CALIFORNIA STATE UNIVERSITY, LOS ANGELES

OFFICE OF THE PRESIDENT

July 18, 2024

RE: Setting the Table for 2024-25 Budget Conversations

Dear Golden Eagle community,

In my message of June 27, 2024, I stated that financial transparency and budget literacy are Cal State LA first principles. I believe we should be forthright and honest about our financial and budget information. This detailed memo is intended to prepare for our conversations in the fall with open and direct communication now.

What we rely on, primarily, to run all our classes, student support, and operations – with salaries and benefits making up 73 percent of overall costs – are two sources of revenue: tuition and allocation from the state budget. Cal State LA does not set either of these levels. The CSU Board of Trustees sets tuition, and we are given an enrollment target by the system. State allocations are negotiated between the California legislature and governor. This allocation is then given to the system, which assigns a portion to Cal State LA based on that earlier enrollment target.

Cal State LA has in recent years, enrolled students beyond the enrollment target number given to the university by the CSU Office of the Chancellor. The university does not receive budget from the state/system for enrollment over the target. The only revenue received is tuition from each "overenrolled" student. As a result, Cal State LA has historically absorbed these enrollment-related expenses (additional class sections, greater need for support, and related administrative processes) which has had an adverse impact on the experience we can provide students.

Post-pandemic, Cal State LA has been much closer to our enrollment target. This feels like a budget reduction, because of the lost tuition, even though our funding per student is up. The greater risk lies in falling below enrollment targets, losing both tuition and state/system support. This is why we need to focus on reversing enrollment declines and push to meet our enrollment target every year.

Based on estimated revenue alongside estimated salary, benefit, and mandatory costs, Cal State LA faces a 2024-25 deficit of more than $32.4 million. Making up this shortfall will be painful and will certainly have a negative impact in the short-term. A framework for balancing the budget is under consideration. I also remain committed to providing a website of detailed financial and budget information by the beginning of the 2024-25 Academic Year.

I do hope that next year will have better news for the future, particularly in the state budget picture. That said, we cannot bank on hope or deny the trends that are affecting higher education – which includes inflating prices and declining college-age populations. I also hear those who are concerned about ever-increasing workload, and I hear that those who work the hardest are being rewarded with more work. We need to consider the right scope of work for every person (within the hours and schedules provided under our contracts). That will include priority setting, and perhaps letting some things move to the back burner.

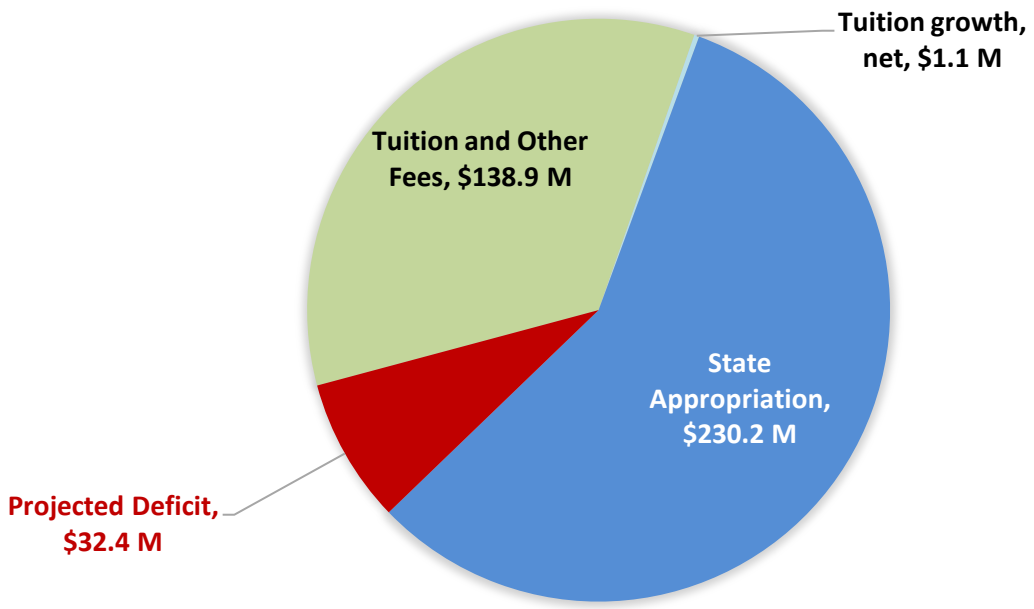
This is a tough conversation, and we are just at the beginning. At the same time, we'll have to make some moves quickly to prevent even deeper cuts down the road. Still, I remain committed to the practice of shared governance and inclusivity. This is not something that any one unit, one department, or one division can navigate alone. We are in this together and must find our solutions together.

Sincerely,
Berenecea

Berenecea Johnson Eanes, Ph.D.
President

See following pages for budget details.

$370.1M FY2024-25 OPERATING BUDGET: REVENUE SOURCES



2024-25 Revenues and Expenses

With ongoing shortfalls projected in state revenues, the Governor's signed Budget Act of 2024 provides the CSU with 5 percent compact funding paired with a one-time $75 million reduction for the CSU in 2024/25. Further for 2025/26, the Governor expressed the intent to defer the second promised 5 percent compact funding from 2025/26 to 2026/27 while imposing a 7.95 percent reduction in ongoing state funding.

The following represented expected changes to revenues and expenses based on the state budget, system allocation, projected enrollment, and contract negotiations. Numbers in parentheses represent a negative number.

Changes to Revenues

5% State appropriation increase (compact)	$	14,288,000
State Budget one-time reduction	$	(3,502,500)
CSU Enrollment Reallocation plan (20 FTES, net)	$	227,000
Tuition		
Tuition from 6% rate increase	$	8,539,000
Tuition from reallocation plan (20 FTES, net)	$	196,035
Tuition shortfall, 5.3% below target* with adjustments	$	(7,635,000)
Total	$	12,113,000

Changes to Expenses

Compensation Increase		$ 25,125,000
State University Grant (SUG) financial aid – CO estimate		$ 5,039,000
Health/Insurance premiums & mandatory commitments		$ 5,264,000
Unfunded campus costs		$ 9,045,000
	Total	$ 44,473,000
Projected Budget Deficit:		**$ (32,360,000)**

** Projection as of 7/11/24*

Enrollment Targets

The budget planning projections for the 2024-25 academic year assume an enrollment of 18,383 FTES. The year 2024-25 will begin systemwide enrollment funds redistribution. Under the CSU policy, three percent of state appropriations will be reallocated from universities with declining enrollments to universities identified to have growth capacity. This could result in a steeper loss to Cal State LA if enrollment declines further.

Framework Under Consideration

1. Preserve existing jobs and avoid layoffs through a hiring chill
2. Focus on student-centered course scheduling that aligns with available resources
3. Achieve meaningful reductions to ongoing budget deficit, while addressing and rebuilding areas that are critically underfunded

For this coming year, we are not anticipating an early retirement incentive. Furloughs are not something we are planning for as a university, as those would need to be decided and negotiated at the CSU-system level.

Next Steps

A meeting will be set with the Academic Senate. We will spend much of this next year in conversation with various stakeholders on a Corrective Action Plan to achieve budget stability.