

## UNIVERSITY OPERATING FUND YEAR-END FINANCIAL OVERVIEW

HSU's Operating Fund ended 2019-20 with its largest balance remaining in at least 10 years, if not ever, at \$15 million. A key factor in this balance is the initial impacts of the pandemic on University operations between March and June, with spending largely halted except for a minimal number of essential purchases. This is a momentary positive in a longer term pandemic picture that is causing significant financial strain across the University. Areas such as Housing and Dining for example, which are not part of the Operating Fund, experienced immediate large scale losses due to the pandemic and the reverberations continue to be felt. As the University navigates these unprecedented times, this one-time funding allows HSU to maintain continuity of operations, provide bridge funding for the 2020-21 budget shortfall, invest in student success and retention initiatives, and preserve the Operating Reserve (Rainy Day Fund) at its current level of \$6.3 million.

The following overview highlights key aspects of the more detailed 2019-20 University Operating Fund Revenue and Expenses Reports that are available via links within this document and on the Budget website. In light of the current circumstances, it should be noted that the Operating Fund Roll Forward Guidelines were changed for 2019-20 year-end, so instead of Roll Forward being distributed as outlined in the guidelines, 100% of unspent Operating Expenses rolled back to divisions (\$2.56 million), with the remaining uncommitted balance applied toward the budget deficit (\$5.35 million).

<b>2019-20 Operating Fund Budget Balance Remaining (Roll Forward)</b>	
Revenue	879,160
Expenditures	14,172,200
<b>Total Balance Remaining</b>	<b>15,051,360</b>
<b>2019-20 Roll Forward Distributions</b>	
Reduction Bridge Funding	5,350,776
Restricted Programs and Projects	2,991,821
Strategic Earmarks and Commitments	2,167,314
GI 2025	1,048,297
Risk Pool Set Aside	300,000
Financial Aid	636,501
Roll Forward Allocations back to Divisions	2,556,651

### 2019-20 Operating Fund Revenue Summary

2019-20 revenue exceeded the budget, resulting in \$879k in one-time funding available to the campus - a positive shift from ending 2018-19 approximately \$835k under budget. The positive position is due to HSU's actual enrollment exceeding the budgeted level by 2.7%, resulting in additional tuition revenue above budget of just over \$1 million (Tuition +\$909k, Non-Resident Tuition +\$112k). This was partially offset by application revenue ending lower than budgeted by \$121k.

HSU's Original Revenue Budget is comprised of the State Appropriation allocation from the State/CSU, projected tuition and fees based on HSU's budgeted enrollment level, and other financial sources that we consistently generate year over year and expect to continue to do so for the foreseeable future. The Revised Budget and Actuals are expected to be higher each year than the Original Budget because these also include one-time sources of funding. As one-time funding is received, department budgets are

increased, authorizing spending to occur. In 2019-20, the Revised Budget was \$5.7 million higher than the Original Budget. Highlights by category include:

- Transfers in From Other Funds/Appropriations (+\$3 million): Reflects funding received from the Chancellor's Office. If the Chancellor's Office provides funding for an activity every year, such as the Math and Science Teaching Initiative, we incorporate the activity into the Original Budget. However, the vast majority of additional funding from the Chancellor's Office is allocated on a one-time basis for a variety of different initiatives and activities that change from year to year and therefore are not part of our ongoing budget plan. Highlights of funding received included:
  - \$1 million for recruitment initiatives – Our Enrollment Management team is leveraging this funding to advance a robust recruitment plan that is yielding exciting results
  - \$604,000 one-time support for Graduation Initiative 2025
  - \$650,000 Basic Needs Partnerships (awarded via CO proposal process from one-time State funding earmarked for this activity)
  - \$350,000 to support launching a CSU Basic Needs Research Center
  - \$150,000 Mental Health Partnerships (awarded via CO proposal process from one-time State funding earmarked for this activity)
  - *Note: several of these activities will be spent over multiple years and are one reason why our Restricted Programs/Strategic Earmarks and Commitments Roll Forward categories are higher this year*
- Other Fees, Revenue & Cost Recovery (+\$1.6m): Similar to the Transfers in from other Funds/Appropriations category, these revenue sources are budgeted as part of Original Budget if we consistently generate them every year and expect to continue to do so (e.g. cost allocation model cost recovery, telecom/network reimbursements, application fees). Given the one-time nature of many of these revenue sources, the Revised Budget and Actuals are always significantly higher in this category. The majority of this activity is Cost Recovery Revenue (+\$1M), which is allocated directly back to the department/area that generates it. The two largest additional revenue activities reflect reimbursements and faculty release time from SPF grants (\$567k) and Facilities Management cost recovery primarily from projects (~\$300k).
- State Appropriation (+\$1 million): The State of California always allocates funding for retirement rate increases during the year, reflected in the Revised Budget and Actuals in the current year; the retirement funding then becomes part of the Original Budget the following year. *Note: For 2020-21, retirement rate is actually decreasing (this is unusual), so it is anticipated that the Revised Budget and Actuals will be lower than the Original Budget in the coming year.*

## 2019-20 Operating Fund Expenditure Summary

In 2019-20, HSU's Operating Fund ended the year with \$14.2 million in available one-time funding, spending 91% of the budget, compared to a balance of \$11.2 million in 2018-19 and 92.7% spent. The higher balance is due to the pandemic halting much of the March – June spending, and also the result of continuing pro-active spending reductions underway to address multi-year budget shortfalls.

As reflected on the *Operating Fund Expenses by Object Group* report, Salaries savings of \$2.8 million and Benefits savings of \$2.8 million are higher than in recent years, reflective of a combination of workforce reduction efforts underway and the hiring chill that went into effect at the onset of the pandemic. Similarly, Operating Expenses savings of \$7.9 million are significantly higher than in previous years

largely due to the pandemic, through a combination of curtailing spending to essential purchases only, allocations from the system with spending spanning multiple years, and strategic deferment of some high priority activities (see page 9 *Strategic Earmarks*). In addition, as referenced in the opening summary, University Operating Fund Roll Forward Guidelines were changed for 2019-20, allowing any unspent unrestricted Operating Expenses balances to roll back to the divisions to encourage saving to build flexibility and improve our collective ability to navigate the uncertainty of 2020-21.

The *Operating Fund Revenue and Expenses by Division* report, which provides a breakdown of Revenue and Expenses balances by Division, reflects that all divisions ended the year in a positive position. Likewise, the *Operating Fund Expenses by MBU* report reflects all MBUs ending in a positive position. The two exceptions were within Enrollment Management and were due to timing/immaterial: Associated Students was negative due to an expense posting in error and will be corrected in the coming year and the Children's Center was a small amount due to benefit costs.

To provide detail regarding specific roll forward allocations to restricted programs, projects, and strategic earmarks and commitments as highlighted in the roll forward summary, new reports have been added providing detail in each of the categories.

## Reports

### 2019-20 Operating Fund Year-End Reports

- Page 1: HSU Operating Fund 2019-2020 Year-End Financial Review
- Page 2: Operating Fund Revenue Report
- Page 3: Operating Fund Expenses by Object Group Report
- Page 4: Operating Fund Revenue and Expenses by Division Report
- Page 5: Operating Fund Expenses by MBU Report
- Page 6-7: Restricted Programs
- Page 8: Projects
- Page 9: Strategic Earmarks & Commitments