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COMMITTEE ON BUDGET AND RESOURCE ALLOCATION

23-24 COBRA 3

October 16, 2023

TO: The Academic Senate
FROM: Committee on Budget and Resource Allocation (COBRA)
SUBJECT: 23-24 COBRA 3: Report from University Extension
PURPOSE: For Information to the Academic Senate

BACKGROUND INFORMATION:

Balvinder Kumar AVP University Extension reported on the status of University Extension's budget. COBRA 2 summarizes this report.

ACTION REQUESTED:

For Information to the Academic Senate.

Presentations by AVP, University Extension

Balvinder Kumar interim AVP University Extension reported on the status of University Extension's budget. She introduced herself and summarized her long history at CSUEB. By way of context, COBRA has frequently requested information from Extension in terms of how it operates and its financial situation with questions around the cost recovery model. Extension, which sits within Academic Affairs, as has been reported elsewhere has a deficit.

AVP Kumar started by providing an overview of how Extension operates. It is a self-support unit which means the revenue it brings in has to cover its operating costs. These costs need to be covered before any residual is calculated and disbursed. A number of different programs sit under Extension and some are degree programs and some are certificate programs. Each has a budget associated with it.

Extension has a partnership with the university as to how it operates. Revenue comes in the form of student tuition or fees. Operating costs are covered from this as well as salaries for faculty teaching the courses. If any funds are left after all costs are covered there is a distribution to the entity that has the program/courses. There is a formula for the distribution of any residual and also how Extension pays the university for services the university renders – the cost recovery model. For the former with regards to special sessions, Extension works with Academic Affairs the Deans' Offices with currently 65% going to the college where the program was initiated. It is then up to the Dean to decide how to disburse the funds. For the latter, the University is obligated to recoup the costs it covers with regards to Extension's operations. This is true for all self-support units (e.g., Parking, Housing, Foundation, Student Health Center). This is to cover costs such as payroll, facilities, financial services, human resources. The cost allocation plan has several methodologies that include, for example, FTE, square footage, headcount, and number of transactions.

The committee asked whether the costs were the same for online and in-person classes. As many of the services are the same regardless of modality, no distinction is made. Another question was framed around the current freezing of Professional and Continuing Education funds (the residual disbursed) due to Extension's deficit and when these would be released. AVP Kumar noted that right now it is difficult to predict. Historically, Extension has been successful at generating funds. It is hoped that this can be resurrected and Extension used as a springboard for innovation. If successful to then will see if the program can be run state-side. AVP Kumar stressed the importance of working collaboratively across colleges and departments to identify innovative ideas that can be incubated and lead to revenue generating programs.

While many programs in the past have been successful – at one-time it was generating \$11M for the university, Extension has seen enrollments drop in a number of programs to the point these are no

longer covering costs. As such, Extension is now running a deficit which under law it cannot do and until this is resolved any distribution is questionable. It was noted that there could be some tension between developing innovative programs which initially may not cover costs and therefore exacerbate the problem. When Extension was running very successful programs it was able to build a reserve to cover and prime pump innovative programs. Right now, that reserve does not exist.

The committee asked AVP Kumar to speak to the freezing of the funds that colleges had been given and how we had reached that point. AVP Kumar stated that this is one question she is asking and she is digging into the circumstances that underpin where Extension is today. She doesn't have a full answer yet. The bottom line is that expenses outstripped revenue. It is possible that all expenses hadn't been covered before a distribution was made. As more information is obtained it is hoped that this would be reported to COBRA. As a follow up, it was asked whether Extension at this time knew which programs were running at a loss and which were covering expenses. This is another area being examined right now along with getting better estimates of program expenses. If Extension had this information, it could then work with colleges to curtail certain programs. AVP Kumar noted that these are conversations that do not appear to have happened for many, many years. Referring back to the innovation aspect that at one time underpinned Extension's mission, new ideas that are relevant need to be brought forward and programs no longer relevant need to be dropped.

A question related to the costs of Extension programs was how the cost allocation/recovery model worked when faculty were teaching in such programs as part of load. More specifically, if those salaries, which should be part of base budget, are now contingent on enrollment in Extension covering costs, has this also created a challenge. If enrollment declines this can then mean the cost recovery from Extension cannot cover those salaries which are part of mandatory costs, putting greater strain on the general revenue budget (it should be noted that there are a number of positions in Extension so cannot be easily taken off the payroll and have to be covered). This has been the case in some programs and has meant using Extension reserves to cover the gap. As already noted, the bottom line is that Extension's expenses have outstripped its revenues. Currently, Extension reserves sit at \$1.6M set against a \$17M operation. Last year there was a small surplus and Deputy Provost Hernandez is going to see if some of the money frozen can be freed.

Monique Cornelius also noted that the move of self-support summer to stateside had financial implications. The additional FTES helped the university move closer to its FTES target, the revenue that would have come back to the university wasn't there. Moreover, money had to be found from the general revenue budget to cover the additional term now stateside.

Enrollment declines across the board are impacting all facets of the university's operations. AVP Kumar stressed that in such times, having a vehicle for exploring new innovative programs that generate new enrollments and open new markets is critical. Extension has to be seen as a place to bring new ideas and pilot new programs. She invites the university community to engage in this process. The committee noted that sometimes the first thing cut in companies is research and development when often that is the unit that has the potential for generating needed growth. This led to a conversation around how programs might transition for Extension to state side and whether some programs are better aligned with Extension than stateside. Deputy Provost Hernandez remarked that educating the workforce is central to the CSU, but educating and retooling the workforce is more the domain of Extension.

In her concluding remarks, AVP Kumar acknowledged that we need to review the current portfolio of Extension courses and programs and determine which to keep and which we need to consider suspending. There is also a need for colleges and departments to work with Extension on developing new and innovative programs. An initial suggestion from AVP Kumar that can be initiated quickly is around certificate programs dovetail with existing degrees. While it will take time and a collective effort from the entire university community, the situation in Extension can be turned around. Moreover, with the rapid change taking place in Higher Education, Extension can be the entity that supports and drives change and generates revenues to support other academic programming.