CSU The California State University

2021-22 OPERATING BUDGET

www.calstate.edu/budget

APPROVED BY THE CSU BOARD OF TRUSTEES NOVEMBER 18, 2020

CSU TUITION AND FEES ARE LESS THAN COMPARISON INSTITUTIONS
[BASED ON AVERAGE RESIDENT UNDERGRAD]

CSU CONTINUES TO SERVE PRIMARILY CALIFORNIA RESIDENTS

CSU SERVES A DIVERSE STUDENT POPULATION

A MAJORITY OF THE CSU WORKFORCE TEACHES STUDENTS

2021-22 PROPOSED OPERATING BUDGET

- Graduation Initiative 2025 **27%**
- Restoration of 2020-21 General Fund Reductions **54%**
- Academic Facilities and Infrastructure **9%**
- Mandatory Costs **10%**

- Tuition and Fees **$3.2B**
- General Fund **$3.7B**
- 2021-22 Proposed Increase **$556M**

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

FIRST-TIME STUDENTS

TRANSFER STUDENTS

50%
OF CSU UNDERGRADUATES RECEIVED A FEDERAL PELL GRANT

95%
OF ALL ENROLLED STUDENTS ARE FROM CALIFORNIA

32%
OF UNDERGRADUATES ARE THE FIRST IN THEIR FAMILIES TO ATTEND COLLEGE

49%
OF UNDERGRADUATES ARE FROM TRADITIONALLY UNDER-REPRESENTED MINORITIES

94%
OF NEW UNDERGRADUATE TRANSFERS ARE FROM CALIFORNIA COMMUNITY COLLEGES

80,000
COURSES WERE TRANSITIONED TO VIRTUAL MODALITIES

250,000
HOURS OF FACULTY AND STAFF PROFESSIONAL DEVELOPMENT TO PROVIDE A ROBUST TEACHING, LEARNING AND DISCOVERY EXPERIENCE FOR STUDENTS

10s OF 1,000s
OF NEW LAPTOPS AND WI-FI HOT SPOTS WERE PROVIDED TO STUDENTS TO CLOSE THE "DIGITAL DIVIDE"

85.5%
OF 2019 FIRST-YEAR STUDENTS RETURNED TO CAMPUS FOR FALL 2020

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CHANCELLOR'S MESSAGE

The COVID-19 pandemic and the resulting economic impact continue to challenge our nation, our state and our great institutions like the California State University as never before.

I could not be more proud of the way that the CSU has risen to meet this moment.

Guided by twin North Stars—safeguarding the health and well-being of our students, faculty, staff and the communities we serve, and ensuring that as many students as possible stay on track to earning the proven, lifelong benefits of a CSU degree—the university made the massive pivot to primarily online instruction and virtual support.

More than 80,000 classes were transitioned to virtual modalities, as was the CSU's full range of academic and holistic support services. Great care was taken to continue to provide for our students who are housing or food insecure. Tens of thousands of new laptops and Wi-Fi hot spots were distributed to students to mitigate the "digital divide" that can disproportionately impede students from historically underserved populations. Faculty and staff engaged in more than 250,000 hours of professional development to ensure a robust teaching, learning and discovery experience.

Thanks to the resolve, ingenuity and adaptability of the CSU's faculty, staff and students, the university has not only sustained its instruction and core operations, it has thrived. Record numbers of degrees were awarded in spring 2020. Completion rates for students from all walks of life are at all-time highs. And in the fall, the university enrolled its largest-ever student body.

This is a testament not only to the value of and demand for a CSU degree, but also to the trust Californians have in our mission and our ability to transform their lives. And it was made possible due to public funding—new state investment spanning from the end of the last recession until the beginning of the current global public health crisis.

But now, the CSU is at a critical financial crossroads. State funding was cut by $299 million for 2020-21—a 7.4 percent decrease. The university faces increased costs associated with the pandemic and shift to virtual instruction. Self-funded enterprise programs—such as student housing, parking and professional and continuing education—are suffering extreme financial hardship.

To keep core instructional and student-support functions afloat, and to mitigate negative impacts to faculty and staff to every extent possible, the CSU has implemented a hiring chill, halted travel and is carefully spending down a portion of reserves prudently saved for economic uncertainty.

However, moving forward, the state must make the CSU a priority in its budgetary decisions. If the state were to choose to cut the CSU's budget again in 2021-22 and beyond, the university's financial situation will quickly become untenable, threatening both our progress and our mission.

The trustees' budget plan was developed with careful consideration of the CSU's and the state's fiscal reality. And it represents a vital, prudent and effective path forward—for the university and for our students—through this extraordinarily challenging moment in time.

Indeed, the CSU's work has never been more critical or more urgent. But we have demonstrated that we are up to the task and stand ready—with your commitment to provide the necessary financial support—to remain a beacon of resilience and recovery for our great state, and to continue to propel Californians from all backgrounds toward their brightest future.

Timothy P. White
Chancellor
The California State University

THE CSU TODAY

In the 2020-21 final budget, the state reduced permanent base funding to the CSU by $299 million, and the state removed $315 million in one-time funding. The tables below also include the state-funded retirement adjustment of $42.7 million that will be reduced in a subsequent General Fund appropriation. The 2020-21 current year total CSU operating budget of $6.9 billion is composed of $3.7 billion in state General Fund and $3.2 billion in tuition and fees. New resources to fulfill the CSU's budget request for 2021-22 are $556 million, as shown in Table 1.

TABLE 1: OPERATING BUDGET & INFRASTRUCTURE

	2019-20 Past Year	2020-21 Current Year	2021-22 Budget Year	2021-22 Increase
General Fund, Operations	$4,000,479,000	$3,339,530,000	$3,845,550,000	$506,020,000
General Fund, Academic Facilities and Infrastructure	340,560,000	340,560,000	390,560,000	50,000,000
Tuition and Other Fee Revenue	3,269,805,000	3,239,004,000	3,239,004,000	0
TOTAL OPERATING BUDGET AND INFRASTRUCTURE	**$7,610,844,000**	**$6,919,094,000**	**$7,475,114,000**	**$556,020,000**

TABLE 2: EXPENDITURES BY PROGRAM AREA

	2019-20 Past Year	2020-21 Current Year	2021-22 Budget Year
Instruction	$2,922,576,000	$2,823,899,000	$2,823,899,000
Research	33,958,000	22,826,000	22,826,000
Public Service	26,695,000	16,009,000	16,009,000
Academic Support	762,665,000	705,517,000	705,517,000
Student Services	832,475,000	743,069,000	743,069,000
Institutional Support	1,009,953,000	891,642,000	891,642,000
Operation and Maintenance of Plant	1,267,664,000	972,088,000	972,088,000
Student Grants and Scholarships	754,858,000	744,044,000	744,044,000
New Expenditures	0	0	556,020,000
TOTAL EXPENDITURES	**$7,610,844,000**	**$6,919,094,000**	**$7,475,114,000**

The operating budget is focused on fulfilling CSU's core mission: to serve students with a high-quality, affordable and accessible education. As shown in Table 2, the CSU spends 73 percent, $5 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 professionally succeed.

With sustained state support, the CSU continues to be one of the best investments in California. As the largest and most diverse university system in the country, the CSU is doing its part to meet the workforce needs of California while remaining one of the nation's most affordable public four-year universities. In fact, several CSU campuses are often listed in Forbes magazine's annual ranking of the nation's top schools with the highest quality and best financial outcomes.

- Enrolled 485,549 students in fall 2020;
- Graduated 128,925 students in 2019-20, 1,525 more than 2018-19;
- Awarded 109,450 baccalaureate, 18,883 master's and 592 doctoral degrees in 2019-20;
- Served 2,226 doctoral students in fall 2019 from diverse backgrounds, preparing them for leadership roles in education and nursing, and filling roles in critical fields such as physical therapy, occupational therapy and audiology;
- Improved graduation rates for four- to six-year first-time and transfer students by 35 percent since 2015; and
- Opened or expanded food pantries or food distribution systems on every campus and continue to build community partnerships to support student well-being, housing and food insecurity needs.

As a result of COVID-19, CSU successfully transitioned from in-person to online instruction and virtual student support.

- Bought 25,200 laptops and tablets and 12,000 Wi-Fi hot spots for staff, faculty and students who needed them to continue their work or studies from their homes;
- More than 80,000 classes were transitioned to virtual modalities; and
- More than 250,000 hours of professional development engaged by faculty and staff to ensure a robust teaching, learning and discovery experience.

The CSU also continues to maximize efficiencies and economies of scale to find cost savings and cost avoidance whenever possible. Through joint contracts, energy partnerships and sustainability efforts, the CSU is making significant strides in this area.

- Partnered with University of California, California Community Colleges and other higher education consortia agreements to reduce costs in purchasing goods and services mainly for construction projects, information technology and academic support.
- Achieved $162.6 million in cost avoidance and revenue generation in 2018-19 in a variety of areas including administrative services, information technology, construction, instructional and student services, energy, facilities operations and strategic partnerships.

2018-19 CSU COST AVOIDANCE AND REVENUE

CATEGORY	IN MILLIONS
Administrative Services	$45.0
Information Technology	35.1
Construction	30.5
Instructional and Student Services	20.6
Energy	15.7
Facilities Operations	14.6
Strategic Partnerships	1.1
TOTAL	**$162.6**

DESIGNATED BALANCES & RESERVES: $1.7 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 and reported annually to the Board of Trustees.

The CSU has prudently grown designated balances and reserves to meet certain strategic goals, one of which has been to prepare for possible economic uncertainty. The CSU has already drawn upon these reserves on a one-time basis to maintain operations in programs affected by COVID-19. Campuses began 2020-21 with plans to use $180.4 million of these balances and reserves during the fiscal year. It is anticipated that a measured use of reserves over the next several years will be necessary until the economy and state budget rebound.

On June 30, 2020, designated balances and reserves in the operating fund totaled $1.7 billion, accumulated primarily from tuition, fees and other revenues in excess of annual expenses. Operating fund balances for short-term obligations, capital projects and catastrophic events as well as reserves for economic uncertainty are displayed in the chart.

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 $949 million at the end of last year, which are sufficient to cover expected needs and are typically used in the following fiscal year.

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 five-year capital plan. Over $805 million is required for academic projects approved in the 2020-21 through 2024-25 five-year capital program. Balances designated for capital totaled $318 million.

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 $23 million.

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 in the future as a one-time supplement to help manage a rapid decline in state resources. This allows the CSU time to adjust operating budgets appropriately to balance reductions and to minimize disruptions to students' education as much as possible. Reserves for economic uncertainty totaled $400 million and are less than one month of operating fund expenses, well below the need to maintain three to six months of operating expenses.

2021-22 OPERATING BUDGET PLAN

The CSU proposes a $7.5 billion operating budget for 2021-22, with $4.2 billion from the state General Fund and $3.3 billion from tuition and fee revenue. As shown in Table 1, this budget plan is an increase of $556 million over the 2020-21 operating budget. It includes significant investments so that the CSU can continue to serve as the key to California's prosperous economy, now ranked as the fifth largest in the world.

Table 3 outlines the sources and uses of funds that make up the $556 million increase.

TABLE 3: SOURCES AND USES OF FUNDS

SOURCES OF FUNDS		
General Fund Increase		**$556,020,000**
Operating Budget	506,020,000	
Academic Facilities and Infrastructure	50,000,000	
TOTAL NEW SOURCES		**$556,020,000**

USES OF FUNDS		
Graduation Initiative 2025		**$150,000,000**
Highest Campus Priorities	120,000,000	
Basic Needs Initiative	30,000,000	
Restoration of 2020-21 General Fund Reductions		**299,043,000**
Academic Facilities and Infrastructure		**50,000,000**
Mandatory Costs		**56,977,000**
Assembly Bill 1460 Ethnic Studies Requirement	16,500,000	
Health Benefits	23,782,000	
Maintenance of New Facilities	11,336,000	
Minimum Wage	5,359,000	
TOTAL NEW USES		**$556,020,000**

TABLE 4: CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS

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

GRADUATION INITIATIVE 2025: $150 MILLION

HIGHEST CAMPUS PRIORITIES: $120 MILLION

As Graduation Initiative 2025 enters its fifth year, the CSU expects to invest $120 million of the 2021-22 operating budget request to meet the ambitious goals adopted by each campus. Launched in 2016, this initiative aims to increase graduation rates for first-time and transfer students, eliminate equity gaps for historically underserved students of color and Pell Grant recipients and meet California's workforce needs. Reducing time to degree means that graduates enter the workforce or graduate sooner, positively impacting their future and producing additional graduates to power California.

Graduation Rates Are at All-Time Highs

Based on preliminary 2020 data, four- and six-year graduation rates for first-time students and two- and four-year rates for transfer students continue to increase and have reached all-time highs. These remarkable improvements represent the dedication of CSU faculty and staff, intentional action by campus leaders and a systemwide focus on student success.

- Each year, a greater number of students graduate from the CSU. Since 2015, the number of additional students who annually earn a baccalaureate degree has increased by more than 20,000.
- The systemwide four-year graduation rate increased four percentage points from the previous year and twelve percentage points since 2015.
- The systemwide six-year graduation rate continued at 62 percent, which is above the national average for public universities.
- The CSU is on track to meet its systemwide graduation rate goals by 2025.

Continued Focus on Eliminating Equity Gaps

Closing equity gaps in higher education is the challenge of our time. CSU campuses are rising to that challenge, continuing university-wide efforts to eliminate equity gaps. While graduation rates continue to rise for students from all backgrounds, the persistence of the equity gaps underscores the need for an explicit focus at every level of the university.

- Since 2015, Channel Islands, Fresno, Fullerton, Los Angeles, Monterey Bay, San Diego, San Marcos and Sonoma all have decreased their equity gap for historically underserved students of color by at least 50 percent.

Continuous state funding for Graduation Initiative 2025 is critical to maintain momentum. Campuses will continue to use these funds to offer more courses, hire additional tenure-track faculty and to advance innovative student success practices, with a focus on these six areas:

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

One critical academic and student support strategy that cuts across all six areas is advising. CSU campuses have been national leaders adopting technology platforms that provide students with accessible, real-time academic planning and navigation tools.

These efforts ensure that all students have the opportunity to earn a degree, empowering current and future generations of Californians. More information about specific systemwide and campus priorities can be found at calstate.edu/graduationinitiative.

BASIC NEEDS INITIATIVE: $30 MILLION

The CSU requests $30 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 the CSU's 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 have the potential to 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 or mental health concerns. 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 fall 2020 survey, campuses are investing $92 million from all funding sources on basic needs support and services to students.

Strategies to ameliorate students' basic needs challenges include, but are not limited to:

- Providing accessible housing options for low-income students and students experiencing financial distress in response to California's affordable housing crisis;
- Increasing CalFresh outreach and application assistance;
- Implementing on-campus food distribution programs;
- Instituting emergency housing options;
- Awarding emergency loans, microgrants and crisis fund assistance; and
- Creating or renewing partnerships with nonprofit and governmental entities that provide direct services to students.

In the current context of COVID-19, many CSU campuses have expanded their basic needs initiatives to also include programs that address the digital divide. Examples include laptop/tablet and mobile Wi-Fi hot spot distribution or lending programs, as well as access to low-cost home installation of high-speed internet service.

There is also a need to increase prevention efforts, health promotion programs and services for early identification and intervention. The CSU continues to work to destigmatize students' use of mental health and basic needs programs and services so that struggling students feel comfortable seeking help from both campus and community-based supports for help in a timely manner. Further, through continuing training and capacity-building, faculty and staff will be better positioned to amplify campus efforts and refer students to appropriate resources on and off campus. The CSU will continue to identify sustainable solutions for students for a variety of emergency housing programs at each of the 23 campuses.

As in prior years, the Chancellor's Office will distribute awards to campuses to expand, for example, existing efforts to provide affordable housing, minimize student hunger, raise awareness of services currently offered on campus and develop practices to provide additional emergency financial assistance to students in need. A key feature of these efforts will be to build and sustain partnerships with community-based organizations, private foundations and governmental entities. Efforts will be made to focus investments in a strategic manner, such that campuses will be encouraged to apply for seed funding to establish and grow new programs and assess the impact of these efforts.

SALARY AND BENEFITS

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 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

After careful consideration of the state's and CSU's fiscal circumstances, this budget plan does not include a request for funding increases for the 2021-22 compensation pool. As a point of reference, a one percent increase in salary and salary-related benefits (OASDI, Medicare and retirement) for all employee groups would cost $44,952,000.

The COVID-19 economic impacts have forced California employers to furlough or lay off hundreds of thousands of public and private sector employees across the state. Unfortunately, hundreds of hourly employees who worked in bookstores, dining, student recreation centers and other ventures operated by CSU auxiliary organizations could not be retained because the usual volume of foot traffic by students, faculty and staff largely disappeared in March 2020.

The CSU has been proactive in mitigating the impact to faculty and staff in light of the health crisis and the $299 million state budget reduction faced. The CSU quickly implemented several cost-control measures, including implementing a hiring chill and essentially stopping travel, saving millions of dollars for the system. In July 2020, the chancellor conveyed that the CSU would prudently use reserves this year so that there would be no systemwide furloughs or layoffs, allowing campuses to plan for permanent base reductions. Campuses report that they plan to use about 45 percent (or $180.4 million) of their reserves for economic uncertainty in 2020-21. This roughly equates to what would have been a 4.2 percent furlough for the system. Additionally, CSU employees have benefited from multiple programs provided by the CSU during this health crisis. Examples include leave available to employees who need to attend to COVID-related reasons (e.g., childcare, illness, isolation, care of a family member, unable to work remotely, etc.) and employees unable to telecommute due to the nature of their profession and classification.

With the health and fiscal impacts of COVID-19 expected to persist for some time, the CSU cannot guarantee that the mitigation efforts will indefinitely continue. Furloughs and layoffs may be necessary in the future. But clearly, as demonstrated immediately above, the CSU has and will continue to make every attempt to minimize negative impacts on employees.

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. While 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 2019-20 pensionable payroll for the CSU was 32 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 2020-21 for the first time in several years, due in part to advanced paydown of unfunded retirement obligations, so there is no request for additional retirement funding in 2021-22. However, use of this budgeting practice by the state 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, that has always been a key consideration. 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.

ACADEMIC FACILITIES AND INFRASTRUCTURE: $50 MILLION

The CSU proposes using $50 million of the $556 million 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 a variety of important facility needs. Seismic projects include those to retrofit and improve buildings identified by the seismic review board as needing seismic strengthening. 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. Had voters approved Proposition 13 in March 2020, the CSU would have received $2 billion to fund academic facilities and infrastructure projects.

In support of the request for additional, permanent base funding, the CSU five-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 annually approves categories and criteria for capital outlay priority setting. The priorities are consistent with the state's priorities of critical infrastructure, life safety projects, renovation/modernization of existing facilities and new facilities to increase capacity to serve the existing and projected enrollment. The five-year plan identifies a systemwide need in 2021-22 alone that exceeds $2.7 billion to address academic infrastructure and facility needs. The $50 million in the 2021-22 budget request will help finance approximately $900 million of the $2.7 billion in the priority projects identified by the campuses. For more information on specific projects and priorities, see the CSU multi-year capital plan.

RESTORATION OF 2020-21 GENERAL FUND REDUCTIONS: $299 MILLION

The state reduced the CSU recurring appropriation by $299 million, a 7.4 percent reduction in state funding, which forced the CSU to utilize a number of one-time sources to temporarily support that funding drop for 2020-21, including the use of designated balances and reserves, the federal CARES Act funding, a slowdown in hiring and a halt on travel. Those one-time solutions, however, cannot be sustained into 2021-22 and beyond because the $299 million recurring reduction would require permanent, ongoing cost reductions that would: 1) jeopardize future Graduation Initiative 2025 success; 2) prevent the funding of mandatory costs in 2020-21 and 2021-22; and 3) challenge continued support of current enrollment levels. As a result, the state should look to restore or invest in the university in 2021-22. The budget plan includes a $299 million recurring general fund restoration, which represents a full restoration of the budget cut the university is experiencing right now.

MANDATORY COSTS: $57 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 2021-22 operating budget request includes $57 million for increases due to the new ethnic studies requirement, health benefits, maintenance of new facilities and minimum wage rate.

Assembly Bill 1460 Ethnic Studies Requirement	$16,500,000
Health Benefits	23,782,000
Maintenance of New Facilities	11,336,000
Minimum Wage Increase	5,359,000
TOTAL	**$56,977,000**

Assembly Bill 1460 Ethnic Studies Requirement

AB 1460 requires every CSU campus to offer ethnic studies courses and every CSU student to complete a three-unit course in ethnic studies to graduate. Campuses that have no ethnic studies courses must develop them and campuses that have ethnic studies departments or courses must expand them to ensure that every student has access to an ethnic studies course. The cost to the CSU to provide an ethnic studies course to all students is a $16.5 million ongoing cost across the system and an additional $1.5 million in one-time cost. This cost is comprised of instructional, administrative and one-time Associate Degree for Transfer (ADT) review activities.

Health Benefits

Permanent base budget costs associated with January 2021 employer-paid health care premium increases are nearly $23.8 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.

Maintenance of New Facilities

The CSU is scheduled to open 558,969 square feet of new facilities in 2021-22. The cost to fund regular maintenance of these facilities is $20.28 per square foot, for a total of $11.3 million in 2021-22. Regular maintenance of new facilities includes the cost of utilities, building maintenance, custodial, landscape and administrative support.

Minimum Wage Increase

In January 2021, the California minimum wage will increase from $13 per hour to $14 per hour. The estimated annualized cost of the increase on CSU campuses is over $5.3 million. Further, the California minimum wage will increase again in January 2022, when it reaches $15 per hour.

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 to ease 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 ($17,978) than other students in California ($22,585) and the nation ($29,200).

With 84 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 nearly $950 million of institutional aid, which includes $701 million for the State University Grant program. An additional $747 million from the state Cal Grant program and over $1 billion from the federal Pell Grant program helps CSU undergraduate students cover tuition, fees and some portion of other 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 2020-21. Over 140,000 students received a SUG award in 2018-19.

As tuition and enrollment 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)
- Current or former foster youth (Education Code section 66025.3)
- California residents who were dependents of victims killed in the September 11, 2001, terrorist attacks (Education Code section 68121)
- 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 2019-20, 15,327 tuition waivers were granted to CSU students, totaling approximately $77.1 million. The state has not provided any General Fund support for any CSU tuition waiver program since 1992-93.

2019-20 SYSTEMWIDE TUITION WAIVERS

RESOLUTION OF THE BOARD OF TRUSTEES
Approval of the 2021-2022 Operating Budget Request
(RFIN 11-20-06)

RESOLVED, that the future of California rests on CSU'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 2021-2022 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 2021-2022 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