

UNIVERSITY BUDGET UPDATE AUGUST 2020

Executive Summary

CSUSM's operating budget has two main funding sources: the state General Fund and student tuition fees. Auxiliaries generate additional revenue needed for essential services that supplement state-supported activities.

In June, the governor and legislature agreed to permanently reduce the California State University system's General Fund budget by \$299 million.

At this time, we are estimating 2020-2021 financial losses for California State University San Marcos (CSUSM) at just over \$19 million. This includes cuts from the state to CSUSM's operating fund as well as reductions in auxiliary funds and student tuition fees. This number could continue to fluctuate through early fall semester.

We are closely monitoring our enrollment of new and continuing students. Currently we are estimating a 3% decline in resident enrollment and a 50% decline in non-resident enrollment. The majority of the decline in non-resident enrollment is related to our international student population. Additional financial losses may come from auxiliary operations due to reductions in the number of students living in housing, reductions in the number of individuals parking on campus, and other auxiliary impacts.

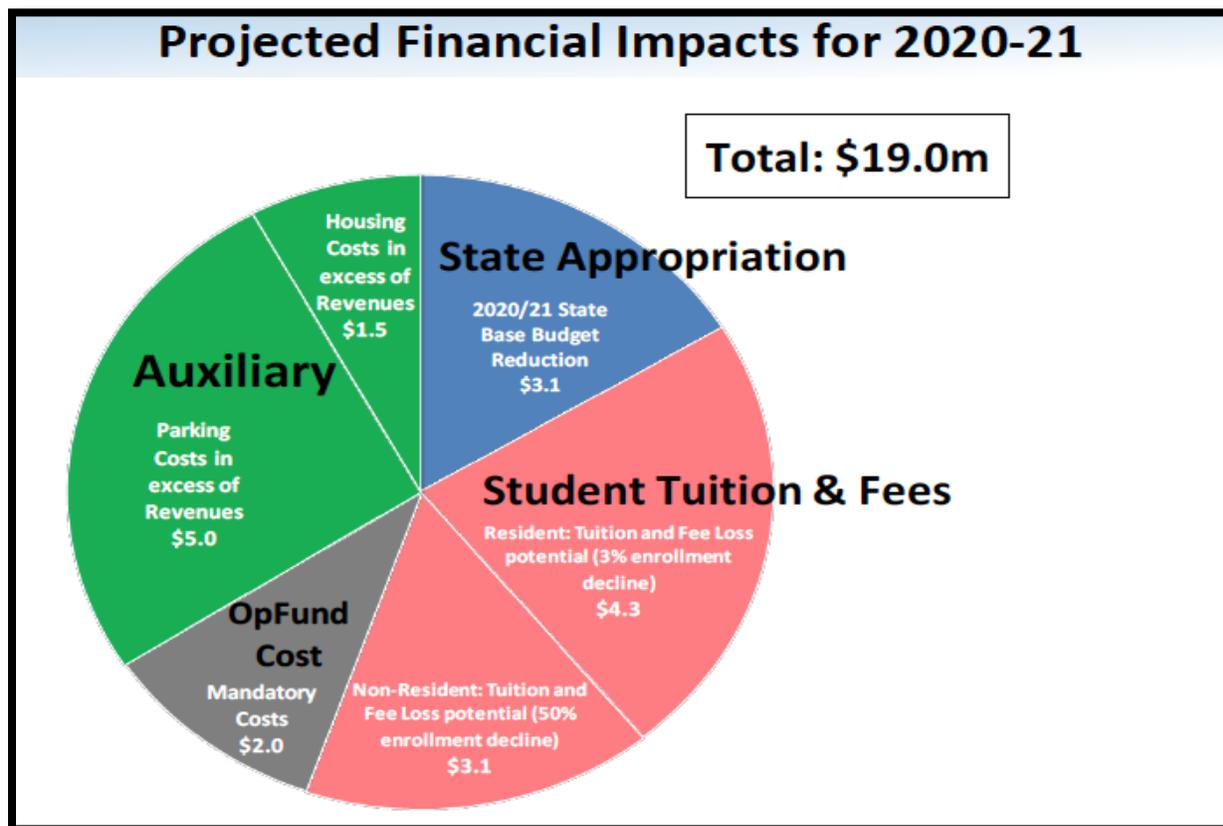
Chancellor White has stated that the CSU is not pursuing furloughs at this time and that some layoffs may be necessary across the system. At CSUSM, we are working hard to avoid layoffs this fiscal year, and we will need to be creative and resourceful. Our priorities at CSUSM will continue to be our people, our students' success, and our sustainability as an organization.

Table 1: Projected Financial Impacts for 2020-21

Projected Financial Impacts for 2020-21			
Operating Fund Specific	Self-Support & Auxiliary	Total	
\$3,101,752	\$0	\$3,101,752	2020/21 State Base Budget Reduction
\$4,337,250	\$0	\$4,337,250	Resident: Tuition and Fee Loss potential including 3% enrollment decline
\$3,075,826	\$0	\$3,075,826	Non-Resident: Tuition and Fee Loss potential including 50% enrollment decline
\$0	\$5,000,000	\$5,000,000	Parking Costs in excess of Revenues
\$2,000,000	\$0	\$2,000,000	2020/21 Mandatory Costs
\$0	\$1,500,000	\$1,500,000	Housing Costs in excess of Revenues
\$12,514,828	\$6,500,000	\$19,014,828	Total Anticipated Minimum Financial Impact
<ul style="list-style-type: none"> • State Appropriation reduction – possible favorable adjustment upon receipt of Federal funding (TBD) • Parking and Housing estimated net losses impacted by virtual campus operations • Resident / Non-Resident Enrollment uncertain given the impacts of COVID • Mandatory Costs include Retirement and Health Benefits • Cautiously optimistic about Fall 2020 enrollment given the situation with COVID 			

The table above outlines the categories of estimated CSUSM financial losses. These include the estimated state base budget cut for CSUSM (this is a permanent base budget cut); losses from tuition, student fees and waivers; unfunded mandatory costs and losses in housing and parking. The estimated financial impact is \$19,014,828.

Table 2: Projected Financial Impacts for 2020-21



This pie chart illustrates the proportional breakdown of categorical losses as listed in the previous table.

Table 3: Historical Operating Fund Balance Summary

Historical Operating Fund Balance Summary							
Operating Fund - Division Balances	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Actual	2019/20 Actual
Academic Affairs	67,764	876,896	1,608,711	1,778,832	2,628,951	2,744,983	5,128,723
Instructional & Informational Technology Services (IITS)	578,878	446,946	102,168	760,178	728,093	354,348	1,550,936
Community Engagement	106,534	259,538	287,903	302,638	297,669	303,896	258,134
Finance & Administrative Services (FAS)	881,490	954,554	(1,646)	852,554	2,081,024	1,543,185	526,697
Office of the President ⁽¹⁾	67,585	106,036	197,953	147,840	234,976	283,262	600,769
Student Affairs Operations	90,065	28,793	175,063	257,193	945,816	1,023,550	1,258,811
Student Affairs - Fee Supported	2,407,715	2,259,328	1,750,122	2,117,026	2,177,665	1,862,165	1,701,413
University Advancement	247,535	374,868	343,897	352,350	451,933	342,984	477,091
University Campus Wide Activities	2,108,163	(414,410)	(4,330,599)	906,277	2,017,648	7,103,499	8,128,542
University Campus Wide Activities - FAS	126,897	481,751	309,348	754,077	998,480	2,051,101	933,161
Total Operating Fund Division Balance ⁽²⁾	\$6,682,626	\$5,374,300	\$442,920	\$8,228,965	\$12,562,254	\$17,612,973	\$20,564,278

(1) Office of the President Division Balance of \$601k includes funding in the amount of \$400k for the following - Campus Strategic Initiatives, FACES and Staff Center
(2) Reflects organizational updates

The table above shows the Operating Fund Balances for all University divisions and University Campus Wide Activities from 2013/14 to 2019/20. At the end of fiscal year 2019/20, CSUSM reported just over \$20.5 million in operating fund balance. The Operating Fund Balance is a safeguard for difficult financial times, such as we are currently facing.

Table 4: Operating Fund Reserve – Balance Summary

Operating Fund Reserve – Balance Summary	
<u>\$20,564,278</u>	Operating Fund - Divisional Balances 2019/20
(\$3,717,670)	<i>less</i> Restricted Amounts
(\$5,756,658)	<i>less</i> Committed Amounts
<u>\$11,089,949</u>	Net Operating Fund Balances (Reserves)
<u>\$4,435,980</u>	40% of Reserves for use in 2020/21

Of the \$20,564,278, there is just over \$9.4 million committed to ongoing programs (such as faculty start-up funds or grants) or restricted for specific uses (such as the Student Health & Counseling Reserve). This \$11 million is our reserves we will use to mitigate our estimated \$19,014,828 budget losses.

The ongoing COVID-19 pandemic and anticipated financial impact necessitates a multiyear approach. We anticipate using 40% of reserves in FY 20/21, 30% of reserves in FY 21/22 and 30% of reserves in FY 22/23.

The Financial Path Forward

- Of the \$19 million estimated financial loss, \$11.4 million comes from our operating fund, which funds state-side operations for CSUSM. The remaining comes from the auxiliary losses (parking, housing, etc.)
- To the \$11.4 million base cut (i.e. permanent cut), we will apply a 5% budget reduction across the university, which will equate to approximately \$9 million.
- We will also use a portion of our reserves and one-time savings (see below slide) to offset the rest of the base cut in this year, to give us time to plan for the future. Remaining one-time funds that we have available this year will be applied to mitigate other emergency costs, improve the CSUSM virtual experience and save jobs.
- The following slides illustrate this plan and approach.

Table 5: Projected One-Time Funding Available for 2020-21

Projected One-Time Funding Available for 2020-21	
Operating Fund	
One-time	
\$4,435,980	<i>Reserves - 40% of \$11.2m</i>
\$1,500,000	<i>Salary + Benefits savings from unfilled positions - estimated</i>
\$750,000	<i>Travel savings - estimated from 2019/20 - Q4 compared to 2017/18 and 2018/19 travel for same period</i>
\$6,685,980	Total One-time Funding
<ul style="list-style-type: none"> • Reserves include 2019/20 carry over funds designated as discretionary from the Operating Divisions • Travel savings estimated from 2019/20 March-June expenses compared to March-June in prior years • Salary and Benefits savings estimated – Benefits rate of 50% 	

\$6,685,980 is the total available in one-time funds in the 20/21 fiscal year to mitigate potential emergency costs, improve the CSUSM virtual experience, and save jobs. This figure includes 40% of reserves (\$4.4 million), estimated savings from unfilled positions (\$1.5 million), and estimated travel savings (\$750,000).

Table 6: Unfunded Financial Impact for 2020-21

Unfunded Financial Impact for 2020-21	
(\$2,000,000)	<i>2020/21 Mandatory Costs Estimated</i>
\$1,070,000	<i>2019/20 Mandatory Cost Funding</i>
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(\$930,000)	<i>2020/21 Unfunded Mandatory Costs</i>
(\$3,101,752)	<i>2020/21 State Base Budget Reduction</i>
(\$7,413,076)	<i>Resident + Non-Resident Tuition and Student Fees</i>
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(\$11,444,828)	<i>Net Estimated Base Financial Impact</i>
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The estimated net base financial impact for FY 20/21 is just over \$11.4 million including mandatory costs, base budget reduction from the State and declines in resident and non-resident tuition and fees.

Table 7: Unfunded Financial Impact for 2020-21

Unfunded Financial Impact for 2020-21	
(\$11,444,828)	Net Estimated Base Financial Impact
\$9,500,000	5% Operating Fund Base Budget Reduction
(\$1,944,828)	Remaining Base Impact
\$6,685,980	<i>Available One-time Funding</i>

Applying a 5% operating fund base budget reduction, the remaining base impact for FY 20/21 is just over \$1.9 million. We will use a portion of our reserves and one-time savings to offset the rest of the base cut in this year, to give us time to plan for the future. Remaining one-time funds that we have available this year will be applied to mitigate other emergency costs, improve the CSUSM virtual experience and save jobs.