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Date: August 7, 2023

To: Members of the Budget Advisory Committee

From: Dr. Cynthia Teniente-Matson, President 

RE: FY23/24 Budget

I am grateful for the collective effort of the team within the Division of Administration and Finance and the members of the Budget Advisory Committee (BAC) in the shared governance budget planning process. Shortly after my arrival at SJSU, the BAC launched into discussions and review of operating budgets to best advise the university leadership as we prepared for Fiscal Year 23/24. We are committed to joint efforts to develop a **financially sustainable budget model** that will support the goals and priorities of *Transformation 2030* and eliminate the current \$37.5M SJSU base budget shortfall.

The final coded memo [B-2023-02](#) from the Chancellor's Office, highlights the \$330.5M increase in fiscal support to the CSU. The increases to the FY23/24 budget are in alignment with the Governor's Compact with the CSU.

The table below shows SJSU's share of the General Fund (GF) state allocation as well as campus adjustments. Note there was no compensation (Workforce Investments) in the B-2023-02 memo and we are in the midst of significant labor discussions that will impact our budget. Consequently, most of any potential salary increases will be funded by the campus.

New Base Sources

GF Increase - Revisions to 22/23 Allocation		\$	6,786,000
	<i>22/23 Retirement Adj</i>	\$	4,620,000
	<i>22/23 Student Basic Needs</i>	\$	479,000
	<i>22/23 GI2025</i>	\$	1,687,000
GF Increase - 23/24 Compact		\$	6,076,000
	<i>Mandatory Costs: Health Premiums</i>	\$	3,326,000
	<i>Mandatory Costs: Property & Liability Insurance Premiums</i>	\$	807,000
	<i>1% Resident FTES Growth - 239 FTES</i>	\$	1,943,000
	<i>Grad Initiative 2025</i>	\$	-
	<i>Workforce Investments</i>	\$	-
Tuition and Fees Adjustments		\$	(774,050)
	<i>1% Resident FTES Growth - 239 FTES</i>	\$	1,582,000
	<i>Tuition Rate Increase</i>	\$	-
	<i>Campus Adj to Avg Tuition Fee</i>	\$	(10,050)
	<i>Campus Adj to Non-Resident -200 FTES</i>	\$	(2,040,000)
	<i>Eliminated Administrative Barriers</i>	\$	(306,000)
Financial Aid (SUG)	Systemwide Adjustment	\$	(698,000)
Campus Cost Allocation	Cost Recovery	\$	2,960,000

2023/24 New Sources **\$ 14,349,950**

The Budget Advisory Committee considered a multitude of factors impacting the FY23/24 final budget year-end [advisory letter](#). As outlined in the advisory letter, Section A entitled Organizational Changes, the President’s Cabinet is adopting:

- Reduction of some open positions and a reduction of operating expenses and equipment (as defined by the cognizant VP) in FY23/24 to achieve a \$20.3M reduction in the FY23/24 operating budget.
- Cost Recovery of \$2.96M campus expenditures from the general fund to enterprise funds (such as Housing, Parking, Health) and institutional auxiliaries for their usage of state funded campus resources.

Allocation of Budget Reductions by Division

	FY 23/24
Academic Affairs	\$ (6,960,000)
Administration & Finance	\$ (4,570,000)
Information Technology	\$ (1,000,000)
Institutional Affairs	\$ (1,104,242)
Intercollegiate Athletics	\$ (500,000)
Office of the President	\$ (290,000)
Research & Innovation	\$ (600,000)
Student Affairs	\$ (2,820,000)
University Advancement	\$ (1,300,000)
U-Wide	\$ (1,250,000)
Total Reductions	\$ (20,394,242)

In response to the advisory letter Section B entitled Configure Enrollment Management to be an all-University effort:

- Enrollment **management is consequential to ensure the long term fiscal stability for SJSU**. The recruitment for a Senior AVP for Enrollment Management (EM) is proceeding as this position is critical to the CSU and SJSU’s commitment to grow enrollment and support holistic student success. The organizational structure for EM functions will focus on a coordinated approach to support the enrollment pipeline of California resident first-time in college (FTIC) and transfer students as well as enhance an institutional focus to build out-of-state populations. To strengthen our pathways to support student success and enrollment growth, I am also meeting with community college chancellors and presidents.
- Earlier this spring, Provost Del Casino held an Academic Affairs budget forum which included the topic of enrollment management in relation to completion of the general education and a guided pathway into the major for both FTIC and transfer students as well as 4+1 pathways for graduate completion. Additionally, Provost Del Casino will lead efforts to strengthen the coordination with EM to recruit and support international students, graduate enrollment, and self-support academic programs.
- SJSU will achieve success by integrating efforts across an array of support systems for enrollment, persistence, retention and time to degree. Closing equity gaps in degree completion and integrated enrollment management may require strategic investments.

- The State's CSU [Budget Compact for 2023](#) includes a 1% enrollment growth allocation for SJSU California residents or 239 FTES (\$8,130 * 239) totaling \$1.943M in General Fund Compact support. All CA Resident enrollment above 101% FTES target further reduces the \$14.8M deficit.
- The campus continues to see enrollment declines in non-resident students, therefore, the FY23/24 budget is reduced by 200 FTES (\$10,200 * 200) a \$2.04M decrement.

Details of the FY23/24 operating budget will be in the Annual Budget Report, which will be published in October. However, the objective is the establishment of a fiscally sustainable SJSU Budget addressing the shortfall below.

2022/23 Structural Budget Deficit **\$ (37,452,548)**

2023/24 New Sources **\$ 14,349,950**

Campus Uses

22/23 Allocations Moved from 1X to Base	\$ 5,786,000
<i>22/23 Retirement Adj</i>	\$ 4,620,000
<i>22/23 Student Basic Needs</i>	\$ 479,000
<i>22/23 GI2025</i>	\$ 687,000
Financial Aid (SUG) <i>Systemwide Adjustment</i>	\$ (698,000)
Mandatory Cost Incr <i>Mandatory Costs: C.O. Funded</i>	\$ 4,133,000
Workforce Investments₁	\$ -
Existing Funding Commitments	\$ 868,601
<i>+239 Resident Enrollment to AA</i>	\$ 1,736,933
<i>-200 Non-Resident Enrollment to AA</i>	\$ (1,453,500)
<i>ISB Utilities (GF Support in Prior Year)</i>	\$ 585,168

2023/24 New Uses **\$ 10,089,601**

2023/24 Net New Sources (Uses) **\$ 4,260,350**

2023/24 Structural Budget Deficit Before Division Reductions **\$ (33,192,199)**

2023/24 Division Reductions **\$ 20,394,242**

2023/24 1X Funding for RSCA to AA **\$ 2,000,000**

2023/24 Structural Budget Deficit After Division Reductions **\$ (14,797,957)**

In response to the advisory letter Section C as entitled Continue Academic Affairs Efforts shared in the Provost's Budget Forum those efforts will be included in the Budget Summit.

Budget Summit

As we look to the following year (FY24/25), SJSU faces a budget shortfall of \$14.8M.

The campus community will be invited to a Budget Summit on September 14th to receive an overview of the university's financial situation and to engage in consultation about creating a financially sustainable budget model. In alignment with the Strategic Plan and shared governance the outcomes of the summit will include collective input for a combination of efforts:

1. Investing or maintaining support for critical initiatives for improving our enrollment processes, holistic student academic success, strengthening Title IX, and the Strategic Plan.
2. Growing and diversifying revenues:
 - a. grow enrollment;
 - b. support for fundraising and extramural funding;
 - c. usage of degree based fees similar to SDSU and SLO;
 - d. continued growth of SJSU Online;
 - e. campus Sponsorships;
 - f. services to other campuses and entities;
 - g. increasing non general fund revenues for athletics.
3. Reducing operating expenditures:
 - a. consolidate or restructure aspects of the organization to reduce duplication of efforts;
 - b. streamline processes and focus on continuous improvement;
 - c. shared services or offering services to other agencies;
 - d. review and potentially eliminate vacant positions;
 - e. optimize utilization of campus enterprise and auxiliary units.
4. Continued examination of the Academic Affairs operations:
 - a. increase faculty to student ratios back to pre-pandemic levels;
 - b. review/improve assigned time;
 - c. identify and utilize academic space that is under-utilized;
 - d. better enforce guidelines regarding frequency and low-enrolled courses.

Planning for FY 24/25

As you may recall, the Board of Trustees at their May and July Board meetings introduced a CSU Sustainable Financial Model that includes a potential tuition increase contemplated for implementation in FY24/25. Additionally, the CSU maintains its commitment to enhancing employee compensation through the collective bargaining process. It is anticipated that both items will be on the Trustee's September agenda and I will continue to advocate for those items outlined in Section D.

The campus will continue to strengthen its budget planning efforts and support the highest priorities including enrollment growth. Additionally the Cabinet will judiciously review vacant staff and faculty positions and minimize operating expenditures. Given the current year budget deficit, and our diminished operating reserves, the campus will borrow funds from other campus reserves. It will take time to replenish the General Fund reserve and payback the internal loan.

The BAC will continue its leadership role in creating a fiscally sustainable budget. We clearly have a significant challenge in front of us preparing for the FY24/25 budget cycle. Once again, thanks for the exceptional work and continued commitment.