



M E M O R A N D U M

Date: March 29, 2024

To: President's Cabinet

From: Steve Perez, President

Subject: 2024-24 Annual Budget Operating Fund Call

To facilitate the budget planning process for Chico State, I am requesting each division complete the 2024-25 Annual Operating Fund Budget Call based upon the budget assumptions and scenario recommended by the University Budget Committee (UBC). Please return your completed files to Seema Sehrawat by April 24, 2024.

Chico State Budget Outlook and Planning Assumptions

The State of California is facing significant budget challenges. As such, the Governor has proposed delaying the funding to support the Compact with the California State University. The Governor has proposed to resume the Compact for the 2025-26 fiscal year and make up for the 2024-25 delay in ongoing funding. California State University plans to use one-time funding for the next fiscal year to make up for the lack of Compact funding from the State. We can thus plan as if the Compact is being funded.

Chico State enrollment is well below our funded in-state undergraduate FTES target of 15,560. Given the recalibration plan of the California State University, since FTES is more than 10% below our funded target, our target will be reduced by 3% and our state funding allocation will be reduced by the funding associated with that number of students. In the subsequent two years, Chico State faces additional reductions of 5% to our FTES target and the associated funding, if enrollment doesn't meet thresholds of being no more than 7% and 5%, respectively, below our funded FTES target.

The budget projections for the next three years are based on the following assumptions:

Sources

State Support

- Annual 5% Compact funding through 2026/27 with Chico receiving roughly 3.5% of new CSU allocation.
- Enrollment recalibration occurs at 3% reduction for 2024/25 and 5% reduction for 2025/26 & 2026/27.

Campus Fees

- Resident enrollment grows by 2.59 for 2024/25 (mostly due to summer session moving to stateside) and grows by 1% for 2025/26 and 2026/27.
- Non-Resident enrollment remains flat for all three years.
- Tuition and Non-Resident fee increases by 6% each year.

Uses

Compensation

- 5% salary increases for all groups, each year.
- CFA Lecturer Floor \$500K increase and CFA SSI 2.65% increase \$1M.
- 6% increase to benefits in 2024/25, 5% increase to salary related benefits, 6% increase to health benefits and 2% for all other benefits in 2025/26 and 2026/27.
- No estimated increase to “employer” CALPERS retirement rate.
- No estimated increase due to implementation of “Steps” for Teamsters (24/25) and CSUEU (25/26)

OE

- 15% increase to utilities and risk pool for 2024/25, 10% for each year in 2025/26 and 2026/27.
- 6% increase to financial aid (primarily due to SUG increase in conjunction with tuition rate increase).
- 3% increase for all other OE.

These are relatively conservative and realistic assumptions for our sources and uses of general funds. Given this information, we are projecting the following for the next three years:

		Actuals	Estimated	Projected	Projected	Projected
	Account Category	2022/23	2023/24	2024/25	2025/26	2026/27
Sources	General Fund Allocation	154,122,000	156,905,000	167,035,000	168,410,000	170,190,000
	Total Higher Education Fees	88,573,845	89,837,000	94,909,000	100,727,000	106,947,000
	Misc Revenue Subtotal	16,943,794	18,113,000	18,113,000	18,113,000	18,113,000
	Total Transfers In	6,835,807	8,441,000	6,000,000	6,000,000	6,000,000
	Total Sources	266,475,445	273,296,000	286,057,000	293,250,000	301,250,000
Uses	Total Salaries and Wages	129,893,106	134,927,739	143,107,757	150,241,757	157,729,757
	Total Benefits	73,301,973	77,500,000	82,775,000	87,138,000	91,735,000
	Salaries & Benefits Subtotal	203,195,079	212,427,739	225,882,757	237,379,757	249,464,757
	Total Operating Expenditures	45,368,227	42,646,115	48,351,935	50,267,000	52,336,000
	Total Transfers Out	28,256,348	27,518,419	28,674,919	30,005,000	31,415,000
Total Uses	276,819,654	282,592,273	302,909,611	317,651,757	333,215,757	
Net of Sources & Uses		(10,344,209)	(9,296,273)	(16,852,611)	(24,401,757)	(31,965,757)

The budget outlook for Chico State for the next fiscal year projects a deficit of \$16.8M that grows to nearly \$32M in the 2026-27 fiscal year. The projected deficit is predominantly the result of a structural deficit of over \$9M in the 2023/24 fiscal year, projected increased costs, and insufficient increase in funding sources to cover the projected cost increases.

There are currently many unknowns surrounding the campus budget allocations in future years. It is important to remember that these initial estimates are forecasts and may change as circumstances

change. Despite this uncertainty, we must make plans based on the information we have.

2024-25 Budget Call

For the 2024-25 fiscal year, the campus is preparing for a deficit of over \$16.8M that will grow to \$32M in the 2026-27 fiscal year. The University Budget Committee has recommended that we plan to eliminate the funding shortfall by the 2026-27 fiscal year with planned reductions to division allocations of 5% each year for the next three years. This is a wise recommendation as it leads to fiscal stability by the 2026-27 fiscal year and strategically utilizes our reserves to help smooth this transition. The transition will be difficult. The three-year glide path allows for strategic decision making, natural separations due to attrition, generation of new revenues to alleviate the need for reductions, and thoughtful support of our students and colleagues.

This plan requires the use of our reserves. However, due to wise campus budgeting in the past, we have sufficient reserves to make this possible. As of June 30, 2023, the campus had over \$200M in cash on hand (Chico State Reserves). Much of these funds are restricted for particular uses as described in the following pages. Of these reserves, we have over \$50M held for use during economic uncertainties. We plan to utilize these reserves during this three-year glide path.

Therefore, we are asking the divisions to prepare for a budget reduction scenario for the 2024-25 fiscal year including:

- A decrease to each division's budget allocation totaling \$10M
- This equates to roughly a 5% reduction in general fund division allocations

No budget lines are exempt from review or change. To make optimal use of resources, it is critical that we distinguish one-time expenditure needs from on-going baseline costs and that we manage both strategically. This will ensure to the greatest extent that we are funding ongoing costs and can strategically invest in one-time opportunities and costs with one-time funds.

When developing budget plans, divisions should consider operational efficiencies and cost-effective measures that can be implemented to reduce the impact to program areas. We will consistently work to focus our resources and effort on what we must do to support our priorities.

To answer the 2024-25 Annual Operating Fund Budget Call, divisions must develop a balanced budget for the next fiscal year incorporating all sources of funds including: Operating fund allocation, all other sources of funds, and not using more than 25% of division operating fund reserves.

Divisions will submit budget plans including planning:

- scenarios
- reserve expenditure plans
- and narratives that include assumptions, priorities, and impacts of the budget scenario to the president.

The budget plans developed by divisions will be used to help determine division allocations of baseline general fund operating funds for the 2024-25 fiscal year. Please contact the Budget Office for questions on (1) pre-populated numbers in the scenario file, (2) compensation estimates, or (3) assistance in

completing your 2024-25 amounts. Your pre-populated division budget plan files will be sent to you after the distribution of this memo.

It should be noted that this plan is based on multi-year projections and assumptions. As we move into the future, these projections and assumptions will likely be adjusted and thus we will need to adjust the multi-year plan. As additional information regarding the state, California State University, and the Chico State budget becomes available, we will provide updates to incorporate changes into the budget planning process. Divisions are responsible for informing their departments of the latest developments and budget updates as they unfold.