

7.1 Financial Stability: the next 7-10 years

California State University San Marcos (CSUSM) is a financially stable institution with a demonstrated commitment to ensuring a viable future for our campus and our region. As an increasingly high-demand campus, CSUSM has continuously exceeded enrollment targets and is recognized as a place where students want to learn. Since Fall 2009, enrollment has increased by 24% from 9,767 to 12,155 in Fall 2014. CSUSM is so highly sought after by students that it is anticipated that the University will continue to receive yearly enrollment increases to the enrollment target; however, the enrollment increases will not be sufficient to meet the demand. With flat state-support budgets for several years, meeting this demand poses challenges. The AY 2013-14 base budget included an additional \$2.85 million collected in Academic Excellence Student Success Fees (AESS), and an additional \$1.15 from self-support programs offered through extended learning. The AESS fee is a mandatory fee required of all students to enroll or attend the university. The fee supports three priorities: adding sections for high demand courses, expanding library hours and resources, and enhancing student academic support. Together, these non-state-funding sources totaled \$3 million dollars, or approximately 2.4% of the university's approximately \$125 million base budget. Unless otherwise stated in the following sections of this report, all figures refer to base funding rather than one-time funds.

Various factors contribute to the University's financial picture and prudent planning processes have made it possible for CSUSM to manage the various budget reductions over the past few years as well as plan for the future. For more than 20-years, the University Budget Committee (UBC), which serves as an advisory body to the President and Executive Council, has existed to create a consultative process for developing recommendations regarding the allocation of incremental increases or decreases to the annual operating budget. The UBC follows a strategic budgeting approach to align resources with the mission, vision, and goals of the University. Through this planning process, the University promotes fiscal prudence, responsibility, and transparency. It takes a multi-year approach to ensure good financial stewardship over a span of several years. To assist with planning, the University Budget Office developed the Multi-Year Budget Model to project operational resources and commitments over a three-year period. Using this tool, the university is able to plan for potential deficits to ensure the university is able to cover financial commitments and remain financially stable if state support or fee revenues are not received.

The University continues to maintain a strong financial outlook for the future and financial audits have not shown any material weaknesses. In 2011/12, the financial reporting requirements for the CSU system and its campuses changed, eliminating the requirement for campus stand-alone financial statements. Instead, the statement of net assets, statement of revenues, expenses, changes in net assets, and statement of cash flows of each campus are included as an addendum to the annual system-wide audit. In 2013, the CSU's Bond Rating was upgraded to Aa2 by Standard and Poor's (S&P) Rating Services, which reflects the on-going improvements in operating performance and good fiscal policies in place at the CSU and a positive outlook for the university.

Additionally, legal mandates require cash trust projects to record financial transactions on a cash basis and demonstrate a positive cash flow balance throughout the fiscal year. Fiscal Services and the University Budget Office monitor these to ensure compliance with the regulations. Through the University's core processes, leadership, and prudent planning, CSUSM will continue to be financially sustainable over the next decade and beyond.

7.2: The University Budget Committee and the CSUSM's financial condition

The University Budget Committee (UBC) includes senior University leadership, faculty, and staff representing all divisions of CSUSM. After several years of state and system-wide budget crises, by FY 2013-14, the members of UBC engaged in a more-forward thinking, less reactive process to review

divisional reinvestment categories within the framework of the University's strategic priorities and budgeting principles given the improved state budget. UBC prepared a document reflecting the ranking of funding priorities with the discretionary dollars that might be available for FY 2014-15.

Accreditation, assessment, compliance and regulatory items that are at the top of the list reflect a common thread amongst the voting members that these are initiatives of high priority and should be funded accordingly.

Looking ahead, the Committee recommended the following:

- Revisit paying off the loans associated with the Technology Refresh Program (<http://www.csusm.edu/fshd/support/refresh/index.html>) and transition to a pay as you go system. This should be carefully reviewed with a holistic approach, including a cost benefit analysis and in relationship to the other funding priorities that will come forward from the divisions.
- The University's permanent reserve is \$475,000, which is less than 1% of the total University operating budget of \$125M. It is recommended that the UBC review reserves next year and based on availability of funds, incrementally rebuild reserves to a prudent level for unforeseen emergencies and exigencies.

UBC also provided incremental funding recommendations for activities that fall under government regulation, CSU contractual obligations, or CSUSM campus directives and are noted on the most recent multi-year budget model for FY 2014-15.

On May 1, 2014, President Karen S Haynes accepted the budget recommendations.

7.3 Aligning financial allocations with strategic goals

In fulfilling its mission, CSUSM is guided by five strategic core values that support its strategic plan. They include academic excellence, student life and leadership, diversity and educational equity, community partnerships, campus climate. Academic Excellence encompasses the intellectual pursuits of the University and includes instruction, instructional research, and instructional support. Student success involves support and services for both curricular and co-curricular pursuits. Diversity and educational equity ensures a rich institutional experience in which students, faculty and staff from as broad a range of experiences and backgrounds as possible have access to opportunities to benefit from and contribute to the life of the University. As a [Carnegie designated community engaged university](#), CSUSM reaches out intentionally and strategically to all the communities it serves, from underrepresented students to tribal neighbors to military establishments to health organizations to the business community to create partnerships that help address the region's most critical issues. A positive campus environment provides a safe and welcoming environment in which the pursuits of the other four pillars can flourish. Table 7.1 provides examples of programs, initiatives, and activities related to each of the five values:

**Table 7.1
Programs, Initiatives, and Activities**

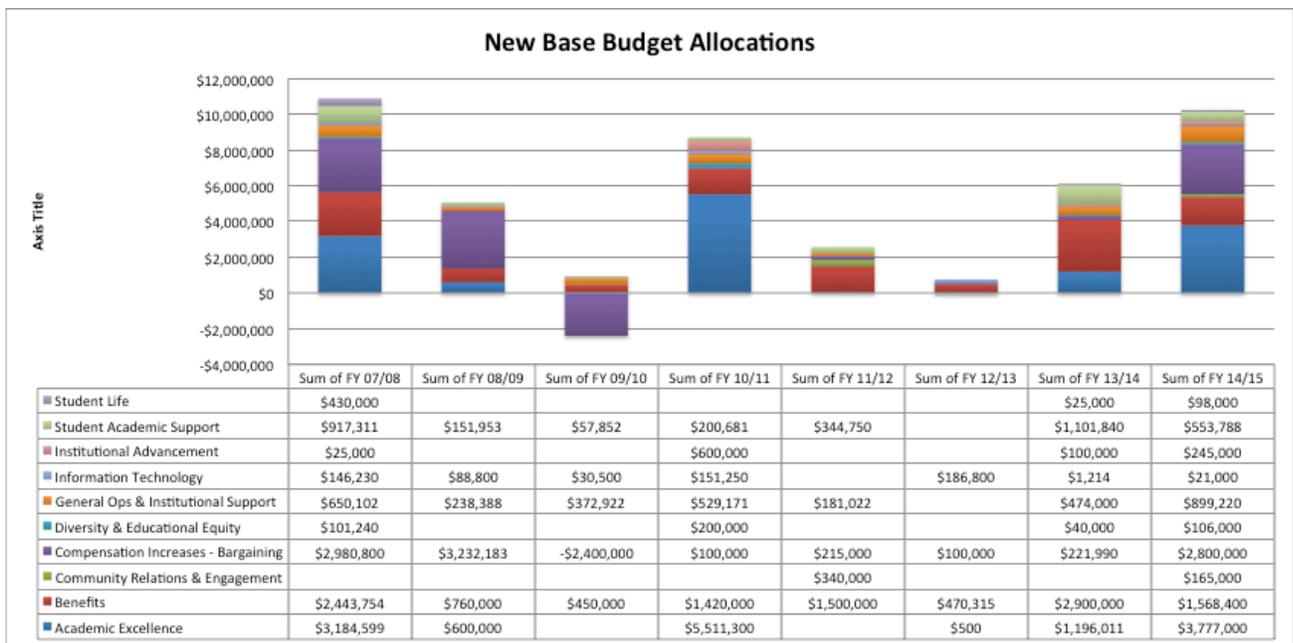
Core Strategic Value	Programs, Initiatives, and Activities
Academic Excellence	Maintaining a robust faculty through recruitment and faculty development. Providing equipment to ensure lab safety Acquiring electronic library materials Supporting Graduate Studies Academic Excellence Student Success (AESS) Fee Opened the Social and Behavioral Sciences Building
Student Success and Student Life	Facilitating Graduation Initiatives Creating Learning Communities Offering Supplemental Instruction Supporting First Year Programs Providing Service Learning Opportunities Undergraduate Research Naming a Dean of Undergraduate Studies Hiring Executive Director University Corporation Supporting the Co-Curricular Model Opening the Student Union Funded by Student Fees Opening the Center for Families and Children Opening of Student Health Center Opening of Quad Housing – Funded through University Corporation
Diversity and Educational Equity	Hiring a Chief Diversity Officer Engaging in Diversity Mapping Establishing a Tribal Liaison Achieving Hispanic, Asian American, Native American, and Pacific Islander Serving Institution Status Implementing Social Justice Initiatives Opening the Gender Equity Center and LGBTQ Pride Center
Community Partnerships	Creating a Division of Community Engagement Pursuing Engagement Scholarship Maintaining a Legislative Liaison Bolstering Advancement Infrastructure for Philanthropic Support Establishing the Center for Palliative Care Opening the Temecula Campus
Campus Climate	Establishing the Leadership Academy Continuing Campus Connect Program Strengthening Campus Safety and Risk Management Functions Instituting the Civility Campaign http://www.csusm.edu/civility/

The University’s core values drive the university’s budget decisions. Along with funding its general operations, including the physical plant, investments in technology, and meeting its salary and benefits obligations, these five strategic areas represent major portions of the University’s annual base budget allocations. New Base Budget allocations, from fiscal 2007-08 through fiscal 2014-15 are shown in Table 2 according to these categories. They are exhibited graphically in Figure 1.

**Table 7.2:
New Base Budget Allocations 2007-08 through 2014-15**

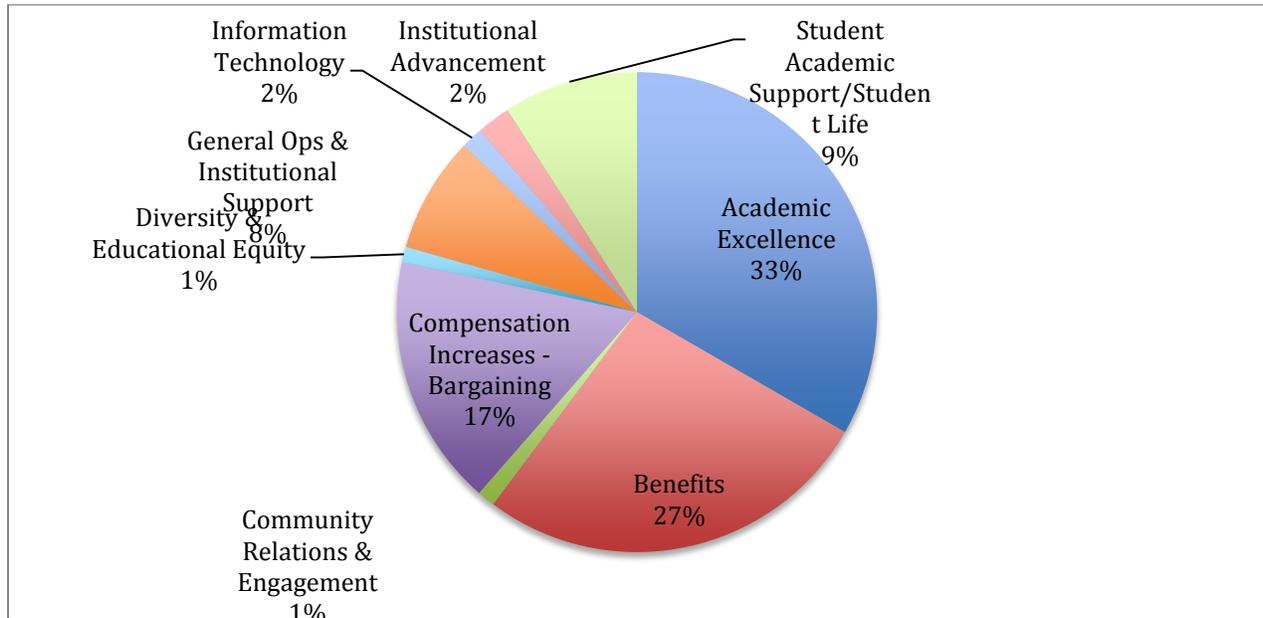
Row Labels	Values								
	Sum of FY 07/08	Sum of FY 08/09	Sum of FY 09/10	Sum of FY 10/11	Sum of FY 11/12	Sum of FY 12/13	Sum of FY 13/14	Sum of FY 14/15	Sum of Grand Total
Academic Excellence	\$3,184,599	\$600,000		\$5,511,300		\$500	\$1,196,011	\$3,777,000	\$14,269,410
Benefits	\$2,443,754	\$760,000	\$450,000	\$1,420,000	\$1,500,000	\$470,315	\$2,900,000	\$1,568,400	\$11,512,469
Community Relations & Engagement					\$340,000			\$165,000	\$505,000
Compensation Increases - Bargaining	\$2,980,800	\$3,232,183	-\$2,400,000	\$100,000	\$215,000	\$100,000	\$221,990	\$2,800,000	\$7,249,973
Diversity & Educational Equity	\$101,240			\$200,000			\$40,000	\$106,000	\$447,240
General Ops & Institutional Support	\$650,102	\$238,388	\$372,922	\$529,171	\$181,022		\$474,000	\$899,220	\$3,344,825
Information Technology	\$146,230	\$88,800	\$30,500	\$151,250		\$186,800	\$1,214	\$21,000	\$625,794
Institutional Advancement	\$25,000			\$600,000			\$100,000	\$245,000	\$970,000
Student Academic Support	\$917,311	\$151,953	\$57,852	\$200,681	\$344,750		\$1,101,840	\$553,788	\$3,328,175
Student Life	\$430,000						\$25,000	\$98,000	\$553,000
Grand Total	\$10,879,036	\$5,071,324	-\$1,488,726	\$8,712,402	\$2,580,772	\$757,615	\$6,060,055	\$10,233,408	\$42,805,886

FIGURE 7.1



Combining student life and student academic support into one single category representing the core value of Student Life, the pie chart in Figure 2 shows that nearly half the allocated base funds of the University budget support funds the initiatives represented by its core values. The other fifty percent funds University operations, salary and benefits, including the salaries and benefits of the faculty who deliver the academic programs to the students. The key below the figure explains some of the key elements included in each slice of the budget allocation pie.

Figure 7.2
Budget Allocations and Strategic Goals



Key

- **Student Academic Support** – Graduation Initiative, Enrollment Management, Financial Aid Advising
- **Academic Excellence** – Instruction, Faculty Salaries, Professional Development
- **Community Relations/Engagement** – Office of Community Engagement, Tribal Liaison
- **University Advancement** - Fundraising
- **General Operations** – Physical Plant and Equipment, Maintenance, Technology Refresh
- **Diversity and Educational Equity** – Hispanic, Asian, Pacific Islander Serving Institution
- **Benefits** – Employee benefits
- **Compensation Increases** –

7.4 IDENTIFYING AND ENHANCING STUDENT COMPETENCIES FOR THE FUTURE

Student success, as a major strategic initiative of the University, involves support and services for both curricular and co-curricular pursuits. As shown in Figure 7.2 above, the university has committed 9% of its total base budget to Student Success. The office of First Year Programs, now housed within the newly-created office of Undergraduate Studies is designed to prepare incoming students for success in college and beyond. Additional funding to support the pre-freshman CSU Early Start Program (\$88,000) has been allocated as well. The University supports the office of First Year Programs with an ongoing budget of \$20,000 for facilitating graduation and student success. Recently, the University established the office and appointed its first dean for undergraduate studies. The annual budget request for this office is nearly \$250,000. CSUSM students will be global citizens. In its efforts to globalize the student experience the University has invested in the recruitment of international students to provide more global exposure and diversity to the institution.

7.5 PROGRAM REVIEW AND COMMITMENT TO ASSESSMENT

The University remains committed to academic excellence for student success in the 21st Century through a process of continuous improvement through program assessment. This is achieved through investment in assessment at the university level, as well through external assessment via WASC and other accreditation bodies

Assessment

In recent years, the University office has committed \$100,000 annually to hiring two professional assessment specialists. One is housed in the Academic Programs Office and focuses on guiding assessment efforts across the University. The College of Education, Health and Human Services has hired its own Assessment Specialist focused on professional programs in areas including education and nursing.

An additional \$63,000 has been allocated to the formation of the University Assessment Council that includes administrators and faculty representatives of the Program Assessment Committee (PAC) and the General Education Committee (GEC).

Program Review

The University invests in faculty assigned time and stipends to ensure that faculty, who are responsible for curriculum development, have the opportunity to fully participate in Program review. As an institution built on the foundation of shared governance, the University funds \$20,000 to support two chairs of the Academic Senate's Program Assessment Committee (PAC), as well as \$10,000 to support the chair of its General Education Committee (GEC). The support is provided in the form of faculty assigned time. In any given year, there are some seven departments or programs undergoing periodic review. The University provides assigned time of \$5,000 to faculty from each department undergoing self study, for a total of \$35,000 annually. It budgets an additional \$750 for 26 departments at other stages of review, for an additional total of \$20,000

Assessment and Accreditation

The University has committed considerable resources to accreditation efforts to externally validate internal assessment efforts. Currently, the University invests \$77,000 annually in its WASC accreditation efforts. Beyond, the university has allocated \$97,000 in FY 2014-15 to support the College of Business Administration in its pursuit of AACSB Accreditation, and \$76,000 to the College of Education, Health and Human Services for professional program accreditations.

7.6 Maintaining focus on educational effectiveness

The multi-year budgeting process under which the university currently operates is a direct outgrowth of what was learned from the WASC accreditation of 2007. The guiding philosophy of the budget process is described as follows:

California State University San Marcos will engage in a consultative process for developing recommendations to the President regarding allocation of incremental increases (or decreases) to the annual operating budget.

The budgeting process:

- Aligns budget and resources with the University's strategic plan, mission, vision and goals,
- Provides a multi-year, all-funds plan that is reviewed and updated regularly.
- Reflects differences and varying needs across divisions and subdivisions,
- Promotes fiscal prudence and responsibility,
- Engages and involves the entire University community,
- Fosters communication,
- Promotes collaboration among divisions and subdivisions,
- Allows for uniform presentation of data and plans,
- Assures transparency in decision-making,

- Follows an annual calendar and timeline,
- Is fair, equitable and strives for no unstated assumptions, and
- Provides a way to evaluate and prioritize budget proposals from across the University for which there are limited resources.

Following these principles, guidelines and policies, California State University San Marcos has been able to focus on its strategic priorities even as it navigated some of the most difficult state budget crises since its establishment in 1989 as well as in the history of the state of California.

The following sections illustrate how, since the last WASC visit in 2007, the University has closely aligned its funding priorities with its strategic goals and institutional priorities, particularly as they relate to the meaning, quality, and integrity of degrees offered student learning and success, and processes for quality assurance.

7.7 CSUSM: A learning organization

In her 2013 Convocation Speech, President Karen Haynes characterized CSUSM as a learning organization “with the spirit, tenacity and wisdom to know that what we do matters even when the opinion makers may seem steeped in rhetoric to the contrary. We know that our work is important even when some may say that it costs too much and takes too long. The cost of not persisting would be devastating to this state and to our entire region.” The president characterized learning organizations that are committed to: investing in people and the work they do, innovation and adaptation, continuous improvement, and a shared vision for the future.

These characteristics map closely onto the university’s strategic priorities described as follows: California State University San Marcos is an academic community dedicated to the values of academic excellence, student life, a supportive campus climate, community partnerships, and educational equity. These core values serve as the pillars of the University Strategic Plan, and objectives are developed in support of these core values. The University Strategic Plan is a lens that guides strategies, actions and decisions. All campus strategic plans support the University Strategic Plan. These plans are dynamic documents that are reviewed and modified as new opportunities and challenges arise or as shifts occur in the priorities of The California State University (CSU) system; they are reviewed at least biennially. In addition, the University is guided by other types of strategic plans, such as the academic master plan, academic technology plan, physical master plan, etc. Each year the President’s Executive Council, with input from the Council of University Strategic Planning (CUSP) and other advisory groups to the President, reviews the University’s performance against its established objectives to evaluate progress, identify gaps, and determine the priorities on which to focus in the next fiscal year.

7.8 Global challenges, the future, and CSUSM’s response

In the twelfth Transatlantic Dialogue convened by the American Council on Education (ACE), approximately 30 college and university leaders from the United States, Canada, and Europe concluded, “Pressure for performance and demonstrated outcomes gives notice to universities that they cannot expect a return to the status quo” (Kinser & Hill, 2011, p. 2). To achieve better results, public higher education institutions must focus their limited resources on improving effectiveness and outcomes. Undaunted by the recession, undeterred by public criticism of higher education, and despite the reduction to state appropriations, CSUSM has stayed focused on its priorities and the important mission of the CSU. The CSUSM strategic plan, established by President Haynes a year after her arrival in 2004, built a vision for the future, addressed significant growth and improvement opportunities, and began to align budget and resources with campus priorities. The result has been a dynamic process that continuously aligns short-

term and long-range planning goals with enrollment planning, physical master planning, and budget and resource allocation. This plan also aligns with and directly links to system priorities and initiatives, and utilizes data extensively to track progress, stimulate dialogue, and identify areas needing additional focus.

The data and information are used to assess the impact and effectiveness of actions and initiatives, develop communications, and to construct the annual budget request to the University Budget Committee. The data also demonstrate the University's contributions to the public good and the public policy goals for higher education. The University has been a leader in improving public accountability for learning results. It was one of 17 institutions in the country to pilot the Voluntary System of Accountability (<https://www.google.com/search?client=safari&rls=en&q=voluntary+system+of+accountability&ie=UTF-8&oe=UTF-8>) and one of the first CSU campuses last year to adopt the Student Achievement Measure (SAM) (<http://www.studentachievementmeasure.org/>)

In 2012, the campus Executive Council recalibrated its measurable goals toward 2015. Keeping the focus on the priorities, not changing them, but rather identifying new and innovative strategies for achieving them has served the campus well through the economic downturn; through the lens of the strategic priorities, the campus can identify strategic and best use of resources, create strategic partnerships with industry or other government agencies, and continue to identify and develop alternative revenue streams.

The strategic enrollment growth model includes student mix, diversity, self-support programs, international students, dual admissions partnerships with community colleges, and online. The strategic growth model identified five themes, which included more students, more academic programs, more physical facilities, broadening the University's reach, and strategic and best use of resources. Each theme includes a number of high priority initiatives with defined linkages to the strategic plan and identifies any resources needed in each fiscal year for the next three years.