

Analysis of the Financial Situation of Humboldt State University
Howard Bunsis
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At HSU, the administration claims that there is a \$7 million budget shortfall for 2018-2019, and a \$9 million shortfall for 2019-2010. Therefore, the administration claims that budget cuts are needed, and that the proposed budget cuts will end years of “deficit spending.”

More specifically, the HSU administration claims that the budget shortfall is due to:

- The changing educational landscape
- Salary and benefit increases that are going up faster than the state appropriation
- Higher spending than peer institutions
- Fluctuating enrollment
- Deficit spending

In terms of personnel, the HSU administration claims

- New tenure-track faculty have been added and will continue to be added
- Faculty layoffs have not been decided on yet
- Lecturers will lose their jobs, as even though enrollment is down, HSU hired more tenure-track faculty, reducing the need for sections taught by lecturers
- Some administrators have lost their jobs

In terms of spending, the HSU administration claims:

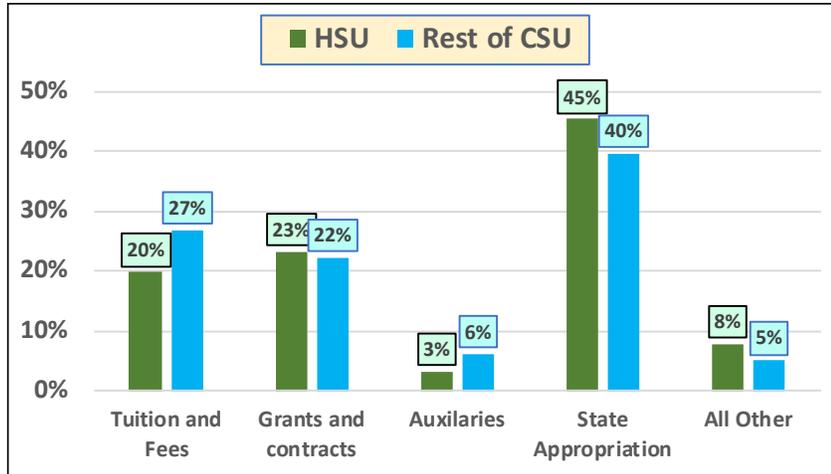
- HSU spends more on instruction than peers
- HSU spends less on administration than peers

This analysis is organized as follows:

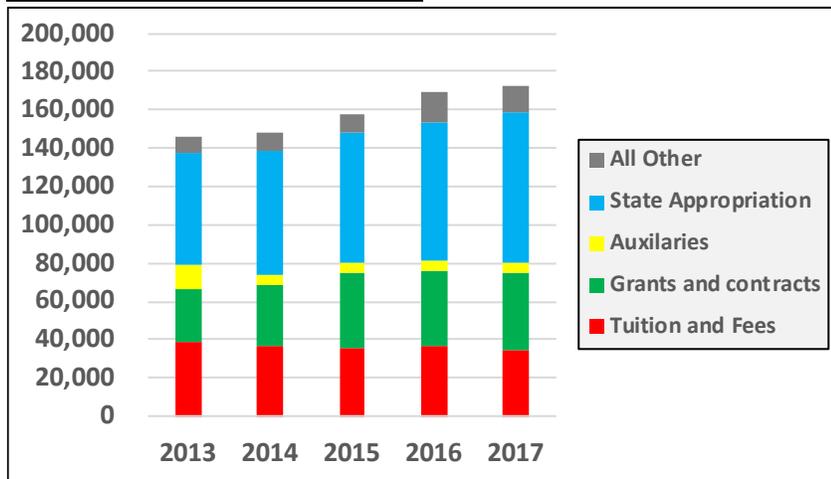
- HSU revenue distribution
- State appropriation for the CSU System and the appropriation to HSU
- Brief analysis of the financial situation of the CSU System and the State of California
- Analysis of the financial situation of HSU
- Analysis of Auxiliary Organizations of HSU
- Detailed Revenue Analysis of HSU
- Detailed Expense Analysis of HSU
 - Compare to peer institutions
 - Faculty and administrative salaries
- Other Issues: Class Size and Graduation and Pell Rates
- Conclusions

HSU Revenue Distribution

2017 in Thousands	Dollars	% of Total
Tuition and Fees	34,289	20%
Grants and contracts	40,102	23%
Auxilaries	5,499	3%
State Appropriation	78,319	45%
All Other	13,586	8%
Total Revenues	172,934	100%



HSU Revenues for 2013 to 2017



	2013	2014	2015	2016	2017
Tuition and Fees	38,972	36,435	36,071	36,889	34,289
Grants and contracts	27,827	31,884	38,801	39,462	40,102
Auxilaries	12,740	5,567	5,238	5,194	5,499
State Appropriation	58,365	64,168	67,974	71,402	78,319
All Other	7,860	10,553	9,687	16,346	14,725
Total Revenues	145,764	148,607	157,771	169,293	172,934

State appropriation for the CSU System and to HSU

Total appropriation to all of CSU:

All of CSU	In Millions of \$\$	% Change
2008	2,970.5	
2009	2,153.3	-27.5%
2010	2,349.4	9.1%
2011	2,576.7	9.7%
2012	2,274.0	-11.7%
2013	2,473.0	8.8%
2014	2,769.0	12.0%
2015	3,026.0	9.3%
2016	3,276.0	8.3%
2017	3,564.0	8.8%
2018	3,765.0	5.6%
2019	3,858.0	2.5%

- The 2018 and 2019 amounts come from *The 2018-19 Budget: Higher Education Analysis Legislative Analysts' Office (LAO) February 15, 2018*
- Below is the appropriation to HSU only

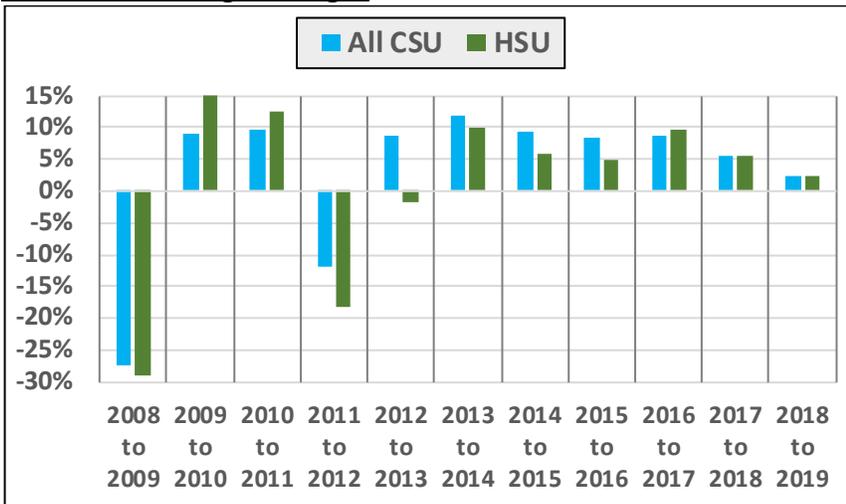
HSU	In Millions of \$\$	% Change
2008	77.1	
2009	54.8	-28.9%
2010	64.4	17.5%
2011	72.5	12.6%
2012	59.4	-18.1%
2013	58.4	-1.7%
2014	64.2	9.9%
2015	68.0	5.9%
2016	71.4	5.0%
2017	78.3	9.7%
2018	82.7	5.6%
2019	84.8	2.5%

For 2018 and 2019:

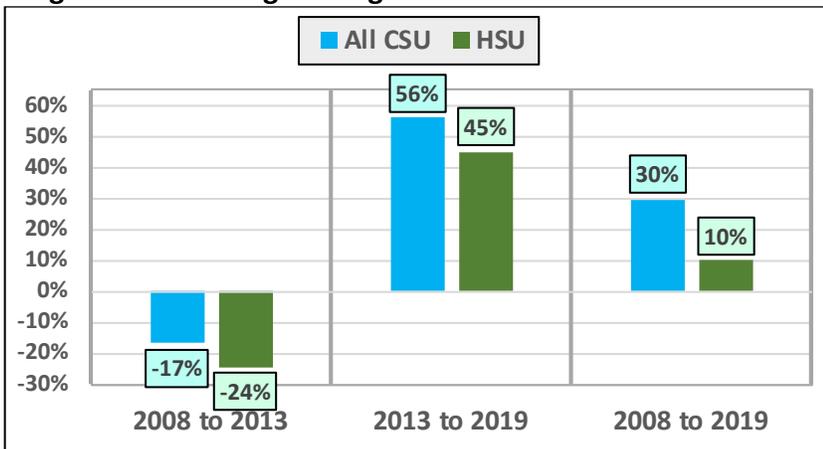
- Per the HSU budget, they report an increase of 3.569 million for 2018, and an increase for 3.295 for 2019
- However, those increases would lead to percentage increases of 6.1% for 2018 and 4.0% for 2019. Since the overall CSU increases are 5.6% and 2.5%, the lower percentage increases were reported.

Comparison of Percentage Changes to all of CSU vs. HSU

Annual Percentage Changes

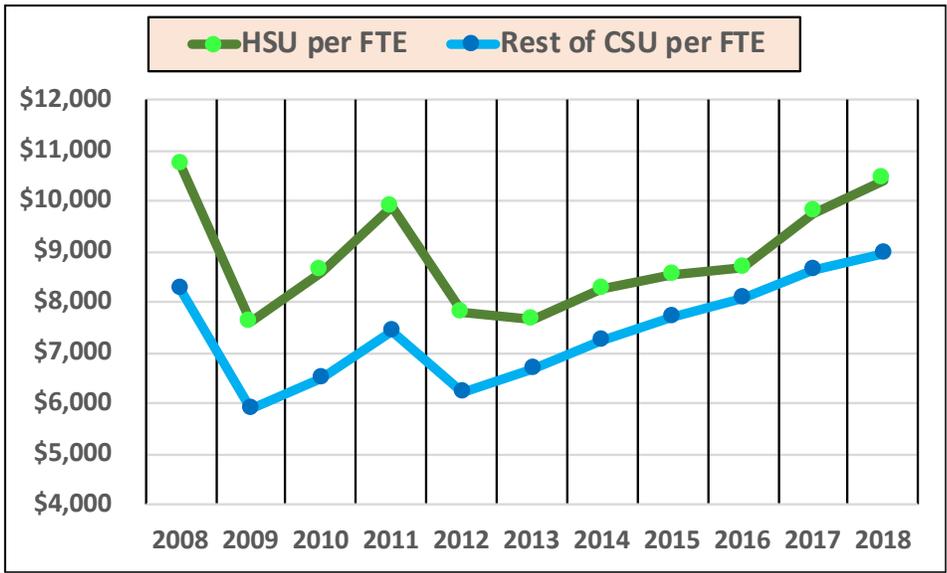


Long-term Percentage Changes:

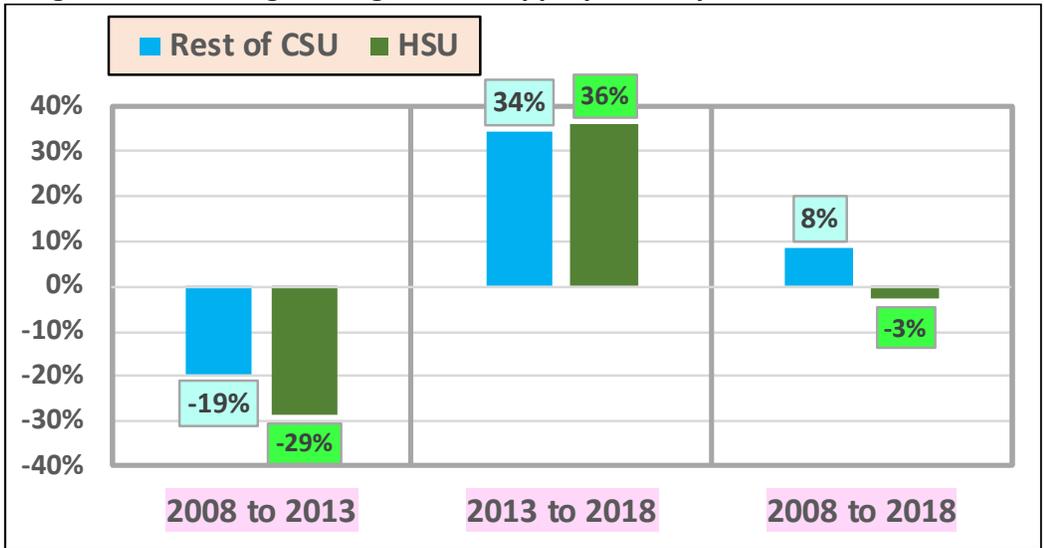


State Appropriation per FTE Student for CSU and HSU:

Year	Rest of CSU in \$\$	Rest of CSU FTE	Rest of CSU per FTE		HSU in \$\$	HSU FTE	HSU per FTE
2008	2,893.4	350,557	\$8,254		77.1	7,189	\$10,729
2009	2,098.5	355,997	\$5,895		54.8	7,223	\$7,591
2010	2,285.0	351,172	\$6,507		64.4	7,490	\$8,600
2011	2,504.2	336,978	\$7,431		72.5	7,348	\$9,873
2012	2,214.6	355,051	\$6,237		59.4	7,618	\$7,797
2013	2,414.6	362,411	\$6,663		58.4	7,620	\$7,659
2014	2,704.8	372,772	\$7,256		64.2	7,772	\$8,256
2015	2,958.0	384,791	\$7,687		68.0	7,960	\$8,539
2016	3,204.6	397,700	\$8,058		71.4	8,228	\$8,678
2017	3,485.7	402,738	\$8,655		78.3	8,020	\$9,765
2018	3,682.3	411,584	\$8,947		82.7	7,934	\$10,424



Long-term Percentage Changes in the appropriation per FTE Student



Discrepancy between what is reported in the HSU budgets, and what is reported in the audited financial statements:

	2016	2017	2018	2019	2020
Per 2016 Budget document	69.5	73.2	77.5	80.8	84.2
2017 budget document: Revenues are not reported at https://budget.humboldt.edu					
Per 2018 Budget document			78.7	82.2	85.5
Actual per audited statements	71.4	78.3			
Dollar under-estimation	(1.9)	(5.1)			
Percent under-estimation	-2.7%	-7.0%			

As is reported below, the state appropriation to HSU reported in the budgets is lower by a significant amount (1.9 million and 5.1 million) over what actually occurred

This is the problem with budgets:

- The administration gets to include and exclude whatever they like
- The admin will claim that the appropriation they report is the continuing appropriation, and that any “one-time” or “other” appropriation is irrelevant.
- The problem is that what is reported in the audited statements is real money, is reported in two different financial statements, and is reported by HSU to IPEDS (Integrated Postsecondary Education Data System of the U.S. Dept. of Education)

	2016	2017
Reported in HSU budget documents	69.5	73.2
Reported on the Statement of Revenues, Expenses, and Changes in Net Position	71.4	78.3
Reported in the Statement of Cash Flows	71.4	78.3
Reported by HSU to IPEDS (federal government)	71.4	

Brief analysis of the financial situation of the CSU System and the State of California

We start with a very brief examination of the Cal State System's overall financial situation.

Below is a graph of the reserves of the CSU System as of June 30, 2017. The amounts below are in Millions, and come from the audited financial statements of the System



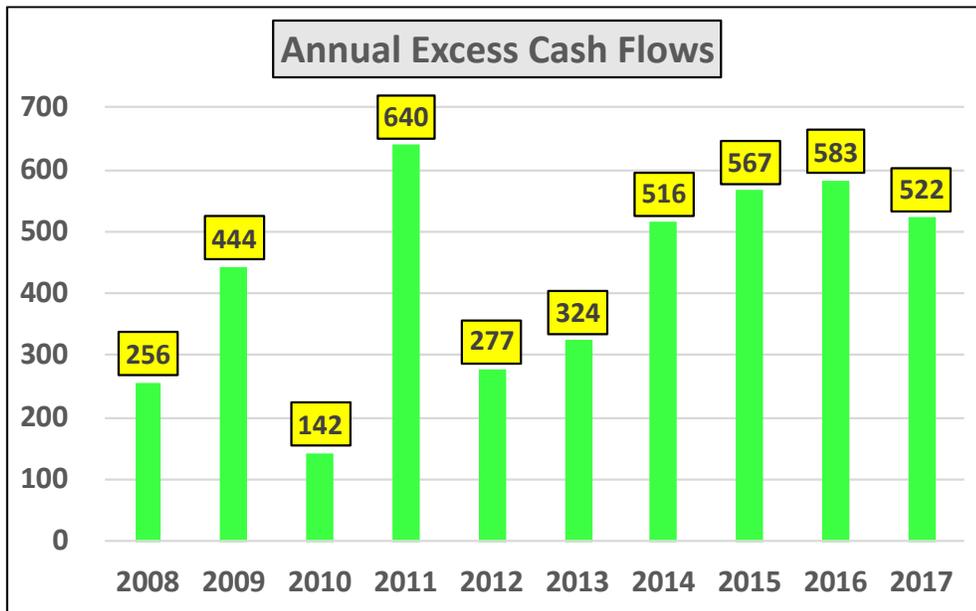
The CSU System had over \$2.5 BILLION of unrestricted reserves as of June 30, 2015. The bond rating will certify that this is a large level of reserves.

- The vast majority of the reserves are unrestricted, and despite administration claims that unrestricted is really spoken for, the key is that the external auditors put the amounts in the unrestricted category. If the reserves were truly spoken for and contractually committed, the amounts would not be in the restricted category
- Each of the campuses has reserves that comprise this amount, and we will soon look at HSU specifically.
- The amount of unrestricted is net of the pension liability, which is really the liability of the state. Note that the bond rating agencies have not changed any ratings since the pension liability (\$7.7 billion for CSU) went on the books in 2015; this is because the state, and not the CSU System, is the real obligor of these pensions. The amount of cash paid by CSU to the pension plans did not change based on the new accounting standard
- The \$2.5 billion omits the \$1.6 Billion of reserves that the auxiliaries have. Specifically, the auxiliaries that are accounted for separately from the universities have a total of \$2.5 billion of reserves, and conservatively, these are not included in the graph above. We will later discuss how the alleged fixed and impenetrable walls between the universities and the auxiliaries are bogus; these walls can be broken whenever the administration desires, and any restrictions are self-imposed

In 2017, the CSU System generated over \$500 million of excess cash flows. This represents:

- All cash in from tuition, the state, grants, and contracts (but not auxiliaries)
- Less: All cash out for employees, suppliers, utilities, interest

- Later, we will look at this specifically for HSU



The two main strengths of the system are reserves and cash flows, and this is why the System has such a high bond rating, and confirms the declaration that the CSU System is in very strong financial condition.

The bond rating is Aa2 with a stable outlook, which is the 3rd highest rating Moody's appoints out of 24 rating categories. The rating was given on February 3, 2017, and has not changed since that time.

https://www.moodys.com/research/Moodys-Assigns-Aa2-to-California-State-Universities-Series-2017-SRBs--PR_903845896

Strengths per the bond rating:

- The nation's single largest four-year higher education system
- Exceptionally strong student demand,
- Solid unrestricted liquidity (reserves)
- Solid operations (revenues versus expenses and cash flows)
- Improved state funding from the state of California

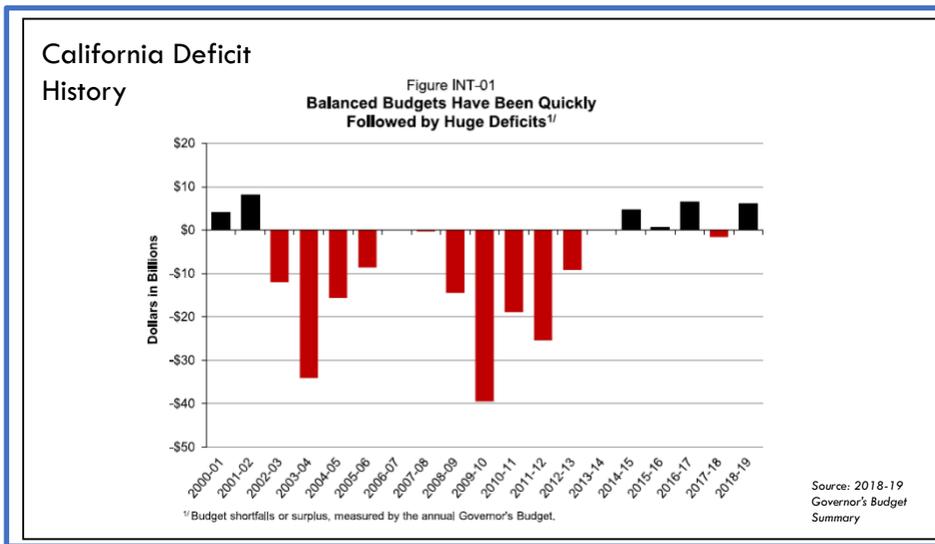
The main challenges are:

- Continued material reliance on appropriations from the State of California
- High leverage (debt)
- Substantial post retirement liabilities

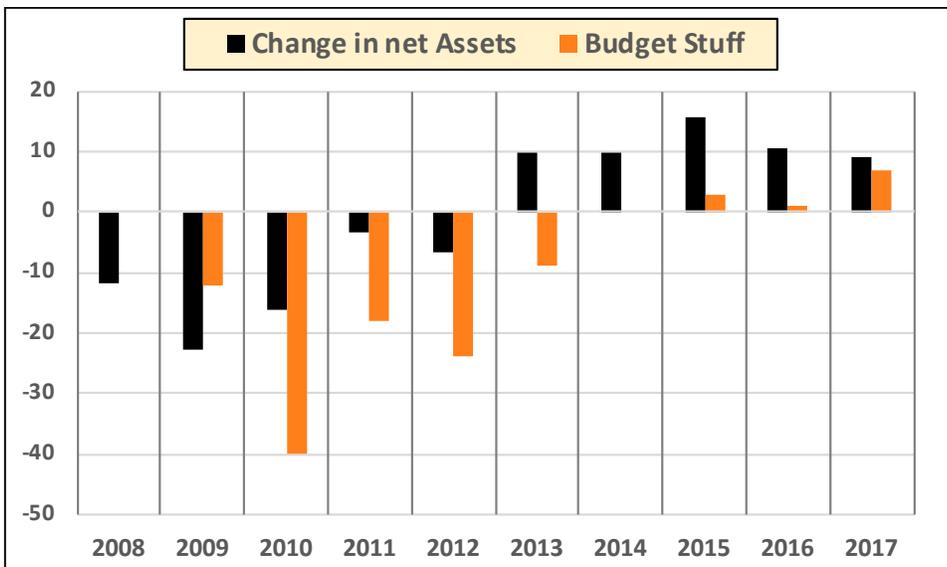
Stable outlook: "The stable outlook reflects expectations of continued exceptional student demand, well-managed operations producing at least stable cash flow and good debt service coverage, and maintenance of ample unrestricted liquidity."

In conclusion, the CSU is in very strong financial condition, supported by the high bond rating. We will next examine the reserves and cash flows for HSU

In the February 2, 2018 budget forum, the HSU administration reports a graph below, suggesting that the state is in trouble, or will soon be in trouble



Below is a chart of the ACTUAL change in net assets for the State of California (in black), which is total revenues less total expenses. The admin's chart is based on some budget construct; The change in net assets is REALITY, and reports what actually happened, per the State of California Comprehensive Annual Financial Report (<https://www.sco.ca.gov/Files-ARD/CAFR/cafr17web.pdf>)



Bond rating of the State of California:
Aa3 on April 2, 2018

"The Aa3 rating reflects California's stable financial position, high but declining debt metrics, adjusted net pension liability ratios that are close to the 50-state median, strong liquidity, and healthy employment growth."

The rating was A1 in 2016; A2 in 2014; Baa1 in 2009;

Analysis of the financial situation of HSU

According to the HSU Administration, HSU has base deficits, college shortfalls, budget gaps, a fixed cost deficit, and a budget deficit. There is a claim in the 2/2/2018 document of a 61M fixed cost deficit for the CSU System;

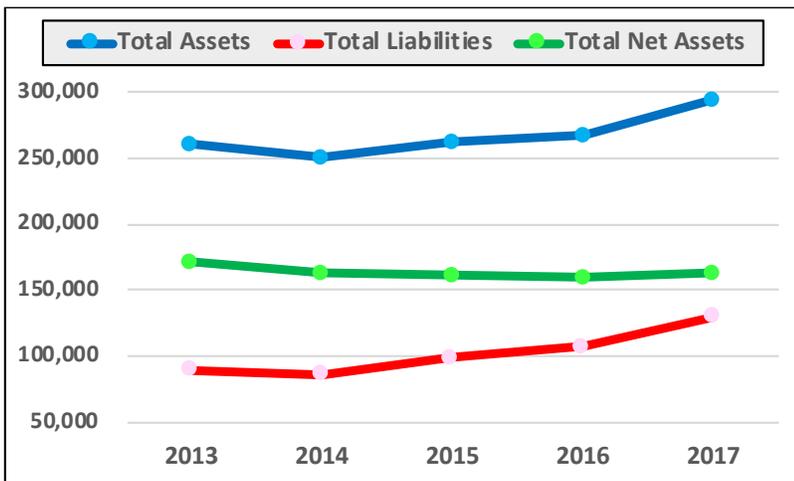
This is a made-up construct that has no basis in accounting or reality

Recall that at the end of 2017, the CSU System had \$2.5 BILLION of unrestricted reserves

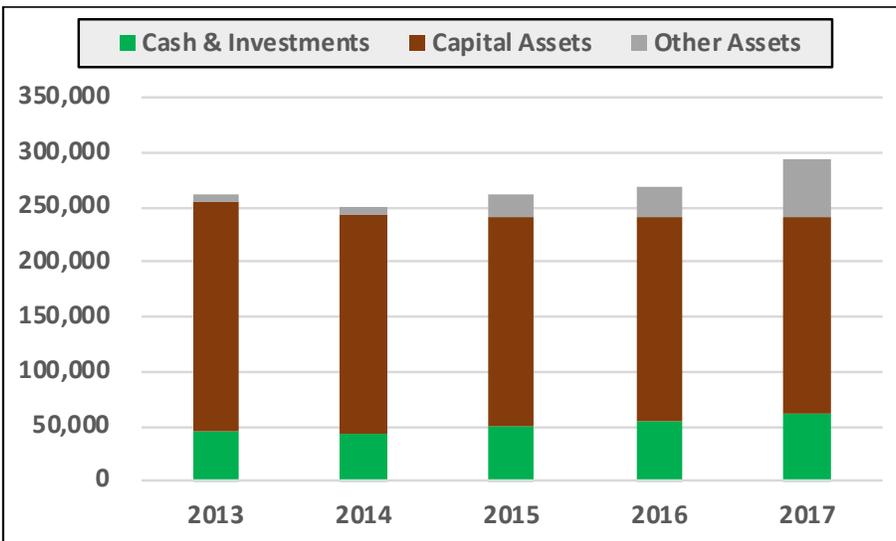
All of these constructs are self-created and not based on audited financial statements or what actually happened. Below is an analysis of what has actually happened to HSU, based on the audited financial statements of HSU

The statement of net position (balance sheet) for HSU for the last several years. The table below adjusts for the pension liability in 2015 to 2017 (as bond rating agencies do)

Amounts in thousands



Asset Breakdown over time:



One issue to consider is how much of the net assets of \$164 million are true reserves.

The net assets consist of 4 different components:

Components of Net Assets	2013	2014	2015	2016	2017
Invested in Capital	143,665	138,784	133,660	131,501	130,609
Restricted Nonexpendable	1,557	1,560	1,543	995	993
Restricted Expendable	3,515	3,016	3,101	9,434	11,859
Unrestricted	22,432	20,505	24,212	18,536	20,294
Total Net Assets	171,169	163,865	162,516	160,466	163,755

In the configuration of reserves, we include:

- Restricted expendable
- Unrestricted

We exclude:

- Invested in capital assets (amounts tied up in the buildings)
- Restricted non-expendable (people donate money and the principle can never be spent)

What will the administration say about the above configuration of reserves?

1. The admin will claim that restricted expendable should not count, as this money is spoken for. Specifically, the 2013 to 2017 audited statements report that the following commitments are made with regards to the restricted expendable reserves:

Restricted Expendable	2013	2014	2015	2016	2017
Scholarships	1,324	1,836	2,004	2,012	2,297
Research	0	0	0	0	0
Loans	875	882	884	788	820
Capital Projects	1,036	203	121	6,125	8,739
Debt Service	46	38	49	2	5
Other	234	57	43	507	0
Total Expendable	3,515	3,016	3,101	9,434	11,861

However, the bond rating agencies include restricted net assets in the computation of reserves, and for good reason. Let's say you have a mortgage on your house, and you have a fund with the following rule: the money in the fund can only be used to pay the principle and interest on your mortgage. Even if your child is sick, or if there are unexpected expenses, you cannot use the money in the fund for any other purpose. Question: Are you better off having this fund, despite its restrictions? Absolutely! That is because you have a definitive funding source for an important need. The same logic applies to universities and the purposes in the table above.

2. The administration will also claim that Unrestricted net assets are already spoken for. However, the external auditors put it in the unrestricted category. If the reserves were truly spoken for and contractually committed, the amounts would not be in the unrestricted category

Graph of HSU Reserves:



- We see that reserves are generally growing, and are certainly not negative
- This does not mean that there is a pot of cash laying around; it does indicate that the HSU administration has some financial freedom and flexibility, which is in stark contrast to the gloom and doom being portrayed
- To put the size of these reserves in context, we calculate the primary reserve ratio:
 - Defined as Total Reserves / Total Expenses
 - It tells us how many months of expenses the institution has in reserves. Anything more than 2 months is ok; 6 months is outstanding

	2013	2014	2015	2016	2017
Unrestricted	22,432	20,505	24,212	18,536	20,294
Restricted Expendable	3,515	3,016	3,101	9,434	11,859
Total Reserves	25,947	23,521	27,313	27,970	32,153
Total Operating Expenses	154,946	152,815	151,732	159,498	168,272
Primary Reserve Ratio	17%	15%	18%	18%	19%

Performance Metric:

Cash Flow Ratio

- Numerator = Operating Cash Flows, which is all cash in less all cash out
- Denominator = Total Revenues

The cash flow ratio is the most robust metric of performance, and Moody's, in their new ratio framework for public universities, uses the cash flow ratio as the only annual operating metric to judge the financial health of public institutions.

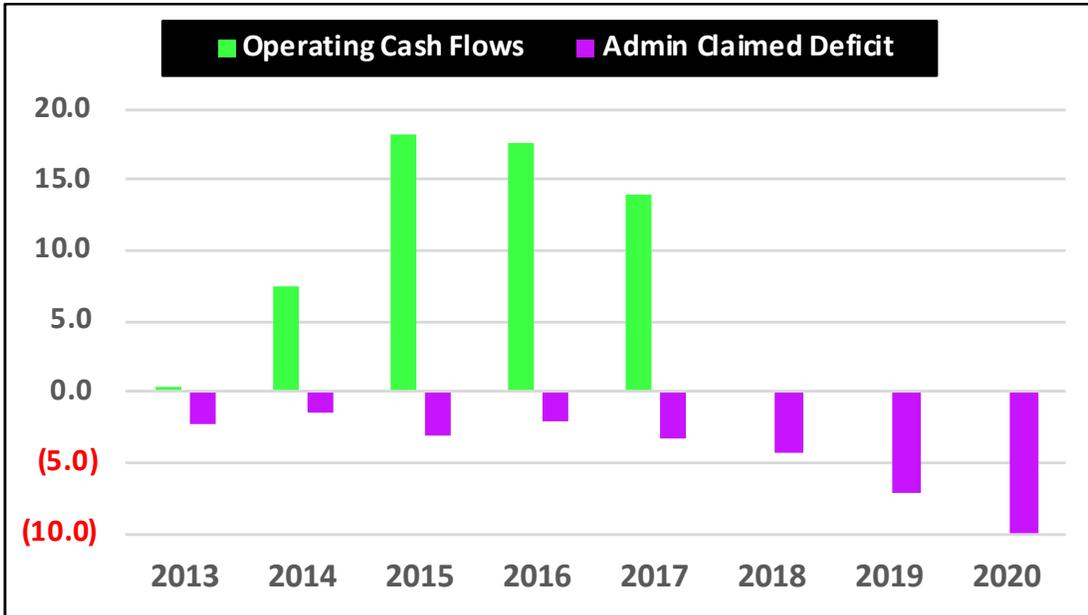
Cash flows from:	2013	2014	2015	2016	2017
State Appropriation	58,364	64,168	67,974	71,403	78,320
Student Tuition and Fees	38,640	36,099	36,389	36,973	34,274
Sales of Auxiliaries	12,673	6,446	5,451	5,370	5,498
Grants and Contracts	27,707	31,924	38,784	39,346	40,098
Payments to Employees	(98,437)	(101,988)	(106,511)	(110,649)	(118,641)
Payments to Suppliers	(25,619)	(27,668)	(24,690)	(24,577)	(24,524)
All Other inflows (outflows)	(12,980)	(1,436)	794	(312)	(1,030)
Operating Cash Flows	348	7,545	18,191	17,554	13,995
Total Revenues	145,764	148,607	157,771	169,293	172,934
Cash Flow Ratio	0.2%	5.1%	11.5%	10.4%	8.1%

- This is reporting all the cash in from operating activities, less all the cash out for operating activities
- The auxiliaries are only the ones that are part of the university financials; they do not include the component units that we will analyze later
- This is the key result to refute the administration's claims of deficits: EACH YEAR FOR THE LAST FIVE YEARS, HSU HAS GENERATED POSITIVE CASH FLOWS
- In 2017, HSU generated \$14 millions of excess cash flows. This is in stark contrast to the deficits claimed by the administration.

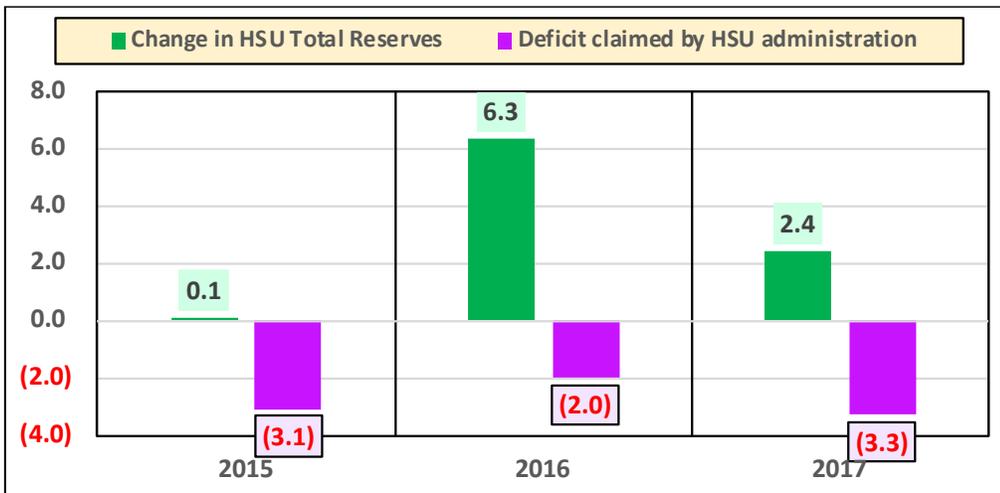
Below is a chart of the deficits reported by the HSU administration in the February 2, 2018 budget presentation. These do not coincide with the actual results in the audited financial statements.

HSU Admin:	2013	2014	2015	2016	2017	2018	2019	2020
Base Deficit	(2.0)	(0.8)	(2.5)	(0.7)	(0.5)	(1.6)	(1.6)	(1.6)
College Shortfall	(0.2)	(0.6)	(0.4)	(1.1)	(2.3)	(2.3)	(2.3)	(2.3)
Athletic Support	0.0	0.0	(0.2)	(0.2)	(0.5)	(0.5)	(0.5)	(0.5)
Unfunded Compensation	0.0	0.0	0.0	0.0	0.0	0.0	(1.0)	(2.0)
Tuition decrease	0.0	0.0	0.0	0.0	0.0	0.0	(1.8)	(2.7)
State appropriation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)
Total Deficit	(2.2)	(1.4)	(3.1)	(2.0)	(3.3)	(4.4)	(7.2)	(10.0)
Per Audited Statements:	2013	2014	2015	2016	2017			
Operating Cash Flows	0.3	7.5	18.2	17.6	14.0			

- Given what has occurred, it is advisable to take any claims about 2018 to 2020 with a large grain of salt
- These projections of deficits never materialized in the last several years – in fact there were surpluses
- Below is a graph of the claimed deficits from 2013 to 2017 versus reality



- What we do know about 2018 and 2019 is that the State appropriation to HSU is going to increase by between \$3 million and \$4 million
- We will examine enrollment changes and other expense constructs to determine if it is even conceivable that there will be deficits as claimed by the HSU administration
- The fact that 2015, 2016, and 2017 reported ACTUAL cash surpluses, versus claimed deficits, is clear evidence that the administration’s claims of deficits should be considered less than certain
- In addition, unrestricted reserves and total reserves have increased for the last three years. How could there be deficits if reserves are increasing?



Analysis of Auxiliary Organizations of HSU

There are four auxiliaries organizations associated with HSU:

- Sponsored Programs Foundation (HSU SPF)
- Advancement Foundation (HSUAF)
- University Center Board of Director
- Associated Students of HSU (AS)

The results for 2017 for the four organizations are as follows, and comes from the audited financial statements of each organization, at:

<http://auxiliary.calstate.edu/?cat=28&submit.x=37&submit.y=9>

2017	Sponsored Program Foundation	Advancement Foundation	Board of Directors	Associated Students (AS)	TOTALS
Total Assets	12,595,091	39,660,979	13,723,039	549,645	66,528,754
Total Liabilities	4,125,782	2,960,143	5,255,539	25,519	12,366,983
Total Net Assets	8,469,309	36,700,836	8,467,500	524,126	54,161,771
Unrestricted Net Assets	6,438,902	3,029,619	8,467,500	524,126	18,460,147
Total Revenues	25,212,227	7,637,244	14,620,835	980,919	48,451,225
Total Expenses	25,187,359	2,946,476	14,901,327	980,478	44,015,640
Change in Net Assets	24,868	4,690,768	(280,492)	441	4,435,585
Operating Cash Flows	27,209	437,988	475,065	(42,070)	898,192

What do we learn here?

- There are significant assets, and very few liabilities in these organizations
- There are over \$18 million of unrestricted reserves associated with these organizations at the end of 2017. This \$18 million can be considered as an addition to the \$20 million of campus unrestricted reserves
- Cash flows generated by the auxiliaries in 2017 were 898,192, and represents real money; the campus generated \$14 million in excess cash flows in 2017, so this amount takes that total to almost \$15 million

The claim that the auxiliary orgs are off limits is self-imposed. The administration has consistently claimed that none of these funds are available for anything. However, these funds are real money, and the surpluses just build up reserves for HSU

By ignoring these funds, tuition is higher than it should be, the commitment to the core academic mission is lower than it should be, and the quality of education delivered to students is below the level that the true financial situation of CSU supports. In addition, people are losing their jobs, and this should not be happening.

Several facts obliterate administrative claims that these organizations are off limits:

1. **The audited financial statements and websites of each organization reveal the control and discretion that HSU has over these organizations:**
 - a. **Sponsored Program Foundation (SPF)** *“HSU SPF administers virtually all externally-funded grants and contracts and submits proposals to external funding agencies on behalf of Humboldt State University. We help faculty and administrators build bridges between Humboldt State University, external funding agencies, and other institutions to advance the University's mission”*
 - b. **HSUAF**. *“The Foundation serves the University in several ways:*
 - Deploy Assets – ensure that contributed funds are efficiently distributed and productively used by the University
 - Raise New Assets – engage in the fundraising process in order to increase the amount and quality of charitable contributions to the University
 - Strategic Alignment – be familiar with the strategies and directions of the University and provide commentary and feedback to University leadership
 - Advocacy – serve as spokespersons and ambassadors for the University
 - c. **University Center**: *“provides Humboldt State University’s students and the greater campus community with services, conveniences and amenities requisite to the daily life of the campus.” This organization covers the student union, dining facilities, the rec center, the Humboldt Bay Aquatic Center, and other buildings on campus*
 - d. **Associated Students (AS)**: *“advocates the student perspective in the University decision making process. The Associated Students Board of Directors is elected each spring and serves as the officially recognized voice of the student body. We actively seek institutional changes that serve to enhance the student environment. We fund and administer student initiated and led programs and services that are unique to Humboldt State University.”*
1. The strict walls were broken down in 2017. With ASI, there was a large change in mid-2017, as a large amount of the operations were transferred from ASI to the university.

Quoting from the 2017 AS audited statements: “With the transition of Associated Students’ Business Services moving from University Center to Humboldt State Administrative Affairs mid-year, due to Student Board vote, caused an analysis of where funding activities were supposed to be accounted for. Once transitioned, Management made the executive decision to transfer Clubs and IRA activities to the Humboldt State University business unit. Doing this has made Associated Students accounting become clearer and more transparent.”

This is further proof that there is no legal restrictions on these auxiliaries; the restrictions are all self-imposed!

2. The evidence that demonstrates there are no strict walls between the university and the auxiliary organizations is in the audited statements. For each of the last several years, below are the interactions between the main campus and the auxiliary orgs. There are allegedly strict walls between the two; the millions and millions of dollars going back and forth demonstrate

that these walls are not strict and that there is no legal limitation. However, tens of millions of dollars go back and forth between the campus and these auxiliary organizations each and every year. There are no strict walls – these four organizations are an integral part of HSU.

In Thousands	2015	2016	2017
Payments from discretely presented component units for salaries of personnel working on contracts, grants, and other programs	2,042	1,877	2,367
Payments from discretely presented component units for other than salaries	3,828	3,957	4,776
Payments to discretely presented component units for services, space, and programs	2,241	2,454	2,050
Gifts in kind from discretely presented component units	262	340	164
Gifts (cash or assets) from discretely presented component units	1,766	881	988
Accounts receivable from discretely presented component units	113	346	2,097
Accounts payable to discretely presented component units	(202)	(107)	(72)
Payments to the Office of the Chancellor for administrative activities	72	68	78
Payments to the Office of the Chancellor for state pro rata charges	379	248	288
Accounts receivable from the Office of the Chancellor	48	94	284
State lottery allocation received	862	848	909

- The “discretely presented component units” are the auxiliary organizations.
 - The amount of money going back and forth is significant
3. In 2012, when the CSU administration wanted to pay the presidents of the campuses additional compensation where did they allegedly get the money? From the allegedly off limits auxiliary organizations. The administration claims they received special dispensation from the legislature, but that was all political. There are guidelines, and the administration has great discretion in how these funds are spent. Consider this: let’s say the auxiliary organizations build huge surpluses over time; at some point, what is going to happen to these surpluses? This is the situation with the CSU System; the administration has charged more tuition than they should, and paid workers (not upper level administrators) less than they should.
 4. Every other public university includes the majority these types of organizations in their main financial statements; student unions, grants, and contracts are all part of the accounting systems of the main organizations of every system. These auxiliary organizations are separate legal and accounting entities, but they are simply part of the university, and should be analyzed as such.

Bottom line: when examining the financial health, freedom and flexibility of HSU, the auxiliary orgs must be considered. These auxiliaries generate huge cash surpluses each year, and right now, they just pad reserves.

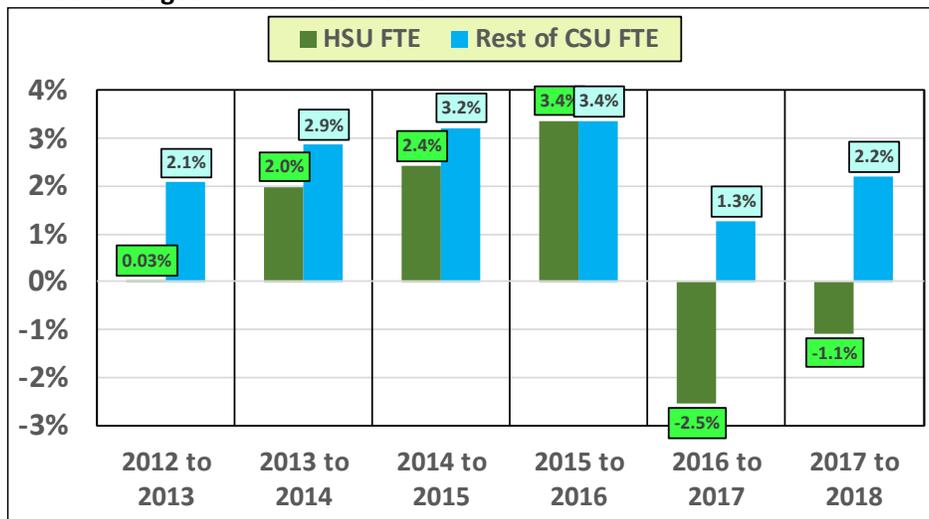
Detailed Revenue Analysis of HSU

	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017
	2012	2013	2014	2015	2016	2017	2018
Headcount	8,046	8,116	8,293	8,485	8,790	8,503	8,349
FTE (full time equivalent)	7,618	7,620	7,772	7,960	8,228	8,020	7,934
Ratio of FTE to HC	0.947	0.939	0.937	0.938	0.936	0.943	0.950
Rest of CSU	355,051	362,411	372,772	384,791	397,700	402,738	411,584

Sources: http://www2.humboldt.edu/irp/Dashboards/HSU_Historical_HC-FTE.html and http://www.calstate.edu/as/stat_reports/2017-2018/f17_02.htm for Fall 2017

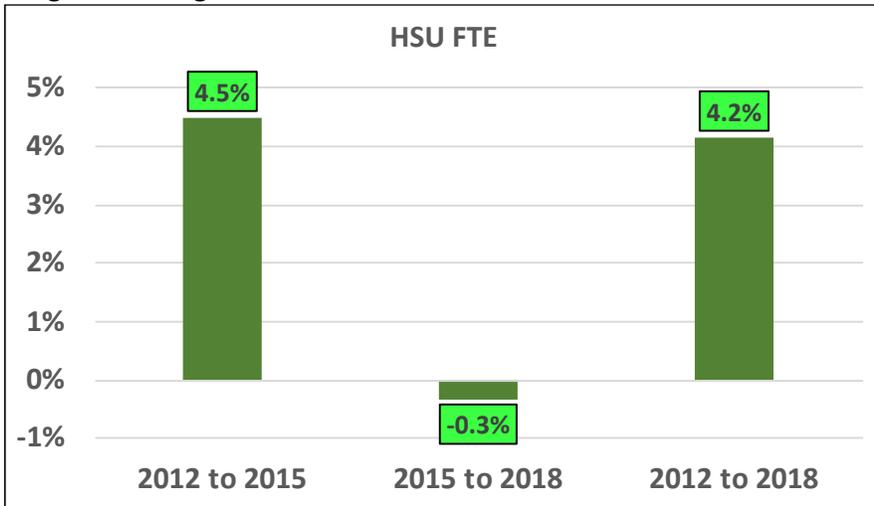
- The Fall 2015 enrollment was the largest enrollment since 1992, the earliest year data is available on the Humboldt dashboard
- Enrollment is down in the last two years, but the Fall 2017 enrollment is the 4th largest in history

Annual Changes in FTE Enrollment:



L

Long-term changes in FTE Enrollment for HSU:



The news for new students and applications:

	Applicants	Admitted	Enrolled	% of Apps Admitted	% of Admitted Enrolled
Fall 2017					
First time fresh	11,453	9,372	1,210	82%	13%
Transfers	6,521	5,592	953	86%	17%
Post/bac	720	416	307	58%	74%
Transitory	35	34	24		
Total	18,729	15,414	2,494	82%	16%
Fall 2016					
First time fresh	12,964	9,996	1,295	77%	13%
Transfers	4,487	3,680	857	82%	23%
Post/bac	665	402	280	60%	70%
Transitory	100	100	33		
Total	18,216	14,178	2,465	78%	17%

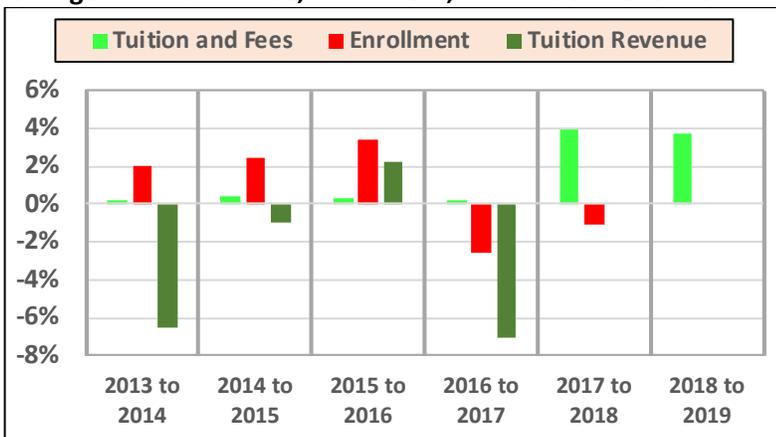
Tuition and Fees, Room and Board

Sources: IPEDS; US News and World Report and HSU website

	2013	2014	2015	2016	2017	2018	2019
Tuition and Fees	\$7,130	\$7,144	\$7,171	\$7,195	\$7,209	\$7,493	\$7,774
Room and Board	\$10,948	\$11,440	\$11,644	\$12,114	\$12,638	\$13,016	
Total	\$18,078	\$18,584	\$18,815	\$19,309	\$19,847	\$20,509	
	2013 to 2014	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	
Tuition and Fees	0.2%	0.4%	0.3%	0.2%	3.9%	3.8%	
Room and Board	4.5%	1.8%	4.0%	4.3%	3.0%		
Total	2.8%	1.2%	2.6%	2.8%	3.3%		

- CSU Average for 2017-18 for CSU is \$7,217
- HSU tuition and fees is \$276 higher than the average
- HSU tuition and fees is 3.8% above the average for all CSU institutions

Changes in Tuition Price, Enrollment, and Tuition Revenue:



- Given the increase in tuition price and the change in enrollment, the tuition change will not be as negative as for 2016-17
- In the HSU budget, there appears to be a 1% forecasted decline in gross tuition revenue (before discounts) for 2018, and a 3.5% decline for 2019, though it is unclear what they are budgeting (gross undergrad? Total? Discount?)
- Below are the discount rates over the last five years:

	2013	2014	2015	2016	2017
Tuition and fees, gross	63,108	64,891	66,363	68,548	63,262
Scholarship Allowances	24,136	28,456	30,292	31,659	28,973
Tuition and fees, net	38,972	36,435	36,071	36,889	34,289
Discount rate	38.2%	43.9%	45.6%	46.2%	45.8%

Detailed Expense Analysis of HSU

Operating expenses as reported in the audited financial statements:

In Thousands of dollars	2013	2014	2015	2016	2017
Instruction	47,155	49,276	50,409	53,250	59,398
Research	0	0	66	362	279
Public Service	493	525	467	508	519
Academic Support	16,110	17,069	16,152	17,810	18,802
Student Services	17,573	18,660	19,076	21,180	22,025
Institutional Support	17,966	18,014	18,152	17,451	17,491
Plant	16,392	17,613	14,864	15,119	17,685
Scholarships	19,446	11,168	12,156	13,090	12,921
Auxiliaries	8,284	9,206	9,112	8,953	8,145
Depreciation	11,527	11,284	11,278	11,775	11,007
Interest Expense	3,636	3,096	2,894	2,806	2,096
Total Expenses	158,582	155,911	154,626	162,304	170,368
As percent of total	2013	2014	2015	2016	2017
Instruction	29.7%	31.6%	32.6%	32.8%	34.9%
Research	0.0%	0.0%	0.0%	0.2%	0.2%
Public Service	0.3%	0.3%	0.3%	0.3%	0.3%
Academic Support	10.2%	10.9%	10.4%	11.0%	11.0%
Student Services	11.1%	12.0%	12.3%	13.0%	12.9%
Institutional Support	11.3%	11.6%	11.7%	10.8%	10.3%
Plant	10.3%	11.3%	9.6%	9.3%	10.4%
Scholarships	12.3%	7.2%	7.9%	8.1%	7.6%
Auxiliaries	5.2%	5.9%	5.9%	5.5%	4.8%
Depreciation	7.3%	7.2%	7.3%	7.3%	6.5%
Interest Expense	2.3%	2.0%	1.9%	1.7%	1.2%
Total Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

Category definitions:

Instruction	Salaries of those who teach; Academic Admins are but
Academic Support	Deans and Libraries; Advising
Auxiliaries	Housing, Dining, Bookstore, Parking, Athletics
Institutional Support	Upper level administration
Scholarships/Student Aid	Direct aid to students
Plant	Buildings and grounds
Student Services	Admissions; Student Orgs
Research	Includes external grants and internal spending
Depreciation	Estimated decline in value of buildings
Public Service	Conferences and institutes

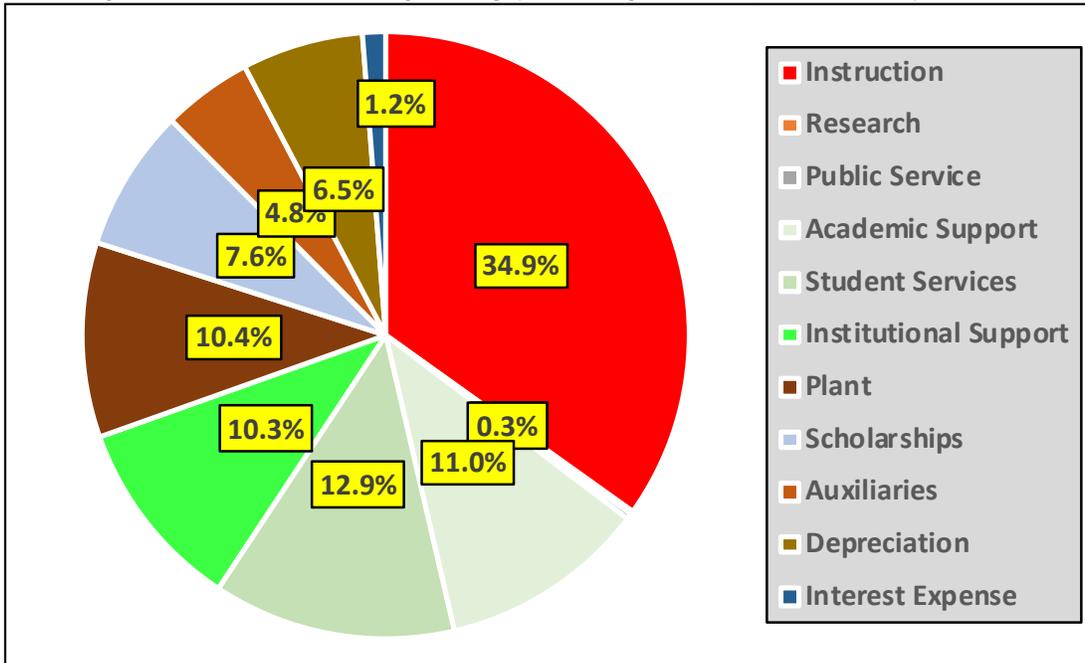
- Academic support and student services contain administrative and non-administrative components, including members of the CFA bargaining units
- Institutional support is 100% pure upper-level administration

For increase in instruction from 2016 to 2017:

Per cash flow analysis, total payments to employees increased from \$110.6 million to \$118.6 million or \$8 million, which is a 7.2 increase. Not all of these payments were for instruction, and note that

- Total instruction for HSU increased by 11.5% from 2016 to 2017
- **However, instruction expense for all other 22 CSU campuses increased 14.0% from 2016 to 2017**
- Cash payments to all employees increased by 7.2%
- It is possible that the non-compensation component of instruction led to some of the increase we see in the instruction category from 2016 to 2017. Note that the IPEDS breakdown of expenses for 2017 was submitted by the HSU administration in April of 2018, but that data was not provided as of this writing. This will not be on the IPEDS website until January of 2019
- Going forward, we will focus on the salary component of expenses (benefits are not reported separately in IPEDS as of 2016), but we only have data through 2016
- The HSU administration reports that instruction is 41% of total expenses; however, it is unclear what denominator they are using. As we compare these expenses, we will use the total expenses from the audited statements/IPEDS

2017 Expense Distribution Graphically (Total Expenses = \$170 million)



Instruction and institutional support compared to peers

Instruction Expense as a Percent of Total Expense, IPEDS 2016

Institution	Instruction Expense as a % of Total Expenses
Long Beach	47.9%
Fullerton	46.7%
San Luis Obispo	46.1%
SJSU	45.9%
Ponoma	44.0%
Stanislaus	43.7%
San Marcos	43.6%
Sacramento	43.3%
SFSU	42.8%
Chico	42.8%
Monterrey Bay	42.0%
CSUN	41.8%
LA	41.1%
CSUSB	41.0%
Humboldt	40.8%
Fresno	40.1%
DH	39.2%
Maritime	37.6%
SDSU	37.3%
Bakersfield	37.2%
East Bay	35.8%
SSU	33.9%
Channel	29.6%
HSU Rank (of 23)	15
Peer Average	41.1%
HSU vs. Peer Average	-0.24%
Additional Dollars to get HSU to Peer Average	\$390,662

- It is clear that HSU spends less on instruction than peer institutions
- In the budget analysis, the HSU administration cherry-picked some institutions within CSU to claim that HSU spends more on instruction. This is clearly not the case
- The HSU administration takes Maritime out as a peer in its submission to IPEDS:
 - Peer average goes up to 41.2%
 - Additional dollars to get HSU to peer average goes up to \$662,854

Instruction is more than just salaries

For example, in 2015, the last year we have data, Instruction was made up of:

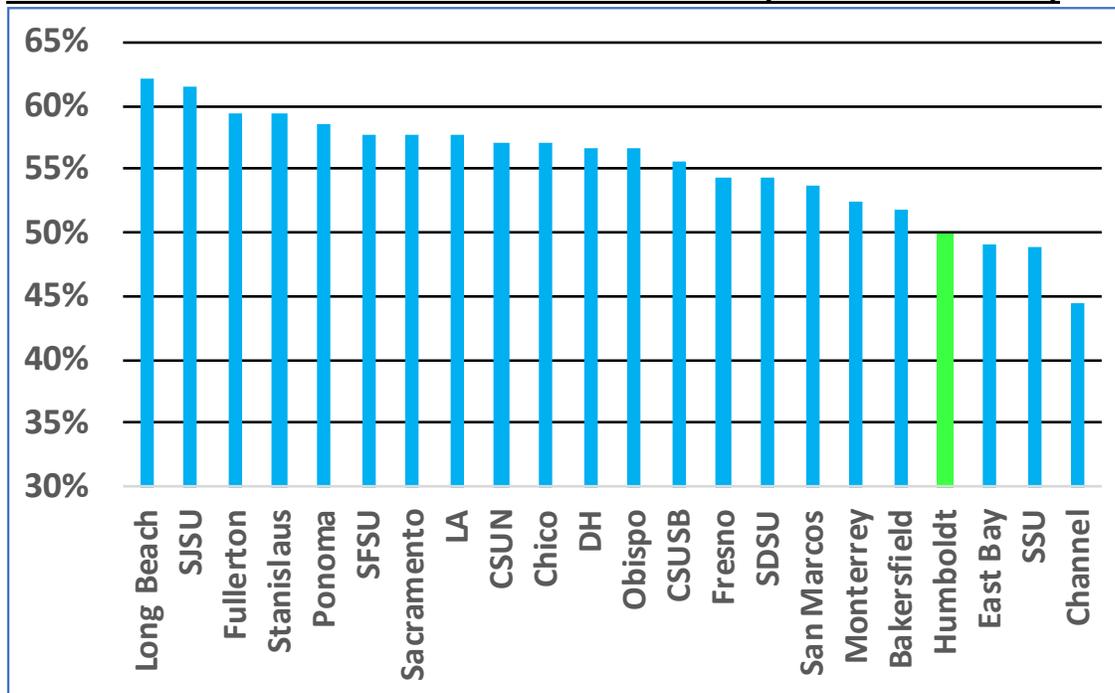
Salaries	32,693
Benefits	13,176
Other	4,540
Total Instruction Expense	50,409

Starting in 2016, IPEDS stopped reporting benefits

Note that some public universities report salaries and benefits by expense function in the audited financial statements (UO and OSU)

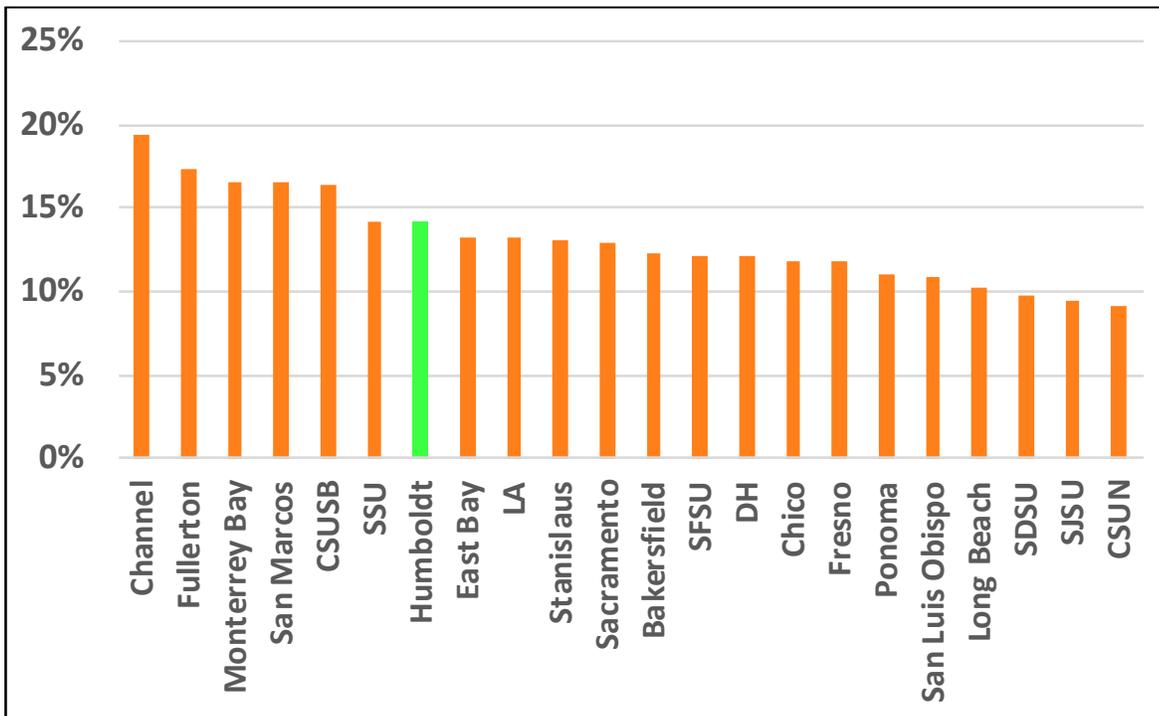
Due to this change and lack of data availability, we will isolate the salary component of the expense

Instruction Salaries as a Percent of Total Salaries (without Maritime)



- Humboldt is at 49.9%
- Peer average is 55.6%
- Humboldt is 19th out of 22
- **If Humboldt had spent the peer average, an additional 5.7% of total salaries or \$3.9 million would be spent on instructional salaries!**
- **Any claims by the HSU administration that they spend a similar percentage on instruction salaries as CSU peers is not supported by the empirical evidence**

Institutional Support Salaries as a Percent of Total Salaries



- **Humboldt is at 14.1%**
- **Peer average is 13.0%**
- **HSU is 7th largest out of 22 (7th largest with institutional support expense)**
- **If HSU had spent the peer average, then \$745,661 less would be spent on administrative salaries**

The results are clear:

- **HSU spends less on instruction salaries than CSU peer institutions**
- **HSU spends more on institutional support (upper-level administration) than CSU peer institutions**

Faculty Salaries per AAUP Compensation Survey

2017-2018	Full	Assoc	Asst	Lecturer
San Diego St U	\$115,500	\$94,900	\$90,300	\$66,500
Cal St U-Channel Islands	\$114,400	\$97,400	\$84,200	\$67,800
San Francisco St U	\$111,100	\$93,500	\$86,100	\$63,000
San Jose St U	\$110,400	\$94,300	\$85,200	\$65,800
Cal St U Maritime Academy	\$110,300	\$90,700	\$77,900	\$63,400
Cal St Polytechnic U-Pomona	\$110,200	\$93,100	\$82,900	\$65,500
Cal St U-San Marcos	\$109,200	\$90,400	\$83,300	\$61,100
Cal St U-Dominguez Hills	\$108,900	\$98,800	\$81,700	\$61,900
San Luis Obispo	\$108,200	\$92,700	\$83,100	\$68,500
Cal St U-Bakersfield	\$106,800	\$90,800	\$79,600	\$63,100
Cal St U-Long Beach	\$106,600	\$92,200	\$83,100	\$67,400
Cal St U-East Bay	\$106,200	\$94,300	\$80,600	\$62,100
Cal St U-Los Angeles	\$106,100	\$90,000	\$84,400	\$56,800
Cal St U-Monterey Bay	\$105,900	\$90,400	\$80,300	\$55,700
Cal St U-Fullerton	\$105,800	\$91,900	\$86,900	\$63,500
Cal St U-San Bernardino	\$105,800	\$86,600	\$75,400	\$60,100
Cal St U-Fresno	\$105,600	\$87,900	\$78,100	\$60,500
Cal St U-Northridge	\$102,900	\$87,500	\$80,700	\$61,700
Cal St U-Stanislaus	\$102,700	\$87,100	\$76,500	\$56,900
Humboldt St U	\$102,600	\$87,300	\$74,800	\$61,100
Cal St U-Chico	\$102,500	\$85,600	\$77,000	\$62,300
Cal St U-Sacramento	\$98,900	\$88,500	\$76,700	\$61,500
HSU Rank (out of 22)	20	19	22	16
Peer Average	\$107,333	\$91,362	\$81,619	\$62,624
HSU vs. Peer Average in \$	-\$4,733	-\$4,062	-\$6,819	-\$1,524
HSU vs. Peer Average in %	-4.4%	-4.4%	-8.4%	-2.4%

- It is clear that HSU faculty salaries are well below those at peer CSU institutions
- We will see below that these salaries are well below those of top HSU administrators

Administrative Salaries

Source: <http://www.sacbee.com/site-services/databases/state-pay>

<u>Title</u>	<u>2016 Total Pay</u>	<u>2017 Total Pay</u>	<u>\$ Change</u>
President	\$379,134	\$387,574	\$8,440
Provost	\$207,274	\$238,081	
VP Advancement	\$199,561	\$204,330	\$4,769
Dept Chair, MBA	\$190,701	\$189,009	(\$1,692)
CIO (now retired)	\$179,890	\$183,852	\$3,962
Dean, CNRS (now former dean)	\$61,813	\$177,219	
Sr Assoc VP HR	\$170,874	\$175,009	\$4,135
Assoc VP Distance Ed		\$169,748	
Dean, Library	\$162,643	\$166,236	\$3,593
VP Admin Affairs (former)	\$206,719	\$158,749	
AVP for Institutional Effectiveness	\$135,630	\$155,703	
Chair, Kinesology	\$169,003	\$154,398	
Interm Vice Provost (former)	\$138,664	\$151,703	
Interim A.V.P. Extended Ed	\$144,270	\$151,661	\$7,391
Assoc VP	\$145,476	\$148,716	\$3,240
Construction Project Management (former)	\$145,386	\$144,587	
Police Chief	\$139,672	\$142,747	\$3,075
VP Enrollment Management	\$191,079	\$141,648	
Exec Director of Development (Advancement)		\$141,028	
Dean, Research & Sponsored Programs	\$132,871	\$139,698	\$6,827
Physician	\$129,451	\$138,526	\$9,075
Title IX Deputy Coordinator	\$135,107	\$138,088	\$2,981
Assoc Dean, CNRS	\$134,784	\$137,896	\$3,112
Director	\$135,282	\$136,687	\$1,405
Associate Director, Athletics	\$80,237	\$136,305	
Director	\$54,430	\$134,435	
Special Consultant	\$133,119	\$131,435	(\$1,684)
Budget Director	\$113,419	\$131,353	
Average	\$154,480	\$164,515	\$10,035
Median	\$141,971	\$150,189	\$8,218
Full Professor	\$92,866	\$99,356	\$6,490
Associate Professor	\$78,004	\$84,595	\$6,591
Assistant Professor	\$69,553	\$73,079	\$3,526
Lecturer	\$54,030	\$56,601	\$2,571

Number and Salaries of Non-Instructional Staff per IPEDS

	2013	2014	2015	2016	2017
Management	59	62	65	63	61
Healthcare	9	9	11	8	10
Computer Engineering and Science	60	63	63	62	68
Maintenance	45	40	42	42	46
Business and Financial Operations	76	79	74	86	87
Librarians Curators Archivists and Academic Affairs	35	38	35	38	34
Community Social Service Legal Arts Sports and Media	101	109	106	115	117
Transportation	11	12	11	11	12
Service	64	66	64	62	58
Office and Administrative Support	148	146	139	142	133
TOTAL Non-Instructional Staff	608	624	610	629	626
	2013	2014	2015	2016	2017
Management	\$120,110	\$118,595	\$121,001	\$124,519	\$125,718
Healthcare	\$80,996	\$81,721	\$78,528	\$90,557	\$94,716
Computer Engineering and Science	\$63,718	\$61,956	\$62,745	\$64,495	\$66,719
Maintenance	\$55,953	\$56,233	\$57,093	\$58,239	\$60,350
Business and Financial Operations	\$56,828	\$55,223	\$55,990	\$58,531	\$58,275
Librarians Curators Archivists and Academic Affairs	\$51,466	\$47,218	\$46,849	\$48,560	\$55,445
Community Social Service Legal Arts Sports and Media	\$47,730	\$47,946	\$48,627	\$50,438	\$51,959
Transportation	\$54,425	\$54,197	\$52,629	\$48,017	\$48,838
Service	\$36,495	\$37,367	\$37,743	\$40,791	\$41,690
Office and Administrative Support	\$37,468	\$37,323	\$38,034	\$39,470	\$40,562
TOTAL Non-Instructional Staff	\$55,225	\$54,791	\$56,227	\$57,798	\$59,684

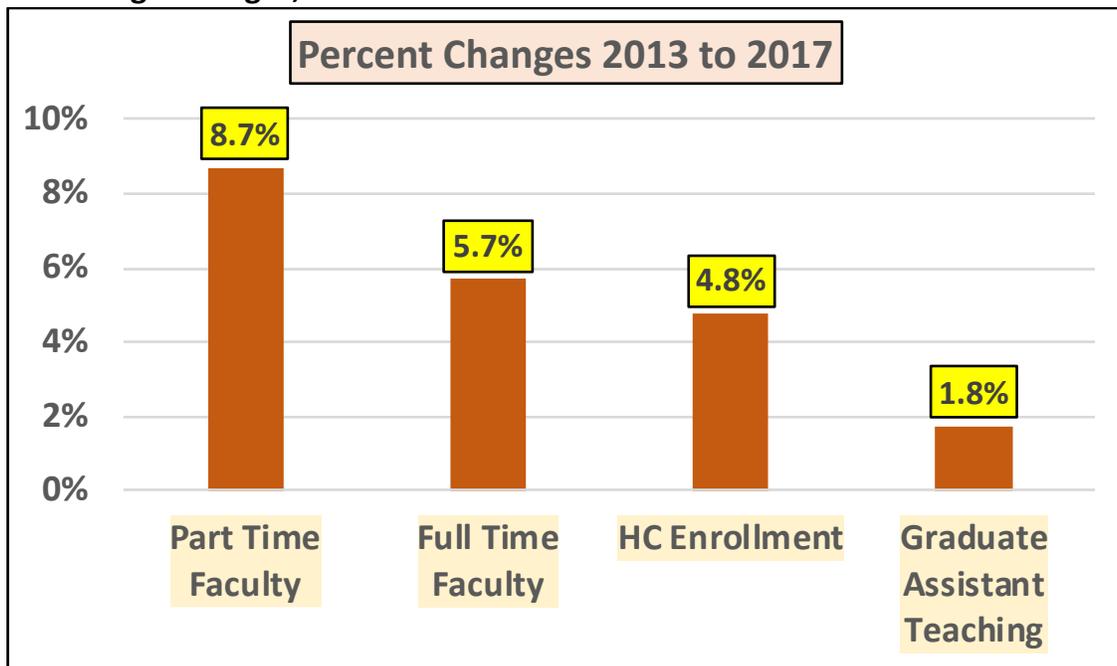
- **Data and Transparency Issue**
 - The 2017 data is reported to IPEDS as of November 1, 2016
 - The HSU administration submitted the Human Resources data to IPEDS in April of 2018, and it reports the data as of November 1, 2017
 - This data was not made available, as we will not see it on IPEDS until January of 2019
- The administration has claimed that there was a reduction in administrative employees; the data above suggests there are 2 fewer administrators for 2017, but this is 2 more than the amount in 2013; this does not represent a significant decline in administrative spending. If we had the November 1, 2017 data, perhaps the administration's claim could be verified

Number of faculty

Per Common Data Set and IPEDS for graduate assistants

	2013	2014	2015	2016	2017
Full Time	228	231	219	226	241
Part Time	310	322	351	340	337
Grad Teaching	57	58	54	47	58
HC Enrollment	8,116	8,293	8,485	8,790	8,503

Percentage Changes, 2013 to 2017:



Number of Faculty by Rank per Different Data Sources

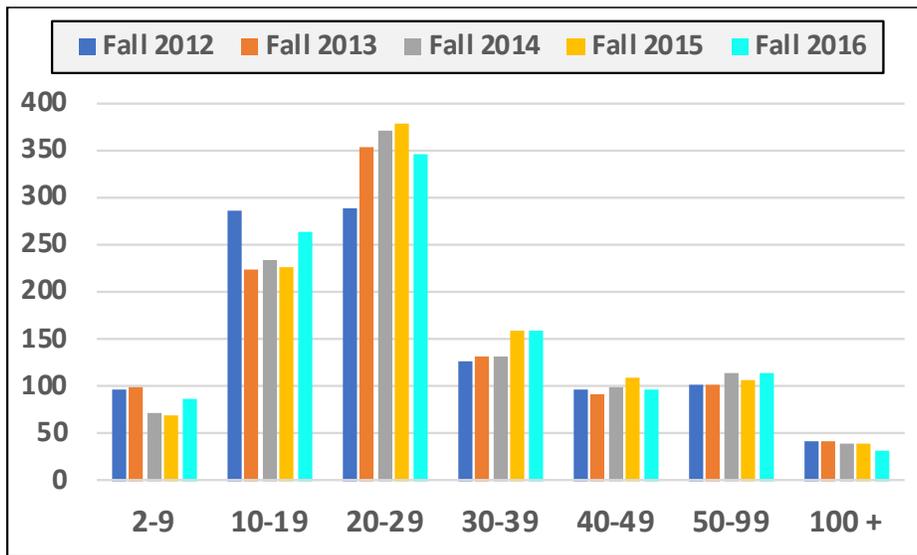
Per AAUP Survey	2013	2014	2015	2016	2017	2018
Full	120	120	113	115	116	119
Associate	62	57	49	46	44	51
Assistant	29	45	46	61	77	78
Lecturer	54	59	65	58	62	57
TOTAL	265	281	273	280	299	305
Per IPEDS	2013	2014	2015	2016	2017	2018
Full	120	118	113	115	116	N/A
Associate	62	57	49	46	44	N/A
Assistant	29	45	46	61	77	N/A
Lecturer	54	59	65	58	62	N/A
TOTAL	265	279	273	280	299	0
Per Fact Book	2013	2014	2015	2016	2017	2018
Full	N/A	126	N/A	N/A	116	N/A
Associate	N/A	59	N/A	N/A	44	N/A
Assistant	N/A	46	N/A	N/A	77	N/A
Lecturer	N/A	N/A	N/A	N/A	62	N/A
TOTAL					299	
Enrollment	8,116	8,293	8,485	8,790	8,503	8,349
% Changes 2013 to 2018						
Total FT Faculty	15%					
Enrollment	3%					

Class Size

Using the common data set, we can determine the number of sections that have a specified number of students. The data and graph below show that there has not been a significant shift in class size.

Caveat: The Fall 2017 common data set was not available, and this may reveal some changes

	2-9	10-19	20-29	30-39	40-49	50-99	100 +	Total
Fall 2012	96	285	289	127	96	101	42	1036
Fall 2013	99	223	352	132	92	102	43	1043
Fall 2014	71	234	371	131	98	113	39	1057
Fall 2015	69	226	378	158	108	107	40	1086
Fall 2016	86	264	345	159	97	113	31	1095



The common data set reports a student-faculty ratio, though this metric is not very reliable:

	2013	2014	2015	2016	2017
Student-Faculty Ratio	23	23	24	25	23

Overall, there has not been a significant shift in the sizes of class sections, though it not likely that classes have gotten smaller

Graduation and Pell Rates

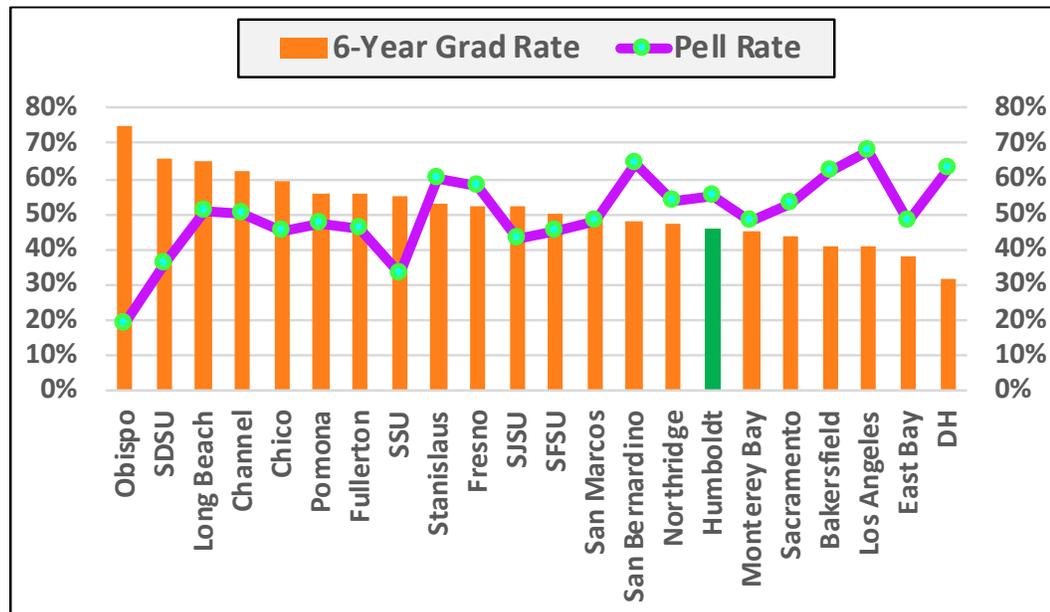
Source: <http://pine.humboldt.edu/~anstud/humis/reten.html>

First Semester	Graduate in 4 years	Graduate in 5 years	Graduate in 6 years	Graduate in 7 years	Graduate in 8 years	6-Year Grad Rate	8-Year Grad Rate
Fall 07	11%	19%	11%	3%	2%	41%	46%
Fall 08	13%	22%	10%	3%	1%	44%	48%
Fall 09	16%	22%	8%	3%	1%	46%	50%
Fall 10	15%	22%	9%	2%		46%	
Fall 11	14%	23%	9%			46%	
Fall 12	16%	27%					
Fall 13	17%						

1-Year Retention Rates

Fall 08 Back Fall 09	71%
Fall 09 Back Fall 10	73%
Fall 10 Back Fall 11	73%
Fall 11 Back Fall 12	72%
Fall 12 Back Fall 13	76%
Fall 13 Back Fall 14	73%
Fall 14 Back Fall 15	75%
Fall 15 Back Fall 16	70%
Fall 16 Back Fall 17	68%

Graduation and Pell Rates of Peer Institutions:



	6-Year Grad	Pell
HSU	46%	55%
Rest of CSU	52%	50%

Correlation between Graduation Rate and Pell Rate = -0.70

Conclusions

1. HSU and the CSU System are in solid financial condition, as both HSU and the System have solid reserves and positive cash flows each year
2. The HSU administration claims that there has been “deficit spending” is a claim that is not supported by the empirical evidence in the audited financial statements. The evidence in the audited statements reveals that there have been positive cash operational surpluses every year
3. The alleged strict walls between the four auxiliaries and HSU do not exist; these are self-imposed restrictions, and there was a significant change in 2017 in the relationship between HSU and one of these organizations; this change was simply voted in. In addition, the auxiliaries have significant reserves and solid cash flows that further enhances the financial freedom and flexibility of HSU
4. The priorities of the administration are not appropriate, as HSU spends less on instructional salaries than peer institutions, and HSU spends more on administrative salaries than peer institutions. There should be no layoffs of non-administrative personnel until HSU is spending at peer averages for administration
5. Despite higher tuition than peers, HSU faculty salaries are lower than peer institutions
6. Enrollment has declined for the last two years, but given the excess cash flows and solid reserves, the need for budget cuts and layoffs is not supported by the evidence
7. There has been hiring of new assistant professors in recent years
8. There is a need for more transparency. Specifically, the HSU administration should provide:
 - a. IPEDS finance for 2016-17 (this was submitted to the federal government in April of 2018)
 - b. IPEDS Human Resources for 2017-18; this was also submitted to the federal government in April of 2018)
 - c. The Common Data Set for 2017-18 is not publicly available, and has been completed