



**University Budget Advisory Committee (UBAC)**

**February 27, 2026**

**11:00AM-12:30PM**

**UEC-102**

<https://csusb.zoom.us/j/83600715968>

**Minutes**

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**Attendees:** Dr. Samuel Sudhakar, Dr. Rafik Mohamed, Dr. Paz Oliverez, Dr. David Dufault-Hunter, Sesar Morfin, Anna Lim, Dr. Jenna Aguirre, Dr. Jordan Fullam, Dr. Donna Garcia, Dr. John Reitzel, Dr. Edna Martinez, Dr. Christina Hassija, Dr. Tomas Gomez-Arias, Diego Rendon, Heather Hopkins and Andreina Dominguez.

**Absent:** Ray Watts, Robin Phillips, Dr. Zachary Powell.

**Welcome and Introductions**

Dr. Mohamed welcomed everyone and introduced Anna Lim, the new Executive Director, Budget of Resource and Management.

**FY 2026-2027 Operating Budget – Governor’s January Proposal**

Dr. Sudhakar discussed the timeline of the governor's budget proposals, starting with the initial proposal in January 2026, followed by advocacy efforts, and the release of the May revised proposal. The final budget is signed into law in June. Last year, the January proposal included an 8% cut to the CSU, but the final June budget only reduced funding by 3%. This year, the governor's January proposal was for \$348.9 billion, with hopes that the final June budget will be better. The total higher education budget is \$27.4 billion or 7.9% of the total CA state budget, and 20.4% of that higher education budget goes to the California State University system.

According to the governor's January preliminary proposal, the CSU system is projected to receive \$5.6 billion. Despite higher-than-expected state revenue this year, the Department of Finance reports a modest shortfall of \$2.9 billion, indicating the state still faces a deficit for 2026-2027. Additionally, budget forecasts predict significant operating deficits extending through 2029-2030.

Informed that California State University and the University of California each receive 20.4% of the governor's budget allocated to higher education, while community colleges get 36.9%, Student Aid Commission 14.4%, and other agencies 7.9%. The data from the Department of Finance predicts multi-year budget deficits, with the Legislative Analyst's Office forecasting larger shortfalls than the Department of Finance in 2027-2030, indicating that state revenues are expected to be lower than projected, which could lead to increased deficits. However, there is hope that the financial situation will improve by 2027-2028.

Mr. Morfin stated that only two years out of the last 15, have we seen less than was initially proposed on the table as the budget process progressed toward the May revise, indicating a generally optimistic outlook. However, they acknowledge that the final outcomes can still change significantly over the next few months, especially given the current administration's last year in office and federal-level impacts. Overall, they are optimistic about securing at least the proposed funding.

Dr. Sudhakar stated that the additional \$12.8 million in ongoing funding is intended to help offset some of the deficits accumulated over the past three years. Advocacy efforts are currently underway to secure full compact funding for 2025-26, aiming to increase the proposed \$100.9 million to a full \$252 million for that year. The goal is to achieve this full funding by June, which would further support addressing past financial gaps.

- According to the Governor’s January 2026 proposed budget, the CSU is proposed to receive \$365.7M in New Baseline Funding

- This Translates to \$12.8M in New Ongoing Funding for CSUSB
- While this is Good News for CSU and CSUSB, this Additional Funding will go towards mitigating a portion of previous three years' deficits
- Advocacy efforts are underway to receive full FY 25/26 compact funding and to restore baseline reduction from FY 25/26

The multi-year deficit began in 2023-24 due to unfunded compensation increases, rising insurance and healthcare costs, and post-COVID expenses, with budgeted deficits of \$11 million, \$20 million, and \$17 million for 23-24, 24-25, and 25-26, respectively. The budget was balanced each year through significant divisional cuts and use of carryover funds, which reduced staffing and division sizes. In 23-24, reserves were dipped into, but subsequent years were balanced without reserves. Currently, the year is projected to end in deficit, though improvements are hoped for, and if current budget cuts persist, a \$5 million shortfall is anticipated for 26-27 despite increased CSU funding.

Dr. Sudhakar reviewed the multi-year budget in two potential scenarios:

**Scenario #1:**

- Is based on the governor's proposed January budget, which would increase the CSU's general fund appropriation to \$185 million up from \$172 million last year (include an additional \$12.7 million).
- Tuition revenue is projected at \$115 million, with actual revenues surpassing estimates due to higher enrollment, helping to offset current deficits.
- Under this scenario, campus commitments total \$23 million, resulting in a projected deficit of \$5.4 million for next year.

The \$23 million in campus commitments under this scenario includes several components: mandatory costs, cabinet-approved commitments to divisions, adjustments related to the State University Grant, and \$1 million allocated toward strategic planning. Additionally, some funds are allocated back to divisions that were not funded in 24-25 and 25-26 due to previous budget shortfalls. If this scenario materializes, the projected deficit for next year would be \$5.4 million, which is an improvement compared to previous years, and can be addressed through one-time funding reductions or by maintaining last year's funding cuts.

Mr. Morfin highlighted that this year's revenue is higher than expected, which is positive. However, for planning purposes, the university remains conservative, assuming enrollment will stay flat and not factoring in potential increases into future budgets. Therefore, any additional revenue generated beyond the current budget will help improve the overall financial position.

**Scenario #2:**

Dr. Sudhakar explained scenario 2 assumes that the governor's January proposal does not occur, resulting in no additional funding for CSU in 2026-27, keeping the base funding at \$172 million, the same as last year. There may be a modest increase in tuition revenues, but no funds will be allocated back to divisions. Under this scenario, the projected deficit for next year would be \$5.8 million.

The deficit in the 25-26 fiscal year was mitigated as follows:

- Overall reductions of approximately 10% across all divisions
- SEMM & HR were held harmless
- Approximately 4% base cut reductions and 6% one-time reductions

Mr. Morfin stated that based on current revenue and expenses recorded so far, the estimated deficit for this year is approximately \$4.8 million, reflecting a conservative estimate based on actuals through January and including the impact of recent cuts. Last year, a larger projected deficit did not materialize, so there is some optimism that the actual deficit may be lower, though with four months remaining in the year, the final figure could still change.

Dr. Sudhakar, informed us that any increase in state funding for baseline allocations will likely lead to calls for salary adjustments, with current negotiations ongoing. The actual impact on the budget depends on the size of these compensation increases; each 1% increase would cost CSUSB approximately \$2.5 million. In previous years, employees received a combined 10% increase in 2023-24 and 2024-25, which was not fully funded by the state, contributing to ongoing deficits. If similar increases occur again without full funding, it could significantly strain the campus budget.

Recommended remaining conservative by maintaining the existing cuts, specifically keeping the 6% one-time reduction from last year and not restoring the 4% base reduction from 25-26, thus avoiding further cuts in 26-27. This approach hedges against potential unfunded compensation increases that could impact the budget. However, if the governor's January budget proposal becomes final, baseline salary allocations would be restored as baseline funds to divisions, providing some financial relief.

Dr. Mohamed added that even if the upcoming year's budget scenario turns out to be favorable, with additional funding from the legislature or other sources, it is important to recognize that this is essentially a single year's budget, and California's revenue and tax cycles tend to fluctuate, leading to ongoing periods of ups and downs. Therefore, it remains crucial to focus on growth, particularly in student enrollment, which justifies the concept of SEMM being held harmless. Currently, enrollment is slightly below target, around 2.7% below the goal; maintaining growth in student numbers is vital for long-term stability and funding.

### **Questions/Comments**

Dr. Gomez-Arias mentioned that over the past few years, it has been managed approximately \$50 million in deficits primarily through reductions and utilizing reserves. Currently, the situation of the reserves is a key concern, especially as it is anticipated further consolidation efforts in the upcoming year and potentially beyond and asked what is the flexibility to mitigate ongoing or future budget cuts?

Mr. Morfin mentioned that as of the end of 22-23, fund balance was \$53 million, which declined to \$38 million in 23-24, and slightly increased in 24-25 despite ongoing cuts. Currently, with an estimated \$4.8 million deficit this year, reserves could dip to around \$33 million, limiting our flexibility to rebuild the reserves. CSU recommends maintaining at least 90 days of operating expenses in reserves, which equates to roughly \$90 million for the campus; however, we are currently only at about 17 days, highlighting the significant gap that needs to close to ensure financial stability and flexibility for future uncertainties.

Dr. Dufault-Hunter asked for clarification on what qualifies as reserve money, specifically whether it refers to unspent funds in general or unspent funds allocated for specific purposes, and to what extent that reserve is discretionary.

Mr. Morfin explained that fund balance is the amount remaining at the end of the year, which is then designated as reserves for specific purposes like economic uncertainty or capital projects. Currently, the campus has less than \$7 million in economic uncertainty funds, which is insufficient for its size. Most reserves are earmarked for particular uses, and dipping into these reserves during economic downturns could pose significant risks, highlighting the need for a larger reserve to mitigate potential financial challenges.

Dr. Gomez-Arias asked about the current year's financial situation; whether the reserves will be heavily used or if the budget will be balanced or if there is an expectation of building up reserves or maintaining a tight budget.

Dr. Sudhakar stated that they predict a \$4.8 million deficit for the year, but last year they initially predicted a \$7 million deficit and ended up balancing the budget. Their hope is to balance this year's budget as well and avoid the deficit.

Dr. Fullam stated that, similar to reserves, bonds used for construction are also managed at the system level rather than by individual campuses like CSUSB, and these pooled reserves help back the bonds. They plan to confirm their understanding and note that this reflects the broader concept of "systemness" in CSU's fiscal management, where financial resources and responsibilities are coordinated across the entire system.

Dr. Sudhakar informed that | next UBAC meeting will occur after receiving the preliminary allocation memo from the chancellor's office, which will be based on funding estimates from the governor's office, providing an accurate figure of each institution's funding. After receiving the memo, another UBAC meeting will be held to share the exact funding details and gather input.

Dr. Gomez-Arias asked about the current status for auxiliaries or self-support operations on their financial situation or overall condition.

Dr. Sudhakar stated that all auxiliaries are self-supporting and must balance their budgets, but housing is currently in significant trouble, generating a \$3.5 million deficit due to the closure of Serrano Village, which was supposed to cover debt payments of about \$8.4 million annually. The deficit was temporarily covered by borrowing from SMSU and CEGE, and the system has allowed this deficit to be carried into the future while efforts are made to increase revenue. Other auxiliaries like parking, CEGE, and SMSU are performing better, with parking meeting its debt service coverage ratio (DSCR), CEGE and SMSU doing well, and UEC recovering from a slight deficit last year. All auxiliary financials, including fund balances and reserves, are published on the budget website for transparency.

Dr. Mohamed added that PACE programs have increased their revenue by 16% since the beginning of the fiscal year compared to last year, which is positive, especially as CEGE needs to generate more revenue without summer sessions. Additionally, sponsored research revenue has risen by approximately \$3.5 million year-over-year, reflecting increased grants and research funding, both of which are encouraging signs for the institution's financial health and research activities.

Dr. Fullam stated that he was aware that the total debt service obligations for the campus are \$20.4 million and if that number included the PA building construction?

Dr. Sudhakar clarified that the PA building was entirely funded by the state, with no bonds involved, marking the first state-funded building in 20 years on campus. Additionally, the new Student Success Center in Palm Desert is also fully state-funded, with a budget of \$79 million, and the institution does not carry any debt for either the PA building or the Student Success Center.

The committee announced a few events coming up:

- AI Steering Committee Launch and Campus Open Forum will be held on March 3<sup>rd</sup> at 12:00.
- Performing Arts Center Ribbon Cutting Ceremony on March 4<sup>th</sup> at 2pm.
- PDC Choose CSUSB Day on March 14<sup>th</sup> and on March 21<sup>st</sup> at CSUSB.
- Coyote Cares Day will be held on February 28<sup>th</sup>.
- Presidential Search Campus Open Forum will be held on March 23<sup>rd</sup>.

Adjourn at 12:01pm.