

Resolution on Administrative Memorandum P&VPAA 96-01
Budget Principles, Calendar, Categories, and Protocol
for Annual Unit Presentations
(#12-95/96-FA)

- WHEREAS, There has been no document to date that has enumerated the principles and calendar of the budget process; and
- WHEREAS, The intent of some elements of Administrative Memorandum P&VPAA 96-01 [see Attachment] are not clear; and
- WHEREAS, The role of the URPBC is not stated in Administrative Memorandum P&VPAA 96-01; and
- WHEREAS, External and internal conditions affecting the budget may change over time; therefore, be it
- RESOLVED: That the Academic Senate of Humboldt State University applauds the efforts to bring clarity and order to the budget process; and be it further
- RESOLVED: That the Academic Senate of Humboldt State University recommends that Section 1, Paragraph (1), Line 6, Page 2 of Administrative Memorandum P&VPAA 96-01 be amended by deleting all language following " . . . used by the CSU"; and be it further
- RESOLVED: That the Academic Senate of Humboldt State University recommends that Section 1, Paragraph (10), Line 37, Page 2 of Administrative Memorandum P&VPAA 96-01 be amended by replacing the words "algorithm for generating (justifying)" with the words "method of assigning"; and be it further
- RESOLVED: That the Academic Senate of Humboldt State University recommends that Section 1, Paragraph (10), Lines 40-43, Page 2 of Administrative Memorandum P&VPAA 96-01 be amended by deleting all language following " . . . our own design."; and be it further
- RESOLVED: That the Academic Senate of Humboldt State University recommends that Administrative Memorandum P&VPAA 96-01 include references to the role of the URPBC in the budget process; and be it further
- RESOLVED: That the Academic Senate of Humboldt State University recommends that Administrative Memorandum P&VPAA 96-01 and the budget process be reviewed by ARAC and the Academic Senate every two years.

ADMINISTRATIVE MEMORANDUM

P&VPAA 96-01

31 JANUARY 1996

**SUBJECT: BUDGET PRINCIPLES, CALENDAR, CATEGORIES, AND PROTOCOL
FOR ANNUAL UNIT PRESENTATIONS**

1 This administrative memorandum presents: (1) a set of principles to guide the budget process in
2 Academic Affairs; (2) a calendar that shows the major events associated with budgeting; (3) a list of
3 budget categories that will be used in making presentations before ARAC and in tracking
4 allocation/expenditure data; (4) a definition of a base budget; and (5) a protocol that the Provost, the
5 deans, and directors will use in presenting requests for base budgets.

6 **SECTION 1: BUDGET PRINCIPLES**

7 The budget allocation process is based upon assumptions that are subject to change given the effects
8 of various internal and external factors. This document may be revised periodically to reflect these
9 changes.

10 **External Factors (CSU and State of California) That Must Be Considered**

11 (1) The number of students that the CSU will be expected to admit, to educate, and to graduate
12 will increase. Humboldt State University will be asked to do its part in meeting these targets.

13 (2) Higher education will not see a restoration of its former funding levels. General fund allocations
14 to the CSU will increase only slightly above present levels. Modest increases in the general
15 fund and expected increases in student tuition and fees will be consumed by inflation, pay
16 raises, bond payments, and infrastructure costs.

17 (3) Grants, contracts, and gifts will increase. However, almost all of these funds will come to the
18 campuses for restricted uses and will not provide significant augmentations to the routine costs
19 of running the academic programs. Additionally, grants may often require matching resources
20 that may lead to shifting of resources.

21 (4) Accountability will become increasingly important, especially in terms of serving a budgeted
22 number of students, of time to graduation, and of the success of the graduates of our
23 academic program in meeting the needs of the people of the state.

24 (5) Technological developments will bring about major changes in the way that students and
25 faculty will interact. This will impact the budget allocation process.

26 (6) Not all public institutions may survive. Those that lack a distinctive mission and character or
27 those too narrow in focus will be especially vulnerable.

28 (7) There will be academic program changes. Cost factors and student interest will force us to
29 consider pedagogical adjustments. Some existing programs will be merged with others and
30 some will be eliminated as new programs are approved.

31 (8) The CSU will adopt a budget methodology that is basically quantitative in its approach. Major
32 categories of the CSU's budgets to the campuses have been identified. They are Sustaining,
33 Enrollment Adjustments, and Special Initiatives. While not as formulaic as the "Orange Book,"
34 the number of students on a campus will continue to be a major factor in determining its

1	budget, along with perhaps student-to-faculty ratio, other student-to-unit ratios, at differences in program costs. Campuses will have a great deal of flexibility in how they budget internally.	3
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4	Attributes of the HSU Allocation System	4
5	(1) Our own system of allocating academic resources must be based upon a thorough understanding of the resource generation methodology used by the CSU, with the primary goal of maximizing the generation of both academic and university-wide funding to the campus.	5
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8	(2) We should be willing to use our own alternative allocation procedures in order to best meet our academic and campus needs.	8
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10	(3) Our internal allocation procedures should be consistent with what we say about our institution in the university mission statement and in our recruiting strategies for faculty, staff, and students. They should include provisions for rewarding behavior that would improve upon the institution's academic mission.	10
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14	(4) As in the past, the university will not be able to maintain all of its programs at an equal level of excellence. Our allocation system accepts the inevitability, even the desirability, of maintaining some academic programs at a higher level of quality than others. Such determinations are linked to the philosophy and priorities that appear in the university's mission statement, in its long range planning documents, and in decisions made as a result of the periodic curriculum/resource reviews of approved programs.	14
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20	(5) Some programs, including high demand programs, may be held at a level of minimum program support; others will be allowed to grow.	20
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22	(6) Some academic departments and programs may be merged with one another. Others may be eliminated. However, layoff of faculty and staff cannot be viewed as an immediate source of additional funds to solve a budget problem. Long term planning that involves program discontinuation, followed by retraining and reassignment of permanent employees is an acceptable budget strategy.	22
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27	(7) The allocation procedures must be open to inspection and be explainable.	27
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29	(8) The methodology should rest upon a series of features, many of which are numerically described and are subject to verification and correction.	29
30	(9) While the number of students served must be a primary factor in determining the allocation of resources to a college, it is not the only criterion used. We recognize that some programs have higher non-personnel operating costs than others. Programs also differ widely in their modes of instruction (lecture, laboratory, studio instruction etc.), the level (lower division, upper division, graduate) of students taking classes in the program, and the balance of permanent and temporary faculty. Some programs may also be considered essential to the university.	30
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36	(10) Because faculty salaries consume the major portion of the Academic Affairs budget, special attention must be focused on the algorithm for generating (justifying) faculty positions. We should adapt the "C-classification Standards" developed almost three decades ago by the CSU to meet our own campus needs or replace them entirely with new mode and level criteria of our own design. We specifically reject the historic linkage of permitting only certain modes of instruction to be allowed in particular disciplines. We also endorse the concept that certain modes should be the standard among courses campus-wide that perform similar functions in various programs.	36
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- 1 (11) Allocations should be made to colleges or to other major academic units, as opposed to
2 departments or programs.
- 3 (12) The allocation process should not cause dramatic annual changes in the resources available to
4 a unit. A college or other major administrative unit should not ordinarily experience more than
5 a 2% decrease in its budget from one year to the next.
- 6 (13) Funds for dealing with emergency situations, unanticipated enrollment demands, campus-wide
7 commitments and special initiatives should be held centrally in the Provost Office.
- 8 (14) The majority of the Academic Affairs General Fund budget is allocated in support of sustaining
9 operations. The base budget provides for the primary maintenance of our current programs and
10 units. The determination of the basic support provided to each of our approved programs and
11 these functions begins with recommendations made by the unit itself as part of the Program
12 Review process. These recommendations are evaluated and modified, as deemed necessary,
13 over the course of the entire review. The process culminates with a recommendation to the
14 Provost regarding appropriate resource support for the program.
- 15 The base budget is subject to other adjustments (up or down), including:
- 16 ● changes in the level of support provided by the Governor's Budget
17 ● shifts in student demand
18 ● costs of implementing modifications in university priorities
19 ● costs of implementing modifications in OAA priorities
20 ● costs of implementing special initiatives
21 ● cost changes
- 22 (15) As funds and priorities permit, unit budgets will be adjusted upward or downward to reflect
23 changes in enrollment distribution. This may be viewed as the second component of a unit's
24 budget (Enrollment Adjustment).
- 25 (16) Remaining funds should go to a third budget component, money requested and approved for
26 special initiatives within or among units.

27 SECTION 2: BUDGET CALENDAR

28 The budget calendar represents a complete budgetary cycle that spans a twelve or thirteen month
29 period. The cycle begins with the Director of Academic Resources presenting an overview of the
30 previous academic year's allocations and expenditures in September of the current academic year and
31 it terminates with the Provost's approval of the budget in August or September of the following
32 academic year.

- 33 SEP During first budget planning meeting for next academic year, Director of Academic Resources
34 presents to ARAC an overview of previous year's allocations and expenditures
- 35 SEP Deans, Librarian, and Directors present to ARAC base budget requests for next academic year
- 36 OCT Provost reports on prior year and current year budgets to Senate Executive Committee, or
37 Senate as appropriate, and discusses plans for next academic year's budget
- 38 JAN Mid-year review by ARAC of current academic year expenditures
- 39 JAN Dean of Admissions & Records presents to ARAC preliminary enrollment forecast for next
40 academic year

- 1 FEB Director of Academic Resources adjusts base budget requests for next academic year, where
2 appropriate, to reflect enrollment projections
- 3 FEB Director of Academic Resources presents to ARAC preliminary OAA budget for next academic
4 year
- 5 FEB Provost, with advice from ARAC, approves preliminary budget for next academic year (base
6 budget + enrollment adjustments, where appropriate) for major administrative units
- 7 MAR Deans, Librarian, and Directors present to ARAC special initiatives requests for next academic
8 year
- 9 MAY Dean of Admissions and Records presents to ARAC revised enrollment forecast for next
10 academic year
- 11 MAY Provost, with advice from ARAC, approves preliminary budget for next academic year (base
12 budget + enrollment adjustments + special initiatives) for major administrative units
- 13 AUG/ University President, after consultation with Executive Committee, approves OAA's budget
14 SEP for current academic year
- 15 AUG/ Provost, after appropriate consultation, approves final OAA budget for current academic year
16 SEP

SECTION 3: BUDGET CATEGORIES

- 18 Permanent Faculty
19 Temporary Faculty
20 Department Chairs
21 Lecturer/Consultants
22 Permanent Staff
23 Temporary Staff (Non-students)
24 Student Employees
25 Student Assistant-Work Study
26 Contractors
27 Management Personnel
28 Overtime
29 Night Shift Differential
30 Staff Benefits
31 Supplies and Services
32 Library Materials
33 Travel
34 Faculty/Staff Development
35 Motor Vehicle Operation
36 New Equipment (Purchases)
37 New Equipment (Leases)
38 Instructional Equipment Replacement
39 Equipment Maintenance/Repair
40 Computer Software
41 Postage
42 Telecommunications
43 Contingency
44 Other

SECTION 4: DEFINITION OF BASE BUDGET

1 A unit's base budget is the funding needed to provide essential services for its currently approved program (size and functions). If there were no changes in the number of clients to be served, no required changes in the functions to be carried out, no inflation, and no compensation increases, then the base budget would remain at the current level for the indefinite future. In the real world, the number of students, faculty, and staff does change; functions are added and deleted; inflation can be a significant factor; salaries do increase; equipment does have to be repaired and replaced. The base budget for a unit changes accordingly.

2 As an interim procedure, we will employ the allocation standards that were developed in Academic Affairs several years ago to project preliminary base budgets for the major administrative units within Academic Affairs. These algorithms were based upon and reflect the philosophy of the CSU Budget Formulas and Standards Manual, affectionately known as "The Orange Book." The Provost's Office will make these projections available to the ARAC membership in advance of the base budget presentations that will be made by the Deans and Directors. These projections will permit the ARAC members to see if there are significant differences between what is being requested in a particular budget category and what our previously approved standards would have brought to the unit.

3 The base budget concept excludes consideration of special initiatives. An opportunity will be provided to entertain requests for new initiatives.

4 Because of the uncertainties of changes in compensation (wages, salaries, fringe benefits, etc.), presentations should exclude these adjustments. Once they have been determined, a unit's personnel budget will be modified.

SECTION 5: PROTOCOL FOR PRESENTATIONS

22 The Provost, College Deans, University Librarian, Staff Deans, and the Director of Computing and Telecommunications will make the presentations before ARAC. The requests from other directors (CICD, the Marine Laboratory, etc.) will be made by their supervisors. Those who will make presentations will be expected to submit a written summary of their remarks prior to the ARAC meetings scheduled for the presentations themselves. All of the written summaries will be due on the same day so that committee members will have an opportunity to see all of the information at once and to make whatever comparisons and analyses they feel appropriate. To assist in those efforts, the Provost will make available to the ARAC members the preliminary allocations of personnel and operating expense budgets that each major unit would have received under our currently approved allocation procedures. After the oral presentations, ARAC members will be able to ask questions, seek clarifications, and offer commentary and suggestions.

33 ENDORSED IN CONCEPT BY ARAC: 19 December 1995

34 FURTHER DISCUSSION AND AMENDMENTS BY ARAC: 24 January 1996

35 FURTHER REVISIONS BY ARAC BUDGET SUBCOMMITTEE: 31 JANUARY 1996

36 APPROVED BY PROVOST: