CALIFORNIA STATE UNIVERSITY
EAST BAY

ACADEMIC SENATE
http://www.csueastbay.edu/senate
510-885-3671

COMMITTEE ON BUDGET AND RESOURCE ALLOCATION

23-24 COBRA 7
January 16, 2024

TO: The Academic Senate

FROM: Committee on Budget and Resource Allocation (COBRA)

SUBJECT: 23-24 COBRA 7: CSUEB Budget Update #2

PURPOSE: For Information to the Academic Senate

BACKGROUND INFORMATION:
Myeshia Armstrong, VP Administration and Finance and CFO came to COBRA to provide another budget update on November 29th 2023.

ACTION REQUESTED:
For Information to the Academic Senate.

Presentations by VP, Administration and Finance and CFO

Myeshia Armstrong, VP Administration and Finance and Chief Financial Officer joined the COBRA meeting on November 29th and provided another update on the budget and ongoing efforts to address the deficit. The focus of VP Armstrong's visit was to provide the committee with an opportunity to follow up on what was presented in her last visit and to answer additional budget related questions. In addition, she stressed the importance and value of regular and ongoing conversation with the campus community regarding the budget. VP Armstrong provided a few slides, and these are linked here and the relevant slide # referenced in the report.

VP Armstrong first provided a brief update and noted that since her last visit there had been no new developments with respect to some of the union negotiations. How these are resolved will have a significant impact on the budget for 24/25. It was noted that President Sandeen had a one-on-one meeting with the Chancellor to advocate for amending the proposed budget reallocation based on enrollment that could see East Bay losing $5M in funding.

CFO Armstrong first spoke about the structural deficit and what this means and the implications (see slide#2). She addressed the questions that have been raised that have asked how did we get into this situation? Could we have avoided it? Broadly, over the last 5-years we have experienced a decline in revenue and an increase in expenses (slide#3). Labor costs have increased, especially benefits. Utility costs have increased, as have several other expenses, due to the economy all of which are beyond our control. At the same time revenues have declined as enrollments have dropped. This has led to tapping into our reserves to cover the shortfalls. This creates the structural deficit and addressing this with one-time funds is an unsustainable situation long-term (slide#4).

It was asked that if we have healthy reserves, how do we have a structural deficit? It was explained that in part the increase in the reserves was related to HEERF as well as some cost reductions due to COVID, for example, in utility costs as the campus was closed. The reserves are predicted to decline further, and this is related to covering the unanticipated increased costs for the Applied Science Building (see slide#6). While the project was donor funded, the original estimate has been exceeded. To keep moving forward with the project the university had to use reserve funds. In subsequent years it will require some additional use of reserves to cover costs of running the building.

As has been reported before, one strategy that has been implemented to close the deficit gap has been to eliminate unfilled positions, especially those that have been unfilled for many years. This only partly covers the deficit, and the deficit needs to be reduced over time to avoid implementing draconian cuts in any one fiscal year. The continued use of one-time funds to close the deficit is unsustainable (slide#4). Slide#5 provides a projection on the size of the reserves over the next 5-years and that reserves will decline. The university is required to have a minimum amount in reserves to meet operating costs and currently this would cover less than 6-months of operating.

Projections for reserves and the deficit will become clearer as the current fiscal year mid-year review is completed and when the fiscal year is closed. A question was asked regarding the Spring 2024 schedule cuts and how this would impact the deficit for 2024. Deputy Provost Hernandez reported that Spring was cut by about 10% which was half of what was required to close the AA deficit. He also noted that next year AA would not exceed the $12.5M projection for lecturer costs.

CFO Armstrong addressed a question around the difference in the reported data for East Bay from the CFA financial report compared to those reported by the university. She noted that as she wasn't the author of the report, she could not speak to how the data were collected or when. CFO Armstrong noted that the university report collects specific data at a specific time and is comprehensively audited by an external auditor.

CFO Armstrong sought to address a misconception that only AA had been subject to cuts. All units across the university were required to cut their budgets for 23/24. It was asked as to what plans were in motion to address savings for 24/25 to reduce the deficit. Have different projections and/or scenarios been developed based on the anticipated cuts? Is the core mission of instruction being protected? CFO Armstrong provided an example of one plan that addresses facility use and consolidation. It was also asked whether the university had analyzed what is a realistic FTES target. Can we serve the students we recruit given the monies we get?

Additional questions arose: (1) around the projected impact on enrollment of the tuition increase. CFO Armstrong feels it will be minimal based on student eligibility for financial aid; (2) whether an early retirement plan was being explored (this has arisen but nothing concrete as of now); (3) addressing the turnover of staff in Administration and Finance (CFO Armstrong referred to the recent communication form the President on filling senior administrative positions); (4) better communication to students on the budget situation (and faculty and staff); and (5) whether the Compact agreement would hold (CFO Armstrong believed it would – NB. The Governor's budget released after the COBRA meeting has frozen those funds for 24/24).

CFO Armstrong's visit concluded with a brief discussion about maintaining the dialogue and how better to communicate and discuss budget issues. This included: (1) providing more information around marginal cost calculations and what it costs to educate a student; (2) providing information on the audit process; and (3) developing strategies for communicating budget information (e.g., news updates, web pages; glossary of budget terms).

The committee thanked CFO Armstrong for visiting and providing budget information and updates and her willingness to continue to do this with visits in Spring 2024.