Enrollment Assumptions

1. **State-Resident FTES**: Humboldt State University's CSU California-resident target for Full-Time Equivalent Students (FTES) for 2018-19 is 7,603 FTES. This target remains unchanged from the 2017-18 target. For budget-planning purposes, the HSU Resident FTES target is 6,910 FTES, reflecting a 2.1% drop from our 2017-18 campus budget plan and a 4% drop in actual Resident FTES enrollment in 2017-18. This enrollment decline is a significant concern because HSU is projecting to be 693 FTES short of the system's target for HSU, putting HSU in a vulnerable situation because the University is receiving funding from the system to educate more students than are currently enrolled. For budget planning purposes, enrollment is projected to decrease again in 2019-20, stabilize in 2020-21, then gradually increase in future years.

   Western Undergraduate Exchange (WUE) FTES: The 2018-19 budget projects a decrease of 70 WUE FTES, from 290 FTES to 220 FTES, based on a multi-year declining trend in our WUE students. The WUE enrollment is projected to remain flat thereafter.

   Out-of-State FTES: No change is projected; the budget-planning target remains steady at 90 FTES.

   International FTES: No change is projected; the budget target remains steady at 55 FTES.

Revenue Assumptions

2. **State Appropriation**:
   a. <u>New 2018-19 General Fund (GF) Allocations</u>: The Governor's Proposed Budget for 2018-19 included a $92 million increase for the CSU. We estimate HSU's proportional share at $2 million. For planning purposes, we are estimating a 3% state appropriation increase in future years. This does not factor in potential changes in federal funding or a possible economic downturn, which could dramatically reduce the State's ability to maintain, let alone increase, our funding level.
   b. <u>Retirement</u>: In addition to the annual General Fund allocation, the State continues to fund retirement cost increases, but only based on 2013-14 pensionable payroll levels. Therefore, retirement cost increases related to any payroll increases beyond our 2013-14 level will have to be absorbed by the campus and/or system. This year, HSU will receive funding from the CSU for 94% of the calculated retirement rate increases, resulting in 6% that HSU has to cover; this represent a 2% decrease in funding, because last year the system covered 96% of the increased cost. In future years, it is anticipated that HSU will have to cover an additional 2% each year due to rising compensation costs and personnel growth. (Corresponding expenditure entry – see note 7).
   c. <u>2017-18 General Salary Increases (GSIs)</u>: Funding for 2017-18 staff and administrator GSIs was provided on a one-time basis during 2017-18 and reflected as a base augment for 2018-19.
   d. <u>2018-19 SUG Adjustment Offset</u>: In the preliminary 2018-19 budget information provided by the Chancellor's Office at the end of March 2018, campus State University Grant (SUG) allocations were reduced to 95% of the current year allocations. As a result, there is a corresponding decrease to the state appropriation. This is net neutral from a budget standpoint but means we have 5% less funding SUG to allocate as student financial aid in 2018-19. (Corresponding expenditure entry – see note 8).

3. **State Tuition Fee, Non-Resident Tuition and MSF Fees**: Tuition revenue changes are based on declining enrollment. While a 4% tuition increase is under consideration by the CSU Board of Trustees, with a decision expected in mid-May, no tuition increase is currently reflected in the 2018-19 budget plan. Changes in student mix, average unit load, and waivers will also impact tuition revenue.

   The Materials, Services and Facilities Fee (MSF) revenue budget is $2,523,000, reflecting a slight decrease from decreased enrollment that is mostly offset by a 3.7% fee increase, based on the Higher Education Price Index (HEPI). Projected future-year revenue changes are based on enrollment changes only and do not factor in fee increases.

4. **Other Fees and Revenue**: Most of these fees and revenue sources are dedicated to specific areas, and any revenue changes generally include a corresponding expenditure entry. The net change in 2018-19 reflects increases in budgeted fee revenue and cost recovery. (Dedicated Budget Allocated to Depts – see note 10).

Expenditure Assumptions

5. **GSI Pool – Current Commitments**: For 2018-19 and 2019-20, faculty will receive a 3.5% GSI effective November 1, 2018 and another of 2.5% effective July 1, 2019. Most staff bargaining units will receive a 3% increase on July 1, 2018 and another 3% on July 1, 2019, although some staff bargaining units are still in negotiations. For planning purposes, bargaining units still in negotiations and non-represented employees are also estimated at 3% for 2018-19 and 2019-20. Future compensation increases beyond 2019-20 are estimated at 2% each year for all employees, for the purpose of budget planning.
   a. For 2017-18, budget planning estimated the faculty Service Salary Increases (SSIs) to equate to an overall average increase of 1%; however, the actual number of faculty receiving SSIs exceeded this estimate, resulting in an additional $261,000 needed to cover these higher costs.
6. **Health/Dental Benefits**: The budget projections reflect an annual increase of approximately 3.2% (five-year average).
7. **Retirement Benefits**: Retirement rates increased by 6.3% in July 2017. Rate increases in future years (averaging about 8%) are based on the long-term retirement rate projection provided by CalPERS on May 1, 2017. The rate increase projections reflect significant increases in retirement costs in future years. Since the State will only cover cost increases based on 2013-14 payroll levels, HSU's share of the increased cost will grow annually (corresponding revenue entry – see note 2b).
8. **State University Grant (SUG):** The SUG allocation expenditures will be reduced to 95%, reducing the SUG allocation by $720,000, as described in note 2d.
9. **Dedicated Budget Allocated to Departments**: When revenue increases or decreases for dedicated revenue streams (i.e. MSF Fee, MBA Fee, Cost Recovery), the expenditure budget increases or decreases by the same amount. (Reflects net neutral activity).
10. **Graduation Initiative (GI) 2025 Funding**: Currently, no new funding is anticipated in 2018-19 for GI 2025. From the 2017-18 allocation, $500,000 has been invested to hire additional tenure-track faculty for fall 2018.

11. **Base Allocations - Factoring in Ongoing Overspend Activity:** These expenditures reflects $2.3 million for existing overspends in the academic colleges and $500,000 in Athletics. In order to achieve a balanced budget, we are factoring in existing deficits so we have a single reduction total to achieve. (Note: The Athletics budget deficit is projected to be $1.0 million in 2018-19; this deficit is expected to be offset by new fundraising commitments of $500,000, which must be collected by June 30, 2018. Thus, the projected deficit/overspending incorporated in our budget plan for 2018-19 is $500,000.)
12. **Reductions/Savings**: This reflects $9 million in reductions, which are described in more detail in the budget plan memo.
    a. **Under Reductions, "new sources" reflect increased revenue, not true reductions**: Of the reduction items, $400k is attributable to new revenue sources/cost recovery revenue, which will increase the revenue budget rather than reduce the expenditure budget, so this amount has shifted to be reflected as part of the revenue budget.
13. **One-Time Allocations**: These allocations reflect one-time bridge funding for reduction implementation.
14. **One-Time Savings**: $1.8 million in one-time savings from 2017-18 will be leveraged to provide funding for one-time reduction bridge funding (see note 13) in 2018-19 and maintain existing reserve levels. A majority of the one-time savings will come from recouping benefit savings from the divisions.