

The background of the slide is a grayscale photograph of a building with a tiled roof and palm trees. A solid red vertical bar is on the left side of the image. A red horizontal bar is overlaid on the image, containing the title text in white.

Strategic Resource Planning Committee

Madera Hall 2381
February 13, 2020
1:30 p.m.

Agenda

- 2020-21 Budget Planning
 - Context for the 2020-21 Budget
 - State-Level Economic Climate
 - Economic Outlook
 - CSU Budget Request vs. Governor's Proposed Budget (January 2020)
 - State and CSU Budget Issuance Timeline
 - Strategies for Campus-Level Budget Planning and Next Steps
- Comparison of CSU Small Campus GF Funding with CSUCI

2020-21 Budget Planning

- *Context for the 2020-21 Budget*
- *Strategies for Campus-Level Budget Planning and Next Steps*

State of the State:

Economic Climate Remains Strong, but Recession Risks Rising

The Good News

- California is projected to continue **modest-paced economic growth** and continue to add jobs, but more slowly than in recent years.
- State anticipating its seventh budget surplus in eight years – current estimate at nearly \$6 billion. Governor poised to continue to **build reserves** in preparation for next recession as well as pay down state debts and unfunded liabilities (pension liabilities).

The Cautions

- **Budgetary risks higher** this year than recent past. Weakening seen in certain economic data points, including housing markets, trade activity, new car sales, and business startup funding.

*“The Budget continues to reflect the principle that maintaining a balanced budget and strong budget **resiliency** is non-negotiable and a necessary predicate for expanding programs, especially with the growing risks facing the state.”*

- Governor’s Budget Summary January 10, 2020

Economic Outlook

- Growth projected to continue, but more slowly through 2023-24
- **Unemployment rate** projected to continue down from its already historically low levels nationally (3.5%) and in the state (3.9%)
 - This trend is projected to continue this year and for next several years before rising back above 4% in 2023
- **Housing permits** expected to increase gradually by 2023
 - Slow growth in housing can constrain job growth and contribute to inflation
 - Inflation projected at around 3% per year in California
- **Risks continue to rise**
 - International trade and tariffs
 - Stock market volatility
 - Global slowdown
 - Housing shortage and aging population in California

CSU Budget Request

(November 2019)

- **\$648.3 million** increase in ongoing funds

Expenditures	In Millions
• Graduate Initiative 2025	105.0
• Basic Needs Partnerships	15.0
• Employee Salaries and Benefits	177.4
• Academic Facilities/Infrastructure	75.0
• Mandatory Costs Increases (Health benefits, retirement, maintenance of new facilities, and minimum wage increases)	27.3
• 5% Increase in Enrollment (Would add 18,207 Full-Time Equivalent Students)	248.6
Total	648.3

- **\$500 million** request for one-time funds

Category	In Millions
• Deferred Maintenance	500
Total	500

Anticipated Revenue	In Millions
• Tuition from Enrollment Growth	84.6
• Board of Trustees Additional Request	563.7
Total	648.3

Governor's Proposed Budget

(January 2020)

- **\$199 million** increase in ongoing funds
- **\$6 million** request for one-time funds

Category	In Millions
• Operating Costs	199
Total	199

Anticipated Revenue	In Millions
• Development/expansion of degree and certificate completion programs through CSU extension	6
Total	6

- Governor's budget reflects 5% increase for the General Fund using the state base only.
- CSU is given flexibility in how the increased funds are spent, but the administration expects the CSU to "focus on college affordability, access, timely degree completion, and the narrowing of student achievement gaps."
- The Governor's proposed budget is silent on changes in tuition and does not reflect any enrollment growth.

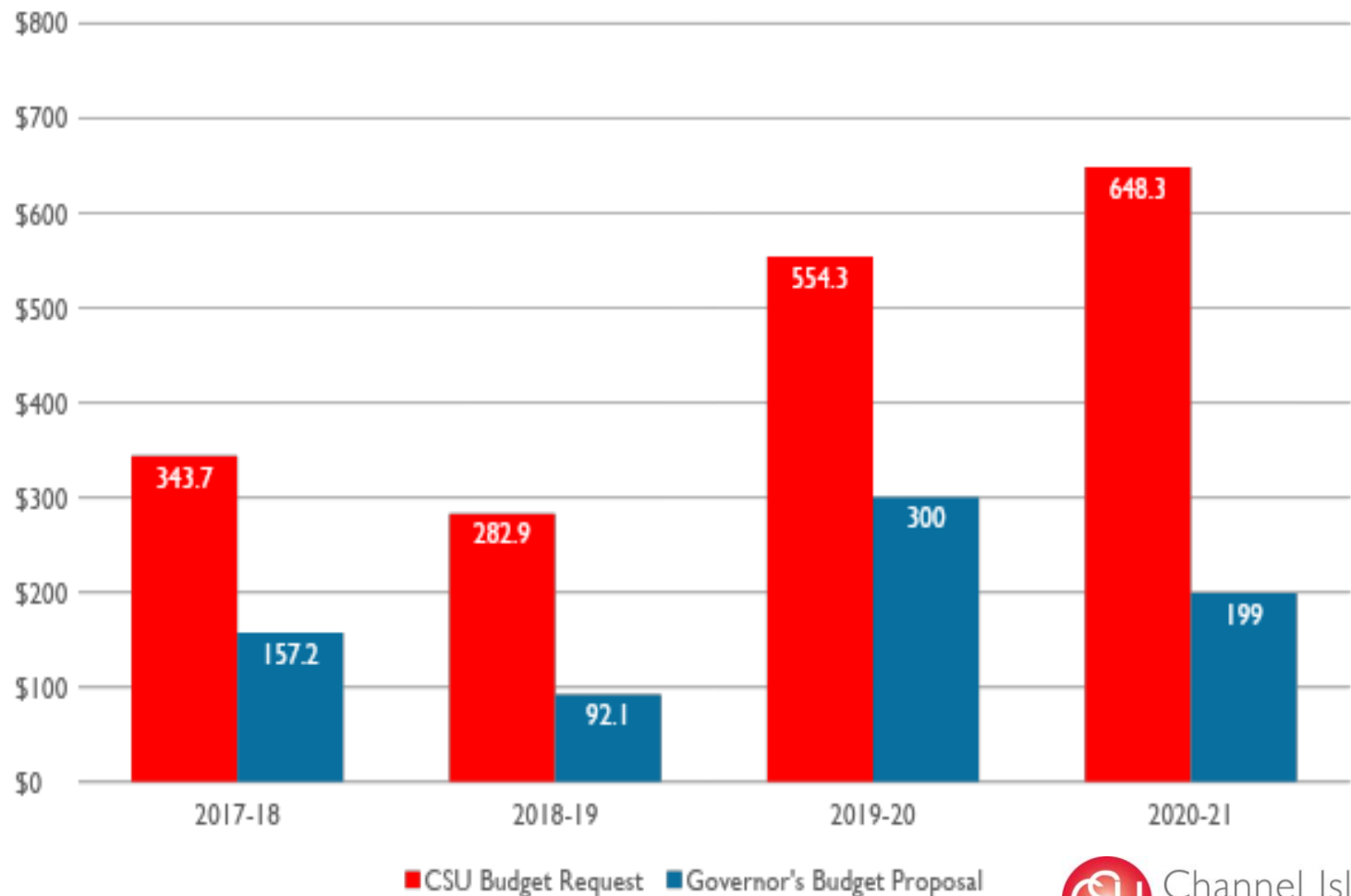
CSU Trustees Budget Request vs. Governor's Proposed Budget

(\$ Millions)

Investment Area		CSU Request	Governor's January Proposal
Ongoing Funds	Compensation Increases	177.4	199.0
	Mandatory Cost Increases	27.3	
	Graduation Initiative	105.0	
	Increase in Resident Enrollment	248.6	
	Facilities & Infrastructure	75.0	
	Basic Needs Partnerships	15.0	
	Total (Ongoing)	\$648.3	\$199.0
One-Time Funds	Deferred Maintenance	500.0	-
	Support for Degree Completion through CSU Extension Centers	-	6.0
	Total (One-Time)	\$500.0	\$6.0
Total Combined		\$1,148.3	\$205.0

Historical Trend

CSU Budget Request vs. Governor's Budget Proposal
For Additional Ongoing Funding (FY 2017-18 – 2020-21)



Dollars in millions

Some Thoughts for CSUCI Budget Development

- A balanced campus message:
 - California is in a fortunate economic climate, but growth is slowing.
 - Governor's proposed budget means little room for expanded budgets.
 - CSU budget hearings and advocacy.
 - We are very early in the budget cycle.
- Continue to support the momentum of CSUCI Strategic Initiatives.
- CO preliminary budget memo pending

State and CSU Budget Issuance Timeline

January 10	Governor Issues Initial Budget Proposal
January 31	Divisional Budgets Due to Budget & Planning
March	Preliminary CO Allocations (publication unlikely)
May	Governor Issues May Revise Budget
June 15	State Legislature Passes Annual Budget Act
July	CO Final Allocations

Comparison of CSU Small Campus GF Funding with CSUCI

CSUCI General Fund Appropriation Funding per FTES 2019-20 Budget Allocation

