



Budget Update

Governor Newsom's 2023-24 Budget Proposal

February 1, 2023

INTRODUCTION

Governor Newsom released the Administration's 2023-24 budget proposal on January 10, 2023. According to the Governor's \$297 billion budget proposal, the Governor's budget forecasts General Fund revenues will be \$29.5 billion lower than the 2022 Budget Act projections, and now California faces an estimated budget gap of \$22.5 billion in the 2023-24 fiscal year.

In order to address this projected budget shortfall, the Governor proposes a series of strategies that include \$7.4 billion in funding delays, \$5.7 billion in reductions/pullbacks, \$4.3 billion in fund shifts and \$3.9 billion in trigger reductions. The Governor is not proposing to tap into the state's various reserves at this time estimated to be \$35.6 billion.

The Governor's January budget proposal includes \$40.3 billion for the three higher education segments and the Student Aid Commission. Of that, the January budget proposal includes approximately \$8.4 billion for the California State University (CSU) system, which 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 18, 2023. The Governor's proposal will be updated with the May Revision, and the Legislature has until June 15, 2023 to pass it. Once signed by the Governor, the budget will take effect on July 1, 2023.

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

Despite the projected budget shortfall for 2023-24, the Governor maintains his commitment to providing the CSU with a 5% base increase as part of the second year of the five-year Compact agreement for CSU's continuing commitment towards student access, equity, and affordability and creating pathways to high-demand careers. This 5% increase translates into an additional \$227.3 million in ongoing General Fund dollars for 2023-24. This increase in base funding is contingent upon the CSU achieving the goals of a multi-year Compact with the Administration.

The multi-year Compact between the CSU and the Administration includes the following six components:

- **Increasing Access to the CSU:**
 - Beginning in 2023-24 and through 2026-27, increasing California resident undergraduate enrollment by approximately 1% each year.

- **Improving Student Success and Advancing Equity:**
 - Raising graduation rates to be within the top 25% of comparable national peer institutions by 2025, including by 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 underrepresented minority students and non-underrepresented minority students by 2025.
 - Advancing systemwide and campus-level re-enrollment campaigns and establishing campus retention targets beginning in spring 2022.
 - Expanding credit opportunities, particularly for underrepresented minority students and Pell Grant students, in intersessions and summer sessions with the goal of closing gaps in credit accumulation.
 - 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.
 - Establishing a goal to increase the number of Early Education degree pathways available to students by 2025.

- Collaborating with the CCCs to develop educator (early, primary and secondary), along with other fields of study, Associate Degree for Transfer (ADT) pathways for students interested in entering these fields, with an initial priority on 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 by 2025 that every student who wants to take online courses will be able to 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 to students to access learning material online so that every student has access to appropriate technology for online learning.

Shift in Capital Support Funding

The January budget proposal includes shifting \$404.8 million appropriated for the upfront support of various capital projects at the CSU to being supported by CSU-issued bonds. The January budget proposal includes \$27 million ongoing General Fund to support the underlying debt service on those bonds.

Affordable Student, Faculty and Staff Housing

Assembly Bill 190, the higher education budget trailer bill passed in 2022, established the California Student Housing Revolving Loan Fund Act of 2022 to provide zero-interest loans to qualifying applicants of the University of California, the California State University, and the California Community Colleges for the purpose of constructing affordable student, faculty and staff housing. The bill established the California Student Housing Revolving Fund as a continuously appropriated fund in the State Treasury, thereby making an appropriation. The bill states the intent of the Legislature to appropriate \$1.8 billion over two-years to fund the Act (\$900 million in the 2023-24 fiscal year and \$900 million in the 2024-25 fiscal year).

The Governor’s January budget proposal includes delaying the \$900 million allocation planned in 2023-24 to 2025-26 and delaying \$250 million from the planned allocation in the 2024-25 fiscal year to the 2025-26 fiscal year. The delay would result in \$650 million in 2024-25 and \$1.15 billion in 2025-26 being available for the program.

California Student Aid Commission

The budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.3 billion supports the Cal Grant Program and \$859 million supports the Middle-Class Scholarship Program.

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