

# OPERATING BUDGET PLAN

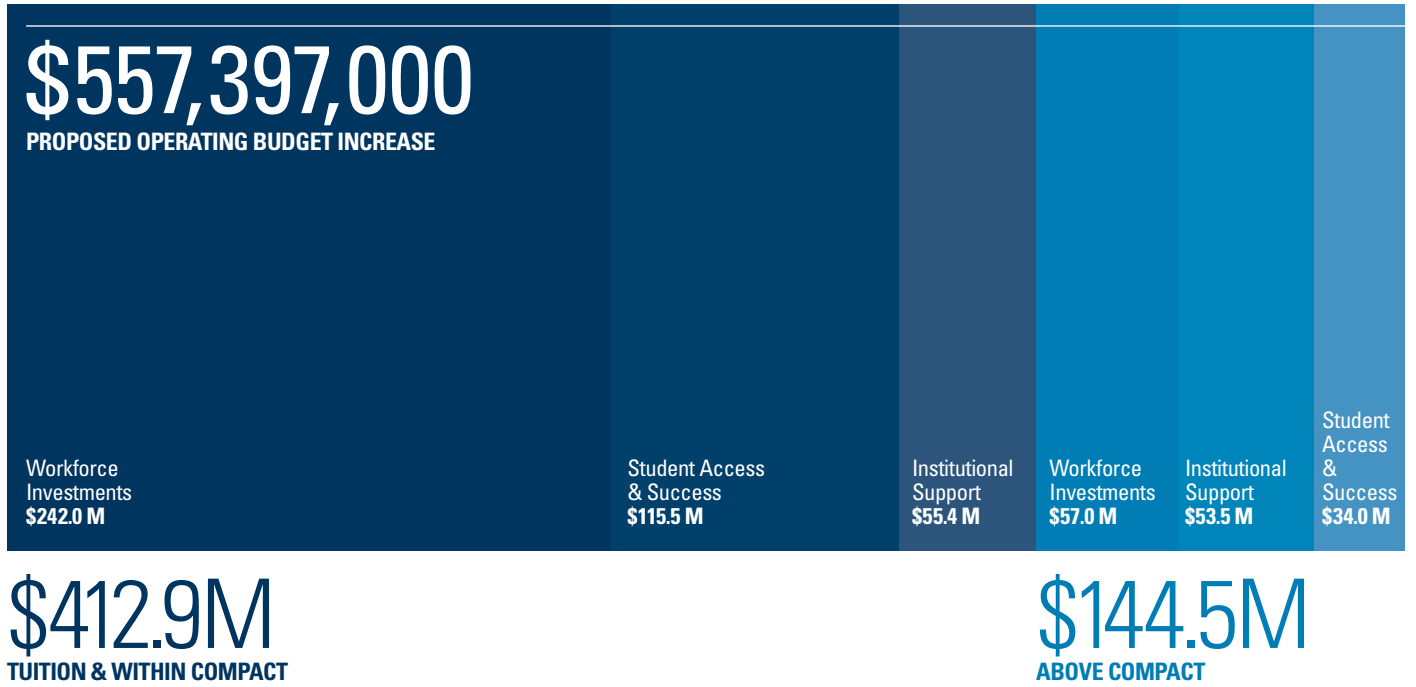
APPROVED BY THE CSU BOARD  
OF TRUSTEES  
SEPTEMBER 13, 2023

[www.calstate.edu/budget](http://www.calstate.edu/budget)

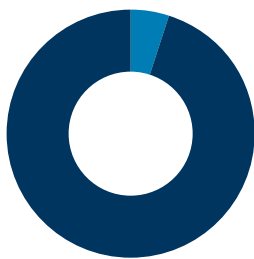
2024-25



# 2024-25 PROPOSED INCREASE



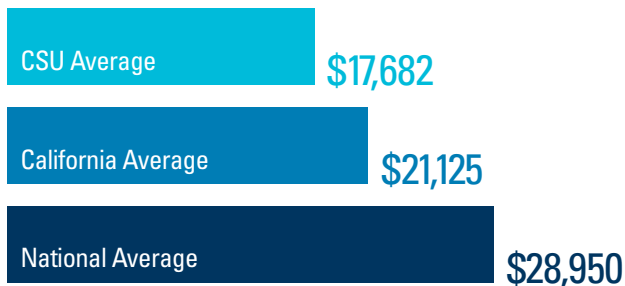
## 95% OF CSU STUDENTS ARE FROM CALIFORNIA



**362,254**  
California Residents

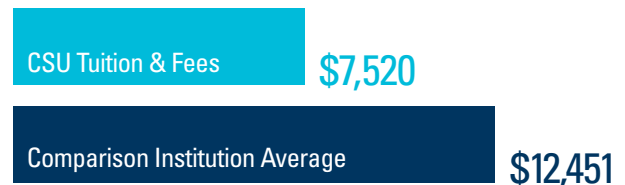
**20,907**  
Non-Californians

## CSU STUDENTS HAVE LOWER AVERAGE DEBT



## CSU TUITION & FEES REMAIN AFFORDABLE

(Based on average resident undergrad with recommended rate increase for 2024-25)



## CSU SERVES A DIVERSE STUDENT POPULATION

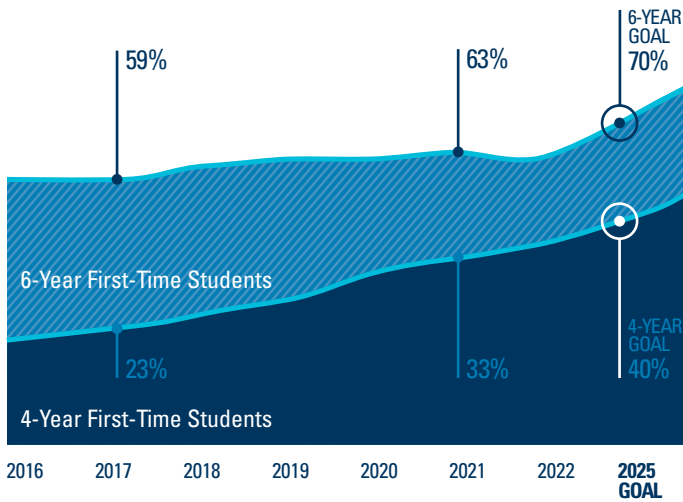


Total Enrollment: 457,992

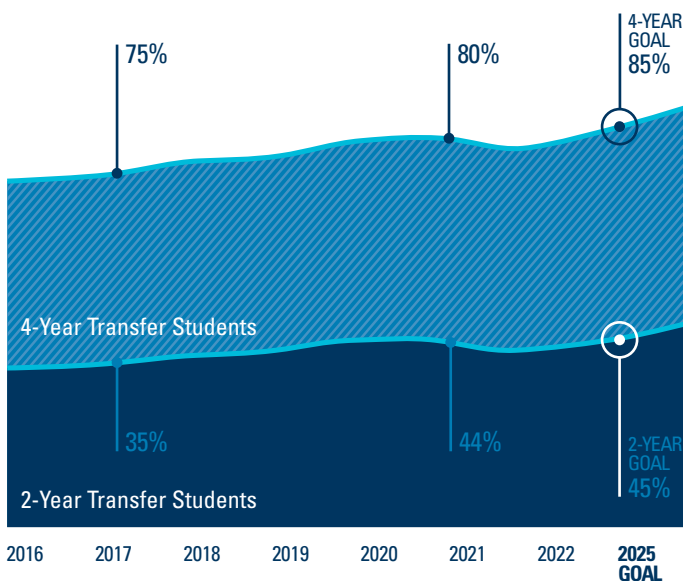
- Hispanic 48%
- White 21%
- Asian American 16%
- Nonresident 3%
- Two or More Races 4%
- African American 4%
- Unknown 3.5%
- Pacific Islander 0.3%
- American Indian 0.2%

## CSU IS MAKING PROGRESS ON GRADUATION RATE GOALS BY 2025

### FIRST-TIME STUDENTS



### TRANSFER STUDENTS



82%

OF ALL CSU STUDENTS RECEIVED FINANCIAL AID

60%

OF ALL CSU UNDERGRADUATES PAID \$0 TUITION

CSU EMPLOYS NEARLY

56,000

FACULTY & STAFF

53%

OF UNDERGRADUATES ARE FROM HISTORICALLY UNDERREPRESENTED MINORITIES

CSU AWARDS

125,400

ADDITIONAL BACHELOR'S DEGREES AS A RESULT OF GRAD INITIATIVE

## THE CSU IS REDEFINING SUCCESS FOR CALIFORNIA



### ACCESS

Opportunity for learners of all ages and stages



### AFFORDABILITY

High-quality degrees within financial reach



### SUPPORT

Commitment to belonging, well-being and care



### EQUITY

A data-informed focus on inclusive excellence



### IMPACT

Achievement and upward mobility for 4 million global alumni and counting





<b>CSU BUDGET &amp; FUNDING ENVIRONMENT</b> .....	<b>6</b>
CURRENT BUDGET CONTEXT .....	7
<b>THE CSU TODAY</b> .....	<b>8</b>
DESIGNATED BALANCES & RESERVES .....	12
<b>2024-25 OPERATING BUDGET PLAN</b> .....	<b>14</b>
<b>SOURCES OF FUNDS</b> .....	<b>16</b>
ESTIMATED INCREMENTAL NEW REVENUE .....	17
STATE GENERAL FUND .....	17
REVENUE FROM TUITION RATE INCREASE .....	17
REVENUE FROM STRATEGIC ENROLLMENT GROWTH .....	17
<b>USES OF FUNDS</b> .....	<b>18</b>
STUDENT ACCESS & SUCCESS .....	20
Financial Aid .....	20
Student Access and Enrollment .....	21
Graduation Initiative .....	21
Student Basic Needs and Mental Health .....	22
INSTITUTIONAL SUPPORT .....	23
Title IX and DHR Programs .....	23
State and Federal NAGPRA Compliance .....	25
Maintenance of New Facilities .....	25
Liability and Property Insurance Premium Increases .....	25
Inflation on Non-Personnel Costs .....	25
Debt Service on Academic Facilities and Infrastructure .....	26
CSU WORKFORCE INVESTMENTS .....	27
Faculty and Staff Compensation Pool .....	27
Health Premium Increases .....	27
<b>ONE-TIME REQUEST</b> .....	<b>28</b>
CRITICAL CAPITAL RENEWAL .....	29
<b>MULTI-YEAR FORECAST</b> .....	<b>30</b>
<b>ADDITIONAL BUDGET CONSIDERATIONS</b> .....	<b>34</b>
OPERATIONAL AND STRATEGIC CHANGES .....	35
COMPENSATION .....	36
CHANGES TO FEDERAL & STATE FINANCIAL AID PROGRAMS .....	36
MINIMUM WAGE .....	36
RETIREMENT BENEFITS (BEYOND STATE-FUNDED) .....	36



# CSU Budget & Funding Environment

Photo: Sacramento State



### **CURRENT BUDGET CONTEXT**

The CSU's current budget situation provides important context for constructing the 2024-25 budget plan. We are entering the 2023-24 year with several unfunded costs that are creating significant cost pressures for our universities. Each CSU university is undertaking a critical assessment of priorities and how to balance available resources with rising costs, unfunded mandates and underfunded compensation increases.

Predictable multi-year tuition revenue is an important consideration in the budget plan. The additional revenue from the multi-year tuition plan will provide essential resources to complement the state's compact funding and will allow the university to substantially advance the most important budget priorities.

Along with existing cost pressures, the CSU is facing several emerging items that are creating new fiscal constraints. Significant resources will be required to implement the Title IX and discrimination, harassment and retaliation (DHR) program recommendations from the Cozen O'Connor report. In addition, several strategic workgroup recommendations call for new investments to support enrollment, Black student success, the graduation initiative and a sustainable financial model.

The multi-year compact between Governor Newsom's administration and the CSU continues to provide necessary financial support. Beginning in fiscal year 2022-23 and continuing through 2026-27, the governor has agreed to propose annual, ongoing state general fund increases of 5% for the term of the compact (equivalent to approximately 2.9% of the CSU Operating Fund). The governor's administration supported that commitment by ensuring that the 5% state General Fund increase (\$227.3 million) was provided in 2023-24. The CSU is grateful for the multi-year compact because it provides foundational, predictable and more sustainable funding for our shared commitments to access, equity and student success. Further, the CSU views the compact as a critical safety net to protect the university from economic fluctuations over the next several years.

Currently, both positive and negative economic signals make the future uncertain. It is unclear if there will be additional state revenue to support CSU priorities above that provided by the compact. Market volatility—specifically capital gains—delayed tax receipts, rising inflation and interest rates, and financial institution failures contribute to continued economic uncertainty.



# The CSU Today

Photo: Cal Poly Pomona





In the 2023-24 final budget, the CSU received from the state a permanent base budget increase of \$330.5 million. The 2023-24 total CSU operating budget of \$8.1 billion is comprised of \$5.0 billion in state General Fund and \$3.1 billion in tuition and fees. New resources to fulfill the CSU’s budget plan for 2024-25 are \$557.4 million, as shown in Table 1.

**TABLE 1: OPERATING BUDGET**

	2022-23 Past Year	2023-24 Current Year	2024-25 Budget Year	2024-25 Increase
General Fund, Operations	\$4,594,526,000	\$4,548,424,000	\$4,908,213,000	\$359,789,000
General Fund, Debt Service on Academic Facilities & Infrastructure	340,560,000	440,250,000	465,250,000	25,000,000
Tuition & Other Fee Revenue	3,207,859,000	3,120,257,000	3,292,865,000	172,608,000
<b>TOTAL OPERATING BUDGET &amp; INFRASTRUCTURE</b>	<b>\$8,142,945,000</b>	<b>\$8,108,931,000</b>	<b>\$8,666,328,000</b>	<b>\$557,397,000</b>

**TABLE 2: EXPENDITURES BY PROGRAM AREA**

	2022-23 Past Year	2023-24 Current Year	2024-25 Budget Year
Instruction	\$3,172,303,000	\$3,266,070,000	\$3,266,070,000
Research	49,992,000	28,249,000	28,249,000
Public Service	39,489,000	18,381,000	18,381,000
Academic Support	818,412,000	806,051,000	806,051,000
Student Services	973,488,000	882,297,000	882,297,000
Institutional Support	969,114,000	1,137,019,000	1,137,019,000
Operation & Maintenance of Plant	1,306,774,000	1,201,038,000	1,201,038,000
Student Grants & Scholarships	813,373,000	769,826,000	769,826,000
New Expenditures	0	0	557,397,000
<b>TOTAL EXPENDITURES</b>	<b>\$8,142,945,000</b>	<b>\$8,108,931,000</b>	<b>\$8,666,328,000</b>

The operating budget supports the main functions of the university and the advancement of the CSU’s student-centered mission and core values. As shown in Table 2, the CSU spends 71%, \$5.8 billion, of its total operating budget on instruction, academic support, student services and financial aid. All of these activities promote student access and success, support the faculty and staff that enrich the academic experience and help provide for student basic needs and mental health to ensure that each CSU graduate is prepared to succeed.





The CSU's core values of inclusive excellence, equity, access and elevating lives through the transformative power of higher education are on exhibit every day across the 23 Cal State universities. At the onset of her appointment, Interim Chancellor Koester commissioned five Chancellor's Strategic Workgroups and charged them with addressing some of the CSU's most critical operational and strategic challenges, which included:

- Advancing innovative and effective systemwide and campus approaches to enrollment management.
- Developing a more sustainable financial model.
- Envisioning the next iteration of our Graduation Initiative, and our continuing, collective efforts to advance student success and eliminate equity gaps.
- Recruiting, hiring and retaining diverse and world-class human resources.
- Positioning the CSU as a nationwide leader in Black student outreach, recruitment, enrollment, persistence, success and graduation.

Workgroup reports and recommendations were provided to the Interim Chancellor in May 2023 and will establish a glidepath for Chancellor García to immediately begin meaningful engagement with faculty, staff, students, campus leaders, alumni and other stakeholders in advancing effective solutions. Several recommendations require immediate action and resource commitments that are included in this budget plan. Other recommendations require further evaluation and refinement and will inform future initiatives.

The sustainable financial model workgroup report provided recommendations for developing a multi-year strategy to achieve stable and predictable revenues to support the CSU mission, maintain affordability for its students, and recognize the differing needs of our 23 universities. After estimating costs to operate the CSU, comparing those costs to actual expenditures, projecting future year costs, and modeling various realistic scenarios for increasing the two core revenue sources – state General Fund and tuition – it was evident the gaps between revenues and costs cannot be closed with existing revenue trends. The workgroup developed several recommendations to create long-term financial sustainability that included new system policies and system practices, effective advocacy in Sacramento, and adopting a tuition policy that will govern future increases so those increases are modest, gradual, and predictable for both the CSU and for students and their families.

Financial sustainability and predictability are critically important for the CSU to accomplish its mission and to overcome its challenges. The State of California continues to be a vital partner. California is underwriting the CSU's efforts in two extremely important and foundational ways. The multi-year compact between the governor and the CSU provides predictable funding over five years for our shared commitments to access, equity and student success. Further, the compact is a critical safety net to protect the university from economic fluctuations. The CSU is grateful for both the past investments as well as the future financial commitments by state leaders.

The 2024-25 budget plan will allow the CSU to significantly improve accountability and compliance in programs such as Title IX and other antidiscrimination work, increase access by enrolling more California students, provide additional resources for the Graduation Initiative, increase student financial aid, improve compensation for all employee groups, cover required operational cost obligations, and make progress on facility and infrastructure needs and critical capital renewal. Funding commitments included in the multi-year compact and the tuition increase will support significant portions of the budget plan. State General Fund dollars *above* the compact are necessary to support other portions of the plan if the state's budget condition allows it and if state leaders choose to invest more in the CSU plan.

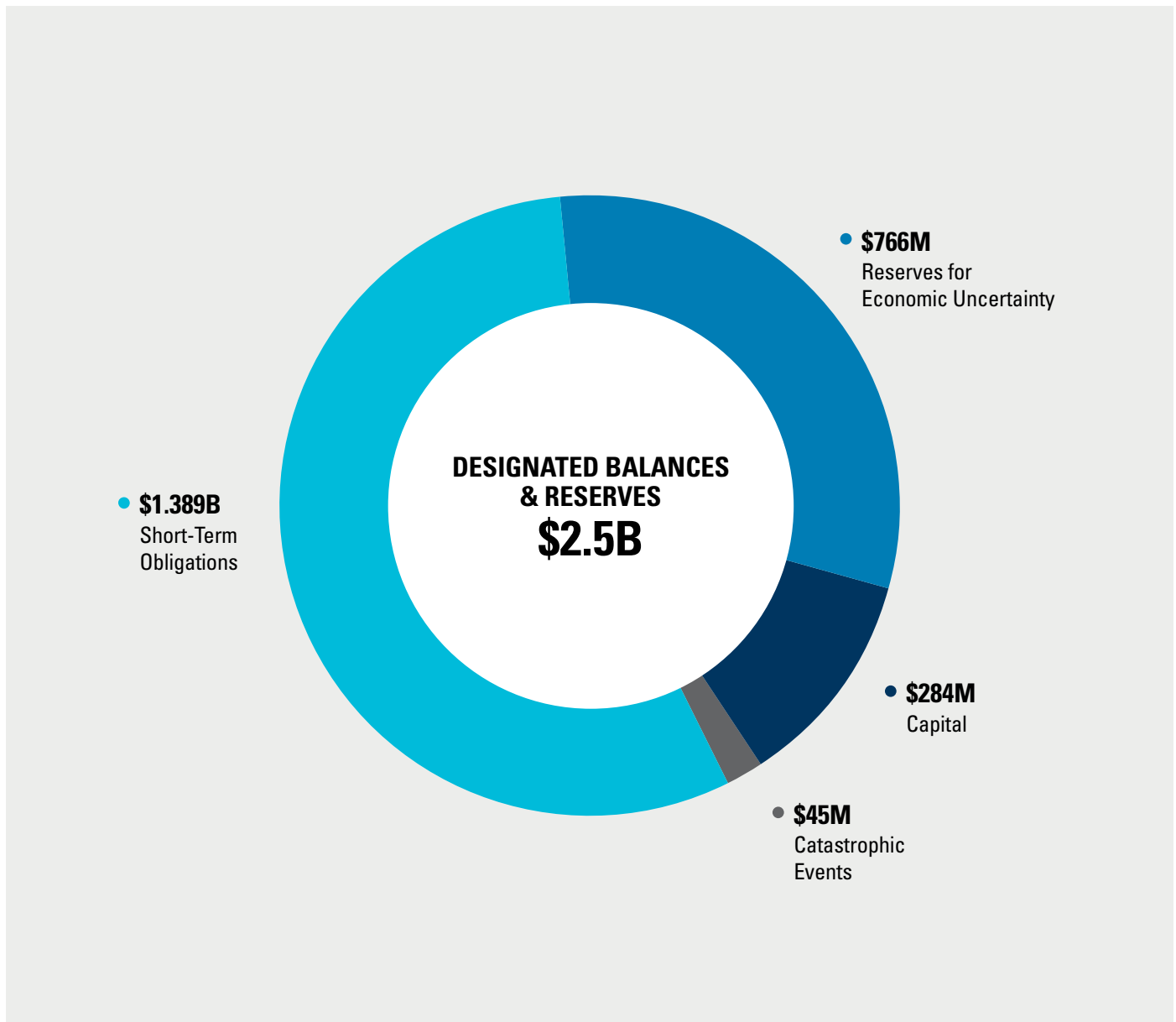
The budget priorities included in this plan are critical to the university, reflect our core values, promote student success and advance our mission. Understanding this, partners from across the CSU and throughout the state will continue to advocate with a powerful and unified voice for the needed resources for the CSU to continue to transform lives, families and communities as we help drive California to a brighter future.

**DESIGNATED BALANCES & RESERVES: \$2.5 BILLION**

Designated balances and reserves in the CSU operating fund represent equity balances that are held or designated for specific purposes. They are used to address non-recurring expenses by managing short-term obligations and commitments; provide funding for capital projects, infrastructure repairs, and facility maintenance; and help to ensure that operating costs can be paid during times of catastrophic events and economic and budgetary uncertainty. Designated balances and reserves are determined and reported annually by the campuses and the system office and are published on CSU’s financial transparency portal ([calstate.edu/transparency](http://calstate.edu/transparency)).

Designated balances and reserves are not used to fund recurring expenses, such as salary increases. The use of one-time monies to pay ongoing, permanent expenses can lead to significant structural deficits.

The CSU has prudently managed designated balances and reserves to meet certain strategic goals. As of June 30, 2023, designated balances and reserves in the operating fund totaled \$2.5 billion.







### Reserves for Economic Uncertainty

Reserves for economic uncertainty are part of the university's prudent fiscal strategy. Reserves are held for costs that may occur because of short-term recessionary cycles or state budget fluctuations. As of June 30, 2023, reserves for economic uncertainty totaled \$766 million and represent about 33 days of operation for all 23 universities and the Chancellor's Office. This is significantly below the recommended practice of maintaining three to six months of operating expenses.

### Designated for Catastrophic Events

These designated balances are to be used in the event of a natural disaster or other catastrophic event. Typically, these balances are used to pay for costs not covered by insurance. Balances designated for catastrophic events totaled \$45 million, which is sufficient to cover expected needs.

### Designated for Capital

Balances designated for capital are for new projects and to repair current buildings that include planning costs and

equipment acquisition associated with those buildings. Capital reserves fall well short of the expected need, which is at least 10% of the cost of academic projects approved in the most recent multi-year capital plan. The projected need for capital projects in 2024-25 is \$4.0 billion and the projected need through 2028-29 is \$31.1 billion. Balances designated for capital totaled \$284 million.

### Designated for Short-Term Obligations

Amounts designated for short-term obligations are for open contracts and purchase orders, near-term debt service payments, financial aid obligations, and programs that are in development. Balances designated for short-term obligations totaled \$1.4 billion at the end of last year, which are sufficient to cover expected needs and are typically paid in the following fiscal year.

# 2024-25 Operating Budget Plan

Photo: Chico State

The CSU proposes an \$8.7 billion operating budget for 2024-25, with \$5.4 billion from the state General Fund and \$3.3 billion from tuition and fee revenue. As shown in Table 1, this budget plan is an increase of \$557.4 million over 2023-24. Table 3 summarizes the sources and uses of funds that make up the \$557.4 million increase. Because of the multi-year compact and tuition proposal, the 2024-25 budget plan indicates sources and uses of funds within and above the amount of funds provided by the multi-year compact. The 2024-25 budget plan reveals that within the compact, the CSU would prioritize student access and success, grow student enrollment and financial aid, provide workforce investments for all employee groups and cover institutional infrastructure costs. All budget priorities included in the plan could be supported by a combination of sources from within and above the compact and from new tuition revenue.





**TABLE 3: SOURCES & USES OF FUNDS**

<b>SOURCES OF FUNDS (Incremental New Revenue)</b>	<b>TUITION &amp; WITHIN COMPACT</b>	<b>ABOVE COMPACT</b>	<b>BUDGET PLAN</b>
State General Fund	\$240,243,000	\$144,546,000	<b>\$384,789,000</b>
Tuition from Rate Increase	148,330,000		<b>148,330,000</b>
Tuition from Strategic Resident Enrollment Growth	24,278,000		<b>24,278,000</b>
<b>TOTAL NEW SOURCES</b>	<b>\$412,851,000</b>	<b>\$144,546,000</b>	<b>\$557,397,000</b>

<b>USES OF FUNDS (Incremental New Expenditures)</b>	<b>TUITION &amp; WITHIN COMPACT</b>	<b>ABOVE COMPACT</b>	<b>BUDGET PLAN</b>
<b>Student Access &amp; Success</b>			
Financial Aid			
State University Grant — Tuition Rate Increase	\$49,443,000		<b>\$49,443,000</b>
State University Grant — Enrollment Increase	8,093,000		<b>8,093,000</b>
Student Access and Enrollment	54,957,000		<b>54,957,000</b>
Graduation Initiative		30,000,000	<b>30,000,000</b>
Student Basic Needs and Mental Health	3,000,000	4,000,000	<b>7,000,000</b>
<b>Institutional Support</b>			
Title IX and DHR Programs	7,900,000	8,000,000	<b>15,900,000</b>
State and Federal NAGPRA Compliance	2,250,000	2,000,000	<b>4,250,000</b>
Maintenance of New Facilities	12,548,000		<b>12,548,000</b>
Liability and Property Insurance Premium Increases	22,635,000		<b>22,635,000</b>
Inflation on Non-Personnel Costs		28,506,000	<b>28,506,000</b>
Debt Service on Academic Facilities & Infrastructure	10,000,000	15,000,000	<b>25,000,000</b>
<b>CSU Workforce Investments</b>			
Faculty and Staff Compensation Pool	163,664,000	57,040,000	<b>220,704,000</b>
Health Premium Increases	78,361,000		<b>78,361,000</b>
<b>TOTAL NEW USES</b>	<b>\$412,851,000</b>	<b>\$144,546,000</b>	<b>\$557,397,000</b>



# Sources of Funds

Photo: Cal State East Bay





REVENUE SOURCES (MILLIONS)	BASE	INCREASE	%
Tuition: Increase	\$2,448	\$148	6%
Tuition: Access & Enrollment		24	1%
Campus-based Mandatory Fees	672		
General Fund: Compact Commitment	4,989	240	5%
General Fund: Additional Request		145	3%
<b>TOTAL</b>	<b>\$8,109</b>	<b>\$557</b>	<b>6.9%</b>

### ESTIMATED INCREMENTAL NEW REVENUE: \$413 MILLION TO \$557 MILLION

Forecasted revenues of \$412.9 million would be available to support the budget plan and include the 2024-25 compact commitment (\$240.2 million), the tuition rate increase (\$148.3 million), and tuition from the 1% resident, undergraduate enrollment growth (\$24.3 million). The estimated revenues are insufficient to support the expenditure plan, so an additional request for ongoing funds above the state compact (\$144.5 million) is included in the budget plan.

### STATE GENERAL FUND: \$240 MILLION TO \$385 MILLION

The CSU anticipates that the governor's administration will again propose an ongoing state General Fund increase of 5% (\$240.2 million) for 2024-25. A foundational feature of the compact provides the CSU the opportunity to differentiate the revenue assumptions of the 2024-25 operating budget plan. The compact's 5% state General Fund commitment, along with the additional tuition revenue, will not fully cover the expenditure plan. As a result, the CSU requests an additional \$144.5 million in state funding above the compact commitment.

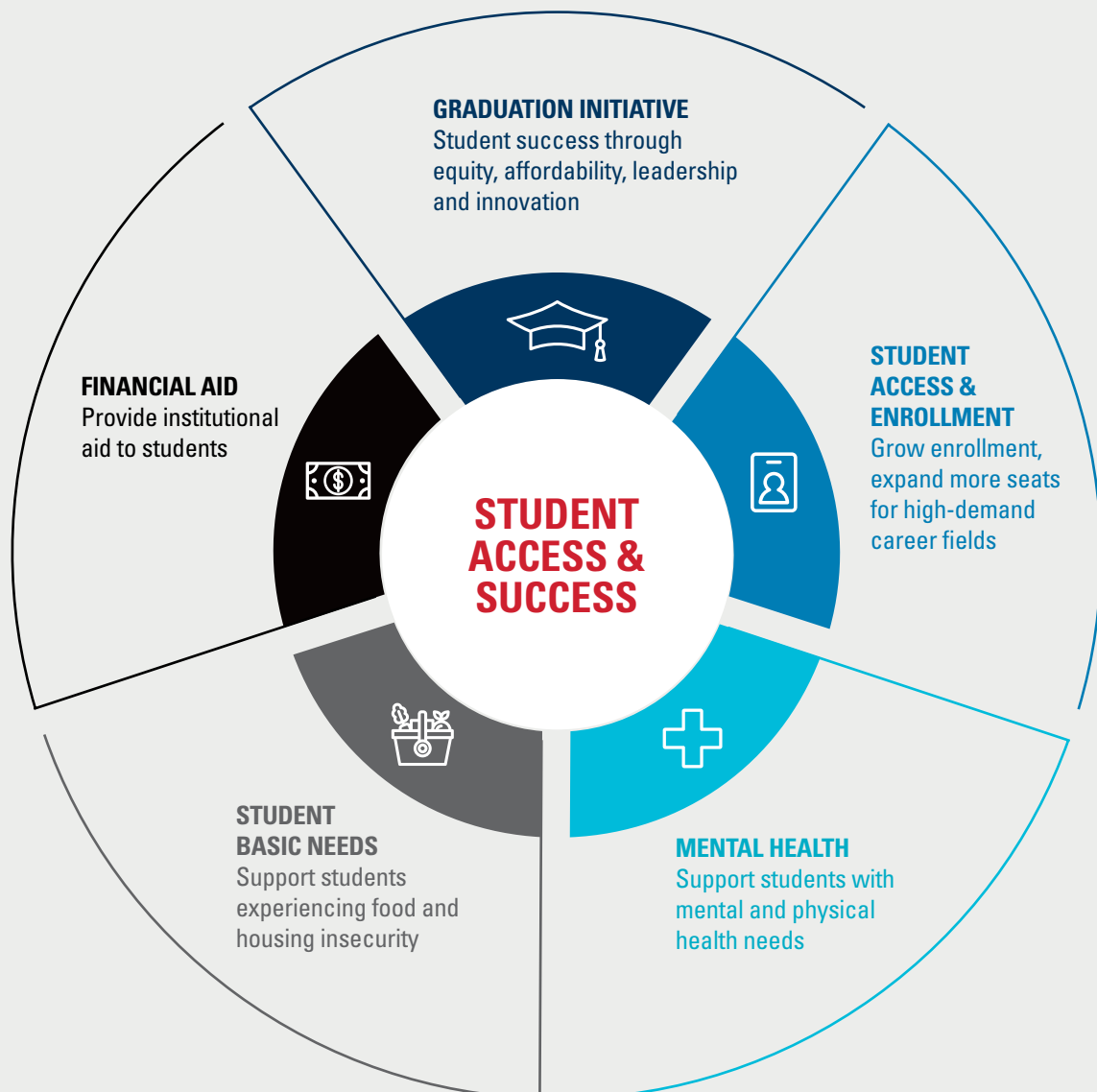
### REVENUE FROM TUITION RATE INCREASE: \$148 MILLION

The multi-year tuition plan will increase rates beginning in the 2024-25 year. The additional revenue resulting from the 6% rate increase for all levels of education is included in the budget plan and will allow the CSU to invest more fully in the trustees' budget priorities and more adequately advance student success. The additional tuition revenue estimated from the increase is \$148.3 million in 2024-25.

### REVENUE FROM STRATEGIC ENROLLMENT GROWTH: \$24 MILLION

As part of the compact, the CSU is committed to grow enrollment equivalent to a 1% increase, or approximately 3,484 resident, undergraduate, full-time equivalent students (FTES) in 2024-25. The additional tuition revenue from the enrollment growth is estimated to be \$24.3 million.

# Uses of Funds





EXPENDITURE PLAN (MILLIONS)	BASE	INCREASE	%
<b>Student Access &amp; Success</b>			
Financial Aid: State University Grant	\$701	\$58	8%
Student Access & Enrollment		55	
Graduation Initiative	380	30	8%
Student Basic Needs & Mental Health	95	7	7%
<b>Institutional Support</b>			
Title IX & DHR Programs	20	16	80%
State & Federal NAGPRA Compliance		4	
Required Operational Costs	400	63	16%
Debt Service on Facilities & Infrastructure	440	25	6%
<b>CSU Workforce Investments</b>			
Faculty & Staff Compensation Pool	5,374	221	4%
Health Premiums	699	78	11%
<b>TOTAL</b>	<b>\$8,109</b>	<b>\$557</b>	<b>6.9%</b>



**STUDENT ACCESS & SUCCESS: \$149 MILLION**

Financial Aid	\$57,536,000
Student Access & Enrollment	54,957,000
Graduation Initiative	30,000,000
Student Basic Needs & Mental Health	7,000,000
<b>TOTAL</b>	<b>\$149,493,000</b>

**Financial Aid**

The CSU understands the impact financial aid has on social mobility—a student’s ability to attend college, earn a baccalaureate degree, and enter the California workforce in a position to attain greater lifetime earnings. The CSU strives to keep costs to a minimum by offering institutional aid in addition to federal and state grant and loan programs. Financial aid allows CSU students to better focus on their academics by easing the pressure of educational and personal costs. Although CSU tuition is among the lowest in the nation for a resident undergraduate student, and will remain so even with the tuition increase, 82% of all CSU students receive financial aid and 60% of all undergraduate students receive non-loan aid to cover the full cost of tuition.

The State University Grant (SUG) program is the CSU’s institutional grant-aid program and provides need-based awards to eligible students. Aligned with the commitment to increase SUG by an amount equal to one-third of the additional tuition revenue, the plan dedicates an additional \$49 million due to the rate increase and \$8 million due to enrollment growth. The additional funding provides larger grant awards so that our students with the greatest financial need are not affected by the tuition increase. The SUG program has grown considerably since its inception, from \$4 million in 1982-83 to a projected \$759 million in 2024-25. Currently, 9% of the CSU’s total operating budget is dedicated to financial aid for students with the greatest need. The SUG program remains one of the largest commitments in the CSU operating budget.

2023-24 Base	\$701 million	Over 144,000 annual student awards
2024-25 Increase (8%)	58 million	Tuition increase & 1% enrollment growth

**2024-25 Base \$759 million**

In 2021-22, the CSU provided nearly \$965 million in institutional aid, which includes \$701 million for SUG. An additional \$788 million from the state Cal Grant program, over \$73 million in the Middle Class Scholarship Program, and over \$1 billion from the federal Pell Grant program help CSU undergraduate students cover tuition, fees and some personal expenses. These CSU, state and federal financial aid programs help defray the cost of attendance for the lowest-income students and keep CSU student debt well below the national average. In 2021-22, CSU baccalaureate degree recipients have lower average debt (\$17,682) than the 2019-20 non-CSU California student average (\$21,125) and well below the 2019-20 national average (\$28,950).

Ensuring that every Californian has an equal opportunity to earn the life-long, life-transforming benefits of a CSU degree and meeting California’s growing need for a diverse, highly educated workforce.

**Student Access and Enrollment**

To accommodate more students at the CSU, the governor and the CSU committed in the compact to grow enrollment by approximately 3,484 resident, undergraduate, full-time equivalent students in 2024-25. Using the marginal cost rate, which is the cost of education per FTES, the funding required to support these new students is approximately \$55 million and would be equivalent to a 1% increase in resident undergraduate enrollment.

As it did in 2023-24, the CSU intends to strategically place new enrollment at campuses experiencing significant prospective student demand that can expand more seats in academic programs that support high-demand career fields in California.

<b>2023-24 Resident FTES Base</b>	<b>387,114</b>
Proposed Growth	3,484
<b>2024-25 Total Resident FTES</b>	<b>390,598</b>
Marginal Cost Rate per FTES	\$15,774
<b>Total Cost of Enrollment Growth</b>	<b>\$54,957,000</b>
<b>State’s Share of Marginal Cost Rate</b>	<b>\$10,995</b>

Due to the multi-year compact, it could be possible to increase undergraduate resident students over the next three years so that by 2026-27, CSU’s enrollment will grow by approximately 10,500 full-time equivalent students. For decades, California has encouraged generations of young Californians to pursue higher education, and during that time, the CSU has been a beacon of access to that opportunity.

Higher education enrollment declined across the country during the pandemic, but overall CSU campuses fared better than other institutions. For the first time in 13 years, the 2022-23 academic year ended with actual resident enrollment below the resident enrollment target. One contributing factor is change in continuing student enrollment behaviors, including average units enrolled. Additionally, as CSU campuses have returned to in-person outreach and recruitment efforts, challenges persist including those related to the national sentiment about the value of a college degree and decreasing enrollment in California K-12 and community colleges. With 95% of the CSU undergraduate student population enrolling from California schools, the system and universities are actively and collaboratively engaged in robust strategic and enrollment planning initiatives.

**Graduation Initiative**

As the year 2025 approaches, and after a decade of focused systemwide work and lessons learned, the CSU finds itself at an inflection point. Increasing retention and graduation rates while eliminating equity gaps remains the CSU’s imperative, and it is a consequential and opportune moment to remake, rebrand and reshape the Graduation Initiative. Additional resources of \$30 million would advance this effort through a variety of priorities directly focused on student learning and success.

Reports from the interim chancellor’s strategic work groups were recently released and include several recommendations to strategically deploy a variety of data-informed best practices, policies and innovations that have the potential to drive student success and equity to new heights. Additional investments would ensure implementation is strategically integrated, particularly the Black Student Success, Strategic Enrollment Management, and Sustainable Financial Model workgroup recommendations.

The CSU remains focused on meeting Graduation Initiative goals—especially closing equity gaps. The CSU adopted and began implementing an equity action plan that is re-engaging underserved students who have disenrolled, expanding the use of digital degree planners, reviewing and restructuring courses with inequitable low-pass rates, bolstering student opportunities to earn credits during summer and winter sessions and eliminating administrative barriers. The multi-year compact contains shared goals designed to close equity gaps and promote student success, expand student access, increase affordability for students, increase intersegmental collaboration to benefit students, support workforce preparedness, and provide access to online course offerings. Instruction is the core function at the CSU, and it receives the largest share of funding. Costs associated with high-demand degrees are often higher than with other disciplines. Additional resources will be focused on these areas to achieve the shared goals of the CSU and the governor’s administration.

Students have expressed a desire for increased support services that meet their diverse individual needs. This approach necessitates a high level of support and engagement with students. The additional resources will help to close the already existing funding gap in student services and enhance the educational experience for students. Continued investment in these efforts may include but are not limited to the following:

- Tutoring, peer mentoring and academic support
- Cultural centers (space, staffing and programming)
- Title IX efforts to include bystander and prevention education



- Increasing the number of students participating in high-impact practices such as undergraduate research, international experiences and internships
- Early alert systems and case management efforts to support student retention and persistence
- Increased efforts to re-engage and re-enroll students who have dropped out of college
- On-campus student employment opportunities

**Student Basic Needs and Mental Health**

Student basic needs remain a priority investment as the CSU takes a holistic approach to students’ well-being both inside and outside the classroom. While the primary mission of the CSU is educational in nature, students cannot be fully engaged in or out of the classroom if they do not receive appropriate support services. The CSU plans \$7 million to sustain and expand its Basic Needs Initiative in support of the Graduation Initiative. Critical to student success at the CSU, the Basic Needs effort supports CSU students on their path to graduation.

2023-24 Base	\$380 million	Investments since 2017-18
2024-25 Increase (8%)	30 million	Redefining student success through equity, affordability, leadership and innovation, and the organizational and cultural changes necessary to accelerate the work
<b>2024-25 Base</b>	<b>\$410 million</b>	

2023-24 Base	\$95 million	Student Mental Health, Housing & Food Insecurity
2024-25 Increase (7%)	7 million	Additional student counseling services and after-hours availability
<b>2024-25 Base</b>	<b>\$102 million</b>	

**TABLE 4: CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS**

			2016	2017	2018	2019	2020	2021	2022	2025 Goal
<b>GRADUATION RATES</b>	<b>First-Time Students</b>	4-Year	21%	23%	25%	27%	31%	33%	35%	40%
		6-Year	59%	59%	61%	62%	62%	63%	62%	70%
	<b>Transfer Students</b>	2-Year	33%	35%	38%	40%	44%	44%	40%	45%
		4-Year	74%	75%	77%	77%	79%	80%	80%	85%
<b>EQUITY GAPS (in percentage points)</b>	<b>Underserved Students of Color</b>		12.0	12.2	10.5	11.1	10.5	12.4	12.0	0.0
	<b>Pell Grant Recipients</b>		10.0	10.6	9.5	10.2	9.2	10.2	11.0	0.0

**INSTITUTIONAL SUPPORT: \$109 MILLION**

As part of the 2024-25 budget plan, institutional support costs are anticipated to be \$109 million. The CSU must amplify its accountability and compliance efforts and pay for certain required operating expenditures regardless of the level of funding allocated by the state, as they often increase despite the level of state support. If operating budget plans do not include these types of required operational cost increases, campuses must redirect resources from existing programs, services and priorities to meet those cost increases.

Title IX & DHR Programs	\$15,900,000
State & Federal NAGPRA Compliance	4,250,000
Maintenance of New Facilities	12,548,000
Liability & Property Insurance Premium Increases	22,635,000
Inflation on Non-Personnel Costs	28,506,000
Debt Service on Academic Facilities & Infrastructure	25,000,000
<b>TOTAL</b>	<b>\$108,839,000</b>

**Title IX and DHR Programs**

To strengthen our cultures of care and compliance, in 2022 and 2023 the CSU engaged Cozen O'Connor to conduct a systemwide assessment of the CSU's implementation of its programs to prevent and address discrimination, harassment and retaliation (DHR) based on protected statuses, including sex and gender (under Title IX). The goal of the engagement was to strengthen the CSU's institutional culture by assessing current practices and providing insights, recommendations and resources to advance the CSU's Title IX and DHR training, awareness, prevention, intervention, compliance and support systems.

Cozen O'Connor's assessment included interviews and campus visits, in addition to gathering feedback through surveys and email and concluded with thorough and detailed reports that were released in July 2023. The reports identify core observations and recommendations for improvements at both the system and university levels. While the CSU has taken several proactive steps, much more can and will be done to assist the 23 universities in meeting the needs of their students, staff and faculty.

In July 2023, the California State Auditor (CSA) also completed its review of CSU's handling of sexual harassment complaints against employees at three campuses and the Chancellor's Office. The CSA made recommendations at the systemwide level that are aligned with those of Cozen O'Connor. Implementing the Cozen recommendations and establishing systemwide and university Title IX and DHR programs at appropriate levels will require investing in significant additional personnel, shifting the current philosophy and manner of engagement, and developing sustainable tools and processes to support these efforts. Implementation teams have been formed at the Chancellor's Office and at our 23 universities to develop comprehensive strategies to implement the recommendations. At this initial stage, we estimate the need for more than 100 new positions and significant other operating resources at the system and university levels. The 2024-25 operating budget plan requires \$15.9 million for substantial new costs to implement the recommendations in the first of multi-year efforts to support this program. Additional investments will be necessary and have been preliminarily estimated at nearly \$6 million. Further refinement of needs and estimated costs are expected during the coming year.

Creating innovative and sustainable spaces that inspire learning, creativity, inquiry and discovery.

2023-24 Base	\$20 million	151 FTE positions & minimal operational support
2024-25 Increase (80%)	16 million	98 university & 14 systemwide positions & operational support
<b>2024-25 Base</b>	<b>\$36 million</b>	



<b>TITLE IX AND DHR PROGRAM</b>		<b>2024-25 PLAN</b>	<b>2025-26 ESTIMATE</b>
<b>SYSTEMWIDE OVERSIGHT &amp; COORDINATION</b>	• Create a systemwide Title IX & Civil Rights division		
	• Centralize oversight & accountability for university programs		
	• Centralize investigation services		
	• Provide enterprise-level Title IX & DHR case management system	\$5,137,000	\$2,086,000
	• Expand Office of General Counsel staffing		
	• Add 14 new positions and operational support		
<b>UNIVERSITY INFRASTRUCTURE &amp; RESOURCES</b>	• Ensure sufficient personnel and resources to cover core Title IX/DHR functions at all universities		
	• Provide minimum levels of confidential advocates & respondent support for each university	\$10,763,000	\$3,587,000
	• Add 98 new positions and operational support		
<b>TOTAL</b>		<b>\$15,900,000</b>	<b>\$5,673,000</b>



San Diego State

**State and Federal NAGPRA Compliance**

In June 2022, the state Joint Legislative Audit Committee (JLAC) announced a systemwide audit of the CSU’s legal compliance with the federal Native American Graves Protection and Repatriation Act of 1990 (NAGPRA) and the California Native American Graves Protection and Repatriation Act of 2001 (CalNAGPRA). These laws were enacted to resolve and restore the rights of Native American, Alaska Native and Native Hawaiian lineal descendants and tribes to the ancestral remains, associated burial objects, sacred objects and objects of cultural patrimony held in institutions like the CSU.

All campuses were surveyed, and four campuses were selected for in-depth audits that included campus visits and reviews of past and current repatriation-related documentation and records. The audit findings and recommendations, published July 29, 2023, revealed that of 21 campuses with collections, more than half have not repatriated any ancestral remains or cultural items to the tribes. Further, more than half do not know the extent of the ancestral remains and cultural items in their collections.

At present, only five campuses have full-time repatriation coordinators. The audit report identified 15 campuses as needing these positions and, depending upon collection size, some campuses may require additional staffing resources. The lack of sufficient funding to cover the repatriation-related expenses was also reported. The audit report recommended the Chancellor’s Office establish a system infrastructure to oversee campus repatriation activities. The CSU plans \$4.3 million for new costs to comply with NAGPRA.

2023-24 Base	\$0.3 million	2 positions and minimal operational costs
2024-25 Increase	4.3 million	30 university and 3 systemwide positions & operational costs
<b>2024-25 Base</b>	<b>\$4.6 million</b>	

**Maintenance of New Facilities**

The CSU is scheduled to open 532,130 square feet of new facilities in 2024-25. The cost to fund regular maintenance of these facilities is \$23.79 per square foot, for a total of \$12.5 million in 2024-25. Regular maintenance of new facilities includes the cost of utilities, building maintenance, custodial, landscape and administrative support.

**Liability and Property Insurance Premium Increases**

The CSU plan includes \$22.6 million, equivalent to a 21% increase, in costs related to property and liability coverage. The insurance markets for property and liability coverage emerged from a decade of low premiums. Insurance premiums continue to rise across the country and more so for California public entities. Many factors are causing this significant rise in premiums in California, including an overall rise in claims and inflated values of settlements and verdicts. California higher education and public entities writ large face some of the toughest challenges in the liability insurance market because of higher risks of physical abuse and molestation, law enforcement, and employment practice exposures. Additionally, sizable liability settlements continue at other higher education institutions, resonating throughout the insurance industry. Property losses, including those caused by wildfires and wind/water events (atmospheric rivers), are also a factor. The CSU has experienced multiple losses, and these contribute to property insurance premium increases.

**Inflation on Non-Personnel Costs**

Inflation impacts all areas of the university. Over the past decade, the CSU operating budget plan and the final state budget have not included funding explicitly dedicated to cost increases on a variety of expenses, such as technology, instructional equipment, library subscriptions, software subscriptions, contracts and other supplies. Utilizing the California Consumer Price Index of 3% for 2023-24, the CSU plans \$28.5 million for expenditure increases due to inflation.

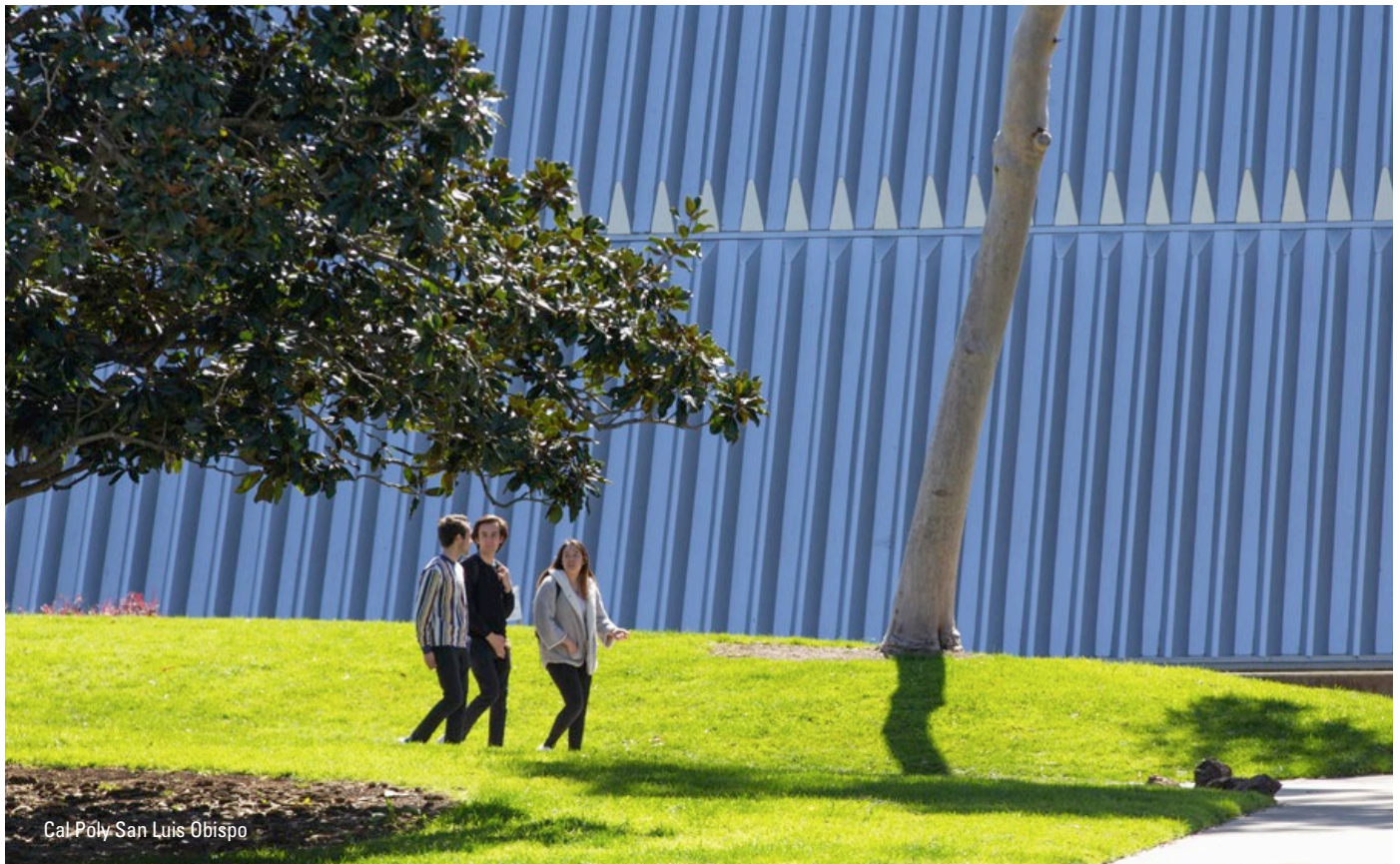
**Debt Service on Academic Facilities and Infrastructure**

To effectively educate all students, it is necessary to invest regularly in critical infrastructure while also refurbishing existing and building new academic facilities to best serve students. The CSU proposes using \$25 million to finance needed facility and infrastructure projects. These projects will address critical infrastructure needs, renovate existing buildings and expand capacity for targeted growth in new student enrollment. Many of these projects would support students seeking careers in engineering, health care and the sciences. For every \$25 million in ongoing funding, the CSU could finance approximately \$300 million of new academic and infrastructure facilities.

The CSU five-year capital plan identifies the priority needs of each of the 23 campuses and is based on the categories and criteria approved by the Board of Trustees. The plan has identified—in 2024-25 alone—more than \$4.0 billion in systemwide academic infrastructure and facility needs. The priorities are consistent with the state’s priorities of critical infrastructure, energy efficiency and life safety projects. The following table summarizes some of the CSU’s highest priority projects that could be funded with this additional support.

Category	Project Description	Total Budget
Existing Infrastructure	Statewide Infrastructure Improvements	\$100,000,000
Existing Facility	Replacement Facilities (Seismic)	\$170,000,000
New Facility	Sciences & Engineering (Growth)	\$71,000,000

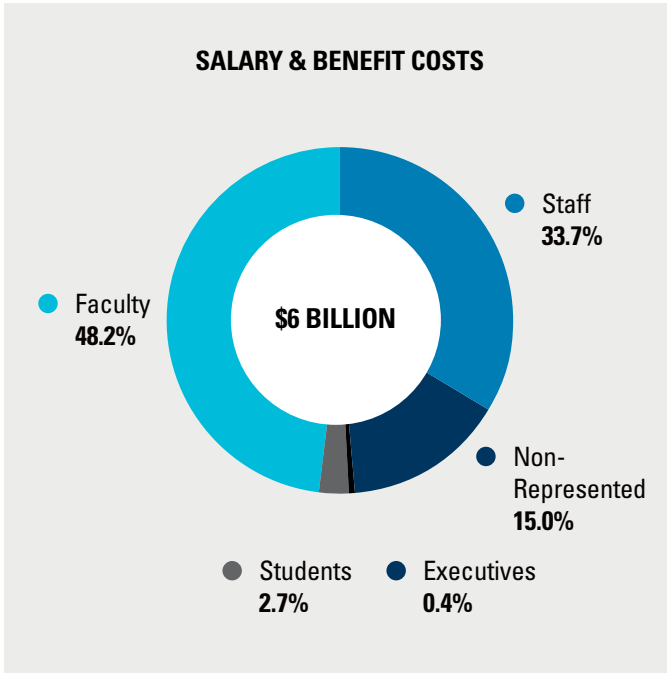
For more information on specific projects and priorities, please reference the CSU five-year capital plan ([calstate.edu/major-capital-outlay](http://calstate.edu/major-capital-outlay)).





**CSU WORKFORCE INVESTMENTS: \$299 MILLION**

Three-quarters of the operating budget (\$6 billion) goes toward salaries and benefits. For salaries to keep pace with inflation and to cover related health care and pension cost increases requires many tens of millions of dollars more per year.



With some minor exceptions, no collective bargaining agreements have salary provisions that extend beyond 2022-23. At this stage, it would be premature to identify specific amounts or forms of compensation (e.g., general salary increases) for any employee group. The cost of a 1% increase in employee salaries is estimated to be \$55.2 million. In addition, the CSU anticipates substantial increases in health care premium costs.

The CSU Board of Trustees recognizes that competitive salary and benefits for faculty, staff and management is a key element to our universities' success. Continued investment in competitive salary and benefits is critical to recruit and retain a world-class workforce to provide access to an affordable, high-quality education and graduate a well-prepared workforce.

Faculty and Staff Compensation Pool	\$220,704,000
Health Premium Increases	78,361,000
<b>TOTAL</b>	<b>\$299,065,000</b>

**Faculty and Staff Compensation Pool**

The faculty and staff compensation pool is funding that could be used for different elements of compensation, such as salary and benefit changes for all employees of a bargaining unit. Under mutual agreement between the CSU and CSU bargaining units, pool funding is used to address specific market, salary structure, or job framework issues for employees within a bargaining unit. The mutual agreement between the CSU and each CSU bargaining unit will determine the form of compensation that the compensation pool will support.

This budget plan includes \$220.7 million to fund 2024-25 compensation increases for all employee groups. The compensation pool is subject to collective bargaining and contingent on the state providing the funding to support this priority.

Recognizing the CSU is a people-driven institution—people who support, inspire and uplift the diverse and talented students who are California’s future leaders.

**Health Premium Increases**

Permanent base budget costs associated with January 2024 employer-paid health care premium increases are \$78.4 million, reflecting an 11% increase in costs. Health care premiums are shared between the CSU and its employees, with the CSU funding a significant portion of the costs. The CSU is governed by California Government Code Section 22871, which defines the employer-paid contribution rates.

2023-24 Base	\$699 million
2024-25 Increase (11%)	78 million
<b>2024-25 Base</b>	<b>\$777 million</b>

# One-Time Request

Photo: Cal State San Bernardino



**CRITICAL CAPITAL RENEWAL: \$2.4 BILLION**

A complementary strategy to address the CSU's deferred maintenance and infrastructure needs includes a request for one-time funds from the state for critical capital renewal.

The CSU seeks \$2.4 billion of one-time funding to continue to address the growing maintenance backlog of building and utility infrastructure systems that have passed their useful life. More than half of the CSU's academic buildings are over 40 years old, and many of these buildings are overdue for major renovation. The CSU has estimated more than \$7.4 billion in critical capital renewal backlog and accumulates approximately \$344 million of additional critical capital renewal costs per year.

As buildings and their associated systems age, the cost to operate, maintain and renovate the facilities increases. Although CSU facilities staff does an admirable job of keeping these aging facilities operational with limited financial resources, increased funding is necessary. Over the past two years, the state has provided \$125 million in one-time funding to address a portion of the deferred renewal backlog. This is a substantial amount of funding, and it is being put to good use on the most pressing campus projects. It should be noted, however, that two significant factors are exacerbating this budget challenge: year-over-year growth in the CSU backlog and unusually high construction cost inflation over the past several years.

The \$2.4 billion one-time funding request will allow the CSU to address additional systemwide deficiencies, improve the reliability of systems and prevent costly and disruptive outages caused by system failures. Aligned with the CSU's overarching academic mission, system repairs and replacements will provide safer and healthier environments that support teaching and learning across all 23 universities.

---

**Providing safe and modern facilities  
for students, faculty and staff—  
spaces where teaching, learning and  
student well-being can thrive.**

---



# Multi-Year Forecast

Photo: Chancellor's Office



In light of the multi-year compact and recommended tuition proposal, the CSU has a unique opportunity to develop a budget framework that would span multiple years. Planning over more than one year recognizes the time horizon necessary for CSU priorities to be successfully implemented. The multi-year expenditure estimates for many of these priorities are forecast based on trends from prior years and high-level estimates for future increases.

The continued state investment and additional student tuition provide predictable revenues to ensure continued investment in high-impact areas of the university. This plan reflects the final three years of the governor's compact and demonstrates a gradual investment in several of the university's highest priorities.

**TABLE 5: MULTI-YEAR SOURCES & USES OF FUNDS (MILLIONS)**

<b>SOURCES OF FUNDS (Incremental New Revenue)</b>	<b>PLAN 2024-25</b>	<b>EST. 2025-26</b>	<b>EST. 2026-27</b>	<b>EST. 2027-28</b>	<b>EST. 2028-29</b>
TUITION: INCREASE	\$148	\$158	\$168	\$178	\$189
TUITION: ACCESS & ENROLLMENT	24	26	27	30	32
GENERAL FUND: COMPACT COMMITMENT	240	252	265	278	292
GENERAL FUND: ADDITIONAL REQUEST	145	104	56	79	76
<b>TOTAL NEW SOURCES</b>	<b>\$557</b>	<b>\$540</b>	<b>\$516</b>	<b>\$565</b>	<b>\$589</b>
<b>USES OF FUNDS (Incremental New Expenditures)</b>	<b>PLAN 2024-25</b>	<b>EST. 2025-26</b>	<b>EST. 2026-27</b>	<b>EST. 2027-28</b>	<b>EST. 2028-29</b>
<b>STUDENT ACCESS AND SUCCESS</b>	<b>\$150</b>	<b>\$169</b>	<b>\$190</b>	<b>\$209</b>	<b>\$219</b>
Financial Aid: State University Grant	58	61	65	69	74
Student Access & Enrollment	55	61	65	70	75
Graduation Initiative	30	40	50	60	60
Student Basic Needs and Mental Health	7	7	10	10	10
<b>INSTITUTIONAL SUPPORT</b>	<b>\$108</b>	<b>\$92</b>	<b>\$95</b>	<b>\$122</b>	<b>\$126</b>
Compliance Programs	20	14	14	14	16
Required Operational Costs	63	53	56	58	60
Debt Service on Facilities & Infrastructure	25	25	25	50	50
<b>CSU WORKFORCE INVESTMENTS</b>	<b>\$299</b>	<b>\$279</b>	<b>\$231</b>	<b>\$234</b>	<b>\$244</b>
Faculty & Staff Compensation Pool	221	229	179	185	190
Health Premiums	78	39	40	42	44
Retirement Benefits	0	11	12	7	10
<b>TOTAL NEW USES</b>	<b>\$557</b>	<b>\$540</b>	<b>\$516</b>	<b>\$565</b>	<b>\$589</b>

Note: Figures may not sum to totals due to rounding.

The CSU has several multi-year budget priorities that are critical to fulfilling the mission and providing students with a high-quality, affordable and accessible education. CSU students have expressed a desire for increased support services that meet their diverse individual needs.

Each of these budget priorities contributes to the whole and are important to student success. As mentioned previously, ongoing financial resources proposed in the compact are insufficient to fully support these and other priorities.

- Advance student success by expanding the work of the Graduation Initiative to support the CSU's broader mission of educational equity so that all students have the equal opportunity to earn the lifelong, life-transforming benefits of a CSU degree.
- Invest in our faculty and staff who educate, support, inspire and uplift our diverse and talented students.
- Ensure safe, modern and sustainable facilities where teaching, learning and student well-being can thrive.
- Continue to provide financial aid to assist students with the greatest financial need.
- Grow enrollment to ensure a solid foundation for California's future economy with a diverse, degree-holding, well-educated citizenry.

The multi-year budget plan would be supported by the ongoing funding included in the state's multi-year compact, as well as the multi-year tuition increase. It is unclear whether state funding above the compact would be available and provided by the state.







# Additional Budget Considerations

Photo: CSU Monterey Bay



The CSU's overall revenue streams remain under significant pressure. When the final budget does not include sufficient revenue, the universities are underfunded, creating significant cost pressures. An underfunded budget requires the universities to redirect funding from existing programs, services and priorities such as the Graduation Initiative to fund required operating cost obligations. The year-over-year effect of this practice creates significant financial stress, as was reported by the Sustainable Financial Model Workgroup. Each university is taking a hard look at costs and how to balance available resources with rising costs, unfunded mandates and underfunded compensation increases.

The system has continual and growing cost pressures: an increased need to expand high-cost degree offerings, inflation, increased salary and benefit costs for staff and faculty and unfunded mandates, as well as infrastructure needs. Not only are there existing pressures, the CSU will have to contend with emerging items that are creating new fiscal constraints.

Although the state has provided significant investments in the CSU over the past three years, it is important to point out several remaining fiscal challenges the university system still faces.

### **OPERATIONAL AND STRATEGIC CHANGES**

To address some of the CSU's most critical operational and strategic challenges, several changes were recommended by Interim Chancellor Koester's strategic workgroups (e.g., Black Student Success, Graduation Initiative, Strategic Enrollment Planning, and Faculty and Staff Excellence). These changes are needed to successfully implement and deliver on the key initiatives identified by the groups which will eventually be shaped by Chancellor García. Fiscal support will be necessary for launching these as well as other emerging initiatives.



## COMPENSATION

With continuing high inflation rates, there is pressure during the collective bargaining process to provide CSU employees with a general salary increase in 2023-24 that is at least commensurate with these high rates. However, the CSU did not receive sufficient funding in the Budget Act of 2023 to cover all necessary budget priorities. Consequently, it is anticipated that campuses will be required to redirect tens of millions of dollars from existing campus budgets to cover some of these new compensation costs. A more definitive estimate of these costs will be known at the conclusion of the collective bargaining process. This follows a similar redirection of approximately \$44 million from campus budgets to cover 2021-22 and 2022-23 compensation costs. The CSU's commitment to fair and competitive employee compensation requires budgetary tradeoffs, which could result in nearly all other operating budget priorities receiving only some or none of the new funding in 2023-24 (enrollment growth is an exception).

An evaluation of the existing salary structure for CSU non-faculty, represented staff employees was completed in 2022. The study, executed by consulting firm Mercer, found that median salaries in the CSU lagged market median salaries for most employees and recommended changes to increase median salaries and implement a salary step structure with initial ongoing costs of \$287 million and over \$50 million more each year thereafter.

In December 2021, the CSU initiated a faculty employee salary study. The study's findings and recommendations are expected in 2023. The recommendations could include solutions that require additional funding.

Future collective bargaining agreements between the CSU and employee bargaining units are required to implement recommendations of the staff and faculty studies. The CSU will require additional, ongoing funding beyond the amount in this plan to implement any cost-creating recommendations of either study.

## CHANGES TO FEDERAL & STATE FINANCIAL AID PROGRAMS

Several forthcoming changes to federal and state financial aid programs will require corresponding changes to most aspects of CSU's policies, procedures, processes and systems used to award student aid. The changes could significantly impact the awards provided to CSU students and put financial pressure on the State University Grant program. Financial aid programs complement one another to provide maximum financial support for students. Program changes have cascading effects that must be considered and potentially addressed. Several of the approved changes will streamline processes, remove barriers, and expand

access. But these changes come with certain tradeoffs, such as a lower income eligibility threshold, removal of non-tuition awards for all CSU students and a drop in aid for transfer students. As the CSU strives to maximize access to aid and balance the federal and state changes, the CSU will develop an implementation plan that provides flexibility, tools, resources, administrative capacity and infrastructure required by our universities to comply with the changes. The financial implications are currently unknown.

## MINIMUM WAGE

In January 2023, the California minimum wage reached \$15.50 per hour. Senate Bill 3 of 2016, which raised the state's minimum wage to \$15 per hour over consecutive years, includes a provision for the state to adjust the rate in subsequent years for inflation. Due to high rates of inflation, the minimum wage will increase to \$16 in January 2024. The estimated annualized cost of the increase on CSU campuses is \$3.7 million.

## RETIREMENT BENEFITS (BEYOND STATE-FUNDED)

Beginning with the 2013-14 fiscal year, the legislature placed a limit on the state's obligation to adjust CSU retirement funding due to annual changes in CalPERS rates. CalPERS employer contribution rates increased significantly for 2022-23, which created an ongoing significant financial burden to the CSU. Although rates are remaining the same for 2023-24, the unfunded cost to the CSU is estimated at almost \$19 million in 2023-24. If offsetting funding cannot be found, campuses will have to reprioritize existing one-time resources to fund this required cost.

The state's statutory obligation to adjust retirement funding based on annual rates set by CalPERS continues (Government Code Section 20814). But the salary base applied to the incremental rate change is fixed at the CSU 2013-14 pensionable payroll level in the state budget. Final 2022-23 pensionable payroll for the CSU was \$971 million (42%) above the 2013-14 frozen pensionable payroll level. The retirement increase amount above the frozen payroll level is an unfunded cost for the CSU, and it continues to increase each year when pensionable payroll or retirement contribution rates increase.

This practice is problematic and unsustainable. Throughout the years that this budget practice has been in effect, the state or students ultimately covered the unfunded liability above frozen pensionable payroll because retirement costs are required and unavoidable. The CSU must balance the need to serve students with the level of funding available to the university, particularly as tuition rates have remained relatively constant.















**The California  
State University**

401 Golden Shore, Long Beach, CA 90802

[www.calstate.edu](http://www.calstate.edu)