



SACRAMENTO STATE

Annual Financial Review Town Hall

November 20, 2017

University Union's Hinde Auditorium

Agenda

- General Operating Fund
- How did we spend the money in 2016-17?
- CSU Final 2017-18 Budget
- Campus' Final 2017-18 Budget
- Early Discussions on the 2018-19 Budget
- State of the Economy
- Funding for Construction Projects
- Reference Materials



General Operating Fund

- Two main sources of funds
 - State General Fund Appropriations
 - Revenue from tax income (e.g., personal income, sales, use, corporation, etc.)
 - Receive incremental funding each year (increases or decreases) from the state
 - Dependent on the state's financial health and legislative priorities
 - Annual increases only affects the percentage of the campus' budget that is connected to the General Fund

General Operating Fund

- Two main sources of funds
 - Student Tuition Fees/Other Revenue
 - Resident and non-resident tuition fees
 - Application fees, late fees, library fees
 - Dependent upon enrollment
 - Annualized FTES converted to headcount
 - Dependent on student tuition fee increases
 - One-third of fee and enrollment increases supports State University Grants

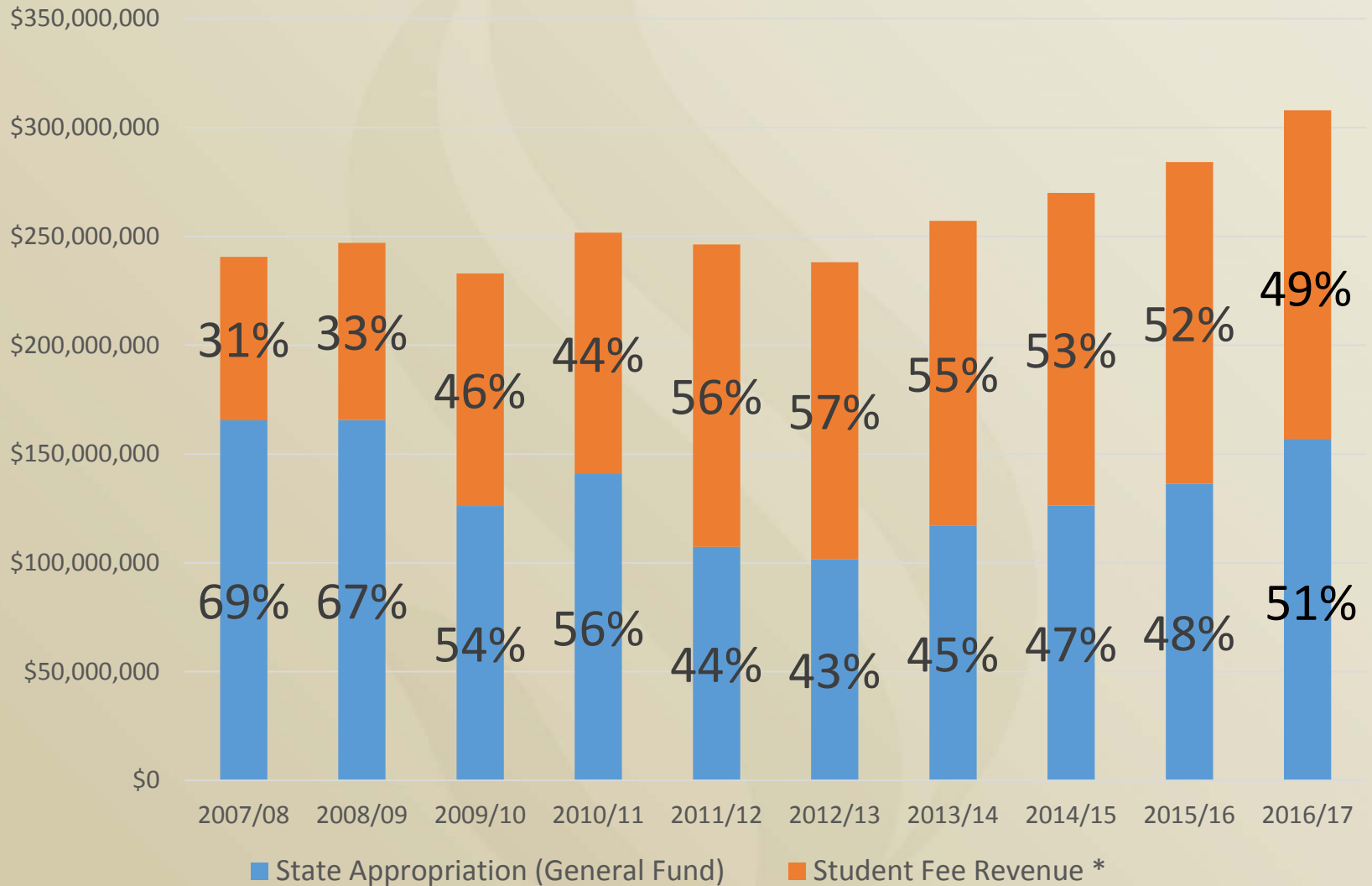
General Operating Fund

State Appropriations versus Student Fee Revenue

If the total budget is \$200M and the ratio is 50/50

- State GF = \$100M, Student Fees = \$100M
- State provides a 4% increase to State General Funds (GF)
- 4% GF Increase is \$4M ($\$100\text{M} \times 4\%$)
- Real increase to the overall budget is only 2% ($\$4\text{M}/\200M)
 - About the rate of inflation

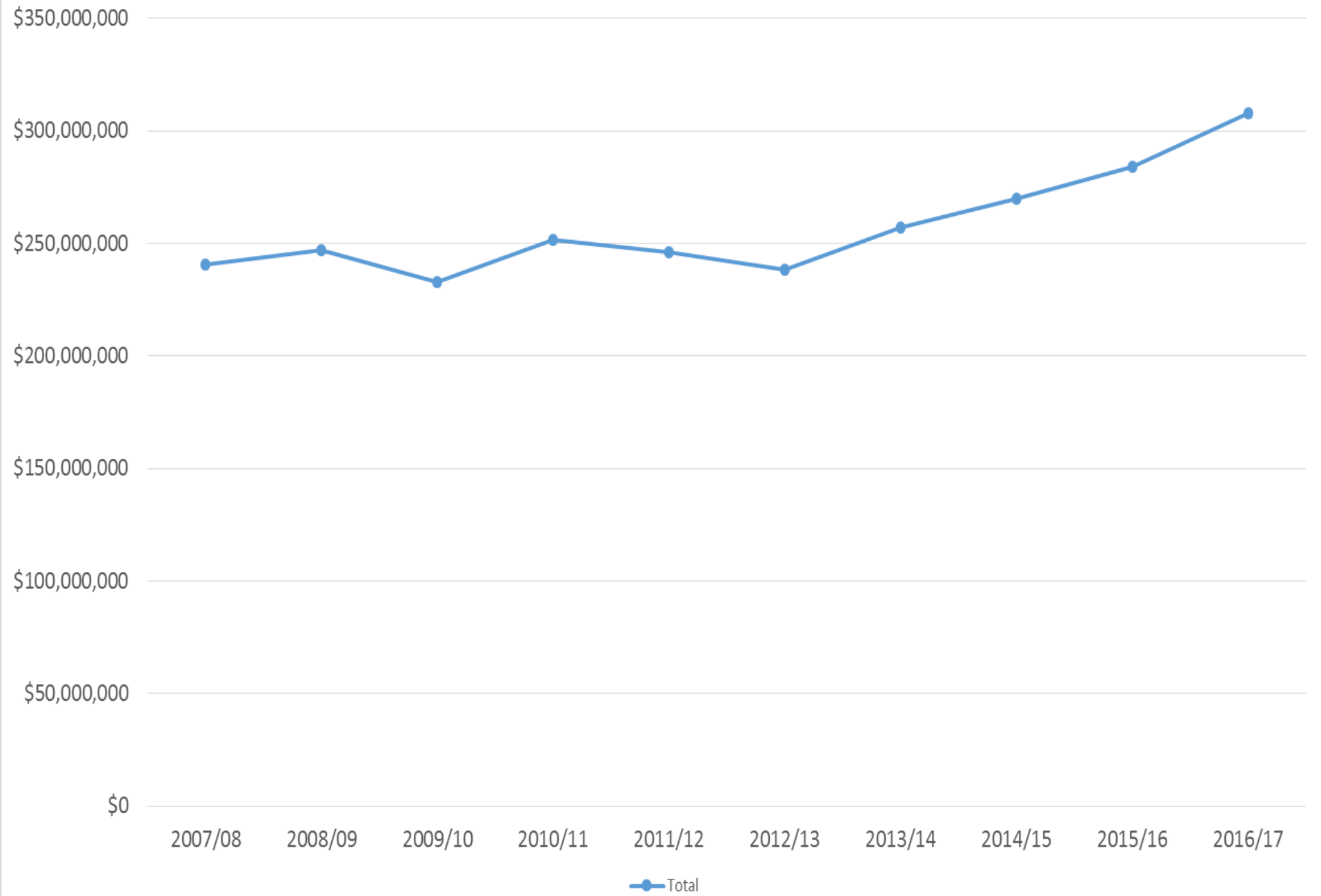
State Appropriation Versus Student Fee Revenue By Fiscal Year



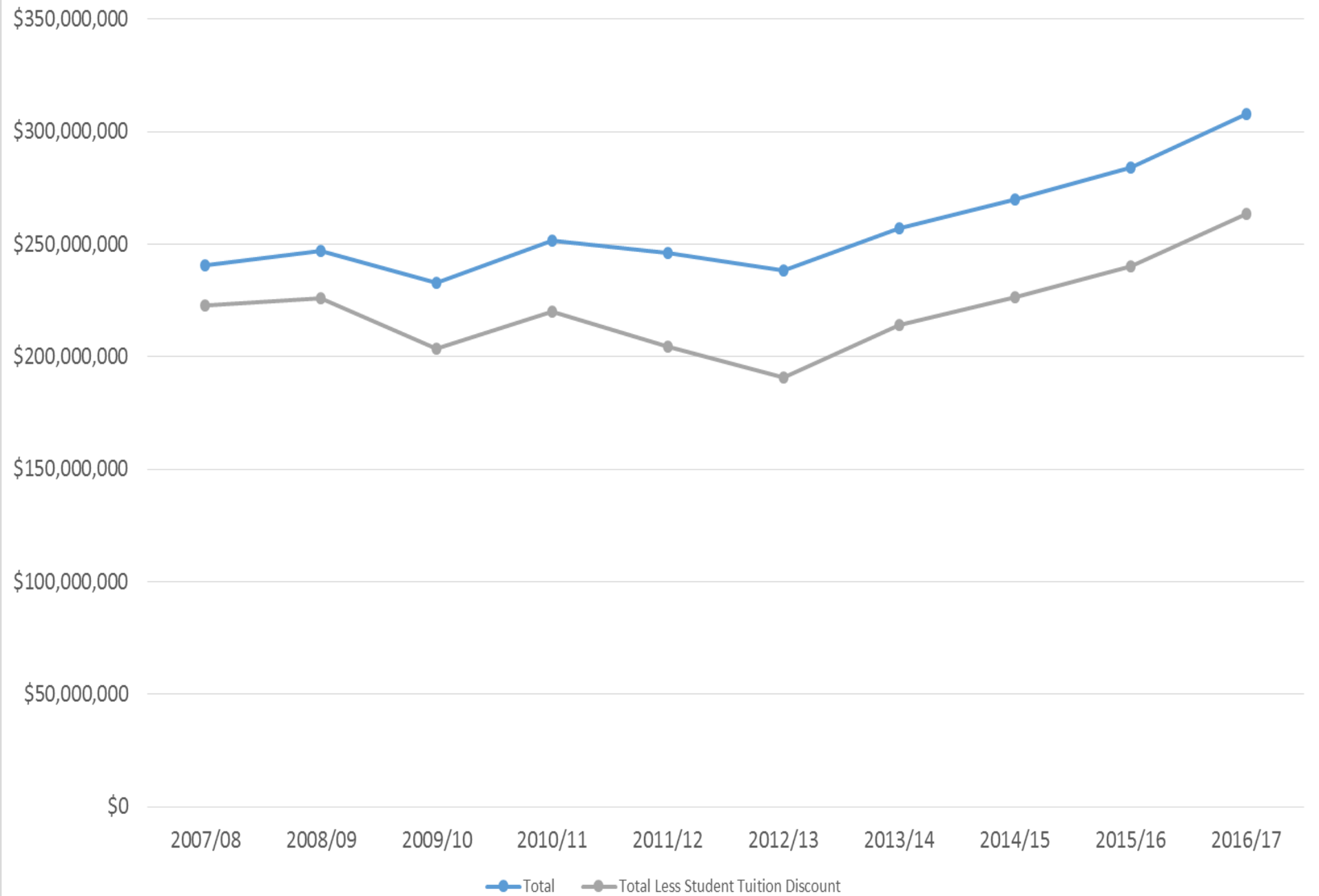
■ State Appropriation (General Fund)

■ Student Fee Revenue *

Sources of Funds for Sac State

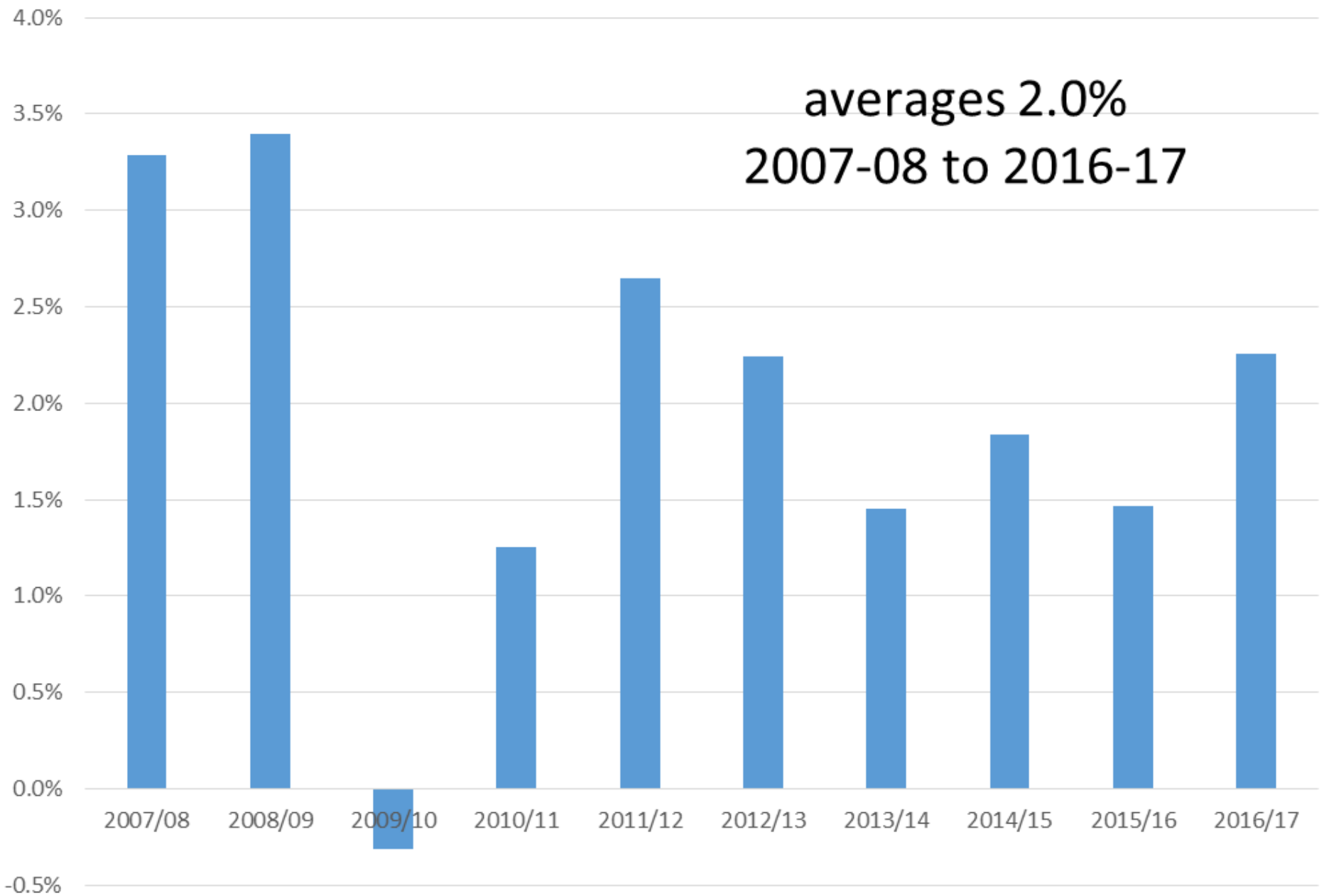


Sources of Funds for Sac State

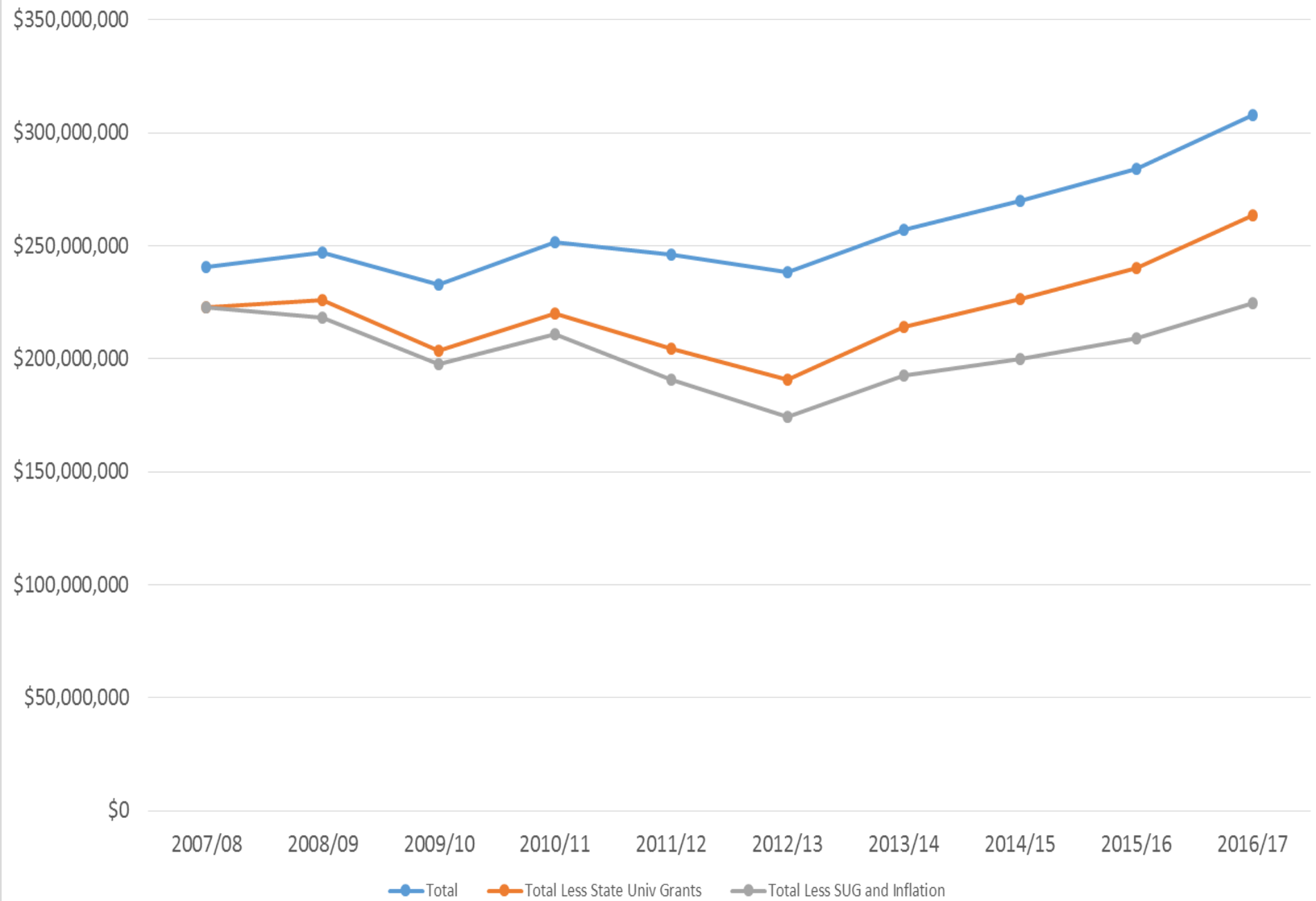


INFLATION

averages 2.0%
2007-08 to 2016-17



Sources of Funds for Sac State



General Operating Fund

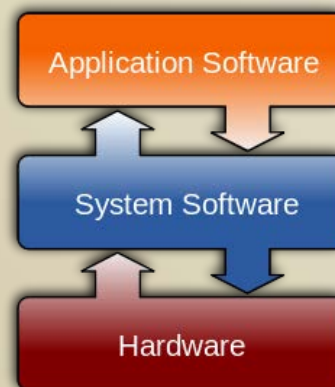
The sources support the costs to operate the university

- Budget is allocated to campus units to pay for salaries, benefits, equipment, State University Grants, supplies and services costs
- The units must manage their funds and stay within their budget
- All University Expenses are also funded via budget allocations



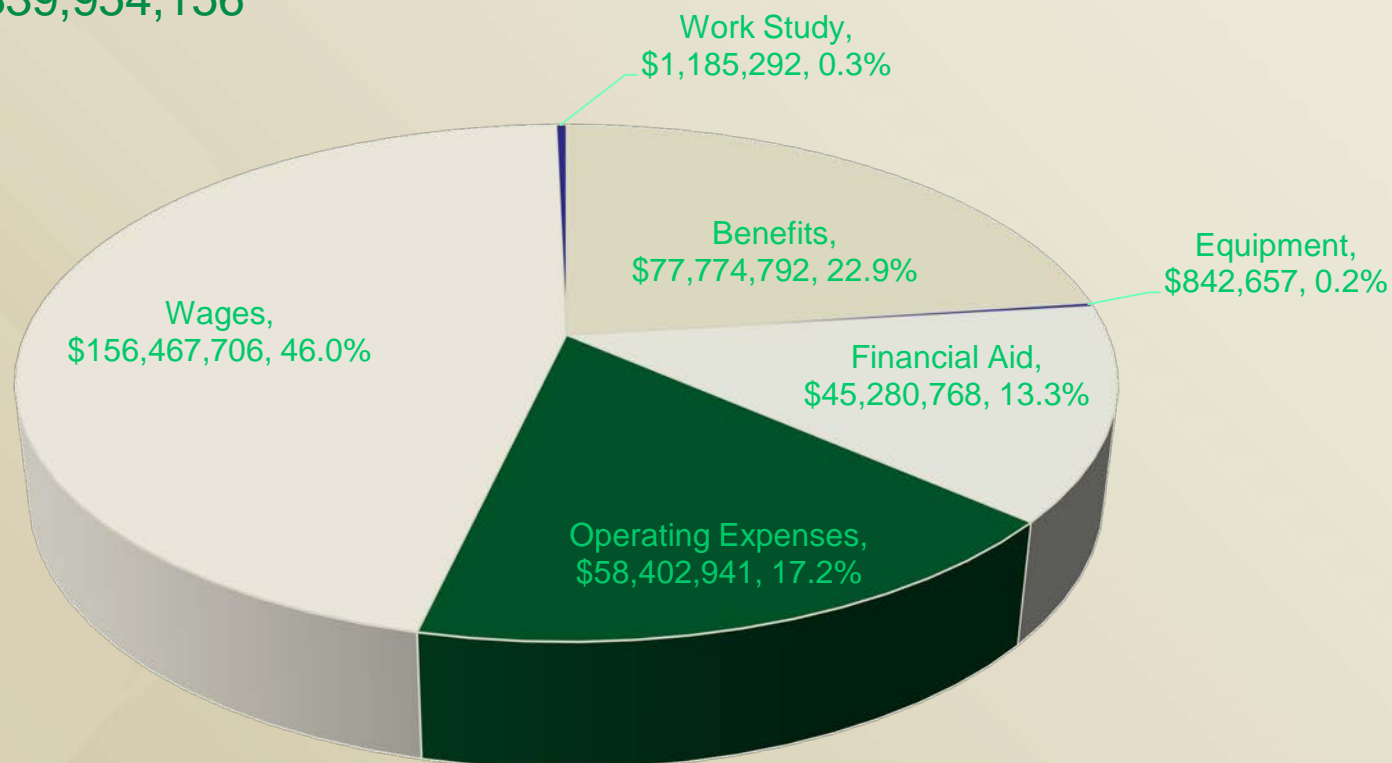
General Operating Fund

- All University Expenses (AUE)
 - Expenses that benefit the university as a whole such as utilities, insurance premiums, hardware/software, etc.
 - No permanent salaries are allowed
 - Divisions have very little control over expenditures



How did we spend the money in 2016-17?

General Operating Fund – 2016/17 Actual Expenses *
Total = \$339,954,156



* Includes Education Insights

CSU Final 2017-18 Budget

CSU's requested increase (Nov 2016)

State funds	\$324.9M
<u>Net Tuition (enrollment growth)</u>	<u>18.8M</u>
Total Increase	\$343.7M

CSU Final 2017-18 Budget

Governor's Initial Budget Proposal (Jan 2017)

State funds \$157.2M

(\$186.5M less than the CSU request)

CSU Final 2017-18 Budget

State Legislature Proposals (compared to the Governor's proposal)

Senate

-additional \$25M in one-time funding

Assembly

-additional \$96M (\$42.5 permanent)



CSU Final 2017-18 Budget

CSU's Final 2017-18 Budget

Increase in state funding	\$177.2M
<u>Student Fee increase*</u>	<u>\$119.0M</u>
Total Increase	\$296.2M

*implemented March 2017
(\$47.5M less than requested)

CSU Final 2017-18 Budget

What Didn't Get Funded?

	Requested	Funded
Graduation Initiative 2025	\$75.0M	\$75.0M
Compensation: Current Commitments	\$139.1M	\$141.1M
Compensation: New	\$55.1M	0
Enrollment Growth (3,616 FTES)	\$38.5M	\$26.5M
Facilities and Infrastructure	\$10.0M	\$0.8M
Mandatory Costs	\$26.0M	\$31.1M
State University Grants		\$39.6M
Total	\$343.7M	314.1M



CSU Final 2017-18 Budget

\$350.8M in Permanent Increases

- \$141M Employee Compensation
- \$75M Graduation Initiative 2025
- \$39.6M State University Grants
- \$36.8M Retirement Rate Adjustment
- \$26.5M Funded Enrollment Growth
- \$23.5M Systemwide Provisions/New Space
- \$5.1M Bond Debt Service Payments
- \$3.3M Health/Dental Care Premiums



CSU Final 2017-18 Budget

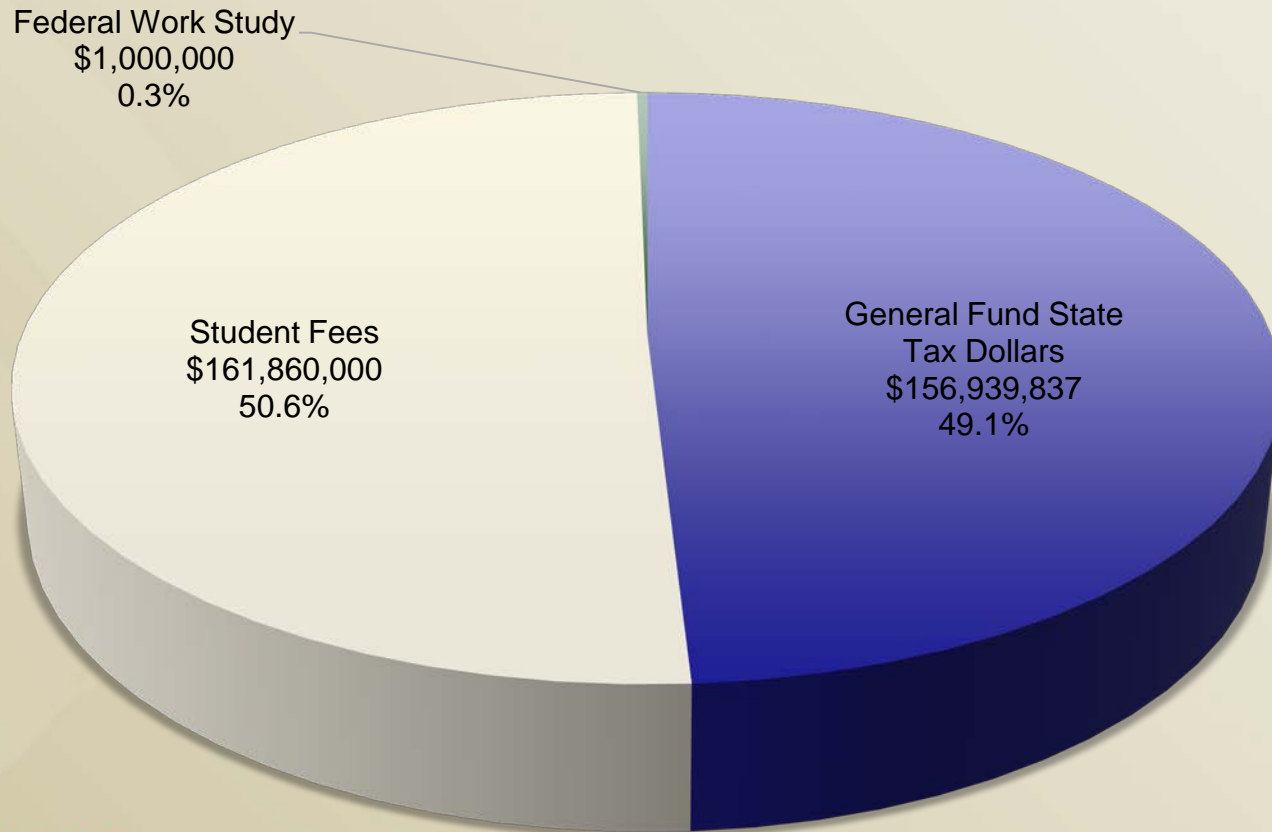
One-Time Funding

- \$50M Infrastructure Improvement
- \$20M Graduation Initiative 2025
- \$2.5M RSCAA Awards



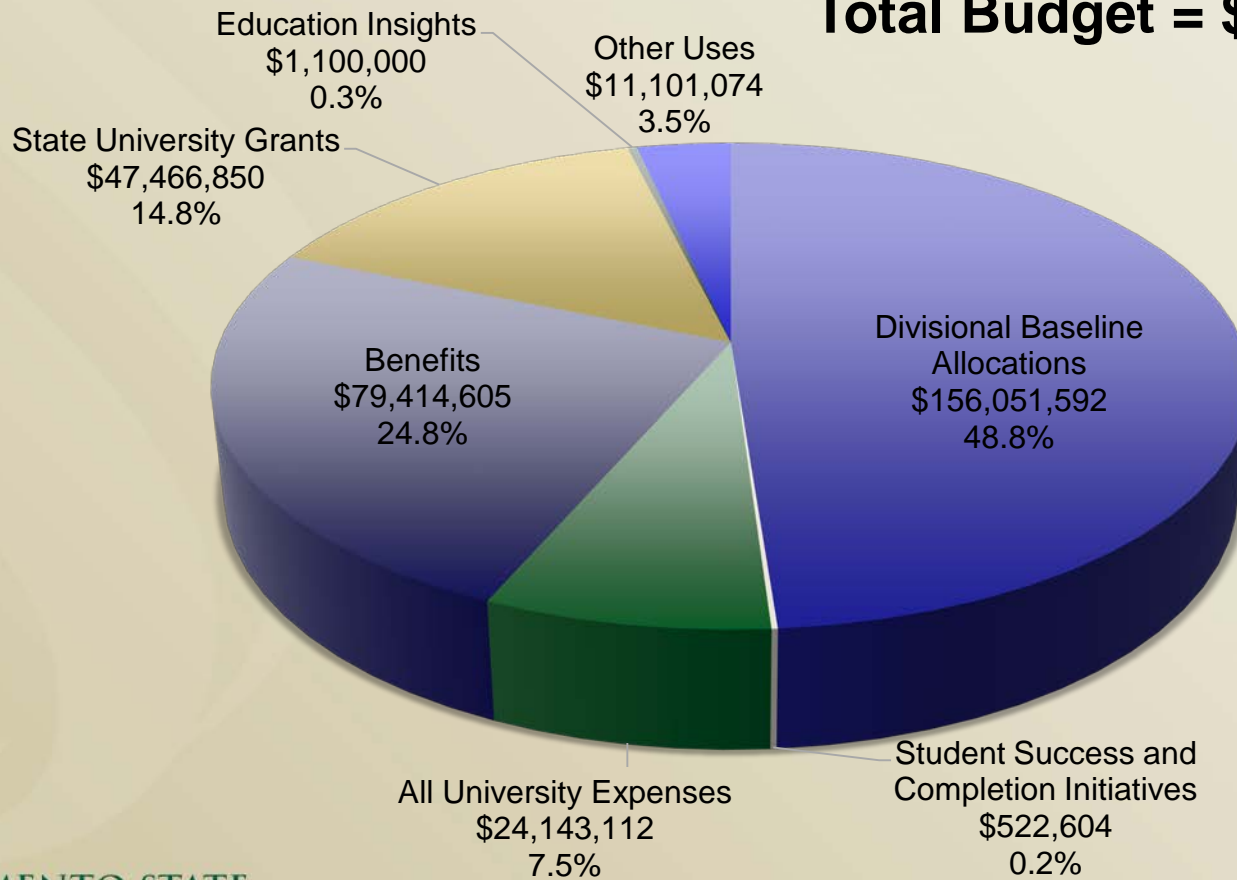
General Operating Fund – 2017/18 Sources

Total Budget = \$319,799,837

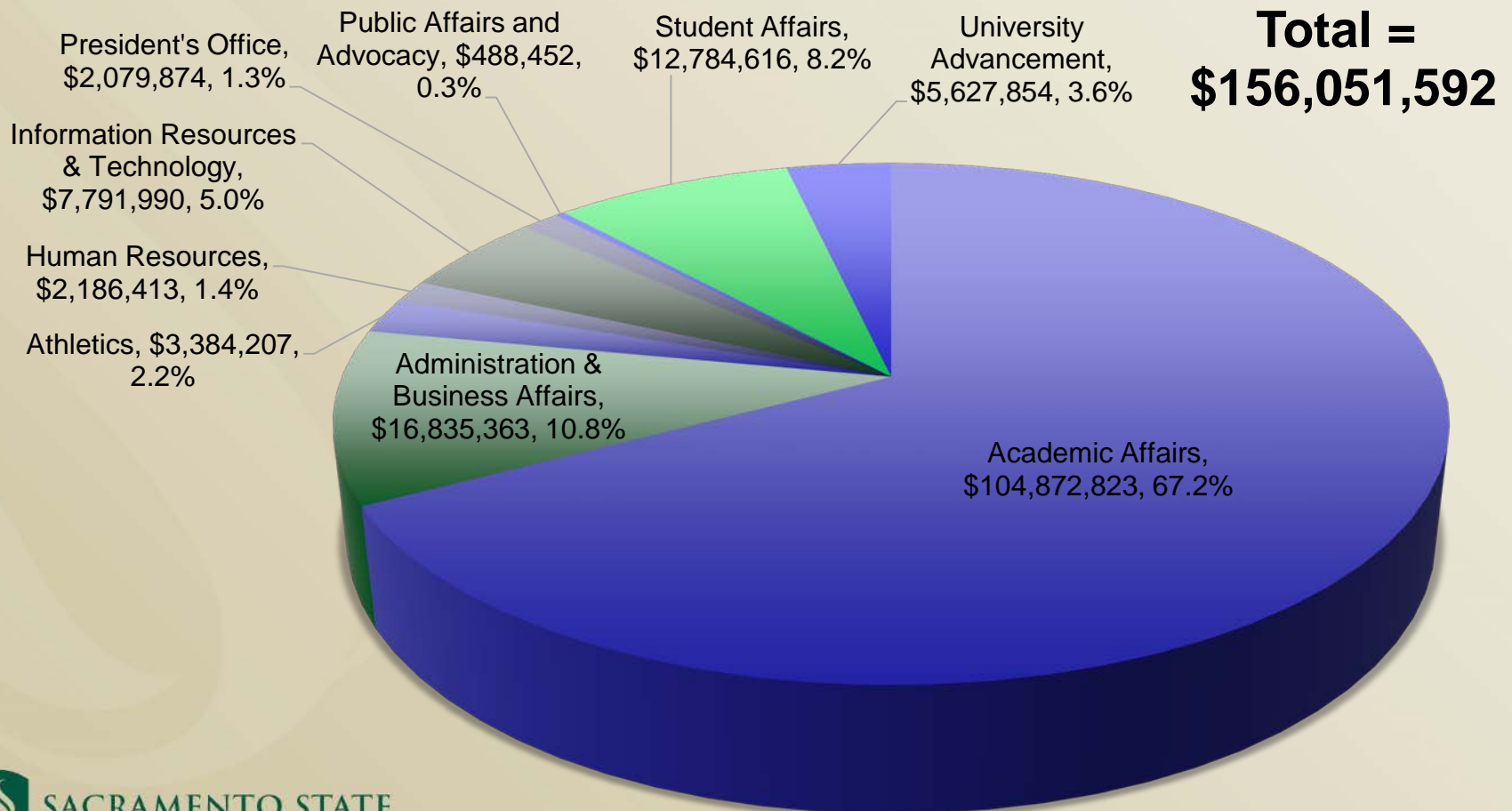


General Operating Fund – 2017/18 Uses

Total Budget = \$319,799,837



General Operating Fund – 2017/18 Divisional Budgets



MAJOR CHANGES IN SAC STATE'S BUDGET

2016-17 VS 2017-18

SOURCES		USES	
State Funding Increase	\$7.7M	Mandatory Costs	\$14.2M
Retirement Adjustment	\$2.0M	Prior Year Commitments	\$2.7M
Enrollment Growth Increase (240 FTES)	\$2.5M	Divisional Allocations	\$2.4M
Tuition Fee Revenue Changes	\$9.5M	Central Baseline Reserve	\$2.4M
Total Sources	\$21.7M	Total Uses	\$21.7M

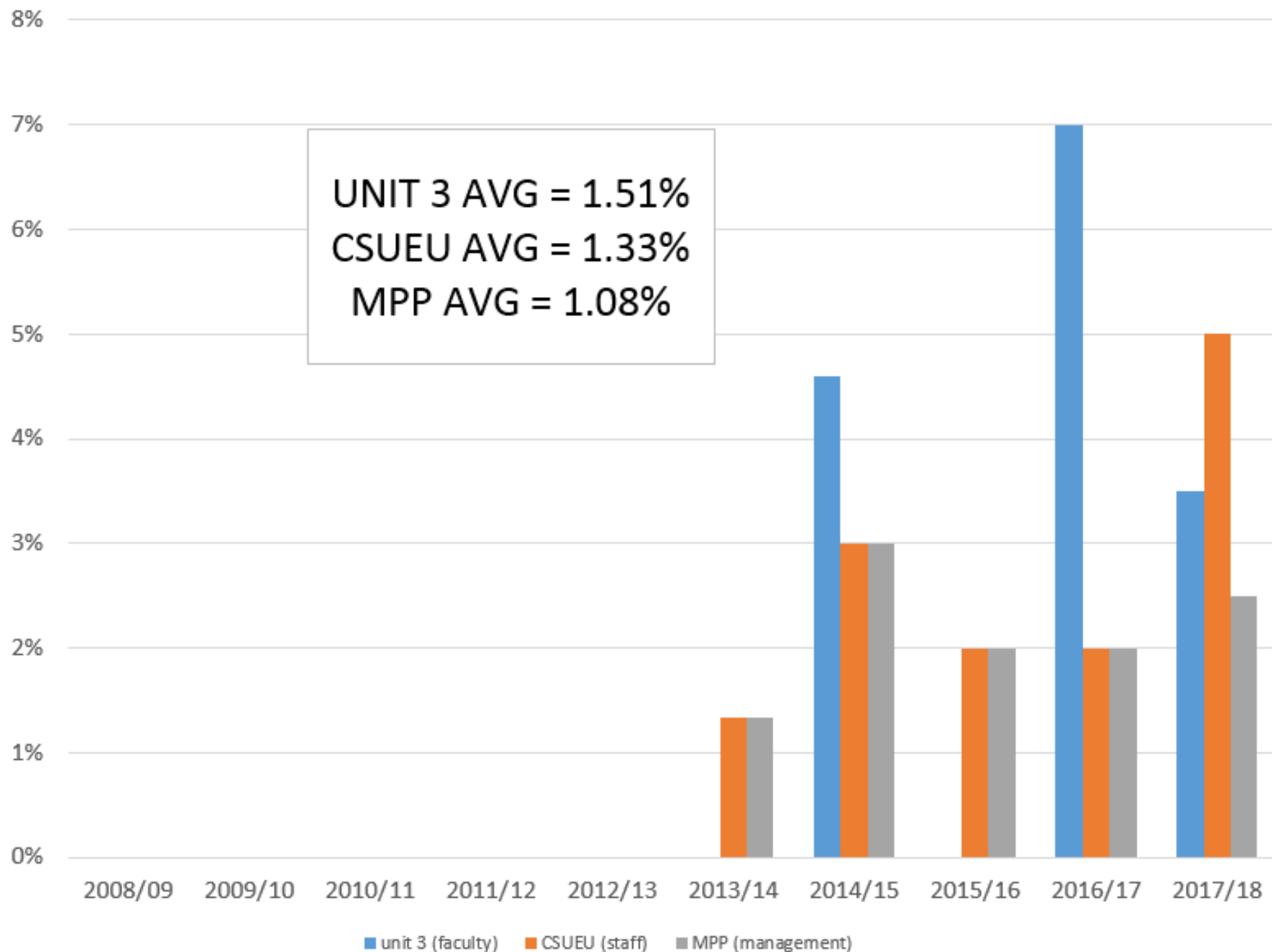
MAJOR DIFFERENCES IN SAC STATE BUDGET

\$14.2M of \$21.7M in Mandatory Costs

This is comprised of:

- \$2.2M Retirement, Health, & Dental Increases
- \$8.1M Compensation Cost Increases
- \$3.0M State University Grants (SUG)
- 0.9M All University Expense Increases
(Insurance premiums, software/hardware costs, space rental, interpreters for students, etc.)

Compensation Increases



MAJOR DIFFERENCES IN SAC STATE BUDGET

\$2.7M of \$21.7M in Prior Year Commitments

This is comprised of:

- \$1.7M Compensation Pool Shortfall
- \$1.0M Campus Funded Compensation
(year 3 of 3)

MAJOR DIFFERENCES IN SAC STATE BUDGET

\$4.8M of \$21.7M in Discretionary Funds

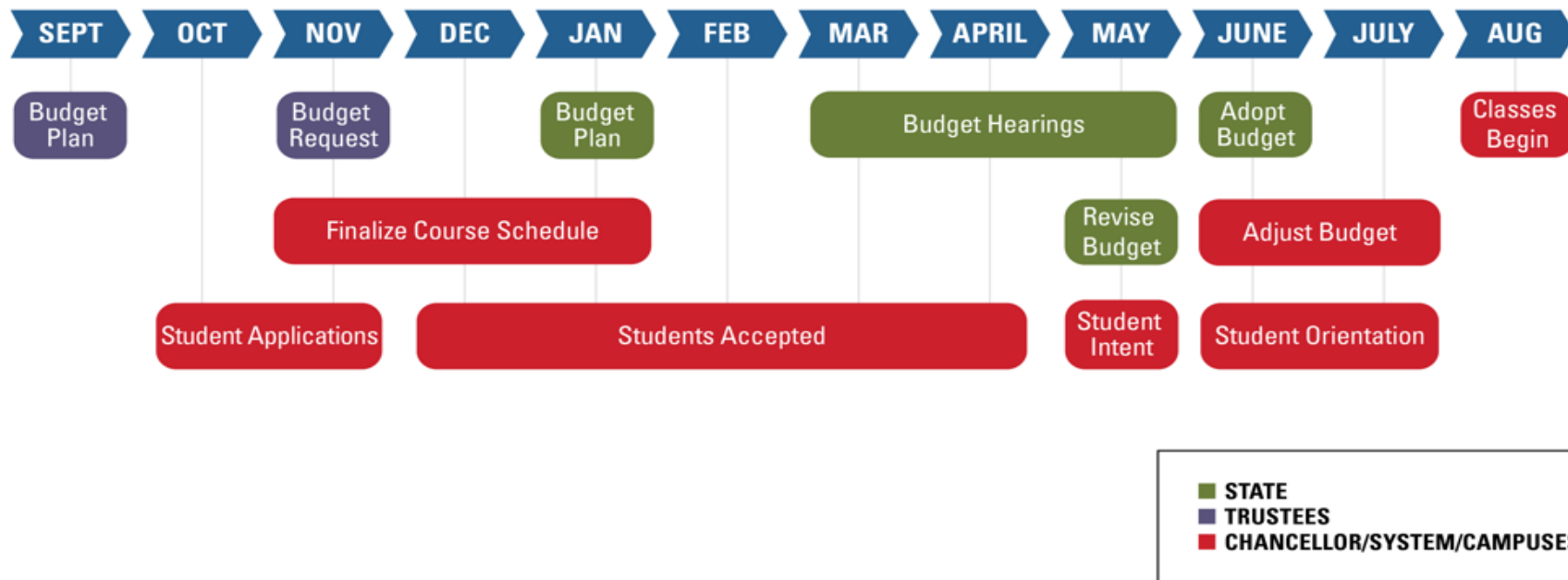
This is comprised of:

- \$2.4M Divisional allocations, moving some All University Expenses back to the divisions
- \$2.4M Re-establishment of a University central baseline reserve to handle unexpected or emergency related expenditures

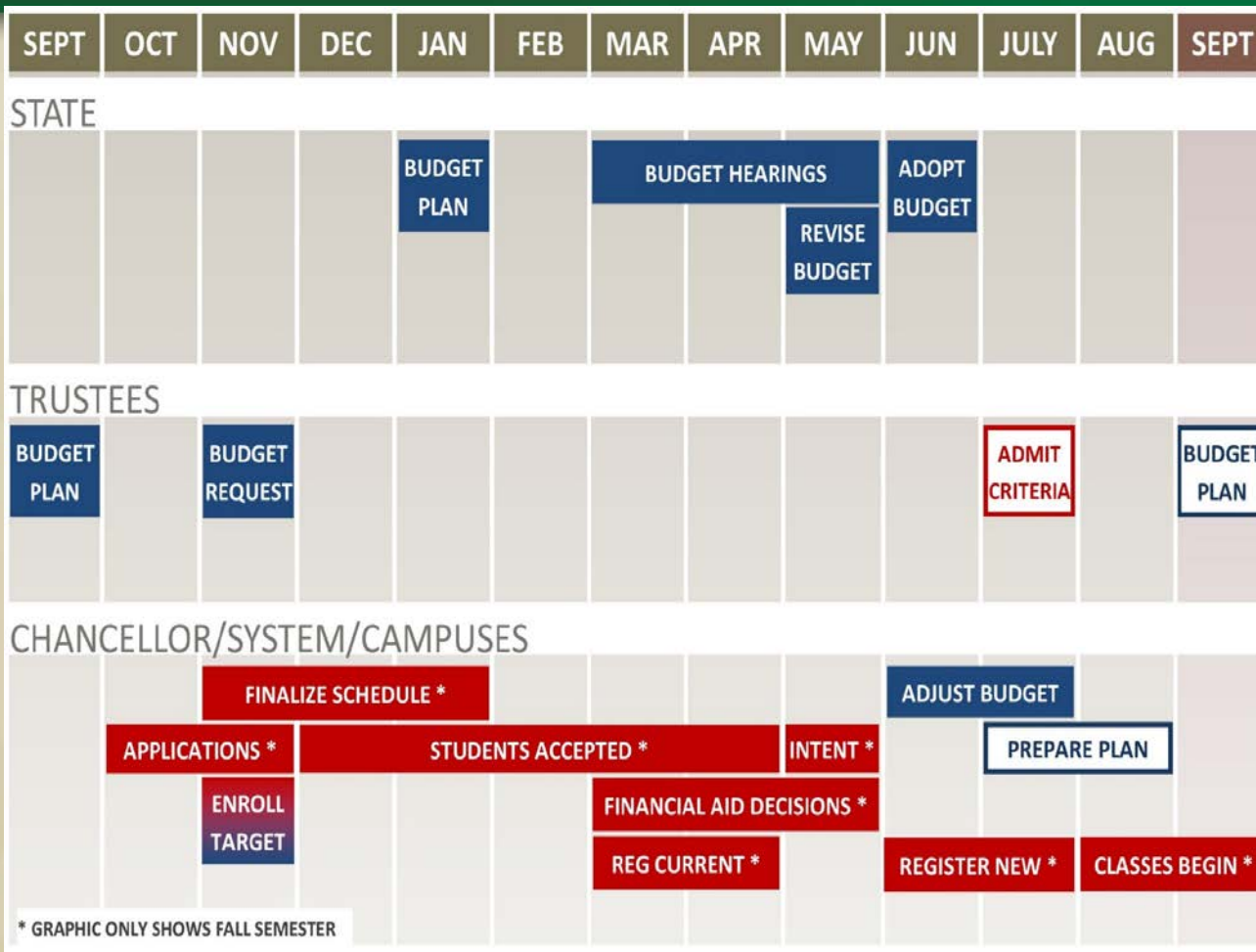


Early Discussions on the 2018-19 CSU Budget

BUDGET TIMELINE



Early Discussions on the 2018-19 CSU Budget



* GRAPHIC ONLY SHOWS FALL SEMESTER



Early Discussions on the 2018-19 CSU Budget

Since 2013-14, the governor's initial January proposal presumed a 4% increase to the CSU.

For 2018-19 and 2019-20, the governor indicated the CSU should expect 3% increases.



Early Discussions on the 2018-19 CSU Budget

Fiscal Year	Governor's Budget	CSU Request	Final State Budget	Unfunded
2013-2014	\$125.1	\$371.9	\$125.1	\$246.8
2014-2015	142.2	237.6	142.2	95.4
2015-2016	119.5	216.6	216.5	0.1
2016-2017	139.4	241.7	154.0	87.7
2017-2018	157.2	324.9	177.2	147.7
2018-2019	102.0			
2019-2020	105.0			
Total	\$890.4	\$1,392.7	\$815.0	\$577.7

(in millions)

Early Discussions on the 2018-19 CSU Budget

CSU The California State University

2018-2019 Preliminary Operating Budget Plan

Incremental Expenditure Increases	Range <small>(in millions)</small>
Graduation Initiative 2025	\$75
Enrollment Growth	\$40 - 120
Employee Salaries	To Be Determined
Academic Facilities & Infrastructure Needs	\$10 - 25
Other Mandatory & Compensation Costs	\$131 - 157
Total Incremental Budget Request	\$256 - 377



Early Discussions on the 2018-19 CSU Budget

CSU The California State University

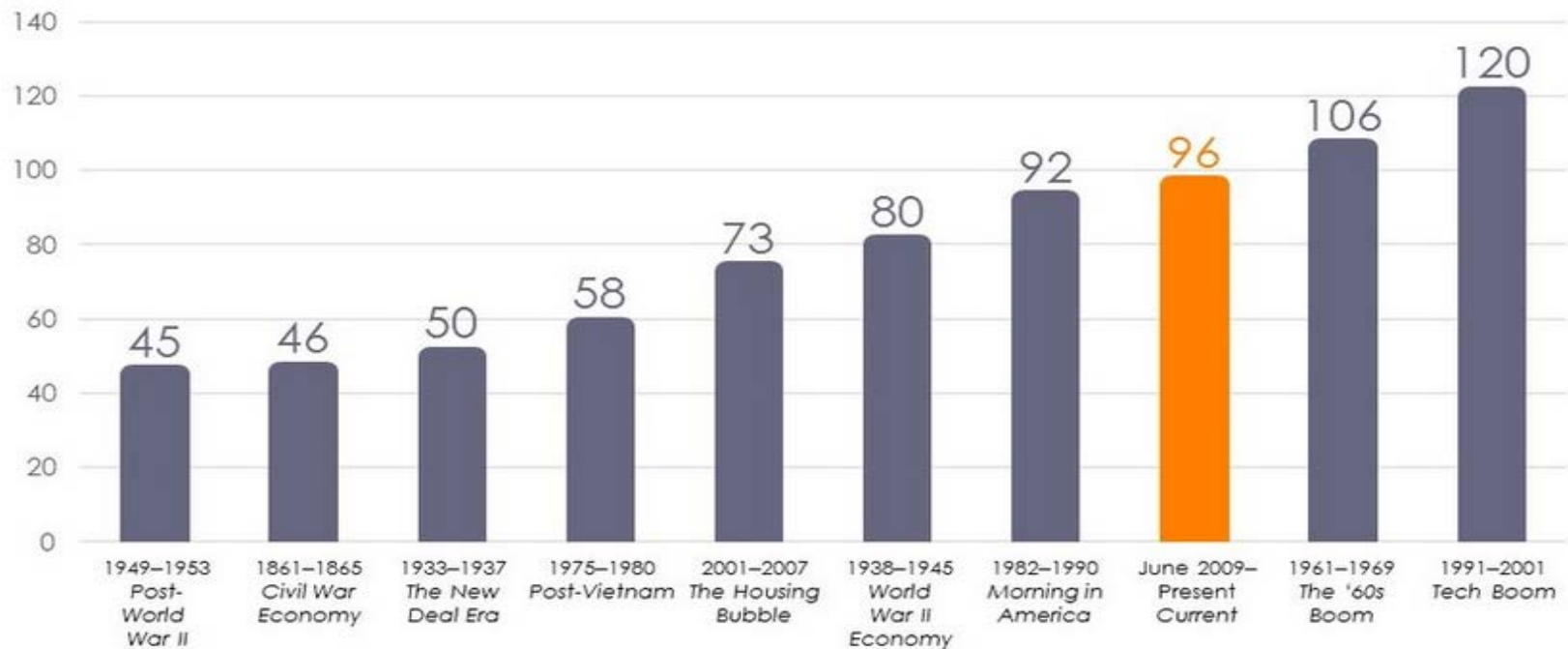
2018-2019 Preliminary Operating Budget Plan

Additional Resource Need	Range <small>(in millions)</small>
General Fund	
Governor's Multi-Year Plan	\$102
Tuition Revenue	
Net Tuition from Enrollment Growth	\$20 - 60
Total Incremental New Revenue	\$122 - 162
Additional Operating Budget Request	\$134 - 215



State of the Economy

Longest Economic Expansions in U.S. History (Number of Months)



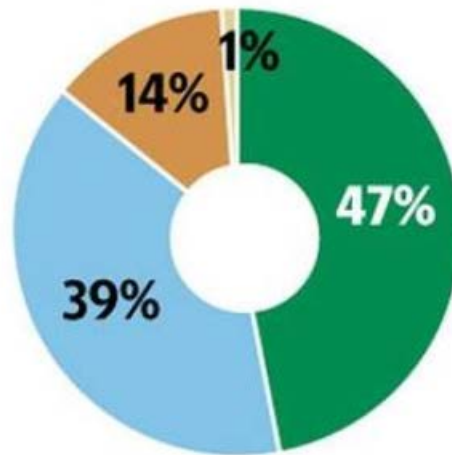
State of the Economy

Where the money comes from

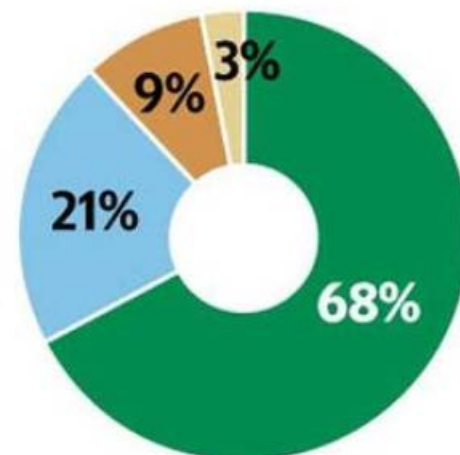
The California general fund budget relies heavily on personal income tax revenue. The sales tax is the next-largest source of state revenue.

SOURCES OF STATE REVENUE

- Personal income tax
- Sales and use tax
- Corporation tax
- Various other taxes



1995-96

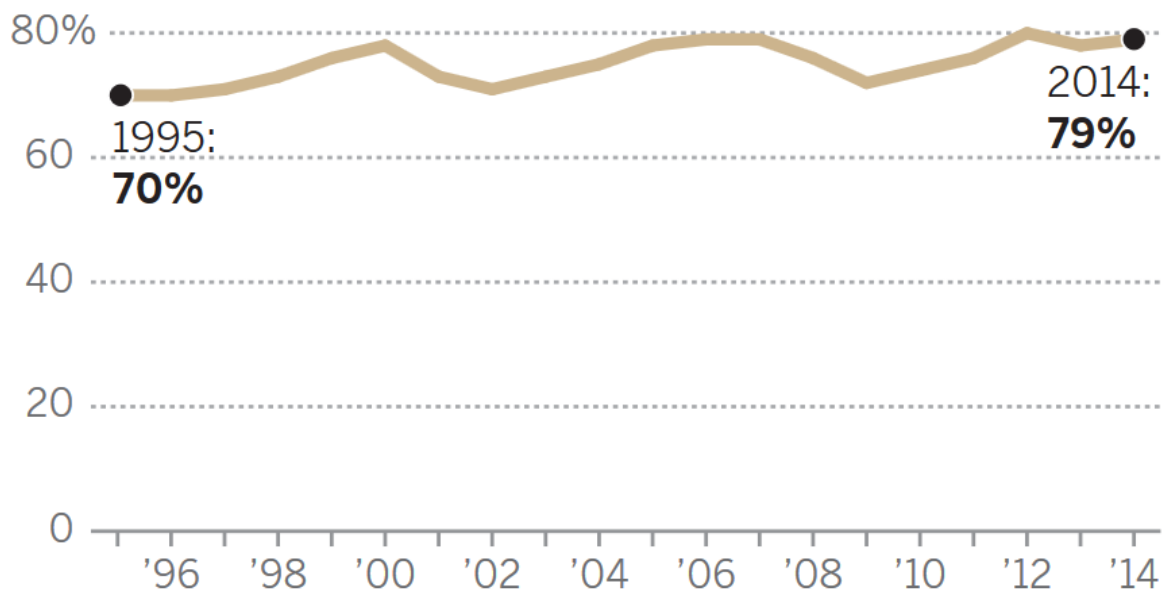


2016-17
(proposed)

State of the Economy

Taxing the rich

A rising share of California's tax revenue comes from the top 10% of incomes, which averaged \$404,184 in 2014.



Source: Franchise Tax Board

@latimesgraphics

Funding for Major Construction Projects

Current Campus Construction Projects

Funding for Major Construction Projects



Funding for Major Construction Projects

Parking Structure V Facts

1,750	Number of Parking Spaces
May-17	Construction Starts
Feb-18	Construction Ends
\$42.4M	Total Cost
\$21.4M	Contributed from Pkg Reserves
\$19.3M	Loans
\$1.7M	Bond Premium



Funding for Major Construction Projects



Funding for Major Construction Projects

Union Expansion Phase I Facts

Jan-17	Construction Starts
Oct-18	Construction Ends
\$52M	Project Cost
\$4.6M	Net Financing Cost
\$10.7M	Contributed from Union Reserves
\$45.9M	Loan (State Revenue Bonds)
Funded by Student Union fees	



Funding for Major Construction Projects



Funding for Major Construction Projects

Science Complex Facts

June-17 Construction Starts

July-19 Construction Ends

\$91M Total Cost

\$71M CO (state) contribution

\$20M Donations*

*Any shortfall to be covered by reserves



Construction Projects Summary – Where does the money come from?

	Loans/CO Contrib.*	Fee Revenue Reserves	Campus Contribution	Bond Premium	Total Cost
Parking Structure V	\$19.3M	\$21.4	\$0	\$1.7M	\$42.4M
Union Expansion	\$45.9M	\$10.7M	\$0	\$0	\$56.6M
Science Complex	\$71M*	\$0	\$20M	\$0	\$91M
Total	\$136.2M	\$32.1M	\$20M	\$1.7M	\$190M

Fees Revenue Reserves are from Parking decal fees and from Union/WELL fees

Reference Materials

- Budget Office Website
 - <http://www.csus.edu/aba/budget/>
- Annual Report
 - <http://www.csus.edu/aba/budget/annual-reports.html>
- General Operating Fund Timelines
 - <http://www.csus.edu/aba/budget/Documents/Budget-Process/Budget-Timeline.pdf>



Reference Materials

- 2017/18 UBAC Budget Recommendation
 - http://www.csus.edu/aba/budget/documents/ubac/2017-18/ubac_memo_to_president_2017-18_budget_recommendation.pdf
- 2017/18 President's Final Budget
(President's November 6, 2017 Sac Send Message)
 - http://www.csus.edu/aba/budget/documents/ubac/2017-18/presidents_update_20171106.pdf

Questions?

