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Steve Relyea
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November 2, 2020

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Joint Legislative Budget Committee
State Capitol, Room 5080
Sacramento, CA 95814

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Legislative Analyst Office
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Sacramento, CA 95814

Keely Bosler, Director
Department of Finance
State Capitol, Room 1145
Sacramento, CA 95814

Erika Contreras
Secretary of the Senate
State Capitol, Room 3044
Sacramento, CA 95814

Diane Boyer-Vine
Legislative Counsel
State Capitol, Room 3021
Sacramento, CA 95814

Sue Parker
Chief Clerk of the Assembly
State Capitol, Room 3196
Sacramento, CA 95814

RE: 2020-21 State Budget Reduction and Resulting Base Budget Reductions to CSU Campuses

As a result of the COVID-19 pandemic, the state's revenue declined resulting in a budget reduction to the California State University. Understanding that many of the students we educate have been adversely impacted by the economic downturn, the legislature asserted that the CSU would make efforts to not disproportionately impact low-income students, students from underrepresented minority groups, and other disadvantaged students.

This report reflects the actions taken by the CSU to ensure these groups were not disproportionately impacted as a result of the \$299 million reduction in ongoing support of the California State University (CSU). Additionally, this report provides the methodology used by the CSU to reduce base budgets for the 23 CSU campuses, and thus fulfills the requirements contained within the Budget Act of 2020.

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

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Should you have any questions about this report, please contact Nichole Muñoz-Murillo, Assistant Vice Chancellor, Advocacy and State Relations at (916) 445-5983.

Sincerely,


Steven Relyea (Nov 2, 2020 11:42 PST)

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

SR:dr

Full report posted to <https://www.calstate.edu/legislativereports/>

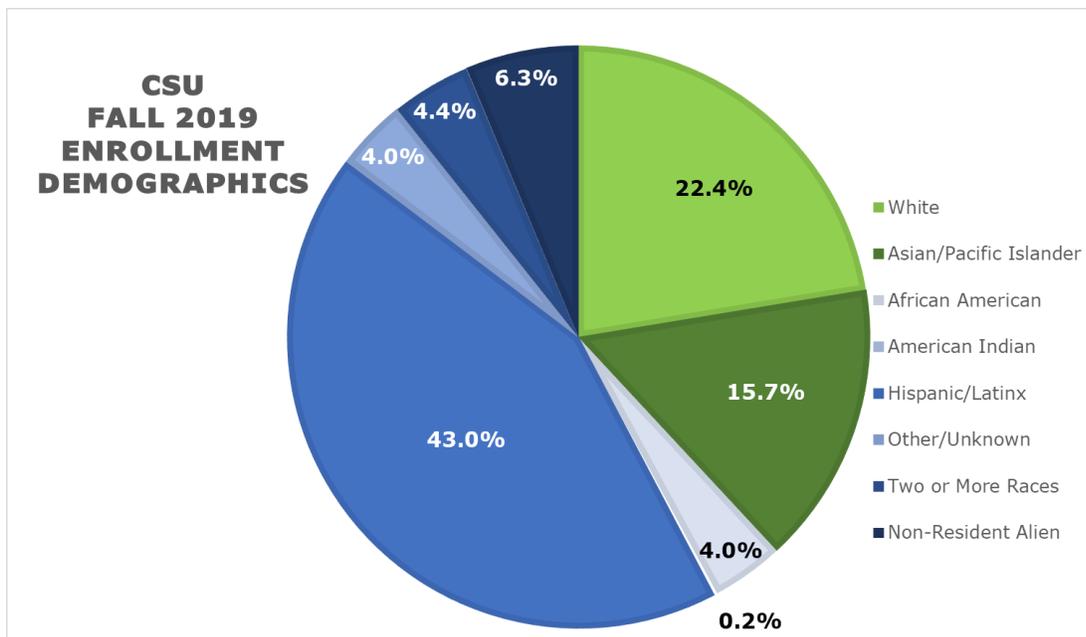
- c: Members, Assembly Higher Education Committee
Members, Senate Education Committee
Members, Joint Legislative Budget Committee
Lisa Qing, Senior Fiscal & Policy Analyst, Legislative Analyst Office
Timothy P. White, Chancellor, California State University
Loren J. Blanchard, Executive Vice Chancellor, Academic and Student Affairs
Garrett Ashley, Vice Chancellor, University Relations and Advancement
Nichole Muñoz-Murillo, Assistant Vice Chancellor, Advocacy and State Relations
Ryan Storm, Assistant Vice Chancellor for Budget

**Report to the California Legislature and the Department of Finance
November 2, 2020**

2020-21 State Budget Reduction and Resulting Base Budget Reductions to CSU Campuses

Cognizant the state budget for 2020-21 would reduce ongoing support of the California State University (CSU) by \$299 million, the legislature was concerned that the reduction could have a significant impact on the CSU student experience. Therefore, the legislature requested that the CSU mitigate, the negative impacts to specific categories of students. Specifically, the Budget Act of 2020 states the following: "...it is the intent of the Legislature that the reduction in the California State University's ongoing support not have a disproportionate impact on low-income students, students from underrepresented minority groups, and other disadvantaged students. The California State University shall not implement associated budget adjustments in a manner that disproportionately impacts the enrollment of, and services provided to, such students."

While the budget reduction places significant strains on our resources, the CSU has always held that budget allocation decisions will maintain support for our most disadvantaged students, including those low-income students and students from underrepresented minority groups. As the below figure reflects, the CSU has one of the most diverse student bodies in the United States with three-quarters from non-white backgrounds. Half of all CSU undergraduate students are recipients of a federal Pell grant. In 2018-19, which is the most recent data, 84 percent of all CSU students (388,000+) received financial assistance. Of these, 73 percent of undergraduate financial aid recipients have the full cost of tuition covered by grants, scholarships or waivers.



2020-21 State Budget Reduction & Resulting Base Budget Reductions to CSU Campuses

With more than 70 percent of all CSU undergraduate students meeting one or more of the subgroups identified in the budget act, and with all 23 campuses of the university impacted by the state budget reduction, it is impossible to cut the CSU's budget and not have an impact on all students of all backgrounds including underrepresented and underserved students. When campuses fully implement their share of the \$299 million in ongoing budget reductions, there will be fewer courses, student supports, and administrative functions provided by the university.

In being consistent with the intent of the budget act, the CSU Chancellor's Office, has implemented a de-allocation methodology for 2020-21 that has not disproportionately impacted these groups of students. To provide context to this methodology, for four years—from 2016-17 through 2019-20—the CSU Chancellor's Office more than proportionally allocated new funding to campuses that support these students. These budgetary decisions align with the values of Graduation Initiative 2025, which includes goals to narrow and ultimately eliminate equity gaps.

In 2015, the CSU launched Graduation Initiative 2025, its ambitious plan to increase graduation rates for first-time freshmen and transfer students, eliminate equity gaps in degree completion and meet California's workforce needs. The CSU identified six operational priorities to effectively implement Graduation Initiative 2025 efforts across the system. These areas were identified both through research and practice, as having significant impact on degree completion and student success. The six are:

1. Academic preparation
2. Enrollment management
3. Student engagement and well-being
4. Financial support
5. Data-informed decision-making
6. Administrative barriers

The CSU received budget increases from 2016-17 through 2019-20 from the state to address a variety of needs, including Graduation Initiative 2025 goals and priorities. During this period, the CSU Chancellor's Office allocated to the 23 campuses portions of the new, ongoing funding based on each campus' proportion of students with significant financial need, based on the number of students eligible for the federal Pell grant. In other words, during this four-year period a campus with greater numbers of low-income students, underserved students and other disadvantaged students received more, new, recurring funding than a campus with fewer of these students.

The CSU's Graduation Initiative 2025 funding allocation approach was consistent for the four years in which a good economy and the initiative overlapped; the only variable was the amount of overall funding available for the initiative each year. In short, the CSU applied the same approach for 2020-21, albeit in reverse due to the state budget reduction and resulting in the necessary de-allocation from campuses.

In November 2019, the CSU Board of Trustees delegated to the chancellor the authority to make final budget allocation decisions for the 23 CSU campuses. It became evident through the Spring enactment process that COVID-19 would have a severe negative impact on the state's economy and final budget for 2020-21. The Chancellor's Office consulted regularly with campus presidents who are responsible for implementing the downstream budget reductions on

2020-21 State Budget Reduction & Resulting Base Budget Reductions to CSU Campuses

campuses and are more directly and immediately accountable to their respective stakeholders for those decisions.

After many consultation sessions, the chancellor and campus presidents settled on the following 2020-21 base budget reduction methodology.

Campus allocations were reduced by \$323.2 million for 2020-21 due to the \$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.

The base budget reduction needed to address this funding shortfall was 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, this excluded the State University Grant program, 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 was 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 retained more of its recurring funding than a campus with fewer of these students.** This resulted in each campus base budget being reduced by \$793 for every non-Pell grant eligible student enrolled at the campus.

Each methodology was applied to one-half of the \$323.2 million budget shortfall.

Further explanation and the level of reduction by campus is available in the CSU's 2020-21 Final Allocation Memo at the two below links.

https://www2.calstate.edu/csu-system/about-the-csu/budget/Documents/fy-budget-coded-memos/B_2020-01_Final_Budget_Allocations_Memo.pdf

https://www2.calstate.edu/csu-system/about-the-csu/budget/Documents/fy-budget-coded-memos/B_2020-01_Final-Budget-Allocations_Attachments.pdf

This methodology ensures the reduction in campus budgets does not disproportionately impact low-income students, students from underrepresented minority groups, and other disadvantaged students. This approach ensures campuses with the greatest number of these students are able to retain more of their funding, and thus see less of an impact to programs and services supporting low-income students, students from underrepresented minority groups, and other disadvantaged students.