2025-26 Annual Budget Town Hall

SACRAMENTO STATE

Natalie Daniel,
Associate Vice President
Budget Planning & Administration

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Today’s Agenda

- Budget Planning Basics
- University Budget Advisory Committee (UBAC)
- 2024-25 Expenditure Review
- 2025-26 Budget Cycle
- 2026-27 Fiscal Outlook
- Question and Answer Session

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Town Hall Details and Zoom Etiquette

- Please hold questions until the end.
- The Q and A feature at the bottom of your screen will be enabled at that time:

- This session will be recorded.

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Budget Planning Basics

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General Operating Fund Budget




- **Comprised of two primary revenue streams:**
  - State General Fund Allocation
  - Student Tuition and Fees
- **Used for:**
  - Division salaries, benefits, office equipment, travel, etc.
  - Mandatory campus costs
  - Restricted special programs or initiatives

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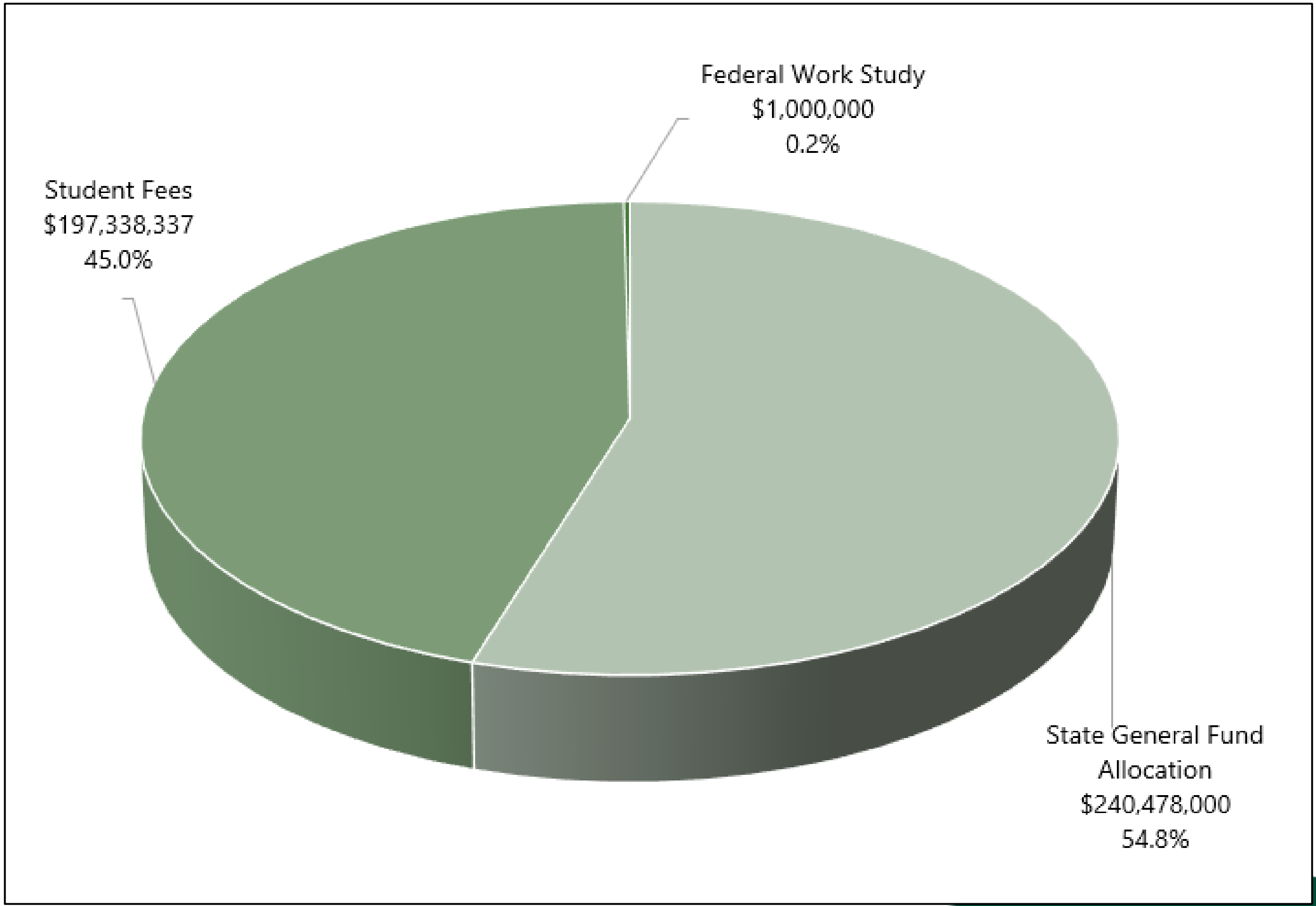
2025-26 General Operating Fund Sources
$438,816,377



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State Budget Planning Process

SEPTEMBER
Board of Trustees Budget Request

JANUARY
Governor Releases Budget Plan

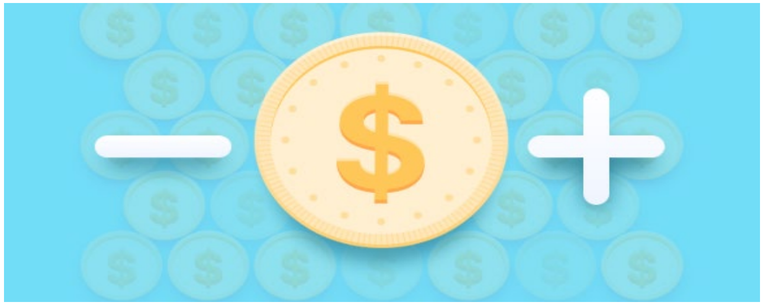
MAY
Governor Releases May Revision

JUNE
Governor Approves Budget

JULY
Chancellor's Office Releases Final Budget Memo

Incremental Budgeting

- **Incremental budgeting** is a budget building methodology that involves creating a new budget by making minor adjustments to the previous period's budget.
  - Instead of starting from scratch, one uses the **existing budget as a baseline** and then **adds or subtracts** budget allocations based on expected changes like inflation, cost increases, or planned expansions.



- Incremental budgeting is the **standard** budget build process that is used by the **State of California** and by the **CSU system.**

University Budget Advisory Committee (UBAC)

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What is UBAC?

- The University Budget Advisory Committee **(UBAC)** is part of the university's **shared governance model.**
- It is a committee that was established by the campus president to serve as the **main advisory group on budgetary matters** for the Campus Operating Budget.
- **UBAC members** are **appointed each fall** by the **President** for the following budget cycle.

UBAC Composition

Faculty Members (4)

- Includes 1 Department Chair recommended by the Chairs to the Provost and appointed by the President (two-year term);
- 3 faculty members recommended by the Faculty Senate (staggered three-year terms)

Administration/Staff Members (4)

- Selected from the university staff and administration appointed by the President (one-year terms)
- Includes 1 **Dean to serve as the Committee Chair**, appointed by the President

Students (2)

- 2 students recommended by the President of Associated Students Inc. (one-year terms)

AVP for Budget Planning & Administration (1)

Ex-officio member

Budget Support Staff (2)

Ex-officio members

UBAC Activities and Timeline

Dec/Jan

UBAC Committee Formed

Feb

President Meets with UBAC

March

Budget Call Memo Released

May/June

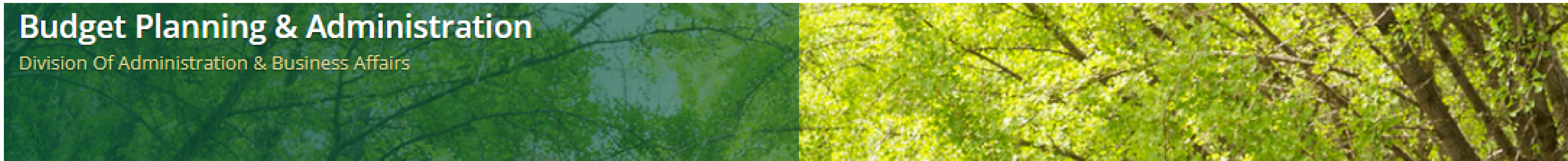
UBAC deliberates and reviews Budget Call Submissions

July

UBAC Finalizes Budget Recommendations

President communicates budget to campus

UBAC Information



Administration & Business Affairs ➤ Budget Planning & Administration ➤ University Budget Advisory Committee

University Budget Advisory Committee

About UBAC

The University Budget Advisory Committee (UBAC) was established by the campus president to serve as the main advisory group on budgetary matters for the General Operating Fund.

- UBAC Budget 101
- Committee Members
- UBAC Composition & Charge

For information on the General Operating Fund Budget Call, go to the following link:

- General Operating Fund Budget

Budget Development

2025-26 Budget Development

- Feb. 7, 2025 meeting notes PDF
- Feb. 21, 2025 meeting notes PDF
- Mar. 26, 2025 meeting notes PDF
- Apr. 24, 2025, 2025-26 Budget Call Memo PDF
- May. 15, 2025 meeting notes PDF
- Jun.18, 2025 meeting notes PDF
- Jun. 30, 2025 UBAC Recommendations to President PDF
- Jun. 30, 2025 AUEs attachment PDF

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https://www.csus.edu/administration-business-affairs/budget-planning/process-reporting.html

2024-25 Expenditure Review

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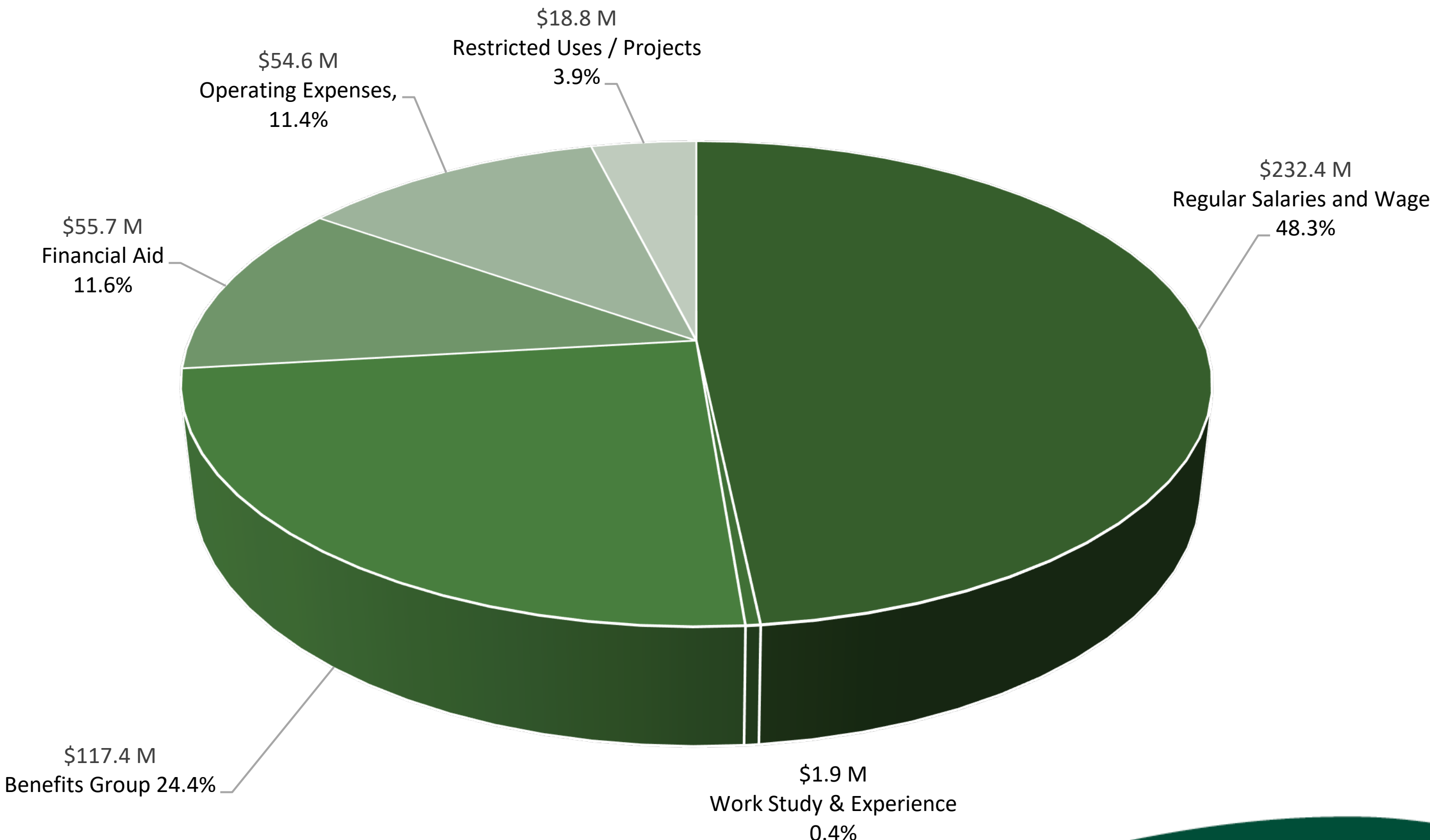
2024-25 General Operating Fund Expenses $480,904,000 by Category



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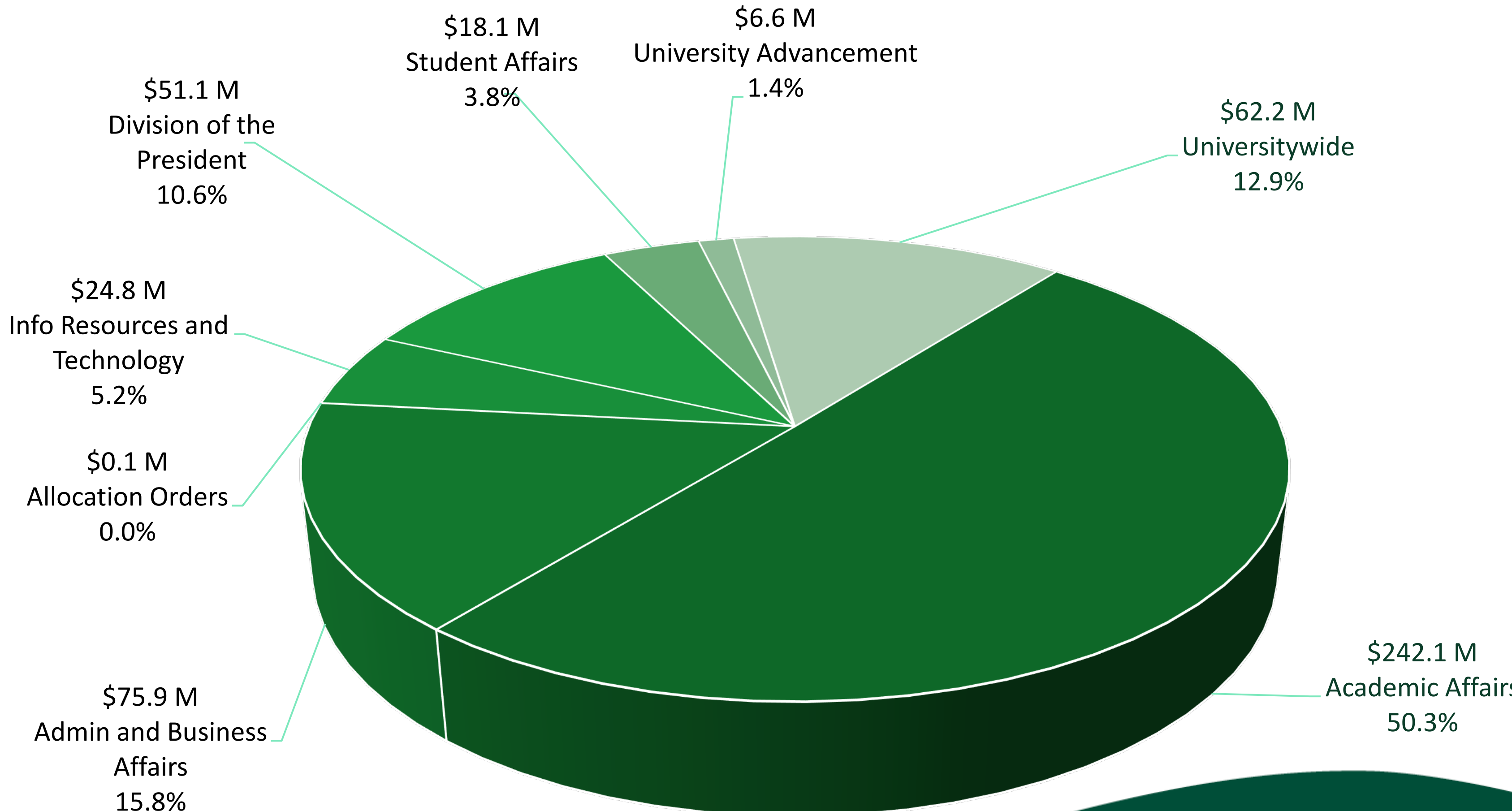
2024-25 General Operating Fund Expenses $480,904,000 by Division



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2025-26 Budget Cycle

Fiscal Year Budget Planning Cycle

- **Phase I: Initial Estimates (January to May)**
  - The Budget Office prepares high level assumptions based off known figures, potential cost increases, or other factors
- **Phase II: Refinement (May to June)**
  - After May Revision, the Chancellor's Office provides firmer numbers for the campuses to plan from, however they remain estimates & are all moving targets until the state budget is finalized
- **Phase III: Final Budget (July to August)**
  - The Budget Office compiles the final budget that includes all figures and costs

Phase I - Initial Estimates
Jan 10 Governor's Proposed Budget

- Proposed a new **ongoing 7.95% State General Fund cut** to the CSU System ($375M).
- This equated to an additional unplanned cut of **$21M** at Sac State.

Updated 25-26 Campus Deficit Projections:	**In Millions**
Carryforward baseline deficit from 24-25	-$7
Projected additional expenses in 25-26	-$3
Projected ongoing State General Fund reduction	-$21
Total	-$31

Budget Reduction Targets

Divisions	2024-25 Baseline Allocation	2025-26 Target Cuts	2026-27 Target Cuts
Academic Affairs*	$129,632,337	($18,000,000)	($6,000,000)
Administration and Business Affairs	$20,591,356	($4,700,000)	
Information Resources & Technology	$9,478,478	($2,400,000)	
Student Affairs	$10,401,561	($2,300,000)	
University Advancement	$4,061,828	($1,200,000)	
Division of the President	$25,530,687	($2,400,000)	
Total	$199,696,247	($31,000,000)	($6,000,000)

*Academic Affair Presidential Targets were spread over two years and assumed $18M to be taken in FY 2025-26 and $6M to be taken in 2026-27.

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Budget Call

1. Requested divisions to report on what they reduced to meet **2024-25 reduction goals** and how they are anticipating addressing any current projected deficits.
2. Requested divisions to propose how they would spend any projected **2024-25 carryforward balances** after budget reduction goals are achieved.
3. Requested divisions to develop **2025-26 base-line reductions**.
4. Requested divisions to enact **permanent, multiyear institutional efficiencies** to reduce costs or to increase revenues.
5. Requested divisions review the **All University Expense (AUE) allocations** under their oversight and update AUE requests accordingly.

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All University Expenses (AUE) Requests

- AUEs are expenses that support the entire campus and that are generally beyond a division’s control. Examples include:
  - utilities,
  - insurance,
  - IT systems,
  - licenses,
  - space rental

- AUEs are **not** part of division baseline budgets

- Total funds requested: ~$35 million (an increase of approximately $101,000 over the 2024-25 AUE budget)

Phase II – Refinement
Governor's Proposed May Revision

- Amended the proposed **7.95%** General Fund cut to an ongoing **3%** cut to the CSU System ($144M), equating to an $8M cut to Sac State.

	CSU	**Sac State**
Jan 10 Proposal: 7.95% Reduction	-$375M	-$21M
May 14 Proposal: 3% Reduction	-$144M	-$8M
Net Change:	**+$231M**	**+$13M**

- Updated tuition revenue estimates, CSUEU compensation increases, benefit cost increases, State University Grant Expense updates, etc

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Updated Budget Reduction Targets

Divisions	2024-25 Baseline Allocation	Original 2025-26 Target Cuts	Original 2025-26 Target Cuts
Academic Affairs*	$129,632,337	($18,000,000	($15,000,000)
Administration and Business Affairs	$20,591,356	($4,700,000)	($4,700,000)
Information Resources & Technology	$9,478,478	($2,400,000)	($2,400,000)
Student Affairs	$10,401,561	($2,300,000)	($2,300,000)
University Advancement	$4,061,828	($1,200,000)	($1,200,000)
Division of the President	$25,530,687	($2,400,000)	($2,400,000)
Total	$199,696,247	($31,000,000)	($28,000,000)

*Academic Affair Presidential Targets were spread over two years and assumed $18M to be taken in FY 2025-26 and $6M to be taken in 2026-27.

Additionally, after May Revision, the $18M initial reduction was amended to $15M because the anticipated CSU State General Fund reduction of 7.95% was anticipated to be changed to 3%.

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Division Reduction Snapshot

- Academic Affairs: 11.6%
- ABA: 22.8%
- IRT: 25.3%
- Student Affairs: 22.1%
- University Advancement: 29.5%
- Division of the President: 9.4%

Division Reduction Strategies

- Eliminating Vacant Positions
- Campus Hiring Chill/Freeze
- Early Exit Program
- Implementing workforce administration strategies
- Moving Costs out of Baseline
- Reducing Non-Critical Operating Expenditures

2025-26 Recommendations from UBAC

1. **Strategically restoring** any newly available funding to priorities including:
   - further instruction related costs,
   - technology,
   - safety and compliance related tasks,
   - unfunded mandates and new programs, and
   - University Advancement and philanthropic efforts

2. **Approving an All University Expense (AUE) budget** ~$35M

2025-26 Recommendations from UBAC (Continued)

3. Establishing future **Lottery Fund allocations**
   - Continuing the 2024-25 lottery fund allocation model which allocates funds to
     - library periodicals and subscriptions,
     - classroom technology and upgrades, and
     - American Sign Language (ASL) interpretation services
   - Confirming that Lottery fund allocation amounts moving forward will continue to provide funding to these priorities in a pro-rated fashion.

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Phase III –
Final Budget Approval

In response, to the revised budget and UBAC analysis, President Wood:

- Accepted all UBAC recommendations and worked with divisions on reduction plans.
- Requested UBAC's future help in proposing ideas that could help generate campus revenue that would reduce our reliance on the state General Fund.
- Prioritized adding fall courses.
- Acknowledged that campus reduction strategies were difficult, but that divisions would need to continue to look for opportunities to reduce costs.

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Phase III – Final Budget

- **Closing Actions**
  - Final incremental **campus adjustments**
  - Final **AUE** budget (1 amendment)
  - **Net zero changes** within divisions for department and program center movements
  - Updated **tuition revenue**
  - Additional **allocations to Academic Affairs**

- **Results**
  - **No additional reductions** to divisions
  - **Shifted $6.9M** worth of operating expenses to one-time funding sources outside of the General Operating Fund
  - Earmarked a **$2.8M operating fund campus deficit** to be funded from General Reserves

2025-26 General Operating Fund Budget

	Prior Year 2024-25	Current Year 2025-26	+/-
Uses:			
Division Allocations	$199,696,247	$195,484,082	-$4,212,165
Benefits Pool	$131,676,786	$136,785,934	$5,109,148
Financial Aid	$48,019,150	$49,487,150	$1,468,000
All University Expenses (AUE)	$34,991,908	$35,093,043	$101,135
Other Uses	$24,248,871	$24,822,460	$573,589
Total Uses	**$438,632,962**	**$441,672,669**	**$3,039,707**
			$0
Sources:			$0
General Fund Allocation	$255,035,000	$240,478,000	-$14,557,000
Student Tuition	$175,569,961	$197,338,377	$21,768,416
Federal Work Study	$1,000,000	$1,000,000	$0
Total Sources	**$431,604,961**	**$438,816,377**	**$7,211,416**
Budgeted Shortfall:	**-$7,028,001**	**-$2,856,292**	**$4,171,709**

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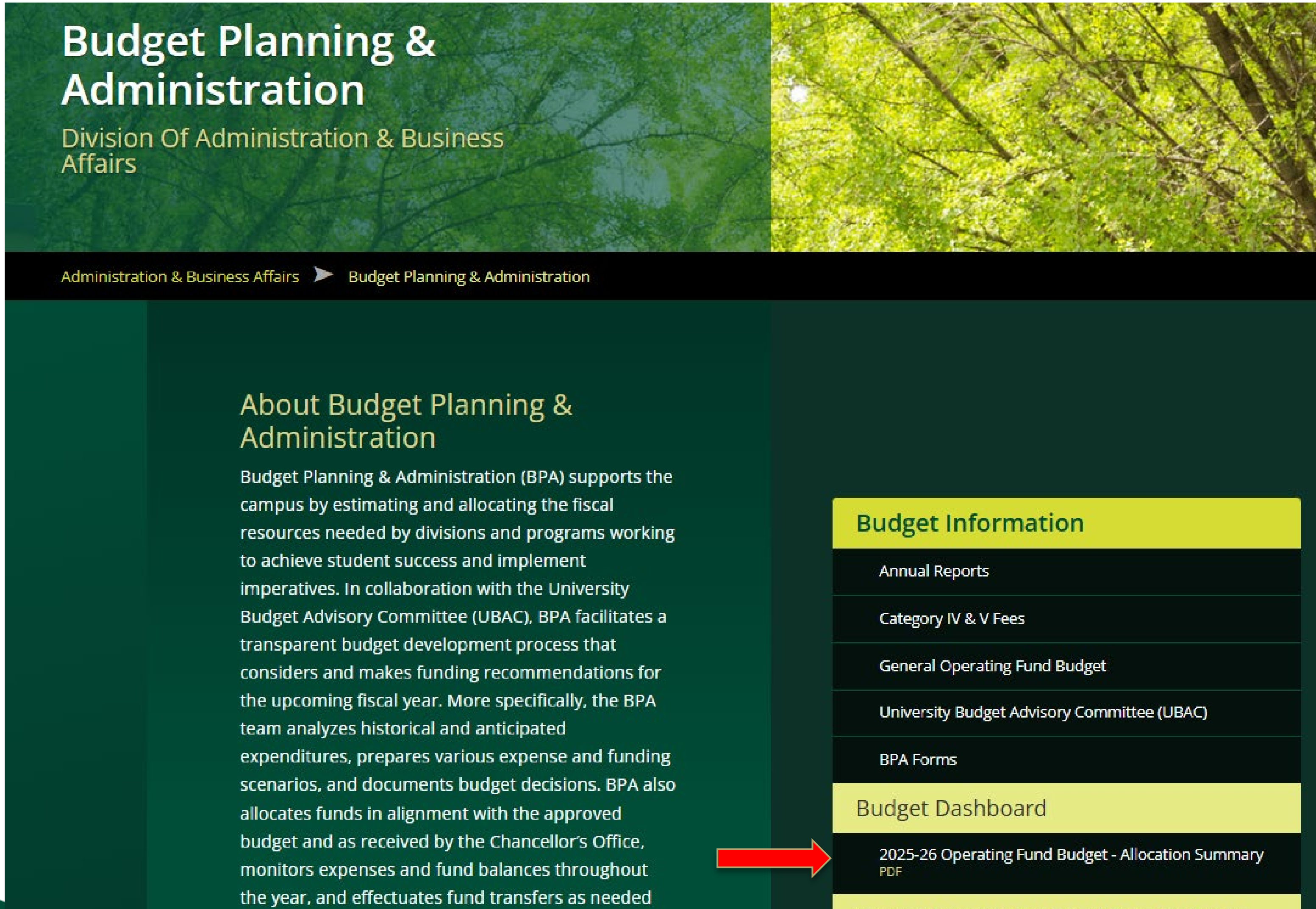
2025-26 Operating Fund Budget



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https://www.csus.edu/administration-business-affairs/budget-planning/

2026-27 Fiscal Outlook

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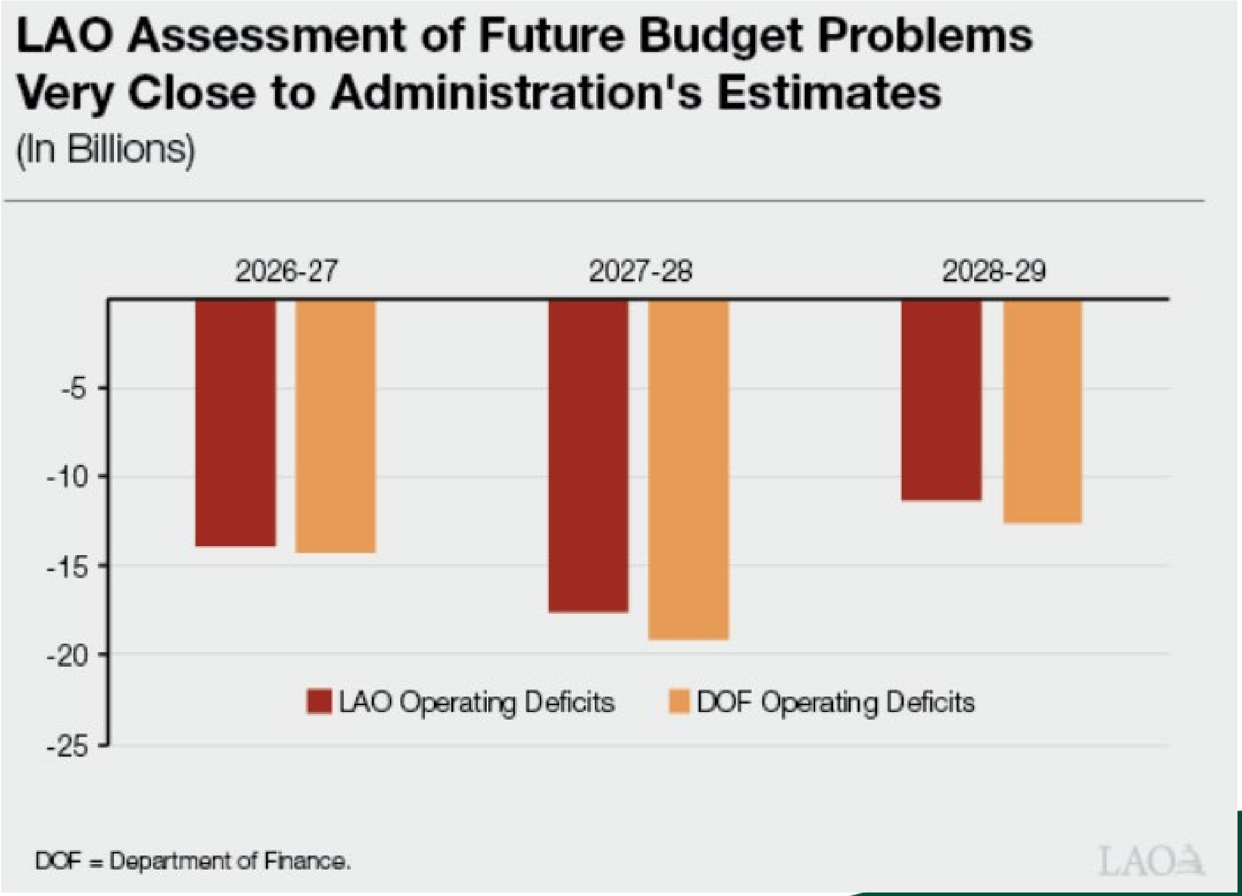
2026-27 Fiscal Outlook

- State Legislative Analyst's Office (LAO) Multiyear Budget Outlook Report (May 24, 2025):



https://lao.ca.gov/Publications/Report/5052#:~:text=Summary,trade%2Doffs%20for%20policy%20makers.

2026-27 CSU Revenue Plan

- **General Fund**
  - Restore the 3% General Fund Cut of +$144M
  - Fund the +$252M year 4 Compact funding Commitment

- **Tuition**
  - Realize +$176M in additional tuition due to 6% system wide rate increases
  - Realize +$25M in additional tuition due to increased enrollment by 1%

Current 2025-26	Proposed Budget	Proposed 2026-27
$8.49B	**$597.1M**	**$9.09B**
Base Budget	Increase	+7% Growth

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2026-27 CSU Expenditure Plan

TOTAL NEW SOURCES	**$597.1**

USES OF FUNDS (Incremental New Expenditures in Millions)	BUDGET PLAN
Baseline Commitments	**$323.7**
Financial Aid: State University Grant – Tuition Rate Increase	58.6
Health Premiums	20.7
Maintenance of New Facilities	12.9
Liability and Property Insurance Premiums	5.2
Utilities	18.4
Inflation on Non-Personnel Costs	28.4
2024-25 Faculty & Staff Compensation (University Funded)	159.3
2025-26 CSUEU Steps Implementation (University Funded)	20.2
Essential Priorities	**$273.4**
Enrollment Growth (1%)	57.8
Financial Aid: State University Grant – Enrollment Growth	8.4
Faculty & Staff Compensation Pool (3%)	176.6
Debt Service: Facilities & Infrastructure	25.0
CSU Strategic Plan Priorities	5.6
TOTAL NEW USES	**$597.1**

- **Baseline Commitments = $323.7M**
- **Mandatory Operational Costs**

- **Essential Priorities = $273.4M**
- **Costs that reflect CSU values**

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https://www.calstate.edu/csu-system/about-the-csu/budget/2026-27-operating-budget/Documents/2026-27-Operating-Budget-Book.pdf

2026-27 CSU Operating Budget Plan

CSU Budget

The California State University budget represents our commitment to providing a high-quality education to all students, ensuring access and affordability through Graduation Initiative 2025 and additional programs aimed at student success. The Systemwide Budget Office develops and administers the budget for the 22 universities* and the Office of the Chancellor, where it sets systemwide tuition and fees and provides strategic financial planning that guides the CSU's operations.

Operating Budget Request

Each year, the CSU submits an operating budget plan for the following academic year to the state Legislature.

2026-27 Operating Budget Plan

Past Operating Budget Requests »

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https://www.calstate.edu/csu-system/about-the-csu/budget

FY 2026-27 Campus Outlook

Current 25-26 projections indicate a **structural deficit**:

- $6.9M worth of baseline operating expenses moved to one-time funding sources
- $2.8M worth of baseline earmarked from reserves

- All divisions must continue to **spend within baseline** to address the structural deficit before the end of the fiscal year
- All **divisions are charged with revenue generation** in accordance with campus strategic priorities
- **Additional work is needed** on reducing costs and identifying areas of revenue generation

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Questions?

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Live Question Q & A

- Please use the “Q&A” Feature at the bottom of your screen to ask questions.

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Thank you!

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