

Educational Policy and Resources Committee  
Report on 2015 Summer Revenue Distribution  
and

Recommendation regarding 2016 Summer Revenue Distribution Planning and future Summer  
Distribution Planning

Feb 17, 2017

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According to the CSUSB Senate Committee Book, the EPRC's duties include the following:

"The committee shall familiarize itself with the budget process, be informed of budget allocations at the divisional level, make budget recommendations to the President or designee. The committee shall review and recommend annually policies regarding the allocation of educational resources within the audio-visual service and computer services areas. The committee shall also act as a consultative body in matters regarding facilities planning. All recommendations shall be made to and approved by the Faculty Senate" (9).

This recommendation is made in pursuit of fulfilling those duties.

### **Background**

Beginning summer 2015, summer session moved to College of Extended Learning and is now administered through that structure, with the cooperation of the colleges and departments that offer classes in the summer program. This has allowed summer session to make more revenue for the university than when the summer session was administered State Side.

On January 21, 2016, an email message sent to Colleagues by the then Interim Provost Juan Delgado states that, of the "additional \$5.2 million,"

- \$1.8 million was returned to students in additional financial aid.
- \$1.48 million will be retained by the College of Extended Learning for their leadership and overall operating costs to manage summer session. CEL in turn will invest these funds in the planned capital expansion of the college, which will provide additional academic support space (classrooms and offices) to the university in the near future.
- \$1 million will be allocated to university divisions and the central fund, to cover the operating costs of providing services to summer students.
- \$800k will be allocated in additional funding to the colleges and academic departments, prorated by those that generated summer enrollment.

In response to questions from faculty, the EPRC began looking into the distribution of summer revenue in October 2016. These efforts have included two meetings with invited guest VP Doug Freer (10/25 and 12/6/2016). The 12/6/2016 meeting also included AVP Monir Ahmed, CEL Dean Karmanova, Provost McMahan, and members of the Senate Executive Committee. At each of these meetings, VP Freer supplied information in the form of handouts (Attachments A and B).

The numbers in the two handouts distributed by VP Freer are similar to each other but are different from the numbers in the Delgado email. Since the differences may reflect changes in the stages or styles of articulating their accounting, we will focus here on the data and information provided by VP Freer. We note that all data in the tables referred to in the commentary below are from the budget document provided by VP Freer at the October 25th meeting.

**Comments**

The EPRC wishes to make the following commentary on the distribution of 2015 Summer Session revenue.

1. *Cost recovery.* CSU Executive Order 1099 requires that cost incurred by the general fund that comes though state appropriation for the running of a self-support program should be recovered. As Table 1 shows, an amount of \$1,008,406 was allocated to cost recovery.

**Table 1: Cost Recovery**

<b>Cost Recovery Program Distribution</b>	
<b>15/16 Marginal Cost</b>	<b>Distribution</b>
Academic Support (04)	\$287,742
Student Services (05)	\$243,950
Institutional Support (06)	\$264,894
Operation & Maint of Plant (07)	\$211,820
<b>Total</b>	<b>\$1,008,406</b>

Table 2 (on next page) further clarifies what was included under each of the above categories. (The numeric designations in the parenthesis in Table 1 code to their constituent elements in Table 2.)

**Table 2: Cost Recovery Distribution Detail**

<b>14/15 Actuals by Prog Group</b>	<b>Distribution</b>
04 - Academic Affairs	\$255,422
ITS	32,320
<b>04 Total</b>	<b>287,742</b>
05 – President	6,186
Student Affairs	187,939
Academic Affairs	49,825
<b>05 Total</b>	<b>243,950</b>
06 - President	18,293
Student Affairs	7,869
Academic Affairs	20,020
Admin & Finance	83,714
Univ Advancement	38,309
ITS	96,689
<b>06 Total</b>	<b>264,894</b>
07 - Admin & Finance	211,820
<b>07 Total</b>	<b>211,820</b>
<b>Grand Total</b>	<b>\$1,008,406</b>

Our reading of the 2015 budget suggests that the cost recovered pertains only to human resources and only at the division level. Assuming that the \$211, 820 provided to Admin & Finance (Table 2) was not also intended to cover facilities (and based on the amount provided, we do not believe it was), then it appears that the university did not receive cost recovery for the use of university facilities (classrooms, office space, and utilities). There is also no indication that costs incurred by sub-Academic Affairs academic units—Academic Departments and Colleges – were recovered. (The EPRC has requested additional information, but has not yet received an answer.) More discussion of this follows, in Recommendation 1.

2. *Profit sharing.* Data supplied by VP Freer on Oct. 25<sup>th</sup> shows that summer session realized a net profit of \$1,514, 096 after all costs were deducted from the total revenue. Table 3 shows how profit was shared:

**Table 3: Profit sharing**

<b>Net Revenue Distribution</b>	<b>Total Incentive</b>
College Incentive	357,777
Acad. Dept Incentive	316,802
CEL Incentive	674,580
<b>Remaining Balance</b>	<b>\$164,937</b>

According to VP Freer's comments during the Oct. 25<sup>th</sup> meeting, the remaining balance was also retained by CEL "for the new building" (see item, 3, below). In real dollars, then, it would seem that CEL received a total of \$839,517 (674,580 + 164,937) while the departments and colleges received a total of \$674,579 (357,777 + 316,802). However, according to the memo provided by VP Freer on December 6<sup>th</sup>, the \$164,937 remainder was retained as "unallocated" for university use. In either case, it is clear that CEL received at least as much incentive distribution (profit) as the 30 plus departments and 5 colleges.

Given that faculty is the engine that runs summer session, we do not believe this is an equitable split between CEL on the one hand and the five academic colleges on the other.

3. *The CEL building.* According to VP Freer, CEL has agreed to build a new CEL building on campus, which will include approximately 25,000 square feet of classroom and office space for university use. Both the Delgado email and VP Freer's December 6<sup>th</sup> memo cite capital expansions as justification for CEL's share of the summer profits. However, it remains unclear how the building will be owned and how it will be paid for, since CEL's budget is separated from the university general fund.

On October 25<sup>th</sup>, VP Freer indicated that CEL would own the building and the university would rent the classrooms and academic office spaces, paying the rental annually out of the general fund. At the December 6<sup>th</sup> meeting, VP Freer offered a different view: that the university and CEL might "co-own" the building. VP Freer's December 6<sup>th</sup> handout, however, indicated that CEL retained an additional \$523,000 in unallocated funds. [Note: this figure does not appear in the Oct. 25<sup>th</sup> budget handout, nor is it clear how this figure relates to the previous report of the possibly unallocated \$164,973 remainder.] The handout further observes that if earnings continue "in a similar manner, these retained earnings could be utilized for the purposes of paying for the university allocated academic space." In our December 6<sup>th</sup> conversation, VP Freer acknowledged that if summer funds fell short, this payment would have to come from the general fund. Thus, there is no clarity to the ownership issue and no clear commitment to how the university will pay for its "share."

4. *The Potential Uses of Summer Profits.* At the December 6, 2016 meeting, EPRC and EC members asked whether some summer profit might be used to support faculty members in meeting the Strategic Plan's increased expectations for research, scholarship and creative activities (RSCA). VP Freer, AVP Ahmed, and Dean Karmanova, citing CSU Executive Order 1099, indicated that revenues from self-support summer sessions must go into CERF (Continuing Education Revenue Fund) accounts managed by CEL. According to Dean Karmanova, CERF regulations would prevent this money from being used for reassigned time for RSCA. However, Dean Karmanova did say that CERF could be used for "travel to a conference" and the handout she subsequently provided, and which currently guides campus use of CERF, includes as an accepted purpose for spending CERF the "fostering incubation of new ideas and innovation." Similarly, VP Freer's memo includes "professional development" in a list of items for which CERF can be used, with the caution that "(t)hese funds should not be used for permanent commitments such as salaries and employee benefits." It remains unclear to us, then, why summer profit cannot be used to

support professional development in the form of reassigned time for that purpose, particularly since such activities are necessary for faculty to remain relevant in their disciplines and current in their subject matters.

5. *The Process for Summer Session Revenue Distribution.* As we will argue below, revenue from Summer Sessions comes primarily from faculty effort. How to distribute summer session revenue, as we were told by VP Freer at the Oct. 25, 2016 meeting, is “negotiable.” But the negotiation for the 2015 Summer Session revenue did not involve faculty. In the months that the EPRC has been working with the division of Administration and Finance to better understand the 2015 distribution, we have made clear that faculty are interested in adjusting the summer revenue sharing model to better support academic units and needs. Indeed, during the December 6<sup>th</sup> meeting, VP Freer agreed that profit sharing might be revisited in future. To date, however, there has been no overture by the division of Administration and Finance to begin a more consultative negotiation regarding Summer 2016 summer monies. While collegial, our conversations with the Department of Administration and Finance have only allowed the EPRC a “fact-finding” role in better understanding past decisions, but no influence in the summer 2016 distribution or plans for future summer sessions.

## **Recommendations**

In the spirit of equity in revenue sharing, we make the following recommendations for the distribution of financial benefits for Summer 2016 and beyond, most of which are based on our comments above.

Recommendation 1: To comply with CSU EO 1099, recover cost for the use of university facilities resources.

*Reasons for recommendation:* As is seen in Tables 1 & 2, above, the cost resulting from the use of university facilities and resources (such as classroom space and utilities) does not appear to have been recovered. But CSU EO 1099 seems clear: these costs should be recovered, as they are supported by the general fund. The EPRC defers the determination of the exact amount in this category to the Division of Administration and Finance.

Recommendation 2: Provide cost recovery for academic departments and colleges at a rate that is reflective of the level of contribution that academic units make to the running of summer session. (We believe the academic colleges should each receive an amount that is at least equal to, if not greater than, the amount that CEL received for its cost.)

*Reasons for recommendation:* For summer sessions, departments and colleges perform a long list of duties, including but not limited to:

- Scheduling classes, which often requires lengthy discussions among faculty and complicated administrative maneuvers.
- Advising students.

- Providing office supplies and other logistical support.
- Ensuring the quality of instruction and the normal operation of classes.
- Dealing with enrollment issues such as adding, dropping and other petitions.
- Handling student complaints and grievances.
- Managing optional evaluations for teaching faculty.

In other words, departments and colleges run summer-sessions in identical ways regardless of support mode, with only a few exceptions, such as processing faculty contracts. In light of this, we do not believe that departments and colleges have adequately recovered their costs.

According to the data supplied, cost recovery was made only for “academic support.” In In Table 1, above, Line 04 lists this as \$287,742. Of that amount, \$32,320 went to IST, leaving \$255,422 for Academic Affairs, as is seen in Table 4.

**Table 4: Cost Recovery for Academic Support**

<b>14/15 Actuals by Prog Group</b>	<b>Distribution</b>
04 - Academic Affairs	\$255,422
ITS	32,320
<b>04 Total</b>	<b>287,742</b>

Because the data that the EPRC received is no more granular than is seen in Table 4, it is unclear if any of the \$255,422 amount was meant to cover any of the services in the bulleted list above. However, even if the answer is yes, the amount seems small.

By way of comparison, as shown in Table 5 (on next page), CEL billed a total of \$418,775 (total of CEL Direct, CEL Marketing, and CEL Indirect):

**Table 5: Net Revenue Computation**

<b>Net Revenue Computation</b>			
		<b>2014 Summer (State Side)</b>	<b>2015 Summer (Self Support)</b>
FTE Equivalent (1)		694	712
<b>Total Revenue</b>		<b>\$6,182,535</b>	<b>\$7,140,492</b>
Financial Aid (SUG/PELL)	Actual		
SSD Expenses (2)	Actual	(2,386,685)	(1,874,978)
CO Expenses (3)	5.19%	(50,000)	(20,227)
CEL Direct	Actual	0	(370,534)
CEL Marketing	Actual	0	(284,029)
CEL Indirect	15% of Direct	(50,000)	(80,123)
Faculty Salary/Benefits	Actual	0	(54,623)
AY Dept Chair Stipends	Actual-Projected	(1,875,696)	(1,833,476)
Cost Recovery to State (4)	(Annualized MC x FTE)	(100,000)	(100,000)
		(218,000)	(1,008,406)
<b>Net Revenue</b>		<b>\$1,502,154</b>	<b>\$1,514,096</b>

It is difficult to believe that CEL incurred a greater cost in running summer session than the five colleges combined. (Even if chairs on 9 month contracts received an additional stipend for summer hours, the amount listed for this in Table 5 seems low to properly compensate AY chairs for their summer work. It also does not account for the fact that the work of summer session begins long before summer session begins.)

In short, absent more information than it has received, the EPRC concludes that it must cost an academic college more than it costs CEL to run a summer session and therefore that colleges should receive more (rather than less) by way of cost recovery than CEL does.

Recommendation 3. Provide a greater percentage in profit-sharing for departments and colleges (after cost recovery).

*Reasons for recommendation:* While we do not down play the services provided by other units of the university in the running of self-support summer sessions, we are convinced that faculty is the engine for summer profit. That profit is, primarily if not entirely, the difference between what students pay for the classes offered and what faculty earn for those classes. Given this, we do not believe the distribution of the 2015 summer session profits was equitable for departments and colleges and ask that a more appropriate return be negotiated for Summer 2016 and beyond. We also recommend that this process move ahead quickly, as we understand that colleges and departments are waiting for their distributions and that such one-time monies must be spent by the end of the academic year.

Recommendation 4. Work with the EPRC and the Faculty Senate towards a more transparent and sustainable self-support summer-session revenue distribution model that better addresses the needs of the academic units.

*Reasons for recommendation:* It is urgent that the university develop a transparent and sustainable model for summer revenue distribution as promptly as possible. As EPRC and EC members made clear in our December 6th meeting with VP Freer, AVP Ahmed, Dean Karmanova, and Provost McMahan, we are very concerned that percentage of the general fund distributed to the Academic Affairs budget and to the colleges and departments has been decreasing over the last 5 years, even as state appropriations have increased, enrollments have grown, and other divisions have seen increased budget percentages. While we commend Provost McMahan's decision to convene a committee to consider how to make more equitable use of the monies that flow within academic affairs and its sub-units, it is clear to us that this can only be a partial solution to a larger problem: that support for the academic mission of the university has declined, and that this has coincided with a period of decreased shared governance. If faculty are to be successful under the Strategic Plan and in relation to the new Graduation Initiative, we will need improved support and sponsorship to reach those aggressive and varied goals as well as a meaningful role in the decision-making that affects this.

Recommendation 5. Clarify the “ownership” of the future CEL building: will it be owned solely by CEL or co-owned by the university and CEL? What will be the financial implications for the stateside budget?

*Reasons for recommendation:* How the classroom and office space in the CEL building will be utilized by the “state-side” units has been elusive, at least to this committee. The EPRC considers the proposal that CEL should immediately receive an additional slice of the summer revenues to spend on the planning and initial expenses for the CEL building, with the undocumented assumption that, in future years, a slice from summer revenues would constitute ‘rent’ for CSUSB’s use of the building, to have been put forward with inadequate clarity and specificity. It would help the campus community considerably if the issue is clarified and *documented*. An organization (and a building, in this case) generally lasts longer than the collective memory of those who run it.

Recommendation 6. Clarify and confirm the allowable uses of CERF monies.

*Reasons for recommendation:* Current interpretations of CERF constraints appear unstable. At the December 6<sup>th</sup> meeting, VP Freer acknowledged that the logic for what was included and what was excluded was unclear. He and Dean Karmanova agreed to investigate whether one time CERF could be used provide reassigned time to faculty for professional development projects, which also enrich teaching in numerous and necessary ways. The EPRC requests an answer to the outstanding question. Additionally, we recommend that Dean Karmanova’s memo regarding CERF uses be updated, expanded, and clarified. Currently, the memo offers a mix of broad categories and highly specific items. It would be helpful for those who rely on the memo to make decisions about the use of incentive monies to have, for instance, a clear indication of whether the items listed under various categories of use are examples for kinds of things that fit in the categories or the specifically *the* items on which CERF can be spent.

Recommendation 7. Work with the EPRC toward a more collegial and transparent budget consultation process that includes greater transparency and specificity in budget reporting, consultation before decision-making, and meaningful consideration of faculty input.

*Reasons for recommendation:* While the EPRC is appreciative of recent efforts to share information, there are currently no clear processes that ensure easy and timely consultation. The EPRC cannot do its job properly when it learns of budget decisions after they have been made. Additionally, while we recognize that some aspects of budget processes may be beyond our expertise, much confusion about budget items might be avoided if budget pictures were presented in more discrete, detailed, and stable categories and with full disclosure from the outset. Therefore, in future, we request that all further activities involving any fiscal consequence to the University be discussed with the EPRC and the funding sources and distributions made clear in the interest of full disclosure and transparency, particularly since the Faculty are charged with participating in HEERA Joint Decision Making.

## Attachment A

[NOTE: This document was reformatted to place all Cost Recovery charts on same page for ease of use. All charts, however, are the same as in original.]

### California State University San Bernardino Summer 2015 Cost Recovery/Revenue Distribution

Updated: May 3, 2016 with Period 7 Reports

Net Revenue Computation			
		2014 Summer (State Side)	2015 Summer (Self Support)
FTE Equivalent (1)		694	712
<b>Total Revenue</b>		<b>\$6,182,535</b>	<b>\$7,140,492</b>
Financial Aid (SUG/PELL)	Actual	(2,386,685)	(1,874,978)
SSD Expenses (2)	Actual	(50,000)	(20,227)
CO Expenses (3)	5.19%	0	(370,534)
CEL Direct	Actual	0	(284,029)
CEL Marketing	Actual	(50,000)	(80,123)
CEL Indirect	15% of Direct	0	(54,623)
Faculty Salary/Benefits	Actual	(1,875,696)	(1,833,476)
AY Dept Chair Stipends	Actual-Projected	(100,000)	(100,000)
Cost Recovery to State (4)	(Annualized MC x FTE)	(218,000)	(1,008,406)
<b>Net Revenue</b>		<b>\$1,502,154</b>	<b>\$1,514,096</b>

Not Posted
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Net Revenue Distribution	Total Incentive	
College Incentive	200,000	357,777
Acad. Dept Incentive	0	316,802
CEL Incentive	0	674,580
<b>Remaining Balance</b>	<b>\$1,302,154</b>	<b>\$164,937</b>

(1) 2014 FTE data from IR Report 10/20/15.

(2) 2014 SSD expense is estimated.

(3) No assessment from CO for state-side.

(4) 2014 Cost Recovery not fully costed.

<b>Cost Recovery Program Distribution</b>			
<b>15/16 Marginal Cost</b>	<b>Total</b>	<b>% of Total</b>	<b>Distribution</b>
Academic Support (04)	\$1,209	28.5%	\$287,742
Student Services (05)	1,025	24.2%	\$243,950
Institutional Support (06)	1,113	26.3%	\$264,894
Operation & Maint of Plant (07)	890	21.0%	\$211,820
<b>Total</b>	<b>\$4,237</b>	<b>100.0%</b>	<b>\$1,008,406</b>

<b>Cost Recovery/Incentive Distribution</b>		
<b>Distribution</b>	<b>2014</b>	<b>2015</b>
President	0	24,480
Student Aff.	119,000	195,808
Acad. Aff.	0	325,267
A&F	54,000	295,534
Univ.Adv.	0	38,309
ITS	45,000	129,009
<b>Total - Cost Recovery</b>	<b>\$218,000</b>	<b>\$1,008,406</b>
Acad. Aff. Incentives (CEL/Colleges)	200,000	1,349,159
<b>Total - Campus Distribution</b>	<b>\$418,000</b>	<b>\$2,357,565</b>

### Division Cost Recovery Distribution Detail by Program Group

<b>14/15 Actuals by Prog Group</b>	<b>Expenses</b>	<b>% of Total</b>	<b>Distribution</b>
04 - Academic Affairs	\$16,978,996	88.8%	\$255,422
ITS	2,148,432	11.2%	32,320
<b>04 Total</b>	<b>19,127,428</b>		<b>287,742</b>
05 - President	356,197	2.5%	6,186
Student Affairs	10,820,894	77.0%	187,939
Academic Affairs	2,868,741	20.4%	49,825
<b>05 Total</b>	<b>14,045,832</b>		<b>243,950</b>
06 - President	2,101,825	6.9%	18,293
Student Affairs	904,134	3.0%	7,869
Academic Affairs	2,300,180	7.6%	20,020
Admin & Finance	9,618,270	31.6%	83,714
Univ Advancement	4,401,460	14.5%	38,309
ITS	11,109,140	36.5%	96,689
<b>06 Total</b>	<b>30,435,009</b>		<b>264,894</b>
07 - Admin & Finance	16,212,297	100.0%	211,820
<b>07 Total</b>	<b>16,212,297</b>		<b>211,820</b>
<b>Grand Total</b>	<b>\$79,820,566</b>		<b>\$1,008,406</b>

## ATTACHMENT B

### Distribution of Summer Session Revenues

December 6, 2016

#### Distribution of Summer Session Revenues December 6, 2016

On November 8, 2016, the Educational Policy and Resources Committee of the Academic Senate issued a series of recommendations related to summer session revenue distribution, subsequently adopted by the Faculty Senate Executive Committee. This report intends to enhance understanding of the role of the College of Extended Learning in administering summer session and how revenues are distributed and utilized.

#### **Where to host Summer Session?**

During the 2014-15 academic year, an analysis was conducted to compare the financial and enrollment management implications of continuing to host summer session state-side, where it had been from 2012-2014, or to return summer to be administered out of the College of Extended Learning (CEL), where it was administered in 2010 and 2011. The financial analysis determined that significant revenues were being left on the table annually by administering summer session state-side.

In addition, state-administered summer session requires the university to use precious federal and state financial aid allocations to support summer enrollments, when these funds could be held and distributed in higher amounts to students during Fall, Winter, and Spring Quarters. Summer session through CEL could in turn generate an equivalent amount of additional summer financial aid support, creating nearly \$2 million of additional financial aid per year for CSUSB students.

Lastly, when summer session is run state-side, CSUSB must count the FTEs generated by enrollments against our annual state enrollment allocation. As a result, in both 2012-13 and 2013-14, CSUSB was overenrolled as compared to state targets and paid substantial financial penalties totaling \$2.68 million. When run through CEL, summer enrollments are not counted against annual enrollment targets.

This financial analysis concluded that moving summer session back to CEL starting in Summer 2015 was a clear choice. It would generate significant additional revenue for the campus as a whole, provide students with additional financial aid support, and assist CSUSB with better controls over growing enrollment demand. CSUSB became the 21<sup>st</sup> CSU campus to come to the same conclusion and an announcement to the campus community that summer session would return to CEL was completed in early 2015.

#### **Results of Summer Session 2015**

In January 2016, Interim Provost Delgado provide a summary to the campus community on the impact of moving summer session to CEL administration in Summer 2015. In total, CSUSB netted an additional \$5 million as compared to Summer 2014, which was administered state-side. Below is a summary of Summer 2015 Summer financial benefits:

- \$1.9 million was returned to students in additional financial aid.
- \$675k was allocated in incentive funding to the colleges and academic departments, prorated by those that generated summer enrollment. When compared to summer enrollment incentives in 2014, this amount represents a three-fold increase.

- \$675k in incentive funds were retained by the College of Extended Learning. CEL in turn will invest these funds in the planned capital expansion of the college, which will provide additional academic support space (classrooms and offices) to the university in the near future.
- \$1 million was allocated to university divisions as cost recovery for providing services to summer students.

There were a number of additional benefits and achievements, including:

- Reduced costs for most students. For students who sought to take 8 units or less during summer, which was the predominant majority, tuition costs to attend summer were actually lower than regular state fees. Total net tuition savings to students was up to \$175 for undergraduate students, \$260 for graduate students, and \$2,048 for non-resident students.
- Increased summer enrollment. Due to the lower cost of attendance and the outstanding marketing coordinated by CEL, overall headcount increased by 15% over Summer 2014 and FTES increased by 10%. The total number of students who attended was 3,754.
- Enhanced student enrollment during the regular academic year. Since CSUSB did not use any of its annual state enrollment allocation for summer, we were able to serve more students during the other academic terms. In total, up to 800 additional students were able to attend CSUSB in 2015-16 with this change.

**How were the summer session revenue incentives developed?**

For summer session to be successful, it was critical that colleges and academic departments directly receive incentive funds and benefit from the net revenues. While the initial thinking was for a 40% (Colleges & Departments), 40% (CEL), 20% (University) sharing of net revenues, final distribution in summer 2015 ended up being 45% total to colleges/departments (24% colleges, 21% departments), 45% retained by CEL, and 10% unallocated for use at the university's discretion. This formula resulted in a three-fold increase in incentive funds to the colleges and departments as compared to the state-administered summer session in the prior year.

**What happened to the \$2.6 million in General Fund support that Academic Affairs was utilizing to support state-administered summer?**

In consultation with UBAC, these funds were reallocated to hire additional net new tenure-tenure track faculty and also helped make permanent CSUSB's part-time instruction costs, which had been previously supported through one-time allocations.

**What can summer session net revenues and incentives be used for?**

All fee revenue from CEL-administered summer session must be deposited to the Continuing Education Revenue Fund (CERF). By state law, funds are prohibited to be transferred to the General Fund. Incentive revenue was transferred to the colleges/academic departments in trust accounts, which do have restrictions on their use. The funds can be used for one-time expenses supporting college/department operations including, but not limited to temporary salaries, hospitality, travel, professional development, supplies, equipment, improvement of facilities, etc. These funds should not be used for permanent commitments such as salaries and employee benefits.

**Are there any financial impacts for faculty who teach in CEL-administered vs. state-administered summer session?**

No. Faculty selection for summer session is exclusively done by the colleges and academic

departments with no involvement by CEL. CEL fully compensates all summer faculty based on their current year contract.

### **Need for Additional Academic Space at CSUSB**

CSUSB currently has the 2<sup>nd</sup> highest utilization of classroom space in the CSU. As enrollment continues to grow, additional academic space is urgently needed. The university has not received a state-supported allocation for major capital construction since the College of Education was financed more than a decade ago. In Fall 2014, Governor Brown announced that the authority and responsibility for current and future academic space would no longer be the responsibility of the State and will now rest with the campuses to plan for out of their operating budget or from funds raised externally. In Summer 2015, in response to this announcement, the CSU Board of Trustees approved additional authorities to the campuses so that capital construction could be funded from campus resources. Prior to this approval, the General Fund and a number of campus special funds were prohibited from being used for capital construction.

### **The New Space Dilemma for CSUSB**

The costs of constructing a new stand-alone academic building are beyond the financial reach of the campus in the near future. Based on recommendations received from members of the Faculty Senate Executive Committee and the University Budget Advisory Council (UBAC), a Capital Development Reserve was established in 2015-16 and General Fund permanent funds were allocated to the reserve. However, it will likely take more than a decade of strong state allocations to CSUSB to fund the reserve to levels where a new building could be financed.

### **Partnering with Special Funds to Acquire Academic Space**

CSUSB state programs that are funded through self-support revenues (CEL, Housing, Parking, etc.) are better positioned to move forward with new capital construction projects as their revenue bases grow with additional student enrollment. To acquire additional academic space for the state-supported programs, campuses across the CSU are partnering with the self-support programs to proportionally share the costs of new construction. While CSUSB is not positioned for a stand-alone new academic building, revenue streams do exist that allow us to move forward with smaller projects inside of self-support buildings.

### **College of Extended Learning Global Center for Innovation**

For the past year, CEL has been actively working on the design of a new college building to support CEL programs and administrative space. The new university master plan has sited the project between the Colleges of Natural Science and Education. In conjunction with that effort, CSUSB is seeking to meet the demand for additional academic space by adding square footage to the building for additional classrooms that could be available for use by all colleges. In total, 20-25,000 square feet of the new building will be dedicated to general university classroom use. In addition, CEL has a number of classrooms in the building to meet the needs of their programs. CEL will also make those classrooms available for general university use when not needed by their programs.

### **How will CSUSB cover the construction costs for the university-use classrooms?**

Final costs for the university portion of the project will be determined at the end of schematic design in early 2017. This is when the project cost estimates are reconciled for the first time. CSUSB estimates that annual costs of \$800,000 to \$1 million will be required for the additional university space. As summer session 2015 was reconciled, CEL retained \$675k in incentive funds and \$532K remains unallocated. If summer session continues in a similar manner, these retained earnings could be utilized

for the purposes of paying for the university allocated academic space.

**Will the university need to commit General Funds towards the use of new classrooms?**

If CEL-administered summer session continues to maintain or increase enrollments, no additional General Fund contributions will be needed to support the new university-allocated classroom space.

**Who “owns” the new building?**

The State of California. No different than any other building on campus. The only difference is that the project is funded by Continuing Education, which is required to be self-support, and its revenues are restricted by state law to be used for its purposes.

**How will the new classroom space be scheduled?**

The new university-use dedicated classrooms will be scheduled by the Office of Academic Curriculum and Scheduling. The classrooms dedicated for CEL use will be scheduled by CEL.

**How are the university classrooms being determined?**

The Office of Academic Curriculum and Scheduling, in conjunction with advice from colleges and the University Space Committee, have determined the types and sizes of classrooms needed.

**Will academic departments or colleges have to pay to use any of the classrooms?**

No. As long as the classrooms are used for university purposes, there will be no charge.

**How will these financial agreements between CSUSB and CEL be documented?**

The Chancellor’s Office requires the university to develop an operating memorandum of understanding (MOU) to document all agreements related to facility use and how operating costs will be administered and shared. As agreed with the Chancellor’s Office, the MOU will be developed in early 2017 after the schematic design is complete and budgets reconciled between the project architect and contractor.

**If summer enrollment continues to grow, what will the excess net revenues be used for?**

As summer enrollment grows, incentives to campus programs will continue to increase, including colleges, academic departments, CEL, and the university. While the funds must stay separate from the campus operating fund, the university may be able to support additional programs and services, provided the expenditures are allowed.

**What happens if summer session reverts back from CEL-administered to state-administered?**

In total, the university would be forfeiting more than \$5 million annually in additional revenues to support colleges, departments, and financial aid support for students. The cost of attending summer session would increase for most students. Since summer enrollment would have to be counted against annual state allocations, a large number of students would have to be turned away from CSUSB who could otherwise attend. This would also compromise any likely path towards additional university academic space.

**Does CEL need the university classrooms to move forward with the Center for Global Innovation?**

No. CEL has the financial resources to proceed on this project with or without the university classrooms being added. The additional university classrooms are for the university’s benefit.

**What happens if the university classrooms are removed from the CEL Center for Global**

**Innovation project?**

CSUSB will have no other viable way to build additional university classroom space. CSUSB would have to seek to expand the use of existing facilities during the less utilized days and times of the week. It would almost certainly increase time to degree for students.

**If additional summer session net revenues are switched from supporting the new classroom space to university use, what could they be used for and what can't they be used for?**

All revenues from CEL-administered summer session must be kept separate from the campus operating fund. In general, funds can be used for general operating costs, equipment, construction and improvement of facilities, and faculty and staff professional development. These funds cannot be used for permanent commitments such as salaries for new hires, base compensation or increases, or employee benefits.

**How can the Academic Senate be more involved in this project?**

The university would welcome a representative from the Senate to fill the vacant spot on the University Space Committee. If interested, the Executive Committee and/or the full Senate could receive periodic project updates. We would also encourage a conversation with the colleges and academic departments on the utilization of incentive funds, a good portion of which have gone unutilized.