Background

HSU is entering a period of relative budget stability. The 2013-14 State of California Budget included a multi-year stable funding plan and proposed to maintain current tuition and fee levels through 2016-17. HSU's multi-year budget planning aims to properly balance our deficit and reserve levels with the need to invest in our priorities, support enrollment growth, and continue to provide the best possible education to our students.

Campus Priorities

Inclusive student success has many components: increasing retention, graduation rates, and closing the achievement gap, with an ambitious goal of improving graduation rates by 15 percent for underrepresented students and 12 percent for the rest of the student population.

Generating additional revenue includes grants and contracts, internationalizing the campus, philanthropy, self-support and distance education, and enterprise opportunities. Many initiatives are already underway, and we expect increasingly strong results going forward.

Advancing HSU's Vision will include ongoing work that is underway in areas such as diversity and sustainability. In addition, the University Senate will develop recommendations for streamlining and focusing the Vision, with the goal of clear operational plans.

Enrollment Assumptions

Given current trends and enrollment priorities, our budget assumptions include conservative growth for our resident, out-of-state and international students, while anticipating a continued decline in our WUE student population.

Annualized Assumptions:

Headcount/FTES Ratio: 1.056 (based on 3 year average for fall and spring)

Fall to Spring FTES Drop: -3.29% (3 year "open spring" average)

The proposed multi-year budgeted enrollment targets by category are as follows:

Budgeted Annual Enrollment Targets	2013-14 Estimate*	2014-15	2015-16	2016-17	2017-18	2018-19
Resident FTES	7,055	7,205	7,355	7,480	7,605	7,730
WUE FTES	403	370	340	310	280	250
Out-of-State FTES	128	134	136	138	140	142
International FTES	58	61	64	67	70	73
Total FTES	**7,644**	**7,770**	**7,895**	**7,995**	**8,095**	**8,195**
Change from Prior Year FTES	284	126	125	100	100	100
Total Headcount Target	**8,092**	**8,210**	**8,342**	**8,449**	**8,555**	**8,664**

*Reflects estimated actual enrollment for 2013-14

Revenue Assumptions

1. **State Appropriation**:
   a. Multi-year stable funding plan: The 2013-14 State of California budget included a multi-year stable funding plan that will provide the CSU system with a 5% increase in 2014-15, followed by 4% increases in 2015-16 and 2016-17. While the multi-year plan concludes in 2016-17, we are maintaining the 4% increase through 2018-19 for planning purposes.

      HSU currently receives approximately 2.6% of the existing state appropriation allocated to the CSU. For budget planning, we are anticipating that we will only receive 90% of our portion of new revenue since there is much discussion at the State level regarding future allocations being tied to performance measures. Of the 90% we are budgeting to receive, 80% will be allocated to cover various campus costs (benefit cost increases, enrollment growth, etc.) and we are anticipating the remaining 10% will be dedicated for a specific purpose (corresponding expenditure entry – see note 11).

   b. Retirement: In addition to the multi-year stable funding plan, the State will continue to fund retirement cost increases, but only based on 2013-14 payroll levels. If our payroll increases beyond our 2013-14 level, we will have to cover the difference (corresponding expenditure entry – see note 7).
   c. Compensation: This funding reflects the $38 million compensation pool that was held central by the CSU in 2013-14, but will be distributed to campuses on a one-time basis in 2013-14, and as base budget in 2014-15. We estimate HSU will receive 2.6% of the $38 million pool (corresponding expenditure entry – see note 8).
2. **State Tuition Fee, Non-Resident Tuition and MSF Fees**: Revenue increases reflect anticipated enrollment growth and changes in student mix as discussed in the enrollment section. We are anticipating no changes to current fee rates.
3. **Other Fees and Revenue**: Only minimal change, of which most changes are dedicated to specific areas and the same funding changes are also included in expenditures (Dedicated Budget Allocated to Depts – see note 4).

Expenditure Assumptions

4. **Dedicated Budget Allocated to Depts**: When revenue increases for dedicated revenue streams (i.e. MSF Fee, MBA Fee), the expenditure budget is increases by the same amount. (Reflects net neutral activity).
5. **State University Grant (SUG):** Assumes a one-third set aside of revenue from enrollment growth.
6. **Health/Dental Benefits**: Reflects annual increase of approximately 6% (5 year average).
7. **Retirement Benefits**: Reflects annual increase of approximately 5.5% (5 year average). Since the State will only cover cost increases based on 2013-14 payroll levels, we estimate our portion of the cost will grow in increments of approximately $10k per year (corresponding revenue entry – see note 1b).
8. **2013-14 compensation increases:** Reflect costs associated with collectively bargained salary increases. These increases should be covered by the $38M compensation pool held central by the CO (corresponding revenue entry – see note 1c).

9. **Compensation**: Reflects selected compensation adjustments totaling approximately 2% each year.
10. **Utilities**: Anticipates rising costs of about $100,000 each year.
11. **10% Set-Aside Dedicated Activities**: Reflects the 10% of the state appropriation that we anticipate will be dedicated for a specific purpose (corresponding revenue entry – see note 1a).
12. **CMS Loan Payment Decrease**: Decreases beginning in 2015-16, reflect reduced payments in the final three years of our CMS Loan payoff. Once paid off, this will free up $2.4 million in base budget.
13. **Cogen Plant Expense Decrease**: Reflects the payoff of our Cogen Plant debt service. Once complete, this will free up $497k in base budget in 2016-17.
14. **Enrollment Growth Funding**: The Chancellor's Office (CO) marginal cost formula is used to allocate this funding based on our current organizational structure. This funding is generated from two sources: enrollment growth funding (state appropriation) from the CSU and enrollment growth funding from tuition fees (based on the three year average actual change in enrollment).
15. **Base Initiatives**: TBD
16. **One-Time Initiatives**: TBD, except for enrollment growth funding (based on CSU marginal cost formula using the change in budgeted FTES).

Fund Balance Assumptions

The goal is to maintain at least a 5% fund balance level (as a percent of expenditures), while continuing to invest in initiatives that help us move forward with our campus priorities.