

To: Faculty Senate

From: Budget Committee

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RE: Annual Report

Committee Charge and Roles

The Budget Committee has a multipart charge:

- 1) Consult with the President and his or her designee(s) and make recommendations for the preparation of the annual and biennial budgets.
- 2) Consult with academic leaders of colleges/schools, Intensive English Language Program, and University Studies, and make recommendations for the preparations of their annual budgets and enrollment plans. Each Budget Committee member from one of the above listed units shall serve as liaison to his/her unit for this purpose, with other members assigned as liaisons as needed.
- 3) Recommend budgetary priorities.
- 4) Analyze budgetary implications of new academic programs or program changes through the review of a business plan that anticipates and provides for the long-term financial viability of the program, and report this to the Senate.
- 5) Analyze budgetary implications of the establishment, abolition, or major alteration of the structure or educational function of departments, schools, colleges, or other significant academic entities through the review of a business plan that anticipates and provides for the long-term financial viability of the unit, and report this to the Senate.
- 6) Consult regarding changes from budgets as prepared.
- 7) Review expenditures of public and grant funding as requested by the Faculty Senate.
- 8) Recommend to the President and to the Senate policies to be followed in implementing any declaration of financial exigency.
- 9) Report to the Senate at least once each year.

University Budget

The committee received updates on the university budget by Kevin Reynolds and Andria Johnson. The first presentation in October included a recap from FY20 and an update on FY21, which mirrored their presentation made to the PSU Board of Trustees Finance and Administration Board recommending limited use of reserve spending. The second presentation in April included updates on the use of CARES Act stimulus funds. The committee has also met with Kevin Neely regarding updates to funding from the state, including modifications to the allocation formula used by the Higher Education Coordinating Commission. Funding from the

state appears to be steady for the next biennium, and some headway has been made regarding the allocation for degree completion for transfer students. The committee has also received regular updates from David Burgess and Kathi Ketcheson regarding enrollment projections. These include year over year comparisons on current enrollments as well as applications. Declines in Fall 2020 enrollments were in-line with previous projections, but the declines in undergraduate applications for Fall 2022 suggest a steeper decline in undergraduate enrollment than projected.

As part of the tuition setting process, the university established the Tuition Review Advisory Committee (TRAC). The main charge of this committee is to provide recommendations to the President about tuition policy. The committee aims to involve students in the tuition setting process and a number of ASPSU representatives are involved in the committee. Budget Committee co-chairs have been invited to serve on this committee and the committee prepared a report on our perspective on tuition recommendations.

FY22 OAA Budget Process

The Office of Academic Affairs follows a budget process called Integrated Planning of Enrollment and Budget (IPEB). This budget process has the revenue generating units develop enrollment plans. Enrollment plans detail the student enrollment outlook. These are accompanied by enrollment narratives that explain the impact on students via persistence, recruitment, degree completion, and program management strategies.

Due to the projected declines in undergraduate enrollment, OAA asked its units to prepare Reduction Scenario documents. In these documents, units have documented their anticipated increases in costs for providing their FY21 service level and their plans for reducing their budget to meet an overall target reduction of approximately 1.5% from the FY21 budget for the OAA division. These scenarios are based on possible outcomes of Budget Models prepared by David Maddox, stemming from the 2019-2020 budget model working group. The Budget committee met three times with then Associate Vice Provost David Maddox in December, January, and March to provide feedback on the proposed Budget Model.

Budget Committee co-chairs were invited and attended the launching of the IPEB process in November. The Budget Committee liaisons met with Deans and Directors in the end of Fall term or beginning of Winter term to have a preliminary conversation about their plans before units start working on the enrollment plans for FY22. These documents were submitted at the end of January and reviewed by the committee during the Winter and Spring terms. The committee met during the Winter and Spring terms to discuss cross-cutting themes. Our findings were reported to the Faculty Senate in May and summarized here as follows:

1. All units are facing what are effectively budget cuts for the upcoming academic year (2021-2022), which corresponds to Fiscal Year 2022 (FY22). The average budget reduction across units within OAA is 1.5%. All units' FY22 budgets are less than the projected current service level (CSL) for FY22, which includes inflation and salary increases.

2. Options for units include: (a) reducing costs, (b) increasing revenue, and (c) spending reserves.
 - a. Ways that units are considering reducing costs in the coming year include:
 - i. Holding faculty, staff, and administrative lines vacant. This approach has been used most prominently by CLAS, but its efficacy is diminishing as there have been fewer retirements than anticipated.
 - ii. Structural reorganization within units (merging operations, changing admin/staff mix). This approach is most notable with the OIA/IELP merger. A constraint in the use of this strategy is that units already report thin staffing in comparison to national peers.
 - iii. Reducing course offerings and program requirements. Several units (e.g., COTA, CUPA, CLAS) have reduced credit requirements for some programs. Constraints in the use of this strategy include maintaining program quality, avoiding extending time to graduation, and accreditation requirements.
 - iv. Reduce course duplications across programs and departments (e.g., quantitative methods; qualitative methods; introductory courses and advanced courses). This would likely require a task force / working group to review curricular university-wide.
 - v. Units with reserve funds available that are not committed to recurring budget items are being asked to use those funds to fill their budgets less the 1.5% reduction from the 2020 budget. The university's goal is to have about half of the reserve spending for next year to come from general reserves and the other half to come from management reserves within units in OAA.
 - b. Ways that units are planning to increase or maintain revenue in the coming year include developing new programs to attract students, increasing recruiting efforts, and improving retention. These require investment in marketing, advising, and faculty. Of note, several units (e.g., CLAS, CUPA, and MCECS) are investing in targeted community college marketing and recruitment, for which there is increasing competition for transfer students.
 - c. Opportunities for spending from reserves to offset budget reductions are extremely limited; in some units (e.g., CLAS) there are no reserves, and in other units, reserve spending is used to pursue DEI goals (e.g., scholarships, mentoring programs, writing centers, and testing centers) which should not be reduced. The Library in particular is under severe budgetary strain to support both remote and in-person services in FY22.
3. Options for units to meet budgets through reduced spending are limited, as the severity of previous years' cuts have already had negative effects on units' abilities to deliver quality education experiences to students.

4. There is substantial uncertainty regarding enrollment within units for FY22, as well as how HEERF (Higher Education Emergency Relief) federal stimulus may impact reserve spending. It is important to keep in mind that stimulus funds are one-time funds, and cannot be used for recurring expenses.

Proposal Reviews

The committee has completed reviews of 7 proposals for new academic programs, 28 proposals for academic program changes, and 6 proposals for academic program eliminations. These proposals were reviewed by two-person or three-person review panels which report their recommendations (no significant impact/modest impact/significant impact) to the committee via an online google document. This system enables other committee members to review and comment on proposals not assigned to them. Major proposals such as those for completely new programs are discussed in committee meetings. We have been using google docs to facilitate communicating these recommendations to Andreen Morris, the Curriculum Coordinator, who posts the final recommendation in the curriculum proposal system. The committee also completed reviews of two proposals to modify requirements for University Studies and to introduce an Ethnic Studies requirement.

Potential Upcoming Agenda Items

- The Faculty Senate approved the Ad Hoc Academic Program Reductions and Curricular Adjustments Committee (APRCA) in October 2020 to ensure meaningful faculty participation in all matters related to potential curricular adjustments and program reductions arising from budget reductions. The Committee was tasked with recommending principles and priorities based on PSU's values and missions, with planning and implementing transparent communications, and with soliciting faculty input and feedback. Budget Committee co-chair Cruzan has served as a member of this committee and reported updates from their developments.
- In the Spring term, David Burgess and Kathi Ketcheson prepared a detailed report on OIRP's enrollment forecasting model for the university. Discussions of this model may be worth revisiting in the Fall 2021, to discuss the uncertainty stemming from the pandemic and the model's utility for longer-term forecasting.
- In partnership with the Educational Policy Committee, members of the Budget Committee met with Office of Academic Innovation Director Michelle Giovannozzi in the Winter regarding the use of online fees and the impact of remote course offerings on online course enrollments. The upshot is that aggregate online enrollments have not thus far been affected by remote offerings. We anticipate additional discussions in Fall with a joint sub-committee on Online Fees between EPC and Budget regarding potential modifications to the online fee structure that may take effect in FY 23.

- The President of the PSU Foundation would like to engage in discussion with the Budget Committee in October 2021, with the goals of communicating the Foundation’s funding and philanthropic activities to faculty.
- Regarding the first charge of our committee, “Consult with the President and his or her designee(s) and make recommendations for the preparation of the annual and biennial budget,” the committee may want to discuss more details regarding the university budget outside of OAA. We would recommend that the committee consider the following actions: 1. invite the president to a meeting with the committee with the purpose of having an open conversation. 2. Request that FADM share more detailed budgets (including those for units outside of OAA). 3. Request that FADM’s meetings with the committee also include more open discussion and focus less on previewing presentations meant for faculty senate.
- The committee should seek continuing information about how CARES and related funding has been used. The committee should particularly pay attention to decisions about any unspent funds.