

**Coded Memo B 2013-01**

**To:** CSU Chief Fiscal Officers

**From:** Robert Turnage, Assistant Vice Chancellor for Budget   
Rodney Rideau, Senior Director of the Budget 

**Copy:** CSU Presidents, Financial Officers, Budget Officers, Financial Aid Directors, Enrollment Planning and Resource Officers, and Enrollment Managers

**Date:** April 9, 2013

**Subject:** 2013/14 Governor's Budget Allocations

**Attachments:** Coded Memo B 2013-01, Attachments A-E

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The CSU 2013/14 Governor's Budget allocation memorandum and attachments are provided for provisional planning purposes. These allocations are based on the Governor's January 2013 budget proposal and the CSU budget plan priorities, as revised and discussed with the Board of Trustees (BOT) at its March 19-20 meeting. The Governor's proposal includes a \$125.1 million programmatic increase in state support, with \$115.1 million undesignated and \$10 million to be used to increase the number of courses available to matriculated undergraduates through the use of technology. The 2013/14 Governor's Budget also includes the state General Fund (GF) augmentation for tuition fee buyout that was authorized in a 2012/13 budget trailer bill (AB 1502). Further GF appropriation adjustments are related to lease revenue bond debt service, annuitants' dental premiums, employer-paid retirement costs, and CSU interest payments to the state. In addition, the 2013/14 Governor's Budget proposes to move CSU general obligation bond debt service from statewide expenditures in General Government to the CSU main GF appropriation.

As reviewed at the March BOT meeting, the uses of the \$115.1 million GF increase (undesignated in the Governor's proposal) are prioritized for the most pressing needs, as follows:

- Mandatory costs increases, \$48.2 million (health benefit premium increases, 2011/12 through 2013/14 operations and maintenance of new space, and energy)
- Employee compensation pool, \$38.0 million
- 1.45 percent (systemwide) enrollment growth, \$21.7 million
- Student access and success initiatives, \$7.2 million

The \$115.1 million represents a revision to the November 2012 BOT approved 2013/14 support budget request that included \$371.9 million from state funds. Further details regarding 2013/14 Governor's Budget GF base and expenditure adjustments and information related to distributions by campus are included in Appendix A of this memorandum.

The 2013/14 Governor’s budget proposes to freeze the CSU salary base to the actual 2012/13 pensionable payroll for purposes of calculating state adjustments of CSU’s GF appropriation for employer contributions to CalPERS in 2013/14 and future years.

The following table summarizes the CSU 2013/14 state appropriation based on the Governor’s Budget:

<b>2012/13 Budget Act General Fund Appropriation</b>	<b>\$2,010,652,000</b>
Supplemental GF Appropriation for Adjustment in 2012/13 Retirement Rates	51,449,000
<b>2012/13 Revised General Fund</b>	<b>\$2,062,101,000</b>
Augmentation for Buyout of 2012/13 Tuition Fee Rate Increase	125,000,000
2013/14 Lease Revenue Bond Debt Service Adjustment	19,521,000
Annuitants' Dental Insurance Adjustment	(473,000)
State Interest Payment Adjustment	(766,000)
Moves CSU General Obligation Bond Debt Service into CSU Main GF Appropriation	198,063,000
<b>2013/14 General Fund After Base Adjustments</b>	<b>\$2,403,446,000</b>
2013/14 General Fund Base Budget Augmentation	125,117,000
<b>2013/14 Governor's Budget General Fund After Augmentation</b>	<b>\$2,528,563,000</b>

The budget adjustments in this coded memorandum also include \$30.1 million increase in gross tuition fee revenue from 1.45 percent enrollment growth. After setting aside financial aid (tuition fee discounts) equivalent to \$6.3 million, the 2013/14 net tuition fee revenue from enrollment growth is \$23.8 million. An additional negative adjustment in estimated tuition fee revenue of -\$13.4 million results from year to year changes in actual student enrollment patterns. The estimated 2013/14 net tuition fee revenue totals approximately \$1.5 billion and total tuition fee discounts are \$633.3 million.

The systemwide resident full-time equivalent student (FTES) enrollment growth of 1.45 percent is equivalent to 4,794 FTES bringing the 2013/14 resident target to 336,510 FTES. As indicated in the March 21, 2013 memorandum to campus presidents from the Chancellor’s Office, campuses should manage within the enrollment tolerance indicated when developing provisional plans based on the 2013/14 Governor’s Budget.

Following are references to the 2013/14 Governor’s Budget:

1. [2013/14 Budget Bill SB 65](#)
2. [State of California, Department of Finance, 2013/14 Governor’s Budget](#)
3. [CSU Section of the 2013/14 Governor’s Budget](#)

Please direct questions concerning this memorandum to Rodney Rideau, Senior Director of the Budget; Chris Canfield, Associate Budget Director, or a system Budget Analyst at (562) 951-4560. Reference the [staff directory](#) for additional contact information.

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Attachments

Following are further details regarding 2013/14 Governor's Budget GF base and expenditure adjustments and information related to distributions by campus as shown in budget allocations Attachments A through E.

**Attachment A – 2013/14 Governor's Budget Allocations, Gross Budget Summary**

The 2013/14 Governor's Budget allocations are presented as preliminary adjustments to the 2012/13 Final Budget allocation base. The adjustments include estimated budget actions specified on Attachments B, C, and D. The 2013/14 allocations on Attachment A may be further revised by campuses to reflect fee revenue adjustments for campus planning estimates.

**Attachment B – 2013/14 Governor's Budget Allocations, General Fund Base Adjustments**

Base budget adjustments address modifications to the GF allocation that campuses received in the 2012/13 final budget (reference Coded Memo B 2012-03). The CSU GF appropriation in the 2012/13 Final Budget enacted last June totaled \$2,010,652,000. After GF base adjustments for 2012/13 retirement rate changes, backfill of 2012/13 tuition fee rate rollback, 2013/14 shift of general obligation bond debt services into CSU's budget, and 2013/14 lease revenue bond, dental annuitant, and revenue interest assessment, the revised GF base for 2013/14 is \$2,403,446,000. This is before other GF expenditure adjustments. These GF base adjustments are further described below.

❖ Retirement Adjustment

Each year the California Public Employees' Retirement System (CalPERS) adjusts employer-paid contribution rates in order to maintain the actuarial soundness of the system and meet defined benefit pension obligations. The distribution of the \$51.4 million retirement adjustment by campus is based on the changes in CalPERS employer-paid retirement rates from 2011/12 to 2012/13 applied to the campus 2012/13 FIRMS final budget CSU state support salaries submitted in November 2012. The State Miscellaneous – Tier 1 rate increased from 18.175 percent to 20.503 percent and the State Peace Officer / Firefighter rate increased from 27.415 percent to 30.297 percent (CSU covers the additional 8 percent employee contribution rate for Unit 8).

The state Department of Finance will process the 2012/13 GF appropriation retirement adjustment before the end of the 2012/13 fiscal year. For additional information on employer contributions and employee retirement, please reference the applicable [2013/14 Support Budget supplemental documentation section](#) and [Human Resources technical letter 2012-06](#).

❖ Buyout of 2012/13 Tuition Fee Increase

The 2013/14 Governor's Budget includes the \$125 million GF base increase for rollback of the 2012/13 tuition fee increase. A 2012/13 budget trailer bill (AB 1502) required the passage of the Governor's Proposition 30 tax initiative and reset of the CSU tuition fee rates by the BOT from 2012/13 to 2011/12 academic year rates in order for this GF appropriation to become operative in 2013/14; both actions occurred during fall 2012. The \$125 million GF appropriation is intended to replace loss of tuition fee revenue from the tuition fee rollback that corresponds with funded resident FTES budget targets and nonresident FTES. The campus allocations are based on the change in campus 2012/13 NET tuition fee revenue reported in August versus November in campus FIRMS 2012/13 final budget submittals. If the campus budget submittals included tuition fee revenue for resident FTES above target, then an adjustment to the campus allocation occurs for consistency across campuses.

❖ Other Base Adjustments

Other base budget adjustments include 2013/14 lease revenue bond debt service increase of \$19.5 million, annuitants' dental insurance decrease of \$0.5 million, and reallocation of \$4 million for Agriculture Research Institute (ARI) from Fresno to Systemwide Provisions. These funds will be allocated to the campus currently managing the ARI program (San Luis Obispo). Also shown here is the base adjustment in the 2013/14 Governor's Budget to move \$198 million of general obligation bond debt service from statewide expenditures in General Government (Section 9600) to the CSU main 6610 GF appropriation.

❖ Campus Operating Revenue Interest Assessment

The total CSU 2013/14 operating revenue interest assessed (\$2.983 million) is approximately \$0.8 million greater than the 2012/13 \$2.217 million assessment. The interest assessment has occurred since 2006/07 when CSU higher education fee revenue moved from a state fund to the CSU local Trust Fund. The CSU interest payment obligation is in budget statute and is meant to keep the state whole for interest earned on student fee revenue held in trust. The distribution by campus is based on the campus operating revenue that includes tuition and other fee revenue reported in 2012/13 FIRMS final budget submissions. The interest cost is calculated using the most recent Surplus Money Investment Fund (SMIF) interest rates.

**Attachment C – 2013/14 Governor's Budget Allocations, General Fund Expenditure Adjustments**

The 2013/14 Governor's Budget allocations for expenditure adjustments of \$125.1 million as provided in Attachment C include funding to cover the cost of mandatory cost increases, enrollment growth, financial aid (tuition fee discounts) adjustments. Other CSU priorities for increases in compensation (\$38 million), student access and success (\$7.2 million), and utilizing technology to provide more access to "bottleneck" courses (\$10 million) are held centrally in systemwide provisions pending further determinations on distribution of those allocations. The distribution of compensation increase will be determined as part of the collective bargaining process. The distributions of student access and success and funds to address bottleneck courses will be determined through request for proposals processes this spring as communicated to campus presidents.

❖ Mandatory Costs Increases

Attachment C includes expenditure adjustments for CSU mandatory cost increases related to changes in health premiums, energy costs, and new space maintenance and operations.

➤ Health Benefits

The estimated annualized cost to fund employer-paid health care benefit premium rate increases effective in January 2013 is \$36.2 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 FIRMS 2011/12 actual state support health benefits expenditures. For additional information regarding January 2013 health premium costs, please reference the applicable [2013/14 Support Budget supplemental documentation section](#) and [HR technical letter 2012-07](#).

➤ Energy

The 2013/14 Governor's Budget allocations include \$5.2 million for campus cost increases in electricity, natural gas, and water/sewer utility rates, which is distributed by campus based on the campuses' proportional share of custodial square footage included in the 2012/13 Capital Planning Design and Construction (CPDC) facility database for main campus and off-campus sites.

➤ New Space

The 2013/14 Governor’s Budget allocations include \$6.8 million to fund regular maintenance and operations of 2011/12 through 2013/14 new space. Regular maintenance of new space includes the cost of utilities, building maintenance, custodial, landscape, and administrative support. The CSU opened 388,880 square feet of new space in 2011/12, another 274,811 square feet of new space in 2012/13, and is scheduled to open a total of 18,045 square feet in 2013/14. State funding for new space was not available in 2011/12 and 2012/13. Funding of regular maintenance is provided at the new space rate of \$9.80 per square foot in 2011/12, \$10.02 per square foot in 2012/13, and \$10.23 per square foot in 2013/14. More information on campus facilities with new space need is provided in the applicable [2013/14 Support Budget supplemental documentation section](#).

❖ Enrollment Growth Funding

The 2013/14 Governor’s Budget allocations include 1.45 percent resident full-time equivalent students (FTES) growth systemwide, an additional 4,794 FTES, funded at a marginal cost rate of \$9,527 per FTES (GF and fees). There is a minimum of 1.2 percent FTES growth per campus. The distribution of enrollment targets by campus is based on consultation with campus presidents.

When budget allocations include both GF and tuition fee revenue increases to cover budget plan expenditure adjustments, then the incremental tuition fee revenue is applied first to offset the gross need and the balance is covered by GF. Since the 2013/14 incremental tuition fee revenue is applicable to enrollment growth only, it is fully utilized here. As shown on Attachment C, the campus allocations use the incremental 2013/14 projected tuition fee revenue after a deduction of \$1,312 for tuition fee discounts per FTES growth. The campus incremental net tuition fee revenue partially offsets \$9,527 funding per FTES growth with the balance equal to the campus GF allocation. The 2013/14 resident student Marginal Cost of Instruction rate by program area is detailed in the following table:

Program	2013/14 General Fund MC Factor Per FTES	2013/14 Net <sup>1</sup> Tuition Fees MC Factor Per FTES	2013/14 Total <sup>2</sup> MC Factor Per FTES
Instruction	\$4,217	\$1,201	\$5,418
Research	0	0	0
Public Service	0	0	0
Academic Support	769	384	1,153
Student Services	641	314	955
Institutional Support	724	342	1,066
Operation and Maintenance of Plant	471	383	854
Student Financial Aid	0	0	0
<b>Totals</b>	<b>\$6,822</b>	<b>\$2,624</b>	<b>\$9,446</b>
Instructional Equipment	81	0	81
<b>Totals with I.E.</b>	<b>\$6,903</b>	<b>\$2,624</b>	<b>\$9,527</b>
<b>2013/14 Total Marginal Cost of Instruction<sup>2</sup></b>			<b>\$10,839</b>
<b>Less: MC Financial Aid (Tuition Fee Discounts)</b>			<b>(\$1,312)</b>
<b>2013/14 Total Marginal Cost of Instruction without MC Financial Aid</b>			<b>\$9,527</b>
<b>Net MC Tuition Fee Revenue<sup>1</sup></b>			<b>(\$2,624)</b>
<b>MC General Fund Support</b>			<b>\$6,903</b>

<sup>1</sup> MC tuition fees support net of forgone financial aid; 2013/14 budget allocations incorporate projected campus NET revenue from enrollment growth.

<sup>2</sup> Based on most-recent past year total MC increased by 2.2 percent CA-CPI.

❖ Tuition Fee Discounts, GF Adjustments based on Campus Relative Student Need

The tuition fee discounts set-aside from current 2013/14 revenue adjustments is \$6.3 million. This tuition fee discounts augmentation is distributed based on financial need and budgeted enrollment targets. The difference between how the increase in tuition fee discounts are covered (based on marginal cost financial aid for enrollment growth) and how tuition fee discounts are distributed (based on estimate of need and enrollment targets) results in the adjustments to campus GF allocations as shown on Attachment C.

**Attachment D – 2013/14 Governor’s Budget Allocations, Tuition Fee Revenue Adjustments**

This coded memo includes tuition fee revenue adjustments related to changes in student enrollment patterns and 1.45 percent or 4,794 FTES 2013/14 enrollment growth systemwide. The enrollment included in budget plan tuition fee revenue projections encompass the 2013/14 budgeted resident enrollment target of 336,510 FTES along with 14,328 nonresident FTES for a total of 350,838 FTES. Nonresident FTES is based on the most recent past-year actual (2011/12).

The following table summarizes the projected 2013/14 tuition fee revenue adjustments as shown in Attachment D:

	Gross Tuition Fee Revenue Adjustments	Tuition Fee Discounts / Financial Aid Set-Aside	2013/14 Net Tuition Fee Revenue Adjustment
2013/14 Tuition Fee Revenue Adjustments			
Change in Student Enrollment Patterns	(\$13,433,000)		(\$13,433,000)
2013/14 Tuition Fee Revenue from Enrollment Growth	30,132,000	(6,290,000)	23,842,000
Total 2013/14 Tuition Fee Revenue Adjustments	\$16,699,000	(\$6,290,000)	\$10,409,000

Following is a summary of the 2013/14 academic year tuition fee rates:

<b>Tuition Fee Academic Year Rates*</b>	<b>2013/14</b>
<b>Undergraduate Programs</b>	
6.1 or more	\$5,472
0 to 6.0	\$3,174
<b>Credential Programs</b>	
6.1 or more	\$6,348
0 to 6.0	\$3,684
<b>Graduate and Other Post-Baccalaureate Programs</b>	
6.1 or more	\$6,738
0 to 6.0	\$3,906

\*Equal to 2011/12 Tuition Fee Rates.

**Attachment E – 2013/14 Governor’s Budget Allocations, Tuition Fee Discount Adjustments**

Attachment E provides the total 2013/14 tuition fee discount allocations by campus with a \$6.29 million increase related to 2013/14 enrollment growth as shown in the 2013/14 tuition fee revenue adjustments in Attachment D. The preliminary tuition fee discounts distribution by campus is based on 2012/13 tuition fee levels, campus 2013/14 funded enrollment targets, and a recognition of the highest need students, defined as those with a family contribution less than or equal to \$4,000. The campus tuition fee discounts allocations are calculated after allowances for tuition fee waivers and Cal Grant fee awards.

Campus tuition fee discount allocations recognize the distribution of financial need for both the highest need students and students with family contributions between \$4,001 through \$11,500. While the allocation methodology aims to cover tuition fees for students with the highest level of need, systemwide financial aid policy enables campuses to make awards to eligible students with family contributions up to 50 percent of the cost of attendance for a student living off campus (approximately \$11,500) and/or to increase awards to cover the cost of additional education expenses. Questions about the tuition fee discounts 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](mailto:dkulju@calstate.edu).