

California Lutheran

UNIVERSITY

Overview of Budget Planning and Resource Allocation

Updated September 2016

Introduction

California Lutheran University's budget planning framework offers an integrated and inclusive approach to institutional planning and resource allocation. The planning process extends to all levels of the institution from the President and his Administrative Leadership team to faculty and staff alike. Oversight for strategic planning, budget planning and resource allocation rests with the University President and his Vice Presidents and one Campus Pastor. The Vice Presidents include the Provost and Vice President for Academic Affairs, Vice President for Administration and Finance, Vice President for Student Affairs and Dean of Students, Vice President for Enrollment Management and Marketing, and Vice President for University Advancement.

Budget Planning at a Glance

The budget planning process at California Lutheran University is an integral part of the ongoing institutional planning. Cal Lutheran employs a centralized approach to planning which offers greater congruence between budget and institutional priorities and academic program assessments. The budget process is incremental in nature which means base budgets remain the same as the previous year unless modified in the budget approval process. Changes to strategic priorities, projected student enrollment and net revenue, as well as internal reallocations drive budget modifications.

Guided by annual institutional initiatives and longer-range strategic goals, the annual budget cycle typically begins in early in October prior to the fiscal year being planned with a call for annual budget proposals from the Vice President for Administration and Finance to campus leaders. Each vice president solicits proposals from members of his or her academic and administrative units and then prioritizes which proposals will advance for official consideration. Likewise, each dean and department head may establish additional internal processes within their department(s) that identify resource requirements for consideration by their respective vice president. Planning should occur throughout the year to help shape and inform funding proposals. For example, Academic Program Reviews and operations reviews within non-academic departments as well as ongoing assessment of progress in achieving Cal Lutheran's strategic goals provide opportunities to evaluate budget needs that may result in the submission of budget requests in the fall. Once each vice president has selected proposals for funding consideration and assigned a division prioritization, they are submitted to the Office of Budget and Planning. A consolidated list of all proposals from all departments is compiled and disseminated to the President, Vice Presidents, and the Budget Committee.

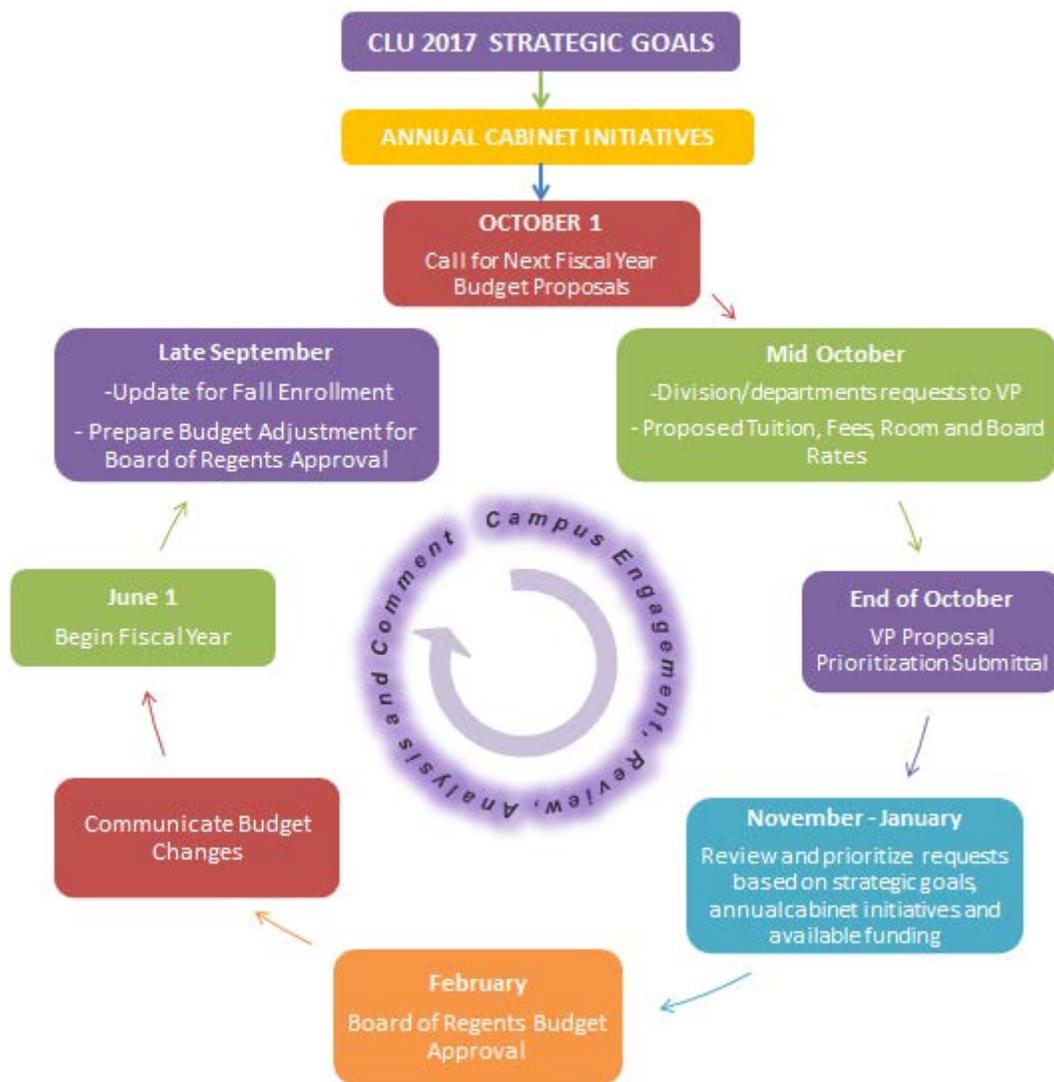
The projected total available funding is calculated based on the projected annual revenue change, the estimated expenditure change, and available funding from internal reallocations. Over the course of several months, the President, Vice Presidents and Campus Pastor hold two or more budget retreats to evaluate the proposals against institutional needs and goals. As preliminary prioritizations are developed, the Budget Committee and Leadership Team review and provide feedback to the President and Vice

Presidents regarding proposed budget changes, including enrollment, net revenues, budget requests, resource allocation, etc. This collaborative process informs the final budget recommendations.

The budget development process culminates in February prior to the fiscal year being planned when a balanced budget is presented to the University’s governing body, the Board of Regents, for approval. The effectivity date of the budget coincides with the start of institution’s fiscal year which is June 1. The base budget and approved changes are updated in the University’s accounting system, prior to the start of the new fiscal year. Departmental budget managers and management can access the system via web portal anytime during the fiscal year for a current status of financial resources for the departments assigned to them.

Four months into the new fiscal year, the budget is updated for any changes in projected enrollment and housing and the corresponding revenue and expenses. The modified budget is presented to the Board of Regents for ratification during their October meeting. This constitutes the final budget.

The following is a high level diagram of the budget process.



See Appendix A for a detailed budget development process flow.

Participatory Budgeting

Just as there are many voices in Cal Lutheran's budget process, there are many opportunities for campus-wide engagement and integration. Throughout the budget development cycle, members of the campus community are encouraged to participate in Town Hall meetings, Faculty and Deans' Council meetings, along with division staff meetings which serve as open forums for conversations regarding enrollment, tuition and fee changes, new programs and initiatives, staffing and other budgetary considerations. A sample overview calendar for these activities follows. In addition, separate budget planning meetings are also held by departments and divisions.

Sample Overview of Budget Planning Timeline	
Sept 20	Budget Committee Meeting #1
Sept 24	Town Hall Meeting
Oct 1	Call for Annual Budget Request Proposals Published
Oct 10	Budget Committee Meeting #2
Oct 18	Deadline for Submission of Budget Request Proposals to VPs Board of Regents Approval of Tuition & Fees and October Macro Budget
Oct 18	Deadline for Submission of VP prioritized budget request proposals & new program pro-forma to Office of Planning and Budget for consolidated list for review
Oct 28	Town Hall Meeting
Oct 29	Town Hall Meeting
Nov 22	Budget Committee Meeting #3
Dec 12	Budget Committee Meeting #4
Dec 16	VP Budget Retreat
Jan 16	Budget Committee Meeting #5
Jan 28	VP Budget Retreat
Feb 7	Budget Committee Meeting #6
Feb 21	Prelim Budget Presented to Board of Regents for Approval
Mar 4	Town Hall Meeting

University Budget Committee

The University Budget Committee plays a key role in the institution's budget process by serving in an advisory role to the President and Vice Presidents team. The committee is charged with providing information, analysis and recommendations on various topics germane to the University's annual operating budget. In addition to reviewing proposed tuition changes, enrollment projections and budget proposals, the committee comments on proposed resource allocations and their alignment with strategic priorities. Committee members also serve as communication liaisons to peers and other campus constituency groups regarding the progress and direction of budget development. In this exchange, committee members also gain insight into budget related issues that are brought to the Budget Committee for further discussion. Chaired by the Vice President for Administration and Finance, committee membership includes the Provost or Provost Designee, Faculty Chair, Faculty Affairs and Development Committee (FADC) Chair, Faculty at Large Representative, and three administrators named by the President. Currently, the administrative appointees include the Associate Dean of Students, Associate Vice President (AVP) for Enrollment Management, and AVP for Advancement. Personnel from the Office of Planning and Budget (OPB) provide staff support to the committee along with ad hoc staff support from the Associate Provost for Information Systems and Services (ISS), AVP for Facilities and

Planning, Associate Provost for Academic Services and Registrar, Controller and AVP for Human Resources.

Board of Regents

The Board of Regents is actively involved in the University planning and budget process. The Administration and Finance Committee of the Board of Regents reviews, endorses and recommends the resolutions for full Board approval including proposed tuition, room and board rates (October meeting), annual operating budget and capital plan (February meeting), compensation pool increases (August meeting) and final budget revisions after fall enrollment changes (October meeting).

Office of Planning and Budget

Reporting to the Vice President for Administration and Finance, the Office of Planning and Budget (OPB) supports both annual and longer-range planning at Cal Lutheran. OPB coordinates the annual budget development process and prepares the preliminary (February Macro) and final (October Macro) budget allocations for all areas of the University. As part of this process, OPB develops university-wide projected revenue and expense forecasts, reviews and analyzes budget requests, models potential budgetary impacts associated with compensation increase and other initiatives to help guide decisions regarding resource allocation. OPB serves as a central resource for all university departments.

Budget Building Blocks - Enrollment

Student enrollment is the cornerstone in budget development at Cal Lutheran with more than 95% of the institution's annual operational revenue attributed to students. Predicting enrollment accurately is crucial to ensuring proper alignment of fiscal resources for student success and overall institutional health. Initiating a collaborative discourse on enrollment, members from the Enrollment and Marketing Management team construct initial enrollment projections based on ongoing conversations with deans and program managers and analyze enrollment trend data. Paramount to formulating meaningful enrollment forecasts is understanding the changing landscape in higher education including regulatory changes, domestic and international enrollment trends, as well as Cal Lutheran enrollment trends for new student applicants, admits, and registrants with corresponding yield rates, student retention and graduation rates, as well as physical capacity considerations. This data provides valuable information not only in a financial context, but also in terms of institutional planning for faculty staffing and teaching loads, housing, student course needs and physical plant. Ultimately, final enrollment targets are established by the President, Vice Presidents and Campus Pastor and the corresponding revenue is calculated by applying the tuition and fees for the next fiscal year based on rates approved by the Board of Regents in October. Institutional goals, enrollment trends, student affordability, physical capacity and competitive analysis of tuition and fees at comparative institutions inform the University's pricing strategy.

Another key element in Cal Lutheran's pricing strategy is financial aid in the form of institutional scholarships. Applicable primarily to traditional undergraduate students (TUG), these scholarships are in effect a discount to the published tuition price and rely heavily on institutional funding. Traditional undergraduate scholarships are intended to increase the yield of qualified student applicants and shape the demographic profile of the entering freshman and transfers classes. A complex awarding regime developed by the Enrollment Management team strategically determines financial aid award amounts based on the prospective student's academic profile and financial need. During the initial stages of the budget development process, various awarding regimes are modeled and reviewed by the university's leadership team. Once a final financial aid awarding model is selected, the TUG net tuition revenue is

consolidated with graduate program and Bachelor's Degree for Professionals (PROs) revenue projections to arrive at the overall net tuition revenue target for the institution.

Other Sources of Revenue

As mentioned earlier, Cal Lutheran is highly dependent upon students for revenue generation. This includes tuition and fees as well as student fees, room and board. The latter, is classified along with bookstore commissions as auxiliary revenue. Other non-tuition sources of revenue include unrestricted gifts, government grants such as Federal Student Work Study and other unrestricted income including unrestricted endowment spin-off. The institution's endowment spending policy allows annual distributions or spin-off (currently at five percent of the prior twelve quarters average valuation as of December 31 from the preceding year).

Effective Resource Allocation – Strategic Goal Alignment and Prioritization

Cal Lutheran's approach to resource allocation relies upon a tailored framework aligning budgetary decision making with strategic goals and scholarly mission. This framework begins with overarching institution-wide priorities followed by unit level planning broadly categorized as discretionary, information technology, and capital. Cal Lutheran's budget development process goes beyond the departmental base budgets to include a variety of funding pools designed to meet key institution-wide objectives such as general reserves, strategic initiative pools, and annual compensation pools. These pools are separate line items in the budget and typically earmarked prior to the allocation of additional available resources at unit levels.

Institutional Focus – General Reserves and other University Pools

As part of prudent fiscal policy, the institution sets aside a portion of the annual operating budget each year for potential unanticipated expenditures or revenue shortfalls throughout the year. Mandated by the Board of Regents, the general contingency reserve guideline has increased in recent years. During this same period, a capital project reserve was established to set aside internal funds for major capital construction projects. Contributions to the reserve for capital construction projects are discretionary.

The Strategic Initiative Pool provides discretionary funding during the fiscal year for additional new program development and innovation that were not known at the time of the budget preparation. The pool is intended to foster growth that is specifically targeted towards one or more areas the university community has identified as key priorities in the current strategic plan (e.g., new academic programs, marketing and branding, student recruitment, student retention, expansion of student and academic services). This pool allows the University to initiate approved strategic initiatives during the current fiscal year versus waiting until funding might become available in the next fiscal year.

Maintaining competitive compensation for its employees remains a strategic priority for Cal Lutheran. The institution keeps close watch on faculty and staff salary trends and benefits programs of peer institutions as well as local market conditions. Annual compensation increases are modeled during the budget development process and funding set aside in an institutional compensation pool. Distribution of the compensation pool requires Board approval and is typically contingent upon achievement of fall net tuition revenue goals identified in the February approved budget.

To safeguard the condition of campus infrastructure and mitigate deferred maintenance backlog, Cal Lutheran benchmarks annual funding for renewal and replacement based on a specified dollar amount per

square foot. This establishes the floor for the base budget and provides funding for capital renovation projects. Additional one-time funding for renovations is often authorized above the base level.

Other institution-wide funding is allocated for such things as inflationary cost increases to goods and services, insurance premiums, employee benefits, utilities, as well as student employment costs attributed to minimum wage increases.

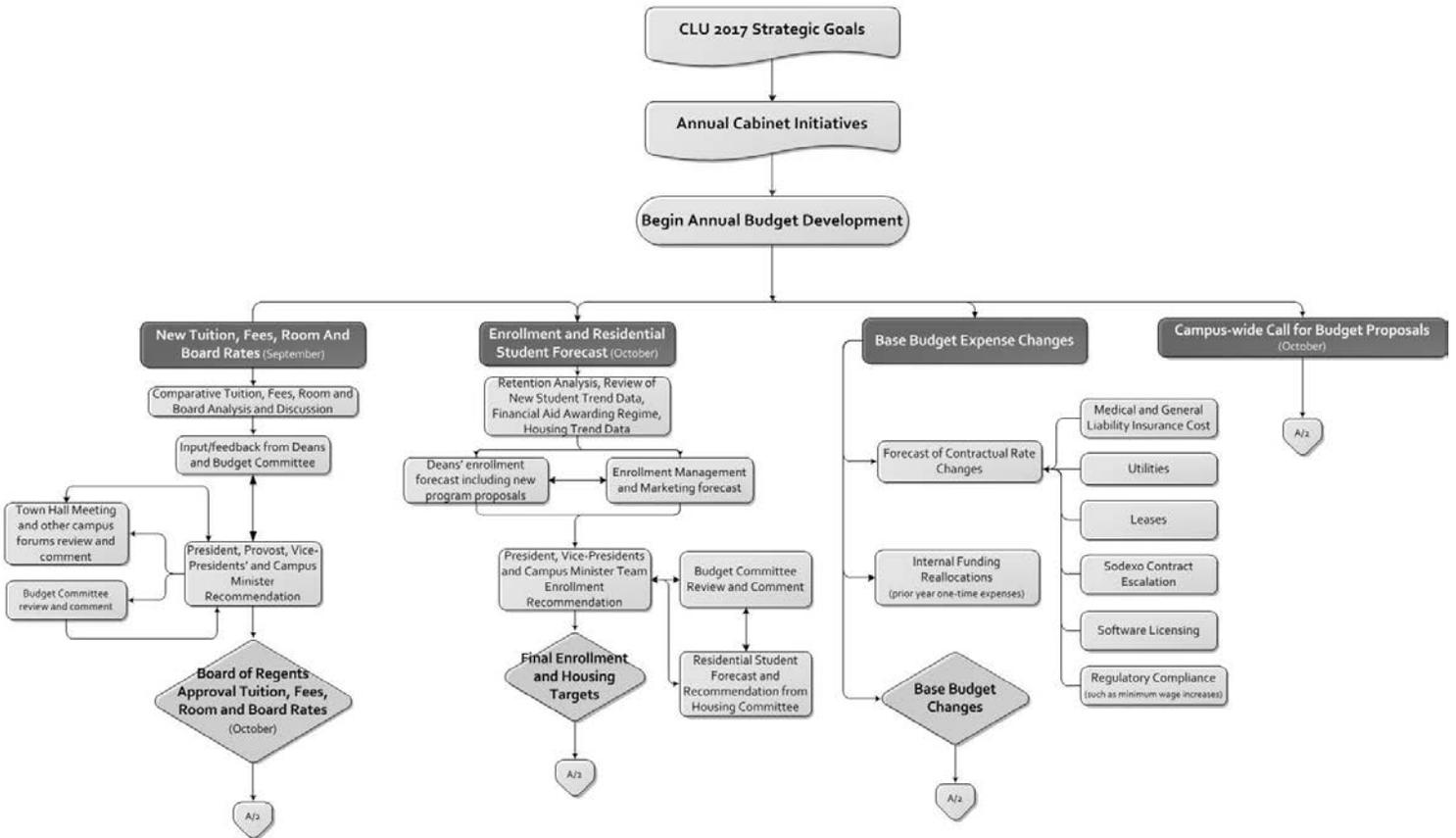
Unit Level Planning - Discretionary, Information Technology and Capital Proposals

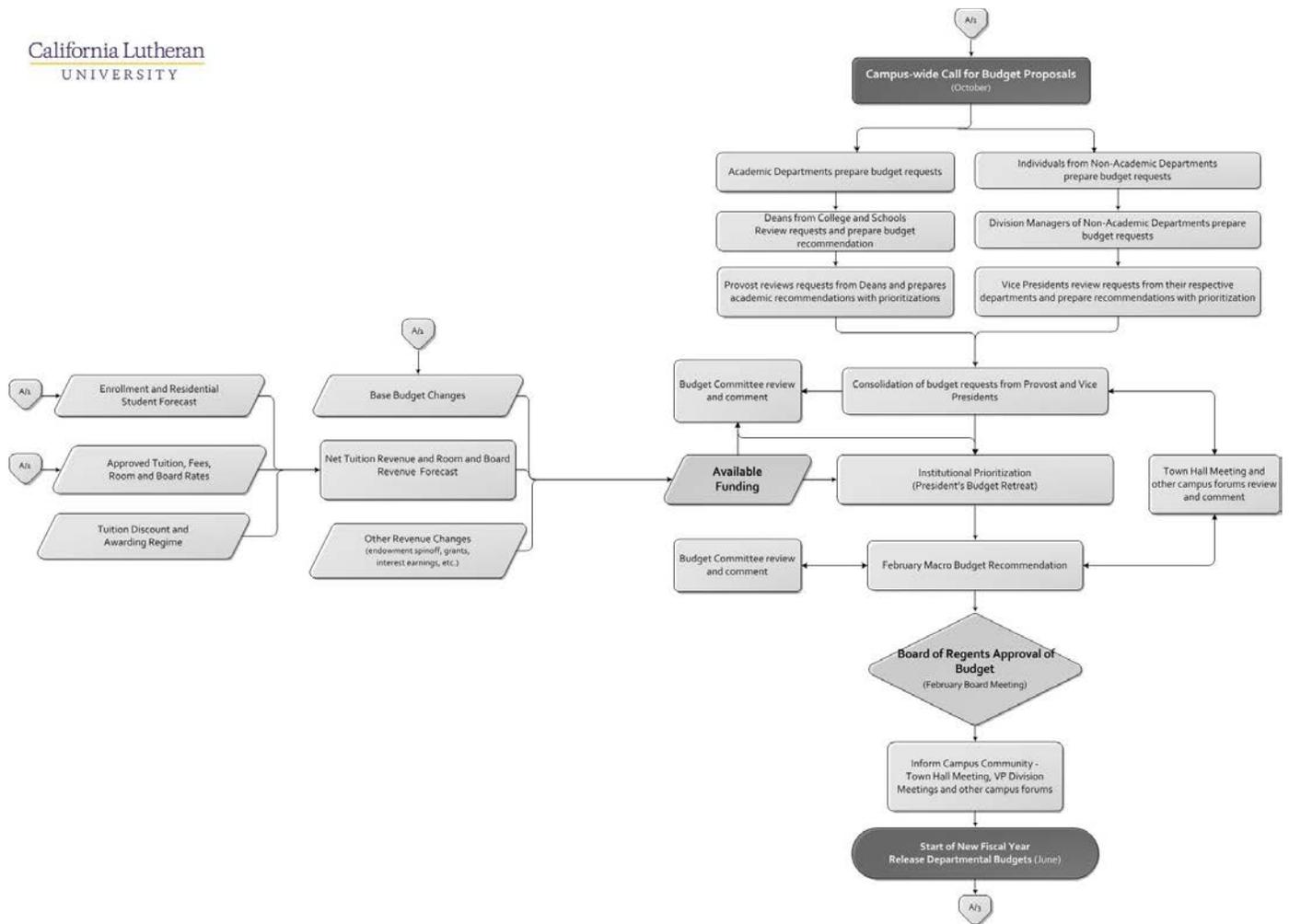
Base budgets will periodically require adjustments to meet changing needs in the university. Whenever possible, units are encouraged to reallocate within existing resources to achieve new goals. Assuming the funding is not provided for in the institution-wide pools mentioned above and adequate funding cannot be secured through internal reallocation of existing division resources a budget proposal may be required.

Given the level of complexity associated with university operations, unit level proposals fall within one of three resource categories: Discretionary (staffing, goods and services), Information Technology (IT) and Capital (capitalized equipment and facilities or space). Discretionary proposals include requests for new programs, additional faculty and staff positions, goods and services related to initiatives necessary for the achievement of strategic goals and general operations. IT proposals include initiatives linked to strategic goal attainment and ongoing operational improvements that require additional computer hardware, software, systems consulting, or infrastructure funds. Capital proposals include numerous types of requests related to buildings, equipment and furnishings. Examples of projects include the replace classroom furniture, renovations of space, campus lighting, sidewalk repairs, and residence hall renovations. Each of the three resource categories utilizes a proposal template tailored to the data requirements unique to that area but all require linkage to one or more strategic goals within the university's strategic plan. Sample proposal templates are provided in Appendices B and C.

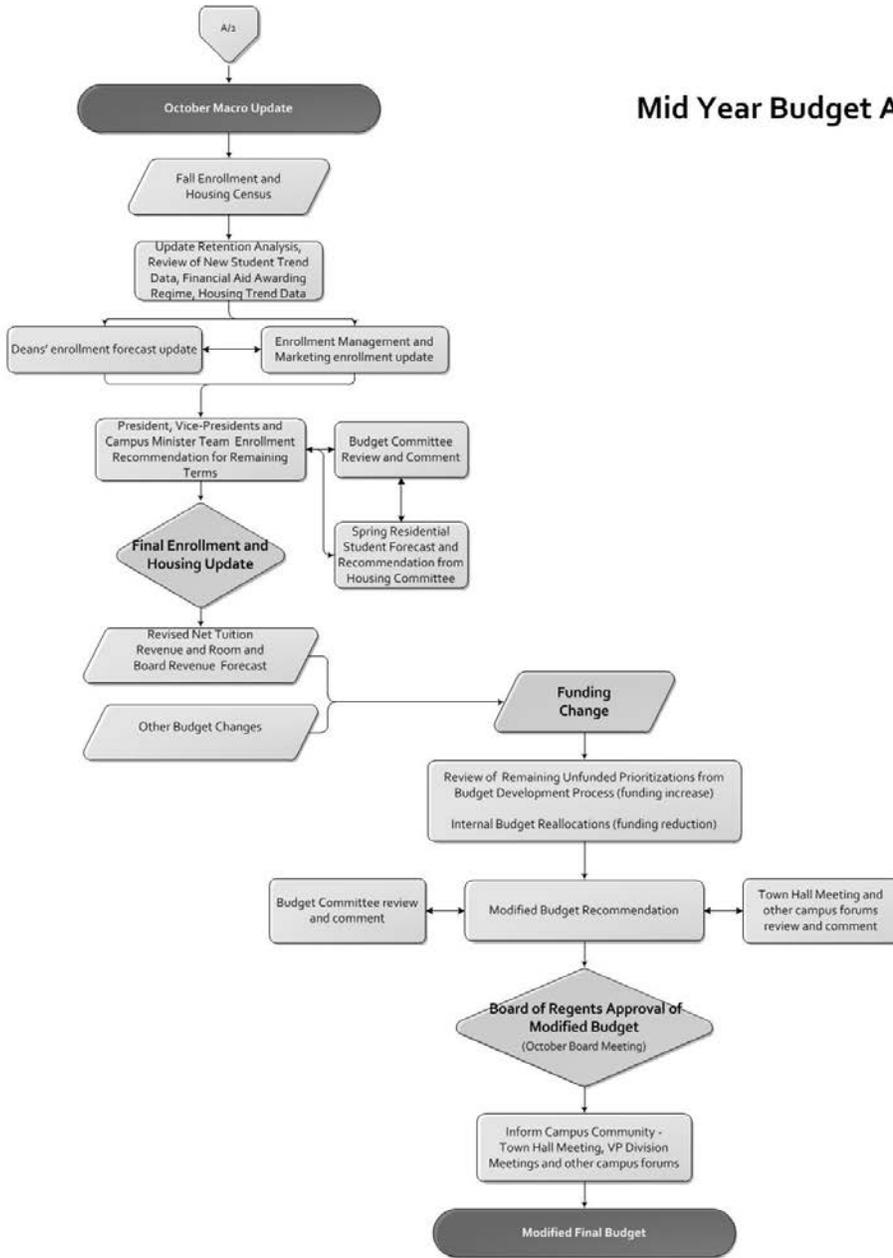
Once each vice president has reviewed, endorsed and prioritized all of the proposals from his or her departments, they are forwarded to the Office of Planning and Budget. A consolidated list of proposals for each category is provided to the President, Vice Presidents and Campus Pastor for review and eventual assignment of institutional funding priority. Several iterations of resource allocation of available funding ensue as enrollment and revenue forecasts are fine-tuned and additional data provided to inform decision making. Great care is taken to ensure new resource allocation is aligned with strategic priorities and the most pressing academic needs as to produce the best outcomes for students. In the spirit of shared governance and transparency, campus stakeholders are asked to comment on preliminary budget prioritizations to ensure alignment with strategic goals, academic program needs and other institution and division priorities. As feedback is received and final adjustments incorporated, the final budget is presented to the Board of Regents for approval.

APPENDIX A: Budget Development Process Flowchart





Mid Year Budget Adjustment Process



APPENDIX B: Sample Discretionary Funding Request Template

CALIFORNIA LUTHERAN UNIVERSITY - FY 2017-18 DISCRETIONARY FUNDING REQUEST						
DATE					APPROVALS	
DEPARTMENT TITLE	DEPT #				DIVISION VP	Yes or No DATE
FUNDING REQUEST TITLE					VP Signature	
REQUESTED BY					President and VPS	Yes or No DATE
VICE PRESIDENT	VP PRIORITY				Date of VP Meeting	
JUSTIFICATION: Check all that apply						
Most Closely Related Strategic Goal(s): <input type="checkbox"/> 1. Guide Students to Discover and Live Their Purpose <input type="checkbox"/> 2. Continue to Set High Institutional Academic Standards <input type="checkbox"/> 3. Support Student Achievement Across All Programs <input type="checkbox"/> 4. Build and Modernize Sustainable Facilities <input type="checkbox"/> 5. Attract Students of High Ideals and Promise <input type="checkbox"/> 6. Other (specify):			Primary Action Plan for each Goal: Choose an Action Plan for Goal 1 Choose an Action Plan for Goal 2 Choose an Action Plan for Goal 3 Choose an Action Plan for Goal 4 Choose an Action Plan for Goal 5			
Statement of Purpose and Desired Outcome:						
ADDITIONAL REVENUE GENERATION						Place x in Box
Description		Additional Revenue				
					Recurring	One-Time
Total		\$ -				
						ESTIMATED ADDITIONAL FUNDING REQUEST
						PERSONNEL \$ -
						GOODS AND SERVICES \$ -
						TOTAL COSTS \$ -
						LESS ADDITIONAL REVENUE \$ -
						TOTAL FUNDING REQUEST \$ -
PERSONNEL REQUESTED						Place x in Box
Title	Grade	FTE	Base Pay Amount	Benefit Amount	Total Salary Amount	
						Recurring
						One-Time
To be completed by Office of Planning and Budget						
Total		0.00	\$ -	\$ -	\$ -	
GOODS AND SERVICES (exclude employee compensation costs)						Place x in Box
	Department Number	Object Code	Requested Funding Increase			
				Recurring	One-Time	
Total			\$ -			

APPENDIX C: Sample Information Technology Funding Request Template

CALIFORNIA LUTHERAN UNIVERSITY - INFORMATION TECHNOLOGY IMPROVEMENT PROJECT REQUEST									
DATE _____ DEPARTMENT TITLE _____ DEPT # _____ FUNDING REQUEST TITLE _____ REQUESTED BY _____ VICE PRESIDENT _____ VP PRIORITY _____ OF _____ ASSOCIATE PROVOST FOR ISS _____ IT PRIORITY _____ OF _____						APPROVALS			
						DIVISION VP Yes or No DATE VP Signature _____			
						ISS Yes or No DATE ISS Signature _____			
						President and VPS Yes or No DATE Date of VP Meeting _____ <input type="checkbox"/> Related to Student IT Fee			
JUSTIFICATION: Check all that apply						Compatibility (to be completed by ISS)			
Most Closely Related Strategic Goal(s): <input type="checkbox"/> 1. Guide Students to Discover and Live Their Purpose <input type="checkbox"/> 2. Continue to Set High Institutional Academic Standards <input type="checkbox"/> 3. Support Student Achievement Across All Programs <input type="checkbox"/> 4. Build and Modernize Sustainable Facilities <input type="checkbox"/> 5. Attract Students of High Ideals and Promise ⁴ <input type="checkbox"/> 6. Other (specify): _____			Primary Action Plan for each Goal: Choose an Action Plan for Goal 1 Choose an Action Plan for Goal 2 Choose an Action Plan for Goal 3 Choose an Action Plan for Goal 4 Choose an Action Plan for Goal 5			<input type="checkbox"/> Interfaces with Datatel <input type="checkbox"/> Interfaces with Raiser's Edge <input type="checkbox"/> Compatible with CLU Authentication <input type="checkbox"/> OS/DB/Web Server Compatible <input type="checkbox"/> Other Compatibility Issues			
Statement of Purpose and Desired Outcome: _____ _____ _____						ESTIMATED FY 2017-18 ADDITIONAL FUNDING REQUEST			
						HARDWARE \$ - SOFTWARE \$ - LICENSING \$ - FACILITIES \$ - CONSULTANTS \$ - OTHER \$ - TOTAL COST \$ - LESS EXISTING BUDGET \$ - TOTAL PROJECT COST \$ -			
GOODS AND SERVICES	FY 2017-18 Year 1	FY 2018-19 Year 2	FY 2019-20 Year 3	FY 2020-21 Year 4	FY 2021-22 Year 5	Recurring One-Time	5 YEAR TOTAL	FUTURE YEARS (beyond 2022)	PROJECT TOTAL
IT Hardware							\$ -		\$ -
Software Acquisition							\$ -		\$ -
Software Maintenance							\$ -		\$ -
Licensing							\$ -		\$ -
Facilities to Support IT (Labs, etc.)							\$ -		\$ -
Consultant Cost - Training							\$ -		\$ -
Consultant Cost - Implementation							\$ -		\$ -
Other Costs (i.e. staff travel & training for implementation)							\$ -		\$ -
Total Cost	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Existing Available Budget (List Department and Object Code below)									
							\$ -		\$ -
							\$ -		\$ -
							\$ -		\$ -
							\$ -		\$ -
Total Existing Budget	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Requested Funding Increase	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -

Note: Discretionary and IT proposal forms include a check box and drill down functionality in the justification section to more easily identify linkages to strategic goals and action plans. Capital Proposals utilize a web-based form.