University Budget Advisory Committee (UBAC)

June 10, 2026

2:30PM-4:00PM

UEC-102

https://csusb.zoom.us/j/85757351585

Minutes

Attendees: Dr. Samuel Sudhakar, Dr. Rafik Mohamed, Dr. Paz Oliverez, Dr. David Dufault-Hunter, Robin Phillips, Sesar Morfin, Anna Lim, Dr. Edna Martinez, Dr. Christina Hassija, Dr. Tomas Gomez-Arias, Ray Watts, Dr. Jenna Aguirre, Dr. Kelly Campbell, Heather Hopkins and Andreina Dominguez.

Absent: Diego Rendon, Dr. Jordan Fullam, Dr. Donna Garcia, Dr. John Reitzel, Dr. Zachary Powell.

Welcome and Introductions

Dr. Mohamed welcomed the committee and noted the absence of faculty representatives due to their off-contract status in June and confirmed that they had received the presentation materials. He also announced that the transition from the current UBAC membership to the newly appointed committee will take effect on July 1, 2026. Dr. Mohamed emphasized UBAC's important advisory role in guiding campus budget decisions and welcomed Dr. Kelly Campbell to the session.

State Revenue and Expense Trends

Dr. Sudhakar reviewed long-term trends in California's revenues and expenditures, noting that the two generally tracked closely over several decades. In recent years, however, the trends have diverged, with expenses outpacing revenues and resulting in unbalanced budgets and persistent deficits. Despite ongoing uncertainties about the state's revenue sources, the Governor's May Revision projected stronger future revenues, which would positively affect state appropriations to higher education, including the CSU system.

FY 2026-2027 Operating Budget – Governor's May Revised Proposal

Dr. Sudhakar explained that the Governor's 2026–27 budget remains consistent with the January proposal, aiming to increase CSU funding beyond prior commitments while achieving a balanced state budget through several budget strategies. These strategies rely on projected revenue growth and one-time solutions, including an anticipated $16 billion increase over three years driven by higher personal income, corporate, and sales tax revenues. He noted that California's total General Fund expenditure for the upcoming fiscal year is projected to reach $246 billion.

Dr. Sudhakar reported that the CSU will receive $264.8 million in full funding for FY 2026–27, the final year of the compact, along with $100.9 million in partial funding for FY 2025–26 for a total of $365.7 million. He noted that last year the CSU faced a $252.3 million compact deferral and a 3% budget reduction of $143.8 million, providing important budget context for the difference between FY 2025–26 and FY 2026–27. He emphasized that while CSU funding is preserved in the short term, a portion of the prior-year compact funding—approximately $151.4 million—remains deferred.

Dr. Gomez-Arias asked whether the FY 2024–25 compact is still pending. Dr. Sudhakar clarified that the CSU received funding for the FY 2024–25 compact; however, the University did not receive funding from the Chancellor's Office for the FY 2024-25 General Salary Increases (GSI). Mr. Morfin further explained that funding for the FY 2024–25 compact was distributed in phases over two years, with partial funding provided in the first year and the remaining allocation delivered in the following year.

Dr. Sudhakar noted that the budget will be finalized in June, emphasizing that the May Revision is only a proposal and remains subject to change based on developments in the coming weeks. He explained that California faces a structural deficit exceeding

$10 billion annually, driven largely by revenue volatility, fluctuations in capital gains that reduce reserves and increase borrowing, and the potential loss of revenue as major companies relocate their headquarters to states with more favorable tax environments.

The state projects a persistent structural deficit extending into the 2026–27 fiscal year, with gradual improvement anticipated over time but no full resolution. While the revenue outlook has improved and the budget is balanced through the use of reserves and borrowing, future pressures on higher education funding and CSU commitments remain. Dr. Sudhakar noted that, despite increased funding in the coming year, cautious optimism is warranted, as much of the funding will be used to address deficits accumulated over the past three years—estimated at approximately $50 million. Most divisions have balanced their budgets through reductions, whereas Academic Affairs continues to operate under a structural deficit.

Dr. Hassija asked about the reliability of the state projections and whether they may be overly optimistic and deteriorate over time, or if they are realistic and reflect genuine improvements in the state's fiscal outlook.

Dr. Sudhakar stated that the projections are essentially informed estimates based on current and anticipated revenues as well as historical trends. He emphasized California's financial volatility, noting that conditions could shift quickly in either direction, as illustrated by the earlier graphs.

Dr. Mohamed noted that California's progressive tax structure relies heavily on higher-income individuals and corporate taxes, making state revenues vulnerable if companies relocate or if high-income earners shield their income—particularly in the context of proposals such as a new wealth tax intended to capture previously untaxed deferred gains. He added that there is concern such measures could prompt additional high-wealth residents to leave the state; however, the overall outlook remains speculative and uncertain.

Dr. Sudhakar explained that the Legislative Analyst's Office (LAO) is an independent agency that provides nonpartisan budget analyses, in contrast to the Department of Finance (DOF), which reports to the Governor. He noted that LAO reports typically adopt a more cautious outlook, underscoring the need for prudent planning.

Dr. Sudhakar further emphasized that California's strong commitment to public higher education results in a majority of CSUSB's funding coming from state appropriations, making the institution less dependent on tuition than many universities nationwide. He also reported that the upcoming fiscal year's estimated total budget is $308.9 million, with 61% ($191.5 million) funded by the state and approximately 35% ($110.3 million) derived from student tuition and fees, along with an additional 2% ($7.2 million) anticipated in new fee revenue. He noted that the anticipated new revenue for the upcoming year is partly attributable to the 6% tuition increase, now in its third year of a five-year plan designed to stabilize the CSU budget and support long-term financial sustainability.

Dr. Sudhakar reviewed the FY 2026–27 CSUSB Budget Summary, noting that the University began the 2025–26 year with $172.6 million in state funding, down from $185.5 million the prior year due to a 3% budget reduction, a $5.3 million decrease in retirement adjustments, and the absence of compact funding. The campus initially anticipated a $17 million deficit based on an early projection of an 8% cut, and although the reduction was later lowered to 3%, the University maintained the 8% assumption as a precaution, setting aside a $4.1 million reserve for uncertainties. Throughout the year, most of that reserve was used to fund university-approved commitments and initiatives. Despite an increase in state funding to $191 million for the coming fiscal year, the University continues to face financial pressures.

For the upcoming year, CSUSB will start with $191.5 million in state funding. This amount includes $12.8 million in compact funding, a $4.8 million increase in retirement adjustments, $1.9 million from the Chancellor's Office for mandatory costs, a $6.5 million increase for State University Grants, and a $7.2 million reduction in the General Fund. Next year's projected tuition revenue is $117.5 million, based on last year's total tuition and fee revenue projection of $110.3 million combined with new fee revenues projected in the amount of $7.2 million for 2026–27; this figure is expected to increase partly due to anticipated enrollment growth.

Dr. Mohamed clarified that the tuition revenue discussed excludes dual enrollment students, whose participation increases FTE realization, but who pay a reduced rate of $10.50 rather than regular tuition. He noted that the revenue figure reflects only traditional matriculated CSUSB students, not dual enrollment students.

Dr. Sudhakar continued his review of the budget summary, noting that total resources for the fiscal year amounted to $308.9 million, an increase of nearly $26 million from the previous year. At the same time, next year's commitments total $29.6 million, creating pressure on the University's financial outlook. He explained that if revenue increases are not sufficient to cover these commitments, the University would face a projected $3.6 million deficit. To mitigate this risk, divisions will maintain the same one-time 6% budget reduction as last year, totaling $10.2 million, which provides a $6.6 million cushion. This cushion is intended to help manage uncertainties such as potential federal cuts, unexpected expenses, and rising costs throughout the year. Without these division-level reductions, the University would face a $3.6 million deficit, a notable concern given that Academic Affairs is projected to end the fiscal year with an overall $20 million shortfall accumulated over the past several years.

Dr. Campbell asked why Academic Affairs has a larger deficit than other divisions, noting that the question stemmed from concerns about differences in budget outcomes and how allocation decisions are made across divisions.

Dr. Mohamed explained that Academic Affairs manages the largest share of the University's budget, with approximately 96% allocated to personnel, which limits the division's ability to reduce fixed costs such as classes and core operations. He noted that the division has carried a structural deficit of about $13 million for the past four years, largely due to longstanding underfunding for part-time faculty. While actual instructional costs have been around $21 million, base funding has been closer to $8 million, creating a recurring gap. Over time, base funding has increased slightly, but the remaining shortfall has been covered each year through one-time or carryover funds. Despite implementing budget reductions totaling roughly $13 million, Academic Affairs continues to face financial challenges because of its substantial fixed costs and the historical underfunding that has accumulated over several years.

Dr. Hassija asked why the budget reductions remain in place despite increasing student enrollment and the corresponding need to offer more classes. She noted that this raised questions about how maintaining the current level of reductions aligns with efforts to address ongoing financial challenges.

Dr. Mohamed explained that Academic Affairs' projected $20 million deficit is the cumulative result of longstanding structural funding imbalances and prior budget reductions. He noted that the division has relied on University reserves to help cover this gap, which has gradually reduced available reserve levels and prompted increased attention to overall reserve usage at the system level. He clarified that although the books may show a projected $5 million deficit for Academic Affairs this year—reflecting reductions in General Fund appropriations and the University's one-time budget reduction—the division has effectively lowered its overall operating budget by approximately $15 million over the past several years. As a result, the accumulated deficit reflects ongoing financial pressures rather than a single-year shortfall. He added that rebuilding reserves will depend on the budget stabilizing and avoiding further large-scale reductions similar to those experienced in recent years.

Dr. Sudhakar continued his explanation of the budget summary, noting that to help address the anticipated $3.6 million shortfall in FY 2026–27, divisions have been asked to maintain the one-time 6% budget reduction implemented last year, which will generate $10.2 million in savings. The resulting $6.6 million net surplus will serve as a buffer against future uncertainties, and a portion of these funds will be allocated to several critical and mission-driven areas across the University. Academic Affairs will receive a portion of this allocation, as will the other divisions, based on priorities identified by the Vice Presidents, which is consistent with the approach used in FY 2025–26.

Dr. Sudhakar noted that in FY 2025–26, the University allocated funds to divisions based on identified needs and institutional priorities. The distribution of these allocations was as follows:

- Academic Affairs – $1,149,083
- Finance, Technology and Operations – $148,610
- Office of the President – $35,733
- Strategic Enrollment Management and Marketing – $170,906
- Student Affairs – $1,122,105

These allocations totaled $2,626,437 and reflected the University's efforts to support critical operational and mission-driven activities across divisions.

Dr. Gomez-Arias asked whether the additional resources allocated last year should be considered extra funds and inquired about the current status of the University's reserves. He sought clarification on whether reserves are continuing to be drawn down or if the University is approaching the CSU's established limits on reserve levels.

Dr. Sudhakar explained that the University's reserves have remained steady at approximately $38 million over the past few years, even though a draw of about $5 million had been anticipated for the current year. He noted that reserves originally totaled $52 million, but after reductions in prior years amounting to roughly $14 million, they have stabilized at the current level. He added that this reserve position is considered acceptable within the CSUs, and maintaining reserves at or above this threshold helps ensure the University remains in good standing at the system level.

Dr. Sudhakar also reported that in the current fiscal year, the University designated $4.1 million of the $17.1 million deficit-mitigation funds to support various initiatives, with $2.6 million allocated to the divisions. Of that amount, $1.7 million supported recurring expenses that will become part of the base budget in FY 2026–27. In addition, $1.28 million has been allocated for strategic projects, and a $1 million contingency fund has been set aside to address unexpected costs in the upcoming fiscal year. Dr. Sudhakar also noted that, unlike prior years, divisions did not receive base salary increases for 2024–25. However, due to an improved budget outlook in FY 2026-27, the University plans to distribute $10.8 million in baseline funding to divisions.

FY 2026-27 Budget Adjustments

Dr. Sudhakar outlined the planned FY 2026–27 divisional budget adjustments, noting that the University continues to have limited discretionary funds as it recovers from financial challenges over the past three years. For FY 2024–25, divisions will receive $10.9 million in General Salary Increase (GSI) funds—baseline, permanent funding that had not been available in prior years. An additional $1.4 million supports step increases, bringing total compensation-related funding to $12.3 million.

Dr. Sudhakar also reviewed the estimated baseline increases associated with the FY 2024–25 GSIs and the FY 2025–26 STEP increases. The projected divisional increases are: Academic Affairs – $6.0 million, Student Affairs – $0.3 million, Finance, Technology & Operations – $1.9 million, University Advancement – $0.3 million, Human Resources – $0.2 million, and Strategic Enrollment Management & Marketing – $0.4 million. He noted that these adjustments represent significant base-budget increases for divisions.

FY 2026-27 One-Time Budget

Dr. Sudhakar reviewed the sources and uses of funds for the upcoming year. He noted that last year's Summer revenue totaled $2 million, and this year's anticipated $3 million brings the combined one-time Summer revenue to $5 million. He explained that several one-time commitments continue to affect the budget, including the iHUB rent, which will conclude after this year as the University transitions operations to the Palm Desert campus. He added that the University maintains reserves for uncertainties, particularly for Title IX and SSD-related cases, which are unpredictable and cannot be precisely budgeted. Additional reserve-related items include the CGI agreements, the cell tower lease, and other central obligations totaling approximately $500,000 and $506,000. Dr. Sudhakar also highlighted the use of one-time funds to support student success and enrollment efforts. These include $500,000 for Summer GIG funding and $555,000 for strategic enrollment initiatives aimed at increasing student numbers.

Dr. Gomez-Arias asked about the timeline for completing the CGI payments, noting that several million dollars are allocated for this purpose. Dr. Sudhakar responded that these payments will continue for approximately 20 more years.

Dr. Aguirre asked about the nature of the deficit-mitigation funds. Ms. Lim explained that these reserves are set aside to cover potential overruns in key areas during the planning year. She noted that the Student Success Initiative (SSI)—a fee-based program—experienced a significant shortfall of nearly $400,000 last year, illustrating the need for a contingency. The reserve is therefore intended to address unexpected higher expenses or revenue shortfalls in areas such as SSI, as well as other obligations.

Questions/Comments

Dr. Gomez-Arias asked about the outlook for future funding stability for the CSU, inquiring whether there are any discussions or indications from the Chancellor's Office regarding stabilization after this year. He noted that funding levels often fluctuate based on the governor's budget decisions and broader state priorities.

Dr. Sudhakar responded that long-term funding stability will depend heavily on the next governor's fiscal approach, as each administration differs in its philosophy toward higher-education funding. He added that state revenues remain uncertain, and potential declines could lead to reductions regardless of leadership. Given this volatility, he emphasized the need for the University to prepare for larger deficits and to consider redefining long-term operations, focusing on mission-driven planning to determine which activities should be prioritized and which support services may be non-essential.

Adjournment

Meeting adjourned at 4:03pm.