



Message from the Chancellor

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To: All-Employees <all-employees@lists.sonoma.edu>

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July 20, 2020

To the Faculty and Staff of The California State University:

I write today to emphasize the seriousness of the California State University's budget situation and, in broad strokes, outline a multiyear plan that will allow us to strategically navigate these uncertain and challenging times.

Our university's core mission is supported financially by two main revenue streams in the operating budget: the base budget provided by the annual state appropriation, and student tuition and fees. The state appropriation is a recurring or ongoing commitment, which allows us to plan coherently to effectively execute our mission in service to our students, the state of California and our nation. Student tuition and fees are also collected every year, but vary depending on enrollment numbers, inclusive of international and non-resident students.

The CSU is also comprised of many support functions occurring in our self-funded and auxiliary enterprises, and these functions are not financed by the state appropriation or tuition. Rather, they are supported by revenues, such as residence hall fees, meal plans, parking and retail sales, grants and contracts, and the like. These operations have been severely impacted by the pandemic, and regrettably, these negative impacts will continue in the years ahead. Consequently, self-funded and auxiliary enterprises have been forced to lay off many employees, and campuses must find other resources to pay debt service and other obligatory costs.

Our annual fiscal year (FY) extends from July 1 through the following June. Today, we face a base budget from the state for FY 2020-21 that has been *permanently* decreased by \$299 million – compared to the last fiscal year – because of COVID-19-imposed impacts to the state's economy. I would like to emphasize here that while we didn't escape a budget reduction, it is clear we have successfully and consistently demonstrated our value to the state. I thank you for your considerable efforts over the years to contribute to that value, and I am grateful to our legislative leaders and the Governor for continuing to prioritize the California State University as best they can under these trying circumstances.

The state appropriation might be *temporarily* increased come October 15 if the federal government provides additional COVID-19 relief funding to California. At this point, the possibility of this additional funding is nothing more than speculation, although we have our team in Washington, D.C. advocating strongly to help make it happen. And it is very important to recognize that these potential resources would be a *one-time* allocation, not permanent *recurring* funds, year-in and year-out. This one-time allocation, if it materializes, must therefore be viewed as a tool to help us carefully and deliberately manage the transition to a permanent budget reduction over the course of this year and next.

And, additionally, at this point in the summer, we do not know the final details about student enrollment in the fall. Today's indicators are looking strong, with some variability across the 23 campuses. But it is the actual enrollment numbers in the fall and beyond that will also impact available resources.

As you would expect of campus and system leadership, we have planned for this moment. We came out early and boldly with the proper decision to conduct most of our instructional activities virtually, with on-campus instruction only when virtual modalities are infeasible and, then, only with all proper health and safety precautions in place. Announcing this decision in May has allowed our faculty and staff to pursue professional development over the summer months to facilitate a robust, engaging and effective – albeit different – fall term. It also has given our students and their families the time and clarity to plan appropriately.

Furthermore, during the recent FY (2019-20), the CSU earned an increased state appropriation, had strong enrollment and graduation rates, built up reserves, and received significant resources from the CARES Act in March 2020. For these reasons, this month we were able to begin FY 2020-21 reasonably prepared. However, all credible financial forecasts indicate that this pandemic will create, at a minimum, a three-year financial and operational challenge to the state and to the CSU.

And let me be clear: If our finances deteriorate in the coming months and years beyond what is known and forecast today, we will need to quickly re-evaluate this plan and revisit every option available to us to live within our means.

That said, here is how we plan to go forward:

We have already taken significant measures to reduce expenses. We have stopped most hiring, except for essential positions approved by the relevant campus president or vice chancellor. We have essentially stopped travel on state funds.

As for basic campus operational costs, the pandemic's impacts have been mixed. Clearly, expenses such as energy use are down, but other costs have increased significantly, such as those associated with personal protective equipment, sanitation and facility modifications for physical distancing, and IT equipment, software and related services.

Our twin north stars continue to be the health and safety of our students, faculty, staff and communities where our campuses are imbedded, and sustaining Graduation Initiative 2025 by doing everything within our power to enable students to make timely progress to a high-quality degree in a robust, engaging and effective learning and discovery environment.

I have led deep consultation among campus presidents, system leaders and other stakeholders. After considering a variety of approaches, we have decided to proceed cautiously and strategically, while remaining focused on our core mission. While, regrettably, there have been and may continue to be some layoffs of valued employees across the system, we believe it is possible to minimize the number of layoffs without seeking to negotiate a furlough program with our labor unions this fiscal year. Thus, with our current understanding of our budget from the state, we do not plan to negotiate a furlough program for this fiscal year, but it is most likely necessary in FY 2021-22. We will work with union leaders this fall and winter to discuss this matter.

To navigate this year prudently will require us to spend a portion of our discretionary reserves – with some variability across campuses and the Chancellor's Office. Our strategic reserve management plan will be similar to the model used by the state of California with its reserves, whereby a portion of the reserve is used in this current FY 2020-21, allowing the use of additional portions in the two ensuing fiscal years (FY 2021-22 and 2022-23), knowing that we are facing at least a three-year fiscal challenge. We will not "zero out" our reserves – nor will we plan to redirect encumbered reserves that are intended for a specified campus need or priority.

In closing, I am saddened that our future includes layoffs necessitated by the economic challenges mentioned above and despite the actions we have implemented to mitigate these circumstances. However, I am proud and grateful that this approach is best for our students, our *raison d'être*. This path forward reflects our deep commitment to their success and to Graduation Initiative 2025. And whether you are working on campus or remotely, our students will need all the support we can provide as they

navigate the academic year in an extraordinarily challenging moment academically, personally and financially. I thank you in advance for sustaining that commitment.

More than ever, please take care, be safe and stay healthy.

Sincerely,

A handwritten signature in black ink that reads "Timothy P. White". The signature is written in a cursive, flowing style with a large initial 'T'.

Timothy P. White
Chancellor