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CODED MEMO B 2021-02

To: CSU Chief Financial Officers

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

CC: Joseph I. Castro, Chancellor
Steven Relyea, Executive Vice Chancellor and Chief Financial Officer
Fred Wood, Interim Executive Vice Chancellor for Academic and Student Affairs
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: July 13, 2021

Re: 2021-22 Final Budget Allocations

Attachments: Coded Memo B 2021-02, Attachments A-E

The Budget Act of 2021 includes a \$550.2 million increase in recurring General Fund appropriation for the California State University (CSU) operating fund. A summary of the 2021-22 final operating fund budget can be found on the next page. The attachments contain detailed information by campus. This memo and its attachments only reflect recurring funding. One-time funding will be addressed in separate communications at later dates.

The governor signed two pieces of legislation specific to the Budget Act of 2021 that affect the CSU. The first is the original Budget Act of 2021 signed on June 28, 2021 (Assembly Bill 128, Chapter 21). The second is the amended Budget Act of 2021 signed on July 12, 2021 (Senate Bill 129). As these statutes are referenced today and in the future for the General Fund, it is important to only use Senate Bill 129 as it details the correct CSU General Fund appropriation for 2021-22. Senate Bill 129 is the latter of the two pieces of legislation, making it the final authority. The main CSU General Fund detail in the original budget act (i.e., Item 6610-001-0001) may be disregarded. For all other CSU-related appropriations and provisions found throughout the original Budget Act of 2021, please reference Assembly Bill 128.

The budget includes restoration of the previously enacted \$299 million General Fund reduction to the CSU, a \$186 million base increase for CSU operational costs, \$15 million for the Basic Needs Initiative component of Graduation Initiative 2025, \$15 million for student mental health, \$25 million for additional academic programs for Humboldt State University's new polytechnic designation, \$2 million for a common learning management system, \$1 million for enrollment growth at Stanislaus' Stockton

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

Center, \$6 million for summer financial aid, \$1 million for the Mervyn M. Dymally African American Political and Economic Institute at Dominguez Hills, and \$0.2 million for the Corporation for Education Network Initiatives in California.

The following table summarizes the 2021-22 final operating fund budget, including General Fund and tuition and fee revenue.

2021-22 Final Budget Summary	
2020-21 Final Budget, General Fund (Coded Memo B 2020-01)	\$3,722,806,000
2020-21 State-Funded Retirement Adjustment	(42,716,000)
State Transportation Fund Adjustment	(2,000,000)
2020-21 Revised General Fund Budget	\$3,678,090,000
2021-22 General Fund Increase	550,192,000
2021-22 Total General Fund Budget	\$4,228,282,000
2021-22 Gross Tuition & Fees	\$3,036,991,000
2021-22 Total Operating Budget	\$7,265,273,000
2021-22 Expenditure Increases	
Systemwide Priorities	(\$43,110,000)
Employer Paid Health Premiums	23,782,000
Operations and Maintenance of New Facilities	15,206,000
Compensation Adjustment	45,106,000
AB 1460 Ethnic Studies	16,319,000
Restoration of 2020-21 General Fund Decrease	299,043,000
Graduation Initiative 2025	150,000,000
Other Program Adjustments	43,846,000
2021-22 Total Expenditure Increases	\$550,192,000

Detailed explanations of recurring budget allocations are provided in the following pages. Expenditure and General Fund changes by campus are included in the attachments to this coded memorandum.

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

- Attachment A: Operating Budget Sources
- Attachment B: Revisions to 2020-21 Expenditures (Uses)
- Attachment C: 2021-22 Expenditure Adjustments (Uses)
- Attachment D: 2021-22 Enrollment and Tuition & Fee Revenue (Sources)
- Attachment E: 2021-22 State University Grants (Uses)

The 2021-22 final budget also includes \$976.3 million of one-time General Fund augmentations for CSU deferred maintenance and energy efficiency projects (\$325 million); transitioning Humboldt State University to a Polytechnic University (\$433 million); Dominguez Hills capital outlay infrastructure improvements (\$60 million); Stanislaus' Stockton Center improvements (\$54 million); student emergency assistance grants (\$30 million); Northridge's Center for Equity in Innovation and Technology (\$25 million); professional development and equal opportunity practices (\$10 million); Monterey Bay's Computing Talent Initiative (\$10 million); San Francisco's Asian American Studies Department (\$10 million); Bakersfield's nursing and health professional programs (\$6 million); Project Rebound (\$5 million); Humboldt's nursing program (2.5 million); an evaluation of the existing salary structure of represented staff employees (\$2 million); San Bernardino's physician assistant program (\$1.8 million), Fullerton's pedestrian bridge (\$1 million); and Fullerton's arboretum (\$1 million). Separate communications will be provided at later dates.

Questions concerning this memo, or its attachments, may be directed to Ms. Jeni Kitchell, Mr. Jerry Willard or other System Budget Office staff at (562) 951-4560. Please reference the [Budget Office staff directory](#) for additional contact information and staff areas of assignment.

Additional References

- [CSU 2021-22 Operating Budget](#)
- Original Budget Act of 2021, [Assembly Bill 128](#)
- Amended Budget Act of 2021, [Senate Bill 129](#)
- Amended Budget Act of 2021, [Senate Bill 170](#) (amends Senate Bill 129)
- [2021-22 Governor's Budget, Department of Finance, State of California](#)
- [CSU Budget Detail in the 2021-22 Governor's Budget](#)

RS: JK: JW

Attachments

2021-22 Final Budget Allocations, Attachment Descriptions

Operating Budget Sources - (Attachment A)

Attachment A summarizes the 2021-22 operating budget by campus after revisions to 2020-21 expenditures (Attachment B) and 2021-22 expenditure and revenue adjustments (Attachment C and D).

Revisions to 2020-21 Expenditures - (Attachment B)

Revisions to the 2020-21 expenditures reflect changes that occurred since adoption of the Budget Act of 2020 and publication of the 2020-21 final budget allocations memo (B 2020-01). These adjustments include:

- **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 first time since 2011-12, a drop in retirement contribution rates resulted in a negative General Fund adjustment instead of the usual increase. In other words, CSU retirement costs declined and, therefore, less state funding is necessary. The 2019-20 to 2020-21 State Miscellaneous First Tier rates decreased from 31.075 percent to 29.370 percent and the State Peace Officer / Firefighter rate decreased from 48.845 percent to 36.100 percent. Consequently, due to the 2020-21 operating budget base retirement cost reduction, the CSU returned \$42.7 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.

- **2020-21 Compensation Adjustment**

Statewide University Police Association (Unit 8) compensation increases were determined after the 2020-21 final budget allocations were made. Those increases were effective January 1, 2021. Therefore, the equivalent of six months of recurring funding (\$1.15 million) was allocated to campuses in 2020-21.

- **Other Program Adjustment**

The first of two adjustments removes base funding from this memo that was incorrectly added some time ago. The Budget Act of 2017 included \$2 million each year for transportation research, training, and education from a state special fund. It is expected that the transportation research appropriation will continue annually through 2026-27. By removing this funding from this memo, it will better reflect the overall purpose of this memo, which is to reflect the General Fund, tuition and fee revenue sources that support the CSU Operating Fund.

The second adjustment is a technical shift of \$2.2 million among systemwide categories. This change more accurately reflects the management of certain aspects of the Graduation Initiative 2025 and Rapid Rehousing programs by the Chancellor's Office.

2021-22 Expenditure Adjustments - (Attachment C)

- **Systemwide Priorities**

The Chancellor's Office is temporarily holding \$90.1 million for systemwide priorities. These funds may be allocated to campuses for various efforts and initiatives that will foster greater student success. Some potential areas of investment would be efforts to eliminate equity gaps in degree completion, additional strategies to improve graduation rates, student technology initiatives and other emerging issues.

- **Employer-Paid Health Care Premiums**

Effective January 2021, the estimated annualized cost to fund employer-paid health care rate increases is \$23.8 million. The number of CSU employee participants and the difference between the old and new employer-paid contribution rates determine health care benefit cost increases. The distribution is based on the percentage share of campus 2019-20 actual operating fund health benefits expenditures. For additional information regarding January 2021 health premiums, please reference Human Resources Technical Letter, ([HR/Benefits 2020-14](#)).

- **Operations and Maintenance of New Facilities**

This allocation includes an increase of \$15.2 million for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape and administrative support. In 2021-22, the CSU is scheduled to open 558,969 new square feet of space. Funding is provided at the rate of \$20.28 per square foot. More details on campus facilities included in this allocation are provided [online](#).

Additionally, an allocation for new facilities opened in 2020-21 is included. The CSU opened 198,880 new square feet of space in 2020-21 and budgeted expenditures were calculated at a rate of \$19.46 per square foot. More details on campus facilities included in this calculation are provided [online](#).

- **2021-22 Compensation Adjustment**

The equivalent of six months of recurring funding (\$1.15 million) was allocated to campuses in 2020-21 for Statewide University Police Association (Unit 8) compensation increases. An additional \$1.15 million adjustment for 2021-22 funds the full 12 months on a recurring basis. Together, the annualized adjustment for Unit 8 compensation increases is \$2.3 million.

Recurring funding equivalent to a two percent compensation pool (\$45 million) is held at the Chancellor's Office for potential California Faculty Association (Unit 3) compensation increases.

- **Assembly Bill 1460 Ethnic Studies Requirement**

Assembly Bill 1460 requires every CSU campus to offer ethnic studies courses and every CSU student to complete a three-unit course in ethnic studies to graduate. Campuses that have no ethnic studies courses must develop them and campuses that have ethnic studies departments or courses must expand them to ensure that every student has access to an ethnic studies course. The cost to the CSU to provide an ethnic studies course to all students is comprised of instructional, administrative, and one-time Associate Degree for Transfer review activities.

For the allocation, each campus is provided a base allocation of \$300,000. Additional amounts are provided to campuses based on campus full-time equivalent students (FTES) and the percentage of ethnic studies courses offered at the campus.

- **Restoration of 2020-21 General Fund Reduction**

Budget allocations for 2021-22 include a restoration of the 2020-21 General Fund reduction (\$299 million). In 2020-21, campus budgets were reduced by \$323.2 million due to a \$299 million recurring reduction in state General Fund and an expected tuition revenue decrease of \$24.2 million due to changes in student enrollment patterns and behavior (reference [Coded Memo B 2020-01](#), Attachment D). The new 2021-22 General Fund allocation reverses the previous campus reductions in state General Fund by the same proportions and amounts.

- **Graduation Initiative 2025**

For Graduation Initiative 2025, an additional \$150 million builds upon the \$195 million in recurring funding allocated for the initiative since 2017-18. Graduation Initiative 2025 is the CSU's ambitious initiative to increase graduation rates for all students while eliminating equity gaps, providing California with the graduates it needs to power the economy.

In January 2021, Chancellor Castro convened a new advisory committee for Graduation Initiative 2025 with an expressed goal to identify new and creative ways to address disparities in graduation rates and eliminate equity gaps. Of the \$150 million for Graduation Initiative, \$15 million is centrally held for campus allocations to address strategies and interventions stemming from the advisory committee's efforts.

For 2021-22, \$135 million is allocated to campuses based on the number of students eligible for federal Pell grants in 2019-20. The allocation methodology acknowledges that while all campuses have ambitious graduation rate targets, differing levels of financial investment will be required to eliminate equity gaps. Each campus may use 78 percent of the 2021-22 Graduation Initiative 2025 allocation in support of their graduation initiative goals, including offering additional academic services such as high-demand course sections to increase average unit load for undergraduate students and student support services. However, of its 2021-22 Graduation Initiative 2025 funding, each campus is required to allocate 11 percent for basic needs initiatives and 11 percent for additional student mental health services. The required use of these funds for basic needs and mental health are necessary to meet state expectations and reporting requirements.

- **Other Program Adjustments**

The CSU regularly explores ways that could lead to better allocation strategies for campuses. One that is being incorporated into the 2021-22 budget allocations is campus funding equalization. Over the past several decades, state and CSU budget decisions have created some funding disparities among similar-sized campuses. The purpose of this new initiative is to augment campus budgets over a multi-year period to better align funding with those of their peers. For 2021-22, \$8.6 million is included for equalization. Campuses are grouped based on certain characteristics and a target funding per FTES is determined. Under-/over-enrollment is not factored into the calculation. Based on the criteria, four campuses (Bakersfield, Fullerton, San Bernardino, and Stanislaus) receive allocations ranging from \$1.5 million to \$2.5 million per campus.

Other program adjustments include several direct allocations for campuses and for systemwide programs. The timing on the availability of these funds will vary. Recurring funds that are immediately allocated to campuses are the Mervyn M. Dymally African American Political and Economic Institute at Dominguez Hills (\$1 million) and an enrollment increase at Stanislaus' Stockton campus (\$1 million). Recurring funding for Humboldt's transition to a polytechnic designation (\$25 million) is initially held centrally but will be allocated when various goals and objectives are met for such efforts as the polytechnic self-study, strategic plan, academic master plan, physical master plan, facility and infrastructure prioritization, enrollment management and budget reorganization. Also, recurring funding is held for Chancellor's Office programs and systemwide responsibilities: Corporation for Education Network Initiatives in California (\$0.2 million); common learning management platform (\$2 million); and summer financial aid (\$6 million).

- **2021-22 State University Grant Five Percent Redistribution**

The expenditure adjustments for State University Grants (SUG) reflect the redistribution of five percent of the SUG pool to align SUG allocations at campuses that have the highest relative share of students with an Expected Family Contribution (EFC) of \$0 to \$4,000. The total adjustment reallocates funding and expenditures among campuses based on the change in relative need. No campus' SUG allocation for 2021-22 is less than 95 percent of its 2020-21 total. Further details on SUG distribution by campus are outlined in Attachment E.

2021-22 Enrollment and Tuition & Fee Revenue - (Attachment D)

Attachment D includes the tuition and fee revenue reported by campuses in the 2020-21 FIRMS final budget submissions. Resident enrollment targets for 2021-22 remain unchanged from 2020-21, apart from an additional 115 FTES for Stanislaus' Stockton center. The nonresident enrollment has been updated to reflect the most recent year (2020-21) actual FTES figures.

2021-22 State University Grants - (Attachment E)

The 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. No campus' 2021-22 SUG allocation is lower than 95 percent of its 2020-21 SUG allocation. The systemwide total SUG allocation of \$701 million in the final 2021-22 operating budget has not changed from 2020-21.

As student enrollment and financial aid demographics change over time and by campus, five percent of the total SUG pool is redistributed to campuses with the highest proportion of students with the greatest financial need. This re-allocation of the total SUG pool (just over \$35 million) addresses these changes in relative share of students on each campus that have an EFC of \$0 to \$4,000. If a campus' share of total need is above 95 percent of its past year allocation, that campus will receive a portion of the \$35 million being reallocated.