

DATE: June 3, 2024

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

FROM: Meera Komarraju
Provost and Vice President for
Academic Affairs

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Vice President for Administration
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SUBJECT: 2024/25 Operating Budget Planning

Dear Colleagues:

This memo provides important updates on our budget outlook and shares background on some of the current and upcoming budget challenges we face. First, we want to thank you for the robust discussion at our May 16, 2024 UPBG meeting. That discussion, along with the subsequent May 21st CSU Board of Trustees Finance Committee budget presentation, has helped shape the initial campus planning parameters for the 2024/25 budget outlined in sections III through V below.

I. State/CSU Budget:

The Governor's January Proposal initially included a 10% ongoing state appropriation increase for the CSU in FY2025/26 (comprised of the deferred 2024/25 5% compact funding plus a 5% compact increase in 2025/26). Due to worsening state revenue projections, the Governor's May Budget Revision modified this proposal. Instead of the 10% increase over two years, the Governor now proposes to provide the CSU with only a 2% state allocation increase in FY2025/26. Additionally, the proposal includes a one-time \$75M reduction for the CSU in 2024/25.

II. CSUN Operating Budget

This reduction in new continuing funds moves CSUN's budget planning position closer to the "without compact" scenario discussed at our April and May 2024 UPBG meetings. Since the May 16th UPBG meeting, reviews of actual expenditures for the current year indicate that CSUN's projected deficit for FY2024/25 should be slightly lower at \$22.9M, resulting from the following new revenues and expenses:

New Revenues

5% State appropriation increase (compact)	\$ -
CSU Enrollment Reallocation plan (150 FTES)	\$ 1,187,000
Tuition	
Tuition from 6% rate increase	\$ 11,564,573
Tuition from enrollment growth	\$ 2,544,024
Total	\$ 15,295,597

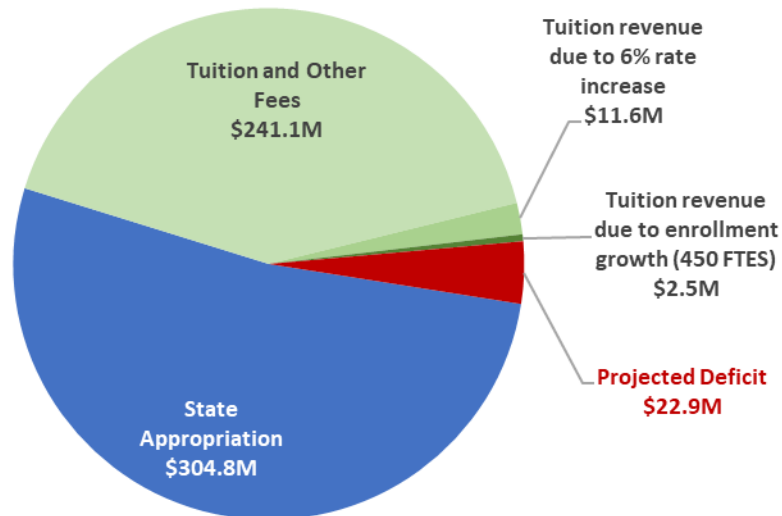
New Expenses

2023/24 projected ongoing deficit	\$ 1,159,082
Compensation Increase	\$ 21,234,749
State University Grant (SUG) financial aid- CO estimate	\$ 6,790,000
Title IX and DHR programs	\$ 760,000
Health/insurance premiums & unfunded mandatory commitments	\$ 8,207,000
Total	\$ 38,150,831

Projected Budget Deficit: \$ (22,855,234)

This deficit represents about 4% of CSUN’s overall 2024/25 operating budget. Revenue sources for CSUN’s operating budget are shown below:

\$582.9M FY2024/25 Operating Budget: Revenue Sources



III. Budget Balancing Approach

In discussions with the Cabinet, we have proposed the following approach to address the projected \$22.9M budget deficit:

- \$10.9M in permanent expense increases will be absorbed within existing division budgets, which represents 4% of 2023/24 base budget allocations. This figure represents about half the cost of new compensation & benefits increases for 2024/25.
- \$12M will be covered by one-time operating reserves (\$6M central/\$6M divisional), which represents 13.9% of CSUN’s total reserves.

The breakdown by division is outlined below:

NEW RECURRING EXPENDITURE ADJUSTMENTS ABSORBED WITHIN EXISTING BUDGET ALLOCATIONS

Division/Area	2023/24 Base Budget Allocation	% of Divisional Allocations	2024/25 Share of Deficit	% of Base Allocation
Academic Affairs	\$ 186,437,672	68.4%	\$ 7,457,507	4.0%
Administration & Finance	\$ 31,255,698	11.5%	\$ 1,250,228	4.0%
Student Affairs	\$ 27,888,761	10.2%	\$ 1,115,550	4.0%
Information Technology	\$ 12,700,110	4.7%	\$ 508,004	4.0%
University Relations & Advancement	\$ 6,605,237	2.4%	\$ 264,209	4.0%
Intercollegiate Athletics	\$ 5,627,904	2.1%	\$ 225,116	4.0%
President's Administrative Unit	\$ 1,401,080	0.5%	\$ 56,043	4.0%
Diversity & Inclusion	\$ 818,434	0.3%	\$ 32,737	4.0%
	\$ 272,734,896	100.0%	\$ 10,909,396	4.0%
TOTAL PERMANENT EXPENDITURE ADJUSTMENT			\$ 10,909,396	

NEW RECURRING EXPENDITURES COVERED BY ONE-TIME RESOURCES

Division/Area	Reserve Balance: 6/30/23	2024/25 Reserve Use
Central University Reserves	\$ 30,476,175	\$ 5,995,302 19.7%
Divisional Reserves:		
Academic Affairs	\$ 44,200,696	\$ 4,098,303 9.3%
Administration & Finance	\$ 5,437,686	\$ 687,068 12.6%
Student Affairs	\$ 3,185,035	\$ 613,055 19.2%
Information Technology	\$ 2,120,296	\$ 279,176 13.2%
University Relations & Advancement	\$ 196,823	\$ 145,197 73.8%
Intercollegiate Athletics	\$ -	\$ 123,713
President's Administrative Unit	\$ 156,038	\$ 30,799 19.7%
Diversity & Inclusion	\$ 255,534	\$ 17,991 7.0%
	\$ 86,028,283	\$ 11,990,604 13.9%

While this approach leaves the campus with an estimated ongoing deficit of \$11,990,604 entering FY2025/26, the deficit would be partially mitigated by new tuition revenue and the 2% state appropriation increase in that year. However, similar to 2024/25, the campus must plan for potential unfunded expenditure increases in 2025/26. On balance, we believe the approach outlined above achieves meaningful ongoing budget solutions in FY2024/25 while employing one-time resources to mitigate impacts to student services and operations.

IV. Guiding Principles for Budget Planning

- 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 deficit, while utilizing operating reserves judiciously;
- Continue progress on Roadmap priorities, leveraging one-time operating/non-operating resources to help support key funding needs.

V. Early Actions and Opportunities for Expenditure Reductions

At the May 21st CSU BOT Finance Committee meeting, the trustees were presented with an array of cost reductions strategies either implemented or under review by individual campuses across the system (<https://youtu.be/US5QqNnXhac>). Assuming CSUN meets enrollment targets, we believe the campus is well positioned to address its budget deficit in a manner that aligns with the values outlined above and avoids some of the more severe measures that will be required at other campuses experiencing significant enrollment declines. While the final 2024/25 state budget has yet to be issued, with the start of the fiscal year just four weeks away, we are recommending the following actions be implemented campus-wide at this time to ensure divisional budget plans support the necessary reductions outlined in section II and III above.

1. **Detailed review of all open positions:** As part of their 2024/25 budget development, all divisions/colleges/departments conduct a detailed review of all open positions in conjunction with the Office of Budget Planning and Management. Since 75% of all university operating expenses are comprised of salaries and benefits, careful oversight and management of labor budgets will be fundamental to meeting reduced expenditure targets while preserving existing jobs.
2. **Corrective action plans:** Per the CSU budget oversight policy (Policy Stat ID 15644796/ICSUAM 02002.00), each division currently completes quarterly budget compliance reviews to monitor budget performance and develop plans to resolve identified discrepancies. Beginning with the 2024/25 first quarter review, the process will include

detailed corrective action plans within the documents submitted to the Office of Budget Planning and Management. The Budget Office will engage with divisions and departments to monitor and adjust the corrective action plans as necessary at the 2nd and 3rd quarter review periods in order to support compliance with the initial budget plans at year-end.

3. **Position review prior to approval of any new hires:** Beginning July 1, 2024, a formal position review will be required prior to initiation of individual recruitments to fill campus positions. Human resources and Faculty affairs will provide guidelines for assessment, which will incorporate the following:
 - a. Completion of a position justification form outlining the need for the position and documenting compliance with the approved budget plan through existing resources or other identified fund source(s).
 - b. Divisional AVP bi-monthly review and assessment of potential shared service/streamlining opportunities across departments and divisions.
 - c. Divisional VP (or delegate) approval for initiation of search.
4. **Travel:** Reduction of non-essential travel funded through general fund operating resources. Each VP will provide divisional guidelines and reduction targets.
5. **Operating expenses:** Reduction of operating expenses for furniture, equipment, and space alterations and improvements which are not deemed essential to meeting instructional, student support or business needs.
6. **Course enrollments:** Assessment of course enrollments and adjustments to align student/faculty ratios with available resources.

VI. Enrollment Targets

The budget planning projections for the 2024/25 academic year, as discussed at recent UPBG meetings, assume a 450 FTES resident enrollment increase to 29,268 FTES. 2024/25 will be the first year of systemwide enrollment funding redistribution. Under the policy approved by the CSU Senior Leadership Council, 3% of state appropriations will be reallocated from campuses with declining enrollments to the seven campuses identified to have growth capacity, which includes CSUN. CSUN must meet its 450 FTES growth target to maintain these redistributed funds, and would be subject to decreased funding in future years in the event of enrollment stagnation or declines. Due to significant collaborative efforts by Academic Affairs and Student Affairs, the campus appears to be on track to meet our 2024/25 target.

VII. Next Steps

Please review this document carefully and discuss it with your colleagues in your respective units. We would also appreciate you sharing any comments or suggestions you have regarding the

proposed budget balancing approach (section III), as well as the early actions and opportunities for expenditure reductions (section V), by June 21, 2024. We will consider your feedback and provide additional details pertaining to specific campus planning assumptions once the final state budget is issued at the end of June and the CSU Chancellor's Office provides additional guidance to campuses.