

Systemwide Budget Office
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CODED MEMO B 2022-03

To: CSU Chief Financial Officers

From: Ryan Storm, Assistant Vice Chancellor for Budget 
Jeni Kitchell, Executive Budget Director 

CC: Dr. Jolene Koester, Interim Chancellor
Steven Relyea, Executive Vice Chancellor and Chief Financial Officer
Dr. Sylvia Alva, Executive Vice Chancellor for Academic and Student Affairs
Leora Freedman, Acting Vice Chancellor of Human Resources
CSU Presidents, Provosts, Financial Officers, Budget Officers, Financial Aid Directors,
Enrollment Planning and Resource Officers, and Enrollment Managers

Date: July 20, 2022

Re: 2022-23 Final Budget Allocations

Attachments: Coded Memo B 2022-03, Attachments A-F

The Budget Act of 2022 includes a \$365.7 million increase in base General Fund appropriation for the California State University (CSU). A summary of the 2022-23 final base operating fund budget can be found on the next page. The attachments contain detailed information by campus.

The budget includes a \$211.1 million base increase for CSU operational costs; \$81 million for resident undergraduate enrollment growth; \$35 million for Graduation Initiative 2025 and \$10 million for the Student Basic Needs Initiative component; \$12 million for foster youth student support; \$8 million for Project Rebound; \$8 million for Asian American, Native Hawaiian, and Pacific Islander Student Achievement Program; \$0.3 million for the Center for California Studies; \$0.2 million for Cradle-to-Career; and \$0.1 million for the Corporation for Education Network Initiatives in California.

The following table summarizes the 2022-23 base operating fund budget, including General Fund and tuition and fee revenue.

CSU Campuses	Fresno	Monterey Bay	San Francisco
Bakersfield	Fullerton	Northridge	San José
Channel Islands	Humboldt	Pomona	San Luis Obispo
Chico	Long Beach	Sacramento	San Marcos
Dominguez Hills	Los Angeles	San Bernardino	Sonoma
East Bay	Maritime Academy	San Diego	Stanislaus

2022-23 Final Budget Allocation Summary	
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2021-22 Final Budget, General Fund (Coded Memo B 2021-02)	\$4,228,282,000
2021-22 State-Funded Retirement Adjustment	(4,410,000)
2021-22 Revised General Fund Budget	\$4,223,872,000
2022-23 General Fund Increase	365,718,000
2022-23 Total General Fund Budget	\$4,589,590,000

2021-22 FIRMS Budget Gross Tuition & Fees (Campus Reported)	\$3,081,482,000
2022-23 Tuition from Enrollment Growth (9,434 FTES)	45,078,000
2022-23 Gross Tuition & Fees	\$3,126,560,000

2022-23 Total Operating Budget	\$7,716,150,000
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2022-23 Expenditure Increases	
Health Care Premiums	\$13,962,000
Operations and Maintenance of New Facilities	3,094,000
Compensation Adjustment	173,427,000
Strategic Resident Enrollment Growth (9,434 FTES)	129,862,000
Graduation Initiative 2025	35,000,000
Student Basic Needs	10,000,000
Foster Youth Program	12,000,000
Other Program Adjustments	33,451,000
2022-23 Total Expenditure Increases	\$410,796,000

Detailed explanations of ongoing, base budget allocations are provided in the following pages. Budget allocation changes by campus are included in the [attachments](#) to this memorandum, which display the following final budget adjustments by campus:

- Attachment A: Operating Budget Sources
- Attachment B: Revisions to 2021-22 General Fund Allocations (Sources)
- Attachment C: 2022-23 Expenditure Adjustments (Uses) and Revenue Adjustments (Sources)
- Attachment D: 2022-23 Enrollment and Tuition & Fee Revenue (Sources)
- Attachment E: 2022-23 State University Grants (Uses)
- Attachment F: Compensation - Reference Information

The 2022-23 final budget also included one-time General Fund augmentations. Separate allocations will be provided at later dates.

The governor signed two pieces of legislation specific to the Budget Act of 2022 that affect the CSU. Assembly Bill 178, Chapter 45 of 2022 includes the budget detail for the main CSU budget Item 6610-001-0001. Senate Bill 154, Chapter 43 of 2022 provides the budget detail for all other CSU Items.

Questions concerning this memo or its attachments may be directed to [Jeni Kitchell](#), [Jerry Willard](#) or other System Budget Office staff at (562) 951-4560. Please reference the [Budget Office staff directory](#) for additional contact information and staff areas of assignment.

Additional References

- [CSU 2022-23 Operating Budget Request](#)
- Original Budget Act of 2022, [Senate Bill 154](#)
- Amended Budget Act of 2022, [Assembly Bill 178](#)
- [2022-23 Budget, Department of Finance, State of California](#)

RS: JK:JW

Attachments

2022-23 Final Budget Allocations, Attachment Descriptions

Operating Budget Sources (Attachment A)

Attachment A summarizes the 2022-23 operating budget by campus including revisions to 2021-22 General Fund allocations (Attachment B) and 2022-23 expenditure and revenue adjustments (Attachment C and D).

Revisions to 2021-22 General Fund Allocations (Attachment B)

Revisions to the 2021-22 General Fund allocations reflect changes that occurred since adoption of the Budget Act of 2021 and publication of the 2021-22 final budget allocations memo (B 2021-02). These adjustments include:

- **Compensation**

Compensation increases for Union of American Physicians and Dentists (Unit 1), California Faculty Association (Unit 3), Academic Professionals of California (Unit 4), Teamsters Local 2010 (Unit 6), International Union of Operating Engineers (Unit 10) and Academic Student Employees (Unit 11) were determined after the 2021-22 final budget allocations were made. Therefore, \$124.4 million of base funding were allocated to campuses from resources temporarily held in 2021-22 for systemwide priorities.

- **State-Funded Retirement Adjustment**

Each year CalPERS adjusts employer-paid contribution rates to meet defined benefit pension obligations. The state adjusts the CSU General Fund appropriation for employer-paid contribution rate changes based on the actual CSU 2013-14 pensionable salaries reported by the State Controller's Office.

For the second consecutive year, a drop in retirement contribution rates resulted in a General Fund reduction. The 2020-21 to 2021-22 State Miscellaneous First Tier rates decreased from 29.370 percent to 29.220 percent and the State Peace Officer / Firefighter rate decreased from 36.100 percent to 32.840 percent. Consequently, the CSU returned \$4.4 million to the state. The distribution of the reduction is based on the 2013-14 pensionable payroll by campus as provided by the State Controller's Office.

- **Other Program Adjustments**

After 2021-22 final budget allocations were made, \$8.9 million was allocated as base funding to Cal Poly Humboldt as part of the \$25 million for additional academic programs related to Humboldt's new polytechnic designation. The remaining \$16.1 million will be included in future allocations as the polytechnic transition continues.

The second adjustment is a technical shift of \$24.8 million among systemwide categories. The change more accurately reflects the management of certain aspects of the Common Human Resources System (CHRS), Unisys and Data Center, California Academic Partnership Program (CAPP), and other programs by the Chancellor's Office.

2022-23 Expenditure Adjustments and Revenue Adjustments (Attachment C)

- Employer-Paid Health Care Premiums**
Effective January 2022, the estimated annual cost of employer-paid health care rate increases is \$14 million. The number of CSU employees and the difference between the old and new employer-paid rates determine health care benefit cost increases. The distribution is based on the campus percentage share of 2020-21 actual operating fund expenditures for employer-paid health benefits. For additional information regarding January 2022 health premiums, please reference Human Resources Technical Letter, ([HR/Benefits 2021-14](#)).
- Operations and Maintenance of New Facilities**
This allocation provides an increase of \$3.1 million for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape and administrative support. In 2022-23, the CSU is scheduled to open 149,467 new square feet of space. Funding is provided at the rate of \$20.70 per square foot. More details on campus facilities included in this allocation are provided [online](#).
- Compensation**
Budget allocations include \$173.4 million to cover 2022-23 employee compensation increases, as further detailed in Human Resources Salary Technical letters and [collective bargaining agreements](#). An additional \$10.6 million of base funding were allocated to campuses for 2022-23 compensation from resources temporarily held in 2021-22 for systemwide priorities. Further details on compensation allocations by campus are outlined in the Attachment F section below.
- Enrollment Growth**
The 2022-23 final budget allocations include strategic California resident enrollment growth of 9,434 full-time equivalent students (FTES) at 16 campuses. This is equivalent to a 2.5 percent increase in funded enrollment. Funding to support this growth is based on the 2022-23 published marginal cost of instruction of \$13,765 per FTES, which is made up of a combination of state General Fund and tuition revenue (reference the [2022-23 marginal cost detail](#)) for a total enrollment growth cost of \$129.9 million.

The methodology used to allocate funding for enrollment growth continues to acknowledge the different tuition collection rates per FTES at each campus. The 2022-23 methodology starts with the \$13,765 marginal cost per FTES, subtracts each campus’ actual net tuition revenue per FTES, which varies based on each campus’ State University Grant allocations, mandatory fee waivers, and other factors. The methodology then allocates state General Fund equal to the difference. An example is provided below:

Campus 1		Campus 2
\$13,765	Funding per FTES	\$13,765
(4,500)	Campus Net Tuition per FTES	(5,000)
\$9,265	General Fund per FTES	\$8,765

The campus net tuition revenue per FTES calculation is based on campus actual 2020-21 FIRMS gross tuition revenue (Object Code 501001) minus State University Grants (Object Code 609002) divided by actual college year FTES.

\$84.8 million of state General Fund is required to fund enrollment growth at the 2022-23 published marginal cost rates.

- **Foster Youth Program**

To support foster youth programs, \$12 million was allocated to campuses, pursuant to Section 89348 of the Education Code. The allocation included a base amount per campus (\$150,000) with the remaining \$8.4 million allocated based on the campus proportion of 2021-22 resident enrollment. Guidance for use of funds and reporting requirements will be provided in a separate communication by the Academic and Student Affairs division of the Chancellor's Office.

- **Graduation Initiative 2025 and Student Basic Needs**

For Graduation Initiative 2025, an additional \$35 million builds upon the \$300 million in base funding allocated for the initiative since 2017-18. Graduation Initiative 2025 is the CSU's ambitious initiative to increase graduation rates for all students, eliminate equity gaps, and provide California with the graduates it needs to power the economy.

For Student Basic Needs, there is a \$10 million allocation provided to sustain and expand campus Basic Needs initiatives to support students experiencing food and housing insecurities, unanticipated financial distress, mental health concerns and overall health and safety challenges that could disrupt their timely pathways to degree.

Both allocations are held centrally and will be distributed to campuses in separate communications at a later time.

- **Other Program Adjustments**

Other program adjustments include base allocations for campuses and for systemwide programs. The timing on the allocation of these funds will vary. Funds are allocated for the Center for California Studies at Sacramento. Funding for the Project Rebound Program and Asian American, Native Hawaiian, Pacific Islander Student Achievement Program are held centrally until additional information is provided and allocations are made to campuses. Also, base funding is held for the Corporation for Education Network Initiatives in California and Cradle-to-Career, which are administered by the Chancellor's Office.

- **2022-23 State University Grant Five Percent Redistribution**

The expenditure adjustments for State University Grants (SUG) reflect the redistribution of five percent of the SUG pool to campuses based on the relative share of students with an Expected Family Contribution (EFC) of \$0 to \$4,000. Campus SUG allocations for 2022-23 are no less than 95 percent of their 2021-22 amount. Further details on SUG distribution by campus are outlined in the Attachment E section below.

2022-23 Enrollment and Tuition & Fee Revenue (Attachment D)

Attachment D includes the tuition and fee revenue reported by campuses in the 2021-22 FIRMS budget submissions and the projected revenue from the growth in funded resident enrollment targets in 2022-23. Resident enrollment targets for 2022-23 increase 9,434 FTES from 2021-22. The nonresident enrollment has been updated to reflect the most recent year (2021-22) actual full-time equivalent student figures.

2022-23 State University Grants (Attachment E)

The State University Grant (SUG) program provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students. Campus General Fund allocations are adjusted to reflect changes in the required level of SUG expenditures each year. SUG funding is a finite resource, and more students are eligible for SUG than there is available funding. An annual reallocation of a small portion of SUG funding among campuses is necessary to ensure that SUG-eligible students with the greatest financial need receive a SUG award. No campus' 2022-23 SUG allocation is lower than 95 percent of its 2021-22 SUG allocation.

As student enrollment and financial aid demographics change over time and by campus, five percent of the total SUG pool is redistributed to campuses with the highest proportion of students with the greatest financial need (Expected Family Contribution of \$0 to \$4,000). This re-allocation of the total SUG pool (just over \$35 million) addresses the annual change in student need and enrollment of up to ten percent over target. If a campus' share of total need is above 95 percent of its past year allocation, that campus will receive a portion of the \$35 million being reallocated. For additional information, see [The State University Grant \(SUG\) Program](#) policy.

Compensation - Reference Information (Attachment F)

Budget allocations were provided for 2022-23 employee compensation increases for the California State University Employees Union (Units 2, 5, 7 and 9), California Faculty Association (Unit 3), Academic Professionals of California (Unit 4), Teamsters Local 2010 (Unit 6), State University Police Association (Unit 8), International Union of Operating Engineers (Unit 10), Confidential, Management Personnel Plan (MPP), and Executive employees. Refer to the respective [collective bargaining agreement](#) for details on negotiated increases.

Employee compensation costs are estimated to increase \$227.8 million in 2022-23. When added to the 2021-22 compensation increases (\$124.4 million), the two-year cost increase is anticipated to be \$352.2 million. However, after allocations for mandatory costs and other budget priorities, only \$308.4 million of General Fund was available to allocate, which included \$135 million of base funding temporarily held in 2021-22 for systemwide priorities and \$173.4 million of new General Fund in 2022-23. After allocation of \$124.4 million for 2021-22, \$184 million remained to be allocated for 2022-23. The distribution of compensation funding was based on the percentage share of campus total compensation cost increase. After budget allocations for the two years, \$43.8 million was unfunded.