

2012-13 Changes Impacting Fresno State’s Operating Fund Budget

2012/13 Enacted State Budget Allocations

The 2012/13 state budget, enacted on June 27, 2012, is premised on the passage of a November 2012 ballot initiative that would increase taxes on higher income tax payers for seven years starting with the 2012 tax year, and would increase the state sales tax by 0.25 percentage points for four years beginning January 1, 2013. These increases are estimated to provide a net benefit to the state General Fund of \$5.6 billion.

If the ballot measure is approved by voters, the enacted state budget calls for no reduction in CSU \$2.010 billion General Fund support for 2012/13. However, if the ballot measure is *not* approved by voters, a \$250 million General Fund reduction to the CSU will occur to help address the state’s revenue shortfall. If the trigger occurs, not only will annual General Fund state support for the CSU have fallen by a total of \$1 billion in less than 18 months, but this sharply reduced level of state support would likely continue into subsequent fiscal years as a permanent cut.

The enacted budget allocations include adjustments to General Fund (GF) appropriations for lease revenue bond debt service, annuitant’s dental premiums, employer-paid retirement costs, and CSU interest payments to the state. A General Fund adjustment related to tuition fee discounts is also included in these budget allocations. The following table summarizes the Campus 2012/13 GF appropriation in the 2012/13 enacted state budget, and reflects the impact of the potential “trigger” reduction.

2011/12 Budget Act General Fund Appropriation	\$ 105,923,822
2011/12 \$100M Mid-Year GF Trigger Reduction	(5,133,700)
2011/12 Retirement Adjustment	(575,490)
2011/12 Revised General Fund Base	<u>\$ 100,214,632</u>
State Interest Payment Adjustment	(107,200)
2012/13 GF Base (Before Tuition Fee Discount & \$250M Trigger Reduction)	<u>\$ 100,107,432</u>
Enacted State Budget \$250 Million Trigger Reduction	(13,014,500)
2012/13 GF Base (Before Tuition Fee Discount)	<u>\$ 87,092,932</u>
GF Tuition Fee Discount Adjustment	938,000
2012/13 General Fund Allocation	<u><u>\$ 88,030,932</u></u>

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The budget adjustments also include a \$9.2 million increase in gross 2012/13 tuition fee revenue above 2011/12 tuition fee revenue. The 2012/13 tuition adjustments are related to change in enrollment patterns, 2011/12 tuition fee rates applied to the summer term, and 2012/13 tuition fee rates applied to the academic year. The \$4.2 million increase in tuition fee discounts is partially funded by the \$938,000 tuition fee discount adjustment for identified student need. After the tuition fee discounts, the 2012/13 revenue increase estimate is \$5.9 million.

2012/13 Tuition Fee Rate Change	\$	9,806,000
2012/13 Tuition Fee Rates Applied to Change in Enrollment		(633,000)
2011/12 Revised General Fund Base	\$	9,173,000
2012/13 Enacted State Budget Allocation Increase in Tuition Fee Discounts		(3,269,000)
2012/13 Enacted State Budget Net Tuition Fee Revenue (With All Adjustments - Including Tuition Fee Discount)	\$	5,904,000

Campus resident full-time equivalent student (FTES) enrollment targets for 2012/13 remain unchanged from 2011/12 at 17,567 resident and 407 nonresident FTES for purposes of these budget allocations.

The 2012/13 enacted state budget allocation details are summarized on the following pages. Please direct questions concerning the budget allocations to Sharon Briscoe, Budget and Resource Planning Manager; or a Campus Budget Analyst at (559) 278-3902.

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2012/13 Enacted State Budget Allocations: Gross Budget Summary

The 2012/13 enacted state budget allocations are presented as adjustments to the 2011/12 final budget allocation base with adjustments by campus, programs, and systemwide provisions that are further specified below. The 2012/13 revenue allocations may be further revised by campuses to reflect fee revenue adjustments for campus planning estimates. The support budget documentation change in terminology from State University Grants to tuition fee discounts is presented in these allocations to be more descriptive of what actually occurs with this foregone revenue.

2011/12 Budget Act General Fund Appropriation	\$ 105,923,822
2011/12 \$100M Mid-Year GF Trigger Reduction	(5,133,700)
2011/12 Retirement Adjustment	(575,490)
2011/12 Revised General Fund Base	\$ 100,214,632
State Interest Payment Adjustment	(107,200)
2012/13 GF Base	
(Before Tuition Fee Discount & \$250M Trigger Reduction)	\$ 100,107,432
Enacted State Budget \$250 Million Trigger Reduction	(13,014,500)
2012/13 GF Base (Before Tuition Fee Discount)	\$ 87,092,932
GF Tuition Fee Discount Adjustment	938,000
2012/13 General Fund Allocation	\$ 88,030,932
2011/12 Campus Reported Tuition Fee Revenue	\$ 106,228,316
2012/13 Tuition Fee Revenue Adjustment (Before Tuition Fee Discount)	9,173,000
2012/13 Tuition Fee Revenue (Before Tuition Fee Discount)	\$ 115,401,316

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2012/13 Enacted State Budget Allocations: Gross Budget Summary

Base budget adjustments address modifications to the GF allocation that campuses received in the 2011/12 Final Budget. The Campus GF appropriation in the 2011/12 Final Budget enacted last June totaled \$105,923,822. After the additional 2011/12 mid-year trigger reduction (that became permanent in 2012/13), 2011/12 retirement adjustment, and revenue interest assessment adjustments, the revised GF base for 2012/13, before the Tuition Fee Discount and \$250 Million Trigger Reduction, is \$100,107,432.

2011/12 Budget Act General Fund Appropriation	\$ 105,923,822
2011/12 \$100M Mid-Year GF Trigger Reduction	(5,133,700)
2011/12 Retirement Adjustment	(575,490)
2011/12 Revised General Fund Base	<u>\$ 100,214,632</u>
State Interest Payment Adjustment	<u>(107,200)</u>
2012/13 GF Base	
(Before Tuition Fee Discount & \$250M Trigger Reduction)	<u>\$ 100,107,432</u>

❖ 2011/12 \$100 Million Mid-Year GF Trigger Reduction

The 2012/13 enacted state budget permanently incorporates the \$100 million GF trigger reduction that occurred mid-year of 2011/12. The distribution is based upon the campus percentage share of the 2011/12 final budget allocation share of gross budget after reduction for tuition fee discounts. Our campus allocation amounted to \$5,133,700.

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2012/13 Enacted State Budget Allocations: Gross Budget Summary

❖ Retirement Adjustment

Each fiscal 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. The campus 2011/12 CalPERS employer -paid retirement rate adjustments reflect the difference between the 2010/11 rates funded by the state during 2010/11 (composite of CalPERS July-December 2010 and January - June 2011 rates) and the new 2011/12 rates. The year to year change in funded rates was applied to the campus 2011/12 FIRMS final budget CSU state support salaries submitted in August 2011. The additional amount held in systemwide provisions is to reconcile with the Budget Act of 2011, which included a retirement adjustment level as if the higher July 2010 CalPERS rates had been in effect for all 12 months of 2010/11 fiscal year.

The Department of Finance (DOF) processed the 2011/12 GF appropriation retirement adjustment at the end of the 2011/12 fiscal year. Our campus received a deallocation, or reduction, in the amount of \$575,490 in June 2012. The year to year change (2011/12 to 2012/13) in CalPERS rates will be applied to campus 2012/13 FIRMS final budget CSU state support salaries submitted in August 2012 and reported to the state DOF for purposes of calculating the level of funding required. It is estimated that the rate increase from 2011/12 to 2012/13 will increase CSU systemwide retirement costs (and state funding) over \$50 million. Our campus share will be allocated to us in June 2013.

❖ Campus Operating Revenue Interest Assessment

The interest assessment began in 2006/07 when CSU higher education fee revenue moved from a state fund to a trust fund. The CSU obligation is in budget statute and is meant to keep the state whole for interest earned on student fee revenue held in trust. The distribution by campus is based on the campus operating revenue equivalent to the 2011/12 tuition and other fee revenue reported in 2011/12 FIRMS final budget submissions. The interest cost is calculated using the most recent Surplus Money Investment Fund (SMIF) interest rates. Future interest adjustments will be based on annual incremental changes to the prior year assessment. Our campus allocation amounted to \$107,200.

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2012/13 Enacted State Budget Allocations: -\$250M Trigger General Fund Expenditure Adjustment

The enacted state budget allocation expenditure adjustment reflects the 2012/13 \$250 million trigger reduction that is mandated by Control Section 3.62 of the Budget Act (AB 1497) if the Governor’s tax measure on the November ballot fails.

As provided in a May 25, 2012 memorandum from the Executive Vice Chancellor/Chief Financial Officer to campus Chief Administrators/Business Officers (CABO), the \$ 250 million trigger reduction has been allocated on the same gross budget General Fund and tuition fee revenue projection less tuition fee discounts as in the Governor’s Budget allocations \$200 million reduction with an additional adjustment to campus percentage share of the reduction to reflect \$ 20 million fixed cost gross budget discount at each of 23 campuses and a reallocation of approximately \$ 2 million of reductions from the C.O. to the CSUs smallest campuses. Our campus deallocation, or reduction, amounted to \$13, 014,500.

2012/13 GF Base (Before Tuition Fee Discount & \$250M Trigger Reduction)	\$ 100,107,432
\$250M Trigger Reduction (Deallocation)	<u>(13,014,500)</u>
2011/12 General Fund Base	
(After \$250M Trigger Reduction, & Before Tuition Fee Discount)	<u>\$ 87,092,932</u>

2012/13 Enacted State Budget Allocations: Mandatory Cost Increases

Mandatory costs are provided in these allocations *for information only* because the state denied the CSU’s requests to fund these items. CSU projections for mandatory cost increases related to changes in health premiums, energy rates, and new space operations, for our campus amounted to:

Mandatory Costs Increases:	
Health	\$ 777,000
Energy	<u>228,000</u>
Total 2012/13 Mandatory Costs Increases (Unfunded)	<u>\$ 1,005,000</u>

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2012/13 Enacted State Budget Allocations: Mandatory Cost Increases

➤ **Health Benefits:**

Projected annualized cost of funding employer-paid health care benefit premium rate increases effective in January 2012 is \$15.1 million. 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 calculated on the basis of the percentage share of campus FIRMS 2010/11 actual state support health benefits expenditures. Calculated health benefits increases for our campus amounted to \$777,000.

➤ **Energy:**

The 2012/13 support budget request included \$4.6 million for campus cost increases in electricity, natural gas, and water/sewer rates. The \$ 4.6 million is calculated by campus based on the campuses' proportional share of custodial square footage included in the 2011/12 Capital Planning Design and Construction facility database for main campus and off-campus sites. Calculated energy cost increases for our campus amounted to \$228,000.

➤ **New Space:**

The 2012/13 support budget request included \$2.8 million to fund regular maintenance of 274,881 square feet of new space at \$10.02 per square foot. Our campus was not identified with new space need.

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2012/13 Enacted State Budget Allocations: Tuition Fee Revenue Adjustments

The tuition fee revenue from adjustments as shown below reflect changes in student enrollment patterns and 2012/13 tuition fee rate change for the academic year. Also, summarized is the total tuition fee discount required for 2012/13 fiscal year tuition fee rate changes. For purposes of tuition fee revenue projections, the budgeted resident enrollment target remains at the same level as in 2011/12 (331,716 FTES). The following summarizes the projected 2012/13 tuition fee revenue adjustments:

2012/13 Tuition Fee Rate Change	\$ 9,806,000
2012/13 Tuition Fee Rates Applied to Change in Enrollment	<u>(633,000)</u>
2011/12 Revised General Fund Base	\$ 9,173,000
2012/13 Enacted State Budget Allocation Increase in Tuition Fee Discounts	<u>(3,269,000)</u>
2012/13 Enacted State Budget Net Tuition Fee Revenue (with All Adjustments - Including Tuition Fee Discount)	<u>\$ 5,904,000</u>
2011/12 Campus Reported Tuition Fee Revenue	\$ 106,228,316
2012/13 Tuition Fee Revenue Adjustment From Rate Increases (Before Tuition Fee Discount & Not Including Enrollment Pattern Adjustment)	<u>9,806,000</u>
2012/13 Gross Tuition Fee Revenue (Before Tuition Fee Discount)	\$ 116,034,316
2011/12 Total Tuition Fee Discounts	(34,935,700)
2012/13 Increase in Tuition Fee Discounts	<u>(3,269,000)</u>
2012/13 Enacted State Budget Allocation Total Tuition Fee Discounts	<u>\$ (38,204,700)</u>

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2012/13 Enacted State Budget Allocations: Tuition Fee Discounts (Foregone Revenue) and Adjustments

❖ **Tuition Fee Discounts**

For 2011/12 Final Budget, tuition fee discounts which reflect CSU foregone revenue and General Fund grant appropriations (\$38 million) totaled \$ 625.8 million. After the increase of \$65.9 million in tuition fee discounts required for 2012/13 fiscal year tuition fee rate increases, total tuition fee discounts rise to \$691.7 million. The distribution of tuition fee discount requirements in 2012/13 is based on campus relative student need and budgeted enrollment targets. Our campus share of tuition fee discounts amounted to \$38,204,700.

❖ **General Fund Adjustment**

The difference between how the tuition fees are discounted (based on foregoing one -third of the revenue from tuition fee rate increases) and how tuition fee discounts are distributed (based on campus relative student financial need) results in the adjustment to our campus GF allocations of \$938,000. This allocation is earmarked to be applied to our campus tuition fee discounts. 2012/13 tuition fee discounts, which reflects the systemwide \$65.9 million increase from 2012/13 tuition fiscal year fee rate revenue adjustments are added to the 2011/12 final budget amount. The distribution combines foregone revenue, campus funded enrollment targets, and recognition of the highest need students. The tuition fee discounts are allocated after allowances for tuition fee waivers and Cal Grant fee awards. Our campus tuition fee discounts for 2012/13, adjusted for student need, amount to \$39.1 million that we are required to distribute.

2012/13 Increase in Tuition Fee Discounts	\$ (3,269,000)
2012/13 General Fund Tuition Fee Adjustment (Based on Relative Student Need)	<u>(938,000)</u>
2012/13 Enacted State Budget Allocation Total Tuition Fee Discounts Increase	\$ (4,207,000)
2011/12 Total Tuition Fee Discounts	<u>(34,935,700)</u>
2012/13 Enacted State Budget Allocation Total Tuition Fee Discounts (Based on Relative Student Need)	<u><u>\$ (39,142,700)</u></u>