

Systemwide Budget Office

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CODED MEMO B 2023-02

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, Vice Chancellor of Human Resources
Dr. Dilcie Perez, Deputy Vice Chancellor for Academic and Student Affairs
Dr. Nathan Evans, Deputy Vice Chancellor for Academic and Student Affairs
CSU Presidents, Provosts, Vice Presidents for Student Affairs, Financial Officers, Budget Officers, Financial Aid Directors, Enrollment Planning and Resource Officers

Date: July 18, 2023

Re: 2023-24 Final Budget Allocations

Attachments: Coded Memo B 2023-02, Attachments A-F

The Budget Act of 2023 includes a \$330.5 million increase in base General Fund appropriation for the California State University (CSU). A summary of the 2023-24 final base operating fund budget can be found on the next page. The budget includes a \$227.3 million base increase for CSU operational costs; \$99.7 million to support debt service for CSU infrastructure projects; \$1.3 million to expand the CSU Basic Needs Initiative; \$1.0 million to support students with disabilities; \$0.8 million to increase student mental health resources; \$0.3 million for Rapid Rehousing; and \$0.1 million for the Corporation for Education Network Initiatives in California.

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

- Attachment A: Operating Budget Sources
- Attachment B: Revisions to 2022-23 General Fund Allocations (Uses)
- Attachment C: 2023-24 Expenditure Adjustments (Uses) and Revenue Adjustments (Sources)
- Attachment D: 2023-24 Enrollment and Tuition & Fee Revenue (Sources)
- Attachment E: 2023-24 State University Grants (Uses)
- Attachment F: 2023-24 Lottery Allocation (Sources)

CSU Universities

Bakersfield

Channel Islands

Chico

Dominguez Hills

East Bay

Fresno

Fullerton

Humboldt

Long Beach

Los Angeles

Maritime Academy

Monterey Bay

Northridge

Pomona

Sacramento

San Bernardino

San Diego

San Francisco

San José

San Luis Obispo

San Marcos

Sonoma

Stanislaus

The following table summarizes the 2023-24 base operating fund budget, including General Fund and tuition and fee revenue.

2023-24 Final Budget Allocation Summary	
2022-23 Final Budget, General Fund (Coded Memo B 2022-03)	\$4,589,590,000
2022-23 State-Funded Retirement Adjustment	68,544,000
2022-23 Revised General Fund Budget	\$4,658,134,000
2023-24 General Fund Increase	330,540,000
2023-24 Total General Fund Budget	\$4,988,674,000
2022-23 FIRMS Budget Gross Tuition & Fees (Campus Reported)	\$3,097,817,000
2023-24 Tuition from Enrollment Growth (3,434 FTES)	22,440,000
2023-24 Gross Tuition & Fees	\$3,120,257,000
2023-24 Total Operating Budget	\$8,108,931,000
2023-24 Expenditure Increases	
Health Care Premiums	\$50,524,000
Operations and Maintenance of New Facilities	6,032,000
Liability and Property Insurance Premiums	13,700,000
Strategic Resident Enrollment Growth (3,434 FTES)	50,648,000
Student Mental Health Resources	800,000
Student Basic Needs	1,300,000
Support for Students with Disabilities	1,000,000
Other Program Adjustments	228,976,000
2023-24 Total Expenditure Increases	\$352,980,000

The 2023-24 final budget also included one-time General Fund augmentations. Separate allocations will be provided at later dates.

The governor signed three pieces of legislation specific to the Budget Act of 2023 that affect the CSU. Senate Bill 101, Chapter 12 of 2023 and Assembly Bill 102, Chapter 38 of 2023 include the budget detail for the main CSU budget Item 6610-001-0001. Senate Bill 117, Chapter 50 of 2023 provides budget detail for 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 2023-24 Operating Budget](#)
- Original Budget Act of 2023, [Senate Bill 101](#)

- Amended Budget Act of 2023, [Assembly Bill 102](#)
- Higher Education Trailer Bill, [Senate Bill 117](#)
- [2023-24 Budget, Department of Finance, State of California](#)

RS: JK: JW

Attachments

2023-24 Final Budget Allocations, Attachment Descriptions

Operating Budget Sources - (Attachment A)

Attachment A summarizes the 2023-24 operating budget by university including revisions to 2022-23 General Fund allocations (Attachment B) and 2023-24 expenditure and revenue adjustments (Attachment C and D).

Revisions to 2022-23 General Fund Allocations - (Attachment B)

Revisions to the 2022-23 General Fund allocations reflect changes that occurred since adoption of the Budget Act of 2022 and publication of the 2022-23 final budget allocations memo (B 2022-03). These adjustments include:

- **Basic Needs**

A \$10 million allocation was provided to universities to sustain and expand Basic Needs initiatives across the CSU after the 2022-23 final budget allocations were made. This ongoing funding was allocated to universities from resources temporarily held by the Chancellor's Office in 2022-23. Allocations were based on the university proportion of students with zero expected family contribution to their total cost of attendance. The funding supports student outcomes such as persistence and completion by addressing student food and housing insecurity and should augment, and not supplant, other resources.

- **Graduation Initiative 2025**

After the 2022-23 final budget allocations were made, \$35 million were allocated to universities in support of graduation initiative goals and equity priorities that fall within the framework of the six operational pillars. This ongoing funding was allocated to universities from resources temporarily held by the Chancellor's Office in 2022-23. Allocations were based on the number of students eligible for federal Pell grants in 2020-21. The funding facilitates university progress toward the established goals and metrics for equitable student outcomes.

- **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.

The 2021-22 to 2022-23 State Miscellaneous First Tier rates increased from 29.220 percent to 32.000 percent and the State Peace Officer / Firefighter rate increased from 32.840 percent to 50.000 percent. The 2022-23 operating budget base retirement cost increase funded by the state is \$68.5 million. The distribution is based on the 2013-14 pensionable payroll by university as provided by the State Controller's Office.

- **Other Program Adjustments**

After 2022-23 final budget allocations were made, \$0.3 million were allocated to Cal Maritime for compensation costs related to enrollment initiatives. Cal Poly Humboldt is allocated \$4.6 million as part of the \$25 million for additional academic programs related to Humboldt's new polytechnic designation. The remaining \$11.6 million will be included in future allocations as the polytechnic transition continues. The third adjustment is the transfer of \$5.4 million for various systemwide program changes.

2023-24 Expenditure Adjustments and Revenue Adjustments - (Attachment C)

- **Employer-Paid Health Care Premiums**

Effective January 2023, the estimated annual cost of employer-paid health care rate increases is \$50.5 million, equivalent to an eight percent increase in costs. The number of CSU employee participants and the difference between the old and new employer-paid rates determine health care benefit cost increases. The distribution is based on the university percentage share of 2021-22 actual operating fund expenditures for employer-paid health benefits. For additional information regarding January 2023 health premiums, please reference Human Resources Technical Letter, ([HR/Benefits 2022-18](#)).

- **Operations and Maintenance of New Facilities**

This allocation provides an increase of \$6 million for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape and administrative support. In 2023-24, the CSU is scheduled to open 284,405 new square feet of space. Funding is provided at the rate of \$21.21 per square foot. More details on university facilities included in this allocation are provided [online](#).

- **Liability and Property Insurance Premiums**

\$13.7 million is allocated to universities, equivalent to a 14 percent increase in costs related to liability and property coverage. The distribution is based on the university's percentage share of 2021-22 actual operating fund expenditures for liability and property insurance premiums. Insurance premiums are on the rise across the country and more so for California public entities. California higher education faces some of the toughest challenges in the liability insurance market.

- **Enrollment Growth**

The 2023-24 final budget allocations include strategic California resident enrollment growth of 3,434 full-time equivalent students (FTES) at 11 universities. This is equivalent to a one percent increase in funded resident, undergraduate enrollment. These universities are expected to increase actual enrollment compared to 2022-23 actual enrollment by at least the 2023-24 resident target increase. If this level of enrollment growth is not achieved, the funded target growth may be reallocated in 2024-25 from the universities to other universities that achieved growth and are above their funded target in 2023-24. These actions are consistent with the CSU Enrollment Target and Budget Reallocation Plan, which will be fully implemented in 2024-25.

Funding to support this growth is based on the 2023-24 published marginal cost of instruction of \$14,749 per FTES, which is made up of a combination of state General Fund and tuition revenue (reference the [2023-24 marginal cost detail](#)) for a total enrollment growth cost of \$50.6 million.

The methodology used to allocate funding for enrollment growth continues to acknowledge the different tuition collection rates per FTES at each university. The 2023-24 methodology starts with the \$14,749 marginal cost per FTES, subtracts each university's actual tuition revenue per FTES, which varies based on each university's mandatory fee waivers and other factors. The methodology then allocates state General Fund equal to the difference. An example is provided below:

University 1		University 2
\$14,749	Funding per FTES	\$14,749
(5,500)	University Tuition per FTES	(6,000)
\$9,249	General Fund per FTES	\$8,749

The university tuition revenue per FTES is based on actual 2021-22 tuition revenue (Object Code 501001) divided by actual college year FTES.

- **Student Mental Health Resources and Student Basic Needs**

To support increased student mental health resources, \$0.8 million was added to the \$15 million in base funding allocated in 2021-22. In addition, a \$1.3 million allocation was provided for the Graduation Initiative to sustain and expand university basic needs initiatives, building upon previous allocations of \$25 million.

Both allocations are held centrally and will be distributed to universities in a separate communication.

- **Support for Students with Disabilities**

To support students with disabilities, \$1 million was provided to supplement core expenditures to improve services for these students, with a focus on increasing the number of professional staff supporting them. The allocation to universities will be based upon the number of students with disabilities.

This allocation is held centrally and will be distributed to universities in a separate communication.

- **Other Program Adjustments**

Other program adjustments include base allocations for universities and for systemwide programs. The timing on the allocation of these funds will vary. Some ongoing funding is held at the Chancellor's Office for potential compensation increases. Also, base funding is held for the Corporation for Education Network Initiatives in California, which is administered by the Chancellor's Office.

- **2023-24 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 universities based on the relative share of students with an Expected Family Contribution (EFC) of \$0 to \$4,000. University SUG allocations for 2023-24 are no less than 95 percent of their 2022-23 amount. Further details on SUG distribution by university are outlined in the Attachment E section below.

2023-24 Enrollment and Tuition & Fee Revenue - (Attachment D)

Attachment D includes the tuition and fee revenue reported by universities in the 2022-23 FIRMS budget submissions and the projected revenue from the growth in funded resident enrollment targets in 2023-24. Resident enrollment targets for 2023-24 will increase 3,434 FTES from 2022-23. The nonresident enrollment has been updated to reflect the most recent year (2022-23) actual full-time equivalent student figures.

2023-24 State University Grants - (Attachment E)

The State University Grant (SUG) program provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students. University 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 universities is necessary to ensure that SUG-eligible students with the greatest financial need receive SUG awards.

As student enrollment and financial aid demographics change over time and by university, five percent of the SUG pool is distributed to universities 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 university's share of total need is above 95 percent of its past year allocation, they will receive a portion of the \$35 million being reallocated. For additional information, see [The State University Grant \(SUG\) Program](#) policy.

2023-24 Lottery Allocation - (Attachment F)

The Board of Trustees \$67 million Lottery budget approved for 2023-24 included a \$4 million increase to university-based programs, bringing the total to \$43.7 million, or \$113 per resident target full-time equivalent student (FTES). Funding is allocated directly to universities, allowing presidents flexibility to meet unique university needs. This funding increase is distributed based on 2023-24 resident FTES enrollment targets. Lottery funds on each university must be spent according to [systemwide guidelines](#).