

COMMITTEE ON FINANCE

Approval of the 2021-2022 Operating Budget Request

Presentation By

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Summary

This item requests approval by the California State University Board of Trustees of the 2021-2022 CSU Operating Budget Request. Accompanying this agenda item as Attachment A is the proposed 2021-2022 request, which contains historical detail as well as prospective information for the Board of Trustees' consideration.

The California State Constitution requires the submittal of the governor's budget proposal each year by January 10. To meet consequent deadlines of the Department of Finance, it is necessary to adopt the proposed 2021-2022 CSU Operating Budget Request at the November CSU Board of Trustees meeting.

At its September 2020 meeting, the Board of Trustees reviewed a preliminary plan for purposes of crafting the CSU's operating budget request to the state. That preliminary plan included consideration of past and forecasted information regarding the state's economy and tax revenue as well as past and planned funding of the CSU. With that history and context, the focus of this item are the details of the proposed 2021-2022 CSU Operating Budget Request.

The budget outlined in Attachment A is the official presentation of the 2021-2022 CSU Operating Budget Request and, if approved, will be distributed to the governor, legislators, and other policy makers in the capitol. It can be accessed, along with additional supplemental detail, at www.calstate.edu/budget.

Proposed 2021-2022 CSU Operating Budget Request

The 2020-2021 state budget reduced recurring CSU funding by \$299 million or 7.4 percent, which was the first reduction since 2011-2012. The prospect of the state providing new investments in the 2021-2022 budget cycle is not promising because the state forecast from July 2020 suggests state budget deficits through 2023-2024.

State revenues fluctuate and are heavily dependent on personal income tax. It is very early in the 2021-2022 budget cycle and it is not clear which direction the economy will ultimately take or how significant those changes will be in the short-term. It should be noted that there have been some positive economic indicators since July 2020 including actual state tax revenue receipts ahead of forecasts and declining California unemployment rates.

If the state budget were to improve, the university should be positioned for a potential investment. We must prepare—and be prepared—for when the finances and priorities of the state align with the priorities of the university.

Consequently, the proposed operating budget request prioritizes certain areas of recurring expenditures to continue the CSU's commitment to Graduation Initiative 2025, attend to the highest priority academic facilities and infrastructure projects, fund mandatory cost obligations, and restore recurring state funding eliminated in 2020-2021 from the CSU's operating budget.

As shown in the below table and in Attachment A, the 2021-2022 Operating Budget Request proposes a base, recurring increase of \$556.0 million. With such an investment, the state and the CSU will be in a better position to meet the overall economic and future workforce needs of California.

Incremental Expenditures		in million
Graduation Initiative 2025		\$150.0
<i>Campus Highest Priorities</i>	\$135.0	
<i>Basic Needs Initiative</i>	15.0	
Mandatory Costs		57.0
<i>AB 1460-Ethnic Studies Requirement</i>	16.5	
<i>Health Benefits</i>	23.8	
<i>Operations & Maintenance of New Facilities</i>	11.3	
<i>Minimum Wage</i>	5.4	
Academic Facilities & Infrastructure Needs		50.0
General Fund Restoration		299.0
Total Incremental Expenditures		\$556.0

Anticipated Revenues

Board of Trustees General Fund Increase Request	556.0
Total Incremental Revenues	\$556.0

Potential Opportunities to Address Operating Budget Revenue Needs

The CSU's highest priority is to advocate for increased state funding to cover the full operating budget request. The CSU will work collaboratively with stakeholders and partners across the system including trustees, students, faculty, staff, union leaders, alumni, business partners, and friends to make the case in Sacramento for increased funding that supports our priorities. With the historic gains made in four-year and six-year graduation rates, the aggressive targets set out in Graduation Initiative 2025, and with the state focused on these same goals, arguments for increased state funding are strong.

While additional general fund is the highest priority and the best option for the university, the state allocation will not be known until a final budget agreement is reached in June 2021. At this stage, before the governor's budget proposal is released in January 2021, it is not known if the CSU will receive enough new general fund dollars to meet its mandatory obligations and invest in its ongoing priorities.

Consequently, all funding options must remain open. As a regular and routine business matter, the CSU will follow state statutory intent and prepare for and discuss with California State Student Association leadership a written tuition proposal. At this point, the CSU does not expect to raise tuition rates for 2021-2022 but will keep the possibility open in case the state budget worsens. The CSU must ensure that the university has the resources it needs to maintain the quality of academic and supportive services for students, while maintaining authentic access to the university.

If funding is not secured for the operating budget request through state general fund, priority areas of the operating budget would be reduced or eliminated, and campuses would have to redirect funding from designated balances, reserves, and existing programs. Faced with budget reductions, it is possible that fewer course sections would be available to students, average unit loads would go down not up, and ultimately it could take longer for students to graduate, costing students more money and creating challenges for Graduation Initiative 2025 efforts.

Conclusion

The state's budget cycle is just beginning. At this time there are no funding assumptions from the state and it is not known at what level the state will provide the necessary resources to invest in operating budget priorities at the CSU. As the budget cycle moves forward, the CSU will work with its partners across California to advocate for funding by the state of the Board of Trustees' operating budget request.

This is an action item presenting final recommendations for the CSU 2021-2022 Operating Budget Request to the governor and legislature. It is the CSU's goal that the state support the budget plan so that the CSU can focus on the transformational goals of Graduation Initiative 2025 while continuing to invest in other important needs.

Recommendation

The following resolution is presented for approval:

RESOLVED, that the future of California rests on the California State University's ability to provide a high-quality, affordable, and accessible education to nearly 500,000 students each year; and be it further

RESOLVED, by the Board of Trustees of the California State University that the 2021-2022 Operating Budget Request is approved as submitted by the chancellor; and be it further

RESOLVED, that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that any changes made by the chancellor be communicated promptly to the trustees; and be it further

RESOLVED, that copies of this resolution and the 2021-2022 CSU Operating Budget Request included as Attachment A to this agenda item be transmitted to the governor, to the director of the Department of Finance, and to the legislature.