New Campus Budget Model

Moving to an All Funds Model

May 25, 2016
Presented By:

Nancy Warter-Perez
Chair of the Academic Senate

Peter McAllister
Dean, College of Arts and Letters

Lisa Chavez
Vice President for Administration and CFO
Alignment with Strategic Priorities
Enhance Transparency
Increase Accountability
Foster Innovative Activities
Current Budget Model
Incremental Plus

- Fully-funded Base Operations
- Mandatory Cost
- Campus Priorities
- Division Allocation as Percentage of Base Budget
# University Funds

<table>
<thead>
<tr>
<th>Campus Operating Fund</th>
<th>Miscellaneous Operating Fund</th>
<th>Dormitory Revenue Fund</th>
<th>Parking Revenue Fund</th>
<th>Special Trust Fund</th>
<th>IRA and Lottery Funds</th>
<th>Auxiliary Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund Appropriation</td>
<td>Restricted Student Fee Revenue, i.e. Student Success Fee, Athletics Fee</td>
<td>Self-Support Program, i.e. Housing Fee</td>
<td>Self-Support Program, i.e. Parking Fines and Parking Fees</td>
<td>Funds Held In Trust For Specific Purposes, i.e. Cost Recovery</td>
<td>Restricted Fee Revenue</td>
<td>Auxiliary Organizations, i.e. Foundation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Student Tuition Fee Revenue</th>
</tr>
</thead>
</table>
USES OF FUNDS

- 16% Student Grants and Scholarships
  - Federal
  - State
  - Campus Scholarships

- 47% Instruction and Academic Support

- 18% Student Services and Support

- 19% Other Program Expenses
  - Research and Public Service
  - Plant Operations and Maintenance
  - Auxiliary Enterprise Expenses
  - Depreciation, Amortization, and Interest Expenses
Budget Model Redesign

Presidential Vision and University Initiative

Planning, Research, and Evaluation

Developed New Cal State LA Budget

Campus Engagement and Communication
Three-Year Implementation Timeline
Conception to Implementation

www.calstatela.edu/admfin/resource-allocation-model-review

**Start**
Sept. 2013
Presidential/Campus Initiative
- Budget Model Redesign

**Dec. 2013**
Planning, Research, and Evaluation of Requirements for Budget Model/White Paper

**Jan. 2014**
Formed Budget Allocation Task Force

Assessment of Base Expenditure Need
- Develop the ZBB Template
- Training Sessions on ZBB
- Analysis of ZBB Submissions

Jul. 2014
ZBB Meetings with University Divisions VP, College Deans, and Fiscal Managers

Nov. 2014
Budget Allocation Task Force Convened

Jan. 2015
Budget Allocation Task Force Reconvened

Design Framework of New Budget Model
- Development of Key Performance Data Analytics
- Update Campus Administrative Procedures

Oct. – Nov. 2015
Communication of New Budget Model
- University-wide Budget Townhall

Aug. 2015
Vetting and Feedback from Campus Constituents
- University-wide Email Communication

**Finishing**
Post Implementation Review

**Finish**
Fall 2016 Implementation

Three-Year Implementation Timeline
Conception to Implementation

Planning 11 Months
Development 16 Months
Implementation 9 Months

Total Model Transition: 36 Months

Design Framework of New Budget Model

Oct. – Nov. 2015
Communication of New Budget Model
- University-wide Budget Townhall

Aug. 2015
Vetting and Feedback from Campus Constituents
- University-wide Email Communication

Jan. 2015
Budget Allocation Task Force Reconvened

Jul. 2014
ZBB Meetings with University Divisions VP, College Deans, and Fiscal Managers

Nov. 2014
Budget Allocation Task Force Convened

Jan. 2015
Budget Allocation Task Force Reconvened

www.calstatela.edu/admfin/resource-allocation-model-review

Aug. 2015
Vetting and Feedback from Campus Constituents
- University-wide Email Communication

Oct. – Nov. 2015
Communication of New Budget Model
- University-wide Budget Townhall

Design Framework of New Budget Model
- Development of Key Performance Data Analytics
- Update Campus Administrative Procedures

Start
Sept. 2013
Presidential/Campus Initiative
- Budget Model Redesign

**Planning**
11 Months

**Development**
16 Months

**Implementation**
9 Months

Total Model Transition: 36 Months
Budget Allocation Model Taskforce

Appointed by and advisory to the President on budget policy, planning, and resource allocation matters.

- Provost and VP Academic Affairs
- VP Administration and Chief Financial Officer
- VP Information Technology Services and CTO
- VP University Advancement
- Senior AVP Enrollment Management
- Chair of the Academic Senate
- Chair Fiscal Policy Committee
- College Dean
- Faculty Member
- President of the Associated Students, Inc.
- Non-Academic Administrator
- Senior Administrator for Finance (without vote)
- Staff Member
- Director Strategic Planning & Quality Improvement (without vote)
- Associate Director of Budget Administration (without vote)
Self-Assessment of Current Budget Model

White Paper

New Budgeting Allocation Model Development

California State University, Los Angeles
University Resource Allocation – Process for Change

CURRENT ALLOCATION MODEL – OVERVIEW

The University Resource Allocation, as defined by Administrative Procedure 212, establishes the policy and procedures for allocating the fiscal resources of the University. Campus budget allocations are based upon predefined Chancellor’s Office allocations (formula-based) and the campus strategic initiatives (non-formula). Around January of each year, the President provides the preliminary budget guidelines that outline the campus priorities for the following year. The preliminary budget guidelines initiate the university’s Resource Allocation Plan and these are provided to campus stakeholders for input, consultation, discussion and information.

Following the Governor’s January Budget, the Chancellor’s Office provides preliminary funding allocation information for the next fiscal year. Administration identifies the funding changes and prepares a resource allocation handout for the Resource Allocation Advisory Committee (RAAC). The RAAC’s role is to advise the President on budget policy, planning, and resource allocation matters. As outlined in Administrative Procedure 212 Section 5.10, RAAC members include faculty, administration and student representatives.

The Chancellor’s Office issued the final 2013-14 budget allocations on July 24, 2013. The University’s 2013-14 General Fund base budget is $221,830,675 consisting of General Fund Appropriation, Tuition Fee Revenue, Non Resident Tuition Revenue, and Other Fee Revenue and Reimbursements.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Appropriation</td>
<td>$103,644,039</td>
</tr>
<tr>
<td>Tuition Fee Revenue</td>
<td>$112,223,870</td>
</tr>
<tr>
<td>Non-Resident Tuition Revenue</td>
<td>$4,821,000</td>
</tr>
<tr>
<td>Other Fee Revenue &amp; Reimbursements</td>
<td>1,490,795</td>
</tr>
<tr>
<td><strong>Total Estimated Gross Budget</strong></td>
<td><strong>$221,830,675</strong></td>
</tr>
</tbody>
</table>

The University has operated under a traditional incremental (or decennial) budget model in which, generally speaking, annual increases (or decreases) are adjusted by a uniform percentage. The University provides annual base funding to the Executive areas in support of their ongoing operations. The 2013-14 budget allocations were as follows: Academic Affairs 65.59%, Student Affairs 7.50%, Administration and Finance 13.37%, Information Technology Services 7.50%, Office of the President 3.50%, and Institutional Advancement 1.57%. Benefits pool, compensation pool and University-wide programs are centrally managed. Included in the Executive allocations are restricted funds dedicated for specific programs or purposes (i.e., Financial Aid programs, utilities, University Reserve, etc.). The restricted funds cannot be used towards operational needs or to fund division deficits.

<table>
<thead>
<tr>
<th>Category</th>
<th>RMP Base Budget</th>
<th>RMP Restricted Budget</th>
<th>RMP Adv. Base Budget</th>
<th>RMP % Base Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>President’s Area</td>
<td>8,763,895</td>
<td>(8,521,114)</td>
<td>3,099,745</td>
<td>3.50%</td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>73,916,904</td>
<td>(228,500)</td>
<td>72,546,684</td>
<td>65.00%</td>
</tr>
<tr>
<td>Information Tech. Services</td>
<td>8,741,815</td>
<td>0</td>
<td>8,741,815</td>
<td>7.90%</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>53,547,062</td>
<td>(45,172,869)</td>
<td>8,367,280</td>
<td>7.50%</td>
</tr>
</tbody>
</table>
# Budget Guiding Principles

<table>
<thead>
<tr>
<th>Letter</th>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Accountability</td>
<td>• VPs and Deans will be accountable for performance and accountable to the general public.</td>
</tr>
<tr>
<td>T.</td>
<td>Transparent</td>
<td>• Inclusive. Simple to understand. Easily communicated.</td>
</tr>
<tr>
<td>E.</td>
<td>Equitable</td>
<td>• Equitable allocations consistent with University strategic initiatives.</td>
</tr>
<tr>
<td>A.</td>
<td>Adaptability</td>
<td>• Adaptable to changing needs. Divisions and colleges have flexibility to best manage their budgets.</td>
</tr>
<tr>
<td>M.</td>
<td>Mission Sensitive</td>
<td>• Mission sensitive and incorporates campus strategic initiatives into the planning.</td>
</tr>
</tbody>
</table>
HIGHER EDUCATION BUDGET MODELS

- Incremental
- Responsibility Center Management (RCM)
- Activity-Based Budgeting (ABB)
- Centralized
- Hybrid
- Performance-Based Budgeting (PBB)
- Zero Based Budget (ZBB)
Cal State University Campuses
Budget Model Survey Results

Total: 23 Campuses

- Incremental: 20 Campuses
- Hybrid Budget Models: 2 Campuses
- Other: 1 Campus
## Blended Model Elements

<table>
<thead>
<tr>
<th>Model</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental Budgeting</td>
<td>• Provides Stability&lt;br&gt;• Provides Predictability</td>
</tr>
<tr>
<td>Zero Based Budgeting</td>
<td>• Resets Base Funding Annually</td>
</tr>
<tr>
<td>Activity-Based Budgeting</td>
<td>• Allocates funding to activities with the highest return for the institution.</td>
</tr>
<tr>
<td>Responsibility Center Management (RCM)</td>
<td>• Revenue centers control revenues they generate and are responsible for financing both direct and indirect costs.</td>
</tr>
<tr>
<td>Centralized Budgeting</td>
<td>• Budgets are centrally developed and allocated to divisions.</td>
</tr>
<tr>
<td>Performance-Based Budgeting (PBB)</td>
<td>• Resources are allocated based on a program’s success in achieving specific established targets.</td>
</tr>
</tbody>
</table>

## Budget Guiding Principles
### Budget Model Matrix

<table>
<thead>
<tr>
<th>Transparent and Easy to Understand</th>
<th>Incremental Budget</th>
<th>Zero-Based Budget</th>
<th>Activity-Based Budget</th>
<th>Responsibility Center Management</th>
<th>Centralized Budget</th>
<th>Performance-Based Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equitable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University-Wide Standards with Divisional Flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accountability and Autonomy with Distinction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission Sensitive - Represents Collective Interest of University</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Moving To All Funds Model

- Essential Operations
- Strategic Priorities
- Performance Assessment

- Student Success
- Academic Excellence
- Welcoming Campus
- Engagement, Service, and the Public Good
**Draft Strategic Priorities**

[www.calstatela.edu/strategicplan/draft-strategic-plan](http://www.calstatela.edu/strategicplan/draft-strategic-plan)

**Student Success**
Create a positive, holistic student experience with a clear and timely path to a high quality degree.

**Academic Excellence**
Provide high quality academic programs and investment in faculty who are exceptionally/uniquely committed to educating our diverse student body.

**Welcoming Campus**
Nurture a welcoming campus where students, faculty, and staff thrive and community is honored and cultivated.

**Engagement, Service, and the Public Good**
Graduate civic-minded students equipped for and committed to engagement, service, and the public good.
Guidelines for Linking Performance Measuring

- Performance indicators should support the University’s mission and strategic plan.
- Students, faculty, and staff need to be involved in development of the indicators to have lasting success.
- Performance results must be communicated timely and clearly to campus community and the public.
- What cannot be measured cannot be controlled, and what cannot be controlled cannot be managed.
- The number of performance indicators should be kept to a minimum <10.
## Resource Allocation Plan
### All Funds Budget Summary

**California State University, Los Angeles**

**All Funds Budget Summary**

<table>
<thead>
<tr>
<th>Fiscal Year:</th>
<th>Division:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Allocations and Revenue</th>
<th>General Fund</th>
<th>Lottery</th>
<th>Self-Support</th>
<th>IRA</th>
<th>SSF</th>
<th>Trust</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Budget Allocation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td>Total Base Budget Allocation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ -</td>
</tr>
<tr>
<td>One-Time Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td>Total One-Time Adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ -</td>
</tr>
<tr>
<td>Other Allocations and Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
</tbody>
</table>
Annual Planning Report

- Strategic goals
- Objectives
- Action plans
- Proposed assessment methods.
Annual Budget Request Form

Budget Request for Essential Operations and Mission Critical funding.
Accountability Report

Evidence-based assessment of the goals and objectives outlined in the planning report.
Budget Redesign Webpage
www.calstatela.edu/admfin/resource-allocation-model-review

Campus Engagement and Communication

To ensure a successful implementation of the new budget model, the University will engage in campus-wide communications to ensure awareness and understanding of the new budget process and to allow for campus feedback.

We welcome your feedbacks and comments in regard to the University's budget model redesign initiative. If you have questions, comments, or feedbacks, please let us know. We will prepare a FAQ in the most commonly asked questions which will be posted here.

Questions/Comments/Feedbacks

Frequently Asked Questions

BudgetAdmin@calstatela.edu
Discussions and Questions

Email questions, comments and feedback to: BudgetAdmin@calstatela.edu
Thank you