

DATE: August 19, 2024

TO: President’s Cabinet
Members of the University Planning and Budget Group (UPBG)

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SUBJECT: 2024/25 Operating Budget Planning—Update on Final State/CSU Budget

Dear Colleagues:

Subsequent to finalization of the 2024/25 State budget, the CSU Office of the Chancellor issued [Final Budget Allocation Memo B 24-02](#) to campuses on 8/5/24. We are following up on our [6/3/24 campus budget planning memo to Cabinet and UPBG](#) to provide additional details on how the final State and CSU budgets affect CSUN’s operating resources and planning parameters.

I. State/CSU Budget:

The final State budget presents significant challenges for the CSU over the coming three budget cycles. For 2024/25 the system faces a \$218M funding gap based on the budget approved by the Trustees in September 2023. The Legislature has also stated its intent to impose budget cuts and compact funding deferrals in the following two budget years. For this reason, our budget planning strategy for the current year must consider potential State funding impacts over a three-year period.

Current Year (2024/25)

The CSU will receive a 5% (\$240M) increase to its ongoing State funding allocation as part of the multi-year compact with the Governor. At the same time, the State budget also includes a one-time \$75M cut to the CSU, resulting in a net funding increase of \$165M for the year.

Future Years (2025/26 through 2027/28)

The 2024/25 State budget includes language stating the Legislature’s intent to implement the following provisions in out-year budgets:

- 2025/26:
 - 7.95% (\$397M) reduction of CSU’s ongoing State funding
 - Deferral of \$252M in 2025/26 on-going compact funding to 2026/27
- 2026/27:
 - Deferral of \$264M in 2026/27 on-going compact funding to 2027/28

II. CSUN Operating Budget Strategy

Predicting the State’s probable financial condition and budget priorities over a multi-year period is difficult, particularly since State revenues are heavily reliant on volatile personal income and capital gains tax receipts. Although the Legislature intends to eventually make the CSU whole for each year of deferred compact funding by 2027/28, this will be contingent on availability of new State revenue over multiple budget years. For this reason, the campus operating budget plan should focus on 2024/25 and 2025/26, incorporating the Legislature’s intent to reduce the CSU’s ongoing State funding by a net 3% over this two-year period.

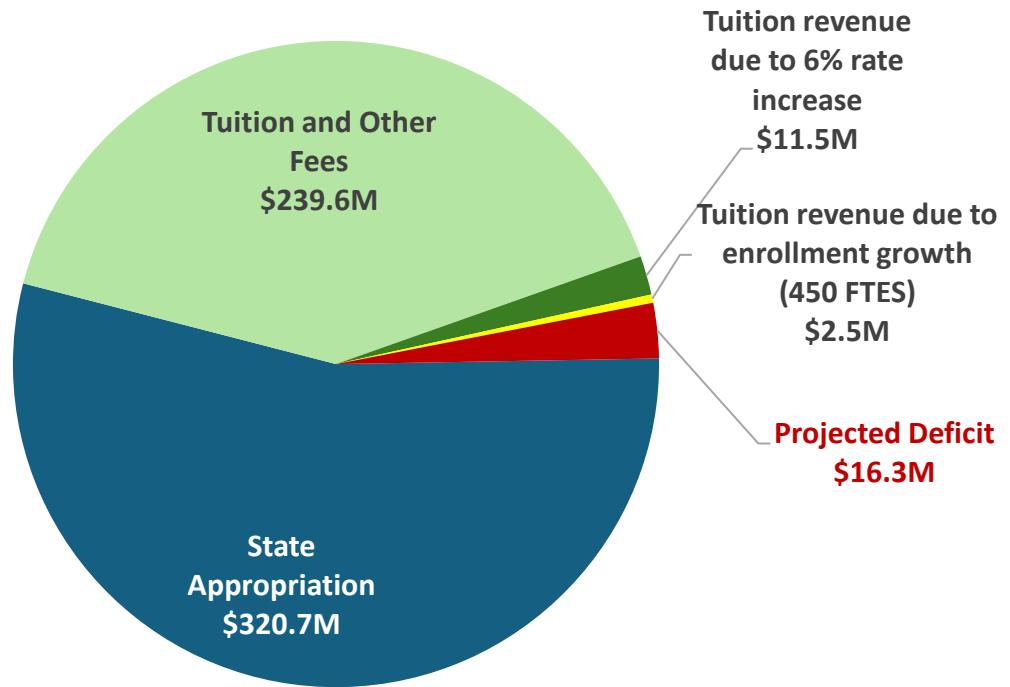
By maintaining the approach proposed in our 6/3/24 UPBG memo and permanently absorbing approximately \$11M of the \$17.2M in new unfunded 2024/25 compensation expenses within existing divisional budgets, the campus will enter 2025/26 with a manageable operating deficit of \$3.2M. However, assuming a 7.95% State appropriation cut, the campus would face a budget problem exceeding \$27M in 2025/26.

The table below provides estimated new revenues and expenses over the 2-year period, along with the deficit coverage plan for 2024/25:

	2024/ 25 Final COMemo	2025/ 26 Projections*
CSUN's Estimated New Revenues and Expenses		
New Revenues		
5% (\$240M) State appropriation increase per compact	\$ 22,990,000	\$ -
CSU enrollment reallocation plan (150 FTES)	\$ 1,187,000	TBD
State one-time budget reduction (\$75M)	\$ (6,680,000)	\$ -
7.95% (\$397M) State appropriation reduction		\$ (26,599,000)
Tuition		
Tuition from 6% rate increase	\$ 11,503,495	\$ 12,376,835
Tuition from enrollment growth	\$ 2,460,681	\$ 2,160,765
	\$ 31,461,176	\$ (12,061,400)
New Expenses		
Projected ongoing deficit entering budget year	\$ (2,389,093)	\$ (3,196,573)
Compensation increase	\$ (21,571,595)	TBD
State University Grant (SUG) financial aid	\$ (13,036,000)	\$ (6,000,000)
Veteran tuition waivers	\$ (199,000)	TBD
GI2025/ student success	\$ (1,453,000)	TBD
NAGPRA compliance	\$ (175,000)	TBD
Title IX & anti-discrimination programs	\$ (760,000)	TBD
Health/insurance premiums & unfunded mandatory commitments	\$ (8,207,000)	\$ (6,078,611)
	\$ (47,790,688)	\$ (15,275,184)
Projected Budget Deficit	\$ (16,329,512)	\$ (27,336,584)
2024/ 25 Deficit Coverage Plan (per 6/ 3/ 24 UPBG Memo)		
Divisional absorption of compensation expenses (on-going/permanent)	\$ 10,909,396	
Central and divisional reserve expenditure (one-time)	\$ 11,990,604	
	\$ 22,900,000	
<i>Projected one-time carry-forward balance</i>	<i>\$ 6,570,488</i>	

* These planning projections are based on current assumptions and may vary substantially based on actual State/CSU budget outcomes in 2025/26.

\$574M FY2024/25 Operating Budget: Revenue Sources



Under this scenario, the challenge for FY2025/26 will be determining the appropriate mix of permanent reductions and one-time resources to balance the budget while continuing to support student success. If the Campus relies heavily on one-time sources in 2025/26, our ability to balance the 2026/27 budget without substantial permanent reductions will depend on the State providing previously deferred compact funds, consistent with the intent language incorporated in this year's State budget. In the event the State is unable to make the CSU whole down the road, CSUN will need to implement much more difficult choices to balance its operating budget beginning in 2026/27.

III. Guiding Principles for Budget Planning

The suggested approach for fiscal year 2024/25 balances the uncertainty of multi-year state resource commitments with the guiding principles outlined in our 6/3/24 memo:

- Preserve jobs and avoid layoffs;
- Fund course section enrollment to support academic success;
- Maintain student and academic support services;
- Achieve meaningful reductions to ongoing budget deficits, while utilizing operating reserves judiciously;

- Continue progress on Roadmap priorities, leveraging one-time operating/non-operating resources to help support key funding needs.

IV. Enrollment

Recognizing CSUN's ability to increase enrollment to meet regional needs, our 2024/25 budget allocation increases the resident enrollment target by 450 FTES to 29,411 FTES. This is comprised of 150 reallocated FTES from campuses with declining enrollment, along with 300 FTES in overall resident FTES growth as part of the CSU compact with the Governor. This results in \$5.9M in combined marginal state funding and tuition revenue conditioned upon the campus meeting target. As of this writing the campus appears to be on track, but we will need to monitor actual FTES closely through the fall and spring.

V. Other One-Time Allocations Outside the General Operating Budget

State University Grant (Financial Aid):

The CSU sets aside 1/3 of all new tuition revenue to provide State University Grants (SUG) to students across the system with the greatest financial need. This year, the systemwide SUG pool has grown by \$59M to \$760M—primarily due to revenues derived from the tuition increases approved by the BOT. The projected overall financial need of CSUN students who completed the FAFSA and CADAA has increased for 2024/25, resulting in a \$13M (21%) increase in total SUG funding for our students. Our \$74.5M SUG budget is the largest in the CSU and will provide vital grant aid to support student access, continuation and graduation.

Lottery

Each year the CSU, along with other education sectors, receives a share of funding from California State Lottery receipts. For 2024/25, CSUN's pro rata share of CSU lottery allocations is approx. \$3.5M. Per CA gov. code and CSU policy (PolicyStat ID 14081953), CA State lottery funds are restricted for instructional purposes.

VI. Next Steps

Now that we have received the final CSU budget memo, campus Budget Planning and Management will be distributing divisional allocations consistent with the 6/3/24 plan, adjusted to reflect CO updates. At the next UPBG meeting on 9/20/24 we will drill down into some of the specific budget details and should have greater clarity regarding the enrollment picture for 2024/25, including any significant effect on budget planning assumptions. In the meantime, please share with us any comments or suggestions you have regarding the current year budget plan, as well as development of the 2025/26 strategy as discussed in section II above.