

**Date:** 7/23/2008

**To:** Martin Sancho-Madriz, Chair Academic Senate

**Cc:** Lisa Alex, Vice-Chair Academic Senate

**From:** Hassan Halati, Faculty Representative to RMAC Committee

**RE:** Progress Report on RMAC Committee

---

As requested, the end of year progress report on Resource Management Advisory Committee (RMAC) is attached. To provide the Executive Committee of the Academic Senate with a fair assessment of the progress of the committee, I have circulated this memo to all members of the committee and asked them to provide comments either to me or directly to academic senate.

ah/ah

Attachments

## **Introduction**

The membership and scope of the Resource Management Advisory Committee was expanded through memorandum dated January 31, 2008 from President Ortiz to the chair of the Academic Senate. The memorandum states that the purpose of the RMAC is to represent the university in advising policy, strategy, and direction to the Vice presidents/President on university resource management and identifies the primary purpose and charge of RMAC as:

*“RMAC is charged with reviewing base division allocations and advising the vice president/President on adjustments to the base, if appropriate, taking into account the need funding to address university priorities. Adjustments to division base allocations may include the need to de-allocate funds due to a reduction of funding to the campus.”*

In the same memorandum the President provided a roadmap through a set of 13 expectations for achieving the committee’s primary purpose, as described above, and established the goal of the RMAC committee as:

*“To provide budget transparency to the campus regarding resource availability and advice on effective resource management.”*

This progress report to the Executive Committee of the Academic Senate first describes the committee’s progress in meeting the 13 expectations established by the President and then an overall assessment of the committee’s progress in meeting the primary charge and the goal of the committee is provided.

## Assessment of Progress in Meeting the Expectations

***Expectation 1 – Learn and understand the annual CSU and State of California budget process and timeline and the sources of funds available for campus use.***

There has been considerable time devoted to this expectation. Membership seems to have developed reasonable understanding of the issues. The committee has met this expectation.

***Expectation 2 – Evaluate the potential election year politics on CSU and CPP budget allocations.***

There has been some discussion of the issues. The committee has not met this expectation.

***Expectation 3 – Learn and understand the laws, rules, and regulations that affect campus resource expenditure, investment, reporting, and audit.***

There has been some discussion of the issues. No specific document or guide has been developed or provided for the benefit of future committee membership. The committee has made limited progress in meeting this expectation.

***Expectation 4 - Study and evaluate the new CSU Revenue Management Plan and the impact on campus financial planning.***

The issue has discussed the issue during the meetings. The committee has met this expectation.

***Expectation 5 – Learn and understand the concept of the marginal cost funding and the underlying interconnectedness of all division’s actions and costs in the funding model.***

Considerable time and effort has been devoted to this and membership has developed an understanding of the issues. The committee has met the expectation.

***Expectation 6 – Learn and understand the concept behind re-benching of FTES target for the campus.***

The committee has discussed the issue in sufficient detail. The committee has met the expectation.

***Expectation 7 - Evaluate the impact of increasing graduate, credential, and international student population.***

There has been limited discussion of the issues. The committee has not met this expectation.

***Expectation 8 – Evaluate the need for centrally held funds (such as a benefit pool); reserves for emergencies, missed FTE targets, unfunded mandates from Sacramento, Chancellor’s Office or campus, etc.***

Considerable time has been spent on this issue and full understanding has been developed. The need is reflected in the proposed conceptual process for allocation of new funds. The committee has met this expectation.

***Expectation 9 – Evaluate and recommend financial strategies for monitoring and forecasting expenditures and investment returns.***

There has been discussion of the issue but very limited action taken. The committee has not met the expectation.

***Expectation 10 – Study existing models within public higher education and recommend, if appropriate, changes in Cal Poly Pomona budget allocation.***

Considerable time and effort has been spent by Financial Services staff and the committee representative from student affairs division in particular. However no assessment of appropriate changes to CPP budget allocation has been done. This is an ongoing activity. The committee has so far made limited progress in meeting this expectation.

***Expectation 11 – Review base division allocations and advise the vice presidents/Presidents on adjustments to the base, if appropriate, taking into account the need to identify funding to address university priorities. Adjustments to division base allocations may include the need to de-allocate funds due to reduction of funding to the campus.***

The committee has requested, received, and studied a substantial amount of financial data. The committee has not yet conducted formal review of division base allocations and no evaluation of the base allocations against university priorities has been conducted. The committee has not met this expectation.

However, the committee has completed development of 12 guiding principles and the corresponding characteristics (Attachment A) for developing a budget process. Based on the guiding principles a conceptual budget process was developed (Attachment B). The conceptual process/model has not yet been subjected to rigorous validation testing and

therefore its validity and its responsiveness to the guiding principles is not yet clear. Tests are planned in the next two weeks.

***Expectation 12 – By the end of spring quarter, draft a document for review by the campus community that formalizes the university’s budget allocation process***

The committee has not met the expectation

***Expectation 13 – Review each division’s budget development process to ensure a broad consultation process and faculty involvement***

No review has been conducted. The committee has not met the expectation.

### **Overall Assessment**

The RMAC committee has met five of the 13 expectations, has made limited progress toward two others, and has not met the remaining six expectations yet. With respect to the primary committee charge of reviewing the base allocations and providing advise on adjustments to the allocations, the committee has discussed the issues involved but no concrete steps or actions toward meeting this primary charge has yet been taken. However, the work of committee is ongoing during the summer quarter and there may be still sufficient time left to address this issue before the start of the new academic year. This requires refocusing the activities of the committee.

The issue of providing budget transparency to campus community as the primary goal of the committee was also discussed recently and more progress on this very important issue is expected in the next few weeks.

The efforts of RMAC committee have been focused more toward development of the guiding principles, characteristics, and the new funds budget allocation model. The committee current plans for the next two weeks calls for some level of validation testing of the model and presentation of the model to the President’s cabinet. It is important to note that the conceptual budget process does not address the base budget allocation.

Appendix A  
RMAC Committee – Budget Principles

1. Model will be applicable for use with budget growth as well as budget reductions.
  - a. Has to look at base budgets
  - b. Has to be reevaluated regularly
  - c. Has to allow for variability in the amount of growth
  - d. Has to treat new dollars separately
  - e. Has to recognize the impact of mandatory costs
  - f. Contains the right number and type of adjustable elements to allow for variability in amount of growth or reduction
  - g. Analyzes the appropriateness of base budgets and provides for change as needed
  - h. Specifies new dollars and treats them separately from on-going base analysis
  - i. Recognizes the impacts of mandatory costs
  - j. Revisits data elements, assumptions, projections and outcomes on a defined and regular basis (Process)
  
2. Support the vision and strategic plan of the University.
  - a. Budget priorities have to be aligned with strategic plan
  - b. Budget process will consider alignment
  - c. Adopt a set of priorities
  - d. Contains the right number and type of adjustable elements to allow for prioritization that aligns budgets with strategic plan(s)
  - e. Requires identification and consideration of how budget priorities are aligned with the strategic plan (Process)
  
3. Address the marginal cost funding ratios.
  - a. Analyze the relationship between the state's marginal cost ratios and the proposed campus budget plan
  - b. Provide for intentional decisions about that relationship for future budgets.
  - c. Use in budgeting process as well as outcome analysis
  - d. Analyzes the relationship between the state's marginal cost ratios and the proposed budget for the campus
  - e. Reviews marginal cost relationship that was established in budgeting when analyzing outcomes
  - f. Provides for intentional decisions about the relationship between marginal cost ratios and budget distributions (Process)
  
4. Have an objective basis for allocating resources.
  - a. Process needs to address the priorities.

- b. Overall budget allocation should be aligned with priorities
  - c. Utilize cost/benefit analysis
  - d. Contains the right number and type of adjustable elements to allow for variability in amount of growth or reduction
  - e. Contains the right number and type of adjustable elements to allow for prioritization that aligns budgets with strategic plan(s)
  - f. Analyzes the relationship between the state's marginal cost ratios and the proposed budget for the campus
  - g. Reviews marginal cost relationship that was established in budgeting when analyzing outcomes
  - h. Considers defined benchmarks and best practices for appropriate cost
  - i. Requires identification and consideration of how budget priorities are aligned with the strategic plan (Process)
  - j. Provides for intentional decisions about the relationship between marginal cost ratios and budget distributions (Process)
  - k. Updates defined benchmarks and provides opportunities to introduce new ones (Process)
  - l. Requires articulation of the basis for allocation, demonstrating that it is objective (Process)
  - m. Identify best practices within CSU system and beyond
  - n. Determine and define available benchmarks for appropriate cost
5. Incorporate outcomes assessment (including assessment of the model.)
- a. Needs a feedback loop that looks at outcomes versus articulated objectives.
  - b. Establishes and agrees upon metrics
  - c. Reviews marginal cost relationship that was established in budgeting when analyzing outcomes
  - d. Considers defined benchmarks and best practices for appropriate cost
  - e. Updates defined benchmarks and provides opportunities to introduce new ones (Process)
  - f. Contains a feedback loop that looks at outcomes versus articulated objectives (Process)
  - g. Identify best practices within CSU system and beyond
  - h. Determine and define available benchmarks for appropriate cost
6. Should be simple, understandable, transparent and fair and defensible??
- a. Straightforward instead of simple, how to measure fairness?
  - b. Model should allow for recovery
7. Consider all aspects of revenues and expenditures (internal and external.)
- a. Pursue a method to have an integrated report of all revenues.
  - b. Make budget plans and decisions considering all sources of funds.
  - c. Uses an integrated report of state and CPPF funds

- d. Assures that decisions are fully informed about all resources (Process)
- 
- 8. Appropriately detail and review centrally managed funds and mandatory costs.
    - a. Benchmark appropriate costs
    - b. Identify best practices
    - c. Identify mandatory costs
    - d. Details centrally-managed funds and the derived benefit for each area served
    - e. Recognizes the impacts of mandatory costs
    - f. Clearly articulates how centrally managed funds are managed and allows for change as needed (Process)
- 
- 9. Be sensitive to enrollment, emergencies, environment, and other external changes (technology, market changes, etc.)
    - a. Process needs to provide a format to articulate short and long term variances in environment.
    - b. Reflect Business continuity plan and emergency reserve
    - c. Provides a format for articulating short- and long-term variations in funding needs (Process)
    - d. Requires active forecasting of defined environmental and external issues (Process)

Appendix B  
RMAC Committee – Proposed Budget Process

