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**CODED MEMO B 2022-01**

**To:** CSU Chief Financial Officers

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

**CC:** Steven Relyea, Acting Chancellor  
Dr. Sylvia Alva, Executive Vice Chancellor for Academic and Student Affairs  
Brad Wells, Acting Executive Vice Chancellor and Chief Financial Officer  
Evelyn Nazario, Vice Chancellor of Human Resources  
CSU Presidents, Provosts, Financial Officers, Budget Officers, Financial Aid Directors,  
Enrollment Planning and Resource Officers, and Enrollment Managers

**Date:** March 9, 2022

**Re:** 2022-23 Preliminary Budget Allocations

**Attachments:** Coded Memo B 2022-01, Attachments A-E

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This preliminary budget memo and attachments provide information for 2022-23 planning. This memo and related attachments distribute \$184.1 million in new, incremental resources, which is a portion of the governor's budget proposal. This preliminary amount estimates funding for 2022-23 compensation adjustments, resident undergraduate enrollment growth and some mandatory costs. All other funding proposals for specific programs (e.g., foster youth support, Corporation for Education Network Initiatives in California, etc.) as well as additional operational and mandatory cost allocations will be made after the budget is finalized in June.

The governor's January budget proposed an incremental, ongoing General Fund increase of \$304.4 million for the California State University (CSU). The proposal included a \$211.1 million new, unallocated, recurring funding increase for CSU operational costs, \$81 million for resident undergraduate enrollment growth and \$12 million for foster youth student support.

The 2022-23 Governor's Budget is the first step in the state budget process. The governor's May Revision will be a better indicator of the economic condition of the state just before the start of the new fiscal year.

The attachments to the memo display the following preliminary budget adjustments by campus:

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**CSU Campuses**  
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

- 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 Preliminary State University Grants (Uses)

The 2022-23 Governor’s Budget also includes \$233 million of one-time General Fund augmentations for CSU deferred maintenance, energy efficiency and facility improvement projects (\$100 million); the CSU Bakersfield Energy Innovation Center (\$83 million); and equipment and infrastructure improvements at CSU University Farms (\$50 million). Decisions on the allocation of these one-time dollars has not yet been determined. A separate budget memo for these allocations will be distributed after the budget is finalized in June.

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

<b>2022-23 Preliminary Budget Allocation Summary</b>	
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 Preliminary General Fund Increase	184,117,000
<b>2022-23 Total Preliminary General Fund Budget</b>	<b>\$4,407,989,000</b>
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
<b>2022-23 Preliminary Gross Tuition &amp; Fees</b>	<b>\$3,126,560,000</b>
<b>2022-23 Total Preliminary Operating Budget</b>	<b>\$7,534,549,000</b>
<b>2022-23 Preliminary Expenditure Increases</b>	
Health Care Premiums	\$13,962,000
Operations and Maintenance of New Facilities	3,094,000
Compensation Adjustment	86,061,000
Strategic Resident Enrollment Growth (9,434 FTES)	126,078,000
<b>2022-23 Total Preliminary Expenditure Increases</b>	<b>\$229,195,000</b>

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

Questions concerning this memo or its attachments may be directed to Jeni Kitchell [jkitchell@calstate.edu](mailto:jkitchell@calstate.edu), Jerry Willard [jwillard@calstate.edu](mailto:jwillard@calstate.edu) 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](#)
- Budget Bill of 2022, [Assembly Bill 1624](#) (as introduced)
- Budget Bill of 2022, [Senate Bill 840](#) (as introduced)
- [2022-23 Governor's Budget, Department of Finance, State of California](#)
- [CSU Budget Detail in the 2022-23 Governor's Budget](#)

RS: JK: JW

Attachments

## **2022-23 Preliminary 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:

- **2021-22 Compensation Adjustment**  
Compensation increases for California Faculty Association (Unit 3), International Union of Operating Engineers (Unit 10) and Academic Student Employees (Unit 11) were determined after the 2021-22 final budget allocations were made. Those increases were effective retroactive to July 1, 2021. Therefore, \$111.5 million of recurring funding were allocated to campuses from resources temporarily held by the Chancellor's Office in 2021-22 for potential compensation increases and 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 negative General Fund adjustment. 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, due to the 2021-22 operating budget base retirement cost reduction, 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, \$3 million were allocated to Cal Poly Humboldt as part of the recurring \$25 million for additional academic programs related to Humboldt's new polytechnic designation. The remaining \$22 million will be included in future allocations as the polytechnic transition continues.

### **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 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 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](#).

- **2022-23 Compensation Adjustment**

Budget allocations include \$86.1 million to cover 2022-23 employee compensation increases for the California Faculty Association, which includes a three percent general salary increase (GSI) and a 2.65 percent post promotion increase (PPI), as further detailed in Human Resources Salary Technical letters and [collective bargaining contracts](#). The distribution of 2022-23 compensation increases is based on the percentage share of campus 2020-21 actual operating fund salaries.

- **2022-23 Enrollment Growth**

The 2022-23 preliminary budget allocation includes 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 (MC) 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.

Campus enrollment growth targets and allocations may be revised on the 2022-23 final budget allocations memo to achieve the necessary systemwide enrollment growth.

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’ average net tuition revenue per FTES, which varies based on each campus’ State University Grant allocations and mandatory fee waivers, and makes up the difference with state General Fund. An example is provided below:

<b>Campus X</b>		<b>Campus Y</b>	
\$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 would be required to fund enrollment growth at the 2022-23 published marginal cost rates. The Governor’s proposed budget includes only \$81 million; therefore, growth is currently funded at \$13,364 per FTES, not \$13,765. Campus enrollment growth allocations reflect an adjustment down to match the \$81 million funding level proposed by the governor’s administration.

**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 (2020-21) actual full-time equivalent student figures.

**2022-23 Preliminary 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.

This preliminary budget allocation sets a minimum expectation of 95 percent of the campus 2021-22 SUG allocation (reference [Coded Memo B 2021-02](#), Attachment E). No campus' 2022-23 SUG allocation will be lower than 95 percent of its 2021-22 SUG allocation.

When the 2022-23 final budget allocations are prepared this summer, five percent of the SUG pool held back at this time will be distributed to campuses with the highest proportion of students with the greatest financial need (Expected Family Contribution of \$0 to \$4,000). As student enrollment and financial aid demographics change over time and by campus, this re-allocation of the total SUG pool (just over \$35 million) addresses these changes.

Additionally, the state's Middle Class Scholarship (MCS) program was substantively changed in state law in 2021-22, significantly altering the requirements for the CSU to participate in the program. The law requires the CSU to ensure that the amount of institutional aid provided each academic year be adjusted annually to account for increases in systemwide undergraduate enrollment, such that the proportion of SUG, relative to undergraduate enrollment, is maintained at levels equal to those during the 2021-22 academic year. The CSU is evaluating the changes necessary to comply with this new requirement, and additional information will be provided with the 2022-23 final budget allocations.