



CALIFORNIA STATE UNIVERSITY, FULLERTON

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November 1, 2022

Dr. Jon Bruschke
Chair, Planning, Resource and Budget Committee
California State University, Fullerton

Dear Dr. Bruschke:

I would like to begin by thanking you, past Chair Stacy Mallicoat, and the Planning, Resource, and Budget Committee (PRBC) for the tireless work that you perform each and every year to help our university be responsible stewards of the limited resources allocated to us. While we may not always agree with how the State or our Chancellor's Office allocates funds to help us serve our students, I am comforted to know that at Cal State Fullerton, we are united in our desire to provide the greatest benefit to the greatest number of our students, faculty, and staff with our financial resources. Student success is not only our mission and the core of who we are, it is our responsibility to achieve. As we have emerged from the pandemic and faced the challenges that it has brought to our campus community, the PRBC has continued to advocate for the needs of our campus, both in the immediate and with an eye for our future needs and expected challenges.

In this memo, you will find our summary of the current budget, as well as some insight to our future challenges at Cal State Fullerton. While the current budget signed by the Governor is positive in its allocation of additional funds to our campus, once again we find ourselves with more needs than our budget provides for. With this all-to-common result, it is particularly important for us to be diligent and thoughtful with the funds we are allocated. I appreciate the recommendations provided by PRBC, as they are thoughtful and intentional in acknowledging the challenges we face, such as rising mandatory costs, escalating deferred maintenance needs, the recruitment/retention of diverse faculty/staff, and our continued need to improve our student success rates, with specific intention to meet the needs of our most disadvantaged and marginalized students.

As we examine both the current budget and future challenges, we must also acknowledge the stewardship of our resources to date. I would like to recognize the expert work of our divisions and department staff in their efforts to responsibly manage our fiscal resources. This past year, each of the divisions finished the fiscal year without a deficit. This is a testament to the hard work of our division- and department-level fiscal management teams. In addition to the effectiveness of our fiscal management efforts, we continued to benefit from the funds the federal government has provided our campus via the Higher Education Emergency Relief Funds (HEERF) program. While we were restricted in the use of the funds to meet our many needs, they proved critical in helping us to fund additional

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expenditures that the pandemic imposed upon us. Efficient use of HEERF dollars also allowed us to be more agile in preserving our operating funds to meet our evolving programmatic needs, and to restore our reserves.

Below we provide a summary review of the FY 2022-2023 budget at both the CSU and CSUF level, with a reference to ongoing (baseline) and one-time funding, and then turn to allocations of that funding toward campus needs for the current year. We close with some summary thoughts for the year and a cautionary comment of difficult times on the horizon.

Fiscal Year (FY) 2022-23 Budget – CSU Level

The total increase in baseline budget for the CSU system in the Budget Act of 2022 is \$410.8M, of which \$365.7M derives from state General Fund appropriations, and \$45.1M from campus-generated tuition revenues.

This \$410.8M in new funding includes: a \$17.1M baseline increase for CSU mandatory costs; \$173.4M for employee compensation increases; \$129.9M for enrollment growth costs for 9,434 FTES; \$35M for GI 2025; \$10M for Student Basic Needs; \$12M for Foster Youth Programs; and \$33.4M for other program adjustments. These other program adjustments include base allocations for specific campus and systemwide programs. The timing on the allocation of these funds will vary. Campus programs contained in other program adjustments include the Center for California Studies at Sacramento, Project Rebound for multiple campuses, the Asian American, Native Hawaiian, Pacific Islander Student Achievement Program, the Corporation for Education Network Initiatives in California and the Cradle-to-Career Data System. These last two programs are administered directly by the Chancellor's Office.

An additional \$124.4 million of base funding allocated to campuses for 2021- 22 compensation, came from resources that had been reallocated by the CO from 2021-22 systemwide priorities.

CSU's budget also includes \$1.0B in one-time resources. Key elements of fiscal year 2022-23 one-time funding are:

- \$497 million for student housing projects on nine CSU campuses (including CSUF)
- \$125 million for deferred maintenance
- \$67.5 million to fund a portion of California State University, Fullerton's Engineering and Computer Science Innovation Hub Complex Expansion
- \$80 million for a new science, technology, engineering and mathematics (STEM) facility at San Diego State University's Imperial Valley campus.
- \$79 million for a student center at California State University, San Bernardino's Palm Desert campus
- \$75 million for equipment and infrastructure improvements at four CSU university farms

- \$83 million for the Energy Innovation Center at California State University, Bakersfield
- \$30 million for other legislative priorities on eight CSU campuses

Fiscal Year (FY) 2022-23 Budget and Funds Available – CSU Fullerton

With the Chancellor’s Office dispersal of the \$410 million across the system, Cal State Fullerton received a gross of \$44.5 million in baseline dollars to increase our 2022-23 FY operating fund. We appreciate this budget increase. However, once again, as you begin to dig a bit deeper, that increase is not nearly as impressive as it sounds. First, just about \$15M of that \$44.5M are our own funds -- \$9.3M was money held back by the CO for compensation increases in 2021 and \$5.6M of the allocated funds includes our own campus-generated tuition revenue. Further, the CO returned \$4.4M to the state due to a decline in retirement rates. CSUF’s share of this permanent retirement baseline reduction is \$305K. So, in reality, our actual new-dollar baseline increase is closer to \$29.3M.

The extant facts are even less rosy, when one considers that the vast majority (if not all) of this increase will be used to fund compensation increases, enrollment growth, and other mandatory costs. These new recurring funds include a \$1.3M base increase for CSUF mandatory costs (health and operations & maintenance of new facilities); \$20.8M for employee compensation increases; \$15.1M for enrollment growth costs for 1,100 FTES; \$2.9M for GI 2025; \$0.8M for Student Basic Needs; \$0.8M for Foster Youth Programs; and \$2.9M for SUG. In addition to the funds received for mandatory costs, we used \$4.3M of our existing campus budget to cover the compensation increases not covered by new funds, resulting in a projected total of recurring expenditures of \$48.7M.

As a reminder, these increases include faculty retroactive compensation increase of 4% in 2021, and an additional 3% in 2022. Faculty also received a \$3,500 stipend in 2021. In addition, a pool of funds equal to 2% of faculty compensation was set aside for several other faculty compensation increase programs available to sub-sets of faculty, as negotiated via the CFA collective bargaining process. With very limited exceptions for some bargaining units, most represented staff and MPPs received no increase in 2020 or 2021, and 7% in 2022 – in overall baseline compensation parity with faculty. They also received stipends of up to \$3,500.

While we received funding of \$20.8M from CSU for compensation, our projection of the recurring costs for the negotiated increases is \$25M which includes approximately \$16M for faculty, and \$9M for staff, and this estimate does not include one-time stipends which cost the campus approximately \$11.6M.

As you may recall from last year’s budget, the CO held back an additional \$133.2M at the system office for “systemwide priorities.” Our share of these funds was \$9.7M. As mentioned above, \$9.3M of the \$9.7M that the Chancellor’s Office withheld from us last year is included in the money allocated to us for this year to cover some of these costs. Also, in true Titan spirit, when we learned of the impending likely increases that had no budget line attached to them, we knew we needed to plan. As such, last year we held back

an additional \$2.6M in recurring funds to use for this year, and funded approximately \$5.1M of faculty one-time stipends from our HEERF grant. So, while this does not put us in the best position, we are in a much better position than many of our sister campuses. To be clear, we will still need to cover over \$6.5M of one-time compensation (or stipends) not covered by the new sources – using reserves, but we are in much better place than we would have been had we not planned.

One-Time/Other Sources

Perhaps the biggest news this year and in the history of CSUF is our one-time campus funding for FY 2022-23 budget cycle at \$161.2M! This amount includes \$67.5M for the Engineering & Computer Science Innovation HUB; \$88.9M for Affordable Student Housing; and \$4.8M for maintenance.

The Budget Act of 2022 (and its latest amendment in September) included several consortium/initiative-based allocations totaling \$15M for CSUF, including \$8M Project Rebound (for CSUF and other Project Rebound campuses), \$2M for the CSUF Center for Healthy Neighborhoods, and \$5M for Asian Language Bilingual Teacher Education (again, for CSUF and other participating campuses).

Summary of FY 2022-23 Campus Budget Allocations:

In its budget recommendations, the PRBC, in alignment with our institution's strategic objectives, identified key budget priorities that were used to develop the university's budget plan for this fiscal year. These priorities were organized into three tiers and ranked in order of importance. As previously noted, the operational needs of our campus far exceed our available funding. The recommendations provided by the PRBC are a crucial voice in informing our decision-making process. These priorities have been shared with the executive leadership team and the team has provided critical information for each division to consider as they manage their fiscal resources throughout the year.

In addition to the tiered fiscal recommendations that were outlined, there were also recommendations for process and planning improvements. These have also been shared with the executive team and will help inform future efforts. To that end, the Administration and Finance Division has already begun discussions with the Division of Academic Affairs on improving budget understanding and process improvements to strengthen our fiscal management capacities to lay a foundation for multi-year budget planning to the extent possible, which will also be linked to our strategic plan, our guiding principles for social justice and enrollment planning efforts. Linking our strategic enrollment management and budget planning will be critical as we expect the state's financial situation to worsen over the coming years and also expect to continue to experience enrollment pressures. Over the course of the academic year, Administration and Finance will be meeting with every division, college, and major department to review budgets and fiscal performance.

While we are unable to fund all of the thoughtful and prudent recommendations from PRBC, we are able to allocate funds to help address the following priorities with our current year's

budget allocation. The table below provides a summary of planned uses of our budget. 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 faculty and staff compensation, student success, mandatory costs, and enrollment growth.

Category	Baseline	One-Time	Total
Mandatory Costs	28,539,182	6,463,352	35,002,534
GI 2025 - Student Success	2,939,000		2,939,000
GI 2025 - Basic Needs	789,000		789,000
Foster Youth Program	839,000		839,000
Enrollment Growth (1,100 FTES)	4,995,793		4,995,793
Enrollment Funding - Special Academic Programs	4,000,000		4,000,000
Enrollment Funding - Over Enrollment		2,720,436	2,720,436
TBD		1,427,795	1,427,795
Total	\$ 42,101,975	\$ 10,611,583	\$ 52,713,558

Mandatory Costs

A total of \$35,002,534 (\$28,539,182 baseline and \$6,463,352 one-time) is allocated to cover mandatory expenditures due to increases in compensation, health care premiums, operations and maintenance of new facilities, State University Grant (SUG) program, and retirement adjustment for FY 21-22.

- Compensation: \$31,138,534 (\$24,675,182 baseline and \$6,463,352 one-time) to fund compensation increases for both FY 21-22 and FY 22-23.
- Health Benefits: \$990,000 baseline to fund increase in health care premiums.
- Operation and Maintenance of New Facilities: \$296,000 baseline to fund cost of utilities, building maintenance, custodial, landscape and administrative support for new square feet of space on campus.
- Retirement: (\$305,000) baseline adjustment due to a drop in retirement contribution rates.
- State University Grant: \$2,883,000 baseline funding for the SUG program, which provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students.

GI 2025 - Student Success

The CSU budget included an allocation of \$35M in baseline funding for GI 2025 to fund basic needs, mental health and new funding to facilitate campus progress toward the

established goals and metrics for equitable student outcomes. As mandated by the CO, we are spending this funding in support of these CSU requirements.

- GI 2025: \$2,939,000 in baseline funds will be allocated to help improve our success metrics with additional academic advising resources, student incentive programs, online instructional design assistance, and partial baseline funding of the Faculty Development Center.
- Basic Needs: \$789,000 in baseline funding will be used to sustain and expand Basic Needs initiatives across the CSU.

Foster Youth Program

The campus received an allocation of \$839,000 for the Foster Youth Programs. These funds will be used to support services for students who are foster youth and former foster youth, which may include outreach and recruitment, counseling and academic advising, grants for books, supplies, tutoring, childcare, housing or transportation, and other related services.

Enrollment Funding

We have allocated \$11,716,229 (\$8,995,793 baseline and \$2,720,436 one-time) for enrollment funding as follows:

- Enrollment Growth: \$4,995,793 baseline (\$3,352,881 for salary and \$1,642,912 for benefits) to support resident enrollment growth of 1,100 FTES.
- Over-Enrollment: \$2,720,436 (\$1,825,796 one-time for salary and \$894,640 one-time for benefits) has been allocated to AA to support additional instructional costs to be funded based on actual enrollment.
- Ed.D. & DNP Programs: A total baseline amount of \$4,000,000 is allocated to fund special academic programs such as Ed.D., KDN, and DNP. These are core campus programs that have been in place for many years and now, we can make their funding source permanent.

Reserved for Campus Contingency

We have set aside \$1,427,795 for contingency and/or reserve for campus needs and priorities, such as unexpected drops in enrollment or other unforeseen needs.

Closing and Looking Forward

As we progress through this academic year, I am thankful for the hard work, dedication, and prudence of PRBC. Each year, I am greatly impressed by the thoughtfulness and foresight of the committee's work. Your student-centered dialogue and discussion in pursuit of

discovering the greatest needs and fiscal challenges our campus is facing, is an example of the best qualities of shared governance.

I look forward to continuing the dialogue, and locking arms as we face our challenges, celebrate our successes, and identify areas for us to improve. We still have work to accomplish in improving our graduation rates, increasing student retention, eliminating equity gaps, investing in the growth and development of our valued faculty and staff, fixing our broken buildings, and improving our technology to support our faculty, staff, and students, both in-person and online. There are many, many tasks before us. And as I have since my arrival, I will continue to stand alongside you, rolling up my sleeves and asking, “What’s next?!?”

In closing, as much as I would prefer to not end this on a dour note, I would be remiss if I did not reference the fiscal storm clouds that we see coming. As you all are aware, our nation, state, and local economies are all challenged due to inflation, fiscal uncertainty, and workforce challenges. Early projections from the Department of Finance are showing lower earnings for the state than originally projected. As of the first quarter (ended September 30), the state is down 11.1% in cash receipts. Despite the fiscal challenges and uncertainties, we are expecting the Governor to honor the compact that he made with the CSU, which will provide 5% general fund growth on state-side allocation (or a 2.5% overall increase), each year, for the next five years, plus funding for 1% enrollment growth. And while enrollment demand for CSUF remains robust, our experience over the past two years, and the experience of CSU campuses and universities across the nation, also portend more than insignificant enrollment challenges over the next several years, leading to possible revenue shortfalls. All good organizations expect the best and plan for the worst. So, we will be resilient, we will plan, and we will save. We will spend judiciously, we will invest wisely, we will care for those in need, we will challenge conventional thinking, we will be creative, we will demand equity in all its forms, and most importantly we will take care of each other, because that is what it means to be a Titan. Thank you, PRBC, for being the Titans it takes and again, thank you for your continued dedication and support to our students and our great university. I look forward to meeting these challenges with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Framroze M. Virjee". The signature is fluid and cursive, written on a light-colored background.

Framroze M. Virjee, JD
President