

Systemwide Budget Office
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CODED MEMO B 2018-02

To: CSU Chief Financial 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
Melissa Bard, Vice Chancellor of Human Resources
CSU Presidents, Financial Officers, Budget Officers, Financial Aid Directors,
Enrollment Planning and Resource Officers, and Enrollment Managers

Date: July 16, 2018

Re: 2018-19 Final Budget Allocations

Attachments: Coded Memo B 2018-02, Attachments A-E

The Governor signed the Budget Act of 2018 on June 27, 2018 (Senate Bill 840, Chapter 29). The budget act includes a \$197.3 million base General Fund appropriation increase for CSU operations, which will fund increases in Graduation Initiative 2025, employee compensation, benefits, and operations and maintenance of newly constructed facilities.

This additional base funding, together with over \$120 million of additional one-time funds, will provide the CSU a tremendous opportunity to build additional momentum on our ambitious student success goals in 2018-19 and beyond. This investment will enable the CSU to enroll more students from a wide variety of backgrounds, and prepare them to improve their communities and lead the industries that are driving California.

The following attachments provide 2018-19 final base operating budget details by campus:

- Attachment A: Operating Budget Total
- Attachment B: Revisions to 2017-18 General Fund Allocations
- Attachment C: 2018-19 Expenditure Adjustments
- Attachment D: 2018-19 Enrollment and Tuition & Fee Revenue
- Attachment E: 2018-19 State University Grant 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

The following table summarizes the 2018-19 base General Fund appropriation and total operating budget including tuition and fee revenue.

2018-19 Final Budget	
2017-18 Final Budget, General Fund (Coded Memo B 2017-05)	\$3,390,564,000
Revisions to 2017-18 General Fund Allocations	
2017-18 State-Funded Employer-Paid Retirement Adjustment	\$39,310,000
2017-18 Revised General Fund Base	\$3,429,874,000
2018-19 Projected Expenditure Increases	
Graduation Initiative 2025	\$75,000,000
Compensation	\$106,639,000
Mandatory Cost Increases	
Employer-paid Health Care	\$12,029,000
Operations and Maintenance of New Facilities / other	\$3,601,000
2018-19 Incremental Expenditure Increases / GF Increase	\$197,269,000
2018-19 Total General Fund Base	\$3,627,143,000
2018-19 Tuition and Fee Revenue	\$3,071,412,000
2018-19 Total Operating Budget	\$6,698,555,000
State University Grants	
2018-19 Campus Base	\$700,948,800

A separate coded memorandum will be posted within the week and will detail over \$120 million of one-time funding augmentations provided by the General Fund and systemwide funds. The two coded memorandums together will provide clarity between base funding sources and those that are one-time in nature.

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

- [Budget Act of 2018, SB 840](#)
- [CSU 2018-19 Operating Budget](#)
- [State of California, Department of Finance, California Budget 2018-19](#)
- [CSU Detail in the 2018-19 State Budget](#)

RS: KP: CC

Attachments

2018-19 Final Operating Budget Allocations, Attachment Descriptions

Operating Budget Total - (Attachment A)

Attachment A summarizes the 2018-19 operating budget by campus after revisions to 2017-18 General Fund allocations (Attachment B) and 2018-19 General Fund allocations based on expenditure adjustments in (Attachment C).

Revisions to 2017-18 General Fund Allocations - (Attachment B)

Revisions to the 2017-18 General Fund allocations reflect changes that occurred since the 2017-18 final budget allocation memo B 2017-05 was published. 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.

The 2016-17 to 2017-18 State Miscellaneous First Tier rates increased from 26.728 percent to 28.423 percent and the State Peace Officer / Firefighter rate increased from 41.923 percent to 44.245 percent. The 2017-18 operating budget base retirement cost increase funded by the state is \$39.3 million. The distribution is based on the 2013-14 pensionable payroll by campus as provided by the State Controller's Office.

- **Additional 2017-18 Compensation Increases**

A \$51.3 million base budget adjustment for 2017-18 compensation increases determined after the 2017-18 final budget allocation is distributed by campus with resources from Systemwide Provisions and savings from refinanced systemwide bond programs.

- **Other Programmatic Adjustments**

Other programmatic adjustments included are base budget adjustments of \$8.5 million for programs and initiatives managed by Systemwide Provisions and the Chancellor's Office, as well as a \$47,000 correction between the Sacramento campus and the Center for California Studies related to compensation and benefits.

2018-19 Expenditure Adjustments - (Attachment C)

- **Employer-Paid Health Care Premiums**

Effective January 2018, the estimated annualized cost to fund employer-paid health care rate increases is \$12.0 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 2016-17 actual operating fund health benefits expenditures. For additional information regarding January 2018 health premiums, please reference Human Resources Technical Letter, [HR/Benefits 2017-10](#).

- **Operations and Maintenance of New Facilities / Other Mandatory Cost Increases**

This allocation includes an increase of \$3.6 million for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape, and administrative support. In 2018-19, the CSU is scheduled to open 315,545 new square feet of space. Funding is provided at the rate of \$11.41 per square foot. More details on campus facilities included in this allocation are provided online in the [2018-19 Operating Budget supplemental documentation](#).

Additional increases for Center for California Studies were included in the Budget Act of 2018 and include: cost of living adjustments for the fellows (\$86,000), California Education Policy Fellowship Program (\$100,000), and Sacramento Semester Program (\$24,000).

- **Employee Compensation**

Final budget allocations include \$106.6 million to cover 2018-19 employee compensation increases for faculty and staff as further detailed in Human Resources [Salary Technical letters](#) and collective bargaining contracts.

The distribution of 2018-19 compensation increases is based on the percentage share of campus 2016-17 actual operating fund salaries. The compensation adjustments are distributed for all employee groups with the exception of Public Safety (CBID R08) and Academic Student Employees (CBID R11) that have open contracts for 2018-19 at this time. Additional funds will be allocated for those groups once final contracts are approved.

- **Graduation Initiative 2025**

For [Graduation Initiative 2025](#), \$75 million is allocated to build upon prior allocations for this purpose including \$75 million in base funding in 2017-18. Graduation Initiative 2025 is the CSU's ambitious initiative to increase graduation rates for all students while eliminating opportunity and achievement gaps, providing California with the graduates it needs to power the economy. The 2018-19 funds are allocated as follows: (1) \$24 million for base budget increases of \$960,000 per campus and \$1.9 million in Systemwide Provisions for GI 2025 priorities managed centrally at the Chancellor's Office; (2) \$26 million based on each campus' proportion of students with significant financial need, based on the number of students eligible for Pell Grants in fall 2017; and (3) \$25 million for recruitment and retention of tenure-track faculty.

The allocation methodology acknowledges that while all campuses have ambitious graduation rate targets, differing levels of financial investment will be required in order to eliminate equity gaps. The allocation methodology is not intended to serve as a campus expenditure plan. Each campus may use these funds in support of their graduation initiative goals, including systemwide priorities of offering additional high-demand course sections to increase average unit load for undergraduate students and additional academic and student support services.

- **State University Grants**

The expenditure adjustments for State University Grants (SUG) include the redistribution of five percent of the SUG pool based on campuses with the highest relative share of students with an estimated family contribution (EFC) of \$0 to \$4,000. The total expenditure adjustment in Attachment C is based on the 2017-18 SUG allocation by campus. No campus' SUG allocation is less than 95 percent of last year's total. Further details on total SUG distribution by campus are outlined in Attachment E.

2018-19 Enrollment and Tuition & Fee Revenue - (Attachment D)

Attachment D is provided for reference with tuition and fee revenues reported by campus in 2017-18 final budget submissions. There is no change in base funded resident enrollment targets from 2017-18 to 2018-19. The nonresident enrollment has been updated to reflect most recent actual full-time equivalent student count. With no adjustments to tuition rates or enrollment targets, the 2017-18 tuition and fee revenue reported by campuses will be used as the 2018-19 tuition and fee revenue for budget purposes.

2018-19 State University Grant Adjustments - (Attachment E)

The total SUG allocation of \$700.9 million in the final 2018-19 operating budget has not changed from 2017-18. The preliminary budget memo (B 2018-01) set a minimum expectation for all campuses of 95 percent of their 2017-18 SUG allocation.

As changes in student financial aid demand and enrollment shift by campus, some portion of the total SUG pool must also be adjusted to ensure that campuses with the highest proportion of students with financial need, have the funds available to provide grants. This re-allocation of the remaining five percent of the total SUG pool (approximately \$35.0 million) addresses these changes in relative share of students on each campus who have an Expected Family Contribution (EFC) of \$0 to \$4,000. If a campus' share of total need is above 95 percent of the past year allocation, that campus will receive a portion of the \$35.0 million being reallocated.

Each campus' total SUG expenditures shown in Attachment E are considered a minimum expectation of college year SUG awards. These funds can only be used for State University Grants.

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.