



CALIFORNIA STATE UNIVERSITY, FULLERTON

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Dr. Stacy Mallicoat
Chair, Planning, Resource and Budget Committee
California State University, Fullerton

Dear Dr. Mallicoat:

I want to begin by thanking you, past Chair Zarate, and every member of our Planning, Resource and Budget Committee (PRBC) for your work and excellence in delivering timely, sound, and responsible budget recommendations. The transparent and collegial work of the PRBC is both appreciated and integral to our mission each and every academic year. This year, however, as we return to campus after 19 months of financial losses and devastating heartache, the PRBC's work has never been more crucial to our university's success or, I would surmise, more challenging to produce.

As we return to campus this fall, we are pleased that there are more dollars available than we anticipated a year ago. First, our own belt-tightening measures and fiscal responsibility at the campus level leading up to and during the pandemic helped mitigate the impact of our losses. Additionally, our ongoing advocacy efforts to correct the inequity that placed CSUF at the bottom of the CSU funding ladder per FTE for nearly a quarter century have finally garnered the attention of the CO (along with a promise to address the issue). Then there is our share of the federal CARES/HEERF funds that have been critical in at least partially reimbursing many of the expenses and losses incurred directly from the pandemic. And of course, both the unanticipated speed with which the state's economy rebounded and the historic CSU funding in the governor's final budget give us breathing room that we hoped for but did not expect a year ago.

While we are grateful for all of that good news, it does not completely eradicate the financial challenges we continue to face or the history that led to them. It does not erase the ramifications of our perennial spot in the CSU funding cellar. It does not change the fact that the majority of this historic baseline funding increase is already committed to existing or anticipated expenditure. It does not alter the reality that the one-time funds we are graced with will not make a significant dent in our ever-growing deferred maintenance needs — needs that already exceed \$300M. It does not allow us to bypass the federal clause that requires all the expenditures for which we are reimbursed from HEERF be directly related to the pandemic. And most importantly, it does not (and no amount of money ever could) relieve the pain or heartache brought on by both COVID-19 and the bubbling up and boiling over of the systemic racism that continues to be our nation's true ongoing plague.

And yet, like all Titans these past weeks and months, you and everyone on the PRBC not only came back, you came through. Your short- and long-term recommendations are as pragmatic as

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they are interconnected with both our university strategic plan and our three pandemic touchstones — the physical and mental health and safety of all Titan communities, unimpeded paths to degree, and the redoubling of our commitment to diversity, equity, inclusion, and social justice. In other words, our final budget decisions for FY 2021-2022, which are summarized below, are directly tied to your collaborative work and recommendations. This includes our ongoing plans for a safe and responsible return to campus, our aspiration to leverage our recent technological innovations to bolster equity and success, and our need to continue leading the CSU in reaching and exceeding the GI 2025 goals.

As always, my gratitude for your service is matched only by my confidence that the resulting budgetary decisions and plan will position the university to utilize its limited dollars for maximum faculty, staff, and student success.

Fiscal Year (FY) 2021-22 Budget – CSU Level

As alluded to above, the \$550.2M increase in recurring (baseline) General Fund appropriations for the CSU in the Budget Act of 2021 is not as transformative as it might first appear. For starters, more than half of those dollars simply constitute the restoration of last fiscal year’s \$299M General Fund reduction to the CSU. When viewed through that lens, the increase in baseline money is really just \$251.2M. Nothing to sneeze at, of course, but not the eye-popping half-a-billion-dollar figure that made all the headlines. This \$251.2M in actual new funding includes a \$186M base increase for CSU operational costs; \$30M for GI 2025 (\$15M for the Basic Needs Initiative component of Graduation Initiative 2025 and \$15M for student mental health); \$25M for additional academic and campus specific programs; and \$10.2M for campus-specific programs (none of which include CSUF).

Fiscal Year (FY) 2021-22 Budget and Funds Available – CSU Fullerton

Baseline Sources

After the CO deciphered and dispersed the \$550.2M, we at Cal State Fullerton received a gross of \$27M in baseline dollars to increase our 2021-22 FY operating fund. However, even that figure loses some of its luster when you dig a bit deeper. First (and to put a Cal State Fullerton-point on the CSU restoration disclaimer above) more than \$20M of that \$27M are restoration funds, meaning they represent returning us to a “break even” restoration of our 2020 baseline cuts, not an increase. Further, the CO returned \$42.7M to the state due to a decline in retirement rates. CSUF’s share of this permanent baseline reduction is \$2.9M. Granted, we underwent an adjustment at the campus level using base savings from our benefits pool to restore that \$2.9M (which is why you still see it in the new sources allocation tab below), but it is still technically a loss. Through the lens of these considerations, our gross \$27M operating fund increase is suddenly down to a net of around \$4M.

As uninspiring as all this sounds, it is important to note that the Chancellor’s Office is also currently withholding an additional \$133.2M systemwide as allocated to systemwide priorities. It is our hope and expectation that, at some point, a portion of these funds will be dispersed to all 23 campuses as new baseline funding. Our share of that withhold is around \$9.7M, meaning that

if and when we receive those funds, our final gross operating baseline increase could potentially increase to as much as \$36.7M. Until then, our FY 2021-22 CSUF baseline budget consists of \$233M in base recurring General Funds (GF) and \$244.8M of tuition and revenues. This amounts to a total gross operating fund of \$477.8M. That means that when you compare our last pre-pandemic fiscal year (FY 2019-20) budget of \$477.6M to this fiscal year, our operating budget has increased by only a few hundred thousand dollars – a number that does not even keep us on pace for inflation and is far from the eye-popping half a billion-dollar announcement made at the state and CO.

One-Time Sources

A potential bright spot in this cloudy weather is the \$976.3M of one-time General Fund augmentations for the CSU in the 2021-22 final state budget. As of this writing, CSUF's share of these one-time monies is only \$8.9M, but we hope and expect that number to rise, particularly as the CO disperses the rest of these funds to assist campuses with their most pressing deferred maintenance needs. The \$8.9M that CSUF has thus far received has been allocated to emergency financial aid (\$2.5M); faculty professional development (\$800,000); enrollment funding in support of Graduation Initiative 2025, which is designated to support students in their final semester to move to graduation (\$3.6M); and seed money for the planning of both the "Titan Gateway" pedestrian bridge (\$1M in state-designated funds) and the Fullerton Arboretum (also \$1M in state-designated funds).

The campus will continue to be over-enrolled, which is anticipated to generate approximately \$16M in additional gross one-time tuition dollars (\$2.7M net after the direct cost of instruction). For many years, CSUF has relied on these funds to help cover its core needs, but it is important to note that the campus does not receive full marginal cost funding from the state for enrollment in excess of the target.

Summary of FY 2021-22 Budget Allocations:

As referenced, the PRBC recommended to prioritize allocation decisions based on short- and long-term priorities. On the short term front, considering the necessary preparation needed for a gradual return to working on-campus and in-person instruction, the committee recommended that the university prioritize the safe and healthy transition of all Titans while avoiding structural deficits and mitigating revenue losses. In adherence to Goal 3 of our strategic plan, the committee also recommended support for the hiring of highly qualified and diverse faculty and staff members through the expansion of social justice objectives. Other areas of input from the PRBC include their support of both implementing enrollment management strategies and enhancing physical infrastructure.

Short-Term Priorities

Our thorough review of and adherence to the HEERF requirements has empowered the campus to bolster financial support in these and other areas without adding to ongoing structural deficits. To that end (and in alignment with the PRBC's recommendation), the campus is utilizing \$31.4M of our total \$142M in HEERF funds to support a safe and responsible return to our physical campus. This includes COVID protective measures (cleaning, disinfecting, fixture

upgrades, Plexiglas dividers, etc.), mental health services, basic needs provisions, vaccination clinics, testing sites, and staffing in-person COVID-related services. As the PRBC wisely pointed out, this also includes the need to support the greater demand for Disability Support Services due to the transitions to and from online instruction.

CSUF is also utilizing approximately \$43M of the HEERF funds to recover revenue losses incurred by Housing, Parking, NR tuition/application fee, Athletics, and Extension and International Programs. Other uses of HEERF monies include \$47.3 of operating fund reimbursement support to divisions for recovery of pandemic-related expenses and \$20.3M to replace the State General Fund reduction in Fiscal Year 20-21.

Long-Term Priorities

The following is a summary of the allocations of our nearly \$50M in new revenue (\$27M in baseline and nearly \$23M in one-time), which makes up just over 10% of our total FY 2020-2021 CSUF operating fund of \$477.8M. As you can see below (and once again in alignment with the PRBC recommendations) these new monies have been allocated in support of long-term priorities such as structural deficits, hiring and retraining diverse faculty and staff, and enrollment management strategies.

	Baseline	One-time	Total
Mandatory Costs	2,625,000	2,493,000	5,118,000
Reserves for Systemwide Mandates	2,572,474	-	2,572,474
GI 2025 - Student Success	2,471,040	3,643,000	6,114,040
Budget Restoration - All Divisions	15,700,526	-	15,700,526
Budget Restoration - Structural Deficits (HRDI & SA)	2,000,000	-	2,000,000
Mission Critical & Operations	798,960	-	798,960
Efficiency & Productivity	-	2,153,895	2,153,895
Ethnic Studies & Enrollment Funding	905,000	13,756,294	14,661,294
Faculty Hiring, Retention & Tenure Track Density	-	800,000	800,000
Total	\$ 27,073,000	\$ 22,846,189	\$ 49,919,189

Mandatory Costs

A total of \$5,118,000 (\$2,625,000 baseline and \$2,493,000 one-time) is allocated to cover mandatory expenditures due to increases in health insurance, a compensation increase for unit 8, emergency financial aid, and the State University Grant (SUG) program.

- **Health Benefits:** \$1,694,000 baseline to fund increase in health benefits.
- **Compensation:** \$138,000 baseline to fund compensation increase for Statewide University Police Association (Unit 8).
- **Emergency Financial Aid:** \$2,493,000 one-time for emergency financial assistance grants for low-income students.

- State University Grant: \$793,000 baseline for the SUG program, which provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students.

Reserve for Systemwide Mandates

We have reserved a total of \$2,572,474 baseline to fund systemwide priorities.

GI 2025 - Student Success

The CSU budget included an allocation of \$6,114,040 (\$2,471,040 baseline and \$3,643,000 one-time) to fund basic needs, mental health, and new funding to support degree completion rates for students during their final semester. As mandated by the CO, we are spending this funding in support of these CSU requirements which also align with your recommendations and Goals 1 and 2 of our strategic plan.

- Basic Needs: \$1,235,520 baseline to fund basic needs initiatives, which is central to GI 2025’s effort to address student engagement and well-being.
- Mental Health: \$1,235,520 baseline allocation to fund additional student mental health services.
- Enrollment Funding: \$3,643,000 one-time funding to boost degree completion rates for students during their final semester.

Budget Restoration

The campus modeled various scenarios for allocation of 2020-21 restoration funds. The table below displays the divisions’ respective restoration based on pro-rata share of the total operating budget. The campus base budget for all divisions were restored to 75% of the fiscal year 20-21 budget reductions with the exception of the Division of Academic Affairs, which received 80% restoration.

<u>Category</u>	<u>Item</u>	<u>Baseline</u>
Budget Restoration - Divisions	Academic Affairs	7,932,981
	Administration and Finance	1,047,889
	Human Resources, Diversity and Inclusion	272,398
	Information Technology	769,073
	Office of the President	112,922
	Student Affairs	1,274,130
	University Advancement	423,913
	University-Wide	3,867,220
		15,700,526
Budget Restoration - Strategically Addressing Structural Deficits	Human Resources, Diversity and Inclusion	1,000,000
	Student Affairs	1,000,000
		2,000,000
Total		\$ 17,700,526

Mission Critical and Operations

We have allocated \$798,960 (baseline) to fund budget requests critical to the mission and operations of the university.

- ADA Manager: \$110,000
- Business Analyst / Admissions IT Specialist: \$152,000
- Environmental Health and Safety Director: \$176,071
- Strategic Communications / Director of Communications: \$182,000
- Strategic Enrollment Management / Student Success Analytics: \$100,000
- Advising: \$78,889

Efficiency and Productivity

We have allocated \$2,153,895 (one-time) to fund efficiency and productivity, which includes \$300,000 to fund the negative carry-forward in the Division of HRDI, and \$1,853,895 for the Division of Academic Affairs to fund costs related to faculty on-boarding and searches.

Ethnic Studies & Enrollment Funding

We have allocated \$14,661,294 (\$905,000 baseline and \$13,756,294 one-time) for enrollment funding as follows:

- Ethnic Studies: \$905,000 baseline is allocated to AA for Ethnic Studies which addresses both Assembly Bill 1460 and our campus's goal to ensure every student has equitable access to at least one ethnic studies course during their academic journey.
- Over-Enrollment: \$10,016,391 (\$6,860,542 one-time for salary and \$3,155,849 one-time for benefits) is allocated to AA to support additional instructional costs to be funded based on actual enrollment.
- Special Academic Programs: A total one-time amount of \$3,739,903 is allocated to AA to fund special academic programs such as Ed.D., KDN, and DNP. While these are core campus programs that have been in place for many years, the campus has traditionally used the annual budget process to allocate their operating funds.

Faculty Hiring, Retention, and Tenure Track Density and Instruction

We have also allocated \$800,000 (one-time) for faculty professional development.

Closing

As you know more viscerally than I do, the work of the PRBC often feels “thankless.” But even in the best of times, the PRBC’s recommendations are so integral to the success of the university, the committee members should not only be thanked, but also have a Titan parade thrown in their honor. Lack of “parade allocations” in our limited budget aside, this year, amidst the adversity of the pandemic and all of its budget ramifications, the least we can do is ensure your job has not been thankless. So, thank you. Thank you. Thank you. Thank you!

With your recommendations and support, I believe we achieved our goal to create high level strategic categories for prioritizing baseline and one-time allocations during this critical time. And just as last year’s PRBC recommendations helped us achieve all-time highs in two-, four-, and six-year graduation rates this past June, I am confident the work of this year’s committee will empower us to once again leverage our limited dollars for the greatest possible impact. This will be especially true as it relates to campus re-entry Covid-support, our student success and GI 2025 goals, faculty and staff diversity and development, and our redoubled commitment to social justice.

Your work also transcends whatever success we manifest this academic year in that your recommendation to examine the timing of budget allocation processes will carry forward indefinitely. Already, we plan to start the budget cycle six months earlier, beginning in January, allowing us during an extended planning process to discuss short- and long- term priorities based on a range of projected budget possibilities. Further, I understand the constraints you articulated regarding the timing of the memo (before the May budget revision). To that end, I commit to looking at ways to engage the PRBC or a designated subcommittee during the summer months. We are also creating a professional development program to better serve and prepare current and future PRBC members and other relevant committees.

And finally, as our comprehensive philanthropic campaign theme states, we know what it takes to continue ascending and better serving our students during this challenging time. It Takes a Titan, and when it comes to our budget, you and the PRBC are the Titans that it takes. Thank you, and I look forward to seeing you all in-person soon!

Sincerely,



Framroze M. Virjee, JD
President