

Cal Poly Humboldt.

University Resources and Planning Committee

Date: 4/22/24

TO: Senate Chair and General Faculty President Jim Woglom,
Cal Poly Humboldt

FROM: Jenn Capps and Monty Mola – Co-Chairs of the University Resources and Planning
Committee (URPC)

CC: Committee Members

RE: 2024-25 Budget Recommendation to the President

Chair Woglom,

Below, please find the University Resources and Planning Committee's (URPC) Budget Recommendation for FY 2024-25. After review and input from the Senate, we ask that you forward its contents to President Jackson in order to inform his decisions regarding budgeting for next year, in accordance with the [CBC Guidance on Senate Ratification of URPC Recommendations](#).

Narrative Overview/Executive Summary

Each year, the URPC provides a recommendation, directed to the President through the Senate Chair, regarding changes in distribution (allocations and reductions) from the University to the Divisions. The funds addressed in this recommendation are limited to new or reduced resources applied to [the HM500 or "General Fund"](#) (GF) from state allocations and tuition-based revenue. The URPC, per practice and bylaw, does not recommend distribution of resources in (A) self-support entities (Housing, Parking, Extended Education, etc.) as their respective resources are derived from payments for services they provide, (B) entities funded by student fees (Associated Students, Health Services, etc.), as the application of those fee-based resources are limited and mandated by ed code and student referenda, (C) funds derived through philanthropy or grant funding by the division of Advancement or the Sponsored Programs Foundation (as these resources are largely defined by fundors and applicants through contractual agreements), or (D) the allocation of resources within divisions. That being said, the URPC will at times speak to these entities as they relate to the recommendation and concerns raised by the campus community during our engagement efforts throughout the academic year.

The URPC has had a complex task in preparing this recommendation, balancing forthcoming reductions with identifying modest strategic investments, all while prioritizing transparency and communication to the campus community. Cal Poly Humboldt, along with nearly every university in the CSU is facing cost increases that are projected to outpace revenue growth. These increased costs are primarily the result of much-needed pay raises, negotiated at the system level, for which only partial funding from the state is expected. We must, therefore, fund these well-deserved pay increases from within our current means. Additional expenses and funding adjustments that have pushed us toward reductions are increased utilities costs and enrollment recalibration. At the same time, we have the benefit of moderate enrollment growth from a combination of incoming students and increased student retention. Our polytechnic transformation is providing a solid foundation for the future and provides us with the opportunity to take a strategic and future-focused approach to our budget planning.

With that framing in mind, this year's submission will outline the current financial milieu of the University, including [enrollment assumptions](#), [revenue assumptions](#), [expenditure assumptions](#), and [reserve assumptions](#).

Guiding Principles and Parameters

As the University moves to adopt a budget that:

- is sustainable and aligns with our [Strategic Plan](#) priorities,
- proceeds conservatively and builds a larger Contingency to support campus efforts to move beyond continuous reduction cycles of the past, and
- distributes allocations contingent on available funding,

the URPC adopted the following principles to guide decision making:

Guiding Principles

These Guiding Principles serve as a recognition that there are components of this University that transcend budgetary concerns and that these components should be prioritized and honored throughout the process of budget reduction or realignment. Resource allocation planning and decisions will be data-informed, incorporate an equity lens, and align with the [Purpose, Vision, Core Values & Beliefs](#) of the University.

- **Students First:** We will prioritize the needs of students and their education. We will provide an equitable environment that ensures the well-being, education, graduation, and future success of our diverse student body.
- **Value Personnel:** We will recognize the impacts budget decisions have on personnel. We will strive to preserve jobs for existing employees and engage in thoughtful, evidence-driven approaches to strategic workforce planning and process realignment.
- **Financial Resiliency:** The budget should be balanced on an annual basis and be sustainable into future years. Recommendations will balance the need for ongoing resources with the flexibility to adapt to changing circumstances and to thrive in the midst of those changes.

- **Campus Engagement:** We will solicit input from the campus community in order to make informed decisions about resource allocations. We will be transparent in communications with the Campus community regarding the issues being considered.

Reduction Planning Parameters

In addition to Guiding Principles, the URPC established the following reduction planning parameters to inform reduction planning efforts:

- Approach reductions strategically and not across the board
- No division will be exempt
- Support units' ability to plan and avoid mid-year reductions unless absolutely necessary
- Commitment to transparency and timely communication

Budget Transparency and Communication Efforts

Since January, the URPC has engaged in significant communication and engagement activities to bring awareness to the current budget situation and to seek input from the campus community, including:

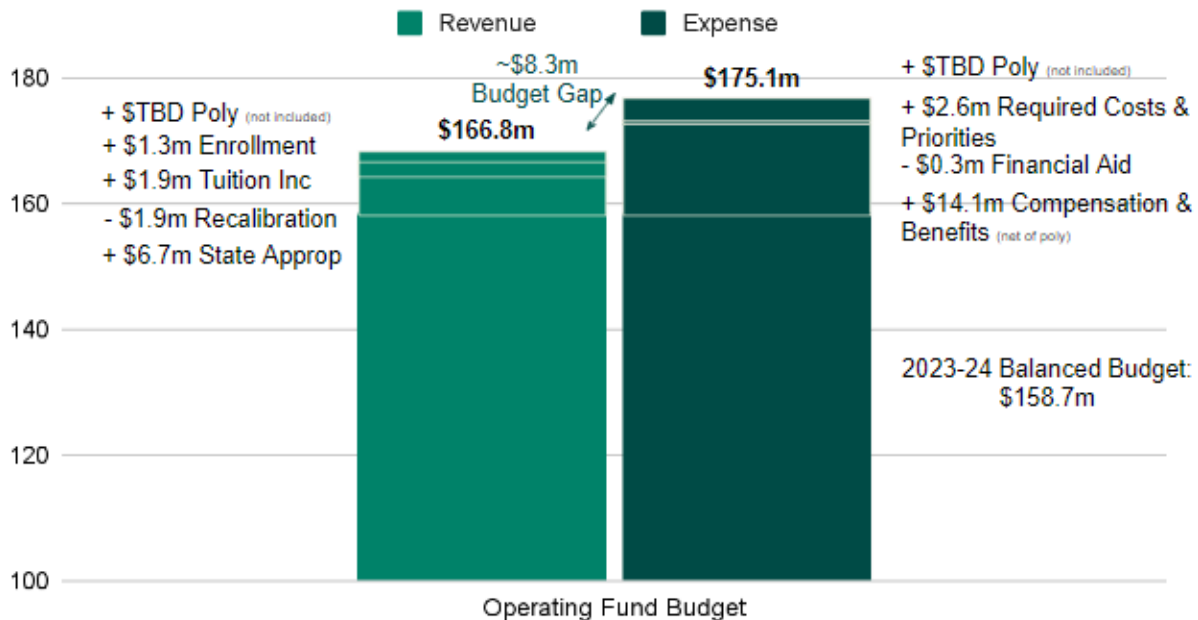
- URPC Guiding Principles and Reduction Planning Parameters developed
- Campus wide communications
- Provost communications
- FY 2024-25 budget planning scenarios for 3%, 5%, and 8% reductions developed
- Focused budget request process to capture polytechnic needs and ongoing activities funded with one-time resources
- January 29 - message to campus about budget reduction planning
- Meetings with campus groups during month of February including various stakeholders within: University Senate, Staff Council, Associated Students, Council of Chairs, Academic Affairs leadership, EMSS leadership, Athletics, Administrative Affairs leadership, Budget Analysts group, Info Exchange, SAAS
- Division-level presentations at URPC meetings on March 8, 22, and 29 (available online at: budget.humboldt.edu/urpc) where the 3%, 5% and 8% reduction scenarios were detailed
- University wide open forums on October 18, 2023 and April 9, 2024

2024-25 UNIVERSITY Budget Summary

As outlined in this table, visually depicted in the chart below, and discussed in more detail in Appendix A: Budget Planning Assumptions, Cal Poly Humboldt anticipates an ongoing budget deficit of approximately \$8.3 million in 2024-25. The itemized investments in Utilities and Athletics reflect priorities from the [2023-2024 URPC budget recommendation that were ultimately not funded and continue to not have other sources of funding but are still priorities](#). This year’s committee agreed on the importance of honoring previous commitments while also looking forward to a multi-year budget process/model.

2024-25 Revenue Budget Incremental Changes		2024-25
Prior Year Revenue Budget		158,666,757
State Appropriation Increases		6,653,000
State Approp Reduction - enrollment recalibration (-3%)		(1,919,000)
State Tuition increase from growth		1,271,000
6% Tuition Rate Increase		1,867,000
Other Tuition, Fees & Revenue Adjustments		236,073
Polytechnic Funding TBD		-
Total 2024-25 Revenue Budget		166,774,830
Expenditure Budget - Incremental Changes		2024-25
Prior Year Expenditure Budget		158,666,757
Compensation & Benefits Costs		14,068,263
Financial Aid		(250,000)
Required Costs & Priorities		
Dept Allocated Fees/Revenue		236,073
CO Program Earmarks (Project Rebound, Accommodations)		206,000
University Wide Costs (Utilities: \$700k, Insurance: \$500k)		1,200,000
2023-24 Campus Priorities (stabilize Athletics one-time funding)		935,000
2024-25 Campus Priorities (TBD - any \$ will increase deficit)		-
Polytechnic Expenses TBD		-
Total 2024-25 Expenditure Budget		175,062,093
2024-25 Base Budget Surplus / (Deficit)		(8,287,263)

2024-25 Estimated Budget Changes at Baseline



2024-25 UNIVERSITY Budget Reductions

As outlined in the Budget Summary section, Cal Poly Humboldt is currently anticipating an ongoing budget deficit of approximately \$8.3 million in 2024-25. To address the budget shortfall, following the divisional development of reduction planning scenarios and discussions with each division, the URPC proposes the following reduction distribution by division:

Division	Proposed % Reduction	Proposed Reduction Amount *	Rationale
President's Division	3.5%	\$61,000	Limited flexibility given size of budget, and percent of budget invested in personnel
University Advancement	3%	\$117,000	Higher share in last round of reductions; revenue generating
Academic Affairs Instruction Academic Affairs Non-Instruction	6%	\$6,008,000	Largest budget with most flexibility, and greatest potential for fiscal impact
Administrative Affairs	5%	\$1,190,000	Alignment with proportional share
Enrollment Management & Student Success	3%	\$466,000	Reduce proportional share to preserve investments in student recruitment and retention supports
Athletics & Recreation	3%	\$116,000	Additional reductions planned to address structural deficit in IRA Fee Budget
University Wide	4%	\$371,000	Limited flexibility due to fixed costs
Total Proposed Reductions		\$8,329,000	(\$29,000 above target amount)

* Numbers rounded to the nearest thousand

The proposed reductions above were determined through robust discussions with the campus community, presentations by the division leads, and discussion among the members of the URPC. They represent an acknowledgement of the importance of Enrollment Management and the need to grow the number of students served by our campus. They recognize that large cuts to small divisions reduce the capacity of

our campus to serve our students, while ensuring that all divisions participate in the reductions. We also acknowledge that the largest percentage and total dollar reduction is from the division of Academic Affairs. As the largest division, approximately 60% of the Operating Budget, Academic Affairs has the capacity to make the largest impact toward the overall reduction goal. Of course, as 85% of the Academic Affairs budget is dedicated toward human resources, a reduction to Academic Affairs ultimately leads to fewer instructors in fewer courses and less staff directly serving students. This pain is shared unevenly and will ultimately be remedied by growth.

2024-25 UNIVERSITY Budget Allocations

2023-2024 Roll Forward/One-Time Resource Planning

Currently, Cal Poly Humboldt budgets at 100% employment, meaning that each budgeted position is assumed to be filled for the entire fiscal year for sake of planning. In actuality, we never have 100% of our budgeted positions filled. Likewise, even when we hire someone mid-way through the year to fill an open position, salary and benefits for that person are only spent once they are hired. In each case, budgeted funds are unspent. As such, even in times of reduction, we often end up with a surplus when comparing actuals to budget. The 2023-2024 fiscal year is no exception, and we [project significant unspent budget](#) that will roll forward as one time funds for next year's budget. As each division will be asked to participate in reductions next year, it is imperative that any available roll forward in a division from the current fiscal year go back to that division. Thus, the URPC strongly recommends that the campus continue to adhere to the [University Operating Fund Roll Forward Guidelines](#).

In addition, in the event that divisional roll forward resources are insufficient, as a backstop we propose to leverage funding equivalent to up to 1% of the proposed reduction % from the Operating Reserve to support deficit bridge funding, with a replenishment plan in place to the Reserve from the Central University Roll Forward (projected to be approximately \$4M). Note: There is a newly revised CSU Reserve Policy threshold that the Operating Reserve must be "no less than 5%", so this must be maintained as part of any replenishment plan prior to the end of the fiscal year.

Polytechnic Funding/Additional Budget Requests

As the budget situation of the state of California becomes increasingly dire, the possibility of a claw back of allocated but unencumbered funds exists. As roughly 40% of the Polytechnic augmentation to our base budget is currently unencumbered, roughly \$11.5M becomes vulnerable to being pulled back by the state. To ensure that Cal Poly Humboldt can leverage these funds, campus leadership, in consultation with the Chancellor's Office, are developing a plan to accelerate the budgeting of the full \$25M. Unfortunately, the planning necessary to implement this new spending plan lies outside the timeframe of the URPC budget recommendation. Yet, the spending of Polytech funds absolutely intertwines with the work of the URPC and the campus community. Thus, we ask that, as soon as possible during the fall semester, a detailed report on Polytech funding be broadly distributed, including but not limited to a full report to the University Senate.

Despite the need for reductions for the 2024-2025 fiscal year, a call was sent to the Divisions for funding requests. Though such a call might seem inadvisable during budget shortfalls, as approved requests that fall outside of the Polytechnic funding will exacerbate the size of the budget deficit, resulting in deeper cuts amongst the divisions, it also ensures that we do not miss strategic opportunities that may be brought to light in the request process. Due to the complexity of next year's budget and the desire of the committee to ensure that each division reported their goals and challenges within the confines of the anticipated reductions in a public manner, evaluating the requests also comes outside the timeframe of the work of the URPC. As such, the URPC recommends that one time funds be used as bridge funding for any additional strategic investments for next year whenever possible. Should any long term investments be added to the base budget, thereby increasing the reductions, we ask that the members of the URPC be informed and allowed to provide feedback, even in the event that such an approval occurs outside the academic year.

GI 2025

There is no new ongoing or one-time GI 2025 funding currently anticipated at this time.

URPC Budget Planning Activities

Next Steps - New Multi-Year Budget Planning Process

We have heard significant campus feedback regarding the need for a new budget planning process on campus. Effort is underway to build out the framework, tools, and timeline to launch a new multi-year budget planning process in the fall. Draft documents will be vetted with the URPC in September, followed by broader campus engagement. For the initial context of the multi-year planning needs, [here](#) is a projection of baseline operating fund changes over the next five years, provided with the caveat that these projections follow the assumption that enrollment growth and tuition-based revenue continue following baseline trends, and that state appropriation continues at status quo in future years.

Conclusion

Cal Poly Humboldt budget planning assumptions are based on current, known information gathered from campus enrollment planning, projected mandatory cost increases, information from the Chancellor's Office, and the Governor's budget proposal. While we are aware that the State budget is experiencing a significant deficit and proposed funding is subject to change until approved by the Legislature in June, we recognize the importance of moving forward with a 2024-25 budget recommendation prior to that date. In the event of significant changes to the approved State of California budget or allocations from the Chancellor's Office, we request that the URPC be reconvened to discuss how to proceed in light of the new information.

We appreciate your review of this recommendation and look forward to your feedback and comments.

APPENDIX A

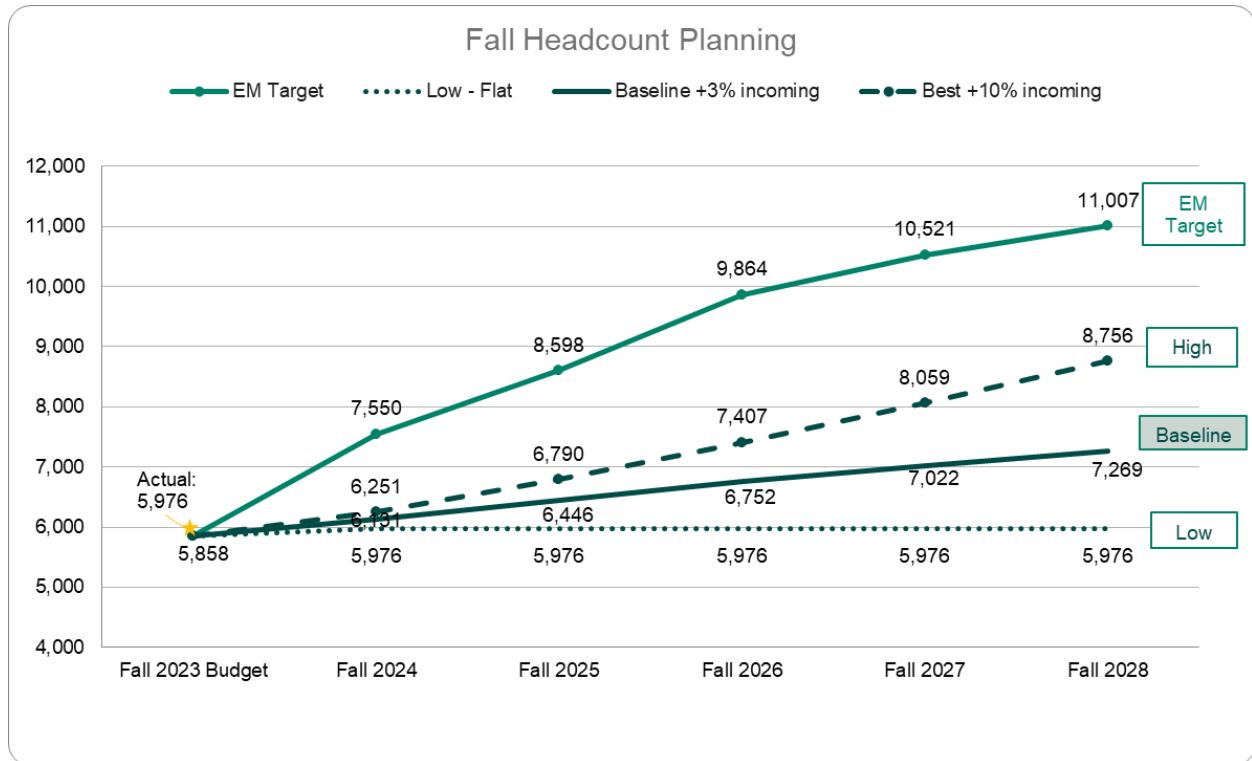
Budget Assumptions

Enrollment Assumptions

We continue to strive toward our ambitious enrollment goal to double enrollment within seven years, including a drive toward fall 2024 total enrollment of 7,550. Our Enrollment Target Progress (ETP) team is tracking progress toward targets and providing monthly updates to campus. A more in depth review of current enrollment trends and variables is available in the most recent [Enrollment to Target Update \(4/04/24\)](#).

Enrollment trends remain positive. Fall 2024 applications for first-time undergraduate (FTUG) applications have surpassed last year's record application numbers over the past week. As of April 4, 2024 we have 15,359 FTUG, compared to 15,345 a year ago. We are also seeing year-over-year growth in applications for upper division transfers, returning undergraduates, and masters students. Significant effort is underway to increase yield; however, our re-introduced enrollment deposit is making year-to-year confirmed student comparisons difficult, although we are outpacing 2019 confirmations, which was the last year we had a deposit.

While application trends remain positive, we are proceeding cautiously from a budget planning standpoint, anticipating modest growth next year consistent with the past two years. The total fall headcount projection in our baseline planning scenario is 6,131 (+2.6%), within a range of 5,976 (low - flat 0%) and 6,251 (high +4.6%). For incoming students specifically, the scenarios reflect flat incoming student enrollment, 3% growth at baseline and 10% incoming student growth at high. A chart reflecting conservative enrollment budget assumptions in comparison to the enrollment targets we are striving to reach as a campus are shown in the chart below. Even while budgeting conservatively, we are closely monitoring enrollment numbers so we can pivot quickly if growth is trending higher.



For budget planning, we use full-time equivalent students (FTES) as the enrollment metric, numbers more conservative than the EM Target. In total, we are anticipating overall FTES enrollment growth consistent with our headcount growth.

Humboldt Operating Fund - BASELINE Enrollment Scenario Date: April 9, 2024	2023-24 Budget	2023-24 Actuals	2024-25 Budget
Academic Year Enrollment Target			
Resident FTES	5,035	4,942	5,262
WUE FTES	200	206	200
Out-of-State FTES	75	74	75
International FTES	20	17	20
Total Academic Year FTES	5,330	5,247	5,557
<i>Total Academic Year Headcount</i>	<i>5,595</i>	<i>5,726</i>	<i>5,836</i>

A key area of focus is our CSU funded annual resident FTES target. For many years, we have had a target of 7,603; however, this target has been reduced by 3% to 7,375 for 2024-25. The financial impact of this -3% recalibration is a funding decrease of approximately \$1.9 million. If our annualized resident FTES enrollment is not at or above 6,859 in 2024-25 (-7%), we will be subject to -5% enrollment recalibration

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in 2025-26. As one effort to help reach our target, we did shift summer state-side. While the summer session is budgeted separately from this recommendation, the associated FTES will now be counted toward our target.

Total Annual Resident FTES Projection	2023-24 Budget	2023-24 Actuals	2024-25 Budget
Academic Year Resident FTES	5035	4,942	5,262
Summer Resident FTES	235	226	200
Total Annual Resident FTES	5,270	5,168	5,462

Revenue Assumptions

The 2024-25 Revenue Budget is \$166.8M at baseline. Estimated 2024-25 revenue is projected to increase by \$8.1M (excluding an additional infusion of earmarked Poly funding that is still TBD) compared to the 2023-24 budget.

The two main sources of revenue that make up the vast majority of this increase are the State appropriation and tuition:

- **State Appropriation:** With the infusion of \$25 million in ongoing polytechnic funding over several years from the State’s historic investment in Cal Poly Humboldt, which is being held central by the CO pending allocation, Cal Poly Humboldt will have two annual State Appropriation funding streams for the next few years:
 - **State Allocation Increases (+\$4.7M):** The estimated increase is inclusive of:
 - **New 2024-25 State Funding (+\$3.6M):** Even in the midst of a significant budget deficit at the State level, the Governor’s January Budget Proposal maintained the commitment to the multi-year funding compact with the CSU of a 5% increase to the CSU; however, the funding will be deferred by a year. The funding increase will be fully earmarked to offset mandatory cost increases in health and insurance, plus provide partial funding support for compensation increases.
 - **2023-24 Funding from CO (+\$3.0M):** Humboldt will receive additional funding from the 2023-24 state allocation held centrally by the Chancellor’s Office to partially offset 2023-24 compensation increases and support funding earmarks for Project Rebound and student accommodations.
 - **Enrollment Recalibration Funding Pull Back (-\$1.9M):** With our enrollment target being reduced by 3% for 2024-25, the corresponding adjustment to our state appropriation is a reduction of \$1.9 million.
 - **Polytechnic Funding (+\$TBD):** Polytechnic funding request is still being finalized for 2024-25.
- **Tuition:** Tuition revenue is anticipated to increase \$3.1M. This reflects modest enrollment growth (+\$1.3M) and implementation of the 6% tuition rate increase (+\$1.9M).

Expenditure Assumptions

The 2024-25 Expenditure Budget reflects mandatory cost increases and campus determined allocations based on priorities identified during the budget planning process:

- Mandatory CSU system-wide compensation and benefit increases totaling \$14.1M (*net of \$1m partial offset from polytechnic funding to cover increases associated with poly funded positions*)
- Required Costs and Campus Priorities
 - Dept Allocated Fees/Revenue: \$236k
 - CO Program Earmarks for Project Rebound and Student Accommodations: \$206k
 - University Wide Costs:
 - Utilities (one-time in 2023-24): \$700k
 - Insurance (earmark from CO): \$500k
 - 2023-24 Campus Priorities
 - Athletics (one-time in 2023-24): \$935k
- Polytechnic investments totaling \$TBD

Including base budget adjustments for one-time funded 2023-24 priorities, the 2024-25 Base Expenditure Budget is \$175.1M, reflecting a budget deficit of \$8.3M. With implementation of the reductions as proposed, Cal Poly Humboldt will maintain a balanced budget in 2024-25.

Reserves Assumptions

The anticipated 2024-25 Operating Reserve beginning balance is \$8.1M, which equates to approximately 5% of the 2023-24 Operating Fund Budget. This is in line with the newly revised CSU reserve policy target of no less than 5%, but well below the 25% - 50% the policy strives for. The Operating Reserve provides flexibility to take mission-related risks and to absorb or respond to temporary changes in environment or circumstances. Without adequate reserves the University can suffer cash flow stress and become distracted from appropriate long-term decision making. Any spending out of the Operating Reserve must be accompanied by a plan to replenish the reserve fund.

Of note, the [University Operating Fund Reserve Policy](#) outlines reserve thresholds in alignment with the revised CSU Reserve Policy, which will need to be updated in light of the recent CSU policy changes. Reserves are essentially our savings accounts and are funded by one time dollars available at the end of the year. They are not funded through base reduction or the elimination of positions, though they are dependent on coming in under budget each year. Reserves help us to preserve current operations and navigate difficult financial times.