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**CODED MEMO B 2020-01**

**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  
Evelyn Nazario, Vice Chancellor of Human Resources  
CSU Presidents, Financial Officers, Budget Officers, Financial Aid Directors,  
Enrollment Planning and Resource Officers, and Enrollment Managers

**Date:** July 13, 2020

**Re:** 2020-21 Final Budget Allocations

**Attachments:** Coded Memo B 2020-01, Attachments A-D

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The Budget Act of 2020 includes a \$299 million decrease in recurring General Fund appropriation for the California State University (CSU) operating fund. This General Fund decrease, along with a reduction of tuition revenue of \$24.2 million from changes in student enrollment patterns and behavior, equals a \$323.2 million decrease in recurring funding for the CSU compared to 2019-20. A summary of the 2020-21 final operating fund budget can be found on the next page. The attachments contain detailed information by campus.

The governor signed three pieces of legislation specific to the Budget Act of 2020 that affect the CSU. The first is the original Budget Act of 2020 ([Senate Bill 74, Chapter 6](#)), the second is the amended Budget Act of 2020 ([Assembly Bill 89, Chapter 7](#)), and the third is the higher education trailer bill ([Senate Bill 116, Chapter 25](#)), all signed on June 29, 2020. As these statutes are referenced today, and in the future, it is important to only use Assembly Bill 89 as it details the correct appropriation for the CSU's main General Fund adjustments and was the latter of the two, 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 2020, please reference Senate Bill 74.

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**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 2020-21 final operating fund budget including General Fund and tuition and fee revenue:

<b>2020-21 Final Budget Summary</b>	
2019-20 Final Budget, General Fund (Coded Memo B 2019-02)	\$3,982,552,000
2019-20 State-Funded Retirement Adjustment	39,297,000
2019-20 Revised General Fund Budget	\$4,021,849,000
2020-21 General Fund Decrease	(299,043,000)
<b>2020-21 Total General Fund Budget</b>	<b>\$3,722,806,000</b>
2019-20 Final Budget Gross Tuition & Fees (Coded Memo B 2019-02)	\$3,164,262,000
2020-21 Adjustment from Change in Enrollment Patterns	(24,165,000)
<b>2020-21 Gross Tuition &amp; Fees</b>	<b>\$3,140,097,000</b>
<b>2020-21 Total Operating Budget</b>	<b>\$6,862,903,000</b>

Detailed explanations of 2020-21 budget adjustments and obligations are provided in the following pages. The attachments to the memo display the following final budget adjustments by campus:

- Attachment A: Operating Budget Expenditures (Uses)
- Attachment B: Operating Budget Revenues (Sources)
- Attachment C: 2020-21 State University Grants
- Attachment D: Reference Information

The 2020-21 final budget also includes \$9 million of one-time General Fund augmentations for 2021 for summer term financial aid (\$6 million) and emergency grants to Assembly Bill 540 students (\$3 million). Separate communications will be provided at a later date.

Questions concerning this memo or its attachments may be directed to [Kara Perkins](#), [Jerry Willard](#) or other System Budget Office staff at (562) 951-4560.

#### Additional References

- [CSU 2020-21 Operating Budget Request](#)
- Budget Act of 2020, [SB 74](#)
- Amended Budget Act of 2020, [AB 89](#)
- Higher Education Trailer Bill, [SB 116](#)
- [2020-21 Governor's Budget and Enacted Budget, Department of Finance, State of California](#)

RS: KP: JW

Attachments

## 2020-21 Final Budget Allocations, Attachment Descriptions

### Operating Budget Expenditures (Uses) - Attachment A

Attachment A summarizes the 2020-21 operating budget by campus after revisions to 2019-20 expenditures, following publication of the 2019-20 Final Budget Allocations memo (B 2019-02), and 2020-21 expenditure adjustments.

- **2019-20 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 2018-19 to 2019-20 State Miscellaneous First Tier rates increased from 29.396 percent to 31.075 percent and the State Peace Officer / Firefighter rate increased from 45.371 percent to 48.845 percent. The 2019-20 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.

- **2020-21 Base Budget Reduction**

Campus allocations are reduced by \$323.2 million for 2020-21 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. (Further details on the estimated tuition revenue decrease are outlined in Attachment D.)

The base budget adjustment needed to address this funding shortfall has been allocated to campuses based on two methodologies:

1. A pro-rata reduction based on 2019-20 campus operating budgets, in other words, an across the board methodology. For calculation purposes, that is Attachment A, Column 1, excluding State University Grants, systemwide capital and infrastructure and campus-based fees; and
2. A budget reduction methodology acknowledging different levels of financial investment required to continue progress toward the elimination of equity gaps. Using federal Pell grant eligibility as a proxy, a reduction to each campus is based on the number of students that were not Pell grant eligible in 2018-19. Put another way, a campus with greater numbers of low-income students, underserved students and other disadvantaged students will retain more of its recurring funding than a campus with fewer of these students.

Each methodology was applied to one-half of the \$323.2 million budget shortfall. Attachment D, Columns 7 and 8, show the proportions used to determine the share of each campus's budget reduction. The reduction to Chancellor's Office/Systemwide Programs and Systemwide Provisions is attributed in full to the pro-rata reduction.

- **2020-21 State University Grant 5% Redistribution**

The expenditure adjustments for State University Grants (SUG) reflect the redistribution of five percent of the SUG pool to match up SUG allocations at campuses that have the highest relative share of students with an estimated family contribution (EFC) of \$0 to \$4,000. The total expenditure adjustment moves funding and expenditures between campuses based on the change in relative need. No campus' SUG allocation for 2020-21 is less than 95 percent of its 2019-20 total. Further details on SUG distribution by campus are outlined in Attachment C.

**2020-21 Unfunded Expenditure Increases - (Not shown on Attachment A)**

Unfortunately, but understandably, due to the state General Fund reduction and the anticipated reduction in tuition revenue for 2020-21, campuses will not receive new funding to help cover the \$46.5 million in anticipated mandatory cost increases as described below. As campuses revise and implement their long-term budget plans, it is important that these cost increases are acknowledged and included in those plans.

- **Employer-Paid Health Care Premiums**

Effective January 2020, the estimated annualized cost to fund employer-paid health care rate increases is \$26 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. For additional information regarding January 2020 health premiums, please reference Human Resources Technical Letter, (HR/Benefits 2019-11).

- **Operations and Maintenance of New Facilities**

An unfunded increase of \$3.9 million is expected for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape, and administrative support. In 2020-21, the CSU is scheduled to open 202,880 new square feet of space. Expenditures are calculated at a rate of \$19.46 per square foot. More details on campus facilities included in this calculation are provided [online](#).

- **Retirement Benefits (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. While the state's obligation to adjust retirement funding continues (Government Code section 20814), the salary base applied to the incremental rate change is frozen at the CSU 2013-14 pensionable payroll level as reported by the State Controller's Office. For 2020-21, the projected unfunded retirement cost for annual CalPERS employer-paid rate adjustments that must be funded by the CSU is \$11.6 million. The campus expenditure is based on pensionable payroll in excess of the 2013-14 level funded by the state.

- **Minimum Wage Increase**

In January 2020, the California minimum wage increased from \$12/hour to \$13/hour. The estimated annualized cost of the increase on CSU campuses is \$5 million in the operating fund. Wages below the new rate are found in the excluded (E99) employee group that includes non-instructional student assistants and casual workers.

### **Operating Budget Revenues (Sources) - Attachment B**

Attachment B summarizes the 2020-21 operating budget revenue sources by campus. Across the 23 campuses, tuition revenue is expected to decrease by \$24.2 million in 2020-21. The gross tuition shown in Column 1 reflects this decrease based on changes in enrollment patterns and behavior from 2018-19 to 2019-20 [see Attachment D for more detail]. Column 2 includes 2020-21 other fees and match those used in 2019-20 final budget memo [B 2019-02]. Finally, General Fund allocations in Column 3 balance each campus' total 2020-21 Gross Operating Budget.

### **2020-21 State University Grants - Attachment C**

The State University Grant (SUG) program provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students. It is important to note that each campus's operating fund revenue is adjusted to match the required level of SUG expenditures for that campus each year. SUG funding is a finite resource and more students are eligible for SUG than there is available funding. Also, the relative share of SUG-eligible students rises and falls at each campus over time. As a result, 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. Without this annual reallocation, the CSU would find it increasingly difficult to meet this important financial aid objective.

The total SUG allocation of \$701 million in the final 2020-21 operating budget has not changed from 2019-20. Preliminary budget planning and communication with campuses set a minimum expectation for all campuses of 95 percent of their 2019-20 SUG allocations.

As changes in 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 Expected Family Contribution (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.

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](mailto:dkulju@calstate.edu).

### **Reference Information - Attachment D**

Attachment D includes information for three reference categories:

- **Enrollment**
  - 2020-21 resident enrollment targets
  - Estimated 2020-21 non-resident enrollment based on 2019-20 actual enrollment
  - Total budgeted FTES for 2020-21
  
- **Tuition**
  - Gross tuition revenue from Coded Memo B 2019-02 used to make final budget reductions for 2020-21
  - Estimated changes in tuition revenue based on actual changes in campus enrollment patterns and student behavior from 2018-19 to 2019-20, including changes in average unit

- load, changing proportions of undergraduate and graduate students, part-time to full-time student ratios, as well as changes in nonresident enrollment<sup>1</sup>
- 2020-21 Estimated Gross Tuition Revenue by Campus after adjustments. This matches Attachment B, Column 1
  
- **Final Budget Reduction Methodologies**
  - Each campus's percentage share of the 2019-20 Total Operating Budget, excluding SUG, systemwide capital and infrastructure and campus-based fees
  - Each campus' percentage share of non-Pell grant eligible students enrolled in 2018-19

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<sup>1</sup> Non-resident students are charged systemwide tuition (i.e., \$5,742 per year for a full-time student), and this is a factor in the annual systemwide budget allocation methodology. However, the per-unit supplemental tuition assessed to non-resident students is not a factor in the annual system allocation methodology.