



# Channel Islands

CALIFORNIA STATE UNIVERSITY

## OFFICE OF THE PRESIDENT

Dear Campus Community,

At the start of a new academic year, we are at a pivotal moment in our 22-year history. We must confront critical operational decisions as we face financial challenges due to lower enrollment, increasing expenditures, and decreased state funding; these continue to impact our budget in 2024-25 and beyond. The purpose of this 2024-25 budget memo is to share: 1) how the general operating fund performed in 2023-24; 2) what is planned for 2024-25; and 3) what is anticipated in 2025-26. My purpose is to provide high-level context for our general operating fund budget as we start a new fiscal year and budget planning cycle. An overall campus budget plan inclusive of other funds (i.e., designated fees, lottery, auxiliaries) will be provided in the upcoming weeks and will break down the general operating budget further.

### 2023-24

Before addressing the new year, I invite you to review the University's 2023-24 financial performance. The ongoing (i.e., permanent) budget was updated during the year to reflect compensation increases and related funding. All CSU campuses were expected to cover a portion of their compensation increases and, as a result, our campus's ongoing budget deficit increased from \$12.1 million to \$13.5 million. The budget deficit began in 2020-21 and grew considerably as unavoidable increases in costs exceeded our overall campus revenue, with tuition revenue continuing to decline.

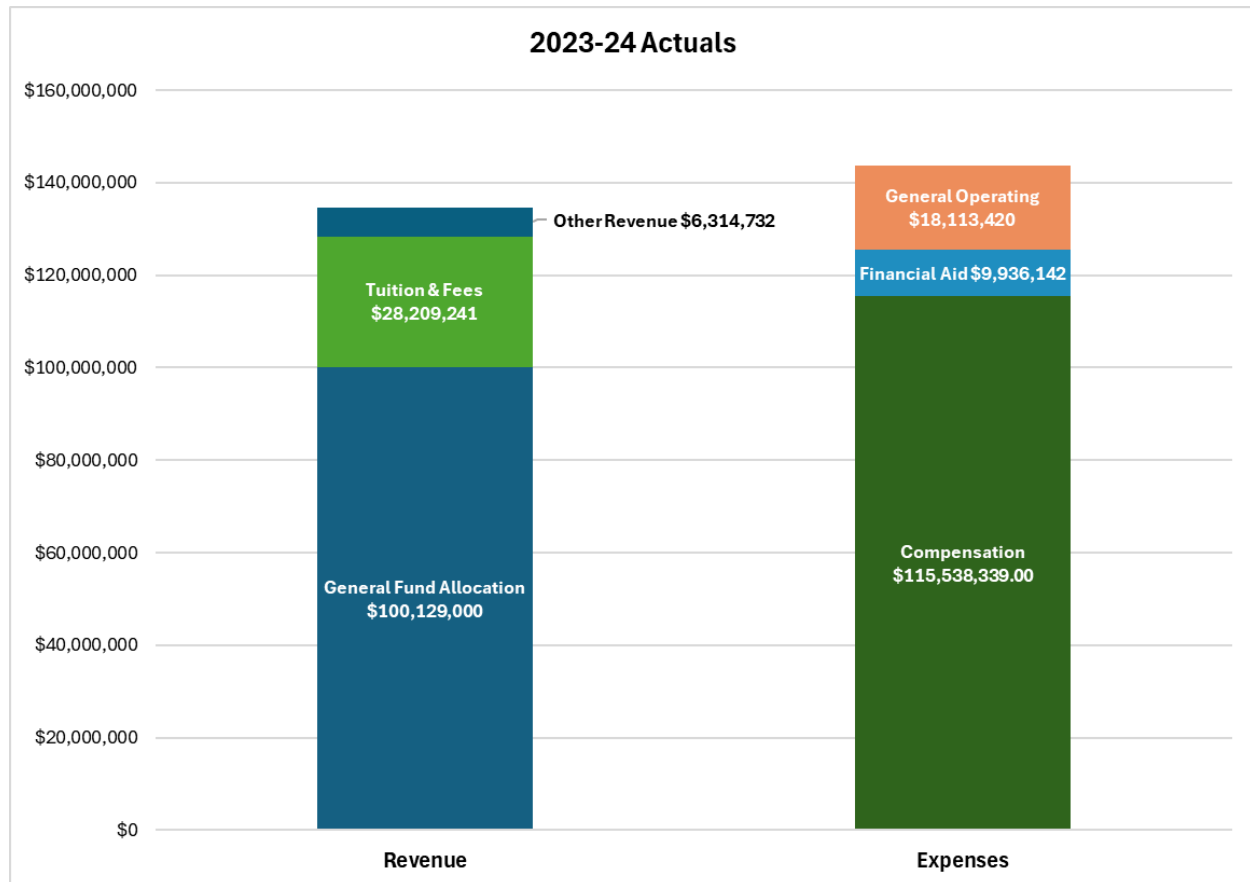
Divisions committed \$7.5 million in one-time budget savings at the start of the year. However, the campus also had \$2.7 million in one-time expense commitments bringing the savings down to \$4.8 million. These commitments included the CalPers loan repayment, enrollment management and marketing initiatives, and unfunded ongoing costs (e.g., Cultural Resource Management, Institutional Research student assistants, DASS note-takers). In addition, faculty support costs (i.e., sabbaticals, start-up, and reassignment time) are included in this figure, as the campus has historically categorized these supports as one-time expenses due to the variability from year-to-year.

Table and Figure 1 on the following page highlight the 2023-24 year-end actuals outperformed the total budget plan with an ending net balance (i.e., use of reserves) of \$5.1 million. This mainly resulted from continuing vacancy savings beyond divisions' one-time savings targets. Other revenue came in higher than budget due to a misalignment in the cost recovery budget versus what took place. Cost recovery revenue in this case is offsetting higher general operating expenses incurred and is not considered "true" revenue.

	2023-24 Ongoing Budget	2023-24 One-Time Budget	2023-24 Total Budget	2023-24 Total Actuals*
<b>SOURCES:</b>				
General Fund Allocation	\$100,129,000		\$100,129,000	\$100,129,000
Tuition & Fees (undesignated)	28,209,241		28,209,241	27,841,921
Other Revenue	3,936,134	2,378,598	6,314,732	10,495,873
Total Revenue	132,274,375	2,378,598	134,652,973	138,466,794
<b>USES:</b>				
Compensation	121,662,448	(3,612,799)	118,049,649	115,538,339
Financial Aid	8,677,000		8,677,000	9,936,142
General Operating Expenses	15,437,859	1,198,397	16,636,256	18,113,420
Total Expenses	145,777,307	(2,414,402)	143,362,905	143,587,901
<b>NET TOTAL:</b>				
Use of Reserves	(\$13,502,932)	\$4,793,000	(\$8,709,932)	(\$5,121,107)

\*2023-24 Actuals presented without atypical transactions related to Cap and Trade program and transfer of Capital Improvement reserves to another fund

**TABLE I – Budget to Actuals FY 2023-24**



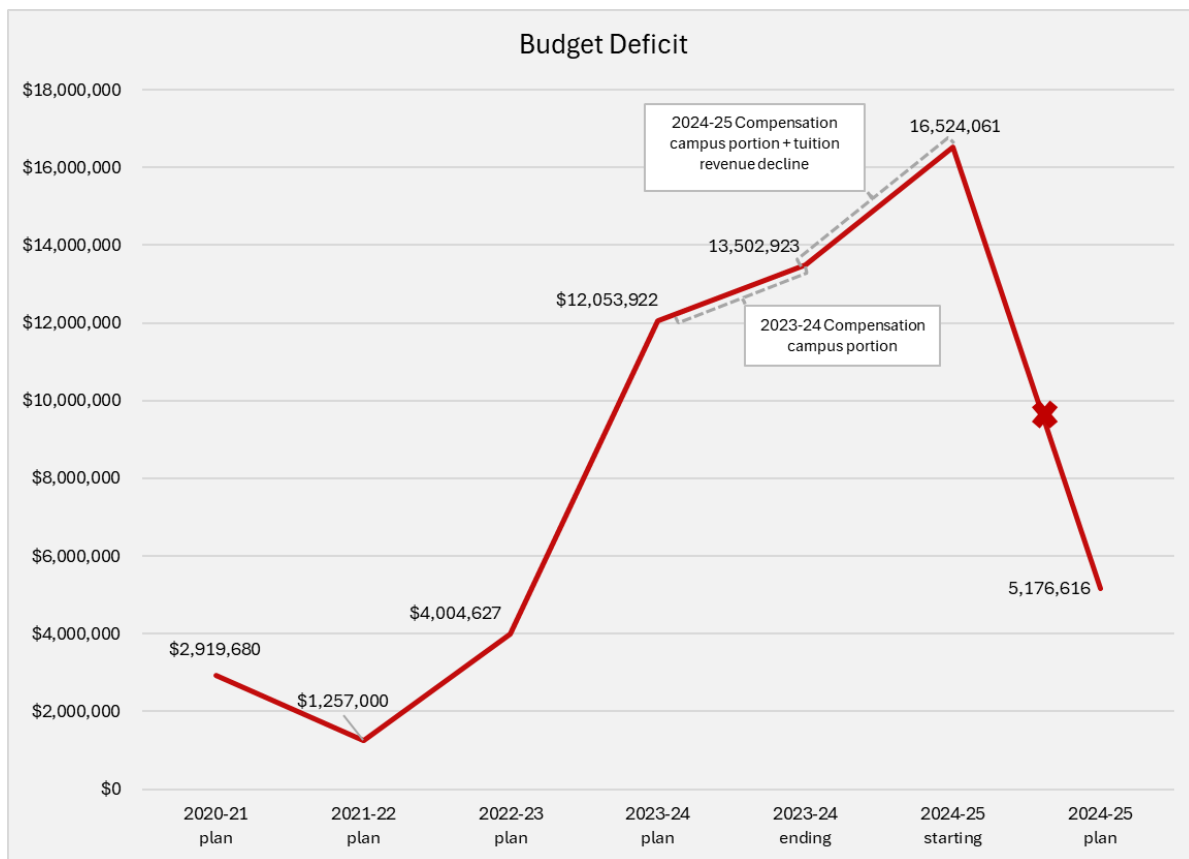
**FIGURE I – Actual Revenue & Expenditures FY 2023-24**

I am grateful for everyone's hard work in responding to our changing financial circumstances. I recognize that this was not easy and took additional analysis, planning, and monitoring. Please know that your work not only resulted in a smaller-than-planned hit to our reserves by \$3.6 million, but also greatly helped us to prepare for our upcoming budget challenges.

## 2024-25

The 2024-25 budget planning cycle was a bit atypical from previous years. We have historically seen an enacted State budget that is similar to or the same as the Governor's May revised budget proposal. However, this year's final State budget was quite different from what was presented in May and included indication of plans for the CSU's 2025-26 general fund allocation.

When the Strategic Resource Planning Committee (SRPC) convened in May 2024, we had a plan of permanently reducing the budget by \$6.7 million to cut our \$13.5 million budget deficit by about half, along with a goal of \$1.3 million in one-time savings. It later became clear that the proposed reductions would be insufficient to address the State's final 2024-25 budget plan, nor would it be an adequate path toward future budget reductions that became known with the enactment of the State budget in July. The \$13.5 million ongoing budget deficit grew to \$16.5 million because of reduced tuition and fees revenue from lower enrollment (even with the 6% tuition increase), as well as another year of only partially funded compensation increases. If further action were not taken beyond the original \$6.7 million in reductions, the 2024-25 budget would be a \$9.8 million deficit.



**FIGURE 2 – Tracking Budget Deficits over Time**

Divisions contributed to the initial \$6.7 million permanent target by essentially making their 2023-24 one-time target savings permanent going forward. This brings their permanent budgets closer to what was spent in recent years.

We took a deeper dive into the data, and divisions provided potential reductions beyond their initial \$6.7 million total. Our Business and Financial Affairs team compiled and reviewed this information before presenting multiple scenarios for consideration. My decision for this year was to further reduce the overall budget by \$4.6 million and land at a lower budget deficit of \$5.2 million by:

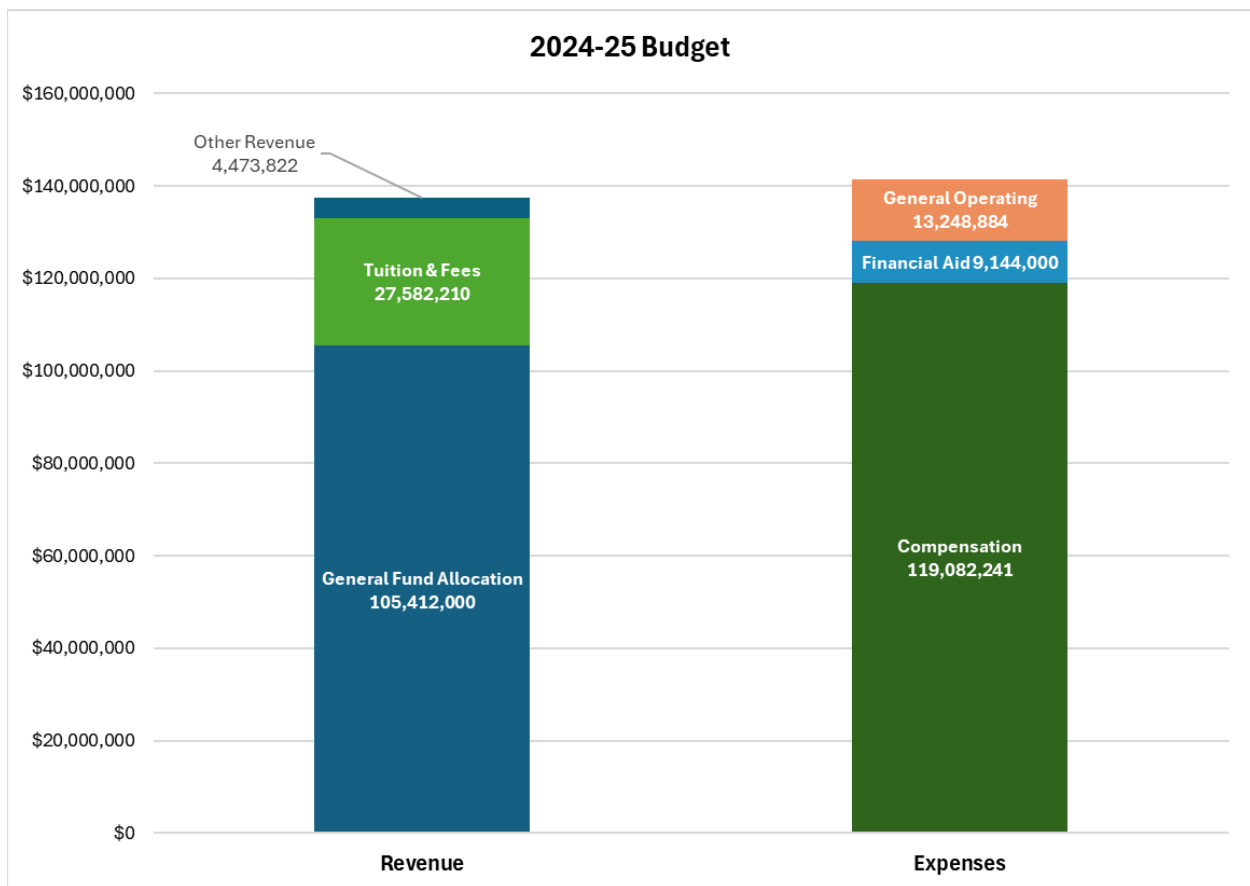
- \$1.3 million from eliminating the deferred maintenance budget and funding it with one-time cap-and-trade revenues
- \$250,000 reduction in the travel budget (The Division of Academic Affairs led the way in this area in 2023-24 and will not be asked to contribute to this additional reduction)
- \$500,000 reduction in the supplies and services budget
- \$300,000 in salaries and benefits by calling back 2.55 FTE of Temporary Lecturer positions
- \$2.5 million in salaries and benefits by calling back 20.0 FTE of vacant MPP/Staff positions

Division	2023-24 One-Time Divisional Savings Targets	2024-25 Original Permanent Reductions	2024-25 Added Reductions	2024-25 Total Permanent Reductions	% of Division's Permanent Budget
Office of the President	\$ 138,427	\$ 138,427		\$ 138,427	1.3%
Academic Affairs	4,496,000	4,500,000	\$ 300,000	4,800,000	7.0%
Business & Financial Affairs	1,575,923	1,238,852	1,325,000	2,563,852	7.4%
Student Affairs	613,186	614,666		614,666	6.4%
University Advancement	217,140	223,500		223,500	4.7%
Centrally Managed	410,000		3,250,000	3,250,000	
	\$ 7,450,676	\$ 6,715,444	\$ 4,875,000	\$ 11,590,444	

**TABLE 2 – Allocation of Budget Reductions through FY 2024-25**

	2024-25 Ongoing Budget	Change from 2023-24 Ongoing Budget
<b>SOURCES:</b>		
General Fund Allocation	\$105,412,000	\$5,283,000
Tuition & Fees (undesignated)	26,412,687	(1,796,554)
Other Revenue	4,473,822	537,688
Total Revenue	136,298,509	4,024,134
<b>USES:</b>		
Compensation	119,082,241	(2,580,207)
Financial Aid	9,144,000	467,000
General Operating Expenses	13,248,884	(2,188,975)
Total Expenses	141,475,125	(4,302,182)
<b>NET TOTAL:</b>		
Use of Reserves	(\$5,176,616)	\$8,326,316

**TABLE 3 – Annual Change to University Budget**



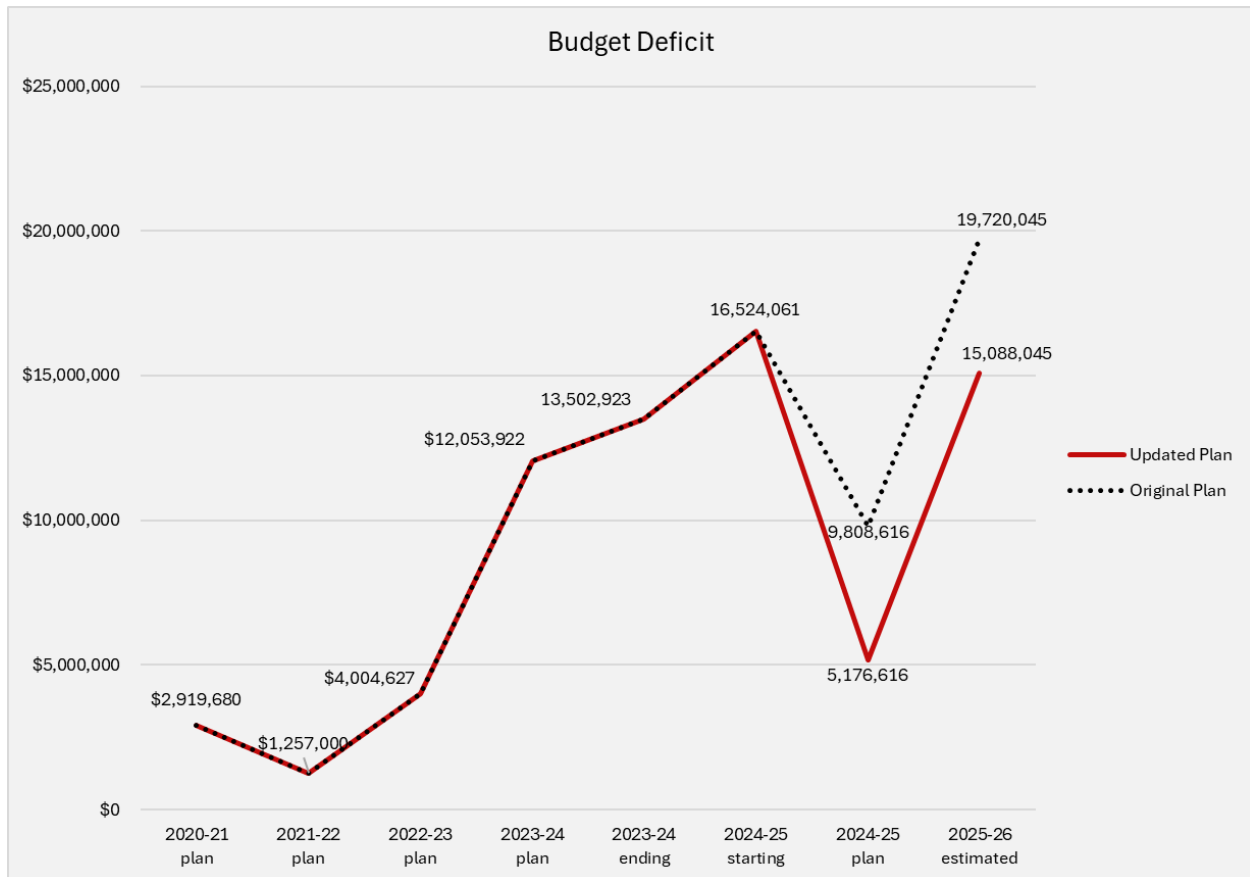
**FIGURE 3 – Revenue to Expenditure Gap for FY 2024-25  
2025-26 and Beyond**

The State usually addresses only one year in their budget, but with the 2024-25 budget, Governor Newsom included his intentions for 2025-26 as well. The State intends to defer the 2025-26 compact commitment to 2026-27. The governor is also planning an eight (8%) percent base reduction to the CSU, which most state agencies took in 2024-25. The multi-year CSU enrollment target and budget reallocation plan will continue to impact our campus as well by reducing our enrollment target by five percent each year for the next two years, reducing our general fund allocation accordingly. Based on these factors, a \$10.6 million reduction to our campus general fund allocation is estimated for 2025-26, bringing it down to a similar level to what we received in 2021-22 and 2022-23.

GENERAL FUND ALLOCATION:	
2024-25 General fund allocation (ongoing)	105,412,000
<b>2025-26:</b>	
2024-25 Resident Target Reduction	(2,648,173)
2025-26 Base Reduction	(7,986,095)
	(10,634,268)
2025-26 General fund estimation	<u>94,777,732</u>
	similar level to 2021-22 and 2022-23

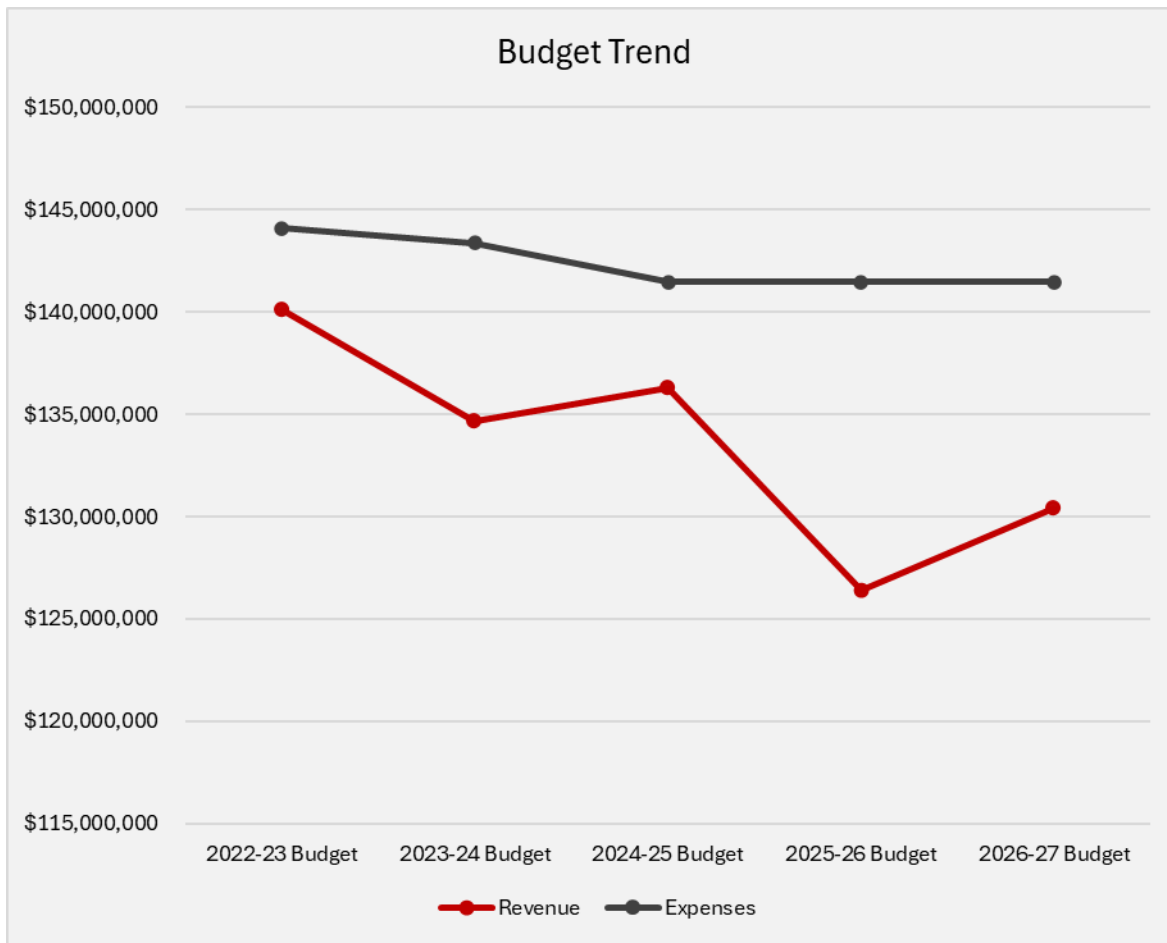
**TABLE 4 – Projected 2025/26 General Fund Allocation**

The dotted line in Figure 4 below shows what the budget deficit trajectory would have been if the 2024-25 budget plan stopped at the original \$6.7 million reduction. Understanding that a \$10.6 million reduction is likely to come in 2025-26, it becomes clear as to why additional budget reductions were made for 2024-25. However, even with the additional 2024-25 reductions, there is much work ahead in preparing for 2025-26. The 2025-26 estimated budget deficit shown below assumes no further action is taken for 2025-26, which we know will not be the case.



**FIGURE 4 – Tracking Projected Budget Deficits**

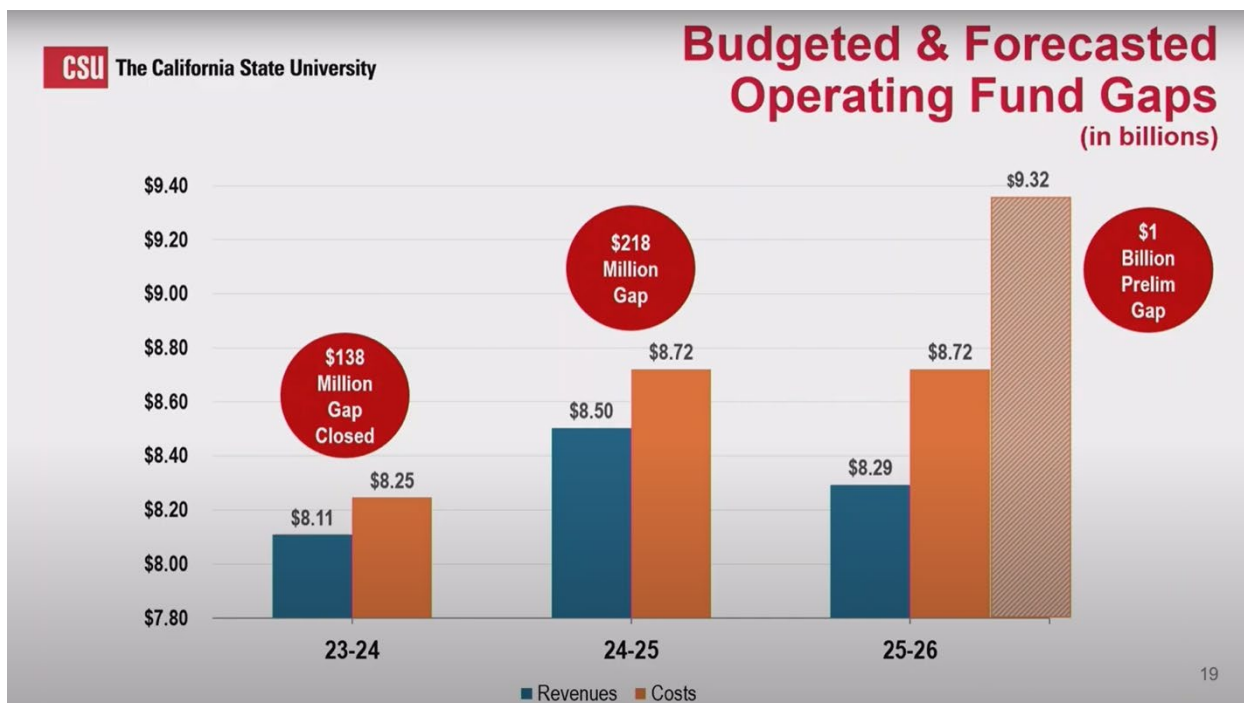
Figure 5 on the following page shows the projected revenue budget based on the State's compact deferral and eight percent base reduction, as well as the CSU enrollment target and budget reallocation reduction for our campus. The expenditure budget line being above the revenue budget line overall demonstrates the need to reduce the expenditure budget further.



**FIGURE 5 – Projected Revenue to Expenditure Gap over Time**

The campus reserves as of 2023-24 year-end total \$40.1 million with \$24.4 million designated for economic uncertainty. This meets the CSU policy, which now requires a minimum of 5% of the total operating budget to be designated for economic uncertainty. However, our reserve balance has fallen below the recommended 3-6 months coverage. If the campus performs to the 2024-25 budget and no further action is taken for 2025-26, the economic uncertainty reserves will fall below the CSU policy's minimum requirement in 2026-27 and there will not be sufficient funds to fully cover any deficit that year.

At the July Board of Trustees Finance Committee meeting, the following slide was presented to show the negative impact of the State's intentions for 2025-26 on the CSU. The CSU continues to advocate for the State to make the necessary investment in the CSU and explain how these investments benefit the State. However, the CSU and the Board acknowledged that campuses are having to make difficult decisions with inevitable budget reductions.



**FIGURE 6 – CSU Forecast through 2025-26**

### Moving Forward

My commitment as we move through this process is transparency regarding the impactful decisions ahead. With our new CFO, Dr. Bradley Olin, and Executive Budget Director, Lisa Woods, transparency will be embodied through accessible and understandable data, along with openness to dialogue on budget-related inquiries raised at Strategic Resource Planning Committee (SRPC) meetings. The upcoming SRPC meeting schedule is available [here](#). At its core, CSUCI's budget is a policy tool to align our spending with our institutional priorities. As we coalesce as an organization around CI2030+ strategic planning this Fall, we are committed to protecting funding for core priorities. Our people are central to fulfilling the mission of the CSU. It is no surprise, then, that the CSU Board of Trustees has identified most of our current institutional priorities as increases in compensation for our dedicated and talented employees.

Our approach will be to reduce the budget moderately combined with strategic, limited economic uncertainty reserve draws. With the 2024-25 budget reductions, Cabinet was delegated with the following directives for their respective divisions:

- Transition from a hiring chill to a freeze with greatly limited exceptions, with the potential for internal-only recruitments for the majority of staff/MPP lines
- Implement stronger internal controls on expenditures (i.e., overtime, temp assigns, travel, supplies and services, purchases overall)
- Optimize course scheduling for both efficiency and student success commensurate with enrollment realities

Returning to a theme from my Convocation Address this Fall, I call us back to the metaphor of the uphill climb we face as we near an inflection point. We are still on steep terrain, where



every step requires more energy for less forward momentum. The hardest part of the climb ahead will be in 2025/26 planning, with my expectation that the pitch of our ascent will taper off and the gradient of the path ahead will grow less severe with each difficult step we take in this journey of incremental progress.