

AGENDA

COMMITTEE ON FINANCE

Meeting: **11:00 a.m., Friday, February 28, 2003**
Munitz Conference Room and by Teleconference

William Hauck, Chair
Shailesh J. Mehta, Vice chair
Murray L. Galinson
Harold Goldwhite
Dee Dee Myers
Frederick W. Pierce, IV
Erene S. Thomas
Kyriakos Tsakopoulos
Anthony M. Vitti

Discussion Items:

1. LAO Analysis (Patrick Lenz), *Information*
2. Internal Budget Process (Richard West), *Information*
3. Academic Senate Comments on Budget Development (Jacquelyn Kegley), *Information*
4. CSSA Comments on Budget Development (Artemio Pimentel), *Information*

COMMITTEE ON FINANCE

Status Report on the 2003/2004 Support Budget

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick J. Lenz
Assistant Vice Chancellor
Budget Development

Summary

On February 19, 2003, the Legislative Analyst Office (LAO) released their Analysis on the Governor's 2003-04 budget. In their Analysis, the LAO considers three major issues as an alternative approach to the CSU support budget, enrollment growth, student fees, and institutional financial aid. The LAO also makes recommendations to the support budget pertaining to outreach programs, precollegiate courses, and CSU carry-forward funding.

2003-04 Support Budget and LAO Recommendations

The LAO recommends to the Legislature an alternative budget approach for the CSU and the University of California (UC) in three major issue areas, enrollment growth, student fees and institutional financial aid. The Board will also be briefed on the LAO recommendations for the California Community Colleges (CCC), where applicable, to CSU and UC budget issues. For the CSU, the LAO is supporting the Governor's budget reduction of \$326.1 million.

Enrollment Growth: For CSU and UC, the LAO is proposing to fund a 4% increase for enrollment growth while the Governor's budget provides approximately 7% for this purpose. The LAO contends that the Legislature has never funded over-enrollment, and the enrollment growth for CSU and UC should be more reflective of the growth in the high school graduation rate and adult population growth. The LAO proposes 4% funding for "new" enrollment growth because currently overenrolled students are already receiving instruction at the CSU and UC. For the CCC's, the LAO is proposing to augment their budget by \$100 million, in additional Proposition 98 funding, to reduce the CCC enrollment reduction from 5.7 percent proposed in the Governor's budget to 3.7 percent.

Student Fees: For UC and CSU, the LAO is recommending increasing undergraduate fees by 15% instead of the 25% proposed in the Governor's budget. The LAO proposed reducing UC's graduate fee proposal from 25 to 20%, but they support the 20 % graduate fee proposal for CSU. The 15% undergraduate fee increase would be tied to the LAO recommendation that the Legislature adopt a long-term fee policy, which is more prescriptive than a similar student fee policy recommended from CPEC that they supported. For the Community Colleges, the LAO is recommending increasing the student fees from \$11 to \$25 per unit (the Governor's budget proposes \$24 per unit) to allow CCC students to meet the cost threshold for federal financial aid (Pell Grants).

Financial Aid/State University Grants: For UC and CSU, the LAO is recommending against using the one-third of the fee revenue generated from the student fee increase for financial aid (State University Grants). Instead, this revenue would be used to offset the Governor's reduction of \$326.1 million, specifically to partially offset the unallocated budget reductions proposed for each segment (CSU unallocated reductions total - \$142 million).

Shifting financial aid resources to backfill the unallocated reduction would allow for a lower fee increase for undergraduate students and increase net revenue from fee rate increases by \$4 million above the funding projected in the Governor's budget. The LAO proposal provides that any increase in student fee revenue associated with enrollment growth could be used for SUG's. However, student fee revenue associated with enrollment growth would only provide \$10 million in new SUG revenue versus the \$70.7 million proposed in the Governor's budget. If the LAO's proposal for a 15% increase in student fees was approved, without the one-third set-aside for SUG awards, over 10,000 current CSU students would not receive SUG awards.

The LAO is also recommending language in the Budget Bill to develop institutional financial aid guidelines to UC and CSU. The LAO supports full funding of the Cal Grant entitlement associated with the increase of student fees and an augmentation of \$95 million to the Cal Grant program to provide fee assistance to all first-year Cal Grant B recipients.

In addition to the major budget alternatives for higher education, the LAO identified issues specific to the CSU support budget.

Outreach Programs: The LAO is supporting the reduction of \$12.5 million in the Governor's budget for Outreach Programs. However, the LAO would like to work with the CSU on where these reductions would occur to eliminate programs they believe "provide duplicate services, programs that do not necessarily focus resources at students most in need of additional state help, and those programs that are least effective in improving the academic preparation of disadvantaged students." The LAO is amenable to working with the CSU on a revised outreach program recommendation and the delivery of outreach services to CSU students.

Precollegiate Courses and CSU Remediation: The LAO raises concerns regarding the

accountability by CSU of students who are admitted unprepared for college-level coursework. The LAO is proposing the CSU assess and report on the effectiveness of precollegiate services to ensure high-risk students receive adequate assistance. The LAO is also recommending a reduction of \$10 million in CSU General Fund support, as a result of reducing marginal cost funding for FTES enrolled in precollegiate writing and mathematics courses to the community college rate of \$3,900 per FTES.

The LAO recommendation would set a significant precedent in their assumption that \$3,900 per FTES from the state would support the actual cost of instruction for remediation courses. The CCC has advocated for years that this funding per FTES is severely inadequate to support the student resources needed for course sections at the community colleges. In addition, once the Legislature has completed action on the CSU Budget, the Department of Finance funds the CSU at an “average rate” through General Fund marginal costs. The Department of Finance would not support funding the cost of instruction for each individual course offered at the CSU. If this were to occur, the legislature and the governor would be particularly concerned that a \$10 million saving could quickly translate into a \$100 million augmentation to fully fund the cost of instruction for all CSU courses.

CSU Carry-Over Funds: The LAO is recommending the current Budget Bill language applicable to system carry-forward funds (\$15 million cap) be applied to campuses and the Chancellor’s Office. The LAO is also recommending that any future carry-forward fund be used for a one-time purpose.

The LAO is also proposing the following recommendations on related issues associated with higher education.

Cal Grants: The LAO is opposed to the Governor’s budget proposal to reduce Cal Grant funding by \$10.2 million, representing a 9% reduction in the new Cal Grant awards to individuals attending the private colleges and universities. The LAO’s support is based on the premise that additional Cal Grant funding increases the overall capacity in higher education and provides students with more meaningful options to receive a college education. The LAO does not indicate where the state would get an additional \$10.2 million, but they would probably identify CSU savings from their other budget recommendations.

CPEC Eligibility Study: The LAO is recommending CPEC, UC, CSU, and the community colleges report on their progress on completing the eligibility study on current admissions to the higher education segments. The LAO is requesting a progress report on the eligibility study and a timeline for completion.

COMMITTEE ON FINANCE

Report on Internal Budget Process

Presentation By

Richard P. West
Executive Vice Chancellor and Chief Financial Officer

Summary

Mr. Richard P. West, executive vice chancellor and chief financial officer will present an oral report on the internal budget process

COMMITTEE ON FINANCE

Academic Senate Comments on Budget Development

Presentation By

Dr. Jacquelyn Kegley
Chair, Academic Senate CSU

Summary

Dr. Jacquelyn Kegley, chair, academic senate, CSU, will comment on the budget development process.

COMMITTEE ON FINANCE

California State Student Association Comments on Budget Development

Presentation By

Mr. Artemio Pimentel
Chair, California State Student Association

Summary

Mr. Artemio Pimentel, chair, the California State Student Association, will comment on the budget development process.