

Dear SDSU students, faculty and staff,

This memo provides an update on the fiscal year 2023-24 campus budget and offers a preliminary budget outlook for the 2024-25 California State University (CSU) budget. It also provides a brief update on enrollment and new developments on campus and in Mission Valley and Imperial Valley.

SDSU Budget Update: Fiscal Year 2023-24

Despite declining state revenues, Governor Gavin Newsom upheld his commitment to the Five-Year Compact with the CSU system. This compact outlines a strategic plan to increase the CSU General Fund Operating budget by 5% annually, which amounts to a 2.5% increase, on average, to individual campus operating funds. As we enter the second year of this agreement in 2023-24, this increase remains in line with our expectations.

In April, SDSU finalized its campus budget plan through the President's Budget Advisory Committee (PBAC). This budget plan was built on revenue assumptions related to state general fund allocations and tuition, both of which are on target. It is important to emphasize that, for SDSU, funding compensation increases for faculty and staff remains our highest priority. Presently, the details of these system-wide compensation increases are currently unknown due to ongoing negotiations, but SDSU has been proactive in its budgeting and enrollment planning to plan for increases this year. It is worth noting that all compensation matters are bargained system-wide at the Chancellor's Office, and the 23 individual CSU campuses are not permitted to be involved in the negotiation process.

For the approved PBAC allocations for 2023-24, see the [PBAC website](#) under *2023 Agenda, Minutes, and Recommendations* from April 13, 2023.

State, CSU and SDSU Budget Outlook: Fiscal Year 2024-25

The CSU submitted its fiscal year [2024-25 operating budget request](#) to the state in early October, outlining that \$557.3 million in new dollars are needed to support its operating costs. Under the current compact, the CSU would be provided \$240.2 million, or about 43% of the request, in new recurring base funding for its operating costs.

The CSU is advocating for additional dollars through the 2024-25 funding cycle, arguing that the compact alone is insufficient to fund system-wide existing priorities, chief among them being investments in greater faculty and staff compensation, deferred maintenance, and Graduation Initiative 2025. In addition, there are emerging system-wide priorities that require new resources for campuses, such as for Title IX, and the recommendations for the discrimination, harassment, and retaliation (DHR) program from the Cozen O'Connor report. The system has also shared that the compact funding alone is also insufficient to cover existing non-salary fixed cost increases due to record inflation in campus utilities, insurance and risk pool, benefits, and other non-discretionary areas which pull heavily from campus budgets.

In September, the CSU Board of Trustees approved a [tuition policy](#) that would increase tuition by 6% annually for five years starting 2024-25. The system referenced that there has only been one tuition increase in the last decade, and this policy seeks to address the funding gap that's been created by perennial underfunding and instability from the state. The proposed tuition increase would generate an additional \$172.6 million in gross revenue, or \$115 million in net revenue after allocating one third to the State University Grant. Thankfully, the CSU – and SDSU – provide a robust amount of financial aid to help cover costs for our students, and more than 60% of CSU students have their tuition and fees fully covered by aid.

In summary, in the 2024-25 budget, CSU projects \$557.3 million in new recurring dollars are needed, with the revenue from the compact and tuition rate increase projected to generate \$413 million. Therefore, the CSU is asking for an additional \$144.5 million in recurring state funding above the compact for the 2024-25 budget.

In addition to requesting recurring (base) funding above the compact, the CSU is requesting \$2.4 billion in one-time funds to address the system's significant deferred maintenance backlog of about \$7.4 billion. For academic buildings, the North Life Science replacement is

one of SDSU's highest-priority projects, part of the STEM Forward initiative aimed at bolstering the university's research and teaching capacity. However, SDSU was able to propose a plan and get approval to begin planning and design in 2024-25. SDSU will continue to robustly advocate, through the CSU process, but also beyond it, for financial resources to support our highest priority projects.

In the interim, our university is proactive in addressing deferred maintenance needs through an annual PBAC allocation of \$8 million for the last three years. Prior to the institutionalization of these allocations, SDSU did not have an annual deferred maintenance budget, which was not conducive to planning nor to making reliable annual progress on known maintenance needs. The Deferred Maintenance Advisory Committee (DMAC) is a shared governance group that prioritizes projects based on this annual available funding.

Further, SDSU is proactive in planning for various state and CSU budget scenarios. We are cautiously optimistic that Gov. Newsom will honor the compact, but recognize it may be challenging for the CSU to secure the above compact recurring funding as well as the higher than usual one time request. Our conservative budget practice at SDSU has served us well in the past to partially absorb these funding gaps from the state, and, given the uncertainties looking ahead into 2024-25, it remains prudent for us to continue to plan conservatively.

SDSU continues to develop and implement options to increase resources available to our campuses. These options include philanthropy, research grant growth, federal earmarks and state budget advocacy, public-private partnerships, non-resident enrollment growth, and operational efficiencies.

Enrollment Update

Once again, SDSU reached record enrollment levels in fall 2023, with nearly 37,600 students. SDSU brought in its second largest class of first-time students (6,104) and largest class of new transfer students (4,460). Based on current projections, SDSU will exceed its full-time equivalency (FTE) target from the CSU by approximately 1%.

While SDSU continues to experience success in enrollment, the CSU as a whole has faced declining numbers of students, due to decreasing numbers of high school graduates and community college students. CSU enrollment fell 5.6% (nearly 27,500 resident FTEs) below its FTEs

target in the 2022-23 year, with seven campuses below their targets by more than 20%. The CSU's Compact with the State of California, which provides funding for and expects 1% enrollment growth annually through 2026-27, remains active and the Chancellor's Office is developing plans to meet the enrollment target.

SDSU Mission Valley Update

SDSU Mission Valley continues to make significant strides in its development, positioning itself as a long-term investment in the university's future.

Snapdragon Stadium continues to achieve its goal as a significant community asset, hosting more than 130 events since its debut and securing a [partnership with Major League Soccer](#) that will begin in 2025. The stadium operates on a self-sustaining financial plan, ensuring it does not draw from the university operating budget; and that student tuition and fees do not fund the project.

The 34-acre [river park](#) situated along the southern expanse of SDSU Mission Valley is nearing completion by the end of this year, with community events being planned for the winter holidays.

LPC West leads the first SDSU Mission Valley innovation district project, which encompasses 315,000 square feet of research, academic, and innovation facilities. This includes 50,000 square feet of research space for SDSU faculty, as well as additional business incubator space, community-serving amenities and workforce development opportunities for our students and campus partners.

Chelsea Investment Corp. starts the multifamily affordable housing phase for those with an average 50% area median income, building 186-units and featuring on-site childcare.

As mentioned in a previous budget update, AvalonBay Communities is developing the first multi-family residential and retail project.

These three projects will be financed, constructed, and maintained through public-private partnerships. They do not draw from the university operating budget, but generate revenue by way of long term ground leases. SDSU will seek final approval of these partnerships from the CSU Board of Trustees in the next few months.

These developments are poised to accelerate our research profile, add much needed community housing, bolster enrollment, and generate new revenue streams to support our institutional priorities and better serve our students.

SDSU Imperial Valley Update

SDSU received [\\$80 million](#) in the 2022-23 budget cycle for a new Sciences and Engineering Laboratories at SDSU Imperial Valley, Brawley, as part of the Governor's Lithium Valley and community economic engine plans.

The 37,000-square-foot facility will be used for STEM research and teaching labs to support future programs that align with the significant workforce growth in the build out of Lithium Valley. The current estimate for construction completion is fall 2025.

SDSU Imperial Valley has also received funding from the state to partner with Imperial Valley Community College for the construction of the first affordable student housing development on the Calexico campus. The current estimate for construction completion is 2026.

Conclusion

The university's fiscal year 2023-24 budget is on target, pending final compensation negotiations. Various budget committees have resumed meetings to discuss budget issues and begin planning for fiscal year 2024-25. SDSU is proactively planning for multiple budget scenarios due to the economic uncertainties of the state.

At SDSU, we are cautiously optimistic that Gov. Newsom will honor the compact in the next fiscal year, and recognize that CSU will continue to advocate for the state to provide additional funding above the 5% compact to meet our priorities in student success and access, institutional support and investments in faculty and staff compensation, as well as one time funding for academic facilities and deferred maintenance.

We will continue to provide budget updates throughout the year as new information is available. If you have any questions, please contact Crystal Little, Associate Vice President for Financial Operations, by emailing little@sdsu.edu.

Thank you for your continued efforts in support of our university.

Links to Useful Information

- [Current bargaining agreements and salary information](#)
- [CSU Chancellor Statement on the 2023-24 state budget proposals](#)
- [Governor's Budget](#)
- [CSU coded memos B 2023-01 and B 2023-02](#)
- [CSU 2024-25 Operating Budget Request](#)
- [President's Budget Advisory Committee \(PBAC\)](#)

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