


Date: August 11, 2015

TO: Division Budget Managers

FROM: Clinton G. Moffitt 
Interim Chief Financial Officer

SUBJECT: 2015-16 Final Budget Allocation

The Governor signed the state Budget Act of 2015 on June 24, 2015 that includes the main budget bill [*Assembly Bill (AB) 93, Chapter 10*] and a "budget bill junior" (Senate Bill 97, Chapter 11). The 2015/16 enacted budget allocations are reflected on attachments A through D of this document. This is a summary of the 2015/16 Final Budget Allocations memo, Coded Memo B 2015-03.

CSU appropriations in the enacted budget are consistent with the Governor's January budget. The final budget includes a \$225.0 million General Fund (GF) increase with the expectation that the CSU tuition rates will not increase. This allocation reflects three percent enrollment growth for 2015-16, with the understanding that enrollment growth should not be fully measured until Fall 2016.

Several allocation practices that have been used in recent years have been discontinued or changed for 2015-16. Change in mix, adjusting general fund for tuition discount expectations and financial enrollment penalties are the most significant. As a result, resources that were centrally collected and distributed for campus specific purposes are no longer available.

There are three types of allocations in Coded Memo B 2015-03.

- ❖ General Fund adjustments in 2014-15 (Attachment B) reflect changes that occurred after the 2014-15 final budget allocation memo from August 28, 2014. These adjustments show modifications for changes in the California Public Employees' Retirement System employer paid contribution rates, supplemental compensation, Educational Opportunities Programs, and adjustment changes in Chancellor's Office operations.
- ❖ The 2015-16 General Fund allocations support the estimated incremental annualized cost to fund campus mandatory costs including health care premiums, new space scheduled for 2015-16, funded enrollment growth of three percent, compensation increases, student success and completion priorities and funding for retirement costs.
- ❖ The 2015-16 changes in General Fund allocations and systemwide tuition and fee revenue projections as summarized below.

The following table summarizes the CSU 2015/16 state appropriation based on the Budget Act:

	<u>CSU</u>	<u>Fresno</u>
General Fund (GF) Appropriation in 2014/15 Budget Act	\$ 2,695,755,000	\$ 118,455,832
Supplemental GF Appropriation - Adjustment for 2013/14 Retirement Rates	66,263,000	3,159,000
Revised GF Appropriation in 2014/15 Budget Act	\$2,762,018,000	121,614,832
New 2015-16 GF Allocations/Funding Increases:		
Lease Revenue Bond Debt Service	7,628,000	-
Employer-paid Health Care Premiums	11,040,000	566,000
Operations and Maintenance of New Space	5,037,000	13,000
Retirement Costs above the 2013-14 Base	7,000,000	-
Funded Student Enrollment Growth	58,906,000	3,687,000
Employee Compensation Increases	65,528,000	1,502,700
Mervyn M. Dymally African American Political & Economic Inst. Center for California Studies	250,000	500,000
Systemwide Initiatives and Performance Funding	49,156,000	
Student Success and Completion	20,000,000	1,209,000
GF Adjustment, Tuition Discounts	0	86,000
SUBTOTAL	225,045,000	7,063,700
2015-16 Final Budget, General Fund Allocations	2,987,063,000	128,678,532
Operating Budget Revenue Projections		
2014-15 Campus-Reported Gross Revenues (September 2014)	2,689,464,600	121,747,500
Changes in Tuition Revenue Projections		
Adjusting based on 2013-14 Change in Mix of Res Stdnts	(12,838,000)	709,000
Adjusting based on 2013-14 Actual Nonresident Stdnt Enroll. (affecting instate systemwide tuition portion only (i.e \$5,472))	20,759,000	926,000
Adjustments for Funded Student Enrollment	65,102,000	4,048,000
Subtotal	73,023,000	5,683,000
Tuition Discounts (i.e., State University Grant)		
2014/15 Campuses Base Allowance	(644,328,800)	(36,995,200)
2015/16 Increase in Tuition Allowances	(11,377,000)	(798,000)
Subtotal	(\$655,705,800)	(\$37,793,200)
2015-16 Net Operating Budget Revenue Projection	\$2,016,781,800	\$89,637,000

Attachment A – 2015/16 Final Budget Allocations, Gross Budget Summary

The 2015/16 Final Budget allocations are presented as preliminary adjustments to the 2014/15 Final Budget allocation base. The adjustments include estimated budget actions specified on Attachments B, C, and D.

Attachment B – 2015/16 Final Budget Allocations, General Fund Base Adjustments

Base budget adjustments address modifications to the GF allocation received in the 2015/16 final budget (reference Coded Memo B 2015-03). The Fresno State GF appropriation in the 2014/15 Final Budget enacted last June totaled **\$118,455,832**. There are two GF base adjustments for 2014/15, retirement rate changes of **\$3,159,000** and Supplemental Compensation Increase of **\$48,700**.

❖ Retirement Adjustment

Each year the California Public Employees' Retirement System (CalPERS) adjusts employer-paid contribution rates in order to maintain the actuarial soundness of the system and meet defined benefit pension obligations. Beginning with 2014-15, the State limited its adjustment to CSU employer-paid contribution rates to the actual CSU Operating Fund pensionable salaries for 2013-14 as reported by the State Controller's Office. The distribution of the **\$3,159,000** is based on the frozen pensionable payroll by campus as provided by the State Controller's Office with the CSU Operating Fund ratio applied to arrive at the state-funded retirement adjustment.

The State Miscellaneous – Tier 1 rate increased from 21.203 percent to 24.280 percent and the State Peace Officer / Firefighter rate increased from 31.320 percent to 36.827 percent.

❖ 2014/15 Supplemental Compensation

The 2015/16 final budget makes permanent the **\$48,700** 2014/15 settlement agreement with the Statewide University Police Association. The distribution is based on the campus share of actual SUPA 2013-14 Operating Fund compensation.

Attachment C – 2015/16 General Fund Allocations

The 2015/16 Fresno State's General Fund Allocations for expenditure adjustments of **\$7,015,000** as provided in Attachment C include funding to cover the cost of mandatory cost increases, budget plan allocations and tuition fee discounts adjustments.

❖ Mandatory Costs Increases

Attachment C includes expenditure adjustments for CSU mandatory cost increases related to changes in health premiums and new space maintenance and operations.

➤ Health Benefits

The estimated annualized cost to fund employer-paid health care benefit premium rate increases effective in January 2015 is **\$566,000**. Health care benefit rate increases are determined by the number of CSU employee participants and the difference between the old and new employer-paid contribution rates. The employer-paid health care benefit cost increase is distributed on the basis of the percentage share of campus FIRMS 2013/14 actual state support health benefits expenditures.

➤ ***New Space***

The 2015/16 Final Budget allocations include **\$13,000** to fund regular maintenance and operations of 2015/16 new space. Regular maintenance of new space includes the cost of utilities, building maintenance, custodial, landscape, and administrative support. Funding of regular maintenance is provided at the new space rate of \$10.63 per square foot in 2015/16.

❖ **Funded Student Enrollment Growth**

The final budget allocations include student access and enrollment growth of three percent above the 2014-15 funded enrollment targets to **651** full time equivalent students (FTES) growth for Fresno State. The average systemwide cost to educate a full time equivalent student is \$9,942. It is anticipated that campuses will collect an average of \$4,278 per FTES to support that education, thus leaving a \$5,664 General Fund allocation per FTES. Fresno State's portion of the 2015/16 Funded Student Enrollment Growth is **\$3,687,000**.

❖ ***Compensation Increase Pool***

The 2015/16 Final Budget allocations include **\$1,454,000** to fund a 2 percent compensation pool distributed by campus based on the percentage share of the most recent past year actual (currently 2013/14) CSU state supported salaries reported. Actual compensation increases for represented employee groups are determined by negotiations between collective bargaining units and the CSU system-wide Human Resources.

❖ **Student Success & Completion Initiatives**

The 2015/16 budget allocations include **\$1,209,000** for student success and completion initiatives. This is being distributed to campuses based on three factors: 1) Campus share of total budgeted FTES; 2) Campus size; 3) Campuses who have Pell-eligible undergraduate enrollment in 2013-14 above 55 percent. The General Fund allocation is combined with \$1,088,000 of tuition revenue reserve collected and held locally.

❖ ***Tuition Discount, GF Adjustments***

The 2015/16 Final Budget allocation include **\$86,000** in GF Adjustments and Tuition discounts. The campus ratio of "tuition discount need to total headcount," determines the estimated number of students that qualify for tuition discounts. The campus distribution of the final increase in tuition discounts from enrollment growth is based on the campus relative share of additional qualifying students.

(For Reference Only)

The 2015/16 projections of changes in systemwide tuition revenue are for reference only. Campus General Fund allocations will not be adjusted based on individual tuition revenue adjustments projected

❖ ***2013-14 Change in Mix of Actual Resident Students***

The change in resident student tuition revenue projections is based on the most recent past year enrollment patterns of student classification and feeing paying status. For 2015-16, campus base tuition revenue projections reflect **\$709,000** adjustment due to change from 2012-13 to 2013-14 actual resident student distribution patterns.

❖ ***Tuition Adjustment for Changes in 2015-16 Funded Enrollment Growth***

It is projected that FTES enrollment will grow by three percent, **651**, in 2015-16 allowing for increased unit load and new student access to the university. It is expected that **\$3,250,000** in new student revenue will be collected in 2015-16 from budgeted enrollment growth.

❖ ***2014-15 Base and 2015-16 Increase in Tuition Discounts***

Tuition discount allowances for 2015-16 totaled **\$37,793,200**. The final budget allocations assume campus base allowances will change only due to funded enrollment increases for 2015-16.

Please direct questions concerning this memorandum to the Budget and Resource Planning Office, extension 83902.