## Agenda

- Current Financial Status
- How We Got Here
- “Budget 101” - Overview of SJSU budget
- Where we go from here
  - Seeking your input after the meeting
Current Financial Situation

- Base Structural Deficit
- Operational Reserves
- Labor Negotiations
- Tuition
- Enrollment Fluctuations
- State Financial Picture
What got us here?

- **Rising costs** driven by pandemic and inflation
- **Enrollment did not meet target** due, in part, to impact of pandemic years
- The campus attempted to **accelerate development and implementation of Transformation 2030**
All Milestones & Challenges Have Associated Costs

**Milestones**
- Basic Needs & Mental Health (SJSU Cares)
- Hired 289 Tenure Track Faculty
- Increase in Graduate Enrollment
- SJSU Online
- Research, Scholarship and Creative Activities (RSCA)
- ISB Construction
- Established Community and Government Relations Office
- Established Division of Research & Innovation
- Established Division of Information Technology
- Established Division of Institutional Affairs
- Established College of Graduate Studies
- Expanded Title IX Office
- Launched Racial Justice Initiatives and Added DEI Positions
- Alquist Planning / Approval / RFQ
- Athletics winning championships and National Recognition
- New Spartan Recreation and Aquatic Center
- Hammer Theatre Partnership with City of San Jose
- Federal HEERF (Higher Education Emergency Relief Fund)

**Challenges**
- PANDEMIC
- Most Pandemic-related expenses continue without HEERF
- Undergraduate enrollment less than planned
- Significant reduction in International Students
- Declining Average Unit Load
- Declining Student to Faculty Ratios
- Deferred Maintenance
- Power / IT outages
- Rising Utilities Rates
- Unfunded mandates (2022/23 Salary increases)
- Department of Justice
- State Budget Cut in 2021/22
- State Financial Situation 2023/24
- Inflation / US Economy
- Fires, Heat, Smoke, Climate
- Enrollment fluctuations
SJSU Enrollment vs. Target

Enrollment

- Campus Budgeted Goal
- Actual Enrollment

18-19 19-20 20-21 21-22 22-23
SJSU Enrollment vs. Target

Enrollment

- Campus Budgeted Goal
- Actual Enrollment

Year: 2018-19 to 2022-23
Enrollment Headwinds

- Fewer High School Seniors means fewer First Year Students
- Competition from Free Community College
- UC expanded Transfer Volume (lower transfers to SJSU)
- Fewer International Students
- Improved Graduation Rates
- Decrease in Retention, Particularly Among Upper Division Students
How State Funding is Allocated to the CSU
2023-24 State of California Budget
$226B General Fund
2023-24 State of California Budget Higher Education

$23B Total State Funds

- California State University, 21%
- University of California, 21%
- Community Colleges, 39%
- Other, 6%
- Student Aid Commission, 12%
## CSU- 2023/24 Budget Request

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>Within Compact</th>
<th>Above Compact</th>
<th>Budget Request</th>
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2%  6%
## Tuition & Fees

- **Tuition Averages 0.4% over 12 years**
- **HEPI-based Fees Average 3% a year over 12 years**
- **OVERALL = 1% average increase a year for 12 years**

<table>
<thead>
<tr>
<th>Year</th>
<th>Undergrad Tuition</th>
<th>Undergrad Fees</th>
<th>Undergrad Total</th>
<th>Chg</th>
<th>% Chg</th>
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<td>$ 7,852</td>
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<td>0.0%</td>
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<tr>
<td>20/21</td>
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<td>$ 2,110</td>
<td>$ 7,852</td>
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<td>0.0%</td>
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<tr>
<td>19/20</td>
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<td>$ 2,110</td>
<td>$ 7,852</td>
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<td>0.7%</td>
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</table>
The Picture at SJSU

- The Total University Operating Fund is $448M
  - Approximately 50% of the Operating Fund Revenue is funded through state allocations
  - 39% for In-State Tuition
  - 5% for International Tuition

- The Total of all our Budgets is $756M
  - The $300M difference is Auxiliaries, Enterprises and self-support
Additional Funding Sources

- Donations to the university
  - Philanthropic (Tower Foundation)
- Associated Students
  - Student fee revenues
- Enterprise funds
  - Student Housing, Parking, Student Health Center
- Professional and Continuing Education
- Research Foundation
SJSU General Operating Fund Revenue

$448M

- Tuition Fees: 39%
- State Appropriation: 52%
- Non-Resident Fees: 5%
- Other Resources: 3%
- Other Student Fees: 1%
SJSU Operating General Fund Expense Budget

$464M - Expenditures by Division

- Academic Affairs - 63.1%
- Admin & Finance - 9.8%
- Information Technology - 5.8%
- Intercollegiate Athletics - 3.8%
- Institutional Affairs - 3.8%
- Office of the President - 0.6%
- Research & Innovation - 1.2%
- Student Affairs - 3.8%
- University Advancement - 2.4%
- University-Wide - 5.7%
SJSU Operating Fund Expense Budget

$464M

Note that Benefits jumped up 2% from last year
Impact of Potential Salary/Benefit Examples

Note that the compensation negotiations are conducted by the Chancellor’s Office and Union Negotiators

Hypothetical Example:

SJSU has $370M of Salary / Benefits in the General Fund

- 5% Increase = $18M
- 8% Increase = $29M
- 12% Increase = $44M
Sources of Funding for Capital Improvements/Buildings

- State Revenue Bonds
- Donors through the Tower Foundation
- Auxiliary / Enterprise Reserves
- Continuing Education Fees
- Student Fees
- Partnerships / Naming Rights
- State Directed Funding (Higher Education Student Housing)
- State earmarks (MLML, Fire, Speed City Legacy)
- Federal Grants
- Public/Private Partnership
Interdisciplinary Science Building

- Bonds $119M
- Campus GF Reserves $30M
- Research Foundation $15M
  - (Over 30 years)
- PaCE $21M
- Student Union $4M
- TOTAL $189M

Debt service paid by CSU
Spartan Athletics Center

- Bonds (Tower) $40M
- Donors $20M
- Generated Revenues $10M
- TOTAL $57M

Debt service supported by:
- Naming agreements
- Pouring rights
- Food service
- Donations
Spartan Recreation and Aquatic Center

- Bonds $81M
- Student Union Reserves $51M
- TOTAL $132M

Debt service supported by Student Union fee
Campus Village 3

- Bonds $TBD M
- Higher Education Student Housing Grant from State $89M
- Housing Reserves $10M
- TOTAL $TBD M

Debt service supported by Student Housing fees and HESH funding
Reserves
SJSU Operating Reserve Details

SJSU Reserve CSU Operating Fund 485 Balances Before Encumbrances

[Bar chart showing the balance of SJSU Operating Reserve, Health Center, Capital Project Mgmt., Utilities Reserve + FD&O, Faculty Start-Up, RSCA, STEM/CSUPERB/COAST Grants for the years 2019-20 to 2022-23.]
Budget Advisory Committee
Budget Advisory Committee

Who We Are

• Charlie Faas & Tabitha Hart – Co-chairs
• Audrey Shillington - Dean
• Charita Hill-Avent * – Student Affairs
• Eric Rollerson- Housing
• Kathleen Prunty– Sr SVP Finance
• Alerie Flandez – Academic Advising
• Namrata Shukla *- Interim Dean
• Simon Rodan– Business Faculty
• B.J. Grosvenor- Lecturer

• Jennifer Nathan – Graduate Studies
• Kristen Rebmann- Professor
• Michael Kaufman *- Dean
• Mike Vizzusi – Budget Director
• Ravisha Mathur *– Past Senate Chair
• Sami Monsur– Academic Affairs
• Tamar Semerjian- Chair
• Sarab Multani– AS President
• Dhruv Varshney – AS Controller

* Added as Subject Matter Expert for 2023/24
Budget Advisory Committee

What We Do

- Special agency of SJSU Academic Senate
  - Created by, charged through and reports back to Academic Senate
- Advise president on budget through planning, implementation and review
  - Multi-year plan for financially sustainable budget model
- Identify challenges, collect feedback, propose potential solutions
- Serve as a continued resource for SJSU community
Stepping Stones to Recovery

● Just completed
  ○ $20M in base reductions
  ○ One-time savings (reserves / OE&E / salary savings on unfilled positions)

● Short Term
  ○ Enrollment
  ○ Assessments (campus priorities, funding levels, focus, what doesn’t get done)

● Longer term
  ○ Enrollment growth strategies
  ○ Scope reallocation / Focus
  ○ Grow SJSU Online
  ○ Other future revenue growth areas
$20M in Base Reductions for 2023/24

- Enterprise / Auxiliary: 20.1%
- Dormant Positions: 28.3%
- Operations Changes: 28.5%
- OE&E: 13.4%
- Deferred Maintenance: 9.8%
# Financial Model for You to Try

## 3-Year Operating Fund Scenario Tool

<table>
<thead>
<tr>
<th>ENROLLMENT</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
<th>2026/27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Enrollment Change</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Resident FTES</td>
<td>24,130</td>
<td>24,371</td>
<td>24,615</td>
<td>24,861</td>
</tr>
<tr>
<td>Non-Resident Enrollment Change</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Resident FTES</td>
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<td>2,244</td>
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<td>26,593</td>
<td>26,859</td>
<td>27,127</td>
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</tbody>
</table>

| Change Over Prior Year | 39 | 263 | 266 | 268 |

## SOURCES

### CSU General Fund Increase per Compact
- 5.0% per year

### SJSU General Fund Increase - Enrollment Growth
- $21.0 per year

### SJSU General Fund Increase - Non-Enrollment Growth
- $9.8 per year

| General Fund | $233.2 | $245.1 | $257.5 | $270.5 |

| Tuition Rate Change | 6.0% | 6.0% | 6.0% | 6.0% |

| Tuition Fee Revenue | $173.8 | $186.2 | $199.3 | $213.5 |

| Non-Resident Tuition Fee Revenue | $22.44 | $24.0 | $25.7 | $27.5 |

| Tuition Fees | $196.2 | $210.2 | $225.0 | $241.0 |

| Other Revenue Adjustments
  | Compensation Allocation from C.O. (not yet distributed in 23/24) | $7.4 | $7.4 | $7.4 | $7.4 |
| Other Additions | $0.0 | $0.0 | $0.0 | $0.0 |
| Other Sources | $18.9 | $18.9 | $18.9 | $18.9 |

### TOTAL SOURCES
- $455.8 | $481.6 | $508.8 | $537.8

| Change Over Prior Year | $25.9 | $27.2 | $29.0 |
# Financial Model for You to Try

## 3-Year Operating Fund Scenario Tool

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
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<tbody>
<tr>
<td>Tuition Fees</td>
<td>$196.2</td>
<td>$210.2</td>
<td>$225.0</td>
<td>$241.0</td>
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<td>Other Revenue Adjustments</td>
<td>Compensation Allocation from C.O. (not yet distributed in 23/24)</td>
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<td>$7.4</td>
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<tr>
<td>TOTAL SOURCES</td>
<td>$455.8</td>
<td>$481.6</td>
<td>$508.8</td>
<td>$537.8</td>
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<tr>
<td>Change Over Prior Year</td>
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## USES

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<th>C</th>
<th>D</th>
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## NET SOURCES (USES)

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### 3-Year Operating Fund Scenario Tool

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<th>ENROLLMENT</th>
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<th>2024/25</th>
<th>2025/26</th>
<th>2026/27</th>
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<tbody>
<tr>
<td>Resident Enrollment Change</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Resident FTES</td>
<td>24,130</td>
<td>24,371</td>
<td>24,615</td>
<td>24,861</td>
</tr>
<tr>
<td>Non-Resident Enrollment Change</td>
<td>3%</td>
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<th>2026/27</th>
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<td>$27.0</td>
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Assumes CSU MCI increases 3.0% per year.
Financial Model for You to Try
Some Final Questions

Send responses to universitycomm@sjsu.edu

- After hearing today’s discussion, where are some areas that you believe the university should focus to streamline processes or efficiencies to reduce costs?

- What ideas do you have for potential new revenue opportunities or shared services?
Going Forward

Base Structural Deficit – Fix ASAP

Operational Reserves – Borrow, Payback, Grow

Labor Negotiations - TBD

Tuition – Approved 6%

Enrollment Fluctuations – Fall at 99.6% of Plan

State Financial Picture – Not good in the short term
Thank You!
APPENDIX
LAO: CSU Cost Pressures

Most Employee Salary Levels Are Determined Through Collective Bargaining.
About 90% of CSU’s employees are represented by a union. The largest unions are the California Faculty Association, which comprises about half of CSU’s salary pool, and the California State University Employees Union, which represents support staff and comprises about one-quarter of CSU’s salary pool.

<table>
<thead>
<tr>
<th>General Salary Increases by Employee Group</th>
</tr>
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<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>California Faculty Association</strong></td>
</tr>
<tr>
<td>3.5% 3.5% 2.5% — 4.0% 3.0%</td>
</tr>
<tr>
<td><strong>California State University Employees Union</strong></td>
</tr>
<tr>
<td>3.0 3.0 3.0 — — 7.0</td>
</tr>
<tr>
<td><strong>Other represented employees</strong></td>
</tr>
<tr>
<td>2.0-3.1 3.0 3.0-3.8 — 0-4.0 0-7.0^</td>
</tr>
<tr>
<td><strong>Nonrepresented employees</strong>^c</td>
</tr>
<tr>
<td>2.5 3.0 3.0 — — 7.0</td>
</tr>
</tbody>
</table>

^a Unless otherwise noted, chart does not reflect other salary provisions, such as equity increases, service salary increases, and post-promotion increases.

^b Employee groups received 3 percent to 7 percent general salary increases, with the exception of represented student employees. Represented student employees received 1.3 percent increases in salary range minimums and maximums, but no general salary increase.

^c Chart reflects merit salary increases for executives, managers, and confidential employees. Chart does not include “excluded employees,” who are primarily temporary staff (such as student assistants and consultants).
### Reserve Strategy

<table>
<thead>
<tr>
<th></th>
<th>20/21</th>
<th>21/22</th>
<th>22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Fungible Reserves</td>
<td>-60%</td>
<td>-20%</td>
<td>-20%</td>
</tr>
</tbody>
</table>

- Reductions are on the NET Reserves remaining
- FY21/22: 40% Reserves Remain
- FY22/23: ONE month of Fungible Reserves

*This model assumes no new financial challenges. If there are further reductions to state or federal funding, SJSU will need to be even more creative about how to close the gap.*