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CODED MEMO B 2021-01

To: CSU Chief Financial Officers

From: Ryan Storm, Assistant Vice Chancellor for Budget 
Jeni Kitchell, Executive Budget Director 

CC: Joseph I. Castro, Chancellor
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Fred Wood, Interim Executive Vice Chancellor for Academic and Student Affairs
Evelyn Nazario, Vice Chancellor of Human Resources
CSU Presidents, Provosts, Financial Officers, Budget Officers, Financial Aid Directors,
Enrollment Planning and Resource Officers, and Enrollment Managers

Date: March 25, 2021

Re: 2021-22 Preliminary Budget Allocations

Attachments: Coded Memo B 2021-01, Attachments A-E

This preliminary budget memo and attachments provide information for 2021-22 planning. The governor's January budget proposed an incremental, ongoing General Fund increase of \$144.5 million for the California State University (CSU). The proposal included a \$111.5 million base increase for CSU operational costs, \$15 million for the Basic Needs Initiative component of Graduation Initiative 2025, \$15 million for student mental health and technology needs, \$2 million for a common learning management system, and \$1 million for enrollment growth at Stanislaus' Stockton Center. Additionally, following the release of the governor's budget proposal, the governor and legislative leaders came to an agreement to restore the previously enacted \$299 million General Fund reduction to the CSU. To date, the state's proposed 2021-22 budget for the CSU's General Fund would provide an incremental ongoing budget increase of \$443.5 million.

The 2021-22 Governor's Budget is the first step in the state budget process. The governor's May Revision will be a better indicator of the economic condition of the state just before the start of the new fiscal year. Additionally, while there is an agreement for the \$299 million ongoing restoration by gubernatorial, senate, and assembly leadership, it still requires action by leaders before that restoration is officially included in the final Budget Act of 2021.

This preliminary budget memo allocates \$338 million for restoration of the 2020-21 General Fund reduction and some mandatory costs. All other funding proposals for specific programs (e.g., Basic

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

Needs Initiative, student mental health and technology, etc.) as well as additional operational and mandatory cost allocations will be made after the budget is finalized in June.

The attachments to the memo display the following preliminary budget adjustments by campus:

- Attachment A: Operating Budget Sources
- Attachment B: Revisions to 2020-21 General Fund Allocations (Sources)
- Attachment C: 2021-22 Expenditure Adjustments (Uses)
- Attachment D: 2021-22 Enrollment and Tuition & Fee Revenue (Sources)
- Attachment E: 2021-22 Preliminary State University Grants (Uses)

The 2021-22 Governor’s Budget also includes \$225 million of one-time General Fund augmentations for CSU deferred maintenance, energy efficiency and facility improvement projects (\$175 million); student emergency assistance grants (\$30 million); professional development (\$10 million) and Monterey Bay’s Computing Talent Initiative (\$10 million). Decisions on the allocation of these one-time dollars has not yet been determined. A separate budget memo for these allocations will be distributed after the budget is finalized in June.

The following table summarizes the preliminary 2021-22 base operating fund budget, including General Fund and tuition and fee revenue.

2021-22 Preliminary Budget Allocation Summary	
2020-21 Final Budget, General Fund (Coded Memo B 2020-01)	\$3,722,806,000
2020-21 State-Funded Retirement Adjustment	(42,716,000)
2020-21 Revised General Fund Budget	\$3,680,090,000
2021-22 Preliminary General Fund Increase	338,031,000
2021-22 Total Preliminary General Fund Budget	\$4,018,121,000
2021-22 Preliminary Gross Tuition & Fees	\$3,036,991,000
2021-22 Total Preliminary Operating Budget	\$7,055,112,000
2021-22 Preliminary Expenditure Increases	
Restoration of 2020-21 General Fund Decrease	\$299,043,000
Mandatory Cost Increases	
Health Care Premiums	23,782,000
Operations and Maintenance of New Facilities	15,206,000
2021-22 Total Preliminary Expenditure Increases	\$338,031,000

Detailed explanations of ongoing budget allocations are provided in the following pages. Expenditure and General Fund changes by campus are included in the attachments to this coded memorandum.

Questions concerning this memo or its attachments may be directed to Jeni Kitchell, Jerry Willard or other System Budget Office staff at (562) 951-4560. Please reference the [Budget Office staff directory](#) for additional contact information and staff areas of assignment.

Additional References

- [CSU 2021-22 Operating Budget](#)
- Budget Bill of 2021, [Assembly Bill 214](#) (as introduced)
- [2021-22 Governor's Budget, Department of Finance, State of California](#)
- [CSU Budget Detail in the 2021-22 Governor's Budget](#)

RS: JK: JW

Attachments

2021-22 Preliminary Budget Allocations, Attachment Descriptions

Operating Budget Sources - (Attachment A)

Attachment A summarizes the 2021-22 operating budget by campus after revisions to 2020-21 General Fund allocations (Attachment B) and 2021-22 expenditure and revenue adjustments (Attachment C and D).

Revisions to 2020-21 General Fund Allocations - (Attachment B)

Revisions to the 2020-21 General Fund allocations reflect changes that occurred since adoption of the Budget Act of 2020 and publication of the 2020-21 final budget allocations memo (B 2020-01). These adjustments include:

- **State-Funded Retirement Adjustment**

Each year CalPERS adjusts employer-paid contribution rates to meet defined benefit pension obligations. The state adjusts the CSU General Fund appropriation for employer-paid contribution rate changes based on the actual CSU 2013-14 pensionable salaries reported by the State Controller's Office.

For the first time since 2011-12, a drop in retirement contribution rates resulted in a negative General Fund adjustment instead of the usual increase. The 2019-20 to 2020-21 State Miscellaneous First Tier rates decreased from 31.075 percent to 29.370 percent and the State Peace Officer / Firefighter rate decreased from 48.845 percent to 36.100 percent. Consequently, due to the 2020-21 operating budget base retirement cost reduction, the CSU returned \$42.7 million to the state. The distribution of the reduction is based on the 2013-14 pensionable payroll by campus as provided by the State Controller's Office.

- **2020-21 Compensation Adjustment**

Unit 8 compensation increases were determined after the 2020-21 final budget allocations were made. Those increases were effective January 1, 2021. Therefore, the equivalent of six months of recurring funding (\$1.15 million) was allocated to campuses in 2020-21.

2021-22 Expenditure Adjustments - (Attachment C)

- **Employer-Paid Health Care Premiums**

Effective January 2021, the estimated annualized cost to fund employer-paid health care rate increases is \$23.8 million. The number of CSU employee participants and the difference between the old and new employer-paid contribution rates determine health care benefit cost increases. The distribution is based on the percentage share of campus 2019-20 actual operating fund health benefits expenditures. For additional information regarding January 2021 health premiums, please reference Human Resources Technical Letter, ([HR/Benefits 2020-14](#)).

- **Operations and Maintenance of New Facilities**

This allocation includes an increase of \$15.2 million for regular operations and maintenance of new facilities, which include the cost of utilities, building maintenance, custodial, landscape and administrative support. In 2021-22, the CSU is scheduled to open 558,969 new square feet of space. Funding is provided at the rate of \$20.28 per square foot. More details on campus facilities included in this allocation are provided [online](#).

Additionally, an allocation for new facilities opened in 2020-21 is included. The CSU opened 198,880 new square feet of space in 2020-21, and budgeted expenditures were calculated at a rate of \$19.46 per square foot. More details on campus facilities included in this calculation are provided [online](#).

- **Restoration of 2020-21 General Fund Reduction**

Budget allocations for 2021-22 include a restoration of the 2020-21 General Fund reduction (\$299 million). In 2020-21, campus allocations were reduced by \$323.2 million 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 (reference [Coded Memo B 2020-01](#), Attachment D). The new 2021-22 General Fund allocation reverses the previous campus reductions in state General Fund by the same proportions and amounts.

- **2021-22 Compensation Adjustment**

The equivalent of six months of recurring funding (\$1.15 million) was allocated to campuses in 2020-21 for Unit 8 compensation increases. An additional \$1.15 million adjustment for 2021-22 now funds the full 12 months on a recurring basis. Together, the annualized adjustment for Unit 8 compensation increases is \$2.3 million.

2021-22 Enrollment and Tuition & Fee Revenue - (Attachment D)

Attachment D includes the tuition and fee revenue reported by campuses in the 2020-21 final budget submissions. Resident enrollment targets for 2021-22 remain unchanged from 2020-21. The nonresident enrollment has been updated to reflect the most recent year (2020-21) actual full-time equivalent student figures.

2021-22 Preliminary State University Grants - (Attachment E)

The State University Grant (SUG) program provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students. Campus General Fund allocations are adjusted to reflect changes in the required level of SUG expenditures each year. SUG funding is a finite resource and more students are eligible for SUG than there is available funding. 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.

The systemwide total SUG allocation of \$701 million in the preliminary 2021-22 operating budget has not changed from 2020-21. This preliminary budget allocation sets a minimum expectation of 95 percent of the campus 2020-21 SUG allocation (reference [Coded Memo B 2020-01](#), Attachment C) by campus. No campus' 2021-22 SUG allocation will be lower than 95 percent of its 2020-21 SUG allocation.

When the 2021-22 final budget allocations are prepared this summer, five percent of the SUG pool held back at this time will be distributed. 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.