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March 9, 2023

MEMORANDUM

TO: Provost Carlos Nevarez (Interim)
Vice President Jonathan Bowman
Vice President Lisa Cardoza
Vice President Mark Hendricks
Vice President Edward Mills
Vice President Mia Settles-Tidwell
Chief of Staff, Sarah Billingsley
Director of Athletics, Mark Orr

FROM: Robert S. Nelsen *Robert S. Nelsen*
President

SUBJECT: Campus Operating Fund Budget Call for Fiscal Year 2023/24

Budget season is upon us, and even though we are far from knowing what our final allocations will be, I am hereby requesting that each division complete the 2023/24 Campus Operating Fund Budget Call based upon the budget assumptions and scenarios recommended by the University Budget Advisory Committee (UBAC). Under separate cover, Jennifer Harris will email instructions and forms to complete your division's responses. Please submit all necessary documents to Budget Planning & Administration by **Friday, April 14, 2023**. This due date for document submission is after Cabinet presentations, which are tentatively planned for the week of April 3, 2023, in order to allow for recalculations and changes based on the feedback from the Cabinet presentations.

Governor's Proposed Budget

The Governor's proposed 2023/24 budget includes a total ongoing increase of \$227.3 million General Fund for base growth across the California State University system. Although this is a five percent increase in the General Fund appropriation, it represents an increase of only 2.85 percent to the CSU operating budget. In light of projected revenue declines driven by reduced tax income, the Governor's Budget also proposes to shift \$404.8 million in funds for capital projects. No Sacramento State projects are directly impacted by this proposal.

The funding proposed by the Governor is \$286.4 million less than the amount requested by the CSU Board of Trustees—more than half of what the Trustees feel we need to fully operate. Without additional funding, the system will be unable to fully fund GI 2025 initiatives, mandatory costs, future collectively-bargained salary increases, basic needs, deferred maintenance, and other priorities. As a result, the University is likely facing budget reductions which will affect all divisions and require very difficult decisions about what can and will be funded and what cannot.

Over the next few months, the Chancellor's Office will continue to seek additional funding for the CSU system, and our own Budget Planning & Administration office will monitor legislative budget changes and information from the Chancellor's Office to estimate Sacramento State's allocation. I remain hopeful that the Legislature will add additional funding to the CSU's budget, but we cannot be certain. Hence, we must prepare based on what we now know. I am confident that with shared cooperation and a laser-focus on our University mission and new strategic plan (copy attached), we will continue to keep the 'Miracle on J Street' alive and prospering.

Budget Call

For the coming 2023/24 fiscal year, I request divisions to prepare two budget scenarios: an 8% reduction and a 10% reduction. The obvious assumption behind the scenarios is that the funding provided by the State is not enough to cover mandatory cost increases, let alone the Graduation Initiative and potential collectively-bargained raises. As tuition has remained frozen, state resources must be stretched further to offset the impacts of inflation and higher retirement and health benefit costs. We are also uncertain of compensation increases due to ongoing salary negotiations. If increases are negotiated and no additional funding is made available, each division will have to decide what initiatives and programs must be reduced or be forgone and not initiated. We weathered a twelve percent cut in the past and managed to restore it. I am confident that we can survive these reductions as well and eventually come out stronger than ever.

As in the past, no General Operating Fund budget lines are exempt from review or reduction, including the All University Expense (AUE) budget lines. However, we should all keep the university mission in mind and not recommend cutting classes and sections which would unravel our progress towards reaching the goals of the Graduation Initiative. Student success is paramount. And our new strategic plan is a pathway towards student success. Hence, we should use it to guide our budget planning.

Budget Planning Assumptions and Scenarios

In concurrence with the UBAC recommendation and as noted above, the 2023/24 Annual Budget Call requests that division heads address two budget scenarios: an 8% and a 10% reduction to their divisions.

The planning assumption details are as follows:

- The expectation is that divisions will present 2 Scenarios. For Scenario 1, divisions will identify reductions totaling 8% of their baseline allocation and identify what, if any, imperatives would be impacted. Divisions should also identify any workarounds possible to limit the programmatic impacts of reductions. For example, a division may propose holding certain positions vacant for a specific amount of time to generate salary savings, or they may limit travel or purchases and upgrades. They will identify the impacted initiative/goal in the strategic plan and explain whether work can be redirected for a short time to reduce that impact. For Scenario 2, divisions will increase proposed reductions to 10% and describe the impacts and potential workarounds.
- Campus imperatives in the strategic plan, including the new wellness imperative, will serve as general guidelines for determining which reductions to pursue.
- Please review the Other Funds Report (report attached) to determine how these funds may be used to lessen the impact of general operating fund reductions. Be careful to follow the appropriate fund rules regarding uses.
- Divisions should carefully review their carry forward balances and provide a description of how they will be strategically used. UBAC will consider carryforward balances when recommending which reductions to pursue.
- Given the reduction scenarios, new positions should only be requested to the extent they are part of workaround scenarios and in line with divisions' reduction targets. New positions are to be requested through this annual budget call process. Divisions are asked to be strategic with their workforce planning efforts and examine their existing vacancies before asking for new positions.
- Divisions must develop a balanced budget and operate within available resources.
- Divisions must complete the items below:
 1. 2023/24 Impact to Divisions Scenario (Excel)
 2. Narrative explaining your assumptions, priorities, and strategies (Word)
 3. 2022/23 Unspent Carry Forward Funds Projection (Word)
 4. 2023/24 All University Expenditure Line Items (Excel)
 5. 2023/24 Lottery Funds (Excel)
 6. PowerPoint for presenting strategies to UBAC (PowerPoint)
- Other Funds Report – For information purposes, divisions' special funding sources such as Miscellaneous Course Fees, charges for services, and other similar sources of funding are listed in this provided report.

California Lottery Funds

Consistent with last fiscal year, Lottery Fund allocations are included in the annual budget process and Divisions may request Lottery Fund allocations. Lottery Fund usage is exclusively for the education of students, and we are required to report our usage on an annual basis to the CSU Chancellor's Office, California Legislature, and the California Department of Finance. Please see the CSU Systemwide Lottery Policy link below for

details on the specific usage of Lottery funds. Sacramento State's 2023-24 Lottery Fund allocation is estimated to be \$2.5 million. Unspent Lottery funds may not be carried forward from year to year.

<https://csyou.calstate.edu/Divisions-Orgs/bus-fin/budget/lottery/Pages/Lotter-Policy-Procedures-Guidelines.aspx>

The budget call request requires entering data into Microsoft Excel, Word, and PowerPoint forms and templates provided by the Budget Planning & Administration office. Jennifer Harris and her team are available to answer questions and assist you complete the budget call.

As additional information on the State, CSU, and campus budgets becomes available, I will provide updates to incorporate changes into the budget planning process. Divisions are responsible for keeping their departments apprised of the latest developments and budget updates as they unfold. I look forward to working with you and the University Budget Advisory Committee to develop a balanced budget that maintains our imperatives and priorities.

I know that I am asking for very hard decisions, and, as I said, I hope the budget will improve. But we have shown for the last eight years that we are dedicated to the University and its students. I have never seen us take a step backwards. We have had to take a step or two sideways, but we have always moved forward. And we will do so now with the guidance of our new strategic plan and through your leadership. Thank you.

cc: University Budget Advisory Committee
Budget Planning & Administration