


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

CODED MEMO B 2024-02

To: CSU Chief Financial Officers

From: Ryan Storm, Assistant Vice Chancellor for Budget 
Ryan Storm (Aug 6, 2024 10:47 PDT)

Jeni Kitchell, Interim Assistant Vice Chancellor and Executive Budget Director 
Jeni Kitchell (Aug 6, 2024 10:49 PDT)

CC: Dr. Mildred García, Chancellor
Steven Relyea, Executive Vice Chancellor and Chief Financial Officer
Leora Freedman, Vice Chancellor of Human Resources
Dr. Dilcie Perez, Deputy Vice Chancellor for Academic and Student Affairs
Dr. Nathan Evans, Deputy Vice Chancellor for Academic and Student Affairs
CSU Presidents, Provosts, Vice Presidents for Student Affairs, Financial Officers, Budget Officers, Financial Aid Directors, Enrollment Planning and Resource Officers

Date: August 5, 2024

Re: 2024-25 Final Budget Allocations

Attachments: Coded Memo B 2024-02, Attachments A-G

The Budget Act of 2024 includes a \$246.2 million increase in base General Fund appropriation for the California State University (CSU). A summary of the 2024-25 final base operating budget can be found on the next page. The budget includes a \$240.2 million base increase for CSU operational costs; \$5.5 million to expand veteran tuition waivers; \$0.3 million for the Center for California Studies Assembly Fellows Program; and \$0.2 million for the Corporation for Education Network Initiatives in California. In part offsetting the 2024-25 increase, the CSU will receive a one-time reduction of \$75 million as part of the state's efforts to address its budget deficit.

The additional state general fund and new tuition revenue will only partially cover the university's new costs projected for 2024-25. Strategies are underway to narrow the budget gap since nearly half of the compensation cost increases will be covered with existing university resources. Despite this challenge, key initiatives and priorities remain at the forefront of our mission. Universities must maintain a focus on Graduation Initiative, Title IX and NAGPRA compliance, and Basic Needs which are imperative to student success. We will continue to invest strategically in these areas, finding innovative ways to advance our goals even with limited resources.

Detailed explanations of ongoing budget allocations are provided on the following pages. Budget allocation changes by university are included in the [attachments](#) to this memorandum.

CSU Universities
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

- Attachment A: Operating Budget Sources
- Attachment B: Revisions to 2023-24 Expenditures (Uses) and Revenues (Sources)
- Attachment C: 2024-25 Expenditure (Uses) and Revenue (Sources) Adjustments
- Attachment D: 2024-25 Enrollment and Tuition and Fee Revenue (Sources)
- Attachment E: 2024-25 State University Grant (Uses)
- Attachment F: 2024-25 Lottery Allocation (Sources)
- Attachment G: Compensation Reference Information

The following table summarizes the 2024-25 base operating fund budget, including state General Fund and tuition and fee revenue.

2024-25 Final Budget Allocation Summary	
2023-24 Final Budget, General Fund (Coded Memo B 2023-02)	\$4,988,674,000
2023-24 State-Funded Retirement Adjustment	-
2023-24 Revised General Fund Budget	\$4,988,674,000
2024-25 General Fund Increase	246,225,000
2024-25 One-Time General Fund Reduction	(75,000,000)
2024-25 Total General Fund Budget	\$5,159,899,000
2023-24 FIRMS Budget Tuition & Fees (Campus Reported)	\$3,166,827,000
2024-25 Estimated Tuition from Enrollment Growth (3,484 FTES)	22,676,000
2024-25 Estimated Tuition from Rate Increase	153,957,000
2024-25 Tuition & Fees	\$3,343,460,000
2024-25 Total Operating Budget	\$8,503,359,000
2024-25 Expenditure Increases	
Graduation Initiative / Student Success	\$20,000,000
Health Care Premiums	\$78,361,000
Operations and Maintenance of New Facilities	12,548,000
Liability and Property Insurance Premiums	22,635,000
2024-25 Estimated Compensation	308,595,000
2024-25 University-Funded Portion of Compensation	(234,248,000)
Title IX & Anti-Discrimination Programs	15,900,000
NAGPRA & CalNAGPRA Compliance	4,250,000
Veteran Tuition Waivers	5,500,000
Other Program Adjustments	482,000
Strategic Resident Enrollment Growth (3,484 FTES)	54,957,000
State University Grant	58,878,000
2024-25 Total Expenditure Increases	\$347,858,000

The 2024-25 final budget also includes a one-time General Fund augmentation of \$5 million to support certain projects that bring together higher education universities at a single location to offer certificate or degree programs that support state or local workforce needs. Separate allocations will be provided at later dates.

The governor signed two pieces of legislation specific to the Budget Act of 2024 that affect the CSU. Assembly Bill 107, Chapter 22 of 2024 and Senate Bill 108, Chapter 35 of 2024 include the budget detail for the main CSU budget Item 6610-001-0001.

Questions concerning this memo or its attachments may be directed to Jeni Kitchell jkitchell@calstate.edu or Jerry Willard jwillard@calstate.edu. Please reference the [Budget Office staff directory](#) for additional contact information and staff areas of assignment.

Additional References

- [CSU 2024-25 Operating Budget](#)
- Original Budget Act of 2024, [Assembly Bill 107](#)
- Amended Budget Act of 2024, [Senate Bill 108](#)
- [2024-25 Budget, Department of Finance, State of California](#)

RS: JK: JW
Attachments

2024-25 Final Budget Allocations, Attachment Descriptions

Operating Budget Sources - (Attachment A)

Attachment A summarizes the 2024-25 operating budget by university including revisions to expenditures and revenues for 2023-24 (Attachment B) and 2024-25 adjustments (Attachment C and D).

Revisions to 2023-24 Expenditures and Revenues - (Attachment B)

Revisions to the 2023-24 expenditures and revenues reflect changes to existing base funding that occurred since adoption of the Budget Act of 2023 and publication of the 2023-24 final budget allocations memo (B 2023-02). These adjustments include:

- **Student Success | Support for Students with Disabilities**
A \$1 million allocation was provided to universities to supplement, not supplant, expenditures to improve services to support students with disabilities across the CSU after the 2023-24 final budget allocations were made. This ongoing funding was allocated to universities in 2023-24 from resources temporarily held in Systemwide Provisions. Allocations were based on the university proportion of students with disabilities as of fall 2022, with a funding minimum of \$10,000 per university.
- **Student Success | Project Rebound**
Starting in 2023-24, administrative responsibilities for Project Rebound transitioned to the Chancellor's Office. University allocations changed from a cost reimbursement basis to base funding. For the first and second phase of allocations, \$8.2 million was provided to universities to support Project Rebound activities across the CSU after the 2023-24 final budget allocations were made. This ongoing funding was allocated to universities from resources held in Systemwide Provisions. Allocations included a base amount per university and an additional portion based on the university's percentage share of participants, Pell recipients and students with minor dependents in the program.
- **Adjustments to 2023-24 Resident Enrollment Target Growth and Target Reallocation**
The *CSU Enrollment Target and Budget Reallocation Plan* (plan) was adopted in January 2023 and reaffirmed in December 2023. Developed in close collaboration with university presidents, the plan provides a multi-year strategy to address declines in California resident enrollment. The plan outlines steps to align university resources with actual enrollment and to best support the enrollment growth expectations of the state and the CSU. In 2024-25, the plan permanently reallocates 3% of enrollment targets and associated resources from universities that have sustained enrollment declines to universities with actual 2023-24 resident full-time equivalent students (FTES) greater than their funded target or those with demonstrated sustained demand beyond current targets. Universities should expect the plan parameters to be followed in 2025-26 and 2026-27.

Consistent with the plan, adjustments to 2023-24 resident enrollment targets and reallocation of targets and funding have been made for 2024-25. Four universities that received resident enrollment target and funding increases for 2023-24 did not achieve that growth. Consequently, and consistent with the plan, enrollment target and funding for the four universities were adjusted back to prior levels. The enrollment growth (1,403 FTES) and associated funding have been reallocated to nine universities. Enrollments at eight other universities were more than 10% below 2023-24 resident enrollment targets. Three percent of those university targets

(2,488 FTES) and associated funding have been reallocated to nine universities. Detailed information showing the resident enrollment target changes can be found in Attachment D.

The established marginal cost methodology was used to reallocate funding for enrollment growth. The 2023-24 marginal cost rate of \$14,749 per FTES was used, subtracting each university's actual tuition revenue per FTES. State General Fund equal to the difference was then reduced at the universities below target and reallocated to nine universities receiving target increases. Additional information about the marginal cost methodology can be found below in the Strategic Resident Enrollment Growth section for Attachment C.

- **2023-24 Compensation Cost Increase**

Compensation increases for Union of American Physicians and Dentists (Unit 1), California State University Employees Union (Units 2, 5, 7 and 9), California Faculty Association (Unit 3), Academic Professionals of California (Unit 4), Teamsters Local 2010 (Unit 6), State University Police Association (Unit 8), International Union of Operating Engineers (Unit 10), Academic Student Employees (Unit 11), Confidential (C99) and Management Personnel Plan (MPP) were determined after the 2023-24 final budget allocations were made. Therefore, \$123.4 million of base funding was allocated to universities from resources temporarily held in 2023-24 for systemwide priorities. Further details on compensation allocations are outlined in the Attachment G section below.

- **Other Program Adjustments**

Cal Poly Humboldt is allocated \$7.8 million as part of the \$25 million for additional academic programs related to Humboldt's new polytechnic designation. The remaining \$3.7 million will be included in future allocations as the polytechnic transition continues. Another adjustment is the transfer of \$5.9 million for various systemwide program changes.

2024-25 Expenditure and Revenue Adjustments - (Attachment C)

- **Graduation Initiative / Student Success**

This memo outlines the allocation of \$20 million to support retention and graduation efforts. Investments may include retention specialists focusing on at-risk students; supplemental instruction and learning support centers providing intensive student services; university branding, marketing, and outreach to increase enrollment; student basic needs; and targeted efforts to close equity gaps.

- **Employer-Paid Health Care Premiums**

Effective January 2024, the estimated annual cost of employer-paid health care rate increases is \$78.4 million, equivalent to an 11% increase in costs. The number of CSU employee participants and the difference between the old and new employer-paid rates determine health care benefit cost increases. The distribution is based on the university's percentage share of 2022-23 actual operating fund expenditures for employer-paid health benefits. For additional information regarding January 2024 health premiums, please reference Human Resources Technical Letter, ([HR/Benefits 2023-13](#)).

- **Operations and Maintenance of New Facilities**

This allocation provides an increase of \$12.5 million for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape and

administrative support. In 2024-25, the CSU is scheduled to open 532,130 new square feet of space. Funding is provided at the rate of \$23.79 per square foot. More details on university facilities included in this allocation are provided [online](#).

- **Liability and Property Insurance Premiums**

This memo allocates \$22.6 million to universities, equivalent to a 21% increase, for costs related to liability and property coverage. The distribution is based on the university's percentage share of 2022-23 actual operating fund expenditures for liability and property insurance premiums. Insurance premiums continue to increase across the country, and California higher education universities face tough challenges in the liability insurance market.

- **Compensation**

Base funding of \$74.3 million is allocated to universities for a portion of the 2024-25 employee compensation increases for the California State University Employees Union (Units 2, 5, 7 and 9), California Faculty Association (Unit 3), Teamsters Local 2010 (Unit 6), State University Police Association (Unit 8), and Academic Student Employees (Unit 11). These increases are detailed in Human Resources Salary Technical letters and [collective bargaining agreements](#). Further details on compensation allocations by university are outlined in the Attachment G section below.

- **Title IX & Anti-Discrimination Programs**

This allocation of \$15.9 million supports systemwide and university Title IX and anti-discrimination programs at appropriate levels and implementation of recommendations in the first of multi-year efforts to support these programs. University allocations include a base amount and an incremental amount that reflects university staffing level recommendations from the Cozen O'Connor assessment.

- **Native American Graves Protection and Repatriation Act (NAGPRA) & CalNAGPRA Compliance**

To support universities in complying with federal and state repatriation laws, \$4.3 million is provided in base funding allocations. Universities may use funds to support repatriation-related costs, including, but not limited to hiring and training staff, supporting university committees, engaging in Tribal consultation, and fulfilling Tribal requests. Allocations to universities are based on the size of collections.

- **Veteran Tuition Waivers**

To support expanded tuition waivers for Medal of Honor recipients, children of Medal of Honor recipients, or dependents of service-injured veterans attending CSU, \$5.5 million of base funding is allocated based on the university's proportion of veteran waivers.

- **Other Program Adjustments**

Other program adjustments include base allocations for universities and for systemwide programs. Base funding is allocated to the Corporation for Education Network Initiatives in California, which is administered by the Chancellor's Office and to the Center for California Studies Assembly Fellows Program.

- **Strategic Resident Enrollment Growth**

The 2024-25 budget allocations include strategic California resident enrollment growth of 3,484 FTES at eight universities. This is equivalent to a 1% increase in funded resident, undergraduate

enrollment. Allocations of new enrollment are provided to universities with actual enrollment greater than their funded target or those with demonstrated sustained demand beyond current targets. These universities are expected to increase actual enrollment compared to 2023-24 actual enrollment by at least the 2024-25 resident target increase to be retained. If this level of actual enrollment growth is not achieved, the new growth may be reallocated in 2025-26 to other universities that achieved growth and are above their funded target in 2024-25. These actions are consistent with the *CSU Enrollment Target and Budget Reallocation Plan*.

Funding to support this growth is based on the 2024-25 published marginal cost of instruction of \$15,774 per FTES, which is made up of a combination of state General Fund and tuition revenue (reference the [2024-25 marginal cost detail](#)) for a total enrollment growth cost of \$55 million.

The methodology used to allocate enrollment growth funding acknowledges the different tuition collection rates per FTES at each university. The methodology starts with the \$15,774 marginal cost per FTES, subtracts each university’s actual tuition revenue per FTES, which varies based on each university’s mandatory fee waivers and other factors. The methodology then allocates state General Fund equal to the difference. An example is provided below:

University 1		University 2
\$15,774	Funding per FTES	\$15,774
(6,500)	University Tuition per FTES	(6,000)
\$9,274	General Fund per FTES	\$9,774

The university tuition revenue per FTES is based on actual 2022-23 tuition revenue (Object Code 501001) divided by actual college year FTES.

- **State University Grant**

State University Grant (SUG) allocations increase \$58.9 million in 2024-25, which is equal to one-third of tuition revenue generated by enrollment growth and the 6% tuition rate increase. SUG expenditure adjustments reflect the overall SUG increase and the annual redistribution of 5% of the SUG pool to universities based on the relative share of students with an Expected Family Contribution (EFC) of \$0 to \$4,000. These allocations help ensure that grant amounts at universities increase to offset the increase in 2024-25 tuition rates. University SUG allocations for 2024-25 are no less than 95% of their 2023-24 amount. Universities that are not receiving a portion of new SUG allocations already have more of their student financial need met than other universities. Further details on SUG distribution by university are outlined in the Attachment E section below.

- **2024-25 One-Time General Fund Reduction**

As part of the state’s efforts to address its budget deficit, a one-time funding reduction of \$75 million reduces the CSU’s available funding for 2024-25. This reduction offsets a portion of the new tuition revenue and state General Fund available to support expenditure adjustments. To allocate the reduction, total new expenditure allocations for each university are first calculated, and then each university’s share of the systemwide total is used to reduce the final allocations by \$75 million. Essentially, each university’s portion of the new ongoing funding is reduced on a one-time basis by 18% due to the \$75 million reduction.

2024-25 Enrollment and Tuition and Fee Revenue - (Attachment D)

Attachment D includes the tuition and fee revenue reported by universities in the 2023-24 FIRMS budget submission and estimates for tuition revenue increases in 2024-25 from enrollment growth and the 6% tuition rate increase. Resident enrollment targets for 2024-25 increase 3,484 FTES from 2023-24. Also, as referenced in the Attachment B section above, implementation of the *CSU Enrollment Target and Budget Reallocation Plan* changes university targets by reallocating from universities that had not reached 2023-24 enrollment growth expectations or that were significantly below enrollment targets to universities with demonstrated ability to grow. Overall tuition revenues are estimated to increase \$176.6 million in 2024-25. One-third of that revenue increase will be dedicated to increase the State University Grant pool (\$58.9 million).

- **Enrollment Growth Tuition Revenue**

Projected revenue generated by growth in funded resident enrollment targets is estimated to be \$22.7 million for 2024-25. The funded student enrollment growth of 3,484 FTES allows for increased unit load and new student access to the university. Tuition revenue projections for this anticipated growth are based on the university's average 2022-23 actual tuition revenue collected per FTES.

- **Tuition Rate Increase Revenue**

The 6% tuition rate increase will generate an estimated \$153.9 million in tuition revenue in 2024-25. The increase in revenue is projected based on the university's average 2022-23 actual tuition revenue collected per FTES multiplied by 2023-24 enrollment.

2024-25 State University Grant - (Attachment E)

The State University Grant (SUG) program provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students. University state General Fund allocations are adjusted to reflect changes in the required level of SUG expenditure each year. 2024-25 SUG allocations for each university are not lower than 95% of their 2023-24 SUG allocation (reference [Coded Memo B 2023-02](#), Attachment E).

An annual reallocation of a portion of SUG funding among universities is necessary to ensure that SUG-eligible students with the greatest financial need receive a SUG award. As student enrollment and financial aid demographics change over time and by university, 5% of the SUG pool is reallocated to universities with the highest proportion of students with the greatest financial need (Expected Family Contribution of \$0 to \$4,000). This reallocation of the total SUG pool (just over \$35 million) addresses the annual change in student need and enrollment of up to 10% over target. If a university's share of total need is above 95% of its past year allocation, the university will receive a portion of the reallocation. For additional information, see [The State University Grant \(SUG\) Program](#) policy.

Total SUG allocations increase \$58.9 million in 2024-25, which is equal to one-third of tuition revenue generated by enrollment growth and the 6% tuition rate increase. The 2023-24 SUG base totaled \$700.9 million, and this \$58.9 million increase brings the SUG total to \$759.8 million. Each university's SUG allocation is considered a minimum expectation of dollars allocated for grants in each college year. Universities that are not receiving a portion of new SUG allocations already have more of their student financial need met than other universities.

2024-25 Lottery Allocation - (Attachment F)

The Board of Trustees \$70 million Lottery budget approved for 2024-25 included a \$2.7 million increase to university-based programs, bringing the total to \$46.4 million, or \$119 per resident target FTES. Funding is allocated directly to universities, allowing presidents flexibility to meet unique university needs. This funding is distributed based on 2024-25 resident FTES enrollment targets. Lottery funds for each university must be spent according to [systemwide guidelines](#).

Compensation Reference Information - (Attachment G)

Budget allocations were provided for 2023-24 employee compensation increases for the Union of American Physicians and Dentists (Unit 1), California State University Employees Union (Units 2, 5, 7 and 9), California Faculty Association (Unit 3), Academic Professionals of California (Unit 4), Teamsters Local 2010 (Unit 6), State University Police Association (Unit 8), International Union of Operating Engineers (Unit 10), Academic Student Employees (Unit 11), Confidential (C99) and Management Personnel Plan (MPP). Refer to the respective [collective bargaining agreement](#) for details on negotiated increases.

Employee compensation costs were estimated to increase \$254.5 million from general salary increases in 2023-24. After allocations for mandatory costs and other budget priorities in 2023-24, only \$123.4 million of General Fund was available to allocate, which was temporarily held for systemwide priorities until collective bargaining agreements were finalized. Distribution of compensation funding was based on the percentage share of the university's total compensation cost increase. After budget allocations, \$131.1 million of the cost increase was unfunded.

For 2024-25, budget allocations are provided for a portion of the employee compensation increases for the California State University Employees Union (Units 2, 5, 7 and 9), California Faculty Association (Unit 3), Teamsters Local 2010 (Unit 6), State University Police Association (Unit 8), and Academic Student Employees (Unit 11). Refer to the respective [collective bargaining agreement](#) for details on negotiated increases. The remaining CSU bargaining units have not reached salary agreements for 2024-25.

Employee compensation costs in 2024-25 are estimated to increase \$308.6 million from general salary increases and California Faculty Association supplemental salary increases and range elevations. After allocations for mandatory costs and other budget priorities in 2024-25, only \$149.3 million of state General Fund and new tuition revenue are available to allocate. This amount is further reduced to \$74.3 million in 2024-25 due to a one-time \$75 million reduction as part of the state's efforts to address its budget deficit. Distribution of compensation funding is based on the percentage share of the university's total compensation cost increase. After budget allocations, it is estimated that \$234.2 million of the cost increase will be unfunded.