



CALIFORNIA STATE UNIVERSITY, FULLERTON

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Dr. Jidong Huang
Chair, Planning, Resource and Budget Committee
California State University, Fullerton

Dear Dr. Huang:

I would like to start by thanking you, past Chair Dr. Jon Bruschke, and the Planning, Resource, and Budget Committee (PRBC) for the thoughtful planning, analysis, and recommendations that you provide each year to ensure that Cal State Fullerton remains a responsible and transparent steward of public and private resources. I appreciate the three-tiered approach the committee took in making recommendations. Student success remains the core of who we are and what we do. As we continue to navigate our post-pandemic normal, PRBC has continued to advocate for the needs of our university, with an eye on both our immediate and future needs and challenges.

In this document you will find our summary of the FY 2023-2024 budget at both the California State University system level and at the local university level, as well as financial projections.

We are grateful that the governor has honored the budget compact with the CSU this year. Despite the predictable funding the compact provides the CSU, there are many unknown financial challenges that we need to prepare for. We must continue to remain laser focused on increasing student success, closing equity gaps, and recruiting and retaining diverse staff and faculty. Our budget plan incorporates a significant portion of our new baseline dollars to help fund expected contract agreements with our deserving faculty and staff. While systemwide negotiations with most of our bargaining units continue, as of this writing, we are planning for contract settlements that will exceed our available baseline resources. Our expectation is that we will use our reserves, as needed, to fully fund any contract agreements for 2023-2024.

In September 2023, the CSU Board of Trustees approved the implementation of a multi-year tuition increase of 6 percent per year for the next five years beginning in AY 2024-2025. These increases will help fund many fiscal demands the campus faces. Any financial benefit of this tuition increase will become available in FY 2024-2025. I encourage PRBC to review the analysis provided by the Sustainable Financial Model Workgroup to the Board of Trustees' Finance Committee at their May 2023 meeting. This report provides a

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current systemwide budget analysis, along with the reasoning for the tuition increases. Even with our healthy enrollment, Cal State Fullerton is not immune to many issues and challenges that face the system, such as rising mandatory costs and deferred maintenance backlogs.

Our updated Strategic Plan will provide us with an essential framework for planning and budget conversations as we work together to plan for the future. I look forward to having open and collegial conversations throughout the year as we move Fullerton Forward.

Fiscal Year (FY) 2023-24 Budget – CSU Level

The Budget Act of 2023 augmented the CSU’s base, recurring budget by \$353.0 million. The increase is funded by an additional \$330.5 million appropriated from the state General Fund and \$22.4 million from tuition collected as a result of planned resident enrollment growth of 3,434 FTES.

The General Fund portion of the budget increase includes: \$227.3 million for increased CSU operational costs; \$99.7 million for debt service on CSU infrastructure projects; \$1.3 million to expand the CSU Basic Needs Initiative; \$1.0 million to support students with disabilities; \$0.8 million to increase student mental health resources; \$0.3 million for a Rapid Rehousing program; and \$0.1 million for the Corporation for Education Network Initiatives in California (CENIC). These enhancements to specific programs and funding for additional costs are allocated to campuses with the exception of CENIC, which is a systemwide program managed by the Chancellor’s Office. The timing on allocation to campuses will vary, with some amounts for increased CSU operational costs temporarily held centrally pending the outcome of open bargaining contract negotiations.

Fiscal Year (FY) 2023-24 Budget and Funds Available – CSU Fullerton

The Chancellor’s Office allocated \$119.8 million of the \$353.0 million FY 2023-24 base budget increase to campuses during the start of the current fiscal year. The remaining \$233.2 million was retained centrally for debt service on systemwide capital and infrastructure, Chancellor’s Office administered systemwide programs, and for later distribution to campuses to fund compensation increases. CSUF received \$13.2 million of the \$119.8 million distributed to campuses. This amount includes funding to support CSUF’s increasing mandatory costs as well as \$7.9 million for enrollment growth resulting from the campus’s ability to continually meet enrollment targets. The base augmentation to CSUF allocated in July includes:

- \$3.5 million for health premium increases
- \$0.9 million for increases in liability and property insurance premiums
- \$7.9 million for enrollment growth (additional 536.0 FTES)
- \$0.9 State University Grant redistribution (SUG)

Separately, the July budget memo includes budget revisions to the prior year, FY 2022-23. CSUF’s budget was increased an additional \$8.5 million for trailer items allocated to our campus later in the year along with statutorily mandated catch-up adjustments to CalPERS retirement costs:

- \$0.8 million for Student Basic Needs

- \$2.9 million for Graduation Initiative 2025
- \$4.8 million for the FY 2022-23 State Funded Retirement Adjustment

Negotiations between the systemwide office and bargaining units continue and, depending on the outcome of those discussions, the campus is planning on finalizing the compensation budget, once the Chancellor’s Office releases resources held centrally.

One-Time Sources

Our campus continues to meet and exceed enrollment targets and we anticipate generating an additional \$15.1 million in tuition revenue from over-enrollment, which will be allocated based on actual Fall and Spring post-census enrollment. Keep in mind that enrollment above target does not include the state funded component of marginal cost.

Summary of FY 2023-24 Campus Budget Allocations

The table below provides a summary of planned uses of our budget. Consistent with the priorities identified in PRBC’s recommendations, new incremental resources not otherwise obligated to support higher mandatory costs and systemwide initiatives have been allocated to support key, long-term investments in our infrastructure and our faculty and staff.

Category	Baseline	One-time	Total
Mandatory Costs	\$ 10,134,000	\$ -	\$ 10,134,000
FY 2022-23 Adjustment - Student Basic Needs	789,000	-	789,000
FY 2022-23 Adjustment - GI 2025	2,939,000	-	2,939,000
Enrollment Growth Instruction (536 FTES)	2,467,187	-	2,467,187
Enrollment Funding - Over Enrollment	-	10,211,308	10,211,308
Enrollment Contingency	-	3,500,000	3,500,000
Faculty Start-up Costs	-	1,375,172	1,375,172
Contingency for Other Mandatory Costs	20,386,413	-	20,386,413
Total Uses	\$ 36,715,600	\$ 15,086,480	\$ 51,802,080

Mandatory Costs

A total of \$10,134,000 of baseline budget is allocated to cover increases in mandatory expenses. They include:

- Health Benefits: \$3,526,000 baseline to fund increases in health care premiums
- Retirement: \$4,792,000 baseline adjustment for increased retirement costs effective FY 2022-23
- Risk Pool Premium: \$914,000 base augmentation for increases in liability and property insurance premiums
- State University Grant: \$902,000 baseline funding for the SUG program, which provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students

GI 2025 - Student Success

The Chancellor's Office increased CSUF's prior-year, FY 2022-23 baseline budget by an additional \$3,728,000 to support student basic needs and advance the goals of the GI 2025 initiative:

- GI 2025: \$2,939,000 in baseline funds is allocated to improve student success metrics, by expanding academic advising resources, supporting student incentive programs, providing online instructional design support, and partial baseline funding of the Faculty Development Center
- Basic Needs: \$789,000 in base, recurring budget is directed to sustain and expand the CSU Basic Needs initiative

Enrollment Funding and Faculty Startup

We have allocated \$17,553,667 (\$2,467,187 baseline and \$15,086,480 one-time) for enrollment funding as follows:

- Enrollment Growth: base, recurring increase of \$2,467,187 (\$1,633,899 for faculty salaries and \$833,288 for employer-provided benefits) to support additional target enrollment of 536 Full Time Equivalent Students (FTES)
- Over Enrollment: \$10,211,308 (\$6,762,455 one-time for faculty salaries and \$3,448,852 one-time for employer-provided benefits) is allocated to the division of Academic Affairs to support additional instructional costs above target, based on actual enrollment
- Enrollment Contingency: \$3,500,000 reserved as a one-time contingency for over-enrollment above the campus plan
- Faculty Start-up Costs: One-time budget of \$1,375,172 is set aside to fund new faculty start-up costs

Reserved for Compensation and Other Campus Contingencies

Pending the outcome of systemwide negotiations of open bargaining contracts, the campus will allocate available resources for compensation and other unfunded multi-year mandatory costs.

Closing and Looking Forward

A challenge of being one of 23 universities in the California State University system is that we are often advised on what we will receive, and then we must do the best we can with the funds given. However, we do have significant agency to plan and refine how we do business at Cal State Fullerton, and I am grateful for the work that the Planning, Resource, and Budget Committee does throughout the year to provide recommendations and thoughtful considerations from our university constituencies. You are a pillar in our shared governance community.

It is clear that enrollment drives how much we receive in our state allocations and impacts every program at the university. We continue to meet our enrollment targets, and that is commendable. We are the biggest CSU, but we need to begin asking ourselves tough questions that will help us determine what size is the best size for Cal State Fullerton. We

need to prepare for the projected dip in enrollment that many universities in our nation currently face.

As the university community completes the next Strategic Plan, we need to develop a multi-year strategic enrollment planning model. It will need to, as the committee requested, have “enrollment planning linked to SFR’s, targets and actual costs.” Planning should drive budgeting, and a strategic enrollment management model can assist us in anticipating and responding to enrollment years like this one, a year with large incoming and graduating cohorts.

A strategic enrollment plan will serve as a road map that will help us decide what the right enrollment is for the university, based on the resources we have to offer. This will require robust cross-divisional conversations and authentic collaboration. PRBC members will be relied upon to contribute their expertise, and I look forward to doing this work together.

Sincerely,

A handwritten signature in black ink, appearing to read "Sylvia A. Alva". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Sylvia A. Alva, Ph.D.
President