

FY27 Budget Update

January 2026





Agenda

- V3 Budget Updates
- Budget Reduction Target and Process
- Budget Model Update
- Position Management

V3 Budget Update





External Financial Pressures

- State Funding – Governor’s Budget allocation for IHE is flat from FY25.
 - Multiyear state funding challenges persist
 - Core Minimum Cost funding insufficient – ex. \$61m in FY27
- Enrollment & Tuition Rates
 - Change in composition of RUG and NRUG and International Students
 - Demographic cliff pressures
- Long-term federal funding impacts are still unknown
- Cost Pressures
 - Compensation increases
 - 10% health insurance increases in premiums driven by claims experiences, offset by CSU structural changes implemented in 2025.
- Financial planning should be multiyear and strategic consistent with the Hybrid RCM.



We are not alone

- Michigan State
- USC
- Univ of Northern Colorado
- University of Nebraska – Lincoln
- Boston University
- Duke University
- Oregon State University
- University of Oregon
- Utah State University



Structural Gap

We cannot solely cut our way out of this challenge.

Focus on budget model principles.





Fringe Update

- Fringe rates is a method to budget for employee benefits.
- Centralized or decentralized fringe budgeting does not change the cost to benefits to the institution.
- Key drivers
 - Health Insurance
 - Other Pension & Employee Benefits
 - Leave payouts
 - Medicare
 - Dental
 - PERA
 - Defined Contribution Plan
- Impact on gap \$15M for E&G budgets.



V3 Update

- With the increase in fringe spending, the estimated Version 3.0 budget gap is between \$38m-\$48m.
- Budget reduction to balance is 8.75% to reach the higher budget gap of \$48m that provides for a 3% increase.
 - All units participate but the implemented amounts would vary based on unit.
 - Campus targets will be 10% to provide strategic options as part of the process.
- Compensation of 3% is assumed as part of the budget balancing exercise.
 - Decision would be made in Feb.



FY27 Budget Process

- E&G including DT
 - Include DT spending as an eligible source of budget reductions.
 - These funds will not receive their own targets but are eligible for budget reductions.
- SEP funded agencies
 - This funding source will be provided its own process based on the calculated gap in SEP funding and forecasted costs (fringe, merit, etc.)
- Reduction Guidelines
 - No less than \$10k proposals – too many \$1k or less proposals – bundling like items is okay
 - 60% of proposals need to be personnel – 60% of fund group A is personnel
 - No partial positions less than 0.5 FTE
 - Fringe savings can be counted as part of a reduction but the amount is TBD



FY27 Budget Process

- Strategic reduction proposal selection. Not across the board cuts
- Rank order proposals based on impact (1 being least-worst)
- Avoid reductions that impact net positive revenue generation
- No cost shifting to other sources – transferring structural issues
- Positions reductions are permanent
- Ask for help – reach out with questions



FY27 Budget Process

- New Resource Requests
 - Goal – Reduce unexpected spending mid year – new resource requests will be allowed.
 - Proposals that are not funded will not be considered again until FY28.
 - Because midyear increases in FY26 and FY27 will not be approved.
 - Focus will be on investments that mitigate risks or generate net new revenue
- Multiyear Planning
 - Proposals can be multiyear – to an extent
 - Consider strategic zero-based budget reviews
 - Adopt hybrid RCM practices – low/declining revenue program review (Academic and Admin)



FY26 & FY27 In-Year Budget Measures

- Vacancy savings
 - For positions held vacant, do not use the vacancy savings for discretionary operating costs.
 - Pooling savings would allow us to offset base reductions if the BOG allows for a deficit in FY27
 - We are reviewing how to reserve savings if we gain approval in Feb.
- Supplemental pay
 - Supplemental pay usage has increased from \$8.4M to \$9.4m in 2025.
 - Limit backfilling positions with supplemental pay to preserve vacancy savings.
 - We are in the process of reviewing supplemental pay usage over the past four years.
- Discretionary Spending
 - Travel, events, hospitality, capital renovations should only be for mission critical purposes.



Calendar

January

- Reductions Targets Released
- College & Divisions Develop Proposals
- Finalize Budget Model Policies and Procedures

February

- V3 BOG
- Budget Meetings

March

- 3/14 Org Changes Due
- Final Budget Decisions
- JBC Budget Parameters

Hybrid RCM





Budget Model

The Hybrid-RCM is a revenue-generation model – critical to the environment we face

Our Hybrid-RCM acknowledges our primary lever for revenue generation is tuition.

- *Strategically leverage our ability to generate tuition revenue so that we can better support our mission and operations.*

Incentivize strategic and fiscally sound growth in SCH and Majors

- *Maintain quality of academic programs, research, and outreach/engagement*

In order to maximize the opportunity of increased revenue generation, we must be strategic in how we utilize our resources to support our expenses



Hybrid RCM Budget Model

- Campus is still completing the policies and procedures that govern and administer the Hybrid RCM.
- Because policies and procedures have not been completed, it has not been possible to have a true parallel year in FY26.
- FY27 Budget Model Adoption
 - Conduct a true Parallel Year
 - Complete Hybrid RCM policies in January
 - Provide estimated unit allocations based on completed policies in parallel with the FY27 budget process.
 - Adopt prioritization, performance metrics and strategic decision making into the FY27 budget process consistent with the Hybrid RCM.

Extension of the Parallel Year

The implementation of the new Hybrid RCM model is continuing

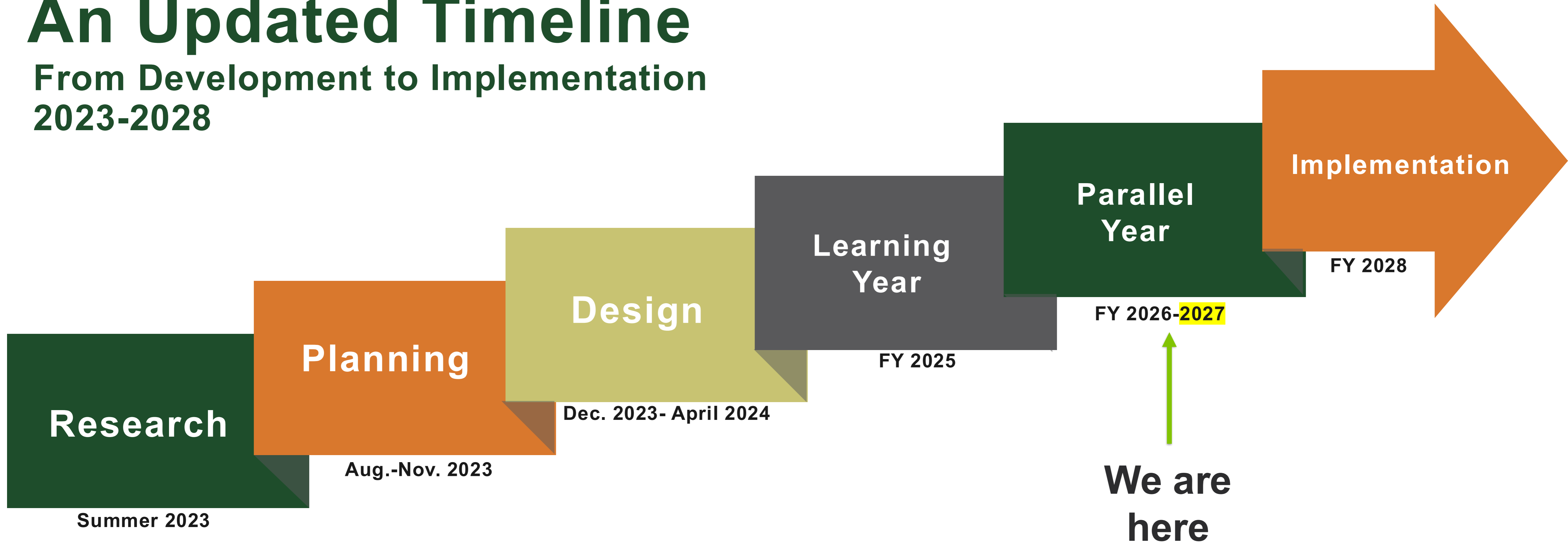
Our campus needs a true Parallel Year.

We will be extending the Parallel Year through June 30, 2027.

Implementation of the full budget model will occur on July 1, 2027.

An Updated Timeline

From Development to Implementation 2023-2028



Learning Year: Campus Budget Model committees explore model iterations, deliberate tradeoffs, and learn.

Parallel Year: Campus budget model committees and operational budget structures develop infrastructure to support a new budget model.

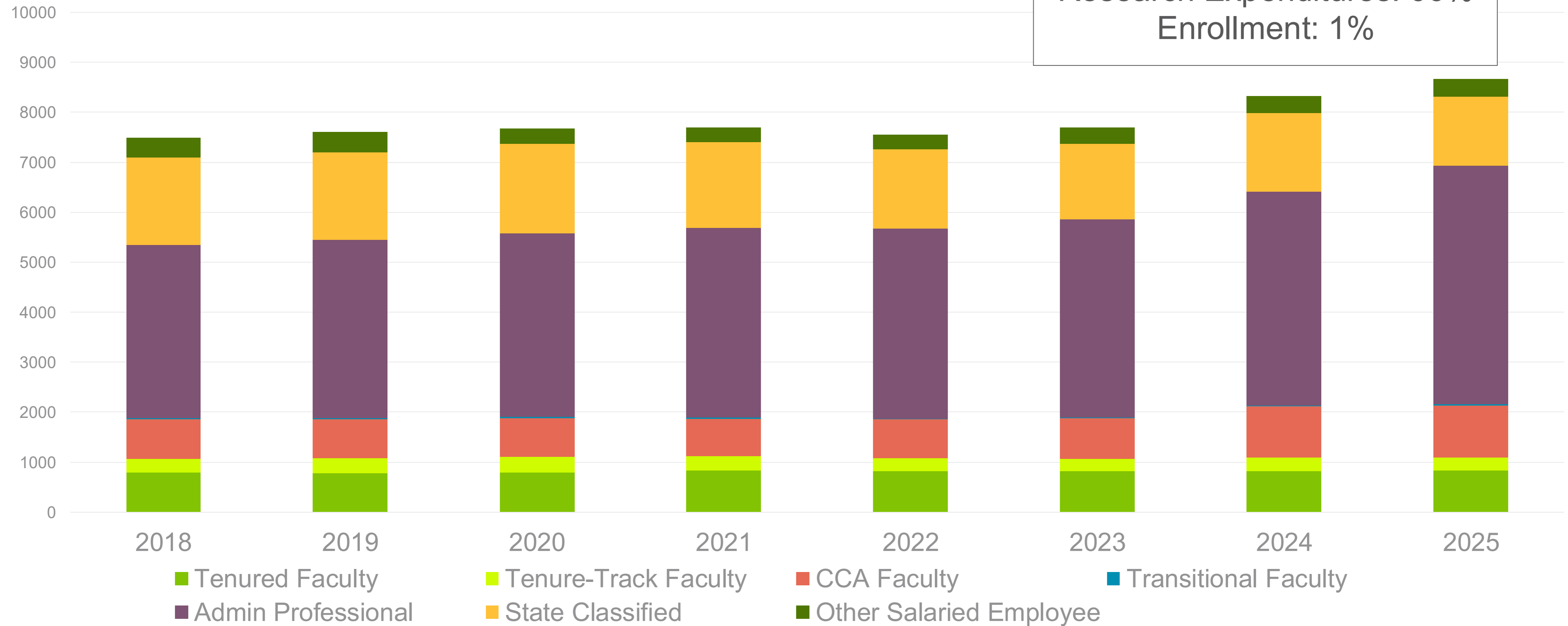
Position Management





University FTE, All Funds 2018-2025

FTE: 15% increase
Research Expenditures: 66%
Enrollment: 1%



Personnel Spending

- Personnel (comp and fringe) represents 50% of all funds and 60% of unrestricted (Fund Group A) funding.
 - Some dept/units spending profile is 90%+ personnel.
 - Supplies - \$46m
 - Services - \$169.4m (includes personal services)
 - Transfers - \$84.6m
- We have an obligation to our existing staff to review positions before they are recruited to identify personnel savings opportunities.
- Chill has to get chillier but not frozen
- Vacant positions are created in Workday once approved
- Executive Comm discussion on how best to achieve this goal



From Hiring Chill → Strategic Hiring

- We recognize that every member of our community plays a significant role in maintaining our university's operations, and our goal is to ensure that we are making thoughtful, responsible decisions in light of financial constraints affecting campuses statewide and nationally.
- Budget conditions require heightened scrutiny of all hiring decisions
- **We are not adopting a hiring freeze**
- Some positions must still move forward to:
 - Maintain safety, compliance, and core operations
 - Protect revenue and externally funded work – ex. donor/research commitments
 - Avoid greater long-term costs or risks
- **Goal:** Ensure limited hiring capacity is directed to the highest institutional priorities
- **Taking measured action now helps us avoid more disruptive actions, like layoffs, later. Every decision to defer a hire helps create space to protect roles we already have.**





FY26 & FY27 Position Review

- No net new positions.
- Research positions and donor funded positions will be approved.
- Non-student hourlies are now included in the review process.
- Internal recruitments will be preferred.
- Reactivating the review process once the position list is submitted and verified
- FY27 we will be budgeting positions based on appropriation and estimated revenues



Position Justification Executive Committee Conversations

We need greater confidence that new roles are essential, time-sensitive, and aligned with near-term priorities before adding permanent costs.

- What breaks if this position is not filled in the next 6–12 months?
- What risks increase (financial, legal, reputational)?
- Is the cost of not hiring greater than the cost of hiring?
- Are there existing initiatives underway that need to be resolved before hiring this role (e.g. Alignment, review of CSU Online, etc.)?
- Does this role protect existing investments (systems, grants, programs)?
- Is this request aligned with CSU institutional priorities -- why is this essential right now?



ACTION: Position Funding

- Before we can reactivate the position review process we need some basic data from campus.
- Each college, division and office must submit documentation of the funding status of all positions
 - Funded v. floated positions
 - Allocation to funding sources by account
- This position list will be used as the starting point for all requests to fill a position – if the position is not on the list, it cannot be requested.
 - This will also demonstrate which funded positions units are not filling
- No net new positions
 - Repurpose position numbers
 - Donor and research funded positions an exception
 - Keep Workday Clean – annual position reconciliation is now part of the annual – Workday only contains funded positions

Questions?



Additional Slides

