



# FY 2021-22 Budget Planning Update

President's Planning & Policy Committee  
February 8, 2021

# Topics

## Context for the 2021/22 Budget

- State-level Economic Climate and Outlook
- CSU Budget Request vs. Governor's Proposed Budget (January 2021)

## Strategies for Campus-Level Budget Planning

## Launch Point for 2021/22 Budget Development

- Assumptions and Drivers
- Enrollment

## Budget Revenue Models

- Tuition
- State Appropriation

## Timeline

# State of the State

## THE GOOD NEWS

The state entered the COVID-19 Recession on a **strong fiscal foundation** after years of building reserves, paying down debt, and a focus on maintaining structurally balanced budgets over the long term.

Several sectors of the California economy **faring better than expected** during the first nine months of the public health crisis.

With the increasing distribution of vaccines, **California is poised to begin an equitable and broad-based recovery.**

# State of the State

## THE CAUTIONS

### **There are considerable risks to the forecast**

- bankruptcies
- fall in the stock market

### **Economic inequality has intensified since the pandemic began**

- Approximately half of the jobs lost from the start of the pandemic have been recovered

### **Expenditures are projected to grow faster than revenues**

- \$7.6 billion a structural deficit projected for 2022-23
- Deficit is expected to grow to over \$11 billion by 2024-25

# Economic Outlook

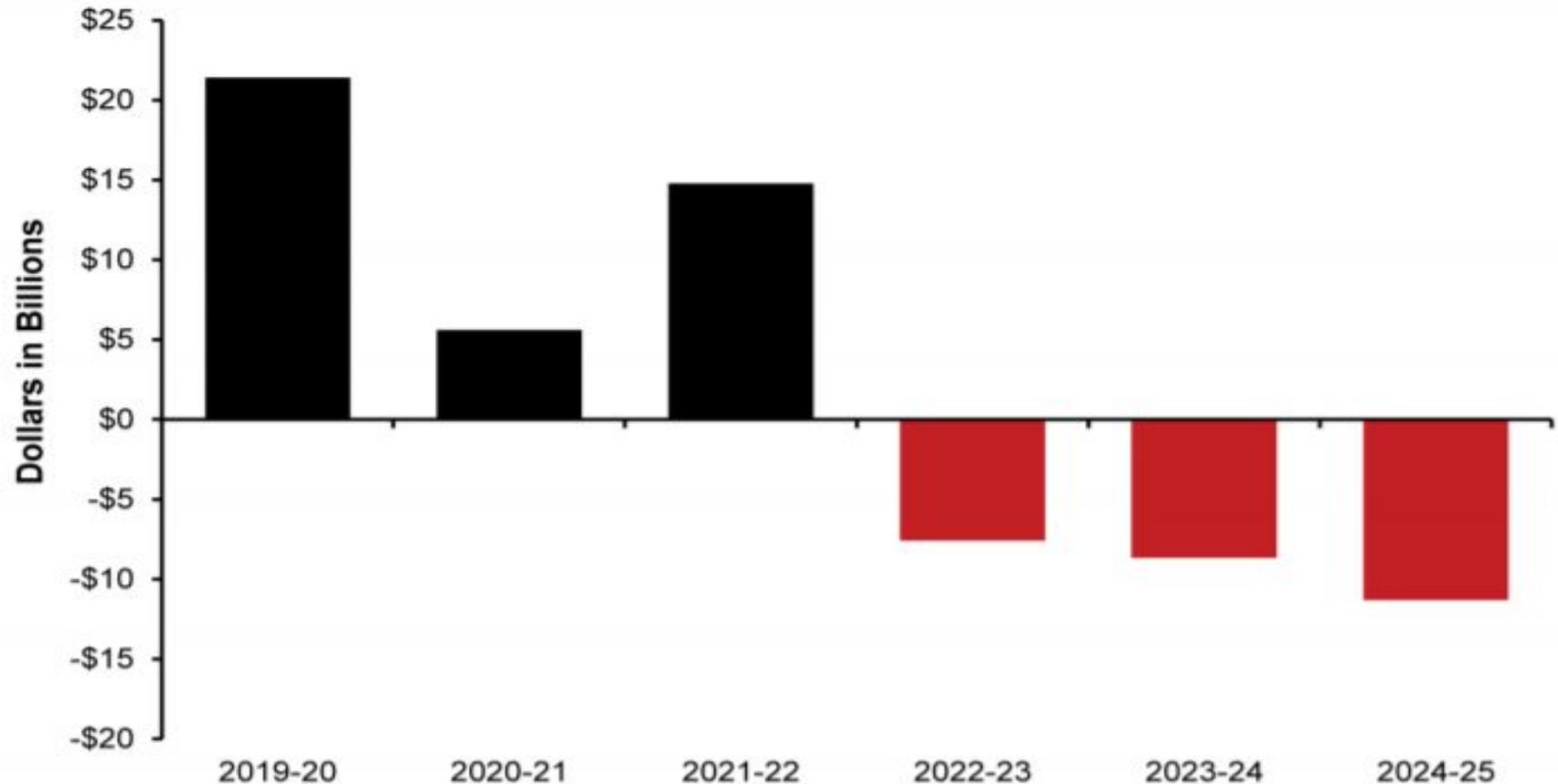
## A Cautionary Tale that Points to Use of One-time Funding

***“Reserves will be critical to balancing the budget in future years along with other solutions to bring spending and revenues into alignment.”***

***“For now, the state must do all that it can to avoid further hardship by continuing to fight the COVID-19 Pandemic and support the populations most impacted, while also making targeted investments to accelerate an equitable and broad-based recovery.”***

Governor Newsom

**Budget Projects Surplus, But Future Shortfalls Projected <sup>1/</sup>**



<sup>1/</sup> Budget shortfalls or surplus, measured by the annual Governor's Budget.

# CSU Budget Request *(November 2020)*



**Approval of the 2021-2022 Operating Budget Request  
Committee on Finance - Agenda Item 6  
November 17-18, 2020**

# CSU Budget Request *(November 2020)*

 The California State University

## Proposed 2021-2022 Operating Budget Request

<b>Incremental Expenditures</b>		<b>in millions</b>
<b>Graduation Initiative 2025</b>		<b>\$150.0</b>
Highest Campus Priorities	120.0	
Basic Needs Initiative	30.0	
<b>Restoration of 2020-21 General Fund Reductions</b>		<b>299.0</b>
<b>Academic Facilities &amp; Infrastructure Needs</b>		<b>50.0</b>
<b>Mandatory Costs</b>		<b>57.0</b>
AB 1460 Ethnic Studies Requirement	16.5	
Health Benefits	23.8	
Maintenance of New Facilities	11.3	
Minimum Wage	5.4	
<b>Total Incremental Expenditures</b>		<b>\$556.0</b>

No One-Time requests included.

# Governor's Budget Priorities

## Higher Education

- Emergency assistance to **re-engage students** that left during pandemic
- More **ongoing funding**
- **No tuition** and fee increase
- Increased funding for **student aid**

*“Preserve, Respond, Protect and Recover”*

# Governor's Proposed Budget (January 2021)

**\$144.5 million increase - ongoing**

Category	In Millions
❑ Operating Costs	\$111.5M
❑ Graduation Initiative 2025 (Basic Needs Initiative)	15.0M
❑ Student Mental Health and Technology	15.0M
❑ Common learning management system (Canvas) across higher ed segments	2.0M
❑ Enrollment funding for Stanislaus State's Stockton Center	1.0M
<b>Net Total</b>	<b>\$144.5</b>

**\$225 million increase - one-time**

Category	In Millions
❑ Deferred Maintenance	\$175M
❑ Emergency Financial Aid	30M
❑ Computing Talent Initiative	10M
❑ Professional Development	10M
<b>Total</b>	<b>\$225M</b>

- Governor's budget reflects 3% increase for the General Fund.
- Assumes in-state resident tuition and fees remain flat for the coming academic year
- The Governor's proposed budget does not address enrollment growth.

# CSU Trustees 2021-22 Budget Request vs. Governor's Budget (\$M)

Investment Area	CSU Request	Governor's January Proposal
Graduation Initiative 2025	150.0	15.0
Mandatory Cost Increases	57.0	111.5
General Fund Restoration	299.0	
Academic Facilities/Infrastructure	50.0	0
Student Mental Health and Technology Needs		15.0
Other - Common Learning System (Canvas)		3.0
<b>Total (Ongoing)</b>	<b>\$556.0</b>	<b>\$144.5</b>
Deferred Maintenance/Facilities Improvement		175.0
Emergency Financial Aid		30.0
Computing Talent Initiative (Monterey Bay)		10.0
Professional Development		10.0
<b>Total (One-time)</b>	<b>0.0</b>	<b>\$225.0</b>
<b>Total Combined</b>	<b>\$556.0</b>	<b>\$369.5</b>

# Some Thoughts for CSU Budget Development

- California has benefited from years of **fiscal prudence**—enabling the state to weather economic setbacks in 2020
- Budget resiliency is critical for the future, as **State expenditures are projected to grow faster than revenues** - anticipate one-time funding as predominant color of money
- Governor's proposed budget **reinstates less than 20% of the \$299M budget reduction** enacted in FY 2020-21 when accounting for CSU estimated mandatory cost increases
- CSU budget hearings and **advocacy**
- We are early in the budget cycle

# FY 2021-22 Budget Planning Timeline

January	Governor Issues Initial Budget Proposal
February (late)	Release Campus 2021/22 Budget Memo
April	Submit Budget Requests to B&P Requests to SRPC
May	Governor Issues May Revise
June	President Budget Approval State Legislature passes annual Budget Act
July	CO final allocations

Questions?