



Budget Update

Governor Newsom's 2022-23 Budget Proposal

February 9, 2022

INTRODUCTION

Governor Newsom released the Administration's 2022-23 budget proposal on January 10, 2022. According to the \$227.2 billion budget proposal, the state now projects a surplus of \$45.7 billion, which includes \$20.6 billion in General Fund for discretionary purposes, \$16.1 billion in additional Proposition 98 funding for K-14 schools and \$9 billion in reserve deposits and supplemental pension payments. The budget proposal allocates 86% of the discretionary surplus to one-time investments.

The budget proposal includes \$39.6 billion for the three higher education segments and the Student Aid Commission. \$8.4 billion of that is allocated to the California State University (CSU) system. That amount includes tuition and fee revenues and other funds the CSU reports as discretionary.

The Legislature started informational hearings on the Governor's proposal on January 19, 2022, and budget subcommittee hearings began on February 1, 2022. The Governor's proposal will be updated with the May Revision, and the Legislature has until June 15, 2022 to pass a budget. Once signed by the Governor, the budget will take effect on July 1, 2022.

Below is a summary of the major provisions of the Governor's budget proposal that directly impact the California State University system, its employees and students.

Base Funding Increase

The Governor's proposal includes \$304.1 million in ongoing General Fund augmentations, including \$211.1 million for operating expenses. The proposal also initiates a multi-year Compact on funding for the CSU which specifies a 5% increase in General Fund allocation annually through 2026-27. The proposed annual increase in base funding is contingent upon the CSU achieving certain goals. The Compact between the CSU and the Administration specifies the following six goals:

- **Increasing Access to the CSU:**
 - Beginning in 2023-24 and through 2026-27, increasing California resident undergraduate enrollment by approximately 1% each year (for a total of more than 14,000 additional full-time students).

- **Improving Student Success and Advancing Equity:**
 - Increasing graduation rates so that CSU ranks within the top 25% of comparable national peer institutions by 2025, including improving 4-year first-time student graduation rates by 30%.
 - Eliminating gaps in graduation rates between Pell Grant and non-Pell Grant students, as well as gaps between underrepresented minority students and other students, by 2025.
 - Advancing systemwide and campus-level re-enrollment campaigns and establishing retention targets for each campus beginning in spring 2022.
 - Expanding course credit opportunities in intersessions and summer sessions, particularly for underrepresented minority students and Pell Grant students, with the goal of closing gaps in accumulation of course credits toward graduation.
 - Providing every CSU student access to a real-time digital degree planner by June 2022.

- **Increasing the Affordability of a CSU Education:**
 - Reducing the cost of instructional materials by 50% by 2025.
 - Implementing strategies that increase overall affordability, including affordable housing for students.

- **Increasing Intersegmental Collaboration to Benefit Students:**
 - Fully participating in the Cradle-to-Career data system.
 - Supporting efforts to adopt a common intersegmental learning management system.
 - Collaborating with the University of California (UC) and the California Community Colleges (CCCs) to utilize the CSU Student Success Dashboard to identify equity gaps.
 - Supporting efforts to establish an integrated admissions platform common across segments.

- **Supporting Workforce Preparedness and High-Demand Career Pipelines:**
 - Increasing the number of students who enroll in STEM, Education and Early Education disciplines and Social Work by 25% by 2026-27.
 - Increasing the number of Early Education degree pathways available to students by 2025.
 - Collaborating with the CCCs to develop Associate Degree for Transfer (ADT) pathways for education (early, primary and secondary) and other fields of study

for students interested in entering those fields, with an initial priority for educator pathways.

- Collaborating with the CCCs to develop expanded pathways for high school students in specified fields and ensuring that dual enrollment course credits completed by high school students through the CCCs are accepted for transfer credit and count toward CSU degree programs.
 - Establishing a goal to enable all students to participate in at least one semester of undergraduate research, internships and/or relevant on-campus or community service learning to expand efforts to integrate career-relevant knowledge and skills into their educational experience.
 - Doubling opportunities for students who want research assistantships or internships, with an emphasis on underserved students, by 2025.
- **Providing Access to Online Course Offerings:**
 - Ensuring that every student who wants to take online courses can do so by increasing online course offerings.
 - Increasing concurrent student enrollment in online courses delivered by “sister CSU campuses” by a multiple of 10 by 2025 – from 500 to 5,000.
 - Expanding digital tools for students to access learning materials online so that every student has access to appropriate technology for online learning.

Enrollment Growth

The January budget proposal provides an increase of \$81 million ongoing General Fund to support California resident undergraduate student enrollment growth of 9,434 full-time equivalent students in the 2022-23 academic year.

Affordable Student Housing

As part of the Governor and Legislature’s commitment to provide \$2 billion for affordable student housing over three years split between the University of California, California State University and the California Community Colleges, the budget proposal allocates \$750 million for 2022-23 – in addition to the \$500 million appropriated in the previous year’s budget.

Deferred Maintenance and Energy Efficiency

The Governor proposes \$100 million in one-time General Fund for deferred maintenance and energy efficiency projects.

Foster Youth Supports

Governor Newsom’s budget proposal includes an allocation of \$12 million ongoing General Fund to increase support for foster youth students.

Retiree Healthcare and Pensions

In addition to the \$211 million ongoing General Fund increase, the Governor’s budget proposal provides \$162 million ongoing for retiree healthcare and pension costs.

Campus-Based Infrastructure Projects

- *CSU Bakersfield Energy Innovation Center*: \$83 million one-time General Fund to support the construction of the CSU Bakersfield Energy Innovation Center.
- *University Farms*: \$50 million one-time General Fund for equipment and infrastructure improvements at CSU University Farms.

California Student Aid Commission

The budget assumes total financial aid expenditures of \$3.8 billion, \$3.4 billion for the Cal Grant Program and the Middle-Class Scholarship Program. The January budget proposal includes an increase of \$515 million ongoing General Fund to support a modified version of the Middle-Class Scholarship Program; an increase of \$300 million for the Learning-Aligned Employment Program; a \$500,000 increase to the Cash for College Program; and an increase of \$143.8 million in 2022-23 to reflect revised estimates of the number of new and renewal Cal Grant Awardees.

FOR ADDITIONAL INFORMATION CONTACT

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