



## FROM THE OFFICE OF THE PRESIDENT

# PRESIDENT'S UPDATE

### To All Members of the Campus Community:

As we all know, last year was not a normal year, not once the pandemic arrived. And next year will not be a normal year either. Largely because of COVID-19, this year, California is facing a \$54 billion budget shortfall. To make up for that shortfall, Gov. Gavin Newsom and the Legislature reduced the California State University system's 2020-21 budget by \$299 million. The CSU system also is expecting to suffer a \$24.2 million reduction in tuition revenue due to changes in student enrollment patterns. All in all, the CSU system's budget for 2020-21 is \$323.2 million less than it was last year. We do not expect the budget for 2021-22 to improve and will be preparing for a similar reduction. I am sorry that I do not have better news. However, I am pleased to report that with a combination of reductions in each division and the use of reserves, we have managed to balance the budget for this year.

To meet the decrease in state and CSU system allocations, the President's Cabinet made the difficult decision to cut every division's budget by 10%. Unfortunately, because of increases in employer-paid health care premiums, unfunded operations and maintenance costs for new facilities, increased retirement benefits, and minimum wage increases plus COVID-19 expenditures, the 10% reductions were insufficient, and we had to pull funds from our reserves. The 10% reductions for the divisions are substantial, and they will be felt throughout the University:

- Public Affairs and Advocacy: -\$52,811
- Athletics: -\$498,509
- University Advancement: -\$404,807
- President: -\$372,649 (including University Communications; Commencement; University Initiatives and Student Success; and Institutional Research, Effectiveness, and Planning)
- Inclusive Excellence: -\$96,364
- Student Affairs: -\$1,363,435

- Information Resources and Technology: -\$864,422
- Administration and Business Affairs: -\$2,121,345 (including Human Resources)
- Academic Affairs: -\$11,519,936

On Sept. 21, following the advice of the University Budget Advisory Committee (UBAC), the President's Cabinet finalized Sacramento State's budget. Overall, because of the reduced allocations from the state and (hence) the CSU system, Sacramento State's budget will be reduced from \$357,947,737 in 2019-20 to \$348,296,000 in 2020-21. In other words, we have \$9,651,737 less this year than we had last year. We are clearly facing a very difficult year, especially given the loss of revenue from housing, meal plans, rental income, NCAA allocations, cancelled events, parking, contracts and grants, etc. Usually, people say that we will have to do more with less. The truth is, as I said in my Fall Address, we will have to learn how to do less with less. We know how much the less costs, but we don't know yet what "the less" actually will be.

The 2020-21 budget is based upon UBAC's recommendations:

- Estimated sources of funds = **\$348,296,000**
  - ◆ General Fund allocation \$184,006,000
  - ◆ Student tuition fee revenue \$162,190,000
  - ◆ Education Insights \$1,100,000
  - ◆ Federal Work Study \$1,000,000

These funds do not meet UBAC's recommended overall budget:

- Estimated uses of funds = **\$355,335,776**
  - ◆ Includes compensation pool and benefits cost increases, which contains campus contributions to fund the shortfalls in state general funding
  - ◆ \$709,664 increase in All University expenses for a total amount of \$27,469,006
  - ◆ \$155,433,392 for division allocations. This allocation amounts to a \$17,294,279 decrease to division allocations (10%) to assist with the budget shortfall, in addition to the President's Office additional contribution of \$215,123.
  - ◆ \$6,888,626 for the Graduation Initiative (the same as last year – these funds are recurring)

- ◆ \$5,500,000 one-time-use funds to Academic Affairs for additional sections (the same as last year)
- ◆ \$200,000 one-time-use funds to Administration and Business Affairs for repairs related to safety

To make up the shortfall, the President's Cabinet concurred with UBAC's recommendation that we utilize central University reserves to cover the deficit of \$7,039,776. But, as UBAC noted, continuing to utilize reserves to cover ongoing permanent costs is not sustainable.

A summary of the University's final budget for the [2020-21 General Operating Fund](#) is [provided here](#). The baseline allocations to each division are as follows:

- Public Affairs and Advocacy: \$487,873
- Athletics: \$4,648,181
- University Advancement: \$3,730,649
- President: \$4,345,598 (including University Communications; Commencement; University Initiatives and Student Success; and Institutional Research, Effectiveness, and Planning)
- Inclusive Excellence: \$1,285,572
- Student Affairs: \$14,312,025
- Information Resources and Technology: \$8,414,598
- Administration and Business Affairs: \$19,459,596 (including Human Resources)
- Academic Affairs: \$109,787,681

This balanced budget is built upon the use of reserves. Reserves are one-time funding; they are not recurring. As noted above, the majority of the budget is recurring funding, mostly in salaries. Many of you will be wondering if we have enough reserves to survive. Truthfully, we do not. Each month, we spend \$16 million on salaries (\$24.2 million with benefit costs). We have a history of using our reserves to move projects forward. In 2019-20, Sacramento State transferred more than \$18 million in funding for the completion of the Ernest E. Tschannen Science Complex. I know that we made the right decision to invest in our academic facilities, but that decision left us with significantly decreased reserves. In campus central reserves, we currently have \$19,496,213. We have another \$7,192,291 in interest earnings. But we have a \$743,023 shortfall in benefits and a \$1,143,926 shortfall in salaries. And then there are the unknowns for athletics (a moving target because of potential testing, travel or no travel, etc.) and additional commitments for items such

as the \$325,000 for the audiology lab. In short, after balancing this budget, we have approximately \$17,000,000 in reserves as our protection during this pandemic.

We will have to make significant reductions in recurring expenses this year and next. We cannot rely on reserves. Hence, we have initiated the Early Exit Program. This program will assist with the reduction of the permanent baseline expenses in the budget (the \$18 million that I mentioned above) for future years. Our goal is to avoid layoffs and furloughs, but we will have to find creative ways to eliminate recurring expenses and increase efficiencies.

This year and next year will be difficult, and we must be prepared for difficult budget discussions. As always, I would like to extend my gratitude to UBAC for its patience and attentiveness to the budget recommendations. I also am thankful for the work of the Budget Office and every budget officer who helped us determine this year's 10% reductions. We will continue our commitment to investing in student success, health and safety, and inclusive excellence. We will not slow down on our philanthropic, Anchor University, and antiracist campus imperatives. But we must join together and be courageous as we manage our budget so that we can continue the tremendous success that we have experienced as thousands and thousands of our students have graduated with the excellent education that we have provided.

Sincerely,



**Robert S. Nelsen**

President, Sacramento State

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