2014-15 Budget Update

In the approved 2014-15 State of California Budget, Governor Brown held to his multi-year stable funding plan by allocating the CSU an additional $142.2 million. While this marks a 5% increase in funding, it is $95 million lower than the CSU Support Budget Request and $95-$100 million lower than budget recommendations submitted to the Governor by the Legislature. The impact of this lower allocation is less funding available to the CSU to address competing priorities related to student access and success, deferred maintenance and employee compensation. While the Legislature continues to lobby for additional funding for the CSU, the Governor has held firmly to the funding levels outlined in the 2013-14 stable funding plan, which includes 5% increases in 2013-14 and 2014-15 and 4% increases in 2015-16 and 2016-17.

The 2014-15 State of California Budget also included “trigger” funding to the CSU for deferred maintenance if revenue exceeded projections; however, revenue did not reach the level necessary to trigger the allocation, so additional funding will not be received.

With the additional $142.2 million, the CSU Budget Memo earmarks funding for the following priorities; however, costs associated with these priorities exceeded the total allocation available, resulting in last minute changes in CSU allocation methodology. The net impact of the changes is a $1.9 million reduction to our 2014-15 budget plan.

- **Enrollment Growth**: The CSU Support Budget Request was predicated on enrollment growth of 20,000 FTES. Given that the full request was not funded by the State, enrollment growth was reduced to 10,000 FTES. While this enrollment level is consistent with the preliminary Budget Memo provided in March, the distribution methodology used by the CSU to allocate this funding changed in the July Budget Memo. The preliminary Budget Memo allocated $527,000 to HSU to support 100 additional FTES. While HSU is still expected to grow by 100 FTES in the July Budget Memo, CSU’s change in distribution methodology resulted in HSU actually losing $219,000. This represents a $746,000 decrease from our expected enrollment growth funding level.

- **Compensation Pool**: The CSU Support Budget Request included $91.6 million for a 3% compensation pool for faculty and staff salary increases, which has been maintained even with the lower funding levels. While the collective bargaining negotiations are still in process, maintaining the 3% compensation pool reflects the CSU’s commitment to support our faculty and staff. Since HSU had planned for a 2% increase, there is a budget shortfall of about $1.1 million.

- **Mandatory Cost Increases**: $13.7 million has been earmarked for medical rate increases and new space. This was in line with our assumptions.

- **Student Success Initiatives**: The CSU has established a $27 million pool to fund student success and completion initiatives; funding will be held at the Chancellor’s Office until distribution. This funding was not factored into our budget plan.

The impact of these changes to HSU raises our existing budget deficit for the 2014-15 fiscal year to $2.5 million. The University Resources and Planning Committee (URPC) will be reconvened in the near future to begin discussions on how to address this deficit. HSU has been through challenging budget cycles before and we remain committed to advancing our priorities and improving student access and success.
The takeaway from the State of California budget and the subsequent CSU budget distribution to campuses is that we must continue to do more with less. It is imperative that we improve student access and success, while finding ways to more efficiently and effectively allocate our resources. The funding we will receive going forward will largely be earmarked for specific purposes, increasing the urgency to reduce our costs and generate new sources of revenue.

Other noteworthy changes in the 2014-15 State of California Budget

- **New capital financing framework:** Debt service payments previously held at the state will now be folded into the CSU General Fund appropriation. This provides the CSU with greater flexibility and authority over current debt and future capital spending.
- **18 month moratorium on student success fees:** There is a moratorium on student success fees until 2016. A task force is currently reviewing student success fees and will provide a recommendation to the Board of Trustees by February 2015.
- **Academic sustainability plan:** The CSU is required to prepare a multi-year plan that establishes performance measure goals and revenue and expenditure projections. The plan is due to the state in November 2014.
- **Innovation awards:** $50 million in one-time funding for UC and CSU programs that increase the number of bachelor’s degrees awarded, increase graduation rates and improve the student transfer process. Applications are due to the Department of Finance in January 2015.

One-Time Student Success Allocations from the CO

- HSU was awarded $111,500 for eAdvising
- HSU was awarded $125,526 to redesign six courses:
  - ENVS 308
  - GSP 101/101L
  - GEOG 300
  - NAS 306
  - GSP 270
  - WS 306