August: CO publishes final allocations to campuses*

Implications of the State Budget Process



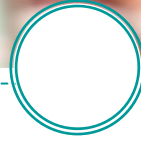
- ***Year-to-year decision-making based on estimated state revenues = a short-sighted focus***
- ***Late-breaking budget cuts come after students are admitted (and maybe even registered)***
- ***CSU and UC (and prisons) are discretionary expenditures of the state***
- ***Discretionary expenditures are determined once all mandatory expenditures are accounted for***

Implications of the State Budget Process



- ***The Compact normalizes the turbulence somewhat (an advantage)***
- ***However, it also smoothes out the peaks (a disadvantage)***
- ***The majority of state dollars are from personal and corporate income tax***
- ***Clearly, then, CSU and UC funding follows the economy of the state***

State and Federal Expectations



- ***We are expected to be responsive to workforce needs***
- ***Circular logic, since our funding fate is tied to a healthy economy and we produce the workforce***
- ***Recent state initiatives / mandates, such as Teacher Education, Nursing***
- ***Federal initiatives (via NSF and NIH) for Science, Technology, Engineering, Mathematics [STEM]***

How Does the Campus FTES Target Get Set?



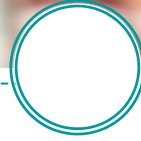
- ***July: Enrollment Planning and Reporting cycle begins with a schedule of actual and projected FTES due from campus to CO, iteratively***
- ***Estimates of current year and 1-year out due throughout the year (for continuous refinement of system-wide proximity to target)***
- ***The process and schedule for multi-year estimates (out 10 years) is under revision (still using April 28, 2005 “Version 16”)***

How Does the Campus FTES Target Get Set?



- ***August – November: Campus and CO review fall enrollments and projections, CO issues FTES target***
- ***CO also considers system-wide target according to the Compact and evaluates possible re-negotiation***
- ***“Campus 2007-08 enrollment targets were established in consultation with campus presidents.” (March budget memo)***

How Does the Campus FTES Target Get Set?



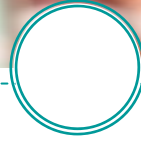
- ***Local projections of current year and next year projections parallel the process and timing of CO***
- ***While CO distribution of target is both a political and a demographic balancing act, local projections are what we really think we will do, given....***
- ***Recent trends in our student body, both new and continuing students, a review of the socio-economic environment of our region, and the DOF projections of both K-12 enrollments and high school graduates.***

How Does the Campus FTES Target Get Set?



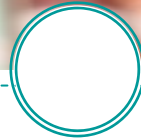
- ***Other factors considered are***
 - ✓ ***Majors/programs mix***
 - ✓ ***Undergraduate/graduate/postbac mix***
 - ✓ ***Degrees awarded***
- ***All in the context of current campus support for***
 - ✓ ***Access for all qualified students***
 - ✓ ***Providing classes for the students we have***
 - ✓ ***Maintaining the shape of the student body***
 - ✓ ***Serving Orange County and our local area***

Impaction: What Does It Mean?



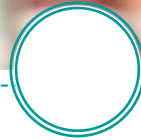
- ***Campuses may develop impaction plans by student level or by major/program if they are receiving too many applications during the initial filing period.***
- ***Our campus has had an impaction plan for freshmen since Fall, 2004.***
- ***It allows us to employ a higher eligibility index cut-off point (compared to the CSU standard) for applicants from schools outside our local area.***

Impaction: What Does It Mean?



- ***Impaction is one method for controlling enrollment at the impacted campus. It also redirects applications to non-impacted campuses who may need more students, so that access is preserved for all qualified students.***
- ***The campus impaction plan is reviewed annually to determine whether to maintain it as is, or change it.***
- ***Both category of student or program impacted and the definition of the local area may be reviewed for possible modifications.***

How Are FTES and \$\$\$ Related?



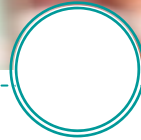
- ***In most years, growth FTES generate the only new dollars.***
- ***Therefore, no growth = no new dollars.***
- ***The campus budget may increase with mandatory expenditure increases, but the use of those funds is restricted.***

How Are FTES and \$\$\$ Related?



- ***Since the mid-1990's, growth FTES are funded at the same marginal cost to all campuses.***
- ***For 2007-08, the marginal cost in General Fund is \$7,837, less \$425 for new space = \$7,412 per FTES***
- ***The 2007-08 marginal cost in Fee Revenue is \$2,236, less \$745 for financial aid = \$1,491 per FTES***

How Are FTES and \$\$\$ Related?



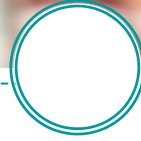
- ***Our 2007-08 resident FTES target includes 1,303 new baseline growth FTES, which produce...***
- ***$\$7,412 \times 1,303 = \$9,658,000$ in new General Fund, and***
- ***$\$1,491 \times 1,303 = \$1,943,000$ in new Fee Revenue***
- ***For a total of $\$11,601,000$ in new dollars for the campus (excludes 2006-07 advance and MSN transfers from 1-time to baseline, and enhanced dollars for the Ed. D. and generic Nursing)***

Marginal Cost of Instruction Breakdown (System-wide Average)



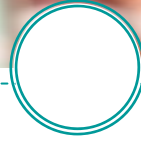
<i>Faculty Salary</i>	\$ 3,415	34%
<i>Faculty Benefits</i>	1,290	13%
<i>Teaching Associates</i>	18	---
<i>Instructional Equipment</i>	119	1%
<i>Instructional Support</i>	818	8%
<i>Academic Support</i>	1,332	13%
<i>Student Services</i>	1,025	10%
<i>Institutional Support</i>	1,103	11%
<i>Operation/Maintenance</i>	953	9%
<i>Total per FTES</i>	\$10,073	100%
<i>Less Fee Revenue per FTES</i>	(2,236)	---
<i>General Fund Support per FTES</i>	\$ 7,837	---

What If We Stopped Growing?



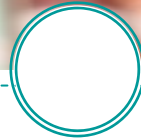
- *Forego \$11.6M in new funding*
- *Unfunded mandates would have to come from the former baseline, which means cuts in other parts of baseline funding.*
- *Also, 2007-08 baseline growth is 1-time growth we have already produced. Thus, we would have to shrink to fit the old baseline (no excess fees to cover additional classes.)*

But We Didn't Stop Growing



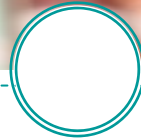
- ***We projected actual growth for 2007-08 of approximately 200-300 FTES (just to maintain shape of student body.)***
- ***The new baseline funding (1,303 FTES) will almost close the gap between baseline and actual FTES.***
- ***Academic Year FTES will be fully funded in the baseline for the first time in several years.***

Baseline Growth FTEF



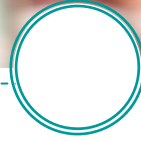
- ***Since the mid-1990's baseline funding for FTEF comes off the top in our campus budget process.***
- ***A strategic initiative on this campus since 1995-96 and continuing is to maintain the SFR at 21.28 for growth FTES.***
- ***The additional baseline FTEF increases our capacity to hire new tenure track faculty beyond simple replacement.***

What About Overshooting Our Target?



- ***The system must make its target every year***
- ***The only “flexibility” as of 2007-08 is - 400 FTES on a system target of 342,553 resident FTES (-0.1%). There is no extra funding for exceeding the system target.***
- ***Large campuses with high demand have a significant interest in helping the system make its target. This ensures that the system target will grow at Compact level so the campus baseline can be increased, later.***

What About Overshooting Our Target?



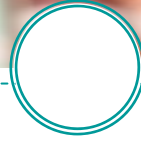
- ***The campus must make its target every year, also.***
- ***Campuses coming in below target are at risk of having their baseline target (and related funding) reduced in the next year.***
- ***Campuses coming in below target may also be at risk of paying back current year dollars, if the system target is in serious jeopardy.***

What About Overshooting Our Target?



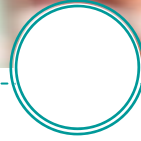
- ***With all of the anxiety about missing target, the error term does not bracket zero --- it is shifted upward.***
- ***Essentially, we overshoot our target as a guarantee that we will not undershoot it. Having high demand helps, too.***
- ***The FTES over the baseline target bring in fee revenue which is used to staff additional classes. Current fee levels are more than sufficient to maintain the SFR at 21.28. These funds are the only funds that are “ultra-discretionary.”***

What About Overshooting Our Target?



- ***Barring unforeseen state-wide budget cuts, FTES achieved over the baseline target are negotiated successfully as new baseline target in a subsequent year.***
- ***This is what has occurred (finally) in 2007-08.***

Why Do Campuses Shrink?



- ***Campuses shrink when they cannot navigate through or recover quickly from a) market swings, or b) state fiscal crises***
- ***Diversification of programs (a Fullerton hallmark) protects campuses from shrinking (those who shrunk in the last 3-4 years were very dependent on teacher education)***
- ***Maintaining the health and shape of the student body regardless of the decline in baseline target protects campuses from 4+ years of re-building the student body/FTES.***

Campus Physical Plan - Defining Capacity and the FTES Ceiling



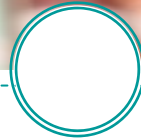
- ***Our new campus Master Development Plan was approved in November, 2003.***
- ***Included in this comprehensive plan (186 pages) is the approved change from 20,000 FTES to 25,000 FTES for the campus enrollment ceiling.***
- ***Given that our 2007-08 College Year Total Baseline Target is 28,121 re-benched FTES....***

How Close Are We to Our FTES Ceiling?



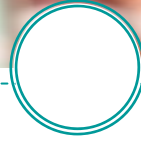
- ***The CY target is comprised of capacity and non-capacity FTES.***
- ***Capacity FTES are accommodated by state-supported Capital Planning and Development initiatives.***
- ***Non-capacity FTES do not take up state-supported capacity space and so are not provided for.***

How Close Are We to Our FTES Ceiling?



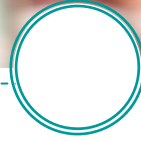
CY 2007-08 Total FTES	28,121
Less Graduate Differential FTES	- 480
Less Official Off-Site Center FTES (Irvine Campus)	-1,240
Less Main - YRO FTES	-1,312
Less Main - Supervision / Non-Classroom AY FTES (estimated at 5.85% of total AY-Main)	-1,568
Less Main - Off-Site Face-to-Face FTES (unofficial sites, estimated at 1.99% of total AY-Main)	-533
Less Main - Off-Site Synch & Asynch FTES (estimated at 0.95% of total AY-Main)	-255
Total Capacity FTES Against 25,000 Ceiling	22,733

Summary



- *Campus enrollment planning and growth are embedded in state and system-wide enrollment and budget policies*
- *As such, campus choices about growth are made within that context.*
- *We have enjoyed lush demographics for most of our 49-year history, with ample demand that generated a steep growth rate over the last 10+ years.*

Summary



- *The latest DOF projections suggest that our growth will slow down.*
- *It is very likely, however, that we will continue to have ample demand to maintain our size.*
- *The exciting challenge we face is optimizing our resources for offering a high quality education as a big university.*

Summary



Campus advocacy at the system level:

- 1) In order to grow YRO, we need a change in the fee policy so that taking a single class is affordable*
- 2) The budget should include fixed costs of official off-site centers (the marginal cost per FTES is not sufficient)*
- 3) The formulas for modes of instruction, faculty office space, and faculty/graduate student research space need to be updated to reflect current practice.*