

The logo for Cal Poly Pomona is a large, stylized arrow pointing to the right. It is composed of several overlapping triangles in shades of blue, green, and yellow. The text "Cal Poly Pomona" is positioned to the left of the arrow.

CalPoly
Pomona

ULC Budget Update FY23-24

March 16, 2023

Agenda

- **Context for FY23-24 Budget**
 - State Economic Outlook
 - CSU Budget Request
 - Governor's January Budget Proposal
- **Outlook of CSU Budget**
 - CSU's Response
- **Outlook of CPP Budget**
 - CPP's Multi-Year Planning
- **Next Steps**

State Economic Outlook

Three reputable entities—UCLA Anderson Forecast, LAO, and Department of Finance—suggest economic uncertainties. State budget outlook is very volatile

Short Term

- \$22.5 billion revenue deficit
- State tax revenue lower than expected for both 22-23 and 23-24

Long Term

- Tax revenue estimated = +3% average growth



CSU FY23-24 Budget Request

(in million)

Incremental, New Expenditures Uses of Funds	Within Compact	Above Compact	Budget Request
Graduation Initiative & Basic Needs: Equitable Student Outcomes	\$30	\$45	\$75.0
Workforce Investments			
Faculty & Staff Compensation Pool	92.5	168.5	261.0
Health Premium Increases	50.5		50.5
Academic Facilities & Infrastructure (Debt Service)		50.0	50.0
Strategic Resident Enrollment Growth (1%)	50.6		50.6
Required Operational Costs	19.7	23.0	42.7
Total New Expenditures	\$243.3	\$286.5	\$529.8

The budget request also includes \$1.3 billion in one-time funding to address the growing maintenance backlog



CSU FY23-24 Budget Request (cont'd)

(in million)

Incremental, New Revenue Sources of Funds	Budget Request	Above Compact	Budget Request
State General Fund: Compact	\$227.3		\$227.3
Tuition from Strategic Resident Enrollment Growth	16.0		16.0
State General Fund: Above Compact		\$286.5	286.5
Total New Revenue	\$243.3	\$286.5	\$529.8

Governor's January Proposal for CSU

(in million)

Recurring Funding	Budget Request
State General Fund: Compact	\$227.3
Total New Revenue	\$227.3

State of CA projects a \$22.5 billion deficit

- \$227.3 million ongoing General Fund base increase, fulfilling the multi-year compact commitment of five percent (or a 2.85% increase to the operating budget)
- We are grateful for Governor's budget proposal despite the **declining budget** condition of the state and despite the **CSU's enrollment** circumstances
- Budget proposal is reflective of Governor's understanding that enrollment is a "long game" and that our challenges are reflective of **state and nationwide trends**
- Our shared goal of increasing access, opportunity and success for California's students remains, as do our obligation to grow the CSU's enrollment pursuant to the terms of the compact.

Governor's January Proposal for CSU (cont'd)

(in million)

Recurring Funding	Budget Request
State General Fund: Compact	\$227.3
Total New Revenue	\$227.3

State of CA projects a \$22.5 billion deficit

- However, \$227.3 million doesn't take care of all the needs
- A significant funding gap in Workforce Investments
 - \$105M preliminary number that campuses have to self fund
- Priorities can change from now till July when the State makes the final allocation

Key Takeaways from Recent LAO Publications

February 7, 2023

Our office will publish shorter, more focused budget analyses over the next few months. In most cases, rather than sending out an announcement for each publication, we will provide periodic updates with the key takeaways from recent pieces. All of our 2023-24 budget analyses to date can be found [here](#).

[The 2023-24 Budget: California State University](#)

- Link CSU Funding Increase to Spending Priorities.** The Governor's main proposal for the California State University (CSU) is a \$227 million (5 percent) ongoing base increase. Rather than providing an unrestricted increase, **we recommend the Legislature designate funding for the specific operating costs it wishes to support.** Given that the proposed increase falls short of covering CSU's operating costs, the Legislature could also **consider supporting tuition increases** to expand CSU's budget capacity.
- Legislature Could Revisit CSU Enrollment Expectations.** The 2022-23 Budget Act provided CSU with \$81 million contingent on it increasing resident undergraduate enrollment by 9,434 students. Though CSU is not expecting to meet this target, the Governor does not reduce CSU's funding accordingly. As an added budget option, the Legislature **could consider removing the \$81 million.** The Legislature also could consider updating CSU's enrollment targets for 2023-24 and 2024-25.
- Recommend Revisiting Certain CSU Capital Projects.** As part of his package of budget solutions, the Governor proposes to rescind \$405 million in one-time funds provided for six CSU capital projects last year and instead provide \$27 million ongoing to debt finance those projects. Given that this approach would significantly increase total project costs, we recommend the Legislature revisit whether to proceed with each of these projects.

LAO Contact: [Lisa Qing](#)

Outlook of CSU Budget

State vs. Students



59%*

State

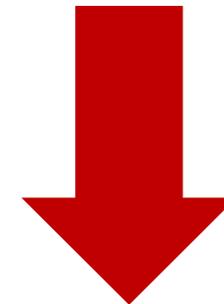
- CO requested \$530M additional funding; Governor's proposed increase is \$227.3M (5-year compact)
- Funding gap in mandatory costs
- Economic forecast: Anderson Forecast uncertain, LAO & Dept of Finance downbeat budget news



41%*

Students

- Systemwide FY22-23 enrollment forecast: 22,000 FTES (or 6%) below its funded target



Arrow indicates projected net revenue (not gross)

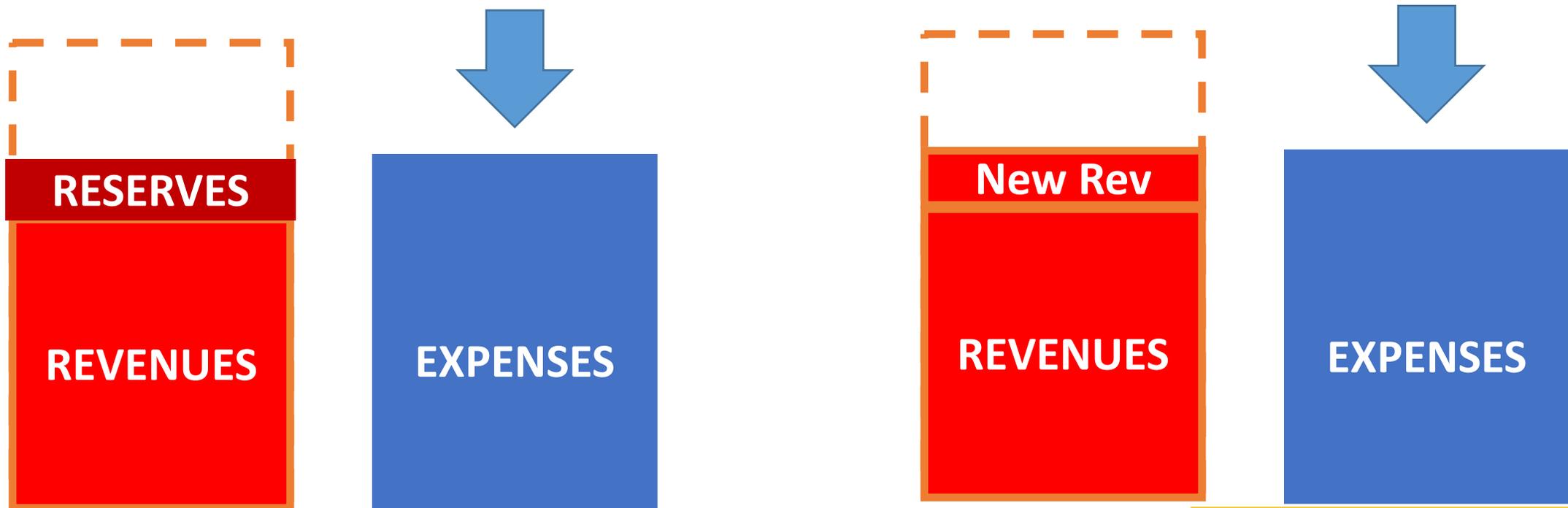
*State vs. student contribution percentages based on the 22/23 budget

Outlook of CSU Budget (cont'd)

- Systemwide FY22-23 enrollment forecast: 22,000 FTES (or 6%) below its funded target at the end of spring 2023
- Low Birth Rates = Less High School Graduates, More Competition for Them
 - Decreases in graduating classes in the East and Midwest have led to more interest there in recruiting students from California
- AB 928: Streamline the transfer process for students to the UC and CSU systems by:
 - Establishing a singular lower division GE program for all three CA higher ed systems;
 - Increasing the number of Associate Degrees for Transfer (ADTs)
 - Expect enrollment to further decline **fall 2025**
- Uncertain if continued enrollment decline will affect the 5-year compact in future years

CSU's Response (1 of 2)

Campuses need to undertake specific and intentional *immediate and longer-term planning* to realign their budgets with actual enrollment.



CSU's Response (2 of 2)

Generate New Enrollment (Revenue)

- Increase marketing & advertising support
- Launch the CSU Transfer Success Pathway Program
- Assist with transition of summer session from self support to state support
- Partner with LAUSD to better support high schools that have low college-going rates
- Deeper partnerships with the California College Guidance Initiative and Educational Advisory Board
- Tuition increases (cohort model)
- Budget Reallocation Plan - Reallocate budget based on actual /achieved student enrollment to incentivize campuses to grow

Outlook of CPP Budget

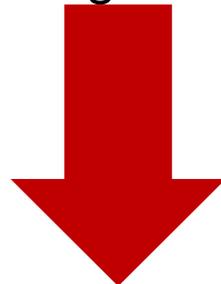
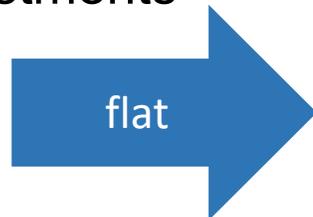
State vs. Students



54%*

State

- 447 new FTES for over-enrollment
- Amount allocated may not be sufficient to cover mandatory costs
- Discussion on self-funding compensation adjustments



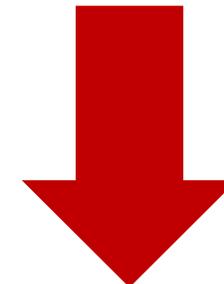
Arrow indicates
projected net
revenue (not
gross)



46%*

Students

- FY23-24 resident enrollment goal declines from 21,722 to 21,433 FTES (difference: 288)
- Resident over-enrollment goal now 6.6%



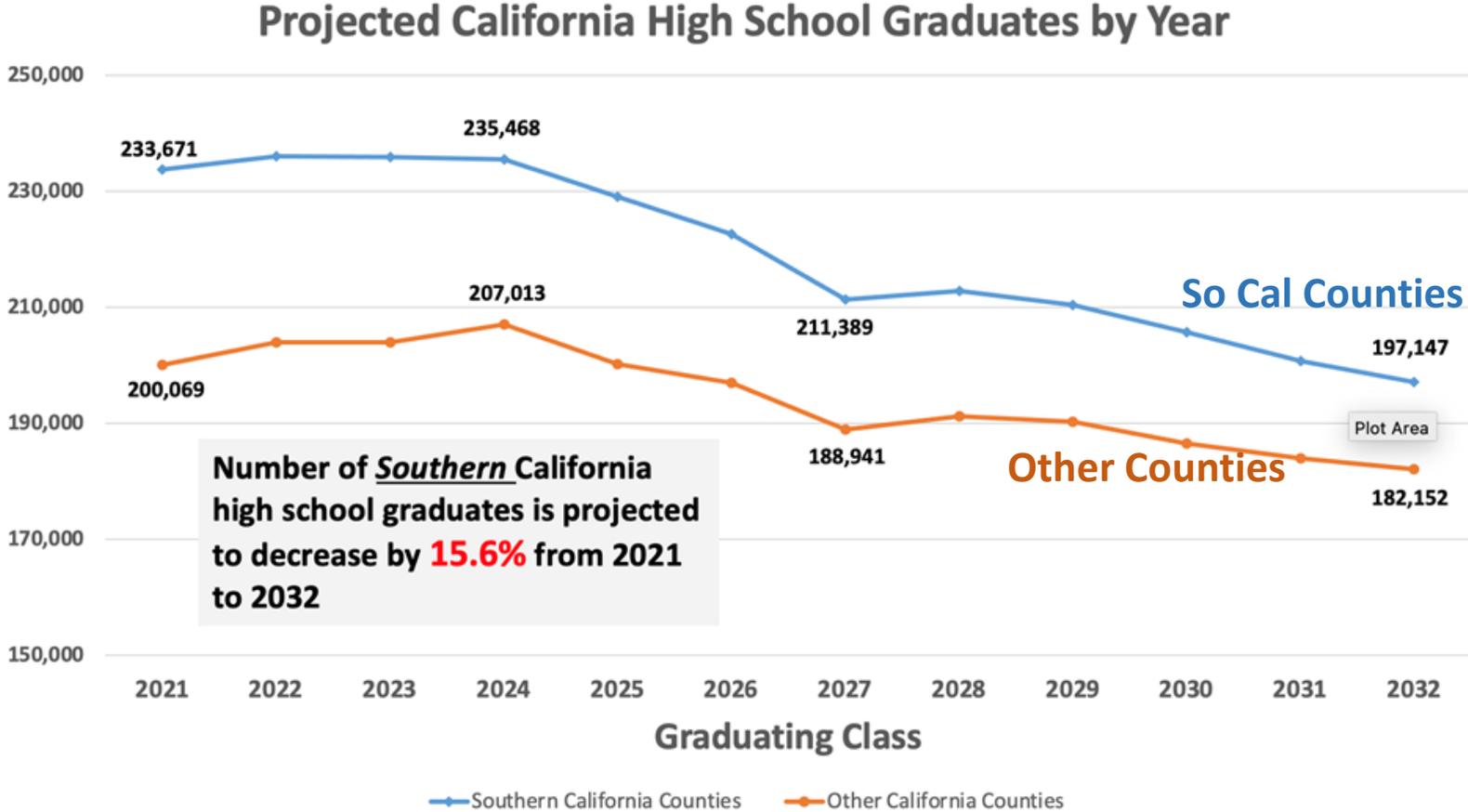
*State vs. student contribution percentages based on the 22/23 budget

Outlook of CPP Budget (cont'd)

- Campus asked to cover estimated compensation adjustment
- The unprecedented decrease in enrollment is already affecting CPP
- We lost 3,000 FTES from 24,987 in FY20-21 to 21,983 in FY22-23 (resident & non-resident combined)
- So Cal will be trailing N. Cal trends; anticipate more decline in FY25-26
- Impact of AB 928 (Fall 2025) may amplify the decline in enrollment
- A cost-conscious high school graduate will compare these rates:

Mt. SAC	Cal Poly Pomona
California Residents: \$46/Unit	California Residents: 0-6 units \$1,665 (\$277/unit) 6.1 units and above \$2,871 (\$239/unit)
Nonresident Students: \$311/Unit	Nonresident students: add'l \$396/Unit

Southern California Trends

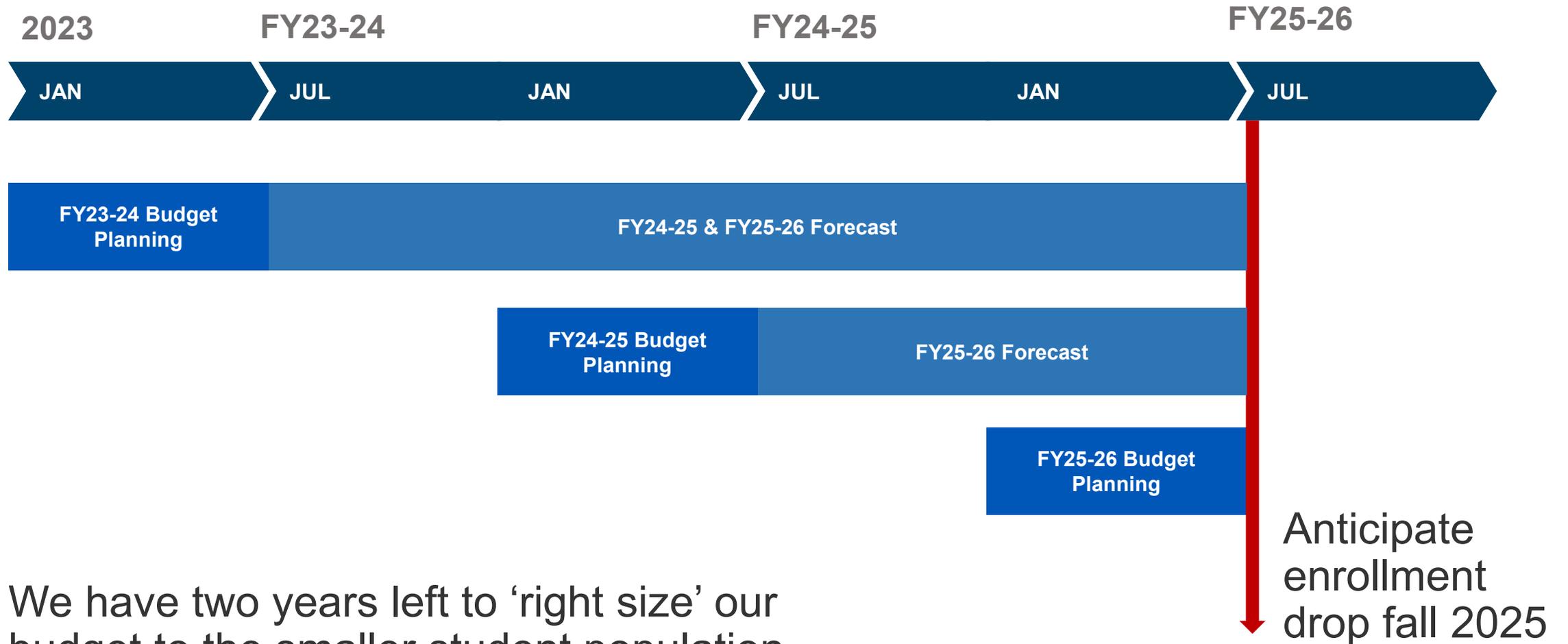


- SoCal high school graduates projected to decrease by 15.6% (2021-2032).
- Gap between SoCal and other counties is narrowing
- SoCal will be trailing what N. Cal is experiencing, so **FY25-26** is when it is going down

Source: California Department of Finance
<https://dof.ca.gov/forecasting/demographics/public-k-12-graded-enrollment/>

Southern CA counties include: Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Diego

CPP's Multi-Year Planning



We have two years left to 'right size' our budget to the smaller student population

CPP's Multi-Year Planning (cont'd)

Planning Options to Enhance Revenues:

- Identify our strengths and challenges as a campus
 - How do we promote our value proposition and continue to grow our enrollment?
- Identify other sources of funds and partnership for an all-funds budget approach
- Increase revenue-generating opportunities
- Reallocate resources

CPP's Multi-Year Planning (cont'd)

Planning Options to Examine Expenses

- Realign budgets with available resources
- Consider reversing or reducing expenses that were added when the campus was growing
- Re-evaluate timing of planned one-time expenses
- Re-consider investments that will trigger recurring expenses in future years
- Use carryforward/reserve to balance the budget in the short-term while working towards reducing expenses in the long term

FY22-23 Budget Updates

- Completed GSI, top five, designated funds allocation
- Designated Funds allocated as follows (benefits held centrally)
- GI 2025 - \$2,167,000 available
 - Academic Affairs \$1,757,000
 - Student Affairs \$410,000
- Student Basic Needs - \$553,000 available
 - Student Affairs allocation \$553,000
- IRP allocations will be made in the third quarter
- BPA is compiling an All-Funds Budget

Next Steps

The Governor's January proposal is the first step of this budget cycle. CSU will now begin strongly advocating for the full funding of the Trustee's operating budget request.

- **Budget Hearing and Advocacy**
- **Governor's May Revise**
- **Final Budget in June/July**
- **CPP: Preparation of Multi-Year Scenario Modeling of Operating Budget using *flat* and *modest decline***

FY23-24 Enrollment Target

We are planning to be 6.6% over-enrolled in FY23-24 based on the new funded target of 20,100. The goal is 288 less FTES vs. 22-23

Enrollment Planning Parameters

- FTES
 - Resident: 21,433
 - Non-Resident: 548
- Headcount
 - Summer (state side + self support): 5,000
 - Fall: 26,811
 - Spring: 24,219

CPP Budget Timeline

Annual Multi-Year Budget Request Timeline	
Date	Activity
October 27, 2022	VP Admin to send Call Letter to Vice Presidents
March 9, 2023	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)
March 10 – April 14, 2023	BP&A review/vetting of annual budget process materials in iterative consultation with VP Trinidad
April 3-May 25, 2023	Review of budget materials with President Coley in iterative process
Week of April 14, 2023	Cabinet discussion regarding annual budget requests
Week of April 28, 2023	Cabinet update regarding annual budget process
Week of May 9, 2023	Release of Governor’s May Revise
Week of May 15, 2023	Cabinet update regarding annual budget process
TBD	President decisions on budget request approvals
TBD	Cabinet update regarding allocation decisions



Thank you

Questions?