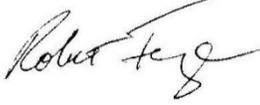
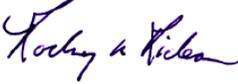


Coded Memo B 2013-02

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: July 24, 2013

Subject: 2013/14 Enacted Budget Allocations

Attachments: Coded Memo 2013-02, Attachments A-E

The Governor signed the state Budget Act of 2013 [*Assembly Bill (AB) 110, Chapter 20*] on June 27, 2013. The 2013/14 enacted budget allocations are reflected on attachments A through E of this document. There are no changes to campus allocations made in the 2013/14 Governor's Budget Allocations memo, Coded Memorandum B 2013-01. CSU appropriations in the enacted budget are consistent with the Governor's January budget except for the Governor's proposal to "fold in" debt service on general obligation bonds. State support for the CSU is \$2.3 billion out of a \$96.3 billion state General Fund budget. The enacted budget supports \$125.1 million General Fund spending plan increase that was reviewed and discussed at the March 19-20, 2013 meeting of the Board of Trustees:

- Mandatory costs increases, \$48.2 million (health benefit premium increases, energy cost increases, and 2011/12 through 2013/14 operations and maintenance of new space)
- Employee compensation pool, \$38.0 million
- 1.45 percent (systemwide) enrollment growth, \$21.7 million
- Student access and success initiatives, \$7.2 million
- Innovative use of technology and online courses to address course "bottlenecks," \$10 million

CSU priorities for increases in compensation, student access and success, and utilizing technology to provide more access to "bottleneck" courses continue to be 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 funds for student access and success initiatives and to address bottleneck courses will be based on the processes communicated to campuses in spring 2013 and in RFP award letters sent to campuses earlier this month by Chief Academic Officer Ephraim P. Smith.

The enacted budget allocations reflect the state General Fund augmentation for the 2012/13 tuition fee roll back that was authorized in budget trailer bill AB 1502 of the 2011/12 legislative session, as well as adjustments related to lease revenue bond debt service, annuitants' dental premiums, employer-paid retirement costs, and CSU interest payments to the state.

The Budget Act of 2013 includes a provision to calculate future General Fund adjustments for CSU employer retirement contributions to CalPERS on a payroll base amount not to exceed the university's 2013/14 pensionable payroll, while retaining the state's obligation to adjust retirement funding based on annual rates set by CalPERS. This change in the retirement funding methodology was also included in the Governor's January budget proposal, although the Governor's proposal would have used CSU's 2012/13 pensionable payroll as a cap for calculating adjustments in all future years. On the 2013/14 retirement adjustment, the related Executive Order authorizing the General Fund appropriation for this purpose is expected to be issued in spring 2014 by the State Department of Finance and the supplemental campus allocation will immediately follow and become permanent in the form of a base adjustment in 2014/15 budget allocations.

The Governor's proposal to merge CSU support and capital outlay budgets into one appropriation and to make current and future debt service on state bonds payable from the university's annual support budget appropriations was rejected by the legislature and, therefore, is not included in the Budget Act of 2013. Also, the legislature rejected trailer bill language that would have conformed provisions of collective bargaining law for the CSU employer/employee shares of health care benefit premiums to the same provisions governing cost share for the state Department of Human Resources and state unions.

The following table summarizes the CSU 2013/14 state appropriation based on the Budget Act:

CSU General Fund (GF) Appropriation in 2013/14 Budget Act

2012/13 Budget Act GF Appropriation	\$2,010,652,000
Supplemental GF Appropriation for Adjustment in 2012/13 Retirement Rates	51,449,000
2012/13 Final GF Appropriation	\$2,062,101,000
Augmentation for 2012/13 Tuition Fee Rate Roll Back	125,000,000
Adjustment for 2013/14 Lease Revenue Bond Debt Service	19,521,000
Adjustment for Annuitants' Dental Insurance	(473,000)
Adjustment for State Interest Payment	(766,000)
2013/14 GF Appropriation with Augmentations / Adjustments	\$2,205,383,000
2013/14 GF Increase	125,117,000
2013/14 Budget Act GF Appropriation	\$2,330,500,000

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.

The budget adjustments in this coded memorandum include a \$30.1 million increase in gross tuition fee revenue from 1.45 percent enrollment growth. After applying financial aid tuition fee discounts of \$6.3 million, the 2013/14 net tuition fee revenue from enrollment growth is \$23.8 million. The 2013/14 revenue projection also includes a negative \$13.4 million net adjustment in base revenue for the year-to-year change in actual student enrollment patterns. The 2013/14 net tuition fee revenue projection totals just over \$1.5 billion, which reflects tuition fee discounts that total \$633.3 million.

Adjustments totaling \$8.9 million reflect a movement of funds from systemwide provisions to the Chancellor's Office in order to (a) invest in shared services, (b) support other systemwide initiatives, and (c) replace one-time sources used on a temporary basis to fund Chancellor's Office workload. One outcome of this adjustment will be a reduction in various campus assessments totaling approximately \$1 million.

A pending supplemental campus allocation is related to the cost to cover one-third of the faculty equity increases effective July 1, 2013. As previously communicated in a June 11, 2013 memorandum to campus presidents on the faculty equity salary increase, one-third of the annualized cost to cover provisions 31.11 through 31.13 of the collective bargaining agreement between the CSU and the California Faculty Association will be allocated to campuses. The allocation will occur subsequent to completion of campus related reports due to Systemwide Human Resources in August and become permanent in the form of a base adjustment in 2014/15 budget allocations.

Please direct questions concerning this memorandum to the [CSU System Budget Office](#).

Following are references to the Budget Act of 2013 and campus budget allocations:

1. [Budget Act of 2013, AB 110](#)
2. [Trailer Bill, AB 94](#)
3. [CSU 2013/14 Enacted and Governor's Budget Allocations, Coded Memos](#)

RT:RR:CC

Attachments