

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

CODED MEMO B 2017-03

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 and Chief Financial Officer,
Loren J. Blanchard, Executive Vice Chancellor for Academic and Student Affairs
Andrew Jones, Interim Vice Chancellor of Human Resources,
CSU Presidents, Financial Officers, Budget Officers, Financial Aid Directors,
Enrollment Planning and Resource Officers, and Enrollment Managers

Date: April 24, 2017

Re: 2017-18 Preliminary Budget Allocations

Attachments: Coded Memo B 2017-03, Attachments A-D

This preliminary budget allocation is for campus financial planning purposes. The governor's January budget includes a \$157.2 million General Fund increase for CSU operations and includes an additional \$5.07 million for lease revenue bond annual debt service costs now managed by the Chancellor's Office. However, the General Fund increase is less than the Board of Trustees 2017-18 support budget request of \$324.9 million. The preliminary budget allocations include \$118.9 million gross tuition revenue as a result of the 2017-18 tuition rate increase approved by the Board of Trustees at the March 2017 meeting ([RFIN 03-17-03](#)). The combined General Fund and tuition revenue increases are required to fund Graduation Initiative 2025, State University Grant increases, employee compensation (current contracts), and mandatory costs. The current level of new revenue falls short of the amount required to fund budget plan priorities like student enrollment growth and new infrastructure investments at this time.

The memo attachments display the following preliminary support budget adjustments by campus:

- Attachment A: Support Budget Total
- Attachment B: Revisions to 2016-17 General Fund Allocations
- Attachment C: 2017-18 Expenditure and Revenue Adjustments
- Attachment D: 2017-18 Tuition & Fee Revenue and State University Grants Adjustments

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

2017-18 Preliminary Budget Summary

2016-17 Final Budget, General Fund (Coded Memo B 2016-02)	\$3,169,425,000
Revisions to 2016-17 General Fund (2016-17 State-Funded Employer-Paid Retirement Adjustment)	\$36,833,000
2016-17 Revised General Fund Base	\$3,206,258,000
2016-17 Final Budget Gross Tuition and Fees (Campus Reported)	\$2,876,083,300
2017-18 Expenditure Adjustments	
Mandatory Costs	
Employer-paid Health Care and Dental Premiums	\$3,341,000
Operations and Maintenance of New Facilities	776,000
Federal / State Mandates and Retirement Rate Adjustment Costs	16,429,000
Lease Revenue Bond General Fund Adjustment	5,070,000
Employee Compensation Increases (Current Contracts)	141,098,000
Graduation Initiative 2025	75,000,000
State University Grants	39,561,000
Total 2017-18 Expenditure Adjustments	\$281,275,000
2017-18 General Fund Increase	\$162,306,000
Gross Revenue from Fall 2017 In-State Tuition Rate Increase	\$118,969,000
Total 2017-18 Revenue Adjustments	\$281,275,000
2017-18 Budget, Total General Fund	\$3,368,564,000
2017-18 Budget, Total Gross Tuition and Fees	\$2,995,052,300
2017-18 Total Gross Budget	\$6,363,616,300
State University Grants	
2016-17 Campus Base	\$661,387,800
2017-18 Increase	39,561,000
2017-18 Total State University Grants	\$700,948,800

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

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.

Additional References

- [CSU 2017-2018 Support Budget](#)
- [State of California, Department of Finance, 2017-18 Governor's Budget](#)
- [CSU Detail in the 2017-18 Governor's Budget](#)

RS: KP: CC

Attachments

Preliminary Support Budget Allocations, Attachment Descriptions

Support Budget Total - (Attachment A)

Attachment A summarizes the CSU 2017-18 total budget by campus after revisions to 2016-17 General Fund allocations and 2017-18 expenditure and revenue adjustments as detailed in Attachments B, C, and D.

Revisions to 2016-17 General Fund Allocations - (Attachment B)

Revisions to the 2016-17 General Fund allocations reflect changes that occurred since the 2016-17 final budget allocation memo B 2016-02 was published. These adjustments include:

- **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.

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 2015-16 to 2016-17 State Miscellaneous First Tier rates increased from 25.150 percent to 26.728 percent and the State Peace Officer / Firefighter rate increased from 38.985 percent to 41.923 percent. The total retirement cost increase to be funded by the state is \$36.8 million. This additional allocation will be made before the end of the 2016-17 fiscal year. The distribution by campus is based on the 2013-14 frozen pensionable payroll as provided by the State Controller's Office.

- **Program Funding**

Base budget adjustments of \$2.3 million are included to support systemwide programs and initiatives managed by the Chancellor's Office.

2017-18 Expenditure and Revenue Adjustments - (Attachment C)

- **Employer-Paid Health Care and Dental Premiums**

Effective January 2017, the estimated annualized cost to fund employer-paid health care and dental benefit premium rate increases is \$3.3 million. The number of CSU employee participants and the difference between the old and new employer-paid contribution rates determine health care and dental benefit rate cost increases. The distribution of employer-paid health care and dental benefit cost increases is based on the percentage share of campus 2015-16 actual state-supported health benefits and dental expenditures. For additional information regarding January 2017 health and dental premiums, please reference Human Resources Technical Letter, [HR/Benefits 2016-07](#).

- **Operations and Maintenance of New Facilities**

This preliminary allocation includes an increase of \$776,000 for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape, and administrative support. In 2017-18, the CSU is scheduled to open a

total of 70,121 new square feet. Funding of regular operations and maintenance is provided at the rate of \$11.07 per square foot. More [details on campus facilities included in this allocation](#) are provided online in the 2017-18 Support Budget supplemental documentation.

- **Retirement Rate Adjustment Costs (above state-funded)**
Beginning with the 2014-15 fiscal year, a limit was placed on the state's obligation to adjust CSU retirement funding due to annual changes in CalPERS rates (reference Section 3.60 of the annual budget act). While the state's obligation to adjust retirement funding based on rate changes continues ([Government Code Section 20814](#)), the salary base applied to the incremental rate change is set to the CSU 2013-14 pensionable payroll level as reported by the State Controller's Office. Funds are retained at the Chancellor's Office to address total campus need to cover annual employer-paid retirement rate adjustment on pensionable payroll above the 2013-14 level that is funded by the state.
- **Lease Revenue Bond Debt Service Payments Adjustment**
The state included a \$5.07 million increase to the CSU General Fund appropriation in 2017-18 to recognize and fulfill capital outlay debt service commitments. Beginning in 2014-15, when the state shifted capital outlay responsibilities from the state to the CSU, the state committed to increase funding over a three-year period for the annual debt service for CSU projects that were approved by the governor and legislature but not yet completed. This amount represents the last of three planned permanent funding increases for this purpose.
- **Employee Compensation Increases**
These budget allocations include \$141.1 million to cover employee compensation for faculty and staff as outlined in [current collective bargaining contracts and memorandums of understanding](#):
 - Faculty**
 - Base, recurring funding to replace one-time 2016-17 allocation, \$33.0 million
 - July 1, 2017 3.5 percent general salary increase, \$64.9 million
 - 2017-18 service salary increases for eligible faculty, \$18.6 million
 - Staff**
 - June 30, 2017 two percent general salary increase (CSUEU-CBIDS R02, R05, R07, and R09, and CBIDs R01, R04, R06, R10), \$22.0 million
 - 2017-18 Public Safety (CBID R08) salary increases, \$0.8 million
 - Academic Student Employees (CBID R11) salary increases, \$1.8 million

The distribution of faculty and staff current contract compensation increases are based on the percentage share of campus 2015-16 actual state-supported salaries. The distribution by campus of base, recurring funding to replace the 2016-17 one-time allocation of \$33.0 million from the Chancellor's Office is included in the 2016-17 final one-time budget allocations, [coded memo, B 16-03](#).

The 2017-18 cost of each one percent compensation increase is determined by campus 2016-17 final budget salaries and salary-related benefits submitted as shown in the 2017-18 support budget documentation. Collective bargaining agreements determine compensation increases for represented employee groups.

- **Graduation Initiative 2025**

For 2017-18, \$75 million is allocated to campuses for Graduation Initiative 2025. These funds are allocated, as follows: (1) a base budget increase of \$1 million per campus totaling \$23 million acknowledging that all campuses must make progress toward their Graduation Initiative 2025 goals; (2) \$26 million based on each campus' proportion of students with significant financial need in 2015-16, based on Pell Grant and State University Grant awards; and (3) \$26 million based on the historic share of new first year students enrolled on each campus who need additional college preparation in math and/or English.

The allocation methodology acknowledges that while all campuses have ambitious graduation rate targets, in order to eliminate equity gaps, differing levels of financial investment will be required. The allocation methodology is not intended to serve as a campus expenditure plan. Each campus may use these funds in support of their individual graduation initiative plan, including systemwide priorities of increased tenure-track faculty hiring, offering additional high-demand course sections to increase average unit load for undergraduate students, and providing additional academic and student support services that support reduced time to degree. Campuses will be required to provide corresponding metrics on these systemwide priorities. Details on reporting requirements will be provided in a separate communication.

- **State University Grants**

The \$39.6 million increase in State University Grant (SUG) expenditures is allocated by campus based on the number of 2015-16 awards to students in the highest priority category – those students with an Expected Family Contribution of between \$0 and \$4,000. This allocation methodology ensures that at least the same number of grants can be made at each campus in an amount that will cover the increase in 2017-18 tuition rates. Further details on total SUG distribution by campus are outlined in Attachment D.

2017-18 Tuition & Fee Revenue and State University Grants Adjustments - (Attachment D)

- **Tuition Rate Increase Revenue**

The 2017-18 in-state tuition rate increase will generate an estimated \$118.9 million in gross revenue in 2017-18. The increase in revenue by campus is projected based on actual 2015-16 enrollment patterns, mandatory fee waiver discounts, and funded full-time equivalent students (FTES) targets for resident students (361,644 FTES) and most-recent past-year nonresident students (24,398 FTES).

- **State University Grants**

The 2017-18 budget allocations include a \$39.6 million increase in campus State University Grants, which is equal to one-third of the new gross revenue from the tuition rate increase. The distribution of the SUG increase by campus is described above. The 2016-17 campus base for State University Grants totaled \$661.4 million and this \$39.6 million increase will bring the SUG total to \$700.9 million. Each campus' SUG allocation is considered a minimum expectation of dollars allocated for grants in each college year. Questions about the SUG distribution process may be directed to the System Budget Office or to Dean Kulju, Director of Financial Aid, at (562) 951-4737 or by email at dkulju@calstate.edu.