“Institutional Financing 101”

CSU, Chico Budget Forum

University Budget Committee Meeting
November 2, 2007
Mission & Values

Strategic Plan

Master Plan

Enrollment Plan

Academic Plan

Advancement

Budget
Purpose of Budget Forum

To provide enhanced fiscal information to enable faculty, staff, students and other interested parties achieve a deeper understanding of the University’s budget and related processes.

Strategic Priority #5 – “Believing that we are accountable to the people of the State of California, we will continue to diversify our sources of revenue and strategically manage the resources entrusted to us”
Purpose of Budget Forum

To acknowledge that we are a comprehensive University that must work collaboratively to plan, prioritize, and solve fiscal challenges in order for us to succeed.

Strategic Mission/Values – “We affirm that we are “One University” where collaboration, mutual support and trust, and common goals define our work together and the spirit of its engagement.”
State Budget Allocation Process with 2007/08 Budget Detail

“State Appropriation Only”
### CSU, Chico Revenue Sources
#### 2007/08 Overall Summary

#### UNRESTRICTED

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSU Operating Fund (“General Fund”)</strong></td>
<td></td>
</tr>
<tr>
<td>State Appropriation</td>
<td>$120,879,000</td>
</tr>
<tr>
<td>Student Fee Revenue</td>
<td>$48,940,478</td>
</tr>
<tr>
<td>Other</td>
<td>$4,292,000</td>
</tr>
<tr>
<td><strong>Subtotal – CSU Operating Fund</strong></td>
<td><strong>$174,111,000</strong></td>
</tr>
<tr>
<td><strong>Enterprise and Special Funds</strong></td>
<td></td>
</tr>
<tr>
<td>State Enterprise Funds</td>
<td>$15,706,000</td>
</tr>
<tr>
<td>IRA &amp; Course Fees</td>
<td>$3,741,000</td>
</tr>
<tr>
<td>Lottery</td>
<td>$1,560,000</td>
</tr>
<tr>
<td>Other</td>
<td>$1,665,000</td>
</tr>
<tr>
<td><strong>Subtotal – Enterprise and Special Funds</strong></td>
<td><strong>$22,672,000</strong></td>
</tr>
<tr>
<td><strong>Total – Unrestricted</strong></td>
<td><strong>$196,783,000</strong></td>
</tr>
</tbody>
</table>

#### RESTRICTED

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Outlay</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Contracts &amp; Grants Trust</td>
<td>$250,000</td>
</tr>
<tr>
<td>Financial Aid Funds</td>
<td>$15,114,000</td>
</tr>
<tr>
<td><strong>Total – Restricted</strong></td>
<td><strong>$18,364,000</strong></td>
</tr>
</tbody>
</table>

#### AUXILIARY ORGANIZATIONS

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Foundation</td>
<td>$33,432,000</td>
</tr>
<tr>
<td>University Foundation</td>
<td>$14,302,000</td>
</tr>
<tr>
<td>Associated Students</td>
<td>$30,425,000</td>
</tr>
<tr>
<td><strong>Total – Auxiliary Organizations</strong></td>
<td><strong>$78,159,000</strong></td>
</tr>
</tbody>
</table>

**Grand Total – all sources**

**$293,306,000**
CSU, Chico Revenue Sources
2007/08 total Summary
$293 million

Auxiliary Organizations
$78,159,00
27%

Restricted
$18,364,000
6%

Unrestricted
$196,783,000
67%

This pie chart depicts the total revenue sources to the campus by restriction.

Unrestricted --- neither permanently or temporarily restricted but can be designated for purpose or self-support activities.

Restricted --- by statute or donor prescribed conditions.
CSU Chico
Strategic Budget Allocation

CSU, Chico
Available Budget

Fiscal Administration Committee

CABINET

University Budget Committee

• Serves as fiscal review and advisory group to the President and Cabinet

Current
Budget Allocations

• Reviews relationship of academic programs and campus budget

• Provides broad strategies for adjusting academic program and budget to one another

President
.5%

VP Academic Affairs
77.1%

VP Business & Finance
14.3%

VP Student Affairs
5.8%

VP University Advancement
2.3%

Strategic Allocations within the Divisions
CSU, Chico Uses
2007/08 Overall Summary

UNRESTRICTED $196,783,000

RESTRICTED $18,364,000

Subtotal - University Uses $215,147,000

AUXILIARY ORGANIZATIONS $78,159,000

Grand Total – all sources $293,306,000
CSU, Chico Uses of Funds
2007/08 Summary
$215,147,000
(excludes Auxiliary Organizations)
dollars in thousands

Salaries & Wages $104,901 - 49%
Benefits $38,514 - 18%
Financial Aid Grants & Loans $26,838 - 12%
Operating Expenses $33,455 - 16%
Other $11,439 - 5%
CSU, Chico Uses of Funds
2007/08 Summary
$215,147,000
(excludes Auxiliary Organizations)
dollars in thousands

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers to Other Funds</td>
<td>$4,528</td>
<td>2%</td>
</tr>
<tr>
<td>Work Study</td>
<td>$1,318</td>
<td>1%</td>
</tr>
<tr>
<td>Reserves, Univ Initiatives, Stabilization</td>
<td>$2,594</td>
<td>1%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$3,000</td>
<td>1%</td>
</tr>
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<td>Other</td>
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Auxiliaries on Our Campus

- **CSU, Chico Research Foundation**
  - Develops and manages grants & contracts, campus centers and programs, and enterprise projects; manages gift accounts for University Foundation

- **University Foundation**
  - Responsible for solicitation, acceptance and administration of gifts to the University

- **Associated Students of CSU, Chico**
  - Under a student government umbrella, operates bookstore, food services, student union and student programs
CSU, Chico Research Foundation

(Figures used are for FY 7/1/06 - 6/30/07)

- **Administers externally funded awards (Grants and Contracts)**
  - Expenditures of $23.6M
  - Funds restricted by sponsoring agency -- unavailable for spending

- **Provides programming, business, HR, and insurance services to campus entities**
  - $6.9M in depository accounts
  - Bank accounts belong to campus depositor – unavailable for spending

- **Operates Foundation-based enterprises (Farm-ATRC, KCHO, ATEC)**
  - Revenues of $1.1M, expenses of $1.6M
  - Net income designated by Board for reinvestment in enterprise – unavailable for other purposes

- **Provides funds and resources for the support of research and other campus needs**
  - $2.3M in prior Board-allocated funds to Colleges & Project Directors
  - Allocations used for faculty development and research
  - Over past 10 years, Research Foundation net income used to fund:
    - Over $3M in Incentive Funds to Colleges and Project Directors
    - Over $3M in other direct support to the University
University Foundation

(Figures used are for FY 7/1/06 - 6/30/07)

- **Endowments**
  - $35,741,000 - Endowment Market Value
  - 15.10% - Investment Return Rate
  - 11.89% - 3 year Average Return Rate
  - $1,094,195 Disbursements based on 4% payout policy of 3-yr avg. balance
  - Return on investments is reinvested into principal so endowment will provide for a distribution in perpetuity
  - 542 - Active endowed accounts

- **Funded Scholarships**
  - $1,568,982 - Disbursed to 951 students
  - $1,650 - Average amount disbursed per student
  - 585 - Active Scholarships Accounts

- **Fundraising Accounts (Annual Fund)**
  - $7,120,618 - Total Gift Commitments
  - $4,645,531 - Revenue received
  - $5,338,353 - Balance in accounts at year-end
  - 391 - Active Annual Fund accounts that directly benefit various colleges and departments
Provides Business Services to Campus
- AS Bookstore generates $21.7M in sales $.3M net income
- Dining Services generates $7M in sales $.3M net income.
- Under contract paid $.6M to University
- Net income dedicated to meeting established reserves then available for Board designation

Administers Student Union Programs and Operation of Student Union Building
- Student fees and other revenue of $2.6M
- Net income designated for Student Union programs and operations – unavailable for other purposes.
Budget Challenges

Statewide

- FY 2007-08 “budget solutions” are one-time in nature

- Dept. of Finance has advised that actual receipts for 3 major taxes are significantly less than forecasted (personal income, sales, and corporate taxes)

- Legislative Analyst’s Office states . . “Other optimistic assumptions and legal risks threaten to reduce the [State Budget] reserve further.”
Budget Challenges
Statewide

- Economic Trends
- Housing market has slowed
- Economic indicators are showing signs of recession
- Job growth in California is 50% of State projections
Budget Challenges
CSU System

- Short-term: Lack of funding for over-enrollment
- Increasing health benefit costs
- College-age population will soon slow and decline
College Age Participation Rates

California Public College Participation Rates Among 18- to 24-Year Olds

Source: Data from Legislative Analyst Office.
Decrease of College Age Population

Source: Data from Legislative Analyst Office.
Budget Challenges

CSU System

Potential Compensation Costs over CSU Budget

CSU System
Unfunded Compensation

(millions)

2007/08
$40.9

2008/09
$63.8

2009/10
$92.0

3-Yr. Total
$196.7
Budget Challenges
CSU, Chico

- Enrollment targets increasing and Chico’s capacity is limited

- Fiscal policy decisions made by other local jurisdictions/agencies are increasing the University’s health benefit costs (i.e., health care election is limited to agency employee if spouse has access to health benefits somewhere else)
Budget Challenges
CSU, Chico

Potential Unfunded Compensation Costs

CSU, Chico
Unfunded Compensation

(millions)

$2.0  $3.3  $4.7  $10.0

2007/08  2008/09  2009/10  3-Yr. Total
Information Sharing

- President's Forum
- Divisions
- Colleges
- Department Chairs
- Department Forums