



CAL POLY

ADMINISTRATION AND FINANCE

Office of the Vice President

Budget Update - June 2021

Dear Campus Community:

I want to take a moment to update you on the most recent information regarding the 21-22 State and Cal Poly budgets. On May 14, Gov. Newsom announced his May Revision to the Fiscal Year 2021-22 Budget, and it was very positive news for the California State University (CSU). The revision includes the following key items:

- Restoration of the \$299 million that was reduced from the CSU's base budget in 2020-21.
- An additional recurring budget increase of \$185.9 million, which is \$74.4 above the \$111.5 million proposed in January.
- \$150 million in one-time federal funds for deferred maintenance, infrastructure and energy efficiency projects. This is in addition to the \$175 million in one-time state funds proposed in January for a total of \$325 million for these projects.
- \$433 million one-time increase to convert Humboldt State University to California's third polytechnic higher education institution. The revision also includes \$25 million in recurring funds for additional operating costs associated with Humboldt operating as a polytechnic.
- \$25 million one-time increase for a national Hispanic-Serving Institution "Equity Innovation Hub" at CSUN to help prepare students - especially historically underrepresented students - for careers in science, technology, engineering and mathematics fields.

CSU Preliminary FY 2021-22 Budget Allocations

The Chancellor's Office has issued its FY 2021-22 preliminary budget memo which summarizes funding allocations to the campuses. Cal Poly's preliminary General Operating Fund allocation is \$25.3 million; \$20.6 million for restoration of the funding reductions and \$4.7 million to partially fund mandatory costs (please note

that this does not reflect additional budget increases proposed and noted above). In addition, this funding will be allocated for FY 2021-22 after the state budget is finalized in June; therefore, it will have no direct impact on current year finances. It will go towards elimination of structural deficit moving forward.

As you may recall from my previous budget communication, the university is addressing the current year initial projected deficit of \$33.6 million through a combination of permanent base budget reductions of \$15.5 million and the utilization of a combination of one-time funds and reserves to address the remaining \$18.1 million deficit.

This restoration of funds outlined in the preliminary budget memo is a very welcome development. It eliminates the previously projected budget deficit and effectively puts the university in a “break even” position for FY 2021-22. Thus, the current year budget reductions that our campus worked so hard to achieve remain essential to our ongoing financial sustainability. Additional funds beyond what the CSU currently projects in its preliminary allocation for Cal Poly in FY 2021-22 will be required in order to augment funding for campus operations.

That said, the State of California’s economy is exceptionally strong thus the CSU remains optimistic about the possibility of additional funding beyond what is outlined in the Governor’s May Budget Revision. The State Assembly, Senate and Governor’s office are in negotiation now regarding the 21-22 State Budget. The situation is fluid and ever changing. The process will conclude by June 30 and at that time we will know the total funding allocated to the CSU. Typically, the CSU will notify the campuses of their allocations 2-3 weeks thereafter.

Stimulus Funding

We are pleased to share that with the recent passing of the American Rescue Plan Act of 2021, Cal Poly has received much needed financial assistance in the amount of \$37 million. The American Rescue Plan Act of 2021 is a \$1.9 trillion economic stimulus bill passed by Congress and signed into law by President Joe Biden on March 11, 2021, to speed up the United States' recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession.

The table below reflects the three tranches of federal stimulus funding that Cal Poly has been allocated from the Higher Education Emergency Relief Fund (HEERF). The institutional support funding is considered a federal reimbursement grant (expenses must be incurred before requesting reimbursement), must be related to the impacts of COVID-19, and is subject to Single Audit requirements (please note that we are planning to release HEERF III student financial aid support during the next academic year).

(\$ millions)

Category	HEERF I	HEERF II	HEERF III	Total
----------	---------	----------	-----------	-------

Student Financial Aid support	\$7.05	\$7.05	\$18.44	\$32.54
Institutional support	7.05	13.70	18.44	39.19
Minority Serving Institution (MSI)	0.05	0.08	0.13	0.26
Total	\$14.15	\$20.83	\$37.01	\$71.99

By the end of 2020-21, Cal Poly continues to project the following estimated COVID-19 related financial impacts to the General Fund, Parking and Housing:

Losses/Expenses:

- Revenue loss: \$79.5 million
- COVID-19 related costs: \$13 million
- Total losses/expenses: \$92.5 million

Federal Stimulus Funding:

- Financial Aid Funding (direct payments to students): \$32.5 million
- Institutional Support and Minority Serving Institution (MSI) Funding: \$39.5 million
- Total Funding: \$72 million

The federal stimulus monies continue to provide much needed one-time financial relief; however, the amount received by Cal Poly will be significantly less than the losses incurred.

Strategic Investments

The increased state budget support and additional one-time stimulus funding will allow us to avoid further budget reductions and restore our focus on essential campus priorities. As additional resources become available, we will continue to invest in the priorities outlined by President Armstrong:

- Scholarships and financial aid
- Faculty and staff salaries (including tenure density, teacher-scholar model, Learn by Doing)
- Diversity, equity and inclusion initiatives
- Infrastructure (including new space, building renewal and technology modernization)

Recently, the president endorsed recommendations from the Cal Poly Opportunity Fee and Student Success Fee Advisory Committees to approve proposals for one-time (\$2.3 million) and recurring (\$1.9 million) investments in:

- faculty lines of \$1.3 million;
- one-time investments of \$1.75 million for lecturers to expand access to courses and \$250,000 for equipment and upgrades in classrooms and labs;

- Transfer Center funding and initial funds in support of advising technology infrastructure in the amount of \$122,000;
- cultural investments that advance our Diversity, Equity and Inclusion initiatives of \$410,000, including one-time funds in the amount of \$150,000 for the establishment of a Latinx Center;
- increased investment of \$50,000 in the Beacon Mentoring Program; and
- one-time funding of \$75,000 for the With Us program.

These are important and timely investments that will advance our stated priorities.

During the Fall, the provost will lead an effort that will provide the colleges an opportunity to continue to identify strategic priorities that leverage our strengths and emerging opportunities of excellence to advance our commitment to Learn by Doing and the teacher-scholar model. This process of building toward the future will inform subsequent budget planning within Academic Affairs.

Thank you for all that you have done to support our campus community through these challenging times. We are in a much better place today than we were six months ago, and each of you has contributed to the university's budget mitigation strategies. As details are confirmed, additional budget communications will be sent. Please do not hesitate to reach out if you have any questions.

Sincerely,

Cynthia Vizcaíno Villa
Senior Vice President
Administration and Finance