



University Budget Committee Meeting Minutes

DATE: Thursday, February 1, 2018

LOCATION: ADM 560 (NEC Room)

MEMBERS PRESENT: President Les Wong and VP Ann Sherman (Interim), Co-Chairs
Provost Jennifer Summit (Interim), VP Luoluo Hong, VP Robert Nava, VP Jason Porth, Andrew Harris,
Nancy Gerber, Sheldon Axler, Singing Chen, Sheldon Gen, Andrew Ichimura, Jerry Shapiro, Maria
Martinez, Elena Stoian, Sutee Sujitparapitaya, Darlene Yee-Melichar
Excused Absences: Genie Stowers, Nathan Jones

Guests Present: Dominique Cano-Stocco, Exec. Director, Gov't & Community Relations

Committee Staff Present: Nancy Ganner

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❖ UBC Co-chair President Wong called the meeting to order at 2:03pm.

### **Agenda Topic #1: Welcome and Announcements (President Wong and VP Sherman)**

- ❖ **PRESIDENT WONG** → I want to welcome you to the UBC. We have lot of material to cover. Today and future meetings will become critically important to our health, the Cabinet and myself, to chart our path forward in what I see is a challenging moment for us. Many of you have been keeping track of the Governor's budget that came in at \$10M below his original predictions. At the Board of Trustees meeting these last two days, the CSU will be charting a mission to make sure that between now and the May revise, that number goes up. The Chancellor and his team are tackling that, along with the 23 campus Presidents. This is the looming issue in front of the University at the current time.
- ❖ The other piece I want to share with you is not only our current situation, but how do we lay out our own strategies to contend with the challenges that are coming down the road. You're going to get a

sense for the numbers of enrollment and government issues with the various presentations today. I do want to tell you that despite whatever you hear today, we're okay. Our health over the next year to year-and-a-half will be a function of the collective strategy that's coming together from all the units of the university, our coordination with Government Affairs, with the CSU in Sacramento, etc. I'm thinking that if we don't increase our openness and flexibility in doing things in new and different ways, we're our own worst enemy.

- ❖ I want you to join me, whenever you hear someone say “we don't do it that way”, I want you to challenge them. What's happening throughout the system is slow, but inch by inch, we're getting more freedom, and that means there's also more responsibility. It's irresponsible to think that the way we did things over the last 4 years is a good way to move forward. That will be a disastrous attitude. I hope as members of the UBC you will join me in helping people think through some of the challenges, issues and successes. I always ask the Cabinet: “when we succeed at something, what did we learn from that? If we missed something, what have we learned from that, and what do we adjust?” In the Midwest, it was common around budget time for our leadership teams to ask themselves “you can't do the same things, and expect different results.”
- ❖ We've gone through a lot of changes, and a lot of personnel changes, and we still have more coming up, but I'm really worried more about the attitude of adjusting ourselves to challenges over the next couple years – might be multi-years, instead of single year pieces – our challenge is to think both in meeting our one-year budget obligations, as well as thinking about how did our activity in this one year set-up or not set-up success, and in year two or three as we accumulate.
- ❖ I want to thank everyone here in the room; we're starting to think about multi-year approaches to things, and I think that's been significant for us. Now it's the fine-tuning – if you have a multi-year approach and year one was slightly different than we expected, how does that affect our multi-year plan? I'm not saying we have to be different, but we have to be smart, and if you hear a sense of gloominess on my part, you're correct. There are fewer students going to school – you might have seen the report in Inside Higher Ed this morning that more and more young people are getting jobs without diplomas or degrees. If, for example, there is no immigration reform, we have approx. 800+ Dreamers on campus, and it's not like the Feds are even reconsidering how financial aid, Pell Grants and all of those things are happening, so there's red flags at the Federal level, at the State level. I ask you to be resilient, which is one of our values; to be flexible, and not be afraid to ask questions. I don't think we're at a point where demands go very far because our finances are tight. We're ok, but

they're tight. We've got to be inventive, thoughtful, multi-year, and be willing to entertain new or different ideas, and that goes for me as well.

- ❖ I wanted to take a moment to address this because this is a university-wide, important committee that will help all of us begin to understand and respond to what's coming down the pike. Above all else, I want to hope that finances and general fund-dollars will suddenly come flowing our way, but it's not going to happen. At least, I'm not counting on it.
- ❖ I was very fortunate to make two trips to Asia in the last 2 months, I have to tell you, American higher education is under the gun. The investments in higher education in Hong Kong, Taiwan and the People's Republic are off the charts. One of my colleagues there is a University President in Hong Kong and he shared a story; there are 5 public universities in Hong Kong, and at budget time, their Chancellor called the Presidents in and told they had a problem -- and places \$200M in funding on the table. \$50M to each campus, for initiatives they never knew they had money for. Imagine that happening in the US, where here we suddenly have \$50M to push Augmented Reality, Liberal Arts, Creative Arts, the Sciences, etc. That's just one story. In Taiwan, the demographics are so bad they are contemplating government closures of a number of universities. Taiwan has 168 universities. Imagine. They just don't have the enrollment to keep all 168 going so they're shrinking. So there's a challenge with higher education on the planet, let alone here in California. We're going to be more creative and were going to be smart, and I invite you into that challenge with me. Thank you.
- ❖ **ANN SHERMAN** → it's been almost one year exactly since I started this role, and one of the things I'm trying to do is make sure we have greater awareness of the bigger picture of the campus within this group. I was appreciative, Jerry, of your feedback recently - that was a great meeting.
- ❖ Each time, I'm trying to expand on a subject that's a little bit different, that gives us that bigger picture. This is in line with the initial movement of greater transparency around campus. The Strategic Issues Committee has been working on this, and we've been working in partnership with them to make sure we have good information available.
- ❖ We've been looking at all funds, not just the General Fund, and we've been looking at multiyear, as the President mentioned, so we have better ability to plan and to respond to things.
- ❖ Today you're going to see some sobering statistics looking at our basic financial ratios. I don't want to present them so it leads to some sort of fear, but more so that we become aware of trends, so we can always say "knowledge is power". If we're aware of what's happening, then we could plan for what's happening, we can anticipate how to be more responsive so that we always stay in a place

where we have enough. The goal here at least, as we think about budget, is not to think about scarcity, but how do we have abundance to insure we can achieve all of our goals. That's what I've been working towards, and I appreciate your engagement in this process.

**Motion suggested:**

- ❖ **NANCY GERBER** → I wonder if we can make a motion to change the agenda: we've had the Committee Charge on the agenda for several months, and I'm a little concerned that it's near the end of the agenda, and my motion would be to switch that to talk about it right away and take a vote.
- ❖ **ANN SHERMAN** → Ok - is everyone else ok with that?
- ❖ **ANDREW ICHIMURA** → Second.
- ❖ **ANN SHERMAN** → Fantastic.

**Agenda Topic #2: Approval of Dec. 1, 2017 Meeting Minutes (VP Sherman)**

- ❖ **ANDREW ICHIMURA** → My last name is misspelled in the minutes.
- ❖ **SHELDON AXLER** → Also there's a correction needed on Page 2: change \$3M to \$300M
- ❖ **ANN SHERMAN** → Thank you. Any other corrections?
- ❖ **NANCY GERBER** → I move to approve.
- ❖ **DARLENE YEE-MELICHAR** → I second.

**Agenda Topic #3: Updated Committee Charge/Membership (Nancy Gerber)**

- ❖ **NANCY GERBER** → This is my first year on the committee and I'm unaware of past history, but apparently the charge to this committee has been outdated about for quite some time. They had been looking at previous versions during the academic year, which plays into what faculty felt presented an undue and even illegal burden on us, in managing and overseeing the responsibility of university budget matters. What I did is go back to previous charge, which had been recommend to me by people who served on this committee prior, and they thought this was certainly something that faculty could live with and was clear enough as to what our responsibilities were, and updated membership, and so I present it to you for your consideration.

- ❖ **SHELDON AXLER** → I have been on the committee for 2 years and Nancy's right. We saw several versions previously and this is the first version that makes sense. I compliment the committee that put it together I think we ought to approve it quickly. I move to approve the charge.
- ❖ **JERRY SHAPIRO** → I second that motion.
- ❖ **DARLENE YEE-MELICHAR** → Just for discussion: on Page 2, under II – my question is very simple. Where it says attendance at UBC meetings: it says we have two meetings every semester and one possibly one during the summer, but for those of us who are faculty and who are not on campus, can we Zoom in?
- ❖ **ANN SHERMAN** → Yes.
- ❖ **DARLENE YEE-MELICHAR** → Thank you.
- ❖ **ANN SHERMAN** → With that, we have a motion on the table to approve. (All approved). Fantastic. Thank you.
- ❖ **PRESIDENT WONG** → Great job, everyone.

**Agenda Topic #3: Governor's January "initial proposed budget" (Dominique Cano-Stocco, Exec. Director, Government & Community Relations)**

- ❖ **ANN SHERMAN** → As I mentioned, I've tried to ensure that we have additional voices in the room and that we talk about some of our typical topics, in a non-traditional way. Dominique is our Executive Director of Government and Community Relations. She reports to VP Nava in University Advancement and we appreciate her presence here today.
- ❖ **DOMINIQUE CANO-STOCCO** → Thanks. This committee gets a lot of information about the campus budget and basic information about what the CSU budget "ask" was to the State legislature. Since this is the first time I'm speaking with everyone, I'd like to provide prospective, which is what I'm asked when handling government relations for the campus by faculty, staff and students. "Why does the State legislature not give us what we ask for - what is the rationale?" That's what I'll be presenting today and I'll leave time for questions and hopefully I'll be able to answer them.
- ❖ We received a very conservative budget from the Governor. In January the Governor releases a proposed budget for the State. It was a conservative budget; even though he's a Democrat, he's generally conservative because it's a process in terms of where the input comes from. It's always the case that the CSU gets a budget that's not as high as what we ask for, and this year is no different. For us in Government Relations, it's not scary - it means we have advocacy work to do, as a system,

and as a campus collectively. Here are some of the highlights of what was in the budget: (see PowerPoint presentation)

- ❖ \$190.3B is a lot of money and obviously most States don't have those revenues. Here's what's happening and why the Governor's budget is conservative; under Governor's Schwarzenegger and Brown, they wanted to create a "Rainy Day Fund" or what they call the "Piggy Bank". Brown put \$5B more in it this year, because it's his last budget as he's out of office end of this year, and he's been wanting to make sure the State has a surplus, so when we go through economic downturns, we don't have to go back to where higher education and State agencies were in 2019; mid-year budget cuts. The UCs /CSUs and State agencies had to cut their budgets, rely on the university endowments and had to furlough employees. Schwarzenegger tried, and Brown succeeded in getting the legislative-mandated "Rainy Day Fund" but they still have to fund it, so he put in \$5B because they're trying to get up to their max. The fund provides \$13.5B for a fiscal emergency so we won't go through the rocky highs and lows. \$900M is needed to refund the State coffers for emergencies and fire relief. They already know they have to backfill CalFire for the horrific fires we had. Remember, even when the Feds approve emergency funds, it doesn't come to the State right away.
- ❖ So, why is the budget so conservative? He's consistently warned of a looming recession. I don't think everyone watches his budget presentations, where he always starts with that and shows his charts of economic projections. The "Piggy Bank" is his #1 priority. He didn't have a surplus when he came into office, so this is his legacy.
- ❖ Politically we all know that anyone who's last year in office is going to push their agenda to the highest degree in that particular year, and he's announced he's retiring and not running for another office. Since this fund is his priority, it will be harder for us to push him in the direction we want him to go, so most of our work will have to be with the legislature. The Dept of Finance in California is worried about these things; yes, we seem to be in a bull market; people are generally feeling good about the economy, but the State looks at tax dollars as they come in quarterly. They're seeing a trend and they're warning about recession. There's a lot of concerns about how the Federal tax laws going to affect what's called SALT ("State And Local Tax") deductions. Next year, when people pay their taxes, the State will get a sense of what the actual impact to California is going to be.
- ❖ We also know, because the Republicans have made it clear, they're planning for cuts to entitlement programs, which shifts the burden to the State to pick up where the Feds have pulled back. I cannot

overestimate how much the fire season had an impact on the State. It affects housing, job losses - so it's not just the CalFire funding that has to be back-filled, it's all the impacts from those fires.

- ❖ We don't know what the impacts are going to be to the Fed's tax changes to California's economy until next Spring, when individuals file their taxes. Yes, some are seeing more money in their paychecks, but that all comes out in the wash when you file your taxes so California's especially conservative right now as they want to see what happens next year
- ❖ Now let's talk about how the Governor's proposal affects CSU. CSU expected \$102M, they negotiated with the Dept. of Finance over the last few months, and the expectation was CSU would get \$102M increase from the base budget, but when it rolled out it only allowed for \$92M. The initial reactions were that we're already in a hole and we're only in January. I feel a little more confident about it because I know this is the process - this is where the negotiation starts. A \$10M difference is a drop in the bucket and I think we can get where we need to be, and from our perspective, this is still a 2.7% increase on last year. The Governor gave us more money than we wanted, but not as much as we need. Even though it's an increase, it's still a budget deficit because we're \$153M short in mandatory costs for next year, so if we don't get the \$102M plus the \$153M, then it is technically a budget cut, even though our Governor doesn't see it that way.
- ❖ **PRESIDENT WONG** → The Board of Trustees' initial proposal to break even to cover costs was \$245M. That was the break-even point, so even at \$102M we're down, and now we're even lower at \$92M so the bus is heading the wrong way. Please just keep that in mind.
- ❖ **DOMINIQUE CANO-STOCCO** → We don't have the final budget talking points, we will share them with the committee and hopefully they'll be completed by tomorrow. I want to thank Jennifer Summit and her team for helping to show what the impacts to the campus are. Noriko and I will have our first meetings with the State legislators next Tuesday and start the negotiation process for us, but this is a chart I find the most useful (see presentation). It shows what the Governor thinks should be funded, and he'll say he gave us more money, but CSU will point out that this is where we are in order to break even, as President Wong said. It's that deficit – that white area - that we have to try to get funded by the time the budget is resolved in June. Again, I'll share the talking points when we get them.
- ❖ Sometimes when we talk about Millions, I want to remind you that the CSU-based operational budget is \$3.4B on average – about equal to the UC. When we talk about our budget, we talk in the millions, because we're talking about the additional monies we want for the year. This \$3.4B is

assumed. I want to point that out because when people think we're talking about billions in a systemwide budget, we're not. The Governor proposed \$92M or the CSU requested \$102M, we'll be on top of the base operational budget.

- ❖ What about the rest of the education community – how did they do? The Governor prioritized speeding up the full funding for his K-12 education plan, which is often referred to as the “local control funding formula”, by adding \$3B to what was previously allocated. It's where some of the big chunks went this year. He wants to create \$102M for a new Statewide online community college, which is somewhat controversial. The UC and the CSU are funded about the same, although towards the end of the budget process, you'll see carve-outs that are different for us in the CSU.
- ❖ So now what? What do we do? How do we get the additional monies that we need for our campuses? We advocate, advocate, advocate. We wanted to talk with this committee to make you aware of what's going on and ask that you, your staff and your students help with advocacy activities. We start our budget kick-off when Noriko and I go to Sacramento on February 6<sup>th</sup> to meet with the legislators, including Senator Ting, who is the Assembly Budget Chair, which gives us leverage for not only our campus but all of CSU. In March, all the CSUs go to Sacramento as a tour de force to really make the ask, to make sure the legislature is going to put the additional funding into the Governor's budget request. From now through June, we engage in advocacy activities such as meetings and letters of support, and social media is becoming more popular in sending legislators and their staff messages, and we bring home that budget request in June.
- ❖ I began this presentation now because January is just the beginning, the initial proposal. No one takes it too seriously. You're not going to dramatically change what the budget ask was, but you just know you have to work the State legislature. In January and May, the majority of the focus is working with the legislators, and we break the State down by region, and every CSU campus has their legislator they're responsible for. We make sure they hear from us, and that we have anecdotal stories about how budget cuts impact us. If they're not funding our buildings, and how that affects our student learning. In May, the Dept of Finance does a reassessment of tax receipts that come in from April. They give it about 30 days, and about May 15<sup>th</sup>, called the “May Revise”, the Governor revises his initial assumptions about the economy and will make adjustments to the proposed budget. That's always a good indicator, that's when it's really stressful, because if his budget numbers don't move, if the economy is not improving, it gets harder for us to make our case. If his numbers go up,



that's a tell for us politically that the more we put pressure on our State legislative leadership, the more likely we're going to get our number up higher.

- ❖ You can look up all sorts of information on the State budget and see the allocations. The table handout shows you that education in the State of CA is about 37% of the total budget. It's tough for the Governor to make major changes, once you see how the overall budget breaks down, it's a huge allocation compared to some of the other agencies. I also shared a Washington Post article about concerns, as President Wong said, there's a lot of concerns on other States related to disinvestment in higher education. You hear that about California all the time and it's actually true, but want to give you perspective. California has put the highest percentage increase than any other State in the nation, so we really have circled back. When I talk to the Governor, I don't use overly dramatic language that California doesn't like higher education, so we need to make sure we're honest in the perspective we're providing and instead, focus on what isn't getting funded and what the impacts to students are.
- ❖ **ANDREW ICHIMURA** → There's been a 52.5% increase in 5 years, but we had the furlough in 2009 and budget cuts. What funding level are we at now – I thought I heard that we're at 1996 budget levels?
- ❖ **DOMINIQUE CANO-STOCCO** → I wouldn't be able to answer that – I don't think in those terms but I know what you mean.
- ❖ **ANDREW ICHIMURA** → In the ways of advocacy, the fact that we're still grossly underfunded based on inflation of prior funding problems them. We're happy to have the money, but we're getting the money *back*, it's not like we're not increasing the budget.
- ❖ **DOMINIQUE CANO-STOCCO** → You're absolutely correct.
- ❖ **ANDREW ICHIMURA** → It's only a fraction of what was taken away, right?
- ❖ **DOMINIQUE CANO-STOCCO** → I'll take a look and get back to you on what that date is because they'll often say we're "funded at 1970 levels" but I just don't know accurately what that number is.
- ❖ **PRESIDENT WONG** → In 2012 or 2013, it's probably just guesstimated, the cut as I understand in 2009 was about 32%, and that was furloughs and staffing, so by my count, we're still at about 12% – 13% below, but we're serving far more students. That gives you some scale.
- ❖ **DARLENE YEE-MELICHAR** → Dominique, thank you for sharing this information with us. I appreciate your comments, but I'm concerned about Slide 11 ("What About the Rest of the

Education Community?”). I think we need to distinguish the CSU from our sister segments because it’s very clear that the Governor, although he wants to send more money into the Rainy Day Fund, he’s giving K-12 more money, and the reality is not only did he give them an additional \$3B, but he’s also encouraging the development of an online community college, so there’s that difference between them and us.

- ❖ Also to that last bullet point; I don’t think the UC’s were funded at the same level as *we* were, rather, we were funded at the same level as *they* were. In the discussions from the Statewide Senate about 1½ weeks ago, we understand that he was funding UC based on certain things he was unhappy they did, so we ended up getting the same kind of budget allocations they did, is what I heard.
- ❖ Also, on Slide 12 (“Now What?”), I totally get it – I think we need to be on the same page for advocacy, and to that end, I know the March 7<sup>th</sup> Advocacy Day is really important to the system. I also know that many of the student groups such as CSSA, ASI, the campus Senate in April is going to follow up and reinforce the same message. Do you know what the talking points are?
- ❖ **DOMINIQUE CANO-STOCCO** → We’re almost done with the talking points and we’ll share them with everyone. They’re generally about making the case for the budget ask, because we have to try to keep them focused on why this needs to be funded before anything else. The vast majority of the talking points is related to this and you’ll see a lot about what the potential negative impacts will be on student success, if the budget went down, because the student success initiative is so important to the State.
- ❖ We’ll talk about what happens when you don’t fund mandatory costs. We also like to talk about the infrastructure impact of not being funded by the State year, after year, after year, and what that does to the educational community. We may not focus on the compensation piece that much this year because we passed some of those hurdles. Our focus depends on the year.
- ❖ We do include students in our advocacy, depending on what we’re doing on a given day. In March, we invited a representative of Associated Students to come with us, and we did the same for DC trip. I talk with them on a regular basis to share the same budget information, and also to let them know they’re free to do their own advocacy, but we should try to the best of our abilities to speak with one voice. This year will be more difficult because students will be concerned with the possibility of a tuition increase, as this was on the Trustees agenda as an informational item. When we meet with our legislators, we’ve agreed on what we’re going to talk about, and that all of this funding helps the students.

- ❖ I also try to bring different voices from our campus community to do advocacy so it's not always the same. Often there's a focus on alumni when going to Sacramento to talk about the budget, but depending on the year, I may want to invite the legislators to come to campus to see the status of our facilities and have the students here. Perhaps have Jennifer Summit too, if she's available. We've had several years of one-time funding for the Graduation Initiative so legislators can hear Jennifer say "this is what we've done with it, but this is what we can't do, if this doesn't continue". She's the most important person in the room at the moment, so I try to move the messenger. Next year I might ask Luoluo Hong, or invite someone from Jason's team. There's different ways we try to include the whole campus community in our advocacy because that whole, holistic voice is what the legislators need to hear. Does that make sense?
- ❖ **DARLENE YEE-MELICHAR** → It does. May I ask a follow up question: when we do the advocacy, is it more beneficial to do it in Sacramento, or in the districts where our legislators are based?
- ❖ **DOMINIQUE CANO-STOCCO** → I was just having this conversation with Robert. The budget experts are in Sacramento, so this is why we're going next week, to start the budget conversations. It's always important to meet with our legislators in the districts, but the elected officials break down how they treat their constituents based on expertise. Sacramento: legislative focus, budget focus. In the districts, they focus on constituency services, and they'd be interested in the campus master plan. So if I wanted to talk to them about things we're doing on campus, then a district office visit is helpful. If I wanted to talk to the budget expert in Ting's office, it's Sacramento. We decide where we are in the year, what the topic is and which office is best to meet with.
- ❖ **DARLENE YEE-MELICHAR** → Thank you very much.
- ❖ **ROBERT NAVA** → Thank you, Dominique. Great questions and good feedback on the presentation. One item we know is that K-12 always gets more of the budget share because of Prop 98; they're mandatory, and we're discretionary. Higher education corrections are part of the discretionary piece, so that's why the advocacy is so critical. The other item I wanted to share, as Dominique was saying, I think our most powerful message this year is going to be on the Graduation Initiative, that's what the legislators are really focused on, and we have actual metrics that we can really zero in on. We have a great story to tell on our campus, so that's going to be a key part.
- ❖ This is a personal opinion I'll share with you: in terms of our Statewide advocacy efforts, I think they're very weak, and disorganized, in my opinion. Not all the campuses engage in advocacy efforts

in Sacramento, our campus has a long history of doing this and I think we do it very well. If there was a way, frankly, to have the Chancellor's office really get the campuses, and this may not be the best term, "in line", on advocacy, they would have such a powerful voice in Sacramento. We are 23 campuses, it is a little bit, like the old saying, "like herding cats" on this issue, and we've seen that in the past where Presidents are invited to go Sacramento for advocacy, but maybe only 1/3 of them show up.

- ❖ Your point is a good one, Dominique: I think legislators want to hear from students, frankly, and they want to hear from faculty, and then the administrators are last. Dominique and Noriko have established district maps for every legislator in our delegation that breaks out what the district is, how many students we have living in his/her district, how many alumni and employees, both faculty and staff. It's very powerful and it's true that advocacy is important in Sacramento, but I would say it's important in the districts too, because at the end of the day, we know that politics is local. We want to be able to explain to the members and their staff in the district offices, "this is the impact San Francisco State has in *your* district, member, and that's why you need to pay attention to what we're saying".
- ❖ As President Wong knows, and the Provost - when we've been to Sacramento, it's a revolving door; they'll take 5 minutes, the President talks about the issue, and they say "thanks very much" and take the next group waiting outside. I'm not sure if you've experienced it. In the districts, we can focus much more in depth and details. As Dominique says, to bring the legislators on campus so that they can see our facilities, speak to our students, hear from our faculty members, it's the most powerful way to do this. There's a key role for alumni and parents, and that's one of the projects that Caitlin and her team are rebuilding our alumni advocacy program as well. So there's definitely lots of work to do.
- ❖ **SHELDON GEN** → One of the recommendations from the Academic Senate's Budget Transparency Report last year in a resolution that passed last fall was a greater understanding among the campus stakeholders of the broader statewide budget process in which our budget exists. I think this is a great window through, that it's a request to have this available, posted next to the budget book that Elena just completed.
- ❖ **DOMINIQUE CANO-STOCCO** → I'm happy to come and speak with folks because I think even when it's just n a PowerPoint, my job is to try to provide prospective because folks don't know why

I'm less concerned in January than I am in May. I will be happy to talk with any of you and answer those questions, to give prospective. Thanks for having me here today.

**Agenda Topic #4: Enrollment Update (Sutee Sujitparapitaya, Assoc. Provost, Institutional Analytics, Academic Affairs)**

- ❖ **SUTEE SUJITPARAPITAYA** → Thank you, I want to give you an enrollment update. (See slides p. 21-23 in presentation). For 2017/2018, as you know we still have Spring 2018 to go for one more week before census, which is a couple weeks from now. Move on to what's going to happen for 2018/2019. First day of class is a milestone for ever semester. If we look at the first day of class for this semester, it's coming ahead of what happened last year, but not a lot. The headcount is about 72 translates into nearly 200 FTE, so we're ahead of last year, but the new students not so good. Look at overall by year for the new student and then I'll move onto overall. For the new students, because we have such a good fall semester with new students, it brings up this year for FTE 18% for CA residents than last year. Same thing with next two – transfers, 13% increase for CA residents and approx. 17% for grads. New grad students is a very small number so only about 70 students for an increase of about 7%. Non-resident is a different story - we haven't done very well for non-residents. You look at it overall, this what I showed you earlier, is new students. This is FTE overall. What we project we have about a week or so to go for Spring 2018. Between the first day of class to census, the FTE increased about 5%. So I accounted for 5% projected what is going to come in, and then bundle it with Fall semester, so I expect it to come in just at the Chancellor's Office target, which is a big job when you look at the trend. We increased 3.8% CA resident in one year which is good work. Non-residents is not so good, and it's not looking good for this coming Fall either.
- ❖ **LUOLUO HONG** → I always appreciate your enrollment updates, Sutee, so thank you. This discussion came up in the Strategic Enrollment Task Force so I thought an important point to note is the comparison between Spring 2017 and Spring 2018 on our new students. Keep in mind, Spring is largely incoming transfers; very few FTE are admitted. If you recall last year, we as a collaborative effort, engaged in a gargantuan push to get our Spring numbers up so we could balance out our Fall, as that was not a good-performing Fall, so that we could try to get our resident FTE enrollment. We all acknowledge we made some short-term decisions that are not sustainable, and did not necessarily sustain those practices and repeat them coming in. For example, if we compared Spring 2018 to

Spring 2016, it would be a little more in line, so 2018 is a bit odd and I just wanted to share that, because it's an anomaly that would not explain very well here.

- ❖ **SHELDON AXLER** → For some of those years, Summer was State-supported, and some of those years it was not -- has that been accounted for in this?
- ❖ **SUTEE SUJITPARAPITAYA** → If I recall correctly the first year we had Summer on State-support included was summer 2015.
- ❖ **SHELDON AXLER** → Right, so the point I'm making is if you look at the increase from the bottom until now, it's worse than we thought, because that includes Summer, where previous years did not. In other words, if we look at the beginning point and the end point, it looks like we've just come up to where we were in 2007 and 2008, but that's not the case. These aren't comparable numbers, because of the way Summer is treated.
- ❖ **SUTEE SUJITPARAPITAYA** → Good point. Prior to 2015, Summer did *not* get included and currently, for the last two years, it does include Summer.
- ❖ **SHELDON AXLER** → Right, so it's not really a match.
- ❖ **SUTEE SUJITPARAPITAYA** → Summer is a very small number, and annually you divide that by two, but still, your point is well taken.
- ❖ **SHELDON AXLER** → How much is that about? About 1000? It's significant on that graph.
- ❖ **SUTEE SUJITPARAPITAYA** → About 2500 FTE, divided by two so over 1000 per semester.
- ❖ **SHELDON AXLER** → Yes, it reduces it down quite a bit.
- ❖ **SUTEE SUJITPARAPITAYA** → That's true.
- ❖ **SHELDON AXLER** → I just think we need to be careful when we say we're back to where we were.
- ❖ **ANDREW HARRIS** → I'm looking at the different scales of these two graphs, or rather similar scales as they have very different numbers, and it brought back a question I asked VP Sherman last year. We have a decline in non-resident tuition/students, and you said it's such a small number it's not that significant. Are we at a point now where it's becoming significant? It looks terrible on the graph, but in actuality, does it wash out?
- ❖ **ANN SHERMAN** → One of the things that we're starting is to see what kind of financial aid is offered for In-State students vs. non-residents, so the question is, what's the impact of that, and we don't have that answer yet.
- ❖ **SHELDON AXLER** → At least \$3M

- ❖ **PRESIDENT WONG** → I think we're at about 4½% international students, not counting out-of-state. Schools of our size nationally are about 10%, to give you an idea that we're way below. Keep in mind we do very little recruiting in neighboring states. We're not visiting Washington, Oregon, Nevada or Arizona at all, so that represents a gap, but also an opportunity.
- ❖ **LUOLUO HONG** → I think Andy's bringing up a good point, and perhaps at a future date, given the mission that we've approved for this body, that's something to think about is how to strategically set a plan for what targets we have internally. We have a plan for international student recruitment. International students are the bulk of our non-residents students. We've talked about our out-of-state domestic non-residential students and some of the challenges we have in staff for out-of-state recruitment; what is the level of investment we're willing to make up-front as an institution to get a return on investment, and we need to have a common shared understanding of that. It can't be simply that we ask teams to go out and they have no resources to do that with, but I think that's a universal decision.
- ❖ **MARIA MARTINEZ** → We actually started to engage with some of our neighboring states; Washington, Oregon, Nevada this following recruiting cycle, so we hope it will yield some additional numbers in the next few years. The other thing we're doing in Enrollment Management is exploring participation with the Western University Exchange (WUE), so in fact you might see a proposal going forward to engage with that. That is an attractor to students from 15 other states, so we hope that will yield fruitful for SF State.
- ❖ **SHELDON GEN** → I know this is a budget committee so we're looking at these students based upon their tuition rates, but we have a mission to develop the California labor force and I understand that CSU, as a system, is turning away qualified high school applicants from California. I guess I'm asking why this is bad. If the decline in non-residents could come at the benefit of more California students coming in, and also in light of the UC recently getting a slap from the Governor for taking in too many international students, how does that mission part fit in?
- ❖ **PRESIDENT WONG** → The pros are here, but let me offer you a guess from the President's office. Even though the CSUs turn away 22,000 eligible students, the issue is getting them here.
- ❖ **LUOLUO HONG** → I think that's a really good question – that's part of what we need to decide as a university: what are the trade-offs. In general with a good strategic enrollment management plan, we couch that as “both /and”, as opposed to an “either/or”, so what's the *optimum* number of non-residents that meets other goals. This isn't necessarily the case for us, although we *could*, for some

of our student communities, but some campuses look at the non-resident to address issues around non-diversity. It's different for every campus.

- ❖ Then, there is that element of your fiscal health, and what are your financial targets you're trying to meet. There is something to be said about increasing non-residents and minimizing subsidies for that, so you could then create some opportunities for other investments that benefit *all* our students. I think that's an important question and having to engage in that, in order to get to what is our cost benefit and the trade-offs we're willing to do. I think it's definitely an important question.
- ❖ I do want to clarify that you're correct; there's been a lot of publicity about CSUs turning away qualified students, but I'm happy to say SF State was not one of those campuses that was cited for doing that. We've been pretty good in making sure that students who are eligible in our local area are in fact, admitted. We are proud of that and we have to sustain that it carries, and it's certainly easy to lose our eye on it.
- ❖ **SUTEE SUJITPARAPITAYA** → That's a good segue for my next slide (pg. 24 in presentation). If you look at 2018/2019, and right now for the Fall 2018 applications, it doesn't have credential or grad apps because their deadlines go all the way for June 1<sup>st</sup>, for some programs. When you look at undergrad new students, FTF which is the first slide, you'll see that FTF applications increased about 2% compared to last Fall, but transfer students dropped 34.5 % overall.
- ❖ We also get redirects from other campuses. Last year we got about 8200 transfer applications coming in, but that was the first year. Some of them may not qualify as redirects, but this year the Chancellor's Office put more focus on the redirect process, and we'll expect some to filter down to us much less than last year, so I didn't include that in my projection for 2018/2019 because we don't know what's going to happen. The yield is not very high – it's less than 2% but it still counts with 100+ FTE.
- ❖ **ANDREW ICHIMURA** → I just want to make sure I understand what you're saying, because I'm feeling a vertigo that I get when I see that kind of a drop. It's completely false at this time, right? It's too soon to say there's a financial problem, right?
- ❖ **SUTEE SUJITPARAPITAYA** → That's correct. Usually my projections change over time as I get more information I make adjustments, but I'd rather be a little pessimistic than optimistic, because it's better to under-promise than over-promise. So in this case, I don't know how many redirects there will be, so I don't include any in the graphs. It might be 8200 again, but it's a new process so maybe half of that.



- ❖ **LUOLUO HONG** → Sutee, can I add to that please? Andy, you are right in that the other exasperating factor to this year is CalState Apply. So we frankly will not know until time goes on how much of this noise is real, and how much is because of all the delays and problems getting data loaded into the system for us to count. We're going to track that and Maria, along with Nish and all his folks who are just trying to breathe and get oxygen into their system because lately we heard that uploading ACT and SAT scores was problematic, so we have a bunch of students that show up as incomplete applications when that may not be the case.
- ❖ The 2<sup>nd</sup> thing I think is important to note that as a campus in general, we've been able to produce relatively robust application volumes. Our challenge has always been the loss of students in yield. Regardless of your application numbers, what we want is to admit the right students who are a match for SF State who have the capacity to be successful and enjoy it here, so that when we offer them admission, they come to SF State and persist through, so it's important to attend to the entire pipeline, and you are correct at this point in the game it's just far too early to start looking at the rest of that funnel, if you will, for our students.
- ❖ **PRESIDENT WONG** → If I could share a story from the President's office. This coming Fall will be the 2<sup>nd</sup> year of the deployment of free tuition at City College. Their credit-bearing increase midyear was nearly 18%, so the question is how much of that 18% would have been students who came here. Usually during the first year of deployment you don't worry that much, but when you get into the maturity of the programs in years two and three, then you start getting a better handle on how many students said to themselves, theoretically, "I'm a pretty good student and I'm going to pick up a lot of my GenEd for a whole year for free, and then I'll make a decision about transferring." That is a big question mark, along with what Luoluo was proposing, as we move forward. Now, all of a sudden, we hear the whole community college system is contemplating one year free tuition, and that's a huge issue out there on how that might or might not affect us. We might gain it later on, but that's a big question as well.
- ❖ **SUTEE SUJITPARAPITAYA** → So let's assume that we come in quite lower for transfer students and 2% higher for freshman, and credential and grad students are the same as last Fall - If all assumptions hold true, we'll come in 2.2% below the Chancellor's Office target and now we're going backward for California residents, and for non-residents, it's just another year of decline. We'll keep everyone posted - this is 8-9 months ahead of the Fall semester enrollment, and we'll have adjustments by then.

- ❖ **ANDREW HARRIS** → To link this back to our previous conversation, then the 2.2% decline in California residents are if *none* of the redirects show up. That's the assumption?
- ❖ **SUTEE SUJITPARAPITAYA** → That's right. The Spring 2019 semester is relatively the same as Spring 2018.
- ❖ **LUOLUO HONG** → So it's not a 2.2% decline, it's that we're short of the Chancellor's Office target by 2.2%?
- ❖ **SUTEE SUJITPARAPITAYA** → It just turns out to be the same, because this year we came in right at the Chancellor's office target.
- ❖ **SHELDON AXLER** → I want to come back to the non-resident topic. As we just approved the charge to give advice, I have some advice. Years ago, they paid about \$10K more, probably more now? About \$10K - \$12K. If you look back 10 years ago, we're down about 300, and that's about the \$3M it's costing us we discussed. But suppose we cover that 300, say we go up another 700 – that's 1,000 total, then we're still well under the percentage you gave for universities of our size, well under, without being \$10K-\$12K more.
- ❖ To me I think we ought to do that, make it a priority for a couple reasons: particularly for international, lots of universities are trying to increase their international enrollment for exactly the same reasons, but we need to look at our competitive advantages. They can go anywhere in the world, any CSU, but we're San Francisco. They're not going to recognize Bakersfield, Northridge, or Fullerton. So we have a huge competitive advantage here – a head start for getting those international students. We don't want to turn away any local students that qualify, but if we can get this \$10M-12M extra, and find a way to do it, it helps *all* of our students.
- ❖ It also helps academically, as someone who teaches math classes. One or two international students in a math class tend on the average, with exceptions, to be really good students, and it helps raise the level of the class which is good academically for *all* the students of the class. My advice is we try to recruit more international students.
- ❖ **JENNIFER SUMMIT** → Another variable that Sutee and I have been discussing, but it's also really important to put on the table, is retention rates. We don't, and won't yet know what our retention is from Fall to Spring but that makes a big difference in and then from Spring to Fall but that makes a big diff in our overall enrollment, so it's important we think of enrollment not only as new students coming in, but also the continuing students. All of our work with the Student Success

and Graduation Initiative has really been focusing on things that we hope should make a difference for retention, so that's something we're working on.

**Agenda Topic #5: 2016-2017 Audited Financial Statements (Jeff Wilson, AVP Fiscal Affairs)**

- ❖ **ANN SHERMAN** → Thank you, Sutee. Next, typically I ask Elena to talk about what's happening with the budget. Now I've asked Jeff, our AVP for Fiscal Affairs, to talk about what happens we spend the money that we plan to spend.
- ❖ **JEFF WILSON** → Thanks, Ann. I'm happy to share information with you about the CSU's 2016/2017 audited financial statements that were just approved yesterday by the Board of Trustees, so this is about 6 months after the beginning of the year. (see pg. 29 in presentation).
- ❖ Ok, so just a brief overview of how the audit is conducted by KPMG, our external auditor. They have standards for their audits, and they audit our financial statements against Generally Accounting Principles (GAP), and that ensures a certain level of objectivity in their audit. I'm going to jump into the main components of the financial statements for the sake of time rather than going into a lot of detail. You were provided with the Illustrated Guide and there's more details there.
- ❖ The university's assets decreased from about \$797M in 2015/2016 to \$781M in 2016/2017. That's primarily related to a decrease in long term investments and endowment investments offset by an increase in the university's capital assets, so a main part of that is Mashouf. We had a lot of cash in 15/16, then we spent it in 16/17.
- ❖ The university's liabilities or future commitments made against our resources increased from 15/16 to 16/17 and that's primarily due to an increase in our net pension liability. You'll hear me talk about pension liability in this presentation – that's a huge part of our liabilities. That is what it sounds just like - the liability for our employee pensions and post-employment retirement benefits. This shows our net position also decreased – both 15/16 and 16/17 have negative net position, and this is directly related to the pension liabilities.
- ❖ Now we move into the income statement. Operating revenues slightly increased by \$4M from 15/16 to 16/17; this was primarily due to an increase in sales of auxiliary enterprise services and a slight decrease in student tuition and fees. Operating expenses increased by \$34M, and that was primarily related to increases in instruction, institutional support and the underlying cause of that was payroll cost, which make up such a large part of our expenses that anytime you see a shift, that's where the change is related. Non-operating revenue, this is where the state appropriation comes in, it's just an

accounting requirement to put in non-operating revenue, decreased slightly and that was primarily related to a decrease in gifts and financial aid, offset by an increase in state appropriation.

- ❖ So, brief overview of the financial statements, and now I want to take that information and give you a conceptual overview of the university's financial health, and I'm using the composite financial index methodology developed by KPMG and advanced by NACUBO. It takes 4 ratios listed here, and it creates the CFI with a range between -4 and 10, and 3 indicates financial health, so keep that in mind.
- ❖ The primary reserve ratio answers the question: "Are our resources sufficient and flexible enough to support the university's mission?" It divides our expendable net assets by total expenditures to calculate a ratio, so you can see our ratio is 21% and the benchmark is between 20-40%, so that tells us that our resources are sufficient to support the university's mission.
- ❖ Viability ratio: "Are debt resources managed strategically to advance the university's mission?" This one, the benchmark is 1.0 and we're at .38, so if we were a private standalone institution, this would probably be concerning, but as a public institution part of the 23 campus system, a state agency, our access to debt or to the financial markets, it's broader, it's not just based on our individual performance, so although this is low, and it should be pointed out, I'm not as concerned about it.
- ❖ Return on net assets ratio: "Does asset performance and management support the University's strategic direction?" This divides the change in net assets by total net assets. We had a negative change in net assets, so that puts us at a -3.5 vs. a benchmark of +3.4%. This indicates we should contain costs or find ways to increase revenue, because we're spending more than we're bringing in.
- ❖ Finally the net operating revenue ratio: "Do operating results indicate the university's living within its available resources?" Once again, we're at -2.6 vs the benchmark of +2% to +4% and it goes back to either increasing revenues, and containing costs, in order to not have a negative operating income.
- ❖ **LUOLUO HONG** → Was this done across all fund sources?
- ❖ **JEFF WILSON** → Yes this was done campus-wide.
- ❖ **LUOLUO HONG** → So you would include places like University Housing, Residential Life, etc.?
- ❖ **JEFF WILSON** → Yes.
- ❖ So do we get our CFI? You can see that our number is .32 so it's positive, which is good, but it's below the threshold that would indicate financial health. I want to make two points about this: First, context is very important, going part of this system and being a state agency. We have a financial

foundation that assures us of a certain level of stability. Second, I would say that there are opportunities to either contain costs, increase revenue, or both, to increase each one of the proceeding ratios as well as the CFI.

- ❖ Going back to context, we are part of the system and we are a state agency, but on the other hand, that's not an excuse to ignore the direction that some of these ratios are pointing. Any questions?
- ❖ **PRESIDENT WONG** → I talk with a couple Presidents, particularly from big campuses, and there seems to be a sense that the larger you are in the CSU, the less support you get because of the marginal funding model. For example; Fullerton, Long Beach, Northridge, that curve wouldn't be too different, so I'm trying to allay some fears. If we were funded proportionally to the small campuses, that tailspin would go up, and that's the effect of inequity within the CSU system.
- ❖ **JEFF WILSON** → I would agree with you and I'd say that rather than coming in with drastic changes, like slashing anything, I would characterize the changes we need to make as "tweaks". For instance, San Jose State's pension liability is \$40M less than ours, so what that tells me is they have fewer new employees, because the university pays a higher rate for newer employees than older employees.
- ❖ **PRESIDENT WONG** → If you look at the transformation of our workforce, since 2010, 2012, it's been dramatic and we've also tried to pay appropriate salary adjustments in that position.
- ❖ **GENE CHELBERG** → I'm not sure if it's still true, but used to be San Jose State did not employ their adjunct program staff and faculty stateside, and I'm sure that also contributed to that as well.
- ❖ **LUOLUO HONG** → So what is the takeaway here - don't hire more people?
- ❖ **NANCY GERBER** → Keep the people we have.
- ❖ **PRESIDENT WONG** → We're one of the few of the large campuses without division one of sports, and the division one sports programs are funded funny, whether you're SLO or SDSU, and arguably, that influences how you hide costs or expenditures, for example. The impact of sports is an interesting issue. Robert and I always talk about the fundraising tier system the Chancellor uses; we're in the top producing tier, and we're the only one without division one sports. You have to be cautious about that dip to understand what to worry about but your recommendation is real; contain costs, hold onto people. Thank you for this – it's enlightening.
- ❖ **ROBERT NAVA** → I thought I'd share from an Advancement standpoint. You were saying you were also factoring auxiliaries into this equation – the SF State Foundation is evolving and it's a relatively young foundation. One of our goals is to grow our endowment to \$100M by 2020, and

we're about at \$87M now, but in some of the discussions I've been having with the executive committee of the Foundation Board, we're looking long term, out to 2030, and setting a target that our endowment should be about \$300M at that point. Getting to that is the base of our state operating budget. Let's assume for now that its \$150M year that the state gives us approximately, we should at least double that. It's just one point that the association governing board recommends. The other item is in terms of our annual fundraising, which we ask to the Deans, the President, and the Provost to help - we're trying to increase our fundraising every year which we should be about \$25M a year that we're generating for scholarship or other endowed programs, etc. From the Foundation and Development standpoint, we are positioning ourselves to help strengthen our position into the future. Our endowment is never going to cover operating costs, it just won't, but the return on the margin of funds in terms of excellence, and those funds help augment the work of the faculty and student scholarship would. Just wanted to share that.

**Agenda Topic #6: Science Building/renovations (VP Porth)**

- ❖ **ANN SHERMAN** → So we're at the end of our time. Jason, would you be willing to extend your item until the next time we meet?
- ❖ **JASON PORTH** → Of course.
- ❖ (Postponed until next meeting)

**Agenda Topic #7: Open Forum; Ten minutes, 3-minute limit per speaker**

- ❖ (No speakers present)

The meeting adjourned at 3:30pm.

**Upcoming UBC Meetings for 2017/2018:**

- April 6, 2018
- July 10, 2018