

## Budget Instructions Fiscal Year 2023-2024

Issue Date: January 30, 2023

The budget planning process for FY 2023-24 will be framed by many factors, including the state's economic realities. The Governor's release of his January 2023 budget proposes a \$227.3 million ongoing General Fund Base increase to the CSU. We are grateful for Governor's budget proposal despite the decline condition of the state's budget (a projected deficit of over \$20 billion) and despite the CSU's enrollment circumstances.

The CSU is facing an unprecedented and existential moment in its 62-year history. Systemwide, the CSU forecasts that it will be more than 25,000 full-time equivalent students (FTES)—or 7%— below its funded 2022-23 California resident target at the conclusion of spring 2023. This is not only a systemwide trend, but also a national trend, and our university is no exception. In FY 20-21, our enrollment was 24,987 in relation to our funded target. In FY 22-23, our enrollment is projected to be at 21,983—a loss of 3,000 FTES from the FY 20-21 high.

Three reputable entities have published forecasts for California's economy and the resulting effect on the state budget. The University of California, Los Angeles Anderson Forecast in December 2022 suggests an uncertain economic outlook. The Legislative Analyst Office (LAO) California Fiscal Outlook in November 2022 reports downbeat budget news. The Department of Finance 2023-2024 Governor's Budget in January 2023 also reports unpromising economic news. While these three entities did not all agree on their forecasts, they all suggest economic uncertainties.

AB 928 seeks to simplify the transfer process from community colleges to both the CSU and the UC by mandating a singular lower division general education program for all three systems and increasing the number of Associate Degrees for Transfer. While we applaud the streamlining of the transfer process for its aims to lower barriers and increase access, it also means that transfer students will have a greater range of choices for continuation of their bachelor's degrees. We can expect CSU's enrollment to further decline in fall 2025.

This external landscape underscores the need for a disciplined approach to strategic resource planning and allocation that allows for continued progress toward meeting equitable student outcomes [aka GI 2025 goals] and Strategic Initiatives. This challenging time is also our opportunity to innovate. To continue to support an enterprise-wide view of fiscal resources and as introduced for 22-23, we will continue to reinforce the **all-funds budgeting** approach.

It is within this framework that we launch the budget planning cycle for FY 2023-24. The process outlined below provides background information and describes the drivers to advance our work in promoting access, student success, completion, and eliminating equity gaps.

## **Budget Overview**

Three factors primarily set the context for the FY 2023-24 operating budget: the submission of the 2023-24 operating budget request by the CSU Chancellor's Office (CO) as presented and approved by the Board of Trustees, the actions to be taken by the State Legislature and the Governor, and the strategy and planning by the campus. The 2023-24 operating budget request of \$529.8M is above the State multi-year compact of \$227.3M, which requires the CSU to increase resident undergraduate student enrollment by 1%. Despite the CSU's enrollment circumstances, the Governor's January 2023 budget proposal recommends a \$227.3M ongoing General Fund base increase, fulfilling the multi-year compact commitment.

The following planning goals, guidelines, and processes apply to the General Fund and all other funds (auxiliary organizations, designated operating funds aka mandatory student fees, auxiliary enterprise funds, lottery funds, and other trust funds.) This planning process is intended to be comprehensive and will include planning for reserve requirements and campus space needs.

## **Goals**

The goal of the budget resource planning process is to create a balanced and sustainable ongoing budget that supports the University's strategic direction in support of equitable student outcomes and student success. This requires assessing capacity, making strategic investments, and reallocating existing resources to align with divisional and University priorities.

As a public institution, Cal Poly Pomona is responsible for the prudent management of resources entrusted to the campus by the CSU Board of Trustees. The following principles are aimed at guiding the budget development for all funds.

## **Guidelines**

- **Required Operational Costs [aka Mandatory Campus Costs]:** Cover ongoing operational costs (e.g., personnel salaries, benefits, utilities, debt service) during times of economic uncertainty.
- **University Strategic Initiatives:** Protect resources for strategic investment (e.g., increasing tenure density, student mental health, and equitable student outcomes) to increase Cal Poly Pomona's stature as a preeminent diverse and inclusive polytechnic university and invest in the long-term viability of the University.

- **CSU's & Governor's Budget Conditions:** Integrate specific budget investment conditions set forth by the CSU Board of Trustees and the Governor into campus planning efforts and funding priorities.
- **Multi-Year Planning:** Engage in multi-year planning to respond to potential fluctuation in enrollment and changes to state appropriations and tuition.
- **All-Funds Approach:** Develop budgets for all funds.
- **Accountability:** Incorporate on-going accountability (reallocation or other actions to demonstrate how divisions have adequately assessed capacity) into the resource allocation process.
- **Transparency:** Ensure transparency and engage in learning about all financial resources at the enterprise level.
- **Innovation:** Use challenging time as an opportunity for innovation.

### **Strategic Initiatives**

The Annual Budget Request process is embedded in the FY 2023-24 annual budget development process. These specific deliverables must be integrated into campus planning efforts along with the campus' Strategic Initiatives outlined as follows

1. **Quality Programs:** Deliver quality programs that promote integrative learning, discovery, and creativity.
2. **Student Success:** Enhance student learning, development, and success.
3. **Future of Work:** Prepare our students for the future of work, human & civic engagement.
4. **Economic Impact:** Strengthen our economic vitality and impact.
5. **Employee Excellence:** Advance organizational development and employee excellence.

Specifically, requests must also align with the priorities identified in the latest Strategic Plan revision.

### **CSU's Budget Conditions**

The 2023-24 CSU Operating Budget request draft submitted for Board of Trustees consideration at its September 13, 2022 meeting outlines five major areas of investment for consideration by Governor Newsom and the Department of Finance.

It is also important to note that the CSU budget request sets forth specific priorities for the CSU:

- Prioritize Graduation Initiative 2025 and Basic Needs equitable student outcomes
- Provide workforce investments for all employee groups
- Invest in academic facilities and infrastructure
- Grow student enrollment
- Cover required operating costs.

Accordingly, actions to support these specific deliverables should be integrated into campus planning efforts and funding priorities.

### **Planning Assumptions and Funding Strategy**

While the Governor's January 2023 budget proposal provides additional \$227.3M base revenue, these dollars are earmarked for required operating cost increases associated with employee compensation, health insurance, etc

For FY 2023-24 budget development, the college-year enrollment planning assumption for resident and non-resident counts will be tied to the enrollment planning target, which is 25,896 (annualized headcount) or 21,981 FTES.

Departments should begin multi-year planning to realign their budgets to our actual enrollment. The budget 'right-sizing' process should include assessing the true costs of what it takes to maintain the core departmental functions. Costs should be considered in the context of fixed versus variable costs. Fixed costs remain constant and do not change with enrollment, while variable costs change with enrollment, both increases and decreases. Multi-year planning should include consideration for reducing or reversing variable costs that we added as a direct or indirect result of increase in student population.

It is within this framework, that we must mindfully execute resource allocation.

### **Budget Planning Resources and Timeline**

We have framed the budget process to provide time for divisions to assemble their requests and for an iterative review and consultative process. A list of additional resources (attachments) may be found at the end of this document. The FY 2023-2024 planning schedule is included in Attachment 1. Budget submissions, for all funds, are due to Budget Planning & Analysis (BP&A) at [Budget@cpp.edu](mailto:Budget@cpp.edu) by **March 9, 2023**.

Submissions should focus on alignment with Strategic Initiatives for continued progress toward meeting equitable student outcomes [aka GI 2025 and student basic needs] and acknowledge the five specific deliverables required by the CSU Board of Trustees.

In support of the institution's commitment to all-funds budgeting, an overview of budget requirements is provided in Attachment 2.

To support CPP's commitment to transparency and accountability, Annual Budget Requests include a set of questions for response by all areas. These Budget Narrative supplemental questions in Attachment 3 are intended to inform the budget requests at the divisional and unit levels.



Finally, all divisional budget submissions must be recorded in the CPP Excel Budget Workbook in Attachment 4. The CPP Excel Budget Workbook contains specific instructions for all funds.

For questions pertaining to the preparation of materials, please email Carol Lee at [cllee@cpp.edu](mailto:cllee@cpp.edu).

Sincerely,

Ysabel Trinidad  
Vice President for Administrative Affairs

**Attachments**

- 1 – FY 2023-2024 Budget Development Planning Schedule
- 2 – All Funds Budgeting Requirements
- 3 – Budget Narrative – Supplemental Questions
- 4 – CPP Excel Budget Workbook (Excel template)
- 5 – Approved FY2023-24 Enrollment Plan

**Attachment 1**  
**FY 2023-2024 Budget Development Planning Schedule**

<b>Annual Multi-Year Budget Request Timeline</b>	
<b>Date</b>	<b>Activity</b>
<b>October 27, 2022</b>	VP Admin to send Call Letter to Vice Presidents
<b>March 9, 2023</b>	Divisions submit FY23-24 General Fund budget, including the corresponding position report, budget requests, and capital requests to BP&A  Auxiliary enterprises (UHS, PTS, CPGE) submit FY 23-24 budget plan, including the corresponding position control report, and capital requests to BP&A (Budget Journal Import Template, Excel Budget Workbook)  Auxiliaries (ASI, CPPF, CPPPF) submit FY 23-24 draft budget plan to BP&A (Excel Budget Workbook)
<b>March 10 – April 14, 2023</b>	BP&A review/vetting of annual budget process materials in iterative consultation with VP Trinidad
<b>April 3-May 25, 2023</b>	Review of budget materials with President Coley in iterative process
<b>Week of April 14, 2023</b>	Cabinet discussion regarding annual budget requests
<b>Week of April 28, 2023</b>	Cabinet update regarding annual budget process
<b>Week of May 9, 2023</b>	Release of Governor’s May Revise
<b>Week of May 15, 2023</b>	Cabinet update regarding annual budget process
<b>TBD</b>	President decisions on budget request approvals
<b>TBD</b>	Cabinet update regarding allocation decisions



## **Attachment 2** **All Funds Budget Requirements**

### **All Funds Budgeting**

Cal Poly Pomona has adopted an all funds approach to budget planning in order to provide an enterprise-wide view of fiscal resources. This comprehensive financial framework incorporates all operating funds into the official university budget. The all funds budget model ensures strategic resource allocation decisions are made with an understanding of all available funding sources and uses. Accordingly, the FY 2023-24 planning cycle presents an opportunity for all units to review existing budgets, evaluate future funding requirements and ensure budgets are established for all funds in the General Fund, Auxiliary Enterprises, i.e., Housing, Parking, and CPGE, and Auxiliary Organizations, i.e. Foundation, Philanthropic Foundation, and Associated Students, Inc. (ASI). This is a necessary step to solidify a comprehensive institutional view of all sources and uses of funds.

**General Fund** includes state appropriations, tuition, and designated student fees for support of ongoing operational needs. Please prepare the FY 2023-24 budget submission using the Budget Workbook (Excel) provided by Budget Planning & Analysis (BP&A).

- a. Undesignated & Designated General Fund - Departmental budgetary spend plans outlining personnel costs, FTES, and operating expenses are required. Plans must also address how carryover balances (one-time funds) will be utilized in the coming year. Do not include escalation adjustments in personnel costs as those will be budgeted centrally.
- b. Student Fees (Student Health Fee, Orientation Fee, Student Success Fee, etc.) – Departmental budgetary spend plans outlining personnel costs, FTES, and operating expenses are required. Plans must also address how carryover fund balances will be used in the coming year. Please include escalation adjustments in personnel costs as those will be funded from the fees.

**Auxiliary organizations** (Foundation, Philanthropic Foundation, ASI), and **auxiliary enterprise funds** (Housing, Parking, CPGE) are required to submit a **two-year** revenue and expenditure forecast in addition to the FY 2023-24 budget plan. Baseline assumptions including applicable fees/rates and escalation factors plus intended use of fund balances must accompany the forecast.

As in previous years, **multi-year proformas** must be submitted for all **units that currently hold debt obligations**. This includes Housing, Parking, CPGE, and ASI Student Union. A 20-year forecast must be maintained and including sufficient reserve levels for debt coverage. Baseline assumptions including enrollment, fees/rates, compensation escalation, etc. must be documented. Reserves designations, major capital investment plans must be incorporated. Should fund balances exceed policy limits, a plan to bring balances in line with acceptable levels must be submitted.

Additional context and instructions regarding all funds budgeting follow.



**Auxiliary Enterprise Funds** are self-support units but not separate legal entities. The auxiliary enterprise funds include Housing, Parking and CPGE. These entities generate revenue by various means such as through the collection of tuition for an CPGE course, the collection of parking fees from faculty, staff, and students, and finally housing fees for students who reside in campus-managed student housing. If bond debt has been issued to support facilities, each of these entities must ensure that bond debt is covered first, and then operations with funding set aside for reserves. Funds cannot be transferred from state appropriations to cover the expenses for these units. Therefore, these enterprises must ensure that enough revenue is collected to cover operating expenses, reserve contributions, debt service payments, and any related cost recovery charges. Additionally, if bond debt has been issued, budgets should closely align with financial proformas prepared at the time debt was issued. If substantial variances exist, they must be reviewed with BP&A and explained in detail to ensure that the campus will comply with the Debt Service Coverage Ratio requirements mandated by the Chancellor's Office. **Budgets must be submitted to BP&A by March 9, 2023.** Once reviewed, BP&A will forward to the VP for Administrative Affairs and the President for final approval.

**Student Fees** are also known as Category II Mandatory Student Fees. The Fee Advisory Committee (FAC, [https://www.cpp.edu/fee\\_advisory/index.shtml](https://www.cpp.edu/fee_advisory/index.shtml)) oversees all student fees. Each fee has a department which reviews individual requests, historical financial information and recommends a budget to the FAC. Each department should prepare a detailed recommendation framed around the University Strategic Initiatives based upon the estimated headcount for FY 2023-2024. **These funds should all follow the timelines included in this memo.** Budgets are to be submitted to BP&A by **March 9, 2023**. Once reviewed, BP&A will forward to the VP for Administrative Affairs and the President for final approval.

**Auxiliary Organizations** are separate legal entities. The Auxiliary Organizations are Associated Students, Inc., CPP Foundation, and CPP Philanthropic Foundation. These organizations are not-for-profit and perform essential functions associated with CPP but are not supported by state funding (general fund appropriations). Auxiliary organizations are governed by separate Board of Directors. Preliminary budgets are to be submitted to the BP&A office by **March 9, 2023**. The date of anticipated approval by the appropriate board must also be included which must occur no later than **May 22, 2022**. After the budget has been reviewed and approved by each entity's Board of Directors, the approved budget and board packet should be submitted to BP&A. BP&A will then forward the budget to the VP for Business and Financial Affairs and the President for final approval.

**Reserve Request Requirements** apply to all funds and specific requirements exist for setting aside reserves to cover items such as:

- economic uncertainty
- future debt service
- future construction
- maintenance and repairs
- working capital.

Please refer to the CSU Designated Balances and Reserves Policy <https://calstate.policystat.com/policy/11901894/latest>.





BP&A will be working closely with all fund managers to ensure that appropriate reserves are set up and any reserve spending is properly accounted for. Once reviewed, BP&A will forward to the VP for Administrative Affairs and the President for final approval.

Any requests for **increases to currently established fees** must follow this timeline and coincide with any budget requests. This includes but is not limited to: student housing rates; parking rates; dining rates; increases to operating fund generated revenue (Category IV Fees). All fee increases must first complete a due diligence analysis and vetting process with appropriate stakeholders prior to submission. This should be approached as a consultative process and in some cases may require up to a 12-month lead time if fee increases are driven by capital construction with debt financing.

Fee increase proposals must be submitted to BP&A by the Fee Advisory Committee by **November 30, 2022** unless a later due date has been authorized by BP&A. Upon receipt of the proposal for fee increase, BP&A will forward it to the VP for Administrative Affairs and the President for final approval. If approved, the budget workbook should be updated to reflect the budget associated with the fee changes, which is due on **March 9, 2023**.

**Maintenance and Space Requests** The CSU policy can be found here:

<https://calstate.policystat.com/policy/11901894/latest>. This will serve as a resource for next steps to ensure that additional space needs requests are included in all divisional/unit budget submissions. All plans for Minor Capital projects, including those utilizing student fee balances, must be submitted by **March 9, 2023**.



**Attachment 3**  
**Budget Narrative**

1. **Strategic Planning and Reporting.** Please provide an overview of your Division's progress towards the Strategic Initiatives (maximum of 1 page per **VP's direct reporting unit; include all funds such as Auxiliary Enterprises and Auxiliaries**), as appropriate, along with progress toward goals.
  - a. Explain how your Division's measurable and anecdotal goals support the Strategic Initiatives of the University.
  
2. **Reallocation.** Discuss any reallocation of resources in your division to address operating needs changes that have already been addressed by your division. Please list the savings or cost avoidance as a result of reallocated resources, if applicable.
  
3. **New Funding Requests.** Please provide a description of new growth funds requested in the New Requests worksheet in the CPP Excel Budget Workbook (Attachment 4). One workbook for each fund. Include a summary of any operational risks that CPP must work to mitigate over time. Your summary should provide a clear sense of how your unit intends to minimize risk, maximize service, and if necessary, repurpose existing funds to do so.
  - a. Address how your request supports the University's Strategic Initiatives, including the priorities identified in the latest revision, and the Trustees' Student Success and Completion initiatives.
  - b. Discuss any major budget challenges for the division in FY 2023-2024.
  
4. **Space.** Considering your unit strategic plans please provide a short summary (1-2 pages at most per VP's direct reporting unit/department/fund) that relates these plans to your current space assignment. You may wish to consider the following questions in your response:
  - a. Does your current space inventory meet current programmatic requirements? Or, does the type or quality of the space place any constraints on your ability to meet program requirements? Please provide specific quality or space type concerns (location, specific quality concern, etc.).
  - b. Will your unit be able to accommodate your growth plans within existing inventory of space? If additional space will be necessary, please describe the amount, type, or quality of additional space you may need to meet programmatic objectives and growth plans.
  
5. **Organizational Chart.** Please include a one-page organizational chart for your division to include total FTE regular employees. Highlight any new positions that are included in this request.