

# SAN FRANCISCO STATE UNIVERSITY



## THE FISCAL YEAR 2021 – 22 BUDGET REPORT EXECUTIVE SUMMARY



This publication can be found at:

<https://budget.sfsu.edu/transparency-accountability-budget-reports>

The FY 2021-22 Budget Report Executive Summary is developed by San Francisco State University Budget Administration and Operations.

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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 2021-22 Budget Plan. The Budget Plan consists of two parts:

- The **Consolidated Budget for Operations** — includes anticipated state allocations, operating revenues, and expenses for the fiscal year 2021-22 (FY 2021-22).
- The **Capital Plan and Budget** — within the framework of a multi-year capital plan.

## Consolidated Budget for Operations

The Consolidated Budget for Operations includes \$578 million in revenues and \$588 million in expenses. FY 20-21 is the fifth year the University has taken on an all funds budgeting approach. The general operating fund budget includes \$385 million in revenues and \$393 million in expenditures, of which \$233 million flows to the academic colleges. After other transfers and adjustments, \$97 million remains in general funds allocated to other cabinet divisions. The remainder is held centrally for additional campus mandatory costs of \$63 million.

The general fund operating budget tuition revenues are expected to drop 5.4% below CO target and 1.3% above FY 2020-21 enrollment. The state allocation for FY 2021-22 was increased by 11% compared to the FY 2020-21 state allocation. However, the state reduction has not been fully restored. The remaining \$193 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 \$78.8 million in expenditures in FY 21-22. The principal expenditures are directed to the new science replacement building (\$31 million), the Hensill Hall 8th floor surge space modifications (\$3 million), the campus-wide heating/hot water system renewal (\$5 million) projects, and Thorton Hall Sprinkler and fire alarm (2 million). These expenditures support a five-year capital plan that, if fully completed, require \$1.8 billion in total funding.

## Fiscal Year 2021-2022 Planning

In planning for FY 2021-2022, we 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 is a primary consideration. The Academic Master Plan development

provides an impetus to refine the budget model to include all previously mentioned elements. The significant planning effort is where your support and engagement in the upcoming fiscal year are essential.

### **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 shared with you. I appreciate the opportunity to submit the FY 2021-22 Budget Plan. I trust you will not hesitate to contact me if you have questions or need additional information.

Sincerely,

DocuSigned by:  
*Jeff Wilson*

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Jeff Wilson, CFO and VP,  
Administration and Finance

# US HIGHER EDUCATION ENVIRONMENT

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

It is essential to continue understanding 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 UPDATE ON HIGHER EDUCATION ENROLLMENT BY TERM (as of March 25)<sup>1</sup>**

Beginning in mid-March 2020, many colleges across the US shifted swiftly to online-only learning. Due to the uncertainty caused by a resurgence of the coronavirus and the challenges of responding too quickly to evolving logistical concerns, institutional leaders and students alike are faced with difficult decisions that must be made with a lack of reliable, up-to-date information.

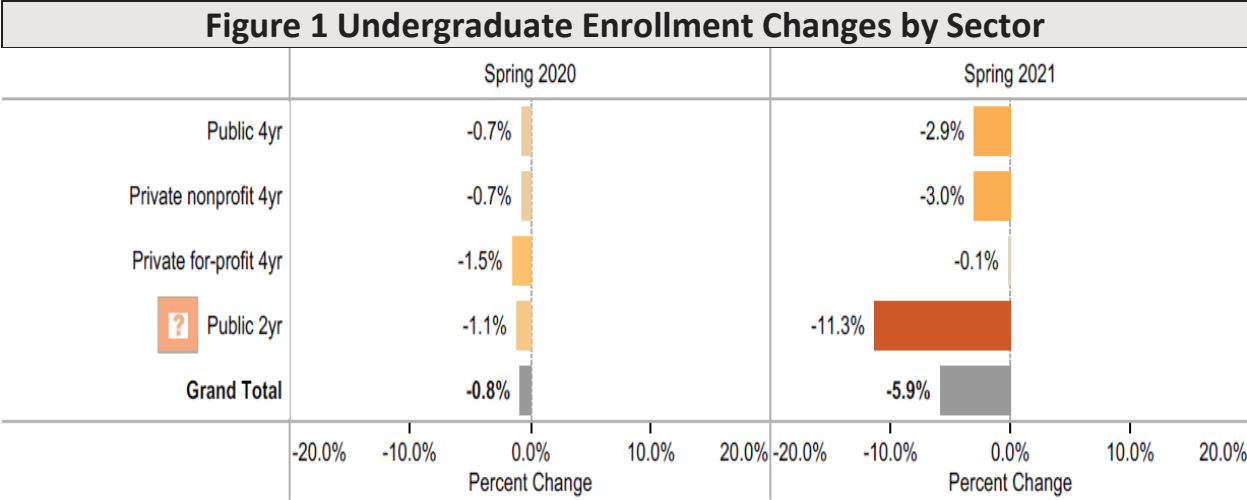
As a consequence of the economic and ongoing pandemic environment, early into the spring semester, undergraduate enrollment is in its steepest decline so far since the pandemic began (-5.9%). Community college enrollment fell by double digits (-11.3%) for the first time in this pandemic. Graduate enrollment, on the other hand, continues to grow this spring (+4.4%). Overall postsecondary enrollment is down 4.2 percent from a year ago.

Almost three months into the spring semester, undergraduate enrollment is down 5.9 percent compared to the same time in 2020, 1.5 percentage points steeper than last fall (-4.4%). While enrollment dropped at all types of institutions, community colleges are still the most adversely affected, now experiencing double-digit enrollment declines for the first time since the onset of the pandemic (-11.3%).

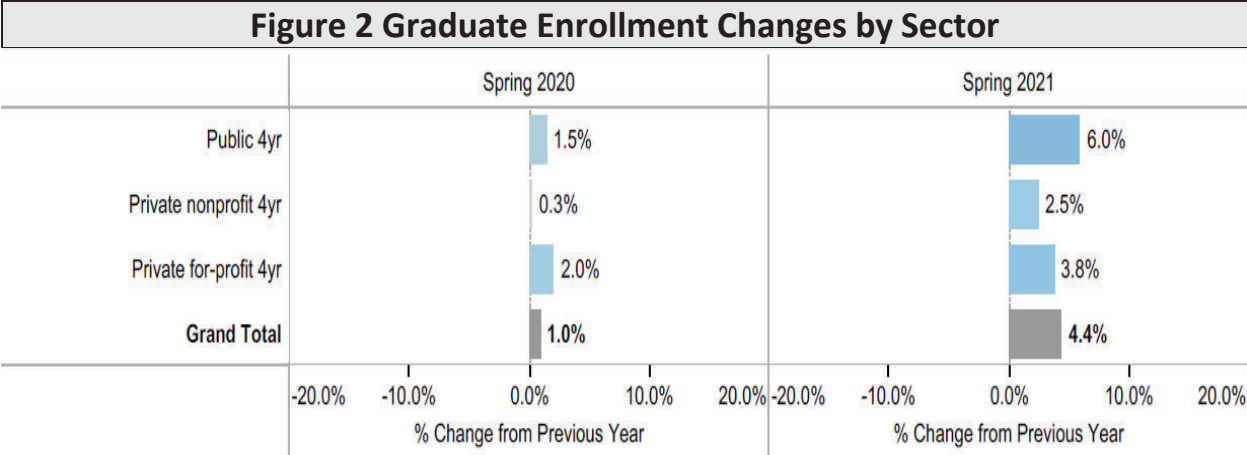
This decrease is ten times the pre-pandemic rate of decline (-1.1%). (Figure 1).

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

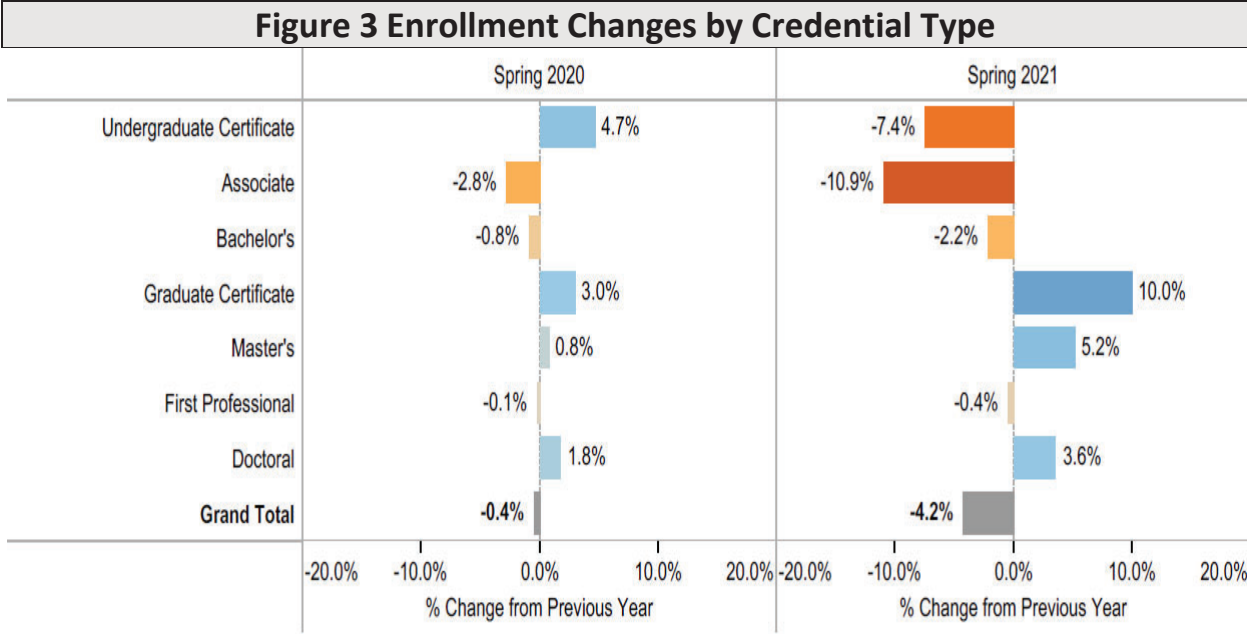


In contrast, graduate enrollment continues to grow this spring (+4.4%). More graduate students are enrolled in all institution sectors. Public four-year colleges are seeing the most significant gains (+6%), quadrupling their growth from last spring (+1.5%). (Figure 2).

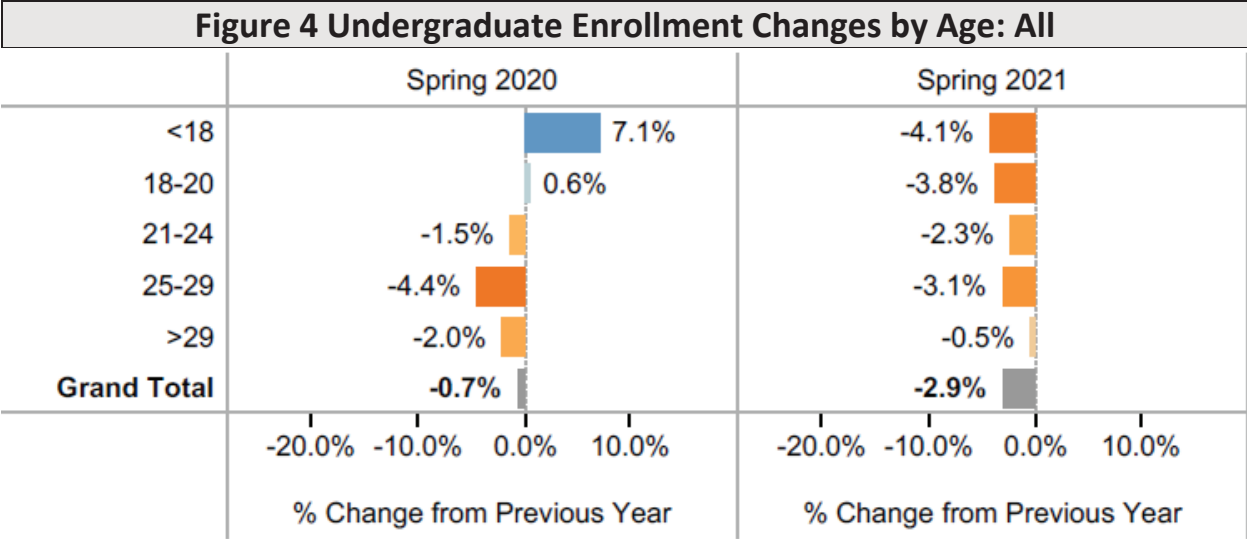


By credential type, associate and bachelor's degree enrollments decreased 10.9 percent and 2.2 percent, respectively, slightly more than last fall (-9% and -1.1%). Master's and doctoral degree enrollments are growing this spring at rates greater than last fall's (+5.2% this spring vs. +3.4% last fall for master's degree students and +3.6% this spring vs. +2.9% last fall for doctoral degree students). Notably, undergraduate certificate enrollment (-7.4%) and graduate certificate enrollment (+10%) are faring better this spring compared to last fall (-9% and +4.1%, respectively). (Figure 3).





Traditional college-age student enrollment (age 18-20) has declined the most across all sectors this spring. These students, who comprise the largest undergraduate age group in postsecondary education (40.9%), increased before the pandemic. (Figure 4).



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

The FY 2021-22 overall budgetary support from the State of California to the CSU is generally favorable. Highlights include restoring the CSU's portion of the FY 2020-21 budget reduction for FY 2021-22, designated funding to support critical priorities, some mandatory costs, and significant levels of one-time funding earmarked for specific non-general fund purposes.

The positive trend in state funding benefitted SF State. However, state funding is only a portion of the resources needed to fund the campus's operations. The other part is revenue derived from student tuition and fees. As publicized and communicated earlier, SF State continues to face enrollment challenges where our enrollments have significantly declined, as noted in **Table A**.

**Table A – Enrollment Trends**

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
<b>CO Target</b>	<b>24,582</b>	<b>24,582</b>	<b>24,582</b>
Campus Target	24,220	22,932	23,246
Census	23,597	22,902	
Campus Target below CO Target %	-1.5%	-6.7%	-5.4%
Census to CO Target %	-4.0%	-6.8%	

While the budget news from the state is good, it does not address SF State's fundamental budgetary challenges, which require our sustained attention. Our budgeted expenditures to run our operations continue to exceed our resources. It is also confusing when numerous CSU campuses do not have these challenges since they do not have the enrollment challenges and have built healthy reserves to address negative budget cycles. **Table B** and **Table C** present the three-year budget comparison for the CSU and SF State.

**Table B - 3-year CSU Budget Comparison**

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Total general operating fund budget	\$3,982,552,000	\$3,722,806,000	\$4,228,282,000
Gross tuition and fees	<u>3,164,262,000</u>	<u>3,140,097,000</u>	<u>\$3,036,991,000</u>
Total operating fund	<b>\$7,146,814,000</b>	<b>\$6,862,903,000</b>	<b>\$7,265,273,000</b>
Year-to-year change		-4%	+6%
Cumulative change <sup>1</sup>			+2%

<sup>1</sup>Cumulative change compares FY 2021-22 to FY 2019-20

**Table C - 3-year SF State Budget Comparison**

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Total general operating fund budget	\$198,029,659	\$179,928,000	\$198,812,000
Gross tuition and fees	185,750,500	175,853,474	174,594,106
Other revenue	<u>11,929,542</u>	<u>12,221,687</u>	<u>11,731,224</u>
Total operating fund	<b>\$395,709,701</b>	<b>\$368,003,161</b>	<b>\$385,137,330</b>
Year-to-year change		-7%	+5%
Cumulative change			-3%

**Table B** provides systemwide budget information developed and communicated by the Chancellor's Office. **Table B** highlights that while the increase from FY 2020-21 to FY 2021-22 is significant (**+6%**), it only marginally results in a cumulative budget increase between FY 2019-20 and FY 2021-22 (**+2%**).

The cumulative change noted in **Table C** is critical for understanding why SF State has a structural deficit. SF State has fewer recurring resources and must continue monitoring and controlling its recurring costs to align with its recurring resources. The CSU shows a cumulative increase of **2%**, but SF State shows a decrease of **3%**. It is almost entirely related to lower tuition

and fee revenue due to declining enrollments, including retention. The FY 2019-20 budget did not recognize the University's declining enrollment trends for that year.

The CSU's budget presentation in **Table B** and SF State's budget presentation in **Table C** presents a resource-focused budget. As noted earlier, SF State has a structural deficit, which means our recurring expenses exceed our recurring resources. At the campus level, we must also show expenditures budgeted to fund SF State's operations. Internally, SF State has units with costs exceeding their base budget allocations, and one-time funds must be used to cover these additional costs.

**Table C** also illustrates a common source of confusion and ambiguity: the reinstatement of the reduction from FY 2020-21 implies that resources for FY 2021-22 should equal resources from FY 2019-20. However, the Chancellor's Office has retained **\$8.7 million** of SF State's reinstatement (and a similar proportion systemwide).

**Table D – SF State's State Allocation from the CSU**

<b>FY 2020-21 SF State Final State Allocation</b>	<b>\$179,928,000</b>
FY 2020-21 Reduction Restoration	18,643,000
FY 2021-22 Systemwide Priorities (withheld by CO)	<u>(8,762,000)</u>
<b>FY 2020-21 Net Restoration</b>	<b>9,881,000</b>
FY 2021-22 Ongoing Base Mandatory and Designated Costs	9,003,000
<b>Subtotal FY 2021-21 SF State Incremental Allocation</b>	<b><u>18,884,000</u></b>
<b>FY 2021-22, as of July 2021 (11% increase)</b>	<b>\$198,812,000</b>

Based on enrollments, including retention, SF State has less tuition and fee revenue than we had in FY 2019-20 – a year in which the campus also had a structural deficit. While tough cuts were made that have addressed a portion of this deficit, budgeted expenditures have not been reduced as quickly as the decline in tuition and fee revenue. When tuition and fee revenue decline is included, our recurring resources are about \$10 million less than budgeted in FY 2019–20.

Our goal is to responsibly and timely align our recurring expenditures with our recurring revenues. We do not expect this alignment to occur in one fiscal year, and we will use campus reserves to balance our FY 2021-22 budget. **Table E** presents the General Operating Base Budget by resource and expenditure type and reflects the **\$8.1 million** deficit, which the planned use of one-time reserves will offset.

**Table E-Resource and Expenditure Adjustments between FY 2020-21 and FY 2021-22**

	<b>Change from FY 2020-21 to FY 2021-22</b>
<b>Resources Base Adjustments</b>	
General Fund Appropriation	\$18,884,000
State Tuition Revenue	835,998
Non-Resident Tuition Revenue	(2,095,366)
Other Fee Revenue	(490,463)
PY Shortfall (i.e. deficit)	<u>(12,116,794)</u>
<b>Total Base Budget Adjustments (Resources)</b>	<b>\$5,017,375</b>
<b>Expenditure Base Adjustments</b>	
System Designated Priorities (AB1460, Basic Needs, Student Mental Health)	\$2,131,980
Salaries Actions from PY Chilled/Layoff Actions	8,329,603
Benefits Associated with Salaries	3,873,913
Operating Expenditures Adjustment	<u>(1,197,578)</u>
<b>Total Base Budget Adjustments (Expenditures)</b>	<b>\$13,137,918</b>
<b>FY 2021-22 Base Budget Deficit</b>	<b><u>(\$8,120,543)</u></b>

## BUDGET ADMINISTRATION AND OPERATIONS

During FY 2021-22, 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.

The year-end financial closing process includes a final review of the university budget plan performance, highlighting areas of further assessment of the unit's budget balance available (or carryforward balance).

The Chancellor's Office mandates the campuses to conduct two to three financial reviews every year (ICSUAM 2002). 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 to be communicated on the department website, and email notifications.

In planning for FY 2022-23, 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).





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