



# CALIFORNIA STATE UNIVERSITY, FULLERTON

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October 9, 2019

Mr. Dave Mickey, MFA  
Chair, Planning, Resource, and Budget Committee  
California State University, Fullerton

Dear Mr. Mickey:

Thank you for serving as Chair of the Planning, Resource and Budget Committee (PRBC). As we at California State University, Fullerton collectively work to stretch our limited dollars, it is clear to me that no group is more focused on or committed to ensuring our budget is allocated wisely, transparently, and in the best interest of our students than the PRBC. Selflessly, transparently, and far too often, thanklessly, you and the diverse group of educators you lead as PRBC Chair have positioned us to succeed in an era of limited investment that consistently finds us saddled with the lowest funding rate per FTE in the CSU. Indeed, your admirable work in the face of financial unpredictability and adversity mirrors a theme we instill in and expect from all the 40,000 students we serve — Titans Reach Higher. The PRBC budget recommendations for the 19-20 Academic Year are no exception to this standard of excellence.

As we move into the second year of our new five-year strategic plan, it is tempting to see our fiscal situation through the lens of the rose-colored glasses provided by the largest budget increase to the CSU in history. To be clear, we are beyond grateful for that much-needed funding uptick from a new governor who served as a member of the CSU Board of Trustees. That said, the rosy tint of the glasses it provided quickly fades when you consider that virtually all these funds must be allocated to cover mandatory costs that were, frankly, extant before the ink was dry on the state budget. Indeed, the \$640M in new recurring and one-time funds for the CSU — including \$239M for deferred maintenance that the CO will disburse through capital programs and infrastructure processes separate from the annual budget process — seems to vanish as quickly as it appears when one begins to crunch the numbers.

Case in point, excluding deferred maintenance, 75% of the new funding is designated for costs associated with enrollment, compensation, and mandatory cost increases, while GI2025 represents another 18%. Thus, merely a comparative sliver of this year's record high allocation is left after covering compulsory costs, targeted programs, and existing commitments. As per usual, the recommendations provided by the PRBC are cognizant of this reality, and I both appreciate and applaud the Committee's collaborative efforts to continue to Reach Higher despite the many challenges and constricting financial parameters ahead.

As in prior years, GI 2025 continues to be a central focus of our endeavors this academic year, with another \$45M in recurring and \$30M in one-time allocations for the system. With our portion of this funding (\$3.1M in ongoing and \$2.3M in one-time), we will build upon the student success initiatives that have been integral to our gains in 4- and 6-year graduation rates as well the decrease — and in some cases, disappearance of — our opportunity gaps. With the expansion of such efforts in this and future years, I am optimistic we will hit our GI 2025 goals.

In the final Budget Act, the Governor increased enrollment growth from his May revised budget of 7,295 FTES to 10,000 FTES, reflecting on the importance of maintaining access to the CSU and providing opportunities to those seeking a college degree. The 2018 Budget Act included \$120M of one-time funding for enrollment to be distributed across the system over four years; the 2019 Budget Act provides the second installment of \$35.8M to cover additional costs associated with enrollment including instruction and support services. Given that these are one-time funds, they cannot be used to support permanent faculty or staff positions.

As in the past, and as mentioned in the opening of this letter, mandatory costs, such as employee compensation and retirement, will absorb a giant size portion of our additional baseline and one-time funding this year. This year's allocation also includes baseline funding to offset the newly-implemented minimum wage increase. In January 2019, the California minimum increased from \$11/hour to \$12/hour, which placed additional pressure on our already thin budgets. The minimum wage funding will be distributed based on actual expenditures.

As referenced in last year's budget letter to the PRBC, our incredible success in improving graduation rates and increasing average unit load (AUL) of students have had unintended fiscal consequences on our campus. Last year we experienced a revenue shortfall of \$4.3M, part of which was attributable to AUL increase. We made up this gap temporarily using one-time funds from the divisions' carryforward funds with the goal of addressing it on a more permanent basis in 2019-20. PRBC formed a subcommittee to evaluate our options and has made recommendations to me in a letter dated June 27, 2019. I thank the Committee for its thorough and thoughtful work and for suggesting actions that enable us to meet the shortfall during this year's budget process. Specifically, rather than distributing the shortfall across the divisions, the Committee recommended limiting its impact on units by making the cuts off-the-top from our new allocations using a combination of one-time and baseline funds, including a portion of new enrollment funds and allocations tied to our AUL increase. The Committee also recommended longer term sustainable solutions such as evaluating our cost structure and finding ways to optimize resources. Thus, we have assigned 75% of the shortfall to new baseline funds and the remaining 25% using one-time funds. At this time, the revenue and enrollment projections for 2019-20 indicate the budget will be balanced with these actions. Naturally, however, the 25% on one-time funds will have to be addressed next fiscal year – so we will begin from behind the starting line as we focus on next year's budget.

My response to the budget recommendations provided to me by the PRBC, and my decisions for our FY 2019-20 budget (both of which are listed below), were made with all of these and many other factors in mind. To be clear, these determinations, along with the university and student success they will undoubtedly produce, would not be possible without the invaluable and collaborative input provided to me by the PRBC.

**FY 2019-20 Funds Available – CSU Level**

The Budget Act of 2019 provided a \$332.9M increase in systemwide baseline General Fund in contrast with a \$197.3M increase last year. The higher increase was primarily due to \$85M (net of tuition revenues) allocated systemwide for a 2.7% enrollment increase (10,000 FTES); an additional \$40M increase systemwide relative to last year for employee compensation cost increases; and a \$30M reduction in systemwide GI2025 baseline funding relative to last year which was reassigned in one-time funding. As mentioned previously, even though CSU received a significant increase compared to last year, the vast portion of these dollars will be absorbed by enrollment increase costs, mandatory and compensation cost increases, and targeted programs.

The Budget Act also allocated \$68M in one-time funding systemwide, which consists of the second installment of \$36M for one-time enrollment increase funding, \$30M to offset by like amount the decrease in baseline allocation for GI2025, and a modest \$2M for the Math & Science Teacher initiative. Detailed information on these allocations can be found on the CSU Coded Budget Memo website (<https://www2.calstate.edu/csu-system/about-the-csu/budget/Pages/coded-memos.aspx>).

**FY 2019-20 Funds Available – CSU Fullerton**

From the systemwide funds, CSUF received new baseline general funds totaling \$23,745,100. Components of this increase are shown in Table 1. In addition, the campus will generate \$2,971,000 in tuition revenues associated with our baseline enrollment increase for a combined baseline increase of \$26,716,100. One-time funds total \$20,764,160, consisting of locally generated tuition revenues from over-enrollment (\$15,487,160), one-time enrollment funding (\$2,787,000), GI2025 (\$2,343,000), and Math & Science Teacher Initiative (\$147,000).

**Table 1 - Baseline Funds**

Mandatory Costs	2,702,000
Compensation Increases	10,368,000
GI2025	3,059,000
Enrollment Growth*	8,233,000
SUG Increase	774,100
<u>FY 18-19 Base Adjustment</u>	<u>1,580,000</u>
<b>Total Baseline Increase</b>	<b>26,716,100</b>

*\*Includes locally generated tuition revenues of \$2,971,000*

Allocations for enrollment growth increase our baseline enrollment by 580 FTES to 30,469 FTES. We project over enrollment will be 2,424 FTES for the academic year for a combined enrollment total of 32,893 FTES.

I continue to share and feel quite strongly about PRBC’s concerns outlined in your memo regarding CSUF having the lowest funding rate per student FTE, a fact that unfortunately has not changed in factoring in 2019-20 allocations. This inequity continues to weigh heavily on our operations and initiatives. On a positive note, the value of closing the funding rate gap with the next lowest funded campus (now San Francisco) improved by \$1M to roughly \$10M baseline funds. Despite having repeatedly brought this to the attention of the Chancellor’s Office, we remain at the bottom after the 2019-20 allocations. Moving forward, we plan to continue our highlighting of this inequity with the CO on this front with intensity and regularity.

**FY 2019-20 Budget Allocations**

Again, I appreciate and concur with the recommendations and priorities put forth in the PRBC recommendations for FY 2019-20. This year’s budget process provided just enough baseline funds to cover our ongoing obligations and additional funding related to enrollment growth. GI2025 funding of \$3,059,000 baseline and \$2,343,000 one-time funds will enable us to build upon previous years’ efforts and continue to expand programs and initiatives to improve student success.

Our over-enrollment has provided flexibility with one-time funds, and I have made my allocation decisions in line with PRBC’s recommendations as conveyed to me in your May 3, 2019, memo. Specifically, high priority items such as capital financing obligations, faculty hiring and instructional support, and core operations critical to advancing our mission will be funded in line with prior year funding levels.

The following table summarizes my allocations organized by PRBC budget categories developed for this year’s process:

**Summary of FY 2019-20 Budget Allocations:**

<b>Fiscal Year 2019-20 Allocations</b>	<b>Baseline</b>	<b>One-time</b>	<b>Total</b>
Mandatory Costs	\$15,424,100		\$15,424,100
Graduation Initiative 2025	\$3,059,000	\$2,343,000	\$5,402,000
Operationalizing the University's Strategic Plan	\$954,000		\$954,000
Capital and Facilities Infrastructure Projects		\$3,500,000	\$3,500,000
Faculty Hiring, Retention, and Tenure Track Density	\$2,389,085	\$7,393,178	\$9,782,263
Reinvesting in Instructional & Support Infrastructure		\$400,000	\$400,000
Mission Critical and Compliance Initiatives	\$117,150	\$433,750	\$550,900
Strategically Addressing Structural Deficits	\$4,763,629	\$2,821,007	\$7,584,636
Core Operations Critical to Advancing Institutional Mission		\$3,789,903	\$3,789,903

**Total**

**\$26,706,964**

**\$20,680,838**

**\$47,387,802**

### **Compulsory Allocations**

Baseline amount of \$15,424,100 for mandatory cost increases such as employer-paid health care and dental premiums, retirement, faculty and staff compensation increases (current contracts), operation and maintenance of new facilities, minimum wage increase and state university grant:

- **Compensation:** \$10,368,000 baseline to fund compensation increases.
- **Benefits:** \$3,685,000 baseline to cover increased retirement (\$3,144,000) and health (\$541,000) benefits costs.
- **Minimum Wage Increase:** \$597,000 baseline to fund minimum wage increase.
- **State University Grant:** \$774,100 baseline to reflect Pell-eligible students. This allocation will be folded into the university SUG program.

### **Graduation Initiative 2025**

\$5,402,000 (\$3,059,000 baseline and \$2,343,000 one-time) for student success initiatives to improve graduation rates.

### **Operationalizing the University's Strategic Plan**

\$954,000 baseline to fund faculty promotions. This budget allocation is a contractual obligation to fund additional salary costs.

### **Capital and Facilities Infrastructure Projects**

\$3,500,000 one-time is allocated for capital and facilities infrastructure projects as follows:

- **Capital Financing Authority Obligations:** Campus Capital Reserves: \$2,500,000 in one-time funds in support of the new capital financing authority reserve requirements. With the delegation of financing authority from the State for capital projects, CSU has been developing financial strategies and related policies for issuing system-wide bonds. One element of the policy would require each campus to cover a portion of the project costs. Campuses have been informed to begin establishing a capital reserve fund. The current five-year capital outlay program consists of academic buildings (e.g., McCarthy Hall Renovation and Critical Infrastructure projects) that would require the use of campus capital reserves to satisfy the campus match requirements for CSU financing. This budget allocation is directly linked to the 2018-2023 University Strategic Plan proposed Goal #4 and indirectly supports Goals #1 and #3.

- Deferred Maintenance: \$1,000,000 in one-time funds for deferred maintenance to fund the highest priority needs, focusing on health and safety.

### **Faculty Hiring, Retention, and Tenure Track Density and Instruction**

\$9,782,263 (\$2,389,085 baseline and \$7,393,178 one-time) is allocated for faculty hiring, retention and tenure tract density as follows:

- Continue to Invest in High-Quality and Diverse Faculty Hiring Plan: \$250,000 in one-time funds for faculty searches/start-ups in order to continue and support the faculty hiring plan.
- Enrollment Funding in Support of MSTI: \$147,000 one-time funding for enrollment funding in support of Math & Science Teacher Initiative (MSTI).
- Over-Enrollment: \$9,385,263 (\$2,389,085 baseline and \$6,996,178 one-time) allocation to support additional instructional costs (salaries and benefits) to be funded based on actual enrollment.

### **Instructional & Support Infrastructure**

\$400,000 one-time to renovate classrooms including computers and equipment.

### **Mission Critical and Compliance Initiatives**

\$550,900 (\$117,150 baseline and \$433,750 one-time) is allocated for mission critical and compliance initiatives as follows:

- IT Information Security: \$100,000 (\$50,000 baseline and \$50,000 one-time) to fund 0.50 FTE position.
- IT Enterprise Storage: \$250,000 one-time to fund enterprise storage.
- Title IX: \$134,300 (\$67,150 baseline and \$67,150 one-time) to fund Title IX.
- DSS Support: \$66,600 one-time to fund DSS support.

### **Strategically Addressing Structural Deficits**

\$7,584,636 (\$4,763,629 baseline and \$2,821,007 one-time) is allocated to address structural deficits as follows:

- \$1,200,000 in one-time funds to address structural deficits in the Risk Pool. Claims and other costs have been increasing for the past several years and there exists a deficit in this account. We will evaluate options this year.
- \$3,232,292 in baseline and \$1,077,430 in one-time funds to address the \$4.3M tuition revenue shortfall.
- \$1,231,337 in baseline funds to address prior year enrollment increases that were one-time funded.
- \$600,000 (\$200,000 baseline and \$400,000 one-time) to address structural deficit in Academic Affairs.
- \$243,577 (\$100,000 baseline and \$143,577 one-time) to address structural deficit in HRDI.

### **Core Operations to Advance Institutional Mission**

- **Special Academic Programs**: Total one-time amount of \$3,739,903 to fund special academic programs such as Ed.D., DNP, and KDN. While these are core campus programs that have been in place for many years, the campus has traditionally used the annual budget process to allocate their operating funds. Due to a lack of baseline funding, the campus will not be able to provide partial baseline funds this year as it had in the past to make the funding source permanent. The campus will consider this funding option again next year.
- **University Advancement Operations**: \$50,000 in one-time funds to fund UA’s operations associated with the comprehensive philanthropic campaign.

### **Closing**

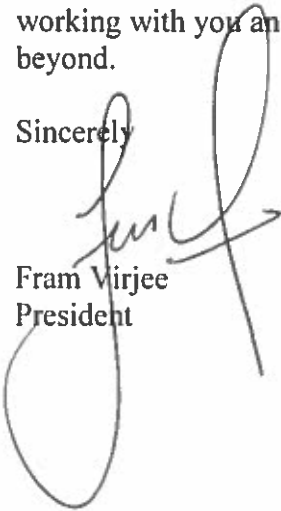
In the opening of this letter, I referred to your work as too often “thankless,” so before concluding, on behalf of all Titans, I want to pause to, well, thank you. As we crunch numbers in a budget that is far too low, it can be easy to forget the ways in which your work has resulted in the rise of the most important numbers of all: our students’ graduation rates. Indeed, over the past year alone, we have ushered in a 12% improvement in four-year graduation rates for first-time freshmen, a 14% improvement in two-year graduation rates for transfer students, and once again improved our six-year graduation rates to new historical highs. At the same time, the achievement gap continues to drop, our gift commitments continue to rise, and Titan Pride is more visible and infectious throughout campus and around Orange County.

The PRBC has a direct hand in all of these and every other achievement we proudly hang our hat upon. And speaking of hats and achievements, this past May, we celebrated the largest graduating class in the history of the entire CSU, with nearly 12,000 Titan degrees conferred. I am proud and thankful for the PRBC’s role in building upon that legacy and look forward to

working with you and the entire Committee as we continue to Reach Higher in 2019-2020 and beyond.

Sincerely

Fram Virjee  
President

A handwritten signature in black ink, appearing to read 'Fram Virjee', is written over the typed name. The signature is fluid and cursive, with a large loop at the end.