Executive Summary
The purpose of this inquiry is to better understand how Auxiliary and Enterprise Funds can be used to cover other campus funding shortfalls. CSUN Valley Performing Arts Center VPAC provides an example of how a project or program can be saved by auxiliary funding even during a budget crisis. The VPAC story shows us that: “If there is a will, there is a way.”

Change in University Corporation Mission
The University Corporation is a non-profit auxiliary corporation providing commercial and administrative services to Cal State, Northridge. In 2010, the University Corporation’s mission changed to include finding “services and solutions that address the needs of CSUN.” We hope that this change in the University Corporation’s Mission allows it to subsidize instruction if we fall short of funds, or, perhaps, the University Corporation can support the Advancement, so that it does not rely on general funds.

Difficulties Raising Funds
Advancement was unable to achieve its fund raising goal. It was a difficult time to bring in the funding as the recession was most pronounced in 2008. There was a dilemma since the bond had gone through, but little private funding had arrived. The University Corporation Board expressed concern that fund-raising would be even more difficult if the University Corporation pledged the additional $30 million. There was also concern about the University’s image, if the project was halted. In addition, construction prices had started to fall in 2008. So the decision was made to proceed with the construction. Thus, quite a bit of money flowed out of Advancement and the Foundation to pay to cover the shortfalls for VPAC funding.

DRAFT Questions on Accounts, Accounting, and Accountability of VPAC & Recommendations for Improved University Governance
1. How do we determine if a capital project is supportive of the CSUN Mission? How do we determine if the expense of a project is commensurate with the benefit? (Mission: California State University, Northridge exists to enable students to realize their educational goals. The University’s first priority is to promote the welfare and intellectual progress of students.)

2. In general, how much money and what resources are at the CSUN president's discretion, in particular for non-academic ventures? At what point can a president be stopped for taking out “too much money” for discretionary expenditures?

3. Can the interest on any campus-based fund be used for discretionary purposes? Did CSUN run particularly large surpluses by CSU standards in order to collect interest on accounts for discretionary uses? Who approves the use of discretionary funds? Is shared governance used in the decision-making.

4. Are Foundation and University Corporation funds considered synonymous with private money? If not, in what way are those funds different from private funds?
5. What happens if there is a violation of a pledge to raise millions of dollars of private money? Is there any accountability for failure to deliver on pledges and promises? To what extent does management tolerate questioning of past financial decisions? What is the mechanism to ask questions? What happens when members of the faculty express concern over not having sufficient time to review or discuss the decision?

6. In 12/2007 University Corporation Minutes, the Board Members voiced concern that they had NOT been given the opportunity to review the request to approve a $30 million obligation. The University Corporation Committee members wanted to understand how approving a $30 million obligation would impact the University Corporation’s ability to do other things, and how it would affect the Foundation’s effort to raise private funds. It appears that these questions were brushed off as a worst case scenario. Was there any meaningful shared governance in this project?

7. What happened to the office space for CSUN Theater faculty described to the University Corporation 12/2007 minutes and the BOT Minutes of 1/2008? We request design plans showing that faculty offices were ever contemplated. Were funds collected for a building plan that was misrepresented to the University Corporation Board and the CSU Board of Trustees? Does AMC faculty have enough office space?

8. Advancement has no history of bringing in funding sufficient to meet the scale of the VPAC project. Why was the project not scaled down before bids were taken, as we knew that we were short over $30 million?

9. What is the current funding ratio of non-governmental (state, federal, country or city) and non-campus based fund to compared to private donations for the VPAC?

10. How much capital outlay can come from general fund sources?

**Recommendations**

We call for realignment of our budget resources with our Mission: California State University, Northridge exists to enable students to realize their educational goals. The University’s top priority is to promote the welfare and intellectual progress of students. It appears that Auxiliary funding covered VPAC funding shortfalls. The VPAC bailout provides us with a model for how Auxiliary funds can be used to cover funding cuts to instruction.

**General Recommendations**

We must do a better job at
- estimating the effect of any proposed changes on the revenue by funding category,
- discussing how changes in resources will impact human resources,
- assessing the proposed changes effect on academic quality,
- insisting on authentic shared governance and accountability
- aligning spending with our Mission,
- re-examining all non-instructional spending, particularly capital outlays and improvements.
- reducing “firewalls” from all non-general fund categories, “one time funds,” to cover any deficit in our primary mission.
Appendix: Some Comments from CSU Review Auxiliary Task Force 2010-2011

- Are there proper CSU controls over expenditures of funds and auxiliary purposes and activities?
- Are auxiliary operations appropriately transparent to the public and to the general campus community?
- Are funds contained and managed by the auxiliaries appropriately placed with the auxiliary?
- For services provided by the campus to auxiliaries, is there proper reimbursement to the university and documentation by the auxiliaries?
- Do CSU auxiliaries comply with applicable California non-profit corporation law?

The Review Committee has concluded that the key issue for a campus in making a decision about the placement of funds is the concept of ownership. Ownership of an activity is evidenced by:

- Responsibility for business losses
- Acceptance of fiduciary obligations associated with an activity
- Responsibility for the establishment of operating and administrative policies
- Primary control or discretion over the expenditure of funds

Ownership of an activity is not necessarily evidenced by which entity:

- Employs individuals granted signatory authority related to an activity (e.g., person or persons who can sign a letter or other related documents on behalf of a principal entity)
- Owns the facility where the activity occurs
- Has limited authority to request an expenditure
- Has academic or similar programmatic control over an activity

Recommendations related to “Proper Placement of Funds”
The chancellor should issue policy that re-implements the “ownership” tests to determine proper placement of funds.

The chancellor should review all current policy to separate the issues of placement of funds and the reimbursement of costs to the campus by an auxiliary.

Useful Resources

CSU Auxiliary Task Force

Calstate Board of Trustees meetings
http://www.calstate.edu/bot/agendas/

CSU Advancement

CSUN Advancement - Gifts/Donors
http://www.csun.edu/ua/

CSUN Faculty Senate
http://www.csun.edu/senate/policies_docs1.html

CSUN Financial Activity Reports

CSUN Financial Statements
http://www-admn.csun.edu/financials/docs/csun-fin-stmts.pdf

CSUN Foundation Financial Statements
http://www.csun.edu/ua/foundation/financial/

CSUN Master Plan
http://www.csun.edu/envision2035/

CSUN University Corporation
http://www.csun.edu/tuc/transparency.html

CSUN VPAC Donors
http://www.valleyperformingartscenter.org/giving/major/
http://www.valleyperformingartscenter.org/giving/community/
http://www.csun.edu/ua/