

**CAL POLY HUMBOLDT  
University Senate**

**Resolution on the URPC Budget Recommendation 2025-2026**

22-24/25-URPC — April 15, 2025 — Second Reading

**RESOLVED:** That the University Senate of Cal Poly Humboldt recommends that Chair Woglom forward the University Resource and Planning Committee's Budget Recommendation to Interim President Spagna in keeping with the CBC Guidance that outlines URPC Recommendations.

**RATIONALE:** The URPC has developed a budget recommendation based on existing budget assumptions and ask that this recommendation be forwarded to the President in order to inform budget decisions for the 2025-2026 fiscal year.



## University Resources and Planning Committee

**Date:** 04/15/25

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

**FROM:** Jenn Capps and Jaime Lancaster – Co-Chairs of the University Resources and Planning Committee (URPC)

**CC:** Committee Members

**RE:** 2025-26 Budget Recommendation to the President

*Chair Woglom,*

*Below, please find the University Resources and Planning Committee's (URPC) Budget Recommendation for FY 2025-26. After review and input from the Senate, we ask that you forward its contents to President Spagna in order to inform his decisions regarding budgeting for next year, in accordance with the [CBC Guidance on Senate Ratification of URPC Recommendations](#).*

### Executive Summary

As we enter another year of budget reductions in 2025-26, it's important to take a moment to recognize the significant work accomplished in 2023-24. Thanks to the highly collaborative, strategic, and transparent efforts of the URPC, the University was able to begin 2024-25 with a balanced budget. Overall, the University projected a net \$11.4 million increase to the operating budget, bringing the total to \$178 million. This growth was largely driven by increased state appropriations for Polytechnic funding, Chancellor's Office program earmarks, partial funding for compensation and benefit cost increases, and commitments to the State University Grant (SUG). Additionally, for the third consecutive year, the university achieved enrollment growth of +1%, a modest but meaningful step forward.

It is important to recognize that this increase in the operating budget came despite an overall \$8.3 million reduction that the campus implemented in order to start 2024-25 without a structural deficit. This reduction, applied across all divisions, was primarily driven by enrollment reallocation and rising costs that were projected to outpace revenue growth. A significant portion of these cost increases resulted from much-needed systemwide pay raises, negotiated at the CSU level, with only partial funding anticipated from the state, and increased utility costs.

As we navigate the challenges ahead, we remain committed to balancing the University's strategic and transformative Polytechnic growth with responsible fiscal stewardship. While 2025-26 and beyond will

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bring continued financial pressures, our focus on sustainability, innovation, and collaboration will ensure that we adapt and thrive.

Each year, the URPC provides a recommendation, directed to the President through the Senate Chair, regarding changes in 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.

The CSU is facing a harmful \$375 million (7.95%) ongoing cut to base funding from the state for 2025-26. Additionally, the state has indicated plans to defer the year-four (2025-26) new ongoing compact funding of \$252 million to 2027-28. Compounding these state impacts on the budget, is the fact that the University is currently 26% below our system-funded enrollment target of 7,375 annual resident full-time equivalent students (rFTES) and as such the CSU will pull back 3% of our enrollment target and associated funding in 2025-26. While growth is anticipated, we are considered overfunded until we meet and exceed our annual rFTES target. Lastly, increased campus-funded mandatory costs including utilities, insurance premiums and previously negotiated compensation step placements are currently projected for 2025-26. These combined impacts result in a total budget deficit of \$11.6 million for the University.

Through a strategic and collaborative approach to ensure a clear understanding of which reductions could be implemented without compromising the URPC's budget priorities and which would have a significant impact, the URPC recommends a total divisional reduction of \$7.7 million, allocated as follows: University Advancement, \$219 thousand (5.63%); Academic Affairs, \$5.1 million (6%); Administrative Affairs, \$1 million (5.21%); Enrollment Management & Student Success, \$656 thousand (5%); Athletics & Recreation, \$232 thousand (7%); University Wide, \$425 thousand (5%); and the President's Office, \$0 (0%). In lieu of reductions, the President's office will assume responsibilities from at least two divisions to help offset costs, reflecting a collaborative effort to manage budget challenges.

To bridge the total \$11.6 million budget deficit, the remaining \$3.8 million will be supported through the use of one-time funds, which were set aside from the 2023-24 roll-forward in anticipation of the 2025-26 budget challenges.

Although the state budget situation remains uncertain and will not be finalized until June 2025, advocacy efforts are ongoing, and there is cautious optimism that the fiscal outlook may improve. The URPC recommends that the campus continue moving forward with the proposed \$7.7 million in reductions, regardless of the eventual outcome of the state budget or its impact on CSU funding. If the state budget does improve, it could provide the University with a valuable opportunity to get ahead of projected budget deficits in future years. These reductions represent only the first phase of a broader, multi-year budget management strategy, as outlined in the [UBO's multi-year budget scenarios](#). To further strengthen long-term fiscal stability, the URPC also recommends identifying additional reductions beyond the initial \$7.7 million. The [2025 Voluntary Separation Incentive Program \(VSIP\)](#) may create opportunities for thoughtful restructuring and reorganization, positioning the University to realize additional sustainable, long-term savings.

## **FY 2025-2026 Budget Recommendation**

This year's submission will outline the guiding principles, and process, current financial milieu of the University, including enrollment assumptions, revenue assumptions, expenditure assumptions, and reserve assumptions. While navigating these budgetary financial hurdles, the University is simultaneously benefiting from state investments to support new polytechnic initiatives and is also experiencing moderate enrollment growth from a combination of incoming students and increased student retention. All of these factors combined require a careful balance between fiscal constraints and strategic growth.

### **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:

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, promote efficiency, and align with the Purpose, Vision, Core Values & Beliefs of the University.

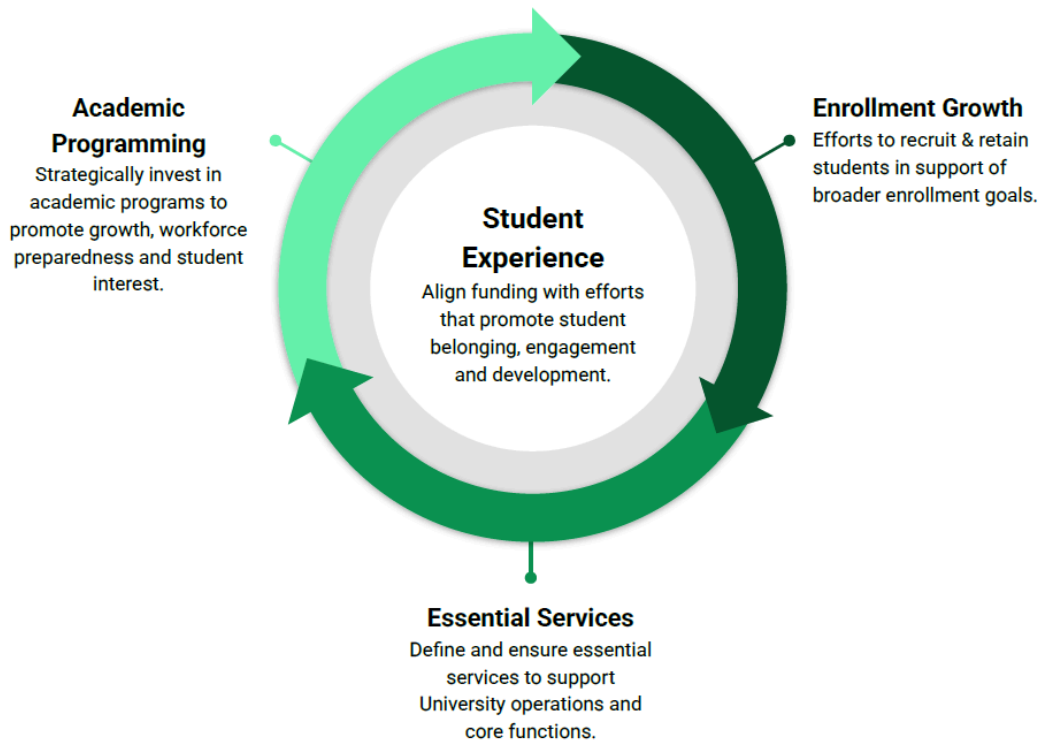
- **Students First:** We will prioritize the needs of students and their education. We will provide an equitable environment that ensures the well-being, education, graduation, and future success of our diverse student body.
- **Value Personnel:** We will recognize the impacts budget decisions have on personnel. We will strive to minimize the impacts to 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, align resources with strategic objectives, 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 and timely 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 from consideration
- Support units' ability to plan and avoid mid-year reductions unless absolutely necessary
- Commitment to transparency and timely communication

### Budget Priorities



### Budget Transparency and Communication Efforts

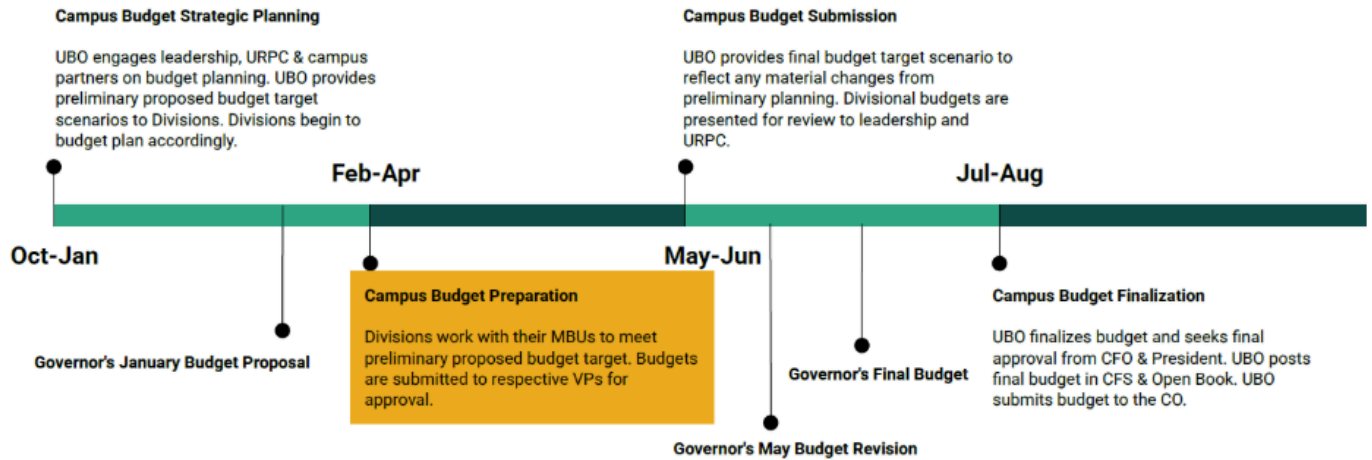
Since October, the URPC has engaged in significant communication and engagement activities to bring awareness to the current budget situation and to seek input from the campus community, including:

- URPC Guiding Principles and Reduction Planning Parameters developed
- Campus wide communications
- Provost communications
- FY 2025-26 budget planning scenarios for 5%, 7%, and 9% reductions developed
- Focused budget request process to capture polytechnic needs and ongoing activities funded with one-time resources
- October 23, 2024 - message to campus about pending FY 25-26 budget challenges
- December 17, 2024 - message to campus about budget reduction planning
- Meetings with campus groups during the AY 24-25 including various stakeholders within: University Senate, Staff Council, Associated Students, Council of Chairs, Academic Affairs leadership, Enrollment Management and Student Success (EMSS) leadership, Athletics, Administrative Affairs leadership, Budget Analysts group, Info Exchange, SAAS.
- Division-level presentations at URPC meetings on February 21, 2025 and February 28, 2025

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(available online at: [budget.humboldt.edu/urpc](http://budget.humboldt.edu/urpc)) where the 5%, 7% and 9% reduction scenarios were detailed

- University wide Budget 101 and State of the Budget open forums on October 22, 2024 and February 6, 2025



**2025-26 University Budget Summary**

As outlined in this table below, and discussed in more detail in Appendix A: Budget Planning Assumptions, the University anticipates an ongoing budget deficit of approximately \$11.6 million in 2025-26. This year’s committee agreed on the importance of maintaining a balanced approach of mitigating the immediate impact of the deficit while ensuring that reductions are made thoughtfully and strategically. By focusing on long-term financial sustainability rather than reducing too much too quickly, we aim to preserve the integrity of our budget priorities: student experience, academic programming, enrollment growth, and essential services. This measured approach allows the university to soften the impact of such a significant shortfall, ensuring that reductions are phased in deliberately and with careful planning to support the long-term stability of our institution.

<b>2025-26</b>	
<b>Incremental Changes</b>	<b>Increase (Decrease)</b>
<b>Prior Year Revenue (Sources) Budget</b>	<b>\$ 178,141,357</b>
State Appropriation	
State Cut to CSU (7.95%)	\$ (7,928,000)
Enrollment Reallocation (3%)	\$ (2,089,000)
Polytechnic Funding	\$ 3,729,000
CSU Mandatory Cost & Program Earmarks	\$ 933,000
State Tuition from Growth	\$ (123,000)
State Tuition from 6% Rate Increase	\$ 1,970,000
Other Tuition & Fees	\$ (8,357)
<b>Total 2025-26 Revenue (Sources) Budget</b>	<b>\$ 174,625,000</b>
<b>Prior Year Expenditure (Uses) Budget</b>	<b>\$ 178,141,357</b>
Compensation Costs	\$ 400,000
Financial Aid	\$ 650,000
CSU Mandatory Costs	\$ 2,253,000
Polytechnic Allocations	\$ 3,729,000
Campus Mandatory Costs & Priorities	\$ 1,007,000
<b>Total 2025-26 Expenditure (Uses) Budget</b>	<b>\$ 186,180,357</b>
<b>2025-26 Base Budget Surplus (Deficit)</b>	<b>\$ (11,555,357)</b>

### 2025-26 University Budget Reductions

As outlined in the Budget Summary section, the University is currently anticipating an ongoing budget deficit of approximately \$11.6 million in 2025-26. To help bridge this gap, up to \$4 million in one-time funding will be utilized, providing the campus with additional time to strategically address the full budget reduction. These one-time funds were reserved from 2023-24 roll forward in anticipation of 2025-26 budget reductions.

To address the projected budget shortfall, following the divisional development of reduction planning scenarios and discussions with each division, the URPC presents last years reductions for 2024-25 and proposes the following reduction distribution by division for 2025-26:



Division	2024-25		2025-26	
	Actual % Reduction	Actual \$ Reduction*	Proposed % Reduction	Proposed \$ Reduction*
President's Office	3.50%	\$ 61,000	0.00%	\$ -
University Advancement	3.00%	\$ 117,000	5.63%	\$ 219,000
Academic Affairs	6.00%	\$ 6,008,000	6.00%	\$ 5,091,000
Administrative Affairs	5.00%	\$ 1,190,000	5.21%	\$ 1,037,000
Enrollment Management & Student Success	3.00%	\$ 466,000	5.00%	\$ 656,000
Athletics & Recreation	3.00%	\$ 116,000	7.00%	\$ 242,000
University Wide	4.00%	\$ 371,000	5.00%	\$ 425,000
<b>Total Proposed Reductions</b>	<b>6.10%</b>	<b>\$ 8,329,000</b>	<b>5.68%</b>	<b>\$ 7,670,000</b>
Remaining Deficit**	0.00%	\$ -	2.88%	\$ 3,885,000
<b>Total Deficit</b>	<b>6.10%</b>	<b>\$ 8,329,000</b>	<b>8.56%</b>	<b>\$ 11,555,000</b>

\* Amounts rounded to the nearest thousand.

\*\* 2025-26 remaining deficit is projected as of March 2025 budget planning.

*Note: Reductions percentages are applied to the adjusted operating budget which is net of restricted programs, financial aid, compensation pool, and prior year Polytechnic funding.*

The proposed reductions reflect the strategic budget planning efforts of each division, guided by the URPC's Guiding Principles and Priorities. These reductions were developed through extensive discussions within the campus community, executive cabinet, presentations by division leads, and in-depth deliberations among URPC members. They demonstrate the University's commitment to the URPC's budget priorities, which include enhancing the student experience, sustaining academic programming, fostering enrollment growth, and maintaining essential services.

Each division conducted a thorough review of its detailed reduction templates to evaluate the impact of potential cuts. This collaborative approach ensured a clear understanding of which reductions could be implemented without compromising the URPC's budget priorities and which would have a significant impact. The URPC utilized this [interactive tool](#) to inform the allocations of the target reduction across Divisions and to determine how much of the \$4 million would need to be utilized in offsetting the 2025-26 reductions. The proposed \$7.7 million in reductions reflect only those cuts that would not undermine these priorities. With its limited budget primarily consisting of personnel costs, the President's Office determined that further reductions would compromise the URPC's budget priorities for 2025-26. In lieu of reductions, the office will assume responsibilities from at least two divisions to help offset costs, reflecting a collaborative effort to managing budget challenges. While the committee acknowledges that this decision does not fully align with its initial reduction planning parameters, it remains consistent with the campus's strategic approach to budget management for the current fiscal year.

Despite these efforts, a \$3.8 million structural deficit remains for 2025-26. This shortfall will be covered by one-time funding that the University proactively set aside, from 2023-24 roll forward, in anticipation of these budget challenges. However, addressing the remaining deficit alongside the anticipated budget shortfall for 2026-27 will require continued strategic planning and collaboration.

## 2025-26 University Budget Allocations

### 2024-25 Roll Forward/One-Time Resource Planning

Currently, the University budgets at 100% employment, with very few exceptions, meaning that most budgeted positions are assumed to be filled for the entire fiscal year for the sake of planning. In actuality, the University does not have 100% of its budgeted positions filled. Additionally, even when employees are hired mid-way through the year to fill an open position, salary and benefits for that person are only spent once they are hired. As a result, salary savings from these unfilled positions contribute to the roll forward balance at year-end, allowing for potential reallocation or one-time sources to cover other expenses. The 2024-25 fiscal year is no exception, and as of the quarter ended December 31, 2024 the University [projects unspent budget](#) that will roll forward as one time funds for next year's budget.

As part of 2025-26 budget reduction planning the University intends to use up to \$3 million of the 2024-25 anticipated roll forward to fund the one time cost of implementing a Voluntary Separation Incentive Program (VSIP). This initiative will be used as a strategic tool to help address the projected budget deficit for 2026-27 which will include the additional \$3.8 million carryover deficit from 2025-26. As each division will be asked to participate in reductions next year, it is important that any remaining available roll forward (following the VSIP investment) be returned to that division. Thus, the URPC recommends that the campus adheres to the [University Operating Fund Roll Forward](#) after the VSIP investment.

The University used \$780,000 of roll forward from 2023-24 to increase the operating reserve to maintain compliance with the CSU Policy on Designated Balances and Reserves issued in April 2024. Due to planned budget reductions for 2025-26 it is anticipated that only a minimal amount if any 2024-25 roll forward would be needed to maintain that reserve at the minimum CSU required level. Please see the Reserve Assumptions section below for additional discussion.

### Polytechnic Funding

As of summer 2024, the University received approval for its accelerated [Polytechnic Year 4 Funding Request](#), securing \$7.8 million in 2024-25, with the final installment of \$3.7 million expected in 2025-26. This funding supports the University's ongoing polytechnic transition, demonstrated through major capital projects, modest enrollment growth, and the successful implementation of new Polytechnic academic programs. While this continued investment is significant, the expansion of polytechnic initiatives must remain aligned with measured growth and long-term sustainability. Ensuring fiscal prudence in transformational efforts will be essential to maintaining momentum while supporting the University's strategic priorities.

### Additional Budget Requests

Despite the need for reductions for the 2025-26 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 reductions amongst the divisions, it also ensures that we do not miss strategic opportunities that may be

brought to light in the request process. These requests will be evaluated 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.

### **URPC Budget Planning Activities, Multi-Year Budget Planning Process**

The University Budget Office (UBO) continues to develop multiple budget-planning scenarios, Tier 1 through Tier 3, over a three-year planning horizon in order to understand the University's multi-year trajectory. The scenarios enable the University to integrate strategic planning with financial projections that consider internal and external factors, including state funding and enrollment trends. They undergo periodic refinements throughout the budget-planning cycle to ensure that resources remain aligned with the state and CSU plans as well as institutional priorities and student-success goals. These scenarios are also shared with leadership, URPC and the broader campus community throughout the budget planning cycle through campus communications, open forums, meetings and are made available on the [URPC](#) and [UBO](#) websites.

For the initial context of the multi-year planning needs, [here](#) is a projection of the Tier 2 (baseline) operating fund changes over the next three years, provided with the caveat that these projections assume that current indications from the state and CSU materialize as expected and that enrollment continues to experience moderate growth.

Given the carryover of approximately \$3.8 million from the 2025-26 budget deficit and the further projected shortfall in 2026-27 and 2027-28, multi-year planning becomes even more critical. With a structural deficit expected to widen, this presents an opportunity to proactively assign preliminary proportional divisional reduction targets for 2026-27. Establishing these targets earlier could guide strategic planning efforts over summer 2025, enabling divisions to explore reduction strategies like reorganization and restructuring, while remaining flexible to adjust as the state budget finalizes in June 2025 and other financial factors evolve.

### **Conclusion**

The University's 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 2025-26 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 informed timely of the new information.

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

## APPENDIX A

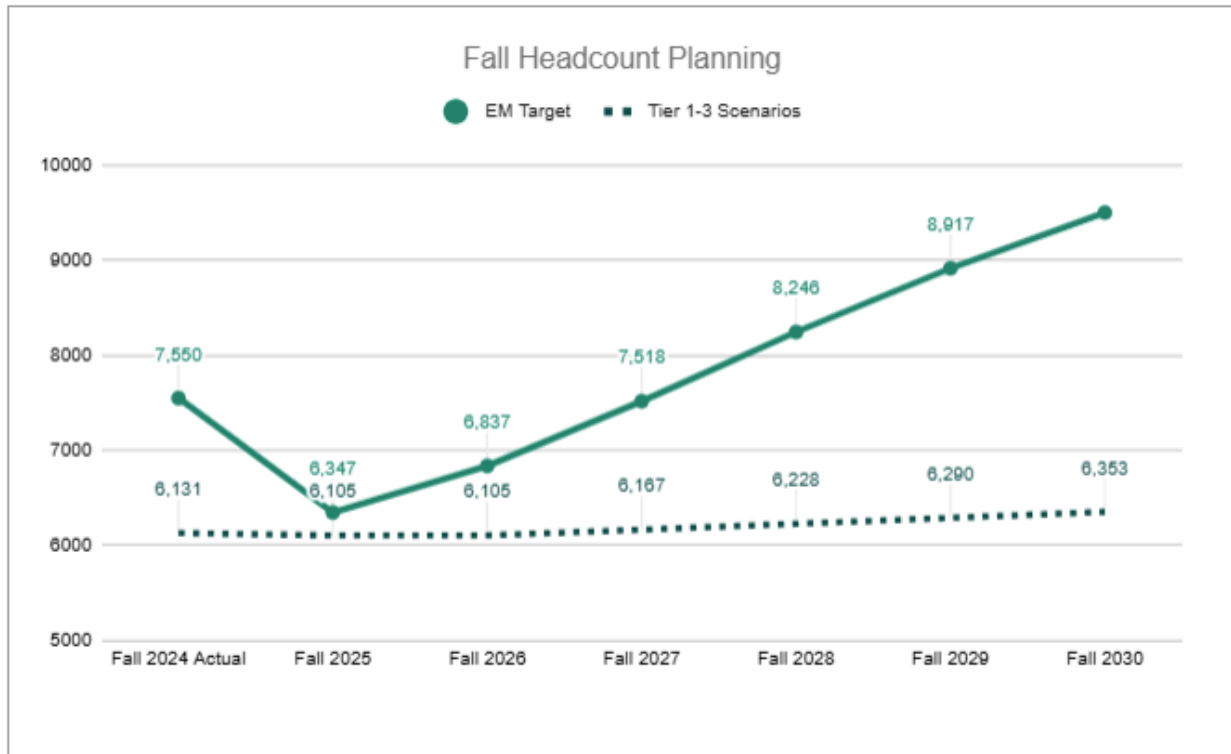
### **Budget Assumptions**

#### **Enrollment Assumptions**

The University continues to strive toward its ambitious enrollment goal to double enrollment, including a drive toward fall 2025 total enrollment of 6,347. The 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 \(3/04/25\)](#).

Enrollment trends remain positive. As of March 3, 2025 we have more than 17,436 total applications; while lower than this time last year, the University is well on target for achieving the application volume required for its projected higher yield rates. The University is seeing year-over-year growth in applications for lower division transfers and credential students. The biggest success story is deposit trends. As of the March 3, 2025 report, deposits were up by 11%, or 102 students, with the largest growth coming from upper-division transfer students. Significant efforts are underway to both continue driving applications through our April 1, 2025 deadline and to increase yield. Plans to increase enrollment for AY 2025-26 assumed fewer applicants but increased yield of applicants in both first-time undergraduates and upper-division transfer students which we are seeing.

While recruitment 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 2025 headcount projection in all three planning scenarios is 6,105 (-0.4% from 2024-25 budget and +1% from Fall 2024 census). The budget office is currently only enrollment planning for three years, through Fall 2027, therefore each year thereafter assumes 1% growth from the previous year. 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 differently than anticipated.



For budget planning, we use full-time equivalent students (FTES) as the enrollment metric. Those numbers are more conservative than the EM Target, which uses total headcount. In total, we are anticipating overall FTES enrollment to be flat from 2024-25 actuals; however, the FTES student mix will be adjusted as part of final budget planning to reflect the variation noted in the actuals below.

Enrollment Projections	2024-25		2025-26
	Budget	Actuals	Budget
Resident FTES	5,262	5,177	5,240
WUE FTES	200	276	200
Out-of-State FTES	75	69	75
International FTES	20	16	20
<b>Total Academic Year FTES</b>	<b>5,557</b>	<b>5,538</b>	<b>5,535</b>
<b>Total Academic Year Headcount</b>	<b>5,836</b>	<b>6,360</b>	<b>6,357</b>

A key area of focus is our CSU funded annual resident FTES target. In 2024-25 our target was reduced by 3% to 7,375 and our associated funding by approximately \$1.9 million. For 2025-26 the CSU will again reduce our target by 3% to 7,154 and our associated funding by another \$2.1 million.

Strategic efforts to increase annual resident FTES include the Green & Gold affordability initiative for California residents, transfer outreach for targeted academic programs and from potential feeder

community colleges, and new direct admissions programs, with one active for Fall 2025 entry and four others coming online for Fall 2026 and beyond. Additionally, in recent years, the University shifted summer state-side. While the summer session is budgeted separately from this recommendation, the associated FTES will now be counted toward our target, which helps mitigate future enrollment recalibrations.

Resident FTES will be adjusted as part of final budget planning to reflect variation noted in the 2024-25 actuals below.

Annual Resident FTES Projections	2024-25		2025-26
	Budget	Actuals	Budget
Academic Year Resident FTES	5,262	5,177	5,240
Summer Resident FTES	200	188	200
<b>Total Annual Resident FTES</b>	<b>5,462</b>	<b>5,365</b>	<b>5,440</b>

**Revenue Assumptions**

The University's 2025-26 revenue budget is projected to be \$174.6 million, reflecting a net decrease of \$3.5 million from 2024-25. The primary factors influencing this decline include reductions in state funding and enrollment-based reallocations, partially offset by Polytechnic funding and tuition increases.

- State Appropriation (-\$5.4 million):
  - State cut to the CSU (-\$7.9 million)
    - The state has indicated plans to cut CSU ongoing base funding by \$375 million. This significantly impacts the CSU and jeopardizes its ability to invest in academic programs, student support services and infrastructure. The University’s estimated portion of this cut is expected to be approximately \$7.9 million. The CSU is actively working with state leaders and legislators to advocate against the \$375 million cut to ongoing state funding and the \$252 million deferral of compact funding. These advocacy efforts will continue leading up to the Governor's revised budget proposal in May 2025, and ultimately the final passage of the state budget in June 2025.
  - Enrollment reallocation (-\$2.1 million)
    - The University is also facing a reduction in funding from the CSU due to the *CSU Enrollment Target and Budget Reallocation Plan*. Under this plan, the CSU has modified its approach to enrollment target setting and resource allocation such that resident full-time equivalent students (rFTES) and associated resources will be permanently reallocated from universities that have experienced enrollment declines to universities who can grow and help achieve the CSU’s system wide resident student enrollment target. The University is currently 26% below its rFTES target of 7,375 and therefore will have 3% of its target and

associated funding pulled back. This equates to an rFTES target reduction of -221 to 7,154 and approximately -\$2.1 million. While growth is anticipated, we are considered overfunded until we meet and exceed our annual rFTES target.

- Polytechnic Funding (+\$3.7 million)
  - The final \$3.7 million installment of the \$25 million ongoing Polytechnic funding will be received in 2025-26.
- Compact funding deferral
  - Under a multi-year compact with the State of California, the CSU was set to receive 5% annual ongoing general fund increases through 2026-27 to support student success initiatives. However, the state has indicated that \$252 million in 2025-26 compact funding will be deferred until 2027-28. While this deferral does not impact the Tier 2 (baseline) scenario, it presents budgetary constraints under Tiers 1 and 3. If received, the compact funding will be fully allocated to cover essential priorities, but it will only partially offset mandatory cost and compensation increases.
- Tuition Increase (+1.9 million):
  - Tuition revenue is anticipated to increase \$1.9 million. This reflects the implementation of the 6% tuition rate increase system wide.

### Expenditure Assumptions

The 2025-26 Tier 2 (baseline) expenditure budget reflects mandatory cost increases and campus allocations based on priorities identified during the budget planning process. Total expenditures are projected to be \$186.1 million, representing a net increase of \$8 million from 2024-25.

- CSU Mandatory Costs (+2.9 million)
  - State University Grant (SUG) program: The SUG program provides need-based awards to eligible undergraduate and graduate/post-baccalaureate students. Due to increased funding from the 6% tuition rate increase, SUG is expected to rise by \$650 thousand in 2025-26.
  - Utilities, health premiums & insurance premiums are all expected to increase in 2025-26 totaling approximately \$2.3M million.
- Campus Mandatory Costs & Priorities (+\$1.4 million)
  - Utilities are expected to increase 5% in 2025-26 for an estimated \$300 thousand.
  - Insurance is expected to increase 13% in 2025-26 for an estimated \$700 thousand.
  - Contingency funding is projected to increase by \$300 thousand to provide flexibility in the event enrollment assumptions are not met or other unforeseen factors arise.
- Polytechnic Funding (+\$3.7 million)
  - The final \$3.7 million installment of the \$25 million ongoing Polytechnic funding will be received in 2025-26.

For 2025-26, under the Tier 2 (baseline) scenario, the University anticipates a net revenue decrease of \$5.4 million and an expenditure increase of \$8 million, resulting in a projected budget deficit of \$11.6 million. Even with the proposed reductions, the University will not achieve a balanced budget in 2025-26. However, this reflects a conscious and strategic decision by the University to manage the budget shortfall in a way that allows for a more thoughtful, phased approach to necessary reductions. Rather than making abrupt cuts that could disrupt operations and programs, the University intends to utilize up to \$4 million in one-time funding set aside from the 2023-24 roll forward to help bridge the 2025-26 budget gap and provide additional time for careful planning and adjustment.

**Reserves Assumptions**

It is the goal of the campus and URPC to work toward establishing reserves at the levels outlined in the [University Operating Fund Reserve Policy](#) in the following categories: Equipment Reserve, Maintenance Reserve, and Operating Reserve. With the exception of the Operating Reserve described below, each campus has authority to determine target levels based on individual need and plans. The current reserve balances for each category are provided below for reference.

Reserve Category	Ending Balance		
	2022-23	2023-24	2024-25
Capital Reserves	\$ 714,974	\$ 1,109,686	\$ 1,109,686
Equipment Reserves	\$ 240,000	\$ 240,000	\$ 240,000
Maintenance Reserves	\$ 446,730	\$ 616,716	\$ 616,716
<b>Operating Reserves - Reserve for Economic Uncertainty</b>	<b>\$ 7,678,135</b>	<b>\$ 8,126,935</b>	<b>\$ 8,907,068</b>
<b># of days supported by Operating Reserves</b>	<b>18</b>	<b>19</b>	<b>18</b>

The 2025-26 Operating Reserve, known as the Reserve for Economic Uncertainty under the CSU Policy on Designated Balances and Reserves (dated April 16, 2024), is projected to start at \$8.9 million, which equates to approximately 5% of the projected 2025-26 Operating Fund Budget. This is in line with the minimum requirement stated in the CSU Policy. However, this balance would cover only 18 days of annual operating expenditures, while the CSU policy recommends accumulating reserves equivalent to at least three months and up to six months of the annual operating budget for each operating activity fund.

The Reserve for Economic Uncertainty provides flexibility to take mission-related risks and to absorb or respond to temporary changes in environment or circumstances. Insufficient reserves can lead to cash flow stress and divert focus from strategic, long-term decision-making. Any spending out of the Operating Reserve must be accompanied by a plan to replenish the reserve fund. The University Operating Fund Reserve Policy is pending update to reflect reference to the updated [CSU Policy on Designated Balances and Reserves](#) which replaced ICSUAM Section 2001.00.