

This memo provides a status update on the fiscal year 2022/23 campus budget and a preliminary budget outlook for 2023/24, as discussed at the October 20 Budget Town Hall.

#### **SDSU Budget: FY 2022/23 Update**

The California State University (CSU) system and SDSU provided a well-deserved average 7% increase for faculty and staff over a two-year period. Additionally, faculty and staff received on average a \$3,500 one-time payment, as negotiated by the system.

Like in years before, these bargained compensation increases were not fully funded by the state. The CSU funded \$23 million of the total \$29.5 million base compensation cost for SDSU. SDSU was asked to fund the rest of the \$6 million in fixed cost increases from its existing resources, which the university had anticipated and had set aside during the 2022/23 budget planning process. The university also utilized \$9 million of its own one-time reserves to address the one-time payments, which were not funded by the system.

In August, SDSU received an additional \$478,000 to be used for Student Basic Needs, which is part of a university and system-wide effort to address students' well-being inside and outside of the classroom.

Information regarding the final approved [President's Budget Advisory Committee \(PBAC\)](#) 2022/23 recommendations is available on the PBAC website under the 2022 Agenda, Minutes and Recommendations (see April 28, 2022 approved recommendations).

#### **State and CSU and SDSU Budget Outlook: FY 2023/24**

The CSU submitted its fiscal year [2023/24 operating budget request](#) to the state in September, marking the second year of the state's [five-year compact](#) (PDF) with the CSU. Under the compact, the CSU state appropriation would increase by 5% annually, providing the CSU \$243.4 million in new base funding for its fixed costs. As the state appropriation makes up about half of a campus' budget, the increase amounts to an approximate 2.5% total operating fund budget increase. This funding adjustment is insufficient to fund system-wide priorities, chief among them being investments in greater faculty and staff compensation, deferred maintenance, and Graduation Initiative 2025. Critically, it 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. Therefore, the CSU is asking for \$286.5 million above the compact for a total base budget request of \$529.8 million.

In addition to requesting base funding above the compact, the CSU is requesting \$1.3 billion in one-time funds to address the system's significant deferred maintenance backlog of about \$6 billion. North Life Science is the single highest priority project for SDSU to address and is currently ranked number thirteen (13) on the [CSU five-year capital plan](#) (PDF). The first \$450 million on the CSU five-year capital plan is set aside for systemwide infrastructure, which includes \$16.5 million for SDSU utilities upgrades. SDSU received \$24 million in funding over the last two years to support the electrical infrastructure (substation A) project to address and ensure stable power to the university, including classroom and laboratory spaces. SDSU will continue to advocate, through the CSU process but also beyond it, for financial resources to support our highest priority projects.

SDSU is proactive in planning for various state and CSU budget scenarios. We are actively developing plans to weather the predicted economic uncertainty at the state level. We are cautiously optimistic that Gov. Newsom will honor the compact, but recognize it may be an uphill battle for the CSU to secure additional funding above that level. 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 2023/24, it remains prudent for us to continue to plan conservatively. This means that after funding all non-discretionary campus needs, we do not anticipate that there will be additional discretionary funding available for allocation via PBAC for 2023/24.

However, SDSU is exploring all options to increase resources available to the campus. Some examples of options include non-resident enrollment, philanthropy, public-private partnerships, operational efficiencies, and adding or adjusting campus-based fees.

#### **Enrollment Update**

California's population declined in 2021 for the first time in 30 years. The state is starting to experience a demographic shift with fewer anticipated high school graduates. The enrollment "cliff" – which has occurred on the East Coast across the last decade – is projected to hit California in 2025.

The CSU is already feeling the impact of declining enrollment with a projected systemwide 7% decrease in FTES; SDSU is one of only two campuses above Fall 2021 FTES levels, despite the system-wide commitment in the Governor's compact with CSU to grow. While many CSU campuses enrolled larger classes of first-year students this year, most are significantly down in transfers and have fewer continuing students.

In contrast, SDSU brought in its largest first-year class of 6,514 students, and a transfer class of 3,878 students, reaching a new record for total enrollment at 36,637 students. The university came in at 99.8% of its Fall 2022 FTES target, and is tracking towards 99.5% of its annualized resident target set by the Chancellor’s Office, which was increased by 1,100 FTES in 2022-23.

**Salary Studies/Staffing Update**

Negotiated increases, including lump sum payments, have been processed for qualifying faculty and staff. The CSU continues to advocate at the state level for funding to implement the recommendations of the staff salary study from last year. The Mercer Group was also chosen to conduct a study of faculty salaries, and the study will involve virtual focus groups over the next month. Findings are expected to be presented to the CSU Board of Trustees in Spring 2023.

**SDSU Mission Valley Update**

Since our last budget update, Snapdragon Stadium opened, having been completed on time and on budget. Already, the stadium has hosted dozens of events contributing to its self-sustaining financial plan (the stadium does not rely on general fund, or student tuition revenue).

The initial [SDSU Mission Valley](#) site development and river park construction is continuing, with completion expected at the end of 2023.

Just this week it was announced that Avalon Bay Communities has been chosen as the developer for the first residential and retail project. The university is also in the process of selecting developers for the affordable housing and Innovation District projects. We anticipate bringing forward negotiated agreements for these first partnerships to the Board of Trustees in 2023.

Each of these selection processes is critical to our self-funded financial model, which relies on ground lease revenue from public-private partners to pay back our initial investment and revenue bond debt. These exciting inaugural projects will set SDSU Mission Valley on the path to financial success and will bring the vision for a sustainable mixed-use development to life. As we’ve said before: SDSU Mission Valley is a long-term investment in our future and will help accelerate our research profile, increase enrollment and provide new revenue streams to support university priorities and serve our students.

**SDSU Imperial Valley Update**

Through its targeted advocacy with state legislators, SDSU received [\\$80 million](#) in the 2022/23 budget cycle for a new STEM building at Brawley. The 66,000 GSF facility will be used for STEM research and teaching labs for future programs aligned with the incredible workforce growth associated with the build out of “Lithium Valley”.

The procurement process started in mid-2022 and resulted in the selection of the general contractor in October. The current estimate of construction completion is Fall 2025. In the meantime, there will be meetings with deans and departments/schools to design the STEM programming.

SDSU Imperial Valley also received funding from the state to partner with Imperial Valley Community College to create the first affordable housing development specifically for students in the region.

**Chula Vista – SDSU Television, Film & New Media Studios**

SDSU has developed a [new partnership](#) with the city of Chula Vista to create the 50,000-square-foot Television, Film, and New Media Studios. This was made possible through public private partnerships, driven by interest from our faculty, and a willingness to think outside the box.

The City of Chula Vista put forth \$59 million. Assemblymember and SDSU alumnus David Alvarez was able to secure \$25 million more, and Senate Pro Tempore Toni Atkins put forth an additional \$5 million towards construction of a 168,000-square-foot new city building.

SDSU will be a tenant in the new facility for 25 years with a lease payment of \$1/year. The studio will allow the university to have a physical campus presence in south county- something that has been long desired, and aligned with our moral and strategic imperative in improving access to South County students. As capital project funding from the state is becoming more and more difficult to obtain, creative partnerships such as this become imperative to SDSU’s continued development.

**Conclusion**

We have a final budget plan for FY 2022/23 and various budget committees have resumed meetings to begin planning for FY 2023/24. SDSU is proactively planning for multiple budget scenarios given the economic uncertainties of the state. We are cautiously optimistic that Gov. Newsom will honor the compact, and recognize that CSU will continue to advocate for the state to provide additional funding above the 5% to meet our critical faculty and staff compensation needs.

Additional information was shared during the [Budget Town Hall](#), held Oct. 20. 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, ([little@sdsu.edu](mailto: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 2022/23 state budget proposals](#)
- [Governor's Budget](#)
- [CSU coded memos B 2022-01 and B 2022-03](#)
- [CSU 2023/24 Operating Budget Request](#)
- [October 20, 2022 Budget Town Hall](#)
- [President's Budget Advisory Committee \(PBAC\)](#)

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