


DATE: August 26, 2024
TO: Members of the University Budget Advisory Committee
FROM: Dr. Cynthia Teniente-Matson, President 
RE: FY 24/25 Budget

Once again, I want to recognize and appreciate the significant time you have invested to understand our campus finances and to offer meaningful advice as we tackle the goal of creating a financially sustainable budget model. Thank you for the thoughtful [recommendations](#) and the proposed comprehensive action items.

Campus decision making and fiscal resources will maintain a student-centered approach and an unwavering commitment to preserving our academic mission and commitment to research, scholarly, and creative activities.

I am pleased to report we have achieved a balanced base budget for 2024/25. However, next year's budget (FY 25/26) outlook will continue to require our collective insights as we make impactful decisions that align with SJSU's strategic plan and goals.

The SJSU FY24/25 Current Fiscal Situation

As I indicated in my July 2nd, 2024 message, on June 29th, California Governor Gavin Newsom and the State Legislature signed the 2024/25 State Budget Act. You may recall that as recently as the May Revise the Compact had been deferred. Thanks to significant advocacy by the Chancellor's Office, University Administration and our labor union partners, our compact funding was restored.

The final coded memo [B2024-02](#) from the Chancellor's Office highlights the \$246.2M increase as well as the \$75M one-time budget reduction.

The 2024-25 Compact combined with the CSU 6% tuition increase (first since 2017) and SJSU's 6% spending reduction have enabled us to have a **balanced base budget for 2024/25**. We have more work to do; however, we start FY 24/25 with a balanced base budget. A resounding thanks to everyone's efforts and sacrifices.

As explained at the March 2024 Budget Town Hall, we forecasted a \$26.7M structural deficit at the end of 2023/24. To mitigate the structural deficit, a 6% (\$35M) across the board reduction was implemented to close the gap and balance the budget for 2024/25. The campus incurred an internal loan to offset the deficit, but the campus is on the road to recovery.

The table below shows SJSU’s share of the General Fund (GF) state allocation as well as campus adjustments. Because of advocacy efforts, SJSU received additional base funding outlined below in high priority areas. Regrettably, the CSU did not receive any money for deferred maintenance.

2023/24 Structural Budget Deficit	\$ (26.7)
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New Base Sources

GF Increase - 24/25 Compact	\$ 10.8
<i>Mandatory Costs: Health Premiums</i>	\$ 5.0
<i>Mandatory Costs: Property & Liability Insurance Premiums</i>	\$ 1.3
<i>Resident FTES Growth + 73 FTES CAMPUS REALLOCATION</i>	\$ 0.7
<i>CalNagpra</i>	\$ 0.2
<i>Title IX</i>	\$ 0.5
<i>Resident FTES Growth + 150 FTES</i>	\$ 1.2
<i>Project Rebound / SSD</i>	\$ 0.3
<i>GI 2025</i>	\$ 1.3
<i>Veterans</i>	\$ 0.2
\$75M CSU reduction in 24/25 from Governor's May Revise (1X)	\$ (3.9)
Tuition and Fees Adjustments	\$ 14.6
<i>Resident FTES Growth + 73 FTES</i>	\$ 0.5
<i>Resident FTES Growth + 99 FTES (1X)</i>	\$ 0.5
<i>Resident FTES Growth + 150 FTES</i>	\$ 1.0
<i>6% Tuition Rate Increase & 24/25 Compensation Plan</i>	\$ 10.2
<i>Campus Adj to Non-Resident -100 FTES</i>	\$ (1.1)
<i>Excess Enrollment (net CA / non-CA)</i>	\$ 3.4
Financial Aid (SUG) Prelim Adj to 95% Prior Year	\$ 2.0

2023/24 New Sources	\$ 23.5
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Campus Uses

24/25 Allocations	\$ 6.3
<i>Mandatory Cost Increases</i>	\$ 5.0
<i>Mandatory Costs: Property & Liability Insurance Premiums</i>	\$ 1.3
<i>CalNagpra</i>	\$ 0.2
<i>Project Rebound / SSD</i>	\$ 0.3
<i>GI 2025 / Veterans</i>	\$ 1.5
<i>Salary Savings</i>	\$ (2.1)
Compensation Increases	\$ 21.2
Financial Aid (SUG)	\$ 2.0
Existing Funding Commitments	\$ 2.3
2024/25 New Uses	\$ 31.9
2024/25 Net New Sources / Uses = (\$23.5M - \$31.9M)	\$ (8.3)
2024/25 Structural Budget Deficit Before Division Reductions	\$ (35.0)
Structural Deficit (\$26.7M) + Net Sources/Uses (\$8.3M)	
2024/25 Division Reductions (6%) (announced last year)	\$ 35.0
2024/25 NET Budget After Division Reductions	\$ (0.0)
REQUIRED Pay Back of 23/24 Borrowing	\$ (9.4)

In the \$35M of divisional budget reductions, 15 MPP positions were eliminated.

At the end of 23/24 through reduced spending and slower hiring, the campus was able to save close to \$10M in one-time funds which was partially used to 1) fund Academic Affairs student assistants, 2) fund SSI increases for faculty, and 3) reduce the 2023/24 deficit. A similar salary savings is forecasted in 2024/25, and it will be used in similar ways.

Enrollment remains consequential to long term stability and the campus has experienced significant improvement in California resident enrollment. SJSU received full funding (tuition & State formula) up to the SJSU enrollment target and tuition dollars only for excess enrollment. By achieving or exceeding resident targets, SJSU is eligible for additional CSU enrollment growth in the following year and Academic Affairs receives budget funding for additional FTE's up to the SJSU enrollment target and partial support for excess enrollment.

	<u>2023/24</u>	<u>2024/25</u>	<u>YTY Growth</u>
SJSU Target	24,130	24,130	
Add'l State FTE's		150	
Campus Reallocations		73	
NEW TARGET	24,130	24,353	223
Excess Enrollment	88	491	
TOTAL	24,218	24,844	626

Spring Semester Workgroups

Over the course of the summer the four (4) internal SJSU workgroups and Segal Consulting completed their preliminary insights and advice relative to their respective charge. The preliminary findings indicate a broader focus on consolidation, change management and streamlining processes core to campus operations. Consistent with your suggestion about opportunities to consolidate activity, the workgroup leads will be convening in the coming weeks to review their preliminary findings, which indicate significant overlap in various administrative activities.

The next steps include the launch of a pilot initiative for the CSU system to create a future state of a shared service model for administrative operational functions, including Administration and Finance, Information Technology and University Personnel activities. This work will be funded by the Chancellor's Office and supported by Deloitte Consulting as a part of the broader multicampus initiative led by the Chancellor's Office. As this initiative proceeds there will be ample opportunity for campus input.

Due to a variety of complex legal matters and proposed settlements impacting the national landscape of athletics, the Athletics Board will complete its work this academic year on SJSU sports sponsorship. Athletic Director Jeff Konya will continue to lead this effort with external support and consultation by the Athletics Board.

The Future

As we look ahead, California continues to face a significant budget deficit. Governor Newsom deferred an **8% base budget reduction from the 2024/25 budget cycle to FY 25/26** to provide the CSU ample time to plan for the reduction.

Because the 2025-2026 preliminary budget outlook is uncertain—we must prepare and plan for a financially sustainable budget including further reductions in state appropriations such as an 8% base budget reduction and the deferral of next year’s 5% compact. It is a long way until the budget for next fiscal year is finalized, and if 2024-2025 is any indication, significant advocacy by the Chancellor’s Office, University Administration and our labor union partners can lead to positive change.

Budget Town Hall

In our continuing efforts for transparency and clarity, VP Charlie Faas and I are hosting a Budget Town Hall on September 26th from 9 - 10:30 at the Student Union Theatre.

We will provide an overview of the university’s financial situation and engage in consultation about creating a financially sustainable budget model. In alignment with the Strategic Plan and shared governance the outcomes of the summit will include collective input for a combination of efforts:

- Investing or maintaining support for critical initiatives for improving our enrollment processes, holistic student academic success, strengthening Title IX, and the Strategic Plan.
 - Graduation Initiative to Year of Engagement and Student Success;
 - Strategic Resident Enrollment;
 - State University Grants;
 - Title IX;
 - Nagpra & CalNagpra;
 - Veteran Tuition Waivers.
- Growing and diversifying revenues:
 - grow enrollment;
 - support for fundraising and extramural funding;
 - usage of degree based fees similar to SDSU and SLO;
 - continued growth of SJSU Online;
 - campus sponsorships;
 - services to other campuses and entities;
 - increasing non general fund revenues for athletics.
- Reducing operating expenditures:
 - consolidate or restructure aspects of the organization to reduce duplication of efforts such as findings from the strategic workgroups.
 - streamline processes and focus on continuous improvement;
 - shared services or offering services to other agencies;
 - review and potentially eliminate vacant positions; and
 - optimize utilization of campus enterprise and auxiliary units.

24/25 BAC Charge

The charge for the Budget Advisory Committee this year is to assist with suggestions to bridge the Governor's 8% (approximately \$19M) reduction as follows:

- 1) Diversifying revenue streams (including enrollment growth).
- 2) Expense reduction methodology.
- 3) Review all funds that support university activities which include SSETF allocations and campus cost allocations.
- 4) Supporting the university in its next steps to create a future-state of our administrative operational activities, as suggested by the 4 strategic workgroups.

As we finalize the FY 24-25 operating budget, I remain committed to supporting our University's Strategic Plan, Transformation 2030 and its Values. I will once again ask for the BAC's continued efforts, insights and expertise in helping guide us through some very concerning times. The BAC will continue to advise me on our institutional resources with clarity, transparency and creativity to achieve a fiscally sustainable budget model for San José State University.