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EPRC Recommendations on CEL Summer Monies Presentation 3/7/17 FS Meeting

CSUSB Faculty Senate

EPRC Report: Summer Session Revenue Distribution

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Background: EPRC efforts

- Oct 25th, the EPRC met with VP Freer, who provided an overview of the revenue distribution and decision making.
- Dec 6th, the EPRC invited the EC to have a joint meeting with VP Freer and Provost McMahan to further the initial conversation and to discuss more generously sharing summer proceeds to support faculty. Also in attendance: AVP Ahmed and Dean Karmanova (CEL).

EPRC identified a number of concerns:

1) Equitable profit sharing from Summer Session proceeds.
2) Ensuring appropriate cost recovery to the University and to Colleges and Departments for their services and use of facilities (EO 1099).
3) Clarifying the cost obligations and nature of ownership for the new CEL building.
4) Establishing a meaningful consultative process that allows faculty a voice in budgetary decision making.

Concern One:
How Summer 2015 Profit Was Shared:

Actual Summer Profit:

$7,140,492 (Total Revenue)
-- 5,626,396 (Costs + F.A.)

$ 1,514,096 (Net revenue or profit)

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

[24% colleges, 21% departments, 45% CEL, and 10% remainder.]

OBSERVATIONS

- CEL received as much profit as the 37 departments and 5 colleges put together.
- This does not seem equitable given that faculty is the engine for profit in summer session and the fact that colleges and departments have also seen a percentage reduction in their general fund distribution over the last five years.
- The EPRC acknowledges VP Freer’s new indication in his response report that an additional share of unallocated summer session profits (approx. $200K) will be shared with Academic Affairs for support of faculty and academic programs. We hope, as we projections of increased profits in 2016, that an increased share of profits for faculty can be negotiated in 2016 and beyond.

Concern Two: Cost Recovery

- EO 1099 requires that cost incurred by the (state supplied) general fund for the running of a self-support program should be recovered. This includes services, products, and facilities provided to extended education.
- The only indication of Cost Recovery to the University for use of facilities seems to be $211,820 to Admin and Finance for "Operation & Maint of Plant." Without further data, this figure seemed unusually low given the size of the summer session operation.
- Cost recovery to the departments and colleges was not detailed in the reports received by the EPRC, although Academic Affairs received $255,422 for "Academic Support."
- Given the scale of summer session, the EPRC was surprised that CEL's operating costs totaled MORE than the cost recovery provided for "academic support." According to the budget sheet the EPRC received, CEL billed $418,775 for its costs (CEL DIRECT, CEL INDIRECT, and CEL MARKETING).

Further thoughts on Cost Recovery

- VP Freer's report in response to this EPRC report provides additional insights into the marginal cost ratio formula that the CSU uses to determine cost recovery. It would be useful for the EPRC to have a copy of this policy.
- According to this report, cost recovery was made to Academic Affairs "and in the colleges."
- It would be helpful to know how those determinations and distributions were made, particularly to colleges.
- It remains unclear why costs are not recovered directly to departments.

Concern Three: How will the CEL building be paid for and owned?

- According to VP Freer (Oct 25th), CEL will undertake the bond for the building, but CSUSB will have to rent the classrooms from CEL, paying annually from the general fund.
- On Dec. 6th, VP Freer offered a new vision of the relationship between CEL and CSUSB: that the two entities might "co-own" the building.
- The Dec 6th memo provided by VP Freer states that "CSUSB estimates that annual costs of $800,000 to $1 million will be required for the additional university space."
- The memo also notes that "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."

Commentary:

- It was unclear to us how CEL's unallocated $523K in incentive funds can cover 1 million in annual building costs.
- VP Freer's response to this report, however, seems to more clearly confirm a co-ownership relationship is anticipated and that, indeed, the $1 million that CEL gets for summer session will be used to pay the University's portion of debt service.
- It is unclear to us, however, given the wall between stateside and self support budgets, how retained CEL incentive funds could pay for the university-allocated classroom space.
- Further, it appears that the debt may not occur until the building is completed in 2019. If this is true, there will be $4 million collected by CEL before 2019. If summer session continues to run self support after 2019, which would generate at least 1 million per year to pay the debt service, what would have happened to the 4 million collected before the completion of the building?

Concern Four: Improve Consultation and Shared Decision-Making

- The EPRC genuinely appreciates the time and effort that VP Freer and his colleagues have taken to clarify how summer session revenues have been used and how decision making has proceeded.
- As a body, however, EPRC, is responsible for contributing to budgetary decision making as that affects the academic mission and facilities.
- Learning about decisions after they have been made leaves EPRC with limited ability to provide faculty voice in the process when it might be offered most meaningfully. Our aim is to improve this and we welcome the opportunity to work with VP Freer and Admin and Finance toward this end.