Welcome to the Budget Town Hall

We will begin at 9:45 a.m.
Town Hall: Budget Update

March 11, 2024
Hosted by President Cynthia Teniente-Matson
Overview

Dr. Cynthia Teniente-Matson
President
Key Takeaways:

- Increased understanding of our current budget situation.
- Summarized the impact of past and future budget actions.
- Addressed Frequently Asked Questions.
- Understand the next steps to balance the university budget.
Before we get started ...
Actions to date...

- Implemented a “soft” hiring freeze
- Launched process improvements
- Implemented raises
- Initiated Athletics Review
- Explored Shared Services
- Launched External UP Review
- Developed Work Groups - Support from NACUBO Consulting
- Implemented key Budget Advisory Committee Recommendations
Working Groups

1. Divisions of Academic Affairs and Research and Innovation
   Chair: Michael Kaufman, Dean, College of Science

2. Divisions of Student Affairs and Academic Affairs
   Chair: Magdalena Barrera, Vice Provost for Faculty Success

3. Divisions of Administration and Finance and Information Technology
   Chair: Sami Monsur, AVP, Academic Business and Strategic Operations

4. Auxiliaries / Enterprises
   Chair: Maureen Pasag, SAVP Finance and Business Services

5. Athletics (external consultant)

6. University Personnel (external consultant)
Update:
CSU Budget

Ryan Storm
Assistant Vice Chancellor
System Budget
2024-25 Operating Budget Update for SJSU

Ryan Storm, System Budget Office
March 2024
Overview

1. State budget timeline
2. State budget outlook
3. Governor’s proposal for CSU
4. CSU budget planning & actions
5. Additional information
Budget Timeline

2023

- JUL: CSU Budget Plan
- AUG: CSU Budget Request
- SEPT: 
- OCT: 
- NOV: 
- DEC: 

2024

- JAN: Governor Budget Plan
- FEB: Governor Revised Plan
- MAR: Legislature Budget Hearings
- APR: 
- MAY: 
- JUN: Adopt Budget
State Budget Outlook

Short Term

• State Budget Deficit
  • Department of Finance—January ‘24 = $38 billion (6%)
  • Legislative Analyst—January ‘24 = $58 billion (10%)
  • Legislative Analyst—February ’24 = $73 billion (12%)

Long Term

• Tax revenue growth expected to return to pre-pandemic normal rates
• State anticipated to have 15% annual operating budget deficits (2025-26 through 2027-28)
Governor’s Proposal for CSU

- Original plan: Compact to provide new ongoing funding of $240 million in 2024-25
- No new ongoing or one-time funding in 2024-25
- Compact deferral

<table>
<thead>
<tr>
<th>Year</th>
<th>Action</th>
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<tr>
<td>2024-25</td>
<td>CSU spends $240 million one-time</td>
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<tr>
<td>2025-26</td>
<td>State reimburses $240 million one-time</td>
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<td></td>
<td>State appropriates $240 million ongoing</td>
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<td></td>
<td>(year 3 of compact)</td>
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<td>State appropriates ~$252 million ongoing</td>
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<td>(year 4 of compact)</td>
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- Proposal would deliver the same level of funding per year, per the compact
- Administration remains committed to the compact goals
- Public comments by legislative budget leaders are:
  - Concern on state’s ability to afford payment in 2025-26
  - State revenue down with likely cuts
Universities are implementing several cost reduction strategies:

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<tr>
<th>Strategy</th>
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<td>Consolidate programs</td>
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<td>Defer capital/maintenance projects</td>
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<td>Reduce hiring and elimination of positions</td>
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<td>Increase class size</td>
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<td>Reduce courses to reflect student demand</td>
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<td>Reduce part-time faculty/lecturers</td>
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<td>Reduce service levels provided by staff</td>
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<td>Reduce travel</td>
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<td>Restructure departments</td>
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<td>Restrict non-essential purchases</td>
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CSU Board of Trustees—January meeting

Committee on Finance, Item #6, 2024-25 Operating Budget Update

Agenda Item #6

Agenda Item #6 discussion (at 37:30 mark)
https://www.youtube.com/watch?v=SK22GFX2Kk&t=2270s
Update:
SJSU Financial Overview

Charlie Faas
Vice President of Administration & Finance
Chief Financial Officer
We seem to have done a lot – did it make a difference?

Yes!
SJSU 2023/24 General Fund

Revenue = $448M
- Tuition Fees: 39%
- State Appropriation: 52%
- Non-Resident Fees: 5%
- Other Resources: 3%
- Other Student Fees: 1%

Expense = $463M
- Salaries: 53%
- Benefits: 27%
- Financial Aid: 8%
- Utilities: 2%
- Operating Expenses & Equipment: 9%
What’s SJSU’s current financial situation?
Budget Deficit Timeline
FY 22-23 through FY 24-25

Ending FY 22-23
$37.6M
July 1, 2023

Ending FY 23-24
$26.7M
June 30, 2024
11:59 P.M.

Beginning FY 24-25
$35.3M
$12M
July 1, 2024

$0.0M
Budget Timeline - Transition from FY 22-23 to FY 23-24

Ending FY 22-23

$37.6M

Saved $23M

BAC recommendations for reductions and cost reallocations

$14.8M

July 1, 2023

How’d we get here?
FY 23-24 - Forecast

What are the factors?

$20.8M – Retroactive Comp Increases (7/1/23)
$  1.7M – Non-Res Enrollment Decline
$  8.6M – Compact Funding
$  0.7M – CA Res Enrollment
Budget Timeline - FY 23-24

How do we address this year’s gap with one-time solutions?

- $12M - Borrow from non-General Fund Reserves
- $7M - 1X savings (soft hiring freeze, expenses)
- $7M - Encumbrances

Ending FY 23-24

$26.7M

$0.0M

June 30, 2024
11:59 P.M.
Budget Timeline - FY 23-24 to July, 1 2024

Why will this happen?

- $26.7M – Structural Deficit FY 23-24
- $22.0M – Comp Increases for FY 24-25
- $3.8M – SUG Financial Aid
- $1.1M – Non-Res Enrollment
- $10.5M – 6% Tuition Increase
- $4.8M – Compact Funding
- $2.4M – CA Res Enrollment
- $0.6M – Add’l CO Initiatives

$0.0M
June 30, 2024 11:59 P.M.

$35.3M
July 1, 2024

$12M
How do we get to a balanced budget?

6% Budget Reduction, Reallocation, Restructure and/or Repayment

July 1, 2024
Budget Deficit Timeline
FY 22-23 through FY 24-25

Ending FY 22-23: $37.6M (July 1, 2023)

Ending FY 23-24: $26.7M (June 30, 2024, 11:59 P.M.)

Beginning FY 24-25: $0.0M (July 1, 2024)

Ending FY 24-25: $35.3M ($12M, $26.7M - $14.8M) (June 30, 2024, 11:59 P.M.)
4 R’s
Reduction.
Reallocation.
Restructure and/or reorganization.
Repayment.
4 R’s
Reduction, Reallocation, Restructure and/or reorganization, Repayment

There is a 5th R - Revenue Generation
Q&A

Top 5 questions submitted
Additional questions submitted
Questions shared during today’s town hall
Thank you for attending today’s Budget Town Hall