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CODED MEMO B 2023-01

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, Vice Presidents for Student Affairs, Financial Officers, Budget Officers, Financial Aid Directors, Enrollment Planning and Resource Officers

Date: March 23, 2023

Re: 2023-24 Preliminary Budget Allocations

Attachments: Coded Memo B 2023-01, Attachments A-F

This preliminary budget memo and attachments provide information for 2023-24 planning. This memo and related attachments distribute \$70.3 million in new, incremental resources, which is a portion of the governor's budget proposal. This preliminary amount estimates funding for required operational costs. All other funding for specific programs and purposes will be made after the state budget is finalized in Summer 2023.

The governor's January budget proposed an incremental, ongoing General Fund increase of \$254.5 million for the California State University (CSU). The proposal included a \$227.3 million new, unallocated increase, \$27 million to support debt service for CSU infrastructure projects, and a baseline adjustment of \$0.2 million ongoing for Corporation for Education Network Initiatives in California (CENIC) costs.

The 2023-24 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 university:

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

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

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

2023-24 Preliminary 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 Preliminary General Fund Increase	70,256,000
2023-24 Total Preliminary General Fund Budget	\$4,728,390,000
2022-23 FIRMS Budget Gross Tuition & Fees (Campus Reported)	\$3,097,817,000
2023-24 Preliminary Gross Tuition & Fees	\$3,097,817,000
2023-24 Total Preliminary Operating Budget	\$7,826,207,000
2023-24 Preliminary 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
2023-24 Total Preliminary Expenditure Increases	\$70,256,000

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

Questions concerning this memo or its attachments may be directed to Jeni Kitchell jkitchell@calstate.edu, Jerry Willard 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 2023-24 Operating Budget](#)
- Budget Bill of 2023, [Assembly Bill 221](#) (as introduced)
- Budget Bill of 2023, [Senate Bill 72](#) (as introduced)
- [2023-24 Governor's Budget, Department of Finance, State of California](#)
- [CSU Budget Detail in the 2023-24 Governor's Budget](#)

RS: JK: JW

Attachments

2023-24 Preliminary 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.

2023-24 Expenditure 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 8 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.

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. Resident enrollment targets for 2023-24 will increase 3,434 FTES from 2022-23. Projected revenue from the growth in funded resident enrollment targets will be determined when university-specific enrollment targets are finalized for 2023-24. The nonresident enrollment has been updated to reflect the most recent year (2021-22) actual full-time equivalent student figures.

2023-24 Preliminary 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 a SUG award.

This preliminary budget allocation sets a minimum expectation of 95 percent of the university's 2022-23 SUG allocation (reference [Coded Memo B 2022-03](#), Attachment E). 2023-24 SUG allocations for each university will not be lower than 95 percent of its 2022-23 SUG allocation.

As student enrollment and financial aid demographics change over time and by university, five percent of the SUG pool held back at this time will be distributed to universities with the highest proportion of students with the greatest financial need (Expected Family Contribution of \$0 to \$4,000) in the 2023-24

final budget allocation memo. 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 Preliminary Lottery - (Attachment F)

The Board of Trustees \$67 million Lottery budget approved for 2023-24 included a \$4 million increase to campus-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. Further, this funding is distributed based on 2023-24 resident FTES enrollment targets, which will be finalized with the 2023-24 final budget allocation memo. The preliminary lottery allocation includes 80% of the campus-based program increase for 2023-24. The remaining 20% of the increase will be included with the 2023-24 final budget allocations when university enrollment targets are finalized for 2023-24. Lottery funds on each university must be spent according to [systemwide guidelines](#).