University Budget Forum

May Revise update

May 22, 2024
Agenda

State Budget update

CSU Budget impact

Board of Trustees Update

CSUSM Proposed Strategies (recap)
State Budget Update

- Initial Governor’s Budget estimated shortfall of $37.9 billion
- The May Revision estimates that the budget shortfall has grown by approximately $7 billion
- Combined with the Governor’s Budget, the budget shortfall for the 2024-25 fiscal year is approximately $44.9 billion
- After accounting for the early action budget package that included $17.3 billion of solutions (reduction, delays, shifts, and deferrals), the remaining budget problem is approximately $27.6 billion

### Budget Problem at the May Revision

<table>
<thead>
<tr>
<th>Budget Problem</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Governor’s Budget</td>
<td>$37.9 billion</td>
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<tr>
<td>Shortfall Since Governor’s Budget</td>
<td>$7.0 billion</td>
</tr>
<tr>
<td>Early Action Budget Package</td>
<td>-$17.3 billion</td>
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<tr>
<td><strong>Remaining Budget Problem</strong></td>
<td><strong>$27.6 billion</strong></td>
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… For Cal State, the governor’s May budget revision includes a $75 million cut that’ll be restored in 2025-26”

“Each system would receive a modest bump of 2.05% in 2025-26 — a far cry from the 10% the governor projected in his January budget proposal. That 10% itself was a compromise. Each system was supposed to see a 5% bump in 2024-25 and the same in 2025-26”

CalMatters, May 15, 2024
Compact deferral for 2024-25 remains intact
  • No new base (ongoing) or one-time funding in 2024-25 from the State

  2024-25  CSU distributes $240 million one-time from CSU central reserves to the campuses
           (no impact to campus reserves)

  2025-26  State reimburses CSU $240 million one-time
           State appropriates $240 million ongoing (year 3 of compact)
           State appropriates ~$252 million ongoing (year 4 of compact)
Compact deferral for 2024-25 remains intact
• No new base (ongoing) or one-time funding in 2024-25 from the State

2024-25
CSU distributes $240 million one-time from CSU central reserves to the campuses (no impact to campus reserves)

One-time reduction: -$75 million in 2024-2025 (to be restored in 2025-2026)

2025-26
State reimburses CSU $240 million one-time
State appropriates $240 million ongoing (year 3 of compact)
State appropriates ~$252 million ongoing (year 4 of compact)

Ongoing, base reduction: -8% in 2025-2026
Net result is about an approximate 2% ongoing, base increase for 2025-2026
## Ongoing State Funding

<table>
<thead>
<tr>
<th></th>
<th>Year 2 compact 2023-24</th>
<th>Year 3 compact 2024-25</th>
<th>Year 4 compact 2025-26</th>
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<tbody>
<tr>
<td><strong>$227M increase</strong></td>
<td></td>
<td><strong>$0 increase</strong></td>
<td><strong>$97M increase</strong></td>
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<tr>
<td><strong>5%</strong></td>
<td></td>
<td><strong>0%</strong></td>
<td><strong>2% (net)</strong></td>
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<tr>
<td><strong>+240M for Y3 (5%)</strong></td>
<td></td>
<td><strong>+$254M for Y4 (5%)</strong></td>
<td><strong>-$397M reduction (-8%)</strong></td>
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</table>
Notable changes impacting student programs

Middle class scholarship
- Reduced from $633 million to $100 million ongoing
- Potentially affects 200k CSU students

Golden State Teacher Grant
- Reduced by $60 million one-time
- 2,200 students receive this grant

Learning-Aligned Employment Program
- Unspent funding will be returned, approximately $485 million of $500 million

Cal Grant Reform
- Insufficient state revenue to implement changes (determined by DOF)
Governor's May Revise and continued uncertainty with the state budget outlook

• Atypical for state to discuss budget year plus one (2025-26 budget)

• Ongoing contingency planning to address fiscal challenges

• Will continue to strongly advocate for CSU Funding

• Will maintain a focus on CSU priorities and protect the quality of education
Pause Budget request process
- To focus on funding for core operations

Establish a $5M set aside - held centrally
- With potential for restoration in subsequent years

Invest strategically from enrollment growth funds
- Student Success, Retention, and Enrollment
QUESTIONS ?