



Systemwide Budget Office
401 Golden Shore, 5th Floor
Long Beach, CA 90802-4210
P: 562-951-4560 / F: 562-951-4970

CODED MEMO B 2015-03
Campus Final Budget Submittals Due:
August 18, 2015

To: CSU Chief Fiscal Officers

From: Ryan Storm, Assistant Vice Chancellor for Budget 
Kara Perkins, Executive Budget Director 

CC: Timothy P. White, Chancellor, Steven Relyea, Executive Vice Chancellor, Loren J. Blanchard, Executive Vice Chancellor, CSU Presidents, Financial Officers, Financial Aid Directors, Enrollment Planning and Resource Officers, and Enrollment Managers

Date: July 24, 2015

Re: 2015-16 Final Budget Allocations

Attachments: Coded Memo B 2015-03, Attachments A-D

The Governor signed the Budget Act of 2015 on June 24, 2015 that includes the main budget bill (Assembly Bill 93, Chapter 10) and a “budget bill junior” (Senate Bill 97, Chapter 11), which amends Assembly Bill 93. This coded memo addresses incremental allocations based on state General Fund and systemwide tuition revenue projections for CSU included in the 2015-16 Budget Act. These allocations are consistent with initial recommendations of the Task Force on a Sustainable Financial Model for the California State University and subsequent discussions with the Council of Presidents.

The budget act includes a \$225.0 million General Fund increase to the CSU support budget and the expectation that CSU tuition rates will not increase. This allocation reflects three percent enrollment growth for 2015-16, with the understanding that this enrollment growth should not be fully measured until fall 2016. Campuses are not expected to make any changes to fall 2015 enrollment at this late date, but are asked to give admission priority for spring 2016 to Associate Degree for Transfer applications and then to any other qualified upper-division transfer applications as space allows within campus 2015-16 targets.

The allocations described in this coded memorandum reflect a purposeful attempt to foster greater clarity and predictability in campus budgets. In particular, this budget reduces variability in tuition discount allocations (i.e., State University Grant) and provides details on a revised tuition discount allocation methodology that takes into account incremental enrollment growth.

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

This methodology is consistent with Board of Trustees policy and statute regarding tuition discounts. Additionally, the memo provides appropriate incentives for campuses to generate and utilize revenue in the areas of new student enrollments, mix of students (e.g., undergraduate versus graduate) and nonresident students.

Projections of 2015-16 changes in systemwide tuition revenue are informational and generally do not interact with or offset General Fund allocations, as have been past practice. Instead, these projections reflect changes in systemwide tuition revenue that will be helpful to campuses, the state, and external groups for planning and information purposes.

A number of allocation practices that have been used in recent years have been discontinued or changed for 2015-16—change in mix, adjusting general fund for tuition discount expectations, and financial enrollment penalties being some of the most significant. As a consequence of these changes, resources that typically were centrally collected and redistributed for campus-specific and systemwide purposes are no longer available. Additionally, the campus General Fund assessment that totaled \$4.0 million in the May 2015 preliminary allocation memo also has been removed from the final allocations.

This memo makes three types of allocations:

- Revisions to 2014-15 General Fund allocations
- New 2015-16 General Fund allocations
- Projections of 2015-16 tuition and fee revenues (for reference only)

General Fund adjustments to 2014-15 (Attachment B) reflect changes that occurred after the 2014-15 final budget allocation memo was circulated on August 28, 2014 (see Coded Memo B 2014-03, Attachment A, Column 8). These adjustments reflect modifications for changes in the California Public Employees' Retirement System (CalPERS) employer-paid contribution rates, supplemental compensation, CSU Desert Studies, CSU Palliative Care ancillary instructional programs, Education Opportunity Programs, and adjustments for changes in Chancellor's Office operations.

The 2015-16 General Fund allocations support the estimated incremental annualized cost to fund campus mandatory costs including health care premiums, approximately 474,000 square feet of scheduled new space in 2015-16, funded enrollment growth of three percent, currently bargained employee compensation increases, student success and completion priorities and funding for retirement costs. Decisions are pending on performance funding and other systemwide initiatives.

The 2015-16 changes in General Fund allocations and systemwide tuition and fee revenue projections are summarized in Table 1.

Questions concerning this memo or its attachments may be directed to Kara Perkins, Chris Canfield, 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.

References

- [2015-16 CSU Support Budget Request](#)
- [Budget Act of 2015, Budget Bill – AB 93](#)
- [Budget Act of 2015, Budget Bill Junior – SB 97](#)
- [Task Force on a Sustainable Financial Model](#)

Table 1

**2015-16 Final Budget Changes in State General Fund Allocations
and Systemwide Tuition and Fee Revenue Estimates**

General Fund Allocations

2014-15 Final Budget Allocations (*B 2015-03, Attachment A, Column 1*) **\$2,695,755,000**

Revisions to 2014-15 General Fund Allocations

Employer-Paid Retirement Costs 66,263,000

Subtotal \$66,263,000

New 2015-16 General Fund Allocations / Funding Increases

Lease Revenue Bond Debt Service 7,628,000

Employer-paid Health Care Premiums 11,040,000

Operations and Maintenance of New Space 5,037,000

Retirement Costs above the 2013-14 Base 7,000,000

Funded Student Enrollment Growth 58,906,000

Employee Compensation Increases 65,528,000

Mervyn M. Dymally African American Political and Economic Institute 250,000

Center for California Studies 500,000

Systemwide Initiatives and Performance Funding 49,156,000

Student Success and Completion 20,000,000

Subtotal \$225,045,000

2015-16 Final Budget, General Fund Allocations **\$2,987,063,000**

Operating Budget Revenue Projections

2014-15 Campus-Reported Gross Revenues (*September 2014*) **\$2,689,464,600**

Changes in Tuition Revenue Projections

Adjustment based on 2013-14 Change in Mix of Resident Students (12,838,000)

Adjustment based on 2013-14 Actual Nonresident Student Enrollments 20,759,000

[affecting in-state systemwide tuition portion only (i.e. \$5,472)]

Adjustments for Funded Student Enrollment Growth 65,102,000

Subtotal \$73,023,000

Tuition Discounts (i.e., State University Grant)

2014-15 Campuses' Base Allowance (644,328,800)

2015-16 Increase in Tuition Discount Allowances (11,377,000)

Subtotal (\$655,705,800)

2015-16 Net Operating Budget Revenue Projection **\$2,106,781,800**

General Fund and tuition and fee revenue changes are identified by campus on Attachments B, C and D, respectively of this coded memorandum. The following will provide a more detailed explanation of the final changes in budget allocations.

Final General Fund Allocations

Revisions to 2014-15 General Fund Allocations (Attachment B)

- **State-Funded Retirement Adjustment**

Each year CalPERS adjusts employer-paid contribution rates to maintain the actuarial soundness of the system and meet defined benefit pension obligations.

Beginning with 2014-15, the State limited its adjustment to CSU employer-paid contribution rates to the actual CSU Operating Fund pensionable salaries for 2013-14 as reported by the State Controller's Office.

The 2013-14 to 2014-15 State Miscellaneous First Tier rates increased from 21.203 percent to 24.280 percent and the State Peace Officer / Firefighter rate increased from 31.320 percent to 36.827 percent. The total retirement cost increase funded by the state in 2014-15 is \$66.3 million. The distribution of \$66.3 million is based on the 2013-14 frozen pensionable payroll by campus as provided by the State Controller's Office with the CSU Operating Fund ratio applied to arrive at the state-funded retirement adjustment.

- **Campus / Chancellor's Office (CO) Programs**

Other General Fund adjustments above final budget allocations are for increased Chancellor's Office-managed systemwide costs, increased costs associated with campuses' ancillary support programs in desert studies and palliative care, and funding augmentations for campus Educational Opportunity Programs (EOP).

- **2014-15 Supplemental Compensation**

The \$1.0 million supplemental compensation held in system accounts in the 2014-15 final budget is permanently distributed to campuses related to the Statewide University Police Association (SUPA), CBID R08 April 2015 settlement agreement. The distribution is based on campus share of actual SUPA 2013-14 Operating Fund compensation.

New 2015-16 General Fund Allocations (Attachment C)

- **Employer-Paid Health Care Premiums**

Effective January 2015, the estimated annualized cost to fund employer-paid health care benefit premium rate increases is \$11.0 million. Health care benefit rate increases are determined by the number of CSU employee participants and the difference between the old and new employer-paid contribution rates. The employer-paid health care benefit cost increase is distributed on the basis of the percentage share of campus Financial Information Management System (FIRMS) 2013-14 actual state supported health benefits expenditures. For additional information regarding January 2015 health premium costs, please reference [Human Resources Technical Letter, HR/Benefits 2014-07](#).

- **Operations and Maintenance of New Space**

The new General Fund allocations include \$5.0 million to fund regular operations and maintenance of new space, which include the cost of utilities, building maintenance, custodial, landscape, and administrative support. In 2015-16, the CSU is scheduled to

open a total of 473,837 new square feet. Funding of regular operations and maintenance is provided at the new space rate of \$10.63 per square foot. More information on campus facilities with new space need is provided online in the [2015-16 Support Budget supplemental documentation](#).

- **Retirement Costs (new CSU obligation)**

State funding of CSU employer-paid retirement costs has changed, as explained in Section 3.60 of the Budget Act of 2013. Per Government Code Section 20814, the state’s obligation to adjust retirement funding based on annual rates set by CalPERS will continue; however, beginning in 2014-15, the salary base applied to the incremental rate changes is frozen at the 2013-14 General Fund pensionable payroll level identified by the State Controller’s Office with the CSU proration of Operating Fund salaries. The impact of this change on the CSU 2015-16 operating budget has not been determined and funds are retained centrally to address potential CSU need.

- **Funded Student Enrollment Growth**

The final budget allocations include student access and enrollment growth of three percent above 2014-15 funded enrollment targets equivalent to 10,400 full-time equivalent students (FTES). Funding to support 2015-16 FTES growth is based on the systemwide total of 2014-15 budgeted expenses that sustain direct instruction, academic support, student services, institutional support, and operations and maintenance of plant. The average systemwide cost to educate a full-time equivalent student is \$9,942. It is anticipated that campuses will collect average net tuition of \$4,278 per FTES to support that education, leaving a fixed \$5,664 General Fund allocation per FTES.

\$9,942	Average Cost of Education per FTES
<u>-4,278</u>	Net Tuition Revenue per FTES
\$5,664	General Fund per FTES

This \$5,664 allocation per FTES is \$932 more General Fund per FTES than the funding level included in the May 2015 preliminary budget allocation memo. Campuses have been allocated \$58.9 million in General Fund for enrollment growth. The General Fund allocation and the campus estimated \$53.7 million net tuition revenue from enrollment growth provide a combined \$112.6 million increase to cover expenditures for enrollment growth and student success and completion initiatives. Information on the 2015-16 marginal cost of instruction rate by program area based on the state Department of Finance budget methodology is provided in [2015-16 Support Budget supplemental documentation](#).

- **Employee Compensation Increases**

The final budget allocates approximately \$65.5 million to support a two percent increase to the compensation pool. The non-faculty bargaining unit share of the two percent compensation pool allocation is distributed by campus based on the campus percentage share of 2013-14 CSU state-supported staff salaries. The faculty bargaining share of the two percent compensation pool is held centrally pending collective bargaining. Actual compensation increases for represented employee groups are determined by negotiations between collective bargaining units and CSU Systemwide Human Resources.

- **Systemwide Initiatives and Performance Funding**
The budget plan approved by the Board of Trustees contained funding to address several campus financial infrastructure challenges and systemwide initiatives. These funds are held centrally while plans are further developed, and include \$25.0 million for deferred maintenance financing, \$14.0 million for information technology infrastructure projects, and \$5.0 million for performance measures. This last item is the first time a small portion of total budget allocations will be used to recognize campuses progress on performance measures (e.g. graduation rates, closing the achievement gap). Final decisions on the systemwide initiatives and performance measures will be forthcoming during the fiscal year.
- **Student Success & Completion Initiatives**
The 2015-16 final budget allocations include \$20.0 million General Fund for campus student success and completion initiatives. The \$20 million distribution by campus is in three parts: 1) \$9.25 million based on campus share of total budgeted FTES; 2) \$9.25 million divided into three tiers based on campus size with \$480,000 going to each of the nine smallest campuses, \$381,000 going to the next ten campuses, and \$280,000 going to the four largest campuses; 3) \$1.5 million allocated to 6 campuses with Pell-eligible undergraduate enrollment in 2013-14 above 55 percent. The \$20.0 million General Fund allocation, combined with \$18.0 million of tuition revenue collected and held locally, should be used to fund the six priorities found in the [2015-16 Support Budget](#) that totaled \$38.0 million.
- **Tuition Discount, General Fund Adjustment**
This represents a change in methodology from past budget allocations to proportionally adjust campus General Fund allocations while continuing to recognize differences in financial aid student need by campus. In this more direct and simplified model, the campus ratio of tuition discount need to total headcount determines the estimated number of students that qualify for the tuition discounts (e.g. 100 FTES enrollment growth * 0.4 ratio = 40 additional qualifying students). The campus distribution of the final increase in tuition discounts from enrollment growth is based on the campus relative share of additional qualifying students. The result is proportional General Fund adjustments by campus that range from an increase of approximately \$197,000 to a reduction of approximately \$192,000.

Projections of 2015-16 Tuition and Fee Revenues Including Tuition Discounts
For Reference Only
(Attachment D)

As previously discussed, the 2015-16 projections of changes in systemwide tuition revenue are for reference only. Generally, these projections have not impacted campus final General Fund allocations. In other words, campus General Fund allocations will not be adjusted based on individual tuition revenue adjustments projected. This is a change from past allocation practices, first introduced in the May 2015 preliminary budget allocation memo.

- **2013-14 Change in Mix of Actual Resident Students**
Each year campus base revenue estimates are adjusted to reflect the most recent past year distributions of students. The change in resident student tuition revenue projections is based on the most recent past year enrollment patterns of student classification (undergraduate, graduate/post-baccalaureate) and fee paying status (full-time, or part-

time). Budget year tuition revenue projections are made after those base adjustments occur.

For 2015-16, campus base tuition revenue projections reflect -\$12.9 million adjustment due to change from 2012-13 to 2013-14 actual resident student distribution patterns.

- **2013-14 Actual Nonresident Student Enrollment**

The change in the in-state, state university tuition revenue paid by nonresident students is based on the most recent past year enrollment of nonresident students. For 2015-16 campus base revenue projections have been adjusted by a total of \$20.8 million to reflect the change from 2012-13 to 2013-14 nonresident student distribution.

- **Tuition Adjustment for Changes in 2015-16 Funded Enrollment Growth**

It is anticipated that systemwide FTES enrollment will grow by three percent (or 10,400 FTES) in 2015-16 allowing for increased unit load and new student access to the university. Tuition revenue projections for this anticipated growth are based on 2013-14 actual campus student enrollment patterns. It is projected that \$53.7 million of net new revenue will be collected in 2015-16 from budgeted enrollment growth.

- **2014-15 Base and 2015-16 Increase in Tuition Discounts**

Campus tuition discount allowances for 2014-15 totaled \$644.3 million. The final budget allocations assume campus base allowances will change only due to funded enrollment increases for 2015-16.

Using a more direct, simplified model, the 2015-16 final budget allocations include an \$11.4 million incremental increase in campus tuition discount allowances in recognition of funded student enrollment growth. Adjustments to tuition discounts are based on the proportion of tuition discount need at campuses as well as budgeted FTES growth.

It is expected that campus tuition discounts will minimally include the 2014-15 allowances of \$644.3 million in addition to the \$11.4 million growth based on CSU financial aid policy.

Questions about the tuition discount distribution process and allocations may be directed to Dean Kulju, Director of Financial Aid, at (562) 951-4737 or by email at dkulju@calstate.edu.

RS:KP:CC

Attachments