



Office of the President

A Message from
President Adela de la Torre, Ph.D.

Dear SDSU Community,

San Diego State University activated its response to the ongoing coronavirus (COVID-19) pandemic about two months ago and has been unified in implementing necessary changes to continue delivery of its core mission through this unprecedented time.

Upon careful consideration, SDSU made decisions to de-densify the campus, transition to full virtual adoption of instruction and student support services, introduced teleworking arrangements for faculty and staff who can work remotely, and moved its summer session online. To provide a safety net for students, SDSU also made academic policy changes and expanded financial support accessible to all students.

With these adjustments now in place, several teams have been established to monitor and assess the evolving situation and to identify solutions so that we may best manage how this crisis will ultimately financially impact our university.

With this message, we are sharing known information regarding the financial realities as a result of COVID-19.

A Future with COVID-19

While the county has begun to reopen certain public areas, including some parks for passive activities, San Diego County public health officials have also mandated that everyone should wear masks in public beginning May 1 given concerns around potential for increased COVID-19 spread. No clear indicator exists for when we will reach some sense of normality. Our continuing guiding principle is to exercise great caution and care for the safety and well-being of ourselves and others. It is apparent that natural immunity will take much more time, and we likely will not have a vaccine before next year. COVID-19 will remain a major part of our lives and will bring new, complex situations to manage in the coming months may feel sobering.

Yet, our campus community has presented such a nimble, responsible and creative response. We thank everyone for masterfully adjusting to what some are considering a challenging new normal. The efforts over these months have been admirable. Even though new difficulties are ahead of us in the higher education sector, every passing week brings a new level of pride in our community's responsive and proactive efforts.

2020 and 2021 Financial Realities

To date, SDSU has documented a loss of \$42 million in revenue and COVID-19 related expenses primarily from housing, meal plans and parking reimbursements, and also unbudgeted costs due to COVID-19 experienced in FY 2019/20. An even larger amount of similar lost revenue and unplanned expenses is likely in FY 2020/21.

Much uncertainty about the FY 2020/21 university operating fund budget remains. We will not have clarity until September about changes in state appropriation and tuition revenue.

Budget-Balancing Actions Already Taken and Developing

We have developed and carried out a thoughtful and necessary initial response plan for the near and long-term to mitigate the financial impact of the pandemic on our institution and community that includes the following:

Implemented a hiring chill consistent with California State University (CSU) system guidance for open faculty, staff, and management positions;

Reviewed all planned construction and deferred any projects considered non-critical;

Extended travel restrictions beyond May 31 for essential work related travel only;

To fill budget gaps, utilized one-time reserves that have been set aside over time for economic uncertainty, as well as from funds allocated through established budgeting processes but not yet spent by the divisions. The use of such funds will be replenished when future funding is available;

Applied for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding: SDSU anticipates receiving \$29 million. At least 50% will be available for emergency grants to help students and the remaining balance will partially offset the university's unexpected COVID-19 response costs.

Applied for the FEMA Request for Public Assistance (RPA) grant;

Applied for state, federal, and philanthropic sponsors grants. SDSU has already begun receiving COVID-19-related funding from these diverse types of sponsors. Immediate research efforts include looking at how vulnerable homeless populations will cope with

COVID-19, where reservoirs of SARS-CoV-2 might reside in the environment, and the design and development of low-cost mechanical breathing assistants.

Going forward, we will continue to identify alternative budget saving strategies and we encourage the campus community to share suggestions by sending emailing budget@sdsu.edu.

Uncertain FY 2020/21 Budget

SDSU's operating fund budget is primarily made up of state appropriation and tuition and fee revenue, which is dependent upon enrollment.

Due to the state tax filing deadline extension, the state will not know its tax revenue until late July, and the CSU is likely not to know its state appropriation until September. Also, the spike in unemployment claims coupled with the recent drop in the stock market is now projected to result in lower than expected tax revenues for 2020. Combined with additional state expenditures necessary to combat COVID-19, the state is likely to deplete its rainy day fund, putting pressure on the FY 2020/21 state budget and consequently on state appropriation to the CSU.

The impact of COVID-19 on enrollment is unknown at this time. We are cautiously optimistic about resident enrollment, but in the current climate, there is less certainty surrounding non-resident (out of state and international) enrollment.

Budget Process and Timeline

State Budget

The CSU Board of Trustees submitted their budget proposal to the state in November 2019 and requested \$563.8 million in new base funding. In January 2020, Governor Gavin Newsom released his proposed state budget which provides \$199 million in new funding to CSU.

As in previous years, there will be a May budget revision (called the May Revise) on May 14. It is expected that the upcoming May Revise will significantly adjust the governor's January budget proposal. There is a possibility that we would see a reduction to our budget in May.

The assumption is that by June 15 an initial baseline state budget will be passed by the state legislature, approved by the governor, and enacted into law before the end of June. However, unlike years past, the June budget will be subject to further changes in the fall.

In addition to the May Revise, an August Revision is expected this year, along with an amended final state budget in either September or October.

SDSU Operating Fund Budget

In the past, SDSU typically completed the campus budget process by the end of May, which allocated new base and one-time funding for the following fiscal year. Today's circumstances, as described above, are different.

Looking ahead, several date-specific activities will provide clarity for FY 2020/21 enrollment:

May 1: The deadline for new freshmen and transfers to declare Intent to Enroll. After this date, we will have an improved sense of the number of new students who plan to enroll in the fall;

July through August: New student orientation sessions will be held for new students. Class registrations during that time will provide another indicator for fall enrollment;

August: We will have certainty around the number of students attending SDSU with the start of the academic year.

All indicators suggest that, unlike prior years, SDSU will not have budget clarity until either September or October. Consequently, we will take a conservative approach when setting the preliminary FY 2020/21 budget in May or June. We plan to hold back some base and one-time funding centrally until we have budget clarity. We will continue engaging in budget conversations with both the President's Budget Advisory Committee (PBAC) and the Committee on University Resources and Planning (UR&P).

Impact on Enterprise Funds and Auxiliaries

Unlike the 2008 recession, the enterprise funds and auxiliary organizations, such as dining services, parking, and especially housing, have already experienced considerable financial losses as a result of COVID-19-related reimbursements. The amount refunded to students for meal plans, parking, housing, and lost revenue from other sources as well as COVID19 expenditures during the spring semester totals \$36.5 million, part of the \$42 million university total.

We are anticipating similar, if not greater, financial losses across the auxiliary units for the summer and fall semesters. The budget gaps for these self-supporting enterprise funds and auxiliary organizations will be filled by drawing down from their reserves and taking out loans.

Conclusion

SDSU has been taking a conservative budget approach for many years, setting aside a portion of revenue for one-time allocation to meet unplanned financial needs. That practice will serve us well as we continue to manage widespread ramifications of COVID-19. Further, it is all the more appropriate that one of the University's draft

strategic priorities is to identify and develop new revenue streams to support our scholarly and teaching aspirations. This is an endeavour that all Universities across the country will now be turning to, and one which SDSU is well positioned to succeed in.

Again, we understand this is a difficult time for all and we are greatly appreciative of the way in which all members of our campus community have adapted. We have overcome budget challenges in the past, and the team we have in place is working tirelessly on its approach to each financial decision. More changes are expected in the days ahead but if we continue to respond with resolve and resilience, we will overcome the challenges and return to an even stronger campus.

We will continue to share updates as more information becomes available.

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