



The California State University

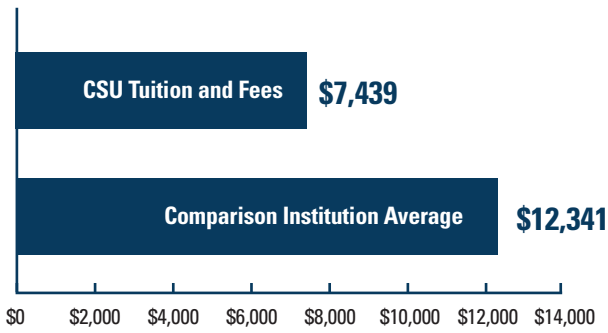
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2022-23 OPERATING BUDGET

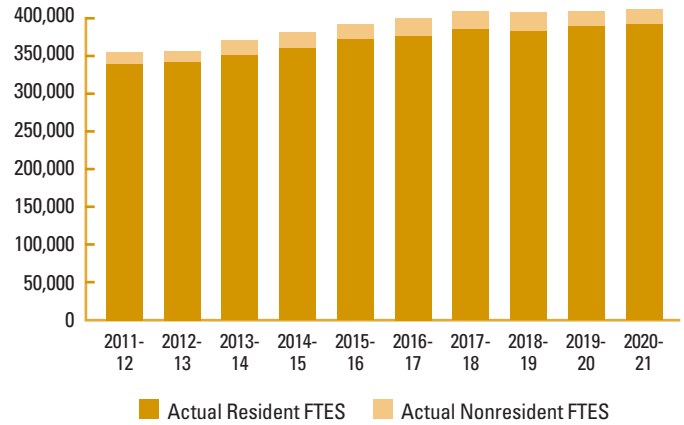
www.calstate.edu/budget

APPROVED BY THE CSU BOARD OF TRUSTEES
NOVEMBER 10, 2021

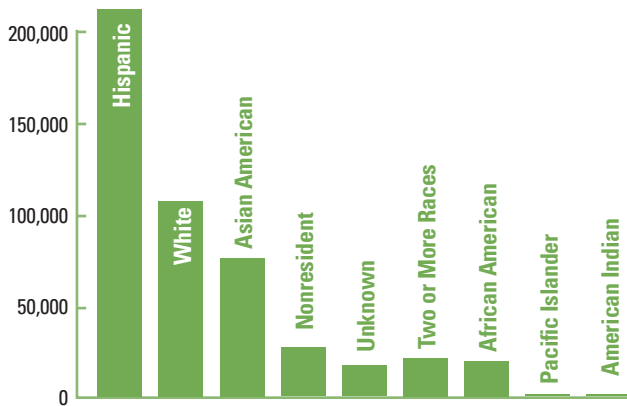
CSU TUITION AND FEES REMAIN AFFORDABLE
[BASED ON AVERAGE RESIDENT UNDERGRAD]



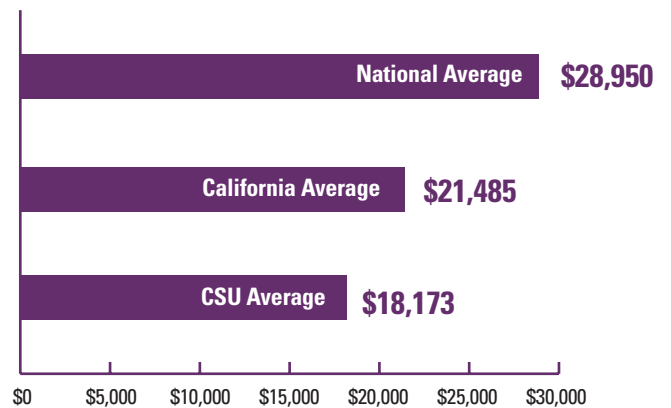
95% OF CSU STUDENTS ARE FROM CALIFORNIA



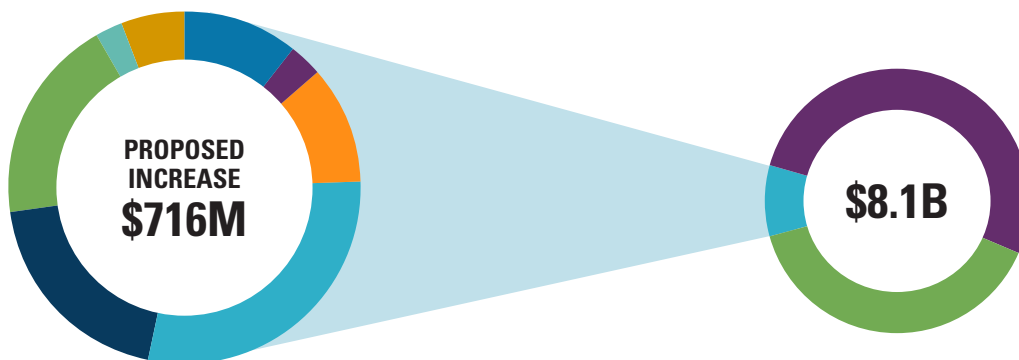
CSU SERVES A DIVERSE STUDENT POPULATION



CSU STUDENTS HAVE LOWER AVERAGE DEBT



2022-23 PROPOSED OPERATING BUDGET

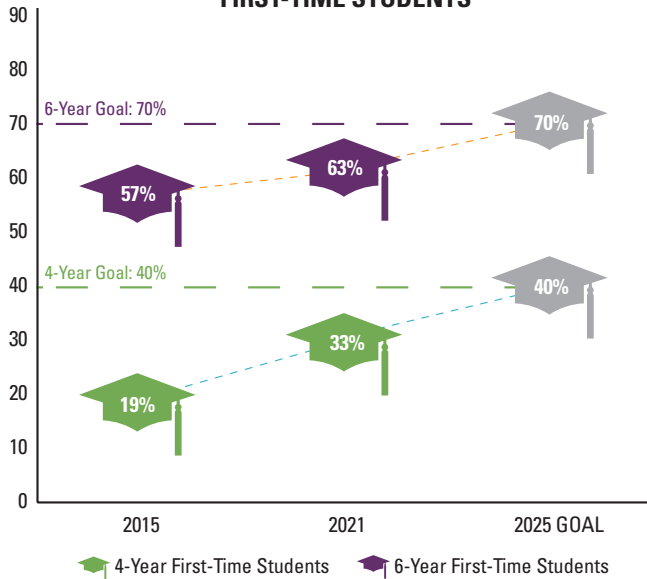


- Graduation Initiative 2025 **10.5%**
- Student Basic Needs **2.8%**
- Bridging Equity Divide Through Technology **10.5%**
- Salary and Benefits **31.2%**
- Academic Facilities and Infrastructure **18.9%**
- Strategic Resident Enrollment Growth **18.1%**
- Senate Bill 169 State University Grant Requirement **2.3%**
- Mandatory Costs **5.7%**

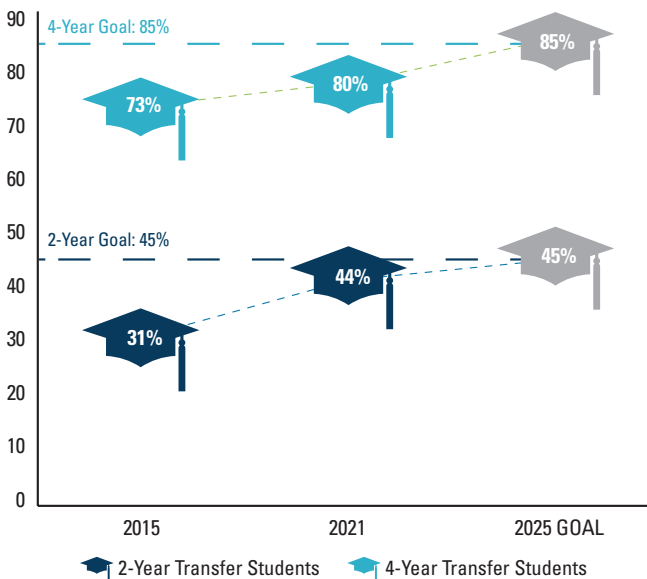
- Tuition and Fees **\$3.2B**
- General Fund **\$4.2B**
- 2022-23 Proposed Increase **\$716M**

CSU IS ON TRACK TO MEET ITS SYSTEMWIDE GRADUATION RATE GOALS BY 2025

FIRST-TIME STUDENTS



TRANSFER STUDENTS



CSUCCESS



8
CAMPUSES CURRENTLY PARTICIPATING



\$19M
FUNDING FOR PROGRAM



22,775
TECHNOLOGY BUNDLES



UP TO 35,000
FIRST-YEAR AND TRANSFER STUDENTS ELIGIBLE

82%

OF ALL CSU STUDENTS RECEIVED FINANCIAL AID

49%

OF CSU UNDERGRADUATES RECEIVED A FEDERAL PELL GRANT

59%

OF CSU STUDENTS HAD TUITION FULLY COVERED BY FINANCIAL AID

50%

OF UNDERGRADUATES ARE FROM TRADITIONALLY UNDER-REPRESENTED MINORITIES

95%

OF NEW UNDERGRADUATE TRANSFERS ARE FROM CALIFORNIA COMMUNITY COLLEGES



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TITANS REACH HIGHER

TITANS REACH HIGHER
CSUF

CHANCELLOR'S MESSAGE

As California steadily emerges from the most devastating global pandemic in more than a century, we look to our state's future with great optimism. And we wholeheartedly believe that the California State University—the nation's largest, most diverse and most consequential university—can serve as an inflection point: one that will lead a turn toward healing, reconciliation, recovery and prosperity.

Despite the challenges of the past year and a half, the CSU and its students are thriving, thanks in large part to the state's renewed, generous and forward-thinking support. Almost 133,000 students earned degrees in 2020-21—a record high. Graduation rates are also at all-time highs for students from all backgrounds. As supported by Washington Monthly's recent rankings, the CSU continues to be the nation's most powerful driver of socioeconomic ascent, as we work to prepare California's future workforce for its most in-demand fields.

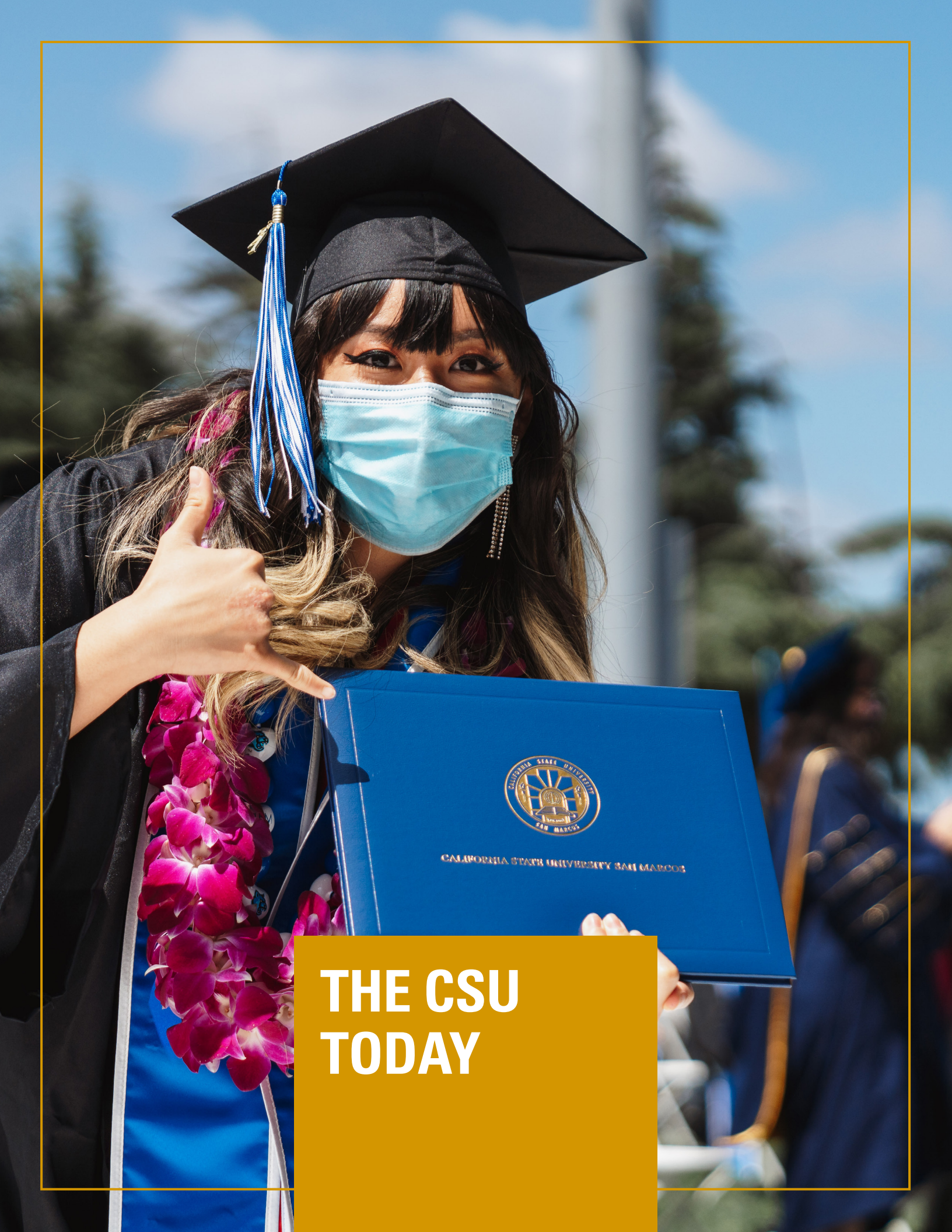
But we can, and must, do more for California's students—our state's future leaders. We believe the Trustees' budget plan represents a vital and effective path forward. It is one that will help us:

- Elevate student success for all, with a laser focus on completely eliminating equity gaps that exist between students of color, first-generation students and low-income students and their peers, via Graduation Initiative 2025.
- Promote our students' mental and physical well-being while supporting their basic needs, including housing and food security.
- Bridge the digital divide so that technology will be an essential and invaluable tool—and not a barrier—for every CSU student.
- Ensure the fair and equitable compensation of our world-class and student-centered faculty and staff.
- Repair and modernize our aging facilities and infrastructure to promote academic achievement while providing the safest possible environment for our students, faculty and staff.
- Increase access through enrollment growth, so that more Californians from all backgrounds can earn the security, purpose and prosperity that come with a high-quality CSU degree.

On behalf of the entire CSU community, including our more than four million global alumni, please accept our deepest appreciation and gratitude for your belief in our mission and for your visionary support and leadership through one of the most challenging times in our state's and university's history. We are extraordinarily proud of how the collective CSU community stepped up to deliver on your investment. And we hope that the remarkable successes of our talented and diverse students inspire continued partnership and investment, as together we transform our students' lives and communities and drive California's recovery and sustained economic vitality.



Jolene Koester
Interim Chancellor
The California State University



THE CSU TODAY

In the 2021-22 final budget, the CSU received from the state a permanent base budget increase of \$550.2 million, including a restoration of the \$299 million base funding reduction in 2020-21. The tables below also include the state-funded retirement adjustment of \$4.4 million that will be reduced in a subsequent General Fund appropriation. The 2021-22 current year total CSU operating budget of \$7.4 billion is composed of \$4.2 billion in state General Fund and \$3.2 billion in tuition and fees. New resources to fulfill the CSU's budget request for 2022-23 are \$715.5 million, as shown in Table 1.

TABLE 1: OPERATING BUDGET AND INFRASTRUCTURE

	2020-21 Past Year	2021-22 Current Year	2022-23 Budget Year	2022-23 Increase
General Fund, Operations	\$3,345,830,000	\$3,883,312,000	\$4,421,292,000	\$537,980,000
General Fund, Academic Facilities and Infrastructure	340,560,000	340,560,000	475,560,000	135,000,000
Tuition and Other Fee Revenue	3,277,002,000	3,163,392,000	3,205,920,000	42,528,000
TOTAL OPERATING BUDGET AND INFRASTRUCTURE	\$6,963,392,000	\$7,387,264,000	\$8,102,772,000	\$715,508,000

TABLE 2: EXPENDITURES BY PROGRAM AREA

	2020-21 Past Year	2021-22 Current Year	2022-23 Budget Year
Instruction	\$2,835,645,000	\$2,924,053,000	\$2,924,053,000
Research	31,653,000	23,856,000	23,856,000
Public Service	20,996,000	17,374,000	17,374,000
Academic Support	706,730,000	752,089,000	752,089,000
Student Services	775,869,000	790,223,000	790,223,000
Institutional Support	892,813,000	1,108,782,000	1,108,782,000
Operation and Maintenance of Plant	938,640,000	1,015,372,000	1,015,372,000
Student Grants and Scholarships	761,046,000	755,515,000	755,515,000
New Expenditures	0	0	715,508,000
TOTAL EXPENDITURES	\$6,963,392,000	\$7,387,264,000	\$8,102,772,000

The operating budget is focused on fulfilling the CSU's core mission: to serve students with a high-quality, affordable and accessible education. As shown in Table 2, the CSU spends 71 percent, \$5.2 billion, of its total operating budget on instruction, academic support, student services and financial aid. All of these activities promote student success, enrich the academic experience and ensure that each eventual CSU graduate is ready to succeed professionally.



State support for the CSU—the nation’s largest and most diverse public university—continues to be one of the wisest and most consequential commitments our state leaders can make with a sevenfold return on every dollar invested in the university. The CSU plays a critical role in providing future leaders with skills and knowledge to thrive in the workforce and help drive California’s economy. Producing over half the state’s bachelor’s degrees, the CSU sends more than 130,000 job-ready graduates into the workforce each year. Ongoing base augmentations from the state ensure higher education access is expanded and costs remain affordable. The CSU is the best value in higher education. Year after year, it remains one of the most affordable university systems in the nation, with more than half of its students graduating with zero loan debt. In 2019, all 23 campuses ranked among the top 100 “Best Bang for the Buck” universities in the West, according to Washington Monthly. Additional accomplishments include:

- Enrolled 477,472 students in fall 2021;
- Graduated 132,617 students in 2020-21, 3,692 more than 2019-20;
- Awarded 112,566 baccalaureate, 19,454 master’s and 597 doctoral degrees in 2020-21;
- Served 2,479 doctoral students in fall 2021 from diverse backgrounds, preparing them for leadership roles in education and nursing and filling roles in critical fields such as physical therapy and audiology;
- Improved four-year graduation rates for first-time students by 14 percentage points since 2015; and
- Improved six-year graduation rates for first-time students by 6 percentage points since 2015.

The university has embraced key opportunities from the COVID-19 pandemic to reimagine an even more dynamic and equitable institution. Technology and support strategies employed during virtual instruction were vital to student success during the pandemic. With an emphasis to be flexible, technology focused, compassionate and inclusive, the CSU will continue to refine and expand these tools to enrich the student learning experience moving forward.

- Distributed more than 21,000 laptops and tablets and 10,000 mobile Wi-Fi hot spots during the pandemic to facilitate necessary online instruction and learning;
- Launched CSUCCESS (California State University Connectivity Contributing to Equity and Student Success) in July 2021, which provided 22,775 new iPad bundles to fall 2021 first-year and transfer students at eight participating CSU campuses (Bakersfield, Channel Islands, Fresno, Humboldt, Los Angeles, Maritime Academy, Northridge and San Marcos);

- Engaged faculty and staff from across the CSU in a Flexible Course Experience Institute to explore ways to offer courses in three modes simultaneously (face-to-face, virtual synchronous and virtual asynchronous), with students able to choose the modality that best suits their needs and preferred learning style; and
- Provided virtual advisement, with appointment attendance nearing 100 percent at many campuses, allowing students with jobs and families to meet with their advisors from any location.

The CSU adopted a university-wide commitment to innovation and shared standards with a goal of driving value and increasing effectiveness across the system. Through joint contracts, energy partnerships and sustainability efforts, the CSU maximizes efficiencies and economies of scale to increase cost savings and cost avoidance whenever possible.

- Contributed \$45 million in value during 2020-21 through procurement-related cost avoidance and revenue generation activities across the organization, including administrative, instructional, student services, information technology, construction, energy and facilities operations.
- Leveraged supplier relationships to increase career development opportunities through student internships, professional development programs and job prospects.
- Developed intersegmental strategic partnerships to reduce costs in purchasing goods and services mainly for construction projects, information technology and academic support.
- Utilized CSU’s Energy Dashboard tool to reduce staff time through streamlined data collection and systemwide reporting, resulting in improved management of energy information and cost data.
- Established on-campus solar and battery storage Master Enabling Agreements, which provide cost-effective opportunities to increase resilient, clean energy resources across the CSU.
- Developing regional, inter-campus energy efficiency and carbon reduction specifications, which will lower costs by establishing standards and reducing duplication of work.

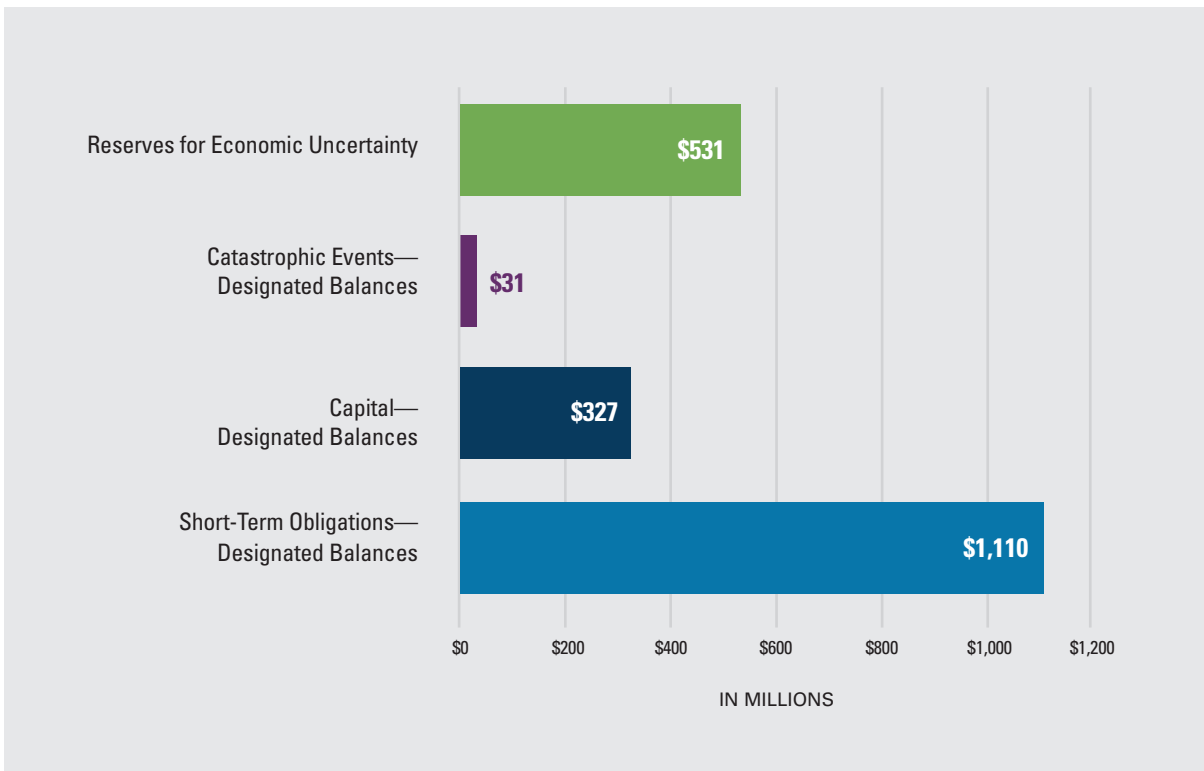
**DESIGNATED BALANCES AND RESERVES:
\$2 BILLION**

The CSU’s operating fund designated balances and reserves pay for nonrecurring expenses to manage short-term obligations and commitments, provide funding for capital infrastructure repairs and maintenance and help ensure that operating costs can be paid during times of catastrophic events and economic and budgetary uncertainty. The CSU’s reserve policy encourages campuses to accumulate a minimum of one-quarter to a maximum of one-half of the annual operating budget. The policy also requires designation and reserve amounts to be established and reported annually by the campuses and the Chancellor’s Office. These amounts are published on the CSU’s financial transparency portal (calstate.edu/csu-system/transparency-accountability) and reported annually to the Board of Trustees. Designated balances and reserves are not used to fund recurring expenses such as salary increases. The use of one-time monies to pay recurring, permanent expenses can lead to structural deficits.

The CSU has prudently managed designated balances and reserves to meet certain strategic goals, one of which was to be prepared to respond during economic uncertainty. During

the first several months of the pandemic, the CSU drew upon these reserves on a one-time basis to maintain operations in programs impacted by COVID-19. More specifically and early in the pandemic, an estimated 45 percent of all operating fund reserves for economic uncertainties were expected to be used in 2020-21 to cover COVID-related losses and expenses. The fortunate reality was that over the past 18 months with subsequent rounds of federal legislation, campuses used one-time federal funds in lieu of operating fund reserves for COVID-related losses and expenses. The CSU no longer anticipates a use of reserves for COVID-related purposes over the next several years because the economy and state budget have rebounded sooner than expected.

As of June 30, 2021, designated balances and reserves in the operating fund totaled \$2 billion, accumulated primarily from tuition, fees and other revenues in excess of annual expenses. They are held for economic uncertainty, catastrophic events, capital needs and short-term obligations as displayed in the chart.





Reserves for Economic Uncertainty

Reserves for economic uncertainty are held for costs that may occur due to short-term recessionary cycles or state budget fluctuations. Reserves are part of the university's prudent fiscal strategy and are intended to be used as a one-time supplement, which allows the CSU time to adjust operating budgets appropriately to balance reductions and to minimize disruptions to students' education as much as possible. As of June 30, 2021, reserves for economic uncertainty totaled \$531 million and represent about 27 days of operations for all 23 campuses and the Chancellor's Office. This is well below the need to maintain three to six months of operating expenses.

Designated for Catastrophic Events

Balances are held to be used in the event of a natural disaster or other catastrophic event. Typically, these balances are used to pay for costs not covered by insurance. Balances designated for catastrophic events are sufficient to cover expected needs, which totaled \$31 million.

Designated for Capital

Balances designated for capital are for new capital projects and repair of current buildings, as well as planning costs and equipment acquisition associated with those buildings. Capital reserves fall well short of the expected need, which is at least 10 percent of the cost of academic projects approved in the most recent multi-year capital plan. With over \$16.8 billion of academic facility and infrastructure needs identified in the 2021-22 through 2025-26 multi-year capital program, over \$1.6 billion is required. Balances designated for capital totaled \$327 million.

Designated for Short-Term Obligations

Balances designated for short-term obligations are for open contracts and purchase orders, near-term debt service payments, financial aid obligations and programs that are in development. Balances designated for short-term obligations totaled \$1.1 billion at the end of last year, which are sufficient to cover expected needs and are typically paid in the following fiscal year.



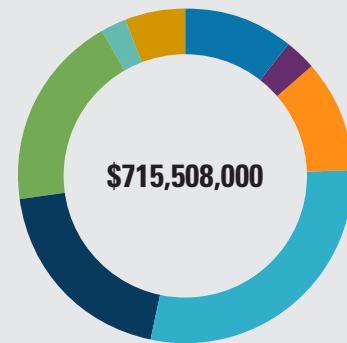
**2022-23
OPERATING
BUDGET PLAN**

The CSU proposes an \$8.1 billion operating budget for 2022-23, with \$4.9 billion from the state General Fund and \$3.2 billion from tuition and fee revenue. As shown in Table 1, this budget plan is an increase of \$715.5 million over the 2021-22 operating budget. It includes significant investments so that the CSU can continue to serve as the key to California’s prosperous economy, consistently ranked as one of the top ten largest in the world. Table 3 outlines the sources and uses of funds that make up the \$715.5 million increase.

TABLE 3: SOURCES AND USES OF FUNDS

SOURCES OF FUNDS		
General Fund Increase		\$672,980,000
Operating Budget	537,980,000	
Academic Facilities and Infrastructure	135,000,000	
Tuition From Strategic Resident Enrollment Growth		42,528,000
TOTAL NEW SOURCES		\$715,508,000
USES OF FUNDS		
Graduation Initiative 2025		\$75,000,000
Student Basic Needs		20,000,000
Bridging Equity Divide Through Technology		75,000,000
Salary and Benefits		223,325,000
Compensation Pool	209,363,000	
Health Benefits	13,962,000	
Academic Facilities and Infrastructure		135,000,000
Strategic Resident Enrollment Growth		129,859,000
Senate Bill 169 State University Grant Requirement		16,835,000
Mandatory Costs		40,489,000
Inflation on Non-Personnel Expenditures	29,628,000	
Maintenance of New Facilities	3,094,000	
Minimum Wage	7,767,000	
TOTAL NEW USES		\$715,508,000

USES OF FUNDS



- Graduation Initiative 2025
10.5%
- Student Basic Needs
2.8%
- Bridging Equity Divide Through Technology
10.5%
- Salary and Benefits
31.2%
- Academic Facilities and Infrastructure
18.9%
- Strategic Resident Enrollment Growth
18.1%
- Senate Bill 169 State University Grant Requirement
2.3%
- Mandatory Costs
5.7%



TABLE 4: CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS

			2016	2017	2018	2019	2020	2021	2025 GOAL
GRADUATION RATES	First-Time Students	4-Year	21%	23%	25%	27%	31%	33%	40%
		6-Year	59%	59%	61%	62%	62%	63%	70%
	Transfer Students	2-Year	33%	35%	38%	40%	44%	44%	45%
		4-Year	74%	75%	77%	77%	79%	80%	85%
EQUITY GAPS (in percentage points)	Underserved Students of Color		12.0	12.2	10.5	11.1	10.5	12.4	0.0
	Pell Grant Recipients		10.0	10.6	9.5	10.2	9.2	10.2	0.0

GRADUATION INITIATIVE 2025: \$75 MILLION

As it enters its sixth year, Graduation Initiative 2025 is well on its way to meeting many of its bold systemwide goals with the highest graduation rates for first-time and transfer students since the initiative launched. Yet, the CSU is committed to doing more, which means ensuring that all students, regardless of background, have the opportunity to receive a high-quality education and earn a CSU degree. The CSU expects to invest \$75 million of the 2022-23 operating budget request to meet these ambitious goals.

To that end, the CSU convened a new advisory committee for Graduation Initiative 2025 with an expressed goal to identify new and creative ways to address disparities in graduation rates and accelerate the elimination of equity gaps. The committee, comprised of CSU administrators, faculty, staff and students, issued a set of recommendations that included enhancements in student advising, expanding data sharing and increasing transparency across campuses.

Graduation Rates Continue to Climb

Based on preliminary 2021 data, four- and six-year graduation rates for first-time students and two- and four-year rates for transfer students continue to improve and have reached all-time highs. These increases are remarkable given the challenges of the pandemic and represent the commitment of CSU faculty and staff and the intentional action by campus leaders for a laser focus on student success.

- Every year, more and more students graduate from the CSU and enter the workforce. Since 2015, the number of students who annually earn a baccalaureate degree has increased by nearly 25,000.
- The systemwide four-year graduation rate increased two percentage points to 33 percent from the previous year and 14 percentage points since 2015.
- The systemwide six-year graduation rate increased one percentage point to 63 percent, continuing to exceed the national average for public four-year universities.
- The CSU is on track overall to meet its systemwide graduation rate goals by 2025.

Focus on Eliminating Equity Gaps

The CSU is redoubling student success efforts with a more intentional focus on eliminating equity gaps. Informed by recommendations of the Graduation Initiative 2025 Advisory Committee, the CSU announced an action plan with the expressed goal to support students most in need—including students of color, first-generation and Pell Grant recipients. The plan's five priorities are:

- Advance systemwide campus campaigns to re-engage and re-enroll underserved students;
- Expand credit earning opportunities with summer and intercession sessions funding;
- Ensure equitable access to digital degree planners/roadmaps;
- Eliminate administrative barriers to graduation; and
- Promote equitable learning practices and reduce DFW (D, F, Withdrawal) rates.

Additional state funding for Graduation Initiative 2025 is critical to maintain this momentum. These new investments will be used to offer more courses, hire additional tenure-track faculty and to advance innovative student success practices. Specifically, campuses will focus on addressing the five equity priorities within the framework of the six operational pillars:

- Academic Preparation
- Enrollment Management
- Student Engagement and Well-Being
- Financial Support
- Data-Informed Decision-Making
- Administrative Barriers

Increased state funding will allow campuses to accelerate existing Graduation Initiative 2025 efforts and scale programs that have demonstrated success to ensure all California students have the opportunity to earn a degree. More information about specific systemwide and campus priorities can be found at calstate.edu/csu-system/why-the-csu-matters/graduation-initiative-2025.

STUDENT BASIC NEEDS: \$20 MILLION

The CSU requests \$20 million to sustain and expand its Basic Needs initiatives in support of Graduation Initiative 2025. Following a landmark research project into the prevalence of food and housing insecurity among CSU students, the Chancellor's Office launched a systemwide initiative in 2015 to provide a framework for all 23 campuses that guides a more coordinated approach to developing basic needs programs and services. These strategies are intended to support students experiencing food and housing insecurities, unanticipated financial distress, mental health concerns and overall health and safety challenges that could disrupt their timely pathways to degree. While the CSU's primary mission is educational in nature, the CSU recognizes that students cannot be fully engaged in, or out of, the classroom if they are preoccupied with hunger, housing insecurity, personal safety, mental and physical health, transportation, technology/broadband or childcare to attend educational and employment responsibilities. As such, leaders across all 23 campuses have committed to enhancing and developing resources consistent with the CSU academic mission to reduce the negative impact of these basic needs gaps on student retention and graduation. From a recently completed fall 2021 survey, campuses are investing \$140.5 million from all funding sources on basic needs support and services to students. That is a substantial increase over the fall 2020 total of \$92 million.



BRIDGING EQUITY DIVIDE THROUGH TECHNOLOGY: \$75 MILLION

Over the course of the past 18 months, the CSU helped bridge the equity divide by increasing access to critical technology to ensure student success in a virtual learning environment. The CSU is offering the majority of instruction in person this fall term, but a significant increase in courses are offered virtually, because of ongoing risks and challenges posed by the COVID-19 pandemic and student-stated preferences.

In July 2021, the CSU announced the launch of the first phase of the California State University Connectivity Contributing to Equity and Student Success (CSUCCESS) initiative, a bold effort to enhance student achievement and create more equitable opportunities for the CSU community by providing industry-leading technology. CSUCCESS provides students with tools to participate and succeed in a virtual learning environment. Eight campuses are participating in the initial phase this fall 2021 and offered a free iPad Air, Apple Pencil and Apple Smart Keyboard Folio to all incoming first-year and new transfer students who registered to participate in the initiative. Students will have this iPad bundle for the entirety of their undergraduate experience at the CSU. The new CSUCCESS

initiative builds on previous efforts to address the issue at scale by partnering with a global technology leader at the university-wide level to provide a high-quality, reliable device for new students.

Next steps in bridging the equity divide through technology could include several approaches. The CSUCCESS initiative could be rolled out to additional campuses and students beginning in fall 2022. Also, information technology capabilities could be expanded so that the educational experiences, lessons learned and opportunities identified during the pandemic can be optimized now and in the future for course delivery. Another component of the request could be informational technology infrastructure that increases research opportunities and access to advanced cyberinfrastructure.

This \$75 million recurring request is an important component in the CSU's efforts to recover from the pandemic and improve student success while eliminating opportunity and achievement gaps as part of Graduation Initiative 2025.

SALARY AND BENEFITS: \$223.3 MILLION

The CSU Board of Trustees recognizes salary and benefits for faculty, staff and management as a key element to the university's success. Continued investment in competitive salary and benefits is critical for the CSU to fulfill its primary mission of providing access to an affordable and high-quality education. A competitive compensation package is essential to the CSU's ability to recruit and retain the best faculty, staff and management employees.

Compensation Pool	\$209,363,000
Health Benefits	13,962,000
TOTAL	\$223,325,000

Compensation Pool

The CSU proactively mitigated the impact to faculty and staff during the COVID-19 health crisis and the state budget reduction in 2020-21. Fortunately, furloughs or systemwide layoffs were not needed, and campuses and employees benefited from the use of various resources (e.g., reserves and federal grants). Moving forward following the recent budget restoration and transition back to normal operations, the CSU will keep its employees a priority in its budgetary decisions.

This budget plan calls for approximately \$209.4 million to fund 2022-23 compensation increases for all employee groups. The compensation pool is subject to collective bargaining and contingent on the state providing the funding to support this. The 2022-23 cost of the compensation increases is based on 2021-22 final budget salaries and salary-related benefits (OASDI, Medicare and retirement).

Health Benefits

Permanent base budget costs associated with January 2022 employer-paid health care premium increases are over \$13.9 million. Health care premiums are shared between the CSU and its employees, with the CSU funding a significant portion of the costs. The CSU is governed by California Government Code Section 22871 that defines the employer-paid contribution rates.

Retirement Benefits (Beyond State-Funded)

Beginning with the 2013-14 fiscal year, the annual state budget placed a limit on the state's obligation to adjust CSU retirement funding due to annual changes in CalPERS rates. Although the state's statutory obligation to adjust retirement funding based on annual rates set by CalPERS continues (Government Code Section 20814), the salary base applied to the incremental rate change is annually set to the CSU 2013-14 pensionable payroll

level in the state budget. Final 2020-21 pensionable payroll for the CSU was 31 percent above the 2013-14 frozen pensionable payroll level. The retirement increase amount above the frozen payroll level is an unfunded cost for the CSU, and it continues to increase each year when pensionable payroll or retirement contribution rates increase.

CalPERS retirement contribution rates decreased for 2021-22, the second consecutive year, due in part to advanced paydown of unfunded retirement obligations, so there is no request for additional retirement funding in 2022-23. However, the state's use of this budgeting practice is problematic and should be discontinued. Throughout the years that this budget practice has been in effect, the state or students ultimately covered the unfunded liability above frozen pensionable payroll because retirement costs are mandatory and unavoidable. While the rationale of this practice was to help reduce state funding increases and to examine more closely the cost of annual general salary increases and hiring of new employees, those have always been key considerations. The CSU must balance the need to serve students with the level of funding available to the university, particularly as tuition rates have remained relatively constant since 2011-12, with only a \$270 per year increase in 2017-18. The CSU cannot hire additional employees or provide continued investment to ensure competitive salary and benefits without the proper level of state funding.

STAFF SALARY STRUCTURE STUDY RESULTS: TO BE DETERMINED

The Budget Act of 2021 included \$2 million for the Chancellor's Office to evaluate the existing salary structure, issues of salary inversion and provide any recommendations for alternative salary models for CSU non-faculty staff. The Chancellor's Office, California State University Employees Union, Service Employees International Union and Teamsters Local 2010 partnered this past spring to advocate for state funding for this purpose. These organizations have long desired to find a mutually agreeable solution to address issues of inversion and salary structure.

The evaluation will be completed by April 30, 2022. The evaluation's recommendations could include solutions that would require additional funding. The Chancellor's Office, in partnership with these represented staff groups, may request additional funding for these purposes. The completion date of the evaluation is expected two weeks prior to the governor's 2022-23 May Revision. It will be extremely important for the Chancellor's Office and our represented groups to work together to obtain funding for this important purpose in the 2022-23 state budget.

ACADEMIC FACILITIES AND INFRASTRUCTURE: \$135 MILLION

The CSU proposes using \$135 million of the request to fund academic facilities and infrastructure projects. Campus need for facility renovation and improvement continues to grow. Academic facility and infrastructure improvement programs address important facility needs. Seismic projects include those to retrofit and improve buildings identified by the seismic review board as needing seismic strengthening. Energy efficiency projects aim to lower our utility consumption and respond to statewide capacity issues, and resiliency projects such as microgrid readiness and battery storage projects help campuses respond to public safety power shutoffs, fires and other natural disasters. Other projects address general deficiencies in building systems and building structure. Many of the infrastructure improvement projects address critical infrastructure needs, system upgrades, facility improvements, as well as maintenance needs that are well past due. While the CSU continues to make strides in addressing its systemwide needs, current funding levels prohibit the CSU from undertaking projects to adequately address the needs in the built environment.

In support of the request for additional, permanent base funding, the CSU multi-year capital plan identifies the priority needs of each of the 23 campuses and their off-campus centers. The plan primarily identifies renewal/replacement needs of existing buildings with some new facilities to accommodate growth and improve student access. The Board of Trustees regularly approves categories and criteria for capital outlay priority setting. The priorities are consistent with the state’s priorities of critical infrastructure, energy efficiency, life safety projects and renovation/modernization of existing facilities and new facilities to increase capacity to serve the existing and projected enrollment. The multi-year plan identifies a systemwide need in 2022-23 alone that exceeds \$2 billion to address academic infrastructure and facility needs. The \$135 million in the 2022-23 budget request will help finance approximately \$2 billion of the priority projects identified by the campuses. For more information on specific projects and priorities, see the CSU multi-year capital plan.

STRATEGIC RESIDENT ENROLLMENT GROWTH: \$129.9 MILLION

The CSU aims for bold increases in enrollment to meet student demand for a CSU education and the needs of California’s future workforce. The CSU plans to increase resident enrollment by 9,434 full-time equivalent students (FTES). Using the marginal cost rate, which is the cost of education per FTES, the funding required to support 9,434 new resident FTES in 2022-23 is \$129.9 million.

It is the CSU’s intent to place new enrollment strategically at campuses that are experiencing significant prospective student demand and can expand more seats in academic programs that are vital to reducing current and prospective workforce shortages.

2021-22 Resident FTES Base	374,246
Proposed Growth (2.5%)	9,434
2022-23 TOTAL RESIDENT FTES	383,680

Marginal Cost Rate per FTES	\$13,765
TOTAL COST OF ENROLLMENT GROWTH	\$129,859,000
State’s Share of Marginal Cost Rate	\$9,257

In 2015, the Public Policy Institute of California (PPIC) concluded that the state would fall about 1.1 million college graduates short of economic demand by 2030. Of the 1.1 million degree gap, the PPIC calculated the CSU will need to graduate an additional 480,000 students to meet its share of the gap. The CSU is on track to partially meet workforce demand by increasing access and completion outcomes through Graduation Initiative 2025. But the other half of the equation necessary to shrink the gap is a funded enrollment increase of three to five percent per year over the next decade to meet increasing student demand for a CSU education and California’s future workforce needs.

Additionally, California has for decades encouraged generations of young Californians to pursue higher education. Despite the pandemic, demand for the CSU remains strong as more students graduate from high school having met the requirements for admission to the CSU and more transfer students complete the Associate Degree for Transfer. To accommodate more students at the CSU, the legislature and governor committed to providing recurring funding to grow enrollment by 9,434 resident FTES beginning in 2022-23. This would cost approximately \$129.9 million and would be equivalent to approximately a 2.5 percent increase in funded enrollment growth principally for new two-year transfer and four-year first-time student seats and, to a smaller extent, growth in the average unit load for continuing students in support of graduation rate goals. Each one percent increase in enrollment would cost approximately \$51.5 million and would allow for growth of approximately 3,740 FTES.

SENATE BILL 169 STATE UNIVERSITY GRANT REQUIREMENT: \$16.8 MILLION

The CSU requests \$16.8 million to increase State University Grant (SUG) program expenditures related to the aforementioned strategic resident enrollment growth of 2.5 percent.

In the final days of the first year of the 2021-22 two-year legislative session, the state's Middle Class Scholarship (MCS) program was substantively changed in state law that significantly altered the requirements for the CSU to participate in the program. The law requires the CSU to ensure that the amount of institutional aid provided each academic year be adjusted annually to account for increases in systemwide undergraduate enrollment, such that the proportion of SUG, relative to undergraduate enrollment, is maintained at levels equal to those during the 2021-22 academic year. In other words, when CSU enrollment grows, SUG program expenditures are now required to grow as well. Practically, this means that for every three new students above current levels, one of the new students will cost the CSU an additional \$4,825 (the mean SUG award) because state law now requires the CSU to increase SUG expenditures with enrollment growth.

MANDATORY COSTS: \$40.5 MILLION

Mandatory costs are expenditures the university must pay regardless of the level of funding allocated by the state, and they often increase despite growing, flat or declining state support. The 2022-23 operating budget request includes \$40.5 million for increases due to inflation on non-personnel expenditures, maintenance of new facilities and minimum wage rate.

Inflation on Non-Personnel Expenditures	\$29,628,000
Maintenance of New Facilities	3,094,000
Minimum Wage	7,767,000
TOTAL	\$40,489,000

Inflation on Non-Personnel Expenditures

Inflation impacts all areas of the university and, for the most part, salary and benefit cost increases are addressed through collective bargaining and state budgetary processes. Over the past decade, the CSU operating costs have increased on a variety of expenses such as technology, instructional equipment, library subscriptions, supplies, contracts, insurance and any other non-personnel expenditures. The 2022-23 operating budget request includes \$29.6 million for increases due to cost-of-living adjustments.

Maintenance of New Facilities

The CSU is scheduled to open 149,467 square feet of new facilities in 2022-23. The cost to fund regular maintenance of these facilities is \$20.70 per square foot, for a total of \$3.1 million in 2022-23. Regular maintenance of new facilities includes the cost of utilities, building maintenance, custodial, landscape and administrative support.

Minimum Wage

In January 2022, the California minimum wage will increase from \$14 per hour to \$15 per hour. The estimated annualized cost of the increase on CSU campuses is \$7.8 million.



**ONE-TIME
REQUEST**

DEFERRED MAINTENANCE BACKLOG: \$1 BILLION

The CSU seeks \$1 billion of one-time funding to continue to address the growing maintenance backlog of building and utility infrastructure systems that have passed their useful life. More than half of the academic buildings are over 40 years old, and many of these buildings are overdue for major renovation. As buildings and their associated systems age, the cost to operate, maintain and renovate the facilities increases. Antiquated systems are generally more expensive to operate than more efficient modern systems, and replacement parts can be difficult to obtain. Although CSU facilities staff do an admirable job keeping these aging facilities operational, they do so with limited resources, and increased funding is necessary to adequately address the needs of our aging facilities moving forward. In 2020-21, the state provided \$325 million in one-time funding for deferred maintenance and energy efficiency, which is being used to address a small portion of our significant backlog of deferred renewal, improve energy efficiency and increase resiliency to enable campuses to better withstand and respond to climate change and utility interruptions. The CSU completes ongoing assessments and updates to our deferred maintenance inventory through a methodical approach using a third party with this expertise. Through these assessments, the CSU is able to develop a total, systemwide funding need. The assessment tool allows for the automatic addition of systems to backlog inventory as they age out past their useful life.

The one-time funding request will allow the university to address additional systemwide deficiencies, improve the reliability of systems and prevent costly and disruptive outages caused by system failures. In line with the overarching mission, system repairs and replacements will provide safer and healthier environments that support teaching and learning across all 23 campuses. These funds will also go toward projects that will improve the efficiency and effectiveness of systems, saving energy, producing fewer greenhouse gas emissions and improving occupant comfort and utilization. Major building systems that have exceeded the expected service life will be modernized to enable campuses to operate utilities more effectively, improve heating and air conditioning systems efficiency, reduce energy and lighting costs, reduce water consumption and greenhouse gas emissions and extend the useful life of existing facilities. The one-time funding will be spent on projects on a pay-as-you-go basis.



**CSU
FINANCIAL
AID**

The CSU strives to keep costs to a minimum by offering institutional aid programs in addition to federal and state grant and loan programs. Financial aid allows students attending the CSU to better focus on their academics and eases the pressure of educational and personal costs. CSU systemwide tuition is among the lowest in the nation, at \$5,742 per year for a resident undergraduate student. Numerous CSU, state and federal financial aid programs help defray the cost of attendance for the lowest income students and keep student debt well below the national average. In fact, CSU baccalaureate degree recipients have lower average debt (\$18,173) than other students in California (\$21,485) and the nation (\$28,950). With 82 percent of all CSU students receiving financial aid and 73 percent of undergraduate financial aid recipients receiving grants and scholarships to cover the full cost of tuition, the CSU understands the impact that need-based aid has on social mobility—a student's ability to attend college, earn a baccalaureate degree and enter the California workforce in a position to attain greater lifetime earnings. The CSU currently provides more than \$941 million of institutional aid, which includes \$701 million for the State University Grant program. An additional \$815 million from the state Cal Grant program and over \$1 billion from the federal Pell Grant program help CSU undergraduate students cover tuition, fees and some personal expenses. The result is average loan debt levels that are well below the national average.

State University Grant Program

To further the CSU's mission to provide an affordable, high-quality education to all students, the CSU created the State University Grant (SUG) program in 1982-83 to assist students who have the greatest financial need. Each year, the CSU awards need-based grants to eligible California residents and Dream Act applicants who enroll at CSU campuses in undergraduate, postbaccalaureate, teaching credential and graduate programs. Financial need is determined by the Expected Family Contribution (EFC) based on the Free Application for Federal Student Aid (FAFSA) application. Financial need is determined for Dream Act students through the California Dream Act Application. The SUG program has grown considerably since its inception, from \$4 million in 1982-83 to \$701 million in 2021-22. Nearly 140,000 students received a SUG award in 2019-20. As tuition increased and state investment in the CSU fluctuated, the CSU expanded the SUG program to help keep student costs to a minimum. Currently, more than 10 percent of the CSU's total operating budget is dedicated to financial aid for students with the greatest need. The SUG program remains one of the largest commitments in the CSU operating budget.



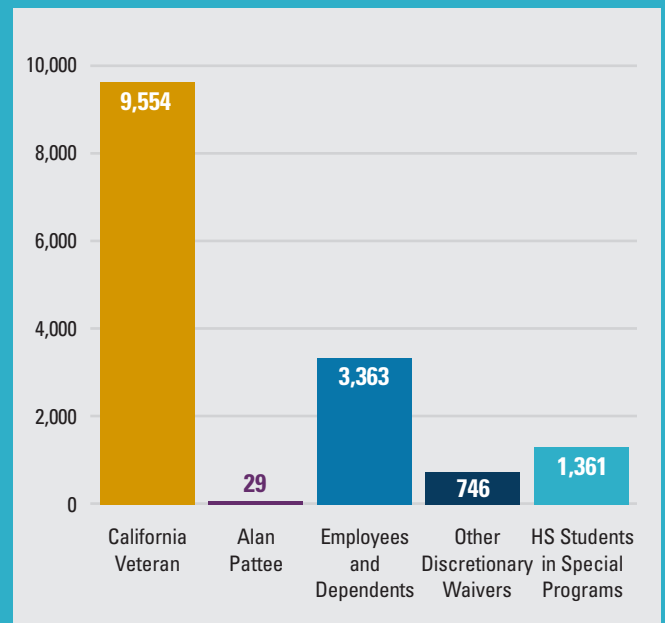
TUITION WAIVERS

Six mandatory resident tuition waiver programs exist under current state law:

- California Veterans Waiver for children of disabled or deceased veterans (Education Code Section 66025.3)
- Alan Pattee Waiver for dependents of deceased law enforcement or fire-suppression personnel (Education Code Section 68120)
- California residents who were dependents of victims killed in the September 11, 2001, terrorist attacks (Education Code Section 68121)
- Current or former foster youth (Education Code Section 66025.3)
- Exonerated persons (Education Code Section 69000)
- Student trustees (Education Code Section 66602)

The CSU also offers systemwide tuition waivers for employees and their dependents pursuant to collective bargaining agreements and CSU policy. Other discretionary tuition and fee waiver and exchange programs have been established by the CSU Board of Trustees and California statute for programs such as high school students participating in special programs, California residents age 60 and older or certain study abroad students.

In 2020-21, 15,053 tuition waivers were granted to CSU students, totaling approximately \$75.9 million. The state has not provided any General Fund support for any CSU tuition waiver program since 1992-93.





23 California State University Campuses

RESOLUTION OF THE BOARD OF TRUSTEES

Approval of the 2022-2023 Operating Budget Request
(RFIN 11-21-04)

RESOLVED, that the future of California rests on the California State University’s ability to provide a high-quality, affordable, and accessible education to nearly 500,000 students each year; and be it further

RESOLVED, by the Board of Trustees of the California State University that the 2022-2023 Operating Budget Request is approved as submitted by the chancellor; and be it further

RESOLVED, that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that any changes made by the chancellor be communicated promptly to the trustees; and be it further

RESOLVED, that copies of this resolution and the 2022-2023 CSU Operating Budget Request be transmitted to the governor, to the director of the Department of Finance, and to the legislature.



**The California
State University**

401 Golden Shore, Long Beach, CA 90802

www.calstate.edu