Budget Committee Annual Report 2014
11 June 2014

Members: Ron Babcock (MUS), Steven Balogh (student), Mirela Blekic (UNST), Michael Bowman (LIB) (chair), Mitchell Cruzan (BIO), Michele Gamburd (ANTH), Jonathen Gates (student), Rob Gould (CR) (ex officio, EPC Chair), David Hansen (SBA), Courtney Hanson (OGS), James Hook (MCECS), Cheryl Livneh (CEED), Robert Mercer (CLAS), Michael Murphy (BIO) (resigned January 2014), Eva Nuñez (WLL), Jill Rissi (PA), Michael Taylor (SSW), Martha Works (SOC) (resigned April 2014)

Consultants: Sona Andrews (OAA), David Burgess (OIRP), Alan Finn (BUD), Kathi Ketcheson (OIRP), Kevin Reynolds (OAA), Monica Rimai (FADM)

This was a very busy year for the Budget Committee, between the implementation of a new budget model, budget cuts, and program and unit reviews. The Committee met nearly every week this year, yet almost all program and unit reviews occurred outside of meetings.

PBB & RCAT
The Academic Affairs FY2015 process utilized both a form of performance-based budgeting (PBB) and the Revenue and Cost Attribution Tool (RCAT).

In brief, the University's performance-based budgeting is focused on the revenue generating units, the schools and colleges, and University Studies. They were each given a budget for the year and a revenue requirement, the amount of revenue (primarily tuition) they need to generate in the year. The revenue supporting units (Office of International Affairs, the Library, and OAA) received budgets, as they don't generate much revenue. Any revenue generated by the revenue supporting units is used to replace money in their budgets from the revenue generators. A good explanation of this process is in the video presented by the Provost at the Budget Town Hall in May.

RCAT is a model to attribute the costs of revenue supporters (FADM, the President's Office, the Library, etc.) to the revenue generators (the colleges and schools). Doing so results in RCAT ratios, the estimated cost for each unit to generate $1 of revenue. The purpose of this model is to try to determine the costs of each unit and enable more informed decision-making.

Liaising with the Deans
In the new budget environment, more decisions will be made at the decanal level. This makes it more difficult for the Committee to be aware of what is happening across campus as fewer decisions are made at the vice-presidential level (the level where the Committee normally engages). In the interests of gathering more information and to enable members to possibly influence budget proposals (both cuts and revenue enhancements) as they are being formed, the Committee experimented with members serving as liaisons to their Deans.

This idea arose in a meeting during the Summer between the Provost and the Chair and was based on the practice at Boise State University. The Provost encouraged the Deans to meet with the Budget Committee representative(s) and this happened in every college and school over the course of the year.

As a result of Steering Committee and Educational Policy Committee discussions, it was decided to try to include EPC members in these questions, as well, and try to broaden the focus beyond the budget. This did not occur in every college and school.
There was a lot of variation among units as to the level of engagement between the Dean and the Committee member. This is an area that we will work to improve next year. It is important that this responsibility be made clearer to everyone so that more progress can be made on engagement between the Deans and University faculty governance and we can build mutually beneficial relationships.

**FY2015 Budget Process**

A new budget process was used to develop the FY 2015 budget. At the University level, the preliminary budget cut figure (determined Spring 2013 and based on conservative estimates) was $15 million. Replacing the estimates with actual values and University-wide cuts reduced this amount. The non-academic divisions then took as much of a cut as they felt they could manage, leaving the remaining $5.4 million for Academic Affairs. A town hall was held on May 27 to share information about the FY 2015 with the University community.

In this new model more of the decision-making is pushed down to the Deans. There was not much evidence of that in this year's budget process, however. The colleges and schools developed enrollment management plans and proposed budget cuts, but they were subject to approval by OAA on a line-by-line basis. The process ended up being not much different from the old process of sending in proposed budget cuts and having the University Budget Team choose among them, except for the emphasis on revenue enhancement. Some responsibility has been moved down to the Deans, but not much more authority.

**New Budget Process in Academic Affairs**

The Academic Affairs process was also different than in prior years.

- This year there was a focus not just on cutting the budget, but also on generating additional revenue
- $250,000 was set aside for unanticipated enrollment, and $400,000 was set aside for startup of the proposed School of Public Health
- The colleges and schools were all given the same target to meet in their proposed revenue enhancements + budget cuts. Initially the target was 8%, but it was lowered to 6%
- The revenue enhancements were presented in enrollment management plans. They were submitted to OAA, which then accepted some, but not all, elements of each college/school’s plan
- OAA went through all of the college and school (and OIA, the Library and OAA itself) proposals and selected enhancements and cuts that equaled the amount of money Academic Affairs needed to cut

**The resulting budgets and revenue requirements** (not including the AAUP contracted salary increases) are:

<table>
<thead>
<tr>
<th>Unit</th>
<th>Budget Change</th>
<th>Revenue Enhancement</th>
<th>FY2015 Revenue Requirement</th>
<th>FY2015 Net Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Studies</td>
<td>$–97,742 (–1.3%)</td>
<td>$150,000</td>
<td>$13,043,917</td>
<td>$7,257,224</td>
</tr>
<tr>
<td>Honors College</td>
<td>$79,026 (+10.0%)</td>
<td>$200,000</td>
<td>$1,431,359</td>
<td>$872,728</td>
</tr>
<tr>
<td>College of Liberal Arts &amp; Sciences</td>
<td>$–1,319,821 (–2.1%)</td>
<td>$289,653</td>
<td>$105,658,147</td>
<td>$61,133,932</td>
</tr>
<tr>
<td>School of Social Work</td>
<td>$–308,496 (–4.5%)</td>
<td>$329,369</td>
<td>$9,997,716</td>
<td>$6,583,610</td>
</tr>
<tr>
<td>College of the Arts</td>
<td>$–60,809 (–0.6%)</td>
<td>$400,000</td>
<td>$17,125,987</td>
<td>$10,587,748</td>
</tr>
</tbody>
</table>
The Budget Committee was involved in the following ways:

- In Fall quarter, the Committee developed budget principles, which were distributed to the Administrative Leadership Team by the Provost before the units began developing their budget proposals.
- The Committee received a presentation on the new budget process about the time the colleges and schools were given their instructions.
- Committee members serving as liaisons had contact with their Deans during the development of college/school plans, to varying levels.
- The Committee received a presentation on the preliminary division-wide budget template, shortly after it was developed.
- The Committee received a presentation on the final budget plan at the beginning of May.

### Budget Cuts in the Non-Academic Units

University-wide measures to address the budget deficit included:

- Continue the online fee: $2.1 million in revenue
- Unclassified Unrepresented employee pay raises: $2.1 million less than had been planned (planning in Spring 2013 had assumed 3% across the board pay increases)
- Updated revenue forecast: realized $1.5 million more revenue
- Reduction of E&G subsidy to Athletics: $800,000 (targeted towards football)
- Eliminating a debt placeholder: $500,000
- Not adding inflation for services & supplies: $500,000

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<tr>
<td>Graduate School of Education</td>
<td>−$607,811 (−4.7%)</td>
<td>$220,823</td>
<td>$17,291,847</td>
<td>$12,452,750</td>
</tr>
<tr>
<td>Maseeh College of Engineering &amp; Computer Science</td>
<td>$940,000 (+6.5%)</td>
<td>$1,007,379</td>
<td>$20,206,061</td>
<td>$15,443,707</td>
</tr>
<tr>
<td>College of Urban &amp; Public Affairs</td>
<td>−$593,799 (−3.9%)</td>
<td>$0</td>
<td>$22,219,531</td>
<td>$14,682,740</td>
</tr>
<tr>
<td>School of Business Administration</td>
<td>−$270,443 (−1.7%)</td>
<td>$434,011</td>
<td>$25,048,059</td>
<td>$15,996,116</td>
</tr>
<tr>
<td>Office of Academic Affairs</td>
<td>−$170,232 (−5.0%)</td>
<td>$0</td>
<td>$0</td>
<td>$3,220,299</td>
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<tr>
<td>Office of International Affairs</td>
<td>−$113,515 (−5.1%)</td>
<td>$0</td>
<td>$0</td>
<td>$2,111,743</td>
</tr>
<tr>
<td>University Library</td>
<td>−$500,000 (−5.0%)</td>
<td>$0</td>
<td>$0</td>
<td>$9,432,385</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>−$3,023,642</strong></td>
<td><strong>$3,031,235</strong></td>
<td><strong>$232,022,624</strong></td>
<td><strong>$159,774,982</strong></td>
</tr>
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</table>
The non-academic divisions of the University took the following cuts for FY 2015:

- Finance and Administration: $2.0 million from a $95.6 million budget (FY 2014). There was reorganization in University Financial Services (resulting in 6 layoffs) and the Office of Information Technology (OIT eliminated some middle management positions and added some lower level positions). E&G funding for Auxiliary Services has been eliminated and they're increasing fees to external users. The Budget Office cut professional development and training. There was a small reorganization in Planning, Construction and Real Estate resulting in two layoffs. Campus Public Safety took no reductions. The Vice-President's office eliminated the chief of staff position. Human Resources cut professional development and travel. The staff person in Risk Management was laid off. FADM as a whole did ten layoffs and holds all positions open for three months before beginning a search.

- President’s Office: $0.2 million from a $6.5 million budget (FY 2014). Lois Davis went to half-time (0.49 FTE) and there were cuts to professional development and travel.

- University Advancement: $0.4 million from a $6.0 million budget (FY 2014). Half of the cut is in expected efficiencies from the merger with the Foundation. Two administrative assistant vacancies were eliminated and the salary for the President of the Foundation Board was saved.

- Enrollment Management and Student Affairs: $0.1 million from a $49.6 million budget (FY 2014). Money from service charges were used to cover this.

- Research and Strategic Partnerships: $0.1 million from a $9.9 million budget (FY 2014). A half-time employee retired and is not being replaced. There was some reduction in funding for strategic partnerships, primarily affecting partnerships with the City.

The philosophy for these cuts was to minimize the impact on student services. No money has been set aside to cover unexpected expenses due to the dissolution of the Oregon University System. These expenses will be covered out of the reserves.

**University’s Budget Proposal for the 2015–2017 biennium**

The Higher Education Coordinating Committee (HECC) has asked for a three part budget proposal from each University:

1. Money required to maintain current service levels. PSU has estimated this to be an additional $21.4 million for the biennium. This amount would be sufficient to close the deficit spending identified by VP Rimai in her presentation at the Budget Town Hall. It seems likely that we will get this additional funding.

2. How each University would spend an additional 5%, 10% and 15% allocation focused on student success. The University's strategy was well regarded by HECC's budget analyst. Read the draft proposal for details on this.

3. Strategic Initiatives. The University asked for funding to reduce the completion rate gap and for money (with the other big universities) to improve information technology connectivity.

HECC understands that the universities don’t have enough money to do what they need to do, or to even continue to offer the services they are currently offering. There is an impression that this next biennium is an opportunity for higher education to get better funding from the State. The current estimate is that the State’s revenue will be 12% higher in the coming biennium and HECC understands that it’s job is to advocate for higher education.

There is a subgroup of HECC looking at metrics for measuring university outcomes. Interim Vice-President for Finance and Administration Kevin Reynolds is on this subgroup.
**Line-item, All-funds Budget**

In January, the Senate passed a resolution requesting line-item, All-funds expenditure and revenue spreadsheets for the last three years. In early February, the University Budget Office distributed a line-item, All-funds budget for FY2014 as a first pass. A subgroup of the Committee has meeting with Alan Finn, Associate Vice President for Budget & Finance, and worked out a format and level of detail that works best for us. This second run will be done over the Summer. We anticipate getting the FY2014 actuals and the FY2015 budget by the beginning of the school year, with prior years available after that. This will include both revenue and expenditure numbers. The ultimate goal is to build a revenue and expenditure database that will inform Senate decision-making.

**Program & Unit Reviews**

The Budget Committee is responsible for providing a statement on budgetary impact for all new program and unit proposals, as well as program and unit change proposals. In order to allow time to discuss issues the Committee tried shifting the majority of this work to two-person panels, formed for each proposal. This has enabled us to get more of the Committee's other work done this year. However, this has led to inconsistency in review from one proposal to the next. For next year, we will provide a checklist of what to look for and provide some training for Committee members in an early meeting in Fall 2014.

The Committee did talk about some of the bigger proposals in Committee meetings. We discussed the Honors College proposal, the B.A. in Judaic Studies, and the IELP proposal.

The Committee's findings are available in the curriculum tracker.

**Focus on Academic Affairs**

University Administration has primarily focused it's engagement with the Committee on Academic Affairs. In prior years the Committee has spent the bulk of its time on academic budget issues, but this year we have spent less time than in the past on the rest of the University. Next year the Committee intends to spend more time on the non-academic units than we did this year. Senators' demonstrated interest in the non-academic units participation in program array review, is an indication of the importance the faculty place on understanding the what is going on in the non-academic side of the University.

**Training for the Committee**

Traditionally, one or two meetings in Fall quarter are used to introduce the budget and budget thinking to new Committee members. This year we had a much longer process, particularly due to the new budget environment discussed above.

**Communicating with the Senate**

It became clear this year that an annual report to the Senate is not timely enough. Consequently the Chair did a presentation to the Senate at both the February and April meetings. The Committee would like to see quarterly reports to the Senate next year, the same schedule the Educational Policy Committee reports.

The Committee also needs a better way to provide access to questions asked and answered.

**Summer Session**

The Committee talked to Kevin Reynolds about the class cancellations in Summer 2013 and report to the Senate on the matter in its February 2014 report. In brief, almost every college and university nationwide is experiencing declines in summer enrollment. Summer 2013 enrollment was 7% lower than Summer 2012, but Summer 2012 was 8% lower than Summer 2011. Part of the cancellation strategy had been to cancel
classes that students could take during the academic year, thus shifting revenue rather than losing revenue. However, fewer students than anticipated actually did take the class in a later quarter.

For Summer 2014, overall year-to-date enrollment (as of 6 June) was down 6.5% from this same time in Summer 2013. This is a decline, but is a smaller decline than the last two years. The University is offering approximately the same number of classes that it did last Summer.

OAA no longer enforces a minimum class policy (for any quarter). Colleges and schools are free to enforce (in whatever way) whatever policy they wish to set.

Appendix: Answers to Questions

The Committee solicited budget questions from Senators at multiple times during the year. Below are questions asked and the answers the Committee could provide. We have not gotten to all of these questions yet, but the Chair will pursue them over the Summer and have additional answers next school year.

How does graduate student support across the colleges and schools compare to graduate SCH?

Support in the form of stipends is in the budget, on a department-by-department basis, but support in the form of remissions are not. Remissions are not treated as expenditures but as a reduction of revenue. The Budget Office is trying to determine whether it’s possible to break remissions down by status (graduate student) and department.

What proportion of salary is for administrators, including those administrators with academic appointments?

This can’t be found from the budget, as salaries are, at the lowest level, associated with individuals, not positions. One would need to determine which individuals would count as administrators and then add their salary up. It would be faster to do this by requesting a run from HR with the specific titles that one would include as an administrator. Alternatively, one could look at the annual Unclassified Employee List, rather than the budget, which is arranged by name, rather than title.

Where does the money for Athletics come from (the E&G subsidy) and and what programs does it go into?

The E&G subsidy to Athletics is attributed as Student Services, which means it is assessed against the revenue generators based on student headcount.

As for where it goes, for the FY2014 budget, it is budgeted as follows: Admin & Support Services $1,933,878; Individual sports $331,567; Faculty Athletics Representative $89,622. Unfortunately, Athletics’ finances are in a situation where they don’t really know how much is spent on each sport, and money allocated to Admin & Support Services is used for individual sports, as well. They are currently working out their budget so they know what’s being spent on what, so this is the only level of detail we have at this time. They probably won’t finish figuring out the Athletics budget before the end of the school year. But we should have a much better handle on it next year.

Where is the money for the School of Public Health coming from?

In the FY2015 budget, $400,000 is being set aside by OAA for starting up the School. That money increased the cut the academic side of the house is taking by $400,000. It’s difficult to say where it’s coming from, exactly. You might say it would be the last $400,000 of cuts chosen (or the last cuts chosen could be for the $250,000 being set aside for unanticipated enrollment), but we won’t know what those cuts are. In any event, wherever that money came from wasn’t targeted for transferring money to SPH, I’d say the target is all of Academic Affairs, the colleges and schools, as well as OAA, OIA, and the Library.

It seems that a central question regarding our budget is that (as has been claimed) resources are increasingly being directed away from academics. Can the Budget Committee use the data to answer this?
This will need to wait until the next run of the information from the Budget Office, where we'll be getting historical information.

**What is the budget implication of the merger of University Advancement and the PSU Foundation?**

The Administration hopes this will save $500,000 per year. University Advancement will leave the University and join the Foundation, rather than the Foundation being moved into the University.

**How are the Miller funds being spent, and how will we manage when that multi-year grant ends?**

This is one question we have not yet begun to answer, but the Chair will pursue over the Summer.

**How does Parking cost more than $8 million in operating expenses?**

The Committee has a meeting with VP Rimai after the date of this report, which may shed light on this question.

**What would the interplay between sources of revenue and expenditures described in the budget look like?**

This is one of the questions that the Committee’s discussions with Alan Finn will hopefully illuminate.