

# SAN FRANCISCO STATE UNIVERSITY



## THE FISCAL YEAR 2020 – 2021 BUDGET REPORT EXECUTIVE SUMMARY



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## EXECUTIVE SUMMARY

### **Members of the San Francisco State Community:**

I am pleased to share the San Francisco State University Fiscal Year 2020-21 Budget Plan with you. The Budget Plan consists of two parts:

- The **Consolidated Budget for Operations**; includes anticipated state allocations, operating revenues, and expenses for the fiscal year 2020-2021 (FY 20-21).
- The **Capital Plan and Budget** within the framework of a multi-year capital plan.

### **Consolidated Budget for Operations**

The Consolidated Budget for Operations includes \$508 million in revenues and \$555 million in expenses. FY 20-21 is the fourth year the University has taken on an all funds budgeting approach. The general operating fund budget includes \$368 million in revenues and \$385 million in expenditures, of which \$229 million flows to the academic colleges. After other transfers and adjustments, \$95 million remains in general funds allocated to other cabinet divisions. The remainder is held centrally for additional campus mandatory costs of \$61 million.

The general fund operating budget tuition revenues are expected to drop 6.7% below the FY 19-20 enrollment target enrollment and 5.9% below FY 19-20 actual enrollment. The state allocation for FY 20-21 was reduced by 10% compared to the FY 19-20 state allocation. The remaining \$140 million in revenues is derived from self-support units, grants and contracts, other funds, and auxiliary enterprises.

### **Capital Plan and Budget**

The Capital Plan and Budget calls for \$171 million in expenditures in FY 20-21. These expenditures support a five-year capital plan that, if fully completed, will require \$1.5 billion in total funding. Principal expenditures will be directed to the new science replacement building (\$98 million), the Liberal and Creative Arts building (\$33 million), the Hensill Hall 8th floor surge space modifications (\$6 million), and the campus-wide heating/hot water system renewal (\$5 million) projects.

### **Fiscal Year 2021-2022 Planning**

In planning for FY 2021-2022, we will continue with last year's efforts to overcome the financial strain and dramatic impacts that the pandemic and enrollment decline have on-campus current and future financial health.

These efforts must include cost containment and expense management for the foreseeable future, workforce planning, and program-level cost analysis of the University's reserves, carryforwards, cost allocations, and chargebacks. The critical role enrollment management plays in the

budget planning process will be a primary consideration. The Academic Master Plan development will provide an impetus to refine the budget model to include all previously mentioned elements. The significant planning effort is where we will request your support and engagement in the upcoming fiscal year.

### **Acknowledgment**

Great care has been taken in preparing this report for your consideration. Special thanks to the Office of Budget Administration and Operations, who worked diligently to prepare the budget plan I share with you. I appreciate the opportunity to submit the FY 20-21 Budget Plan. I trust you will not hesitate to contact me if you have questions or need additional information.

Sincerely,

DocuSigned by:  


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Jeff Willson, Interim Vice President and CFO,  
Administration and Finance

# POST PANDEMIC US HIGHER EDUCATION ENVIRONMENT

*(Research from the National Student Clearing House Research Center)*

It is essential to examine the US higher education environment to provide context to establish a university budget.

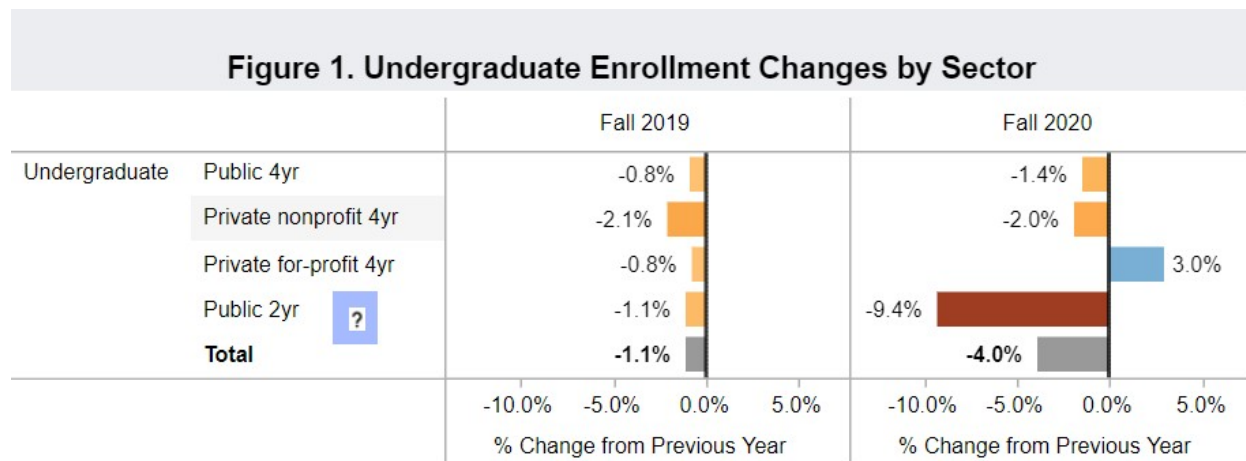
The California State University is comprised of 23 campuses. All campuses offer undergraduate and graduate instruction for professional and occupational goals and liberal arts programs. For undergraduate programs, each campus requires basic general education programs, regardless of the student's major. Also, the CSU offers doctoral-level programs in education, nursing practices, physical therapy, and audiology. The CSU also provides some doctoral programs degrees jointly with the University of California and private institutions.

## NATIONAL STUDENT CLEARINGHOUSE RESEARCH CENTER'S MONTHLY UPDATE ON HIGHER EDUCATION ENROLLMENT (as of September 24, 2020)<sup>1</sup>

Across the US, higher education enrollments are declining. Roughly one month into the fall semester, undergraduate enrollment was running 4.0% below last year's level, and the upward trend for graduate enrollment slipped to 2.7%. Overall postsecondary enrollment was down 3% as of September 2020.

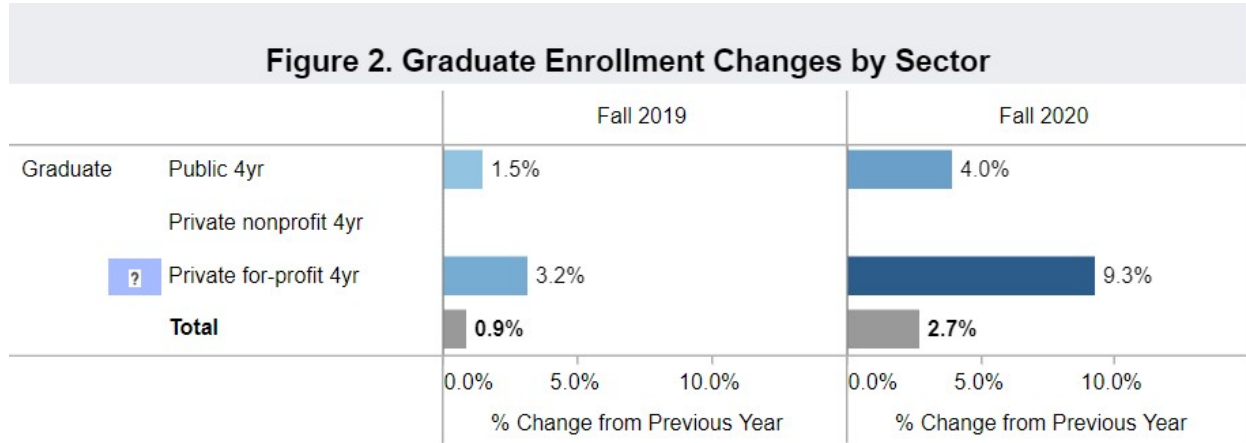
Most strikingly, first-time students represent the most significant decline of any student group from last year (-16.1%) nationwide and (-22.7%) at community colleges.

Undergraduate enrollment is down at all types of institutions, except for private for-profit, four-year colleges, where enrollment has grown 3%. Community colleges are showing the most significant losses (-9.4%), in contrast to the smallest drop at public four-year colleges (-1.4%) (Figure 1).

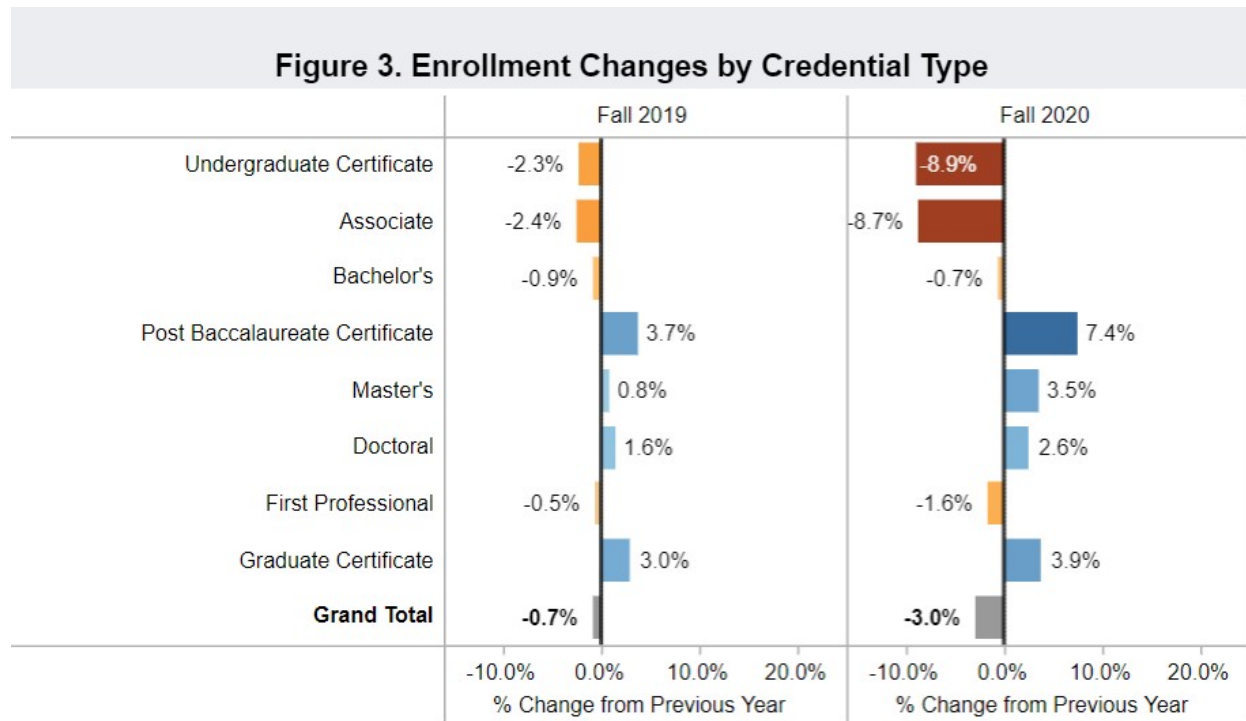


<sup>1</sup> National Student Clearinghouse Research Center <https://nscresearchcenter.org/stay-informed/>

Graduate enrollment grew far more than in the previous fall (+2.7% vs. +0.9%), with the largest gain in private for-profits (+9.3%), followed by publics (+4%). No growth was seen in private nonprofits (-0.1%) (Figure 2).

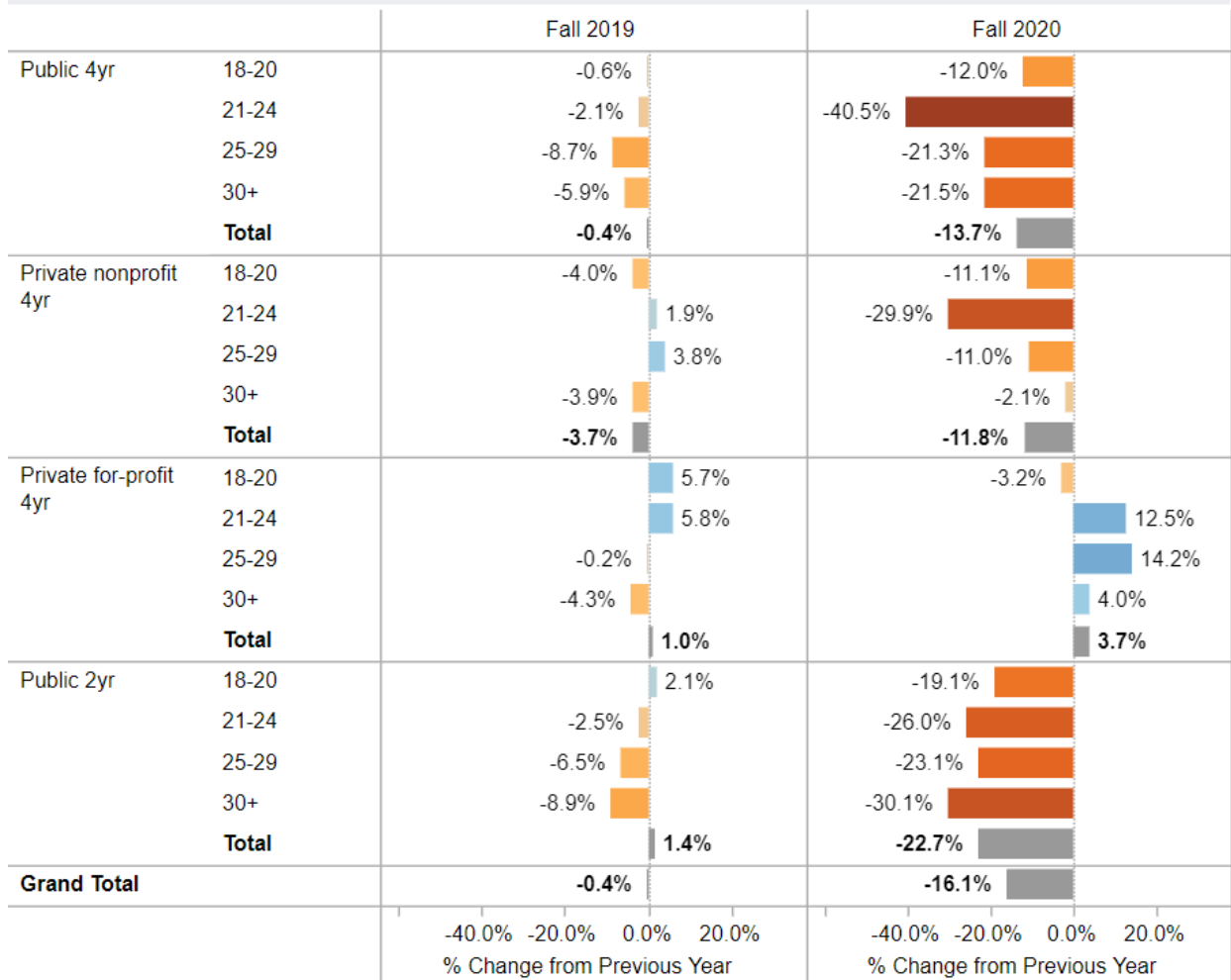


Undergraduate certificate and associate degree enrollments fell sharply (-8.9%) and (-8.7%), respectively, in comparison with a small drop in bachelor's degree students (-0.7%). By contrast, all postgraduate degree and certificate enrollments are up, except for first-professional degree students (-1.6%) (Figure 3).



The impact of fewer enrollments this fall is most felt among first-time beginning students, with a 16.1% drop nationally, compared to a 0.4% drop in fall 2019 (Figure 4).

**Figure 4. First-time Beginning Student Enrollment Changes by Sector and Age**



As Figure 4 shows, first-time beginning students dropped the most at community colleges by 22.7% instead of a 1.4% growth in 2019. Among four-year colleges, first-time enrollment declines are also far more substantial this fall than last fall (-13.7% vs. -0.4% for public; -11.8% vs. -3.7% for private nonprofits). But private for-profit four-year institutions gained 3.7% more first-time students this fall, although they are a small share of the sector's student body (5%, not shown in the chart).

The vast majority of first-time students are 18- to 24-year olds (95%, not shown in the chart). This traditional college-age group fell by 14.5% nationally. In line with the overall downward trends among first-time students, men declined more than women (-18.1% and -14.6%, respectively, not shown in the charts). For methodology, please see the note below.<sup>2</sup>

<sup>2</sup> National Student Clearinghouse Research Center <https://nscresearchcenter.org/stay-informed/>

## BUDGET ASSUMPTIONS AND PLANNING

In early March, the general operating funds budget process aligned with the Governor's January budget proposal, which reflected flat enrollment but funded some mandatory costs. At that time, our campus enrollment showed some troubling signs due to the first-year population and retention figures below our targets. However, before the colleges and administrative organizations were notified of how those would change budget assumptions, the COVID-19 crisis hit.

On Tuesday, March 23, the California State University campuses received an email from Evelyn Nazario, CSU Vice Chancellor for Human Resources, directing campuses to curtail their hiring dramatically. As a first step, campus units were required to identify critical versus non-critical vacant positions. A "hiring chill" is in effect until further notice. The President must approve hiring for critical positions; positions deemed non-critical will not be filled until further notice.

In late April, we launched a process, under instructions received from the President and CFO, to revise the FY 20-21 general operating funds plan by asking units across campus to develop a planning scenario that assumed a 10% reduction in enrollment a 10% reduction in the state allocation.

Reductions in travel, hospitality, and other operating costs aligned with face-to-face campus instruction and operations were to be included in unit plans. Those plans were submitted on May 29 and evaluated by the President's cabinet in June. CSU Chancellor Timothy White informed the campuses that the CSU will not be pursuing system-wide furloughs to mitigate budget reductions this year. We are required to manage this budget reduction at the campus level.

At the end of June, the enacted state budget included a \$299 million decrease in recurring general fund appropriation for the CSU operating fund. Our campus received \$22 million less in state funds for FY 20-21, and we continue to project an estimated \$16 million decline in tuition revenues due to declines in enrollment.

Our goal was to align the general operating funds base (continuing) expenses with revenues and downsize the state allocation by \$22 million General Funds for FY 20-21. We expect that not all reductions will be made in the current year. This expectation requires strategic planning to use the campus reserve on a one-time basis to achieve the reductions' implementation without devastating campus operations.

The final campus enrollment target for state-funded residents included in the FY 20-21 working budget plan is 6.7% lower than the Chancellor's Office (CO) target of 24,582 FTEs. Since our budget process started in February 2020, the enrollment target for budget planning progressed through several scenarios: initially at 5% below, then at 10%, and finally at 6.7% under the CO target. These planning targets were based on collaboration with Academic Affairs, and Student Affairs and Enrollment Management.



Our most incredible campus resource is our employees. Salaries, wages, and benefits account for most of our spending. In the fiscal year 2019-20, our general operating budget was \$401 million, including \$47.7 million in financial aid and federal work-study funds. Salaries, wages, and benefits accounted for 90% of that budget, giving us less flexibility during the budget planning process. The combined \$38 million reductions exceed our ability to close the funding gap by reducing hiring and implementing other cost-cutting measures alone.<sup>3</sup>

The campus plan uses eligible central reserves to mitigate a portion of our budget gap. Our reserves are better understood as carryforward funds — funds allocated for activities including hiring, program development, capital improvements, and deferred maintenance, as examples, but not spent in the current fiscal year and thus carried forward to the following year. Part of reserves is available to bridge a portion of the funding gap, but others are already allocated and needed for core operations.

Governor Newsom predicted that we should expect tight state budgets for at least for the next three years, so we will need to use these funds carefully and plan wisely for funding gaps beyond the current fiscal year.

Our campus has also reviewed the use of additional one-time cost-saving measures, including other sources of one-time reductions, such as savings on utilities and deferrals of the campus deferred maintenance programs. Unfortunately, the use of reserves and current cost-cutting efforts were insufficient to avoid implementing the layoff provisions in our collective bargaining agreements. The accompanying schedule showing the General Operating Base Budget by revenue/expense type reflects a \$38 million deficit in the General Fund column.

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<sup>3</sup> July Budget Update <https://president.sfsu.edu/message-president/july-budget-update>

	FY2019-20	FY2020-21	Change	FY2019/20	FY2020/21	Changes	
	Base	Base	(Inc/Dec)	FTEs	FTEs	(Inc/Dec)	% Change
General Fund Appropriation	198.	179.9	-18.1	-1.5%	-6.7%	0	
Student Tuition Revenue	167.3	157.7	-9.6	24,582	24,582	0	
Non-Resident Tuition Revenue	16.4	16.	-.4	Resident	24,220	22,932	(1,288) -5.3%
Other Fee Revenue	14.	14.4	.4	Non-Resident	1,499	1,279	(220) -14.7%
Prior Yr Reserve	6.2	.	-6.2				
<b>Total Base Budget</b>	<b>401.9</b>	<b>368.</b>	<b>-33.9</b>	<b>25,719</b>	<b>24,211</b>	<b>-1508</b>	<b>-5.9%</b>
<b>Base Adjustment Budget</b>							
Finance Lease (CARB) & Senate Bill 84	2.8						
Financial Aid	.7						
Other	.5						
			-4.				
<b>Original Deficit (before any actions were accounted for)</b>			<b>-37.9</b>				
<b>All Units: Savings from vacant positions as a result of the hiring chill</b>							
(Salaries and benefits)	-14.3						
Savings from reduced student assistant wages	-1.7						
All Units: Operating Expenses	-2.4						
Utilities Saving	-1.9						
Risk Pool	1.5						
Def Main	-2.3						
<b>Total adjustments from actions already taken in working plan</b>			<b>-21.1</b>				
<b>Available for distribution (Short Fall)</b>			<b>-16.8</b>				
Central reduction: Use of campus reserves	7.7						
All Units: Saving from workforce reduction (Salaries + benefits)	9.1						
<b>Total additional budget adjustment actions</b>			<b>16.8</b>				
<b>FY2020-21 balanced budget</b>			<b>-</b>				

## BUDGET ADMINISTRATION

Due to the pandemic's changing impact on university resources' financial health, this year's allocation process is fluid.

Initially, the personnel reduction will be held at the University-wide cabinet with a redistribution process as adjustments to the cabinets/divisions/departments working budgets. The adjustment will include fully budgeted positions removed from the campus workforce roster.

The allocation memo will include the submitted FY 20-21 Working Budget base as developed and presented by the August 2020 scenario.

The allocation process for one-time carryforward the units must follow the instructions as presented at year-end and published on the budget office website. The allocation was posted to the campus General Fund NR401 as a one-time allocation.

The consolidated budget for operations includes the general operating fund – both undesignated and designated – self-support operations, auxiliaries, and trust funds.

During FY 20-21, the campus will conduct comprehensive quarterly financial reviews with the primary objective of identifying problematic financial situations that have occurred or to occur before the close of the fiscal year.

This year's financial oversight reviews will be conducted within the same application, SF\_PBCS, as the FY budget planning, using the Current Year Projection (CYP) module. The University budget department will conduct training of the campus budget planners, the dates of which will be communicated on the department website and email notifications. The Chancellor's Office mandates the campuses to conduct at least two financial reviews every year (ICSUAM 2002).

In planning for FY 20-21, the University budget department will continue to address the need for enhancing the current budget model to recognize several keys and complex issues affecting the campus financial health in future years. These issues include expense management over multiple years, hiring plans, and program-level cost analysis to University reserve, carryforward, cost allocations, and chargebacks, along with other considerations linked to enrollment. The University budget department will continue to enhance the campus SF\_PBCS application by adding additional functionality, such as a Multi-Year Planning module (MYP).