



University Budget Advisory Committee (UBAC)

September 6, 2024

10AM-11AM

UEC-Boardroom

<https://csusb.zoom.us/j/82272383056>

Minutes

Attendees: Dr. Samuel Sudhakar, Dr. Rafik Mohamed, Dr. Paz Oliverez, Robert Nava, Sesar Morfin, Homaira Masoud, Dr. John Reitzel, Dr. Mark Groen, Dr. Jordan Fullam, Dr. Zachary Powell, Dr. Edna Martinez, Dr. Tomás Gomez-Arias, Dr. Christina Hassija, Dr. Jenna Aguirre and Andreina Dominguez.

Absent: Robin Phillips, Carson Fajardo and David Dufault-Hunter.

Welcome and Introductions

Dr. Mohamed welcomed everyone and invited for introductions to all new members to the committee:

- Dr. John Reitzel - Educational Policy & Resources Committee Chair
- Dr. Mark Groen - Faculty Affairs Committee Chair
- Dr. Jordan Fullam - Faculty Senate Chair
- Dr. Zachary Powell - Faculty Senate Vice-Chair
- Dr. Edna Martinez - Associate Vice President, Palm Desert Campus
- Dr. Tomás Gomez-Arias – Dean, College of Business and Public Administration
- Dr. Christina Hassija – Dean, College of Social Behavioral Sciences.

Dr. Sudhakar informed that the state's budget for higher education for FY 24/25 is \$24.2 billion. The higher education units are University of California (UC), California State University (CSU), Community Colleges, etc. \$5.2 billion has been allocated to state universities. As promised, CSU received the FY 24/25 compact funding of \$240 million, a \$75 million one-time cut has resulted in a net receipt of \$165 million. CSUSB is currently facing a \$20.4 million budget deficit that must be addressed immediately.

Ms. Masoud provided a summary of the FY 2023-24 budget balances of divisions and central. She mentioned that the Budget Office was not able to allocate the General Salary Increases budget for CFA due to an error that needed to be corrected by the Faculty Affairs. The corrections were completed in July of the new fiscal year, 24/25. She also mentioned that if the allocations were made in FY 23/24, the budget balance would have been higher than the actual.

Ms. Masoud provided a breakdown of the central carry-forward of \$25.3 million. She also provided historical operating Fund Balances (FB). After the FY 21/22, the operating fund FBs have been in decline. In fiscal year 23/24, the fund balance has been declined by 33% from fiscal year 22/23. This implies that CSUSB is spending more than the available revenues and depleting the fund balance.

Ms. Masoud then provided information on the budget year, FY 24/25. The governor's final FY 24/25 budget was released on June 26, 2024. The final budget provided the CSU with a 5% (\$240 million) increase in base state funding for 2024-25. At the same time CSU received a one-time budget reduction of \$75 million. The Governor and the legislator intend to a base reduction of 7.95% (\$397 million) in fiscal year 2025/26 and defer compact funding to 2025/26 to fiscal year 2026/27 and fiscal year 2026/27 to fiscal year 2027/28.

CSUSB was approved for a base budget augmentation of \$17.3 million in fiscal year 2024/25. Coupled with campus fee revenue increase of \$3.1 million, CSUSB's total revenue source was determined at \$20.4 million.

CSUSB's total mandatory costs and other divisional commitments totaled \$40.8 million in fiscal year 2024/25 with a total fiscal year deficit of \$20.4 million.

Ms. Masoud informed about the enrollment challenges for CSUSB. As noted, CSUSB's enrollment is still below the CO enrollment target. Under the policy approved by the CSU Senior Leadership in FY 22/23 to tackle the systemwide enrollment decline, those campuses that are below 7% of its CO FTES target in FY 24/25, will receive 5% reductions in enrollment target and enrollment funding in FY 25/26. She stated that there is a possibility that CSUSB will not face those reductions in FY 25/26 if CSU receives a 7.95% (or \$397 million) General Fund reduction as enrollment funding is tied to compact funding.

Ms. Masoud went over the Recommendations to mitigate the FY 24/25 budget deficit of \$20.4 million:

- Immediate hiring freezes except for critical and essential positions.
- Eliminating positions.
- Reduce travel expenses.
- Decrease OE&E for equipment and furniture expenses.
- Course and class size changes.
- Reductions in faculty release time from committee work and reductions in sabbaticals.
- Program consolidation.
- Consideration of voluntary separation and early retirement programs.

Ms. Masoud reviewed the multi-year budget. As intended by the legislators in the FY 24/25 State budget, a deferral of FY 25/26 compact funding to FY 26/27 and a base reduction of \$397 million for CSU, CSUSB will face a budget deficit of \$17 million in FY 25/26.

FY 2024-25 one-time budget. With a total one-time revenue source of \$3.1 million and one-time commitments of \$4.2 million, CSUSB will have a one-time budget deficit of \$1.1 million.

Questions/Comments

Dr. Gomez-Arias asked what other sources are used to perhaps pay for example chargers for Tesla, cell phones etc.?

Ms. Masoud informed that there are multiple funding sources other than operating funds, such as miscellaneous trust funds, which are governed by specific trust agreements. The funds received in those trust fund can only be utilized in accordance with the trust agreements.

Dr. Mohamed emphasized the importance of a comprehensive approach to funding, noting the need for us to evaluate the budget effectively and understand how it aligns at the institutional level.

Dr. Sudhakar stated that we cannot utilize enterprise entities reserves. The entities that have debt services payments need to maintain a Debt Service Ratio (DSR) of 1.1 minimum. The current Debt Service Ratio has been significantly lower in recent years. To address the issue, for parking, they need to align strategies with the anticipated parking fee increases as a means of measuring performance. Additionally, operating expenses needs to be reviewed.

Mr. Nava commented that philanthropic funds for example are reported investment of \$71 million. However, it is important to clarify that a significant portion of this amount consists of donor-restricted and gift funds. We must maintain transparency as these figures are presented; while they may appear as available auxiliary funds, they are in fact dedicated funds that are already committed and cannot be utilized for other purposes.

Ms. Masoud invited everyone to review the budget website where the budget office posts quarterly financial reports, cost allocation plan, transparency portal, policies etc. The link will be provided for everyone to access the information.

Dr. Sudhakar added that currently we are facing a crisis and that is expected to worsen next year, primarily due to a possible state budget reduction. Two key factors contributing to this budget crisis are the total expenses that are increasing, and our revenue is declining. These issues directly impact our overall budget.

Dr. Gomez-Arias asked what measures were taken last year that worked well in mitigating the deficit?

Dr. Sudhakar informed that last year each division had to implement a 5% reduction in budget, including travel and other discretionary costs. This year, deeper cuts will be made, particularly in custodial services and not replacing several AP clerk positions. There is an anticipation of around \$1.3 million in reductions in full-time equivalents (FTEs) and supply and services expenses. Consequently, this year it will be required a shared commitment across services to navigate the challenges.

Mr. Morfin added that the budget was reduced, and the actuals have been reviewed, there was also a one-time reduction that significantly impacted financials. Although we balanced our budget, actual expenses exceeded our actual revenues which means that we depleted our reserves further. Despite the efforts to minimize incremental expenses, those measures are proving insufficient due to challenges at both the state level and campus. The lack of state funding has created a challenging environment.

Dr. Fullam asked regarding the Chancellor's Office recommended deficit mitigation strategies; are you thinking there will need to be deep cuts in all the areas, or will there be an opportunity to have conversations about our priorities and for faculty to provide feedback?

Dr. Mohamed indicated that some measures will be centralized, including hiring freezes, which are likely to affect some divisions. In areas where we have discretion, we will exercise it internally, starting with Deans and unit Directors. The senate and relevant entities will also have input, as we need to push back on certain aspects to manage costs effectively at the beginning of the year.

Dr. Fullam asked what the consultation with faculty look like, and what is the timeline for that consultation?

Dr. Mohamed informed that the cuts have been proposed; the dean mentioned that they will be discussing depletions on Wednesday with the senate and relevant entities. Discussion may occur in two weeks, with conclusions being made afterward in collaboration with the dean and leadership team.

Dr. Sudhakar commented that it will be a challenging year, and that not everyone will agree with the decisions made due to the significant deficit, which may lead to dissatisfaction among many. There are underlying issues such as enrollment challenges that like other institutions are experiencing state cuts.