**Senate Budget Subcommittee Report 2014-2015**

**Members:** Alexis Boutin (At-Large), Kirsten Ely (Vice-Chair, Academic Senate), Melinda Milligan (Chair, EPC), Mark Perri (At-Large; Chair, SBS), Michael Santos (At-Large), Richard Senghas (Chair, Academic Senate)

**SUMMARY**

**The Charge from the Senate for the 2014-2015 Year.**

1. Consult with the Chief Financial Officer to clarify and validate the data presented.
2. Provide an updated report of 2013-2014 financial information.
3. Respond to questions raised in the Senate in response to the SBS 2013-2014 Report.
	* Details of the Public Service and Auxiliary Enterprise expenditures
	* Depreciation & Amortization
	* Explanation of SSU’s net position

**Takeaways**

In the course of diving more deeply into the financial information underlying the comparables, we found preliminary evidence to suggest the following.

1. Comparables serve to highlight areas to look at in more depth. Without detailed results across campuses it is difficult to directly compare some revenue and expenditure categories (e.g. Public Service and Auxiliary Enterprises)
2. A rough division of revenues and expenses into “general campus operations” versus “restricted use operations” indicates
	* The higher instruction/FTES of some of the other universities is likely not sustainable
	* The positive net position experienced by SSU reflects net funds that cannot be used for general campus operations without a change in current rules regarding spending of fees.
3. The higher tuition & fees amounts for SSU are driven by SSU’s significantly higher student fees.
4. Once offsetting increases in revenues and expenses are stripped away and the 2012-2013 “deficit” funded, the $3M increase in state appropriation this year is allocated about 60% to Academic Affairs and 75% to Academic and Student Affairs.
5. Depreciation and Amortization line items on the financial report don't represent money that is spent or spendable.

**Next Steps**

Our work this past year suggests three avenues to pursue.

1. Dive deeper to determine the cost allocation across our current mission-based activities. This will give us an understanding of how funds are currently allocated across the various ways we serve SSU’s mission.
2. Connect these activities and areas to SSU’s mission and priorities to build a decision framework that helps us set priorities for spending.
3. Explore ways to leverage or increase the revenue portfolio.

**Consult with the Chief Financial Officer to clarify and validate the data presented.**

The SBS dove deeper into the financials and the results reported in the 2013-2014 report by both independent analysis and consultation with various financial officers on the meaning of such analysis. The fall semester was spent gaining context and an understanding of the rules behind the information. The spring semester was spent applying that context to the financials in order to address the questions put forward by the Senate.

Financial officers that were consulted include:

|  |  |
| --- | --- |
| Laurence Furukawa-Schlereth | Vice President for Administration and Finance |
| David Crozier | Senior Director for University Financial Services |
| Shawn Kilat | Director of Academic Budget |
| Ian Hannah | University Treasurer |
| Laura Lupei | Senior Director for University Budget |
| Adam Rosenkranz | Associated Students Vice President of Finance |

The committee thanks Administration & Finance for their valued help, availability, and forthcomingness. As well as other information valuable to our understanding, they recommended the use of Dominguez Hills instead of Monterey Bay as our fifth comparable university because its business model is more similar to ours with respect to state support. Therefore, Dominguez Hills has replaced Monterey Bay in the financial report below.

**Updated Financial Report based on 2013-2014 and 2012-2013 financial information**

**(includes responses to specific questions asked by Senate).**

Tables 1, 2, and 3 at the end of the document provide the base financial information discussed in this section. Tables 1 and 2 give the basic revenue and expense information for SSU and its five comparable CSUs for 2013-2014 and 2012-2013 respectively. Table 3 highlights the change from 2012-2013 to 2013-2014 for SSU’s general campus operations.

The work this year was very helpful in moving us towards a meaningful way to look at SSU’s financial information and the way it reflects our mission. The primary finding is that the published audited data is only provided for all CSUs at a high level of aggregation.

The discussion is structured in the context of the takeaways mentioned in the summary.

**Takeaway #1:** Comparables serve to highlight areas to look at in more depth. Without detailed results across campuses it is difficult to directly compare some revenue and expenditure categories (e.g. Public Service and Auxiliary Enterprises).

The result of answering the Senate’s charge to look into what comprises Public Service and Auxiliary Enterprise expenses lead to the following findings:

Public Service Costs

Definition: “The public service agency includes expenses for activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar noninstructional services to particular sectors of the community.”

Our 2013-2014 costs break down as follows (in 000s).

|  |  |
| --- | --- |
| Grants (NASA, etc) | $7,200 |
| Misc Academic (e.g. ASC) | $900 |
| NWIC | $500 |
| Conferences and Events | $1,100 |
| Green Music Center | $5,000 |
|  *Total* | *$14,700* |

These costs reflect unique centers and operations on SSU’s campus and are related to grant and other revenue sources that are brought in to cover them. Comparing them across CSUs could mean we are dedicating too much of our time on “non-instructional” activities or it could mean that we are better able to fulfill our mission through these unique opportunities. We can only assess that by looking at SSU and its mission.

Auxiliary Enterprise Costs

Definition: “An auxiliary enterprise exists to furnish goods or services to students, faculty, or staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed as an essentially self-supporting activity. Examples are residence halls, food services, intercollegiate athletics (only if essentially self-supporting), college stores, faculty clubs, parking and faculty housing. Student health services, when operated as an auxiliary enterprise, also are included.”

Our 2013-2014 costs break down are as follows (in 000s).

|  |  |
| --- | --- |
| Housing | $13,333 |
| Parking | $1,084 |
| SSE (Dining) | $8,427 |
| Misc | $255 |
|  *Total* | *$23,099* |

These costs reflect the residential nature of our campus and are funded through the revenues brought in by their respective units.

Instruction Costs

*Definition:* “The instruction category includes expenses for all activities that are part of an institution's instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction and regular, special, and extension sessions should be included.”

The 2013-2014 values for the instructions metrics reported last year are as follows.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  **Sonoma**  |  **San Marcos**  |  **Stanislaus**  |  **Humboldt**  |  **Bakersfield**  | **Dominguez Hills** |
| Instruction per FTES | $5,946 | $6,865 | $6,878 | $6,518 | $5,324 | $5,924 |
| Instruction per FTEF | $141,588 | $160,376 | $150,214 | $142,953 | $140,862 | $155,159 |
| FTES/FTEF | 23.8 | 23.4 | 21.8 | 21.9 | 26.5 | 26.2 |

The composition of instruction costs and the way they are funded is interesting. We have not tracked down all of the information but the following provides a preliminary picture.

|  |  |
| --- | --- |
| **Revenues** | (in 000s) |
| State & Tuition | $40,245 |
| SEIE tuition/revenues | $5,209 |
| IRA | $687 |
| Grants | $251 |
| Donations | $32 |
|  | ***$46,424*** |
|  |  |
| **Expenses** |  |
| Dept Admin Salaries | $7,754 |
| Faculty Salaries | $35,970 |
| OE | $697 |
| Unique items\* | $2,003 |
|  | ***$46,424*** |

\*Unique items include items such as colloquium & lecture series funded by IRA, music accompanist funded through donations, ENSP Garden, KSUN, SSU TV, STAR, Biology Curitorial Fellowship, SEIE program development...

One interesting and hopeful point to note is that we are already being innovative in the way we fund some of our instructional (or educational) activities. Thus, focusing on ways to improve upon these can increase the resources brought to bear on educating our students.

**Takeaway #2:** A rough division of revenues and expenses into “general campus operations” versus “restricted use operations” indicates two points: the higher instruction/FTES of some universities may not be sustainable and SSU’s relatively larger change in net position does not reflect funds that currently can be used for instructional activities.

By “general campus operations” we mean the typical business that occurs on campus including student affairs, community engagement, knowledge creation and other activities funded by general funding sources.

By “restricted use operations”: we mean the types of activities that are funded by resources that can only be used for those purposes, such as housing and parking as well as gifts and foundation income which must be used according to donor agreements.

*🡪The higher instruction/FTES of some of the other universities is likely not sustainable.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  **Sonoma**  |  **San Marcos**  |  **Stanislaus**  |  **Humboldt**  |  **Bakersfield**  | **Dominguez Hills** |
| Instruction per FTES |
| 2012-2013 | $5,797 | $6,987 | $6,569 | $6,413 | $5,035 | $5,949 |
| 2014-2015 | $5,946 | $6,865 | $6,878 | $6,518 | $5,324 | $5,924 |
| Net General Campus |
| 2012-2013 | ($2,775) | ($17,599) | ($945) | ($10,263) | ($1,452) | ($6,109) |
| 2013-2014 | $340 | ($12,789) | $1,737 | $1,085 | ($7,497) | ($11,340) |

Stanislaus and Humboldt, both isolated communities, are the only two campuses with higher instruction/FTES and positive net general campus revenues. The negative net on other campuses multiple years in a row indicate that they are drawing down reserves or using restricted use funds (it would have to be gifts designated for these purposes) to fund the excess.

*🡪The positive net position experienced by SSU reflects net funds that cannot be used for general campus operations.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  **Sonoma**  |  **San Marcos**  |  **Stanislaus**  |  **Humboldt**  |  **Bakersfield**  | **Dominguez Hills** |
| Net Restricted Use |
| 2012-2013 | $5,677 | $8,655 | ($4,417) | ($2,177) | $7,113 | $4,794 |
| 2013-2014 | $8,149 | $9,367 | $1,173 | ($3,752) | $12,246 | $8,579 |

It was pointed out last year that SSU had a higher positive net change in position than average. However, when split between general campus and restricted use, it is clear this positive net is not available to fund general campus expenditures unless changes are made in the way funds can be used.

**Takeaway #3:** The higher tuition & fee amounts for SSU are driven by SSU’s significantly higher student fees.

SSU’s total Tuition & fees are relatively high. However, when shown per FTES, it is clear that the additional revenue is restricted in its use and not available for general instruction purposes.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  **Sonoma**  |  **San Marcos**  |  **Stanislaus**  |  **Humboldt**  |  **Bakersfield**  | **Dominguez Hills** |
| Tuition & Fees per FTES | $7,159  | $7,889  | $4,876  | $5,054  | $3,261  | $5,430  |

Although some differences occur due to different proportions of graduate to undergraduate students. The substantially higher per FTES cost at Sonoma & San Marcos reflects the student fees required.

The Fee Breakdown is as follows.

|  |  |
| --- | --- |
| **2013-2014** | **2012-2013** |
| **Fee** | **Amount** | **Fee** | **Amount** |
| Health Center | $2.6 M | Health Center | $2.5 M |
| Continuing Ed | $6.9 M | Continuing Ed | $7.4 M |
| IRA | $2.8 M | IRA | $2.7 M |
| Campus Union\* | $4.6 M | Campus Union\* | $2.4 M |
| Orientation | $0.6 M | Orientation | $0.7 M |
| CAPS | $0.9 M | CAPS | $0.9 M |

\*Includes Student Center fee.

**Takeaway #4:** Once offsetting increases in revenues and expenses are stripped away and the 2012-2013 “deficit” funded, the $3MM increase in state appropriation this year is allocated about 60% to Academic Affairs and 75% to Academic and Student Affairs.

On the surface it looks like very little of the increase in revenues went to instruction. But this is deceptive in the sense that the increase in revenues were for specific things. The analysis below provides an estimate allowing us to better understand how the various increases in revenues were allocated.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Change** | **Offset Student Center fee** | **Offset GMC ticket sales & grants** | **Offset “deficit”**  | **Remaining Change** | **Change as % of Revenue Increase** |
|  | *(in 000s)* |  |  |  |  |  |
| **General Campus Revenues** |  |  |  |  |  |  |
| Tuition & fees | $3,088 | $3,088 |  |  | $0 |  |
| State appropriation | $6,041 |  |  | ($2,775) | $3,266 |  |
| Financial aid, net | $2,127 |  |  |  | $2,127 |  |
| Noncapital grants/contracts | ($84) |  | ($84) |  |  |  |
| Other operating revenues | $1,214 |  | $1,214 |  |  |  |
|  ***Total general revenues*** | ***$12,271*** |  |  |  | ***$5,393*** |  |
|  |  |  |  |  |  |  |
| **General Campus Expenses** |  |  |  |  |  |  |
| Instruction | $2,279 |  |  |  | $2,279 | 43.1% |
| Research | $520 |  |  |  | $520 | 9.8% |
| Public service | $1,457 |  | $1,130 |  | $217 | 4.1% |
| Academic support | $340 |  |  |  | $340 | 6.4% |
| Student services | $923 |  |  |  | $923 | 17.5% |
| Institutional support | $265 |  |  |  | $265 | 5.0% |
| Facilities | $2,183 | $3,088 |  |  | $399 | 7.6% |
| Depreciation | $1,304 |  |  |
|  ***Total general expenses*** | ***$9,271*** |  |  |  | ***$5,053*** |  |

Categories that could be attributed to Academic Affairs: **59.4%**

Instruction (43.1%) + Research (9.8%) + Academic support (6.4%)

Categories that could be attributed to Academic & Student Affairs: **76.9%**

Academic Affairs (59.4%) + Student services (17.5%)

**Takeaway #5:** Depreciation and Amortization line items on the financial report don't represent money that is spent or spendable.

Through meetings with the CFO and his team it was explained to the committee that the numbers on the financial report under Depreciation and Amortization are not actual dollar amounts that are actually spent on anything or that are spendable. They are just included for accounting purposes.

**Table 1: 2013-2014 General Campus Revenues, Expenses, and Changes in Net Position (in 000s)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Sonoma** | **San Marcos** | **Stanislaus** | **Humboldt** | **Bakersfield** | **Dominguez Hills** |
| **FTES** | 7,991 | 8,938 | 7,246 | 7,560 | 7,551 | 10,378 |
| **FTEF** | 336 | 383 | 332 | 345 | 285 | 396 |
|  |  |  |  |  |  |  |
| **General Campus Revenues** |  |  |  |  |  |  |
| Tuition & fees | $57,208 | $70,510 | $35,330 | $38,207 | $24,626 | $56,353 |
| State appropriation | $51,944 | $57,660 | $51,643 | $64,168 | $52,390 | $64,214 |
| Financial aid, net | $7,437 | $5,937 | $13,367 | $20,159 | $15,102 | $6,553 |
| Noncapital grants/contracts | $9,221 | $7,443 | $7,529 | $16,475 | $11,538 | $14,227 |
| Other operating revenues | $8,925 | $5,332 | $4,302 | $8,593 | $4,700 | $3,557 |
|  ***Total general revenues*** | ***$134,735*** | ***$146,882*** | ***$112,171*** | ***$147,602*** | ***$108,356*** | ***$144,904*** |
|  |  |  |  |  |  |  |
| **General Campus Expenses** |  |  |  |  |  |  |
| Instruction | $47,517 | $61,360 | $49,481 | $49,276 | $40,202 | $61,474 |
| Research | $1,685 | $4,388 | $826 | $7,470 | $1,041 | $4,626 |
| Public service | $14,729 | $586 | $947 | $9,069 | $1,640 | $74 |
| Academic support | $14,307 | $22,994 | $12,830 | $17,539 | $18,177 | $21,195 |
| Student services | $19,143 | $20,107 | $15,829 | $19,834 | $22,471 | $19,918 |
| Institutional support | $14,645 | $25,955 | $12,683 | $18,715 | $17,392 | $21,916 |
| Facilities | $13,694 | $16,129 | $12,678 | $17,613 | $10,302 | $21,700 |
| Depreciation | $8,675 | $8,152 | $4,800 | $7,001 | $4,628 | $5,341 |
|  ***Total general expenses*** | ***$134,395*** | ***$159,671*** | ***$110,434*** | ***$146,517*** | ***$115,853*** | ***$156,244*** |
|  |  |  |  |  |  |  |
| **NET General Campus** | **$340** | **($12,789)** | **$1,737** | **$1,085** | **($7497)** | **($11,340)** |
|  |  |  |  |  |  |  |
| **2012-2013 comparison** |  |  |  |  |  |  |
| *General Campus Revenues* | *$122,349* | *$126,787* | *$105,585* | *$129,735* | *$107,356* | *$132,436* |
| *General Campus Expenses* | *$125,124* | *$144,386* | *$106,530* | *$139,998* | *$108,809* | *$138,545* |
|  |  |  |  |  |  |  |
| **2012-2013 NET** | **($2,775)** | **($17,599)** | **($945)** | **($10,263)** | **($1,453)** | **($6,109)** |

**Table 2: 2013-2014 Restricted Use Revenues, Expenses, and Changes in Net Position (in 000s)**

*(Self Support such as Housing, Parking… and Foundation Gifts & Earnings)*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Sonoma** | **San Marcos** | **Stanislaus** | **Humboldt** | **Bakersfield** | **Dominguez Hills** |
|  |  |  |  |  |  |  |
| **Restricted Use Revenues** |  |  |  |  |  |  |
| Sales and services | $32,265 | $17,792 | $6,236 | $20,203 | $6,527 | $12,304 |
| Non-capital gifts | $5,775 | $4,389 | $1,028 | $4,038 | $6,374 | $1,018 |
| Investment income | $1,398 | $1,891 | $2,339 | $632 | $1,565 | $2,948 |
| Endowment income | $4,384 | $2,958 | - | $3,080 | $3,138 | $18 |
| Other non-operating  | $1,567 | $1,338 | $2,336 | $1,269 | $2,594 | $2,548 |
|  ***Total restricted revenues*** | ***$45,389*** | ***$28,368*** | ***$11,939*** | ***$29,222*** | ***$20,198*** | ***$18,836*** |
|  |  |  |  |  |  |  |
| **Restricted Use Expenses** |  |  |  |  |  |  |
| Auxiliary enterprise exp.s | $23,099 | $8,415 | $5,626 | $25,176 | $3,706 | $5,412 |
| Interest expense | $8,357 | $5,151 | $1,940 | $3,130 | $1,161 | $1,285 |
| Depreciation | $5,784 | $5,435 | $3,200 | $4,668 | $3,085 | $3,560 |
|  ***Total restricted expenses*** | ***$37,240*** | ***$19,001*** | ***$10,766*** | ***$32,974*** | ***$7,952*** | ***$10,257*** |
|  |  |  |  |  |  |  |
| **NET Restricted Use** | **$8,149** | **$9,367** | **$1,173** | **($3,752)** | **$12,246** | **$8,579** |
|  |  |  |  |  |  |  |
| **2012-2013 comparison** |  |  |  |  |  |  |
| *Restricted Use Revenues* | *$39,274* | *$26,900* | *$11,468* | *$34,447* | *$15,212* | *$18,527* |
| *Restricted Use Expenses* | *$33,597* | *$18,245* | *$15,885* | *$32,270* | *$8,099* | *$13,733* |
|  |  |  |  |  |  |  |
| **2012-2013 NET** | **$5,677** | **$8,655** | **($4,417)** | **$2,177** | **$7,113** | **$4,794** |

**Table 3: Comparison of SSU’s General Campus revenues and expense across years (in 000s)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2013-2014** | **2012-2013** |  | **2013-2014** | **2012-2013** |
|  | *as a percent of category total* | *(in 000s)* |
| **General Campus Revenues** |  |  |  |  |
| Tuition & fees | 42.5% | 44.2% | $57,208 | $54,120 |
| State appropriation | 38.6% | 37.5% | $51,944 | $45,903 |
| Financial aid, net | 5.5% | 4.4% | $7,437 | $5,310 |
| Noncapital grants/contracts | 6.8% | 7.6% | $9,221 | $9,305 |
| Other operating revenues | 6.6% | 6.3% | $8,925 | $7,711 |
|  ***Total general revenues*** | ***100%*** | ***100%*** | ***$134,735*** | ***$122,349*** |
|  |  |  |  |  |
| **General Campus Expenses** |  |  |  |  |
| Instruction | 35.4% | 36.1% | $47,517 | $45,238 |
| Research | 1.2% | 0.9% | $1,685 | $1,165 |
| Public service | 11.% | 10.6% | $14,729 | $13,272 |
| Academic support | 10.6% | 11.2% | $14,307 | $13,967 |
| Student services | 14.2% | 14.6% | $19,143 | $18,220 |
| Institutional support | 10.9% | 11.5% | $14,645 | $14,380 |
| Facilities | 10.2% | 9.2% | $13,694 | $11,511 |
| Depreciation | 6.5% | 5.9% | $8,675 | $7,371 |
|  ***Total general expenses*** | ***100%*** | ***100%*** | ***$134,395*** | ***$125,124*** |
|  |  |  |  |  |
| **NET General Campus** |  |  | **$340** | **($2,775)** |