



*Approved by
President Rush*

Fiscal Year 2012-2013 (FY13) Operating Budget and Capital Budget Overview

Background

A university budget represents the complex interchange between revenue streams that support an assortment of interrelated, and yet distinct operations. As such, CI's "budget" is a blend of hundreds of smaller budgets, including everything from an individual faculty member's salary to program support, to funding for facilities and operations. The budgeting process takes place at nearly every level within the university starting with initiatives and programmatic needs and ends with projecting campus-wide fixed costs such as benefit, insurance and utility increases. CI's budgets are decentralized with divisional accountability to the President and the Chief Budget Officer of the university. While general guidelines for spending exist, divisions and units have considerable autonomy in managing their respective budgets.

The FY 13 CSU Channel Islands budget provides an update on budget actions for the fiscal year and details allocation recommendations that protect the core missions of teaching and scholarly activity. Over the last year, the Cabinet revisited the 2011-12 academic year budgets to identify areas where budget realignments can realistically be made, and to set goals for the 2012-13 academic year.

For the coming fiscal year, the CSU has required that all campuses plan for a base reduction if California voters do not pass the Governor's tax initiative this November. This budget contains contingencies to meet a potential cut. If the State reduction of \$250 million trigger is authorized, we will reduce spending for a total reduction in our operating budget of \$1 million. (Also see section on *Further CSU System Developments*, page 4.)

The State has historically funded some level of capital renewal and minor capital outlay projects for the CSU. However, with the current State economic pressures and budget shortfalls, the CSU does not anticipate any capital funds in the near term. As a growing campus with a variety of space needs, we recognize the critical need to make these kinds of investments.

While we will continue to provide campus town hall meetings to gain campus input, we will also set up a budget planning website to post material and information for the campus. Our focus and pledge is steadily focused on service to our students and continuously improving upon that commitment.

July, 2012

Total Operating Budget (All Funds) – Revenues and Expenditures by Fund Type and Category

Budgeted revenues and expenditures for the F13 fiscal year are \$97.7 million, a nine percent increase over the prior fiscal year. **As approved by the CSU Board of Trustees, the tuition operating fee revenue presented below includes a 9.1 percent increase resident undergraduate tuition increase.** (Please see section on *Key Policies Implicit in the FY13 Budget* regarding the tuition fee buyout and its increase on the FY13 tuition increase.)

TABLE 1:
Revenues and Expenditures

	FY13 Base	FY12 Base	Change FY12 to FY13
University Operating Resources			
State Appropriations	42,785,310	44,118,320	-3.02%
Category I Fees	27,181,500	20,257,800	34.18%
Category II Fees (95% HC FY13 Base)	3,134,880	2,722,320	15.15%
Use of Category II Reserves	132,802	-	-
Category III Fees	12,000	12,000	0.00%
Category IV Fees (State Support)	253,400	192,000	31.98%
Indirect Cost Recovery	5,000	39,800	-87.44%
Total Revenues	73,504,892	67,342,240	9.15%
Lottery			
Lottery	118,000	118,000	0.00%
Total Revenues	118,000	118,000	0.00%
Housing			
Housing	9,178,400	7,656,705	19.87%
Use of Housing Reserves	1,206,609	-	-
Parking and Transportation	1,568,952	1,144,237	37.12%
Extended Education	5,204,605	4,127,675	26.09%
Commercial Services	3,102,720	2,575,100	20.49%
Total Revenues	20,261,286	15,503,717	30.69%
Other			
Other	1,214,795	1,146,976	5.91%
Use of Other Reserves	21,750	-	-
Investment Income	25,000	25,000	0.00%
Cost Recovery	2,542,738	1,721,705	47.69%
Total Revenues	3,804,283	2,893,681	31.47%

Significant Considerations for FY13 General Fund Operating Budget

CI's FY13 general fund operating budget, combining all sources of revenue is anticipated to be \$73,504,892. Primary revenue sources in FY 13 include those from State funds and tuition fees.

Tuition Fees: While the state will continue to face fiscal challenges, California's economic recovery continues to stunt the state's general fund, resulting in another year of depressed state support. In FY12, the CSU was \$100 million less state funded as a result of a mid-year general fund trigger reduction. As a result of this reduction, CI's operating base was reduced by \$1.65 million. For FY13, tuition fee revenues presented in Table 1 include a 9.1 percent resident undergraduate tuition increase.

Campus Enrollments: In FY12, CI's enrollments for the year were 3,583 FTES and State funding remained at 3,250 FTES. For FY13, state-funded enrollments remain the same. Full enrollments are expected for FY13.

Enrollments FY13	4,000 FTES
CI State Appropriations Total	3,250 FTES

Budget Planning: During the spring semester, several campus meetings were held with students, the campus community at-large and the academic senate to provide updates on the budget for FY13. A portion of these presentations included a discussion about prior enrollment growth. As established in FY12, CI's total enrollment exceeded the State funded level of 3,250 FTES. The same enrollment growth is planned in FY13, however, beginning in FY13 CI will budget the increase in tuition. This will allow for the campus to achieve certain operating economies of scale in operations as enrollments increase. The Chancellor's Office supports this approach and has exempted CI from enrollment limit penalties.

Key Policies Implicit in the FY13 Budget

- **Strategic Budgeting and Planning:** As adopted in prior budget planning efforts, the campus is committed to the following principles as we develop our strategic budgeting and resources allocation processes.

~ Transparency ~ Accountability ~ Engagement

These principles will provide a foundation for future resource allocation planning efforts as the campus strives to support critical needs with diminished resources. The resource allocation

Figure 1: 2007-08

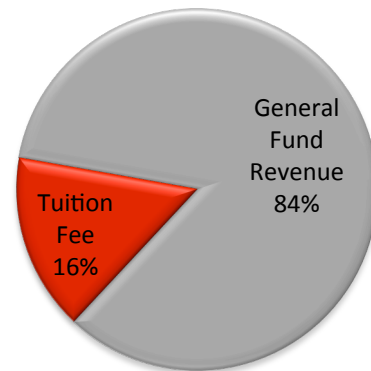
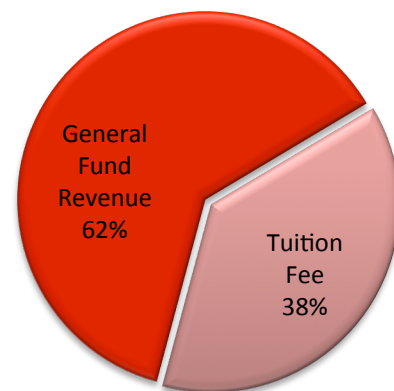


Figure 2: 2012-13



process will also support the next campus-wide strategic planning cycle that will begin next academic year.

- **Budget Reduction Planning:** The Governor's May Revision of the 2012-13 state budget proposes a \$250 million trigger cut for the CSU if voters reject his proposed tax measure this November. This potential reduction would reduce the state funding to the CSU by \$1.8 billion, the lowest level of state support allocated to the CSU since 1996, while serving 90,000 more students. <http://www.calstate.edu/budget/fybudget/2012-2013/executive-summary/index.shtml>

To anticipate the possible reduction in FY13, budget reduction scenarios have been developed to minimize impact to campus operations and address a potential cut to the operating budget. In addition, to provide flexibility in FY13, approximately 50% of available funds are allocated only as permanent for those needs determined to be critical to the institution; temporary funds are allocated for the remaining total.

- **Tuition Fee Buyout:** The final State adopted budget includes the option of a delayed tuition fee "buy out" for the CSU, which includes an appropriation of \$125 million for the 2013-14 fiscal year. The buy out, however, is contingent on two provisions: the governor's tax initiative must pass, and the CSU must choose to reset its tuition fee rates for the 2012-13 academic year back to 2011-12 fiscal year levels.

However, the CSU approved higher tuition fee rates already in effect for 2012-13, and has begun collecting the tuition fees from continuing students. To comply with the second condition of the buy out requires the CSU Board of Trustees to rescind its November 2011 tuition increase and refund it to students for fall 2012, leaving the CSU with a \$132 million one-time hole in its budget for 2012-13. The \$125 million appropriation in 2013-14 would cover about 95 percent of the ongoing loss from resetting rates to 2011-12 levels, but it would not compensate for the one-time loss in 2012-13.

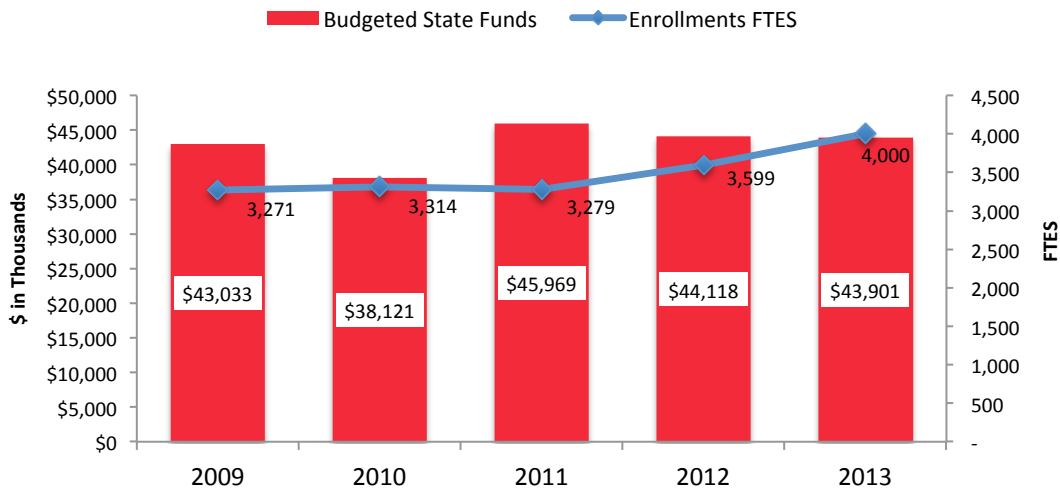
If the board decides at its September meeting to accommodate this legislation, it could rescind the tuition fee increase for the 2012-13 academic year, contingent on passage of the November tax measure. Under this scenario, campuses would begin processing refunds or credits for fall 2012 after the tax measure's passage, and students registering for spring 2013 would pay the 2011-12 rates.

The Chancellor's Office is exploring options to address the remaining gap as well as looking at contingencies to address the potential \$250 million trigger cut. (More information on the proposal at http://www.dof.ca.gov/documents/FullBudgetSummary_web.pdf)

- **Further CSU System Developments:** The CSU has posted information on "Cost Reduction and Revenue Enhancement Opportunities" at the site noted below. This includes updated information from the July 17, 2012 Board of Trustees meeting and the various strategies under consideration. The outcome of the Board of Trustees September meeting will impact the information presented in this document. [http://www.calstate.edu/budget/fybudget/presentations%2Dcommunications/budget%2Dstrategies/.](http://www.calstate.edu/budget/fybudget/presentations%2Dcommunications/budget%2Dstrategies/)

University Operating Fund

The following graph details the historical amount of state funds that are used to fund university operations. Over the last several years, the campus has experienced a decrease in this source of revenue while state enrollments have increased.



UNIVERSITY OPERATING RESOURCES

Total new net revenues for FY 2013 are projected to be \$6,010,899. These funds are net revenues generated by the increase of tuition fees. They are calculated on resident headcount and include resident and non-resident fees that are then adjusted for tuition waivers.

State General Fund: No new State appropriations revenue is budgeted in FY13.

Temporary Funds: For FY13, the campus plans to allocate \$1.6 million as temporary funds and no permanent commitment will be made against this fund source for the new fiscal year. This will provide flexibility for the campus during FY13 to accommodate any permanent fiscal impacts/reductions.

The FY13 University General Fund Operating Resources budget is presented below.

TABLE 2:
University Operating Resources

State Appropriations		
PY Appropriations	44,118,320	
11/12 Retirement Adjustment	(198,510)	
Operating Interest Assessment	(19,000)	
Tuition Fee Discount Adjustment	(115,500)	
GF Expenditure Adjustments	<u>(1,000,000)</u>	
		42,785,310
Category I Fees		
Tuition Fees	26,577,000	
Non Resident Tuition Fees	200,000	
Application Fee	<u>404,500</u>	
		27,181,500
Use of Fund Balance		
Category II Fees (95% HC FY13 Base)		
Health Facility Fee	26,124	
Instructional Related Activities Fee	435,400	
Materials Services & Facilities Fee	304,780	
Use of Reserves - MSFT Fee	51,055	
Student Body Center Fee	1,410,696	
Health Services Fee	522,480	
Recreation and Athletics Fee	435,400	
Use of Reserves - RAF	<u>81,747</u>	
		3,267,682
Category III Fees	12,000	
Category IV Fees (State Support)	253,400	
Indirect Cost Recovery	<u>5,000</u>	
Total Revenues		<u>73,504,892</u>

University Operating Fund

UNIVERSITY BUDGET REDUCTIONS

Due to the long lead times necessary to implement the permanent spending reductions, CSU Chancellor's Office indicates that we must plan for the 2012-13 potential budget associated with the CSU's \$250 million trigger cut. For CI, the reduction has been included in the FY13 budget.

If the \$250 million trigger is pulled for the CSU during FY13, the reduction for CI is \$1 million to the base-operating budget. The majority of this potential reduction was absorbed in the unallocated net increase in tuition expected from the FY13 annualized enrollment growth with the remainder to be absorbed in FY14.

BUDGET EXPENDITURE SUMMARY

Overview

FY13 divisional requests totaled \$3,545,543 and are summarized below. Funding requests were developed at the division level and ***only the most critical funding requests were recommended for funding.***

A structural deficit carried in the FY12 budget year of \$649,591 is eliminated.

Fixed and One-Time Costs: These costs are estimated to be \$1,324,500. They include benefit increases, insurance, utilities, technology refresh and accessibility/accommodation requirements.

The State University Grant increased by approximately \$489,500. Critical operating costs are also included for the opening of North Hall at \$274,500 for operational maintenance services since no new separate state funding was allocated for this purpose.

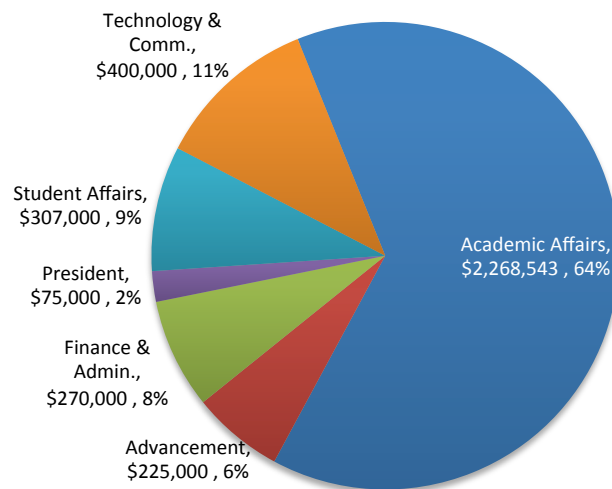


Figure 3: FY13 Divisional Budget Requests

Methodology

For the FY 2013, each campus unit provided their operating needs to their vice president reporting area. Because of limited availability of new funding, the budgeting of new tuition funds from enrollment growth as operating revenue, and the potential for a budget reduction if the Governor's tax initiative does not pass in November, approximately \$1.6 million of available funds will be allocated as temporary.

Permanent funding was allocated to address critical instructional need by the addition of 9.0 tenure-track faculty. Urgent funding was required to address a critical gap in services due to additional processing for functions such as enrollment services (admissions and records), technology requirements and internal audit functions.

Operating revenue was allocated to new and increased fixed costs, permanent and temporary allocations and contingency funds as follows:

Table 3.
FY 2013 Recommended Permanent and Temporary
Allocations by Fund Source

	Permanent Allocations	Temporary Allocations	Total
Operating Revenue- Tuition	\$1,931,362	\$1,614,181	\$3,545,543
Fixed Costs	\$1,099,500		\$1,099,500
SUG Increase	\$489,500		\$489,500
Contingency			\$876,356
Total	\$3,520,362	\$1,614,181	\$6,010,899

A summary of recommended allocations is provided in Table 4. Total divisional recommendations for FY 2013 are \$3,545,543. As part of initial planning for a potential budget reduction during FY13, temporary allocations provide budget flexibility. Permanent allocations were limited to activities that address critical institutional risk and/or planned and targeted strategic programmatic growth.

Table 4.
SUMMARY OF REVENUE AND RECOMMENDED DISTRIBUTIONS

	Academic Affairs	Advance- ment	Student Affairs	T&C	President	F&A	Total
Faculty	\$1,214,362	--	--	--	--		\$1,214,362
Staff/Operations	--	\$135,000	\$157,000	\$200,000	\$75,000	\$135,000	\$717,000
Sub-total	\$1,214,362	\$135,000	\$157,000	\$200,000	\$75,000	\$135,000	\$1,931,362
Faculty	\$719,000	--	--	--	--		\$719,000
Staff/Operations	\$335,181	\$90,000	\$150,000	\$200,000	--	\$135,000	\$760,181
Sub-total	\$1,054,181	\$90,000	\$150,000	\$200,000	--	\$135,000	\$1,614,181
Total	\$2,268,543	\$225,000	\$307,000	\$400,000	\$75,000	\$270,000	\$3,545,543

Capital Budget

Background

In the past, CSU campuses have been funded for both minor capital projects and capital renewal projects in accordance with the State University Administrative Manual (SUAM) from **separate state fund sources** and not campus operating funds. However, given the continuing budget challenges at the State level, we do not anticipate either of these types of funding for the next few years.

Minor Capital Outlay (construction) projects are limited to those projects that correct deficiencies, provide new or improved facilities, add access or provide equipment for a minor capital outlay project whose estimated total cost is \$400,000 or less. Minor construction does not include any work classified as maintenance or repair. Projects may not be grouped unless they are for similar work within one building or complex. For instructions on policy and procedures for writing minor capital outlay service agreements, see SUAM Section X. For instructions on construction procedures for minor capital outlay projects, see SUAM Section XII.

Capital Renewal projects are limited to those projects that provide replacement of major building components and/or systems that have exceeded their useful life. Major building systems must be replaced to enable the continued function and use of an aged facility. The building components renewed typically include: the heating, ventilation and air conditioning systems; plumbing systems; electrical distribution system; and building exterior skin, roof and window systems. Energy and utility efficiency improvements are pursued with these projects as appropriate.

Deferred Maintenance

The trend of accumulating deferred maintenance back-logs across the country continues to grow in priority. In 2000, the CSU adopted the Facilities Renewal Cost Model Project (FRRM) with the long-term objective of securing adequate funding for deferred maintenance and renewal needs for CSU physical plants. FRRM implementation provided a standardized means for campuses to fulfill the requirement to prepare an annual five-year projection of deferred maintenance and capital renewal costs. It also provided the CO with information necessary for capital budgeting and planning.

Since the adoption of FRRM, the CSU system has been confronted with funding appropriation challenges that have had a profound effect on facilities maintenance. The CSU support budget documentation for 2012/13 identifies a deferred maintenance need of \$470 million. This amount represents the highest priority projects out of an estimated \$1.6 billion in deferred maintenance and capital renewal backlog derived from the 2009/10 FRRM data. The model also concludes that absent investment of at least \$99 million per year to maintain the current backlog level, the need will grow to \$2.2 billion by 2016. For Channel Islands, the inventory of deferred maintenance exceeds \$15 million at present. Planning work is underway to develop longer-term strategies to adequately address this growing need.

Channel Islands Critical Facilities Investments-Related Needs

For FY13, several critical needs must be addressed. The Operations, Planning and Construction (OPC) department maintains an inventory of major construction, renovation projects and planning studies needed to support campus development. These projects were compiled from discussions with Divisions and Departments about their needs, and from OPC's databases on deferred maintenance needs.

Projects are categorized into major areas:

- Critical repairs needed for buildings – for conditions that are unsafe or threat to life/safety.
- Repairs driven by code compliance requirements – for conditions that are non-compliant with current codes and exposes the campus to high risk
- New space needs – needs related to new classrooms, academic and student support spaces to handle growth in FTE.
- Improving work and study environment – aesthetic improvements needed to promote well-being of the students, faculty and staff, improve productivity and create favorable “first impression” for prospective students and parents.
- Planning studies – studies needed to determine how the Campus will handle growth over the next several years.

Recognizing the lack of State resources, and that the campus cannot authorize all of the projects and studies identified because of funding constraints, OPC has highlighted the “critical needs.” “Critical needs” projects and studies require funding and action immediately because of compliance mandates, enrollment growth needs or life/safety requirements. The following table provides a summary of these types of projects.

The allocations for these critical investments are funded from a separate fund source designated for capital projects and are not part of the campus operating budget.

Table 5.
SUMMARY OF FY13 Capital Investments

Project Types	One-time Allocation
Deferred Maintenance (ADA upgrades, code compliance, plumbing repairs and roofs)	\$825,000
Add New/Upgrade Space (North Hall 3 rd floor and Grand Salon)	\$1,100,000
Exterior Modifications (road circulation)	\$150,000
Total	\$1,875,000