

California State University

Update on the 2003/04 CSU System Budget

State Budget Update

Governor's Budget – May Revise Revenue/Expenditure Assumptions

- Restoration of \$2.0B to education, health, and public safety programs
- Reduce by half the proposed increase for cigarette and state income taxes
- Half-cent increase in sales tax to pay off projected \$10.7B current year deficit
- Reduce state to local government realignment from \$8.0B to \$1.8B

Governor's Budget – May Revise Impact to Education

- Restored \$708.0M cut to K-12, of which \$180.0M to protect class size reduction program
- Restored \$304.0M cut to CCC to reduce fee increase from \$24 - \$18 per unit
- No funding restoration for CSU or UC; budget cuts remain at January levels (*\$260M net cut to CSU*)

Senate and Assembly Republican Plan

Impact of \$200.0M cut above Governor's Budget for CSU

- Would require an additional student fee increase of \$942 (from \$1,572 to \$2,514) over current rate
- Without fee increase, would result in an 8.8% enrollment reduction — or 30,331 FTES

Senate and Assembly Republican Plan

- Without the additional fee increase, the CSU could impact 3,106 employees

Assembly plan adds \$210.0M in new budget reductions in 2004/05 and \$221.0M in new budget reductions in 2005/06, bringing the three-year total gross budget reduction for CSU to \$1,078.7B

Senate and Assembly Democrat Plan

Impact of \$69.5M cut above the Governor's Budget for CSU

- Would require an additional student fee increase of \$588 (from \$1,572 to \$2,160) over current rate
- Without fee increase, could result in a 3.1% enrollment reduction or 10,540 FTES
- Without fee increase, could impact 1,079 employees

Conclusions as of Today:

- Recognize, at a minimum, additional \$69.5M in reductions — which represent a bi-partisan legislative agreement
- New reductions compound original \$447.7M reduction assumed in Governor's Budget
- 2003/04 CSU budget faces General Fund and mandatory costs of \$517.2M
- Largest single reduction in CSU history

CSU 2003/04 Proposed System Budget

Current Budget Assumptions – CSU General Fund & Fee Revenue

■ General Fund Support \$2.577B

■ Student Fee Revenue \$.985M

***Total General Fund &
Student Fee Revenue
Support*** ***\$3.562B***

Current Budget Assumptions– CSU Unfunded Costs & Reductions

| | |
|--|--------------------------|
| ■ Unfunded Mandatory Costs | (\$ 78.6M) |
| ■ Permanent Reduction in Long-term Needs | (\$ 43.0M) |
| ■ CSU Budget Reductions | (\$326.1M) |
| ■ Legislative Budget Reductions | (\$ 69.5M) |
| <i>Total Fiscal Impact to CSU</i> | <i>(\$517.2M)</i> |

Current Budget Assumptions – CSU Revenue Offsets

■ **Total CSU Revenue Offsets** **\$212.0M**

Governor's Budget

Net Student Fee Revenue *\$142.0M*
(less State University Grant allocation)

2002/03 Over-enrollment *\$ 45.0M*
(6,744 FTES)

Legislative Budget

Net Student Fee Revenue *\$ 25.0M*
(less State University Grant allocation)

Current Budget Assumptions – CSU Fiscal Impact

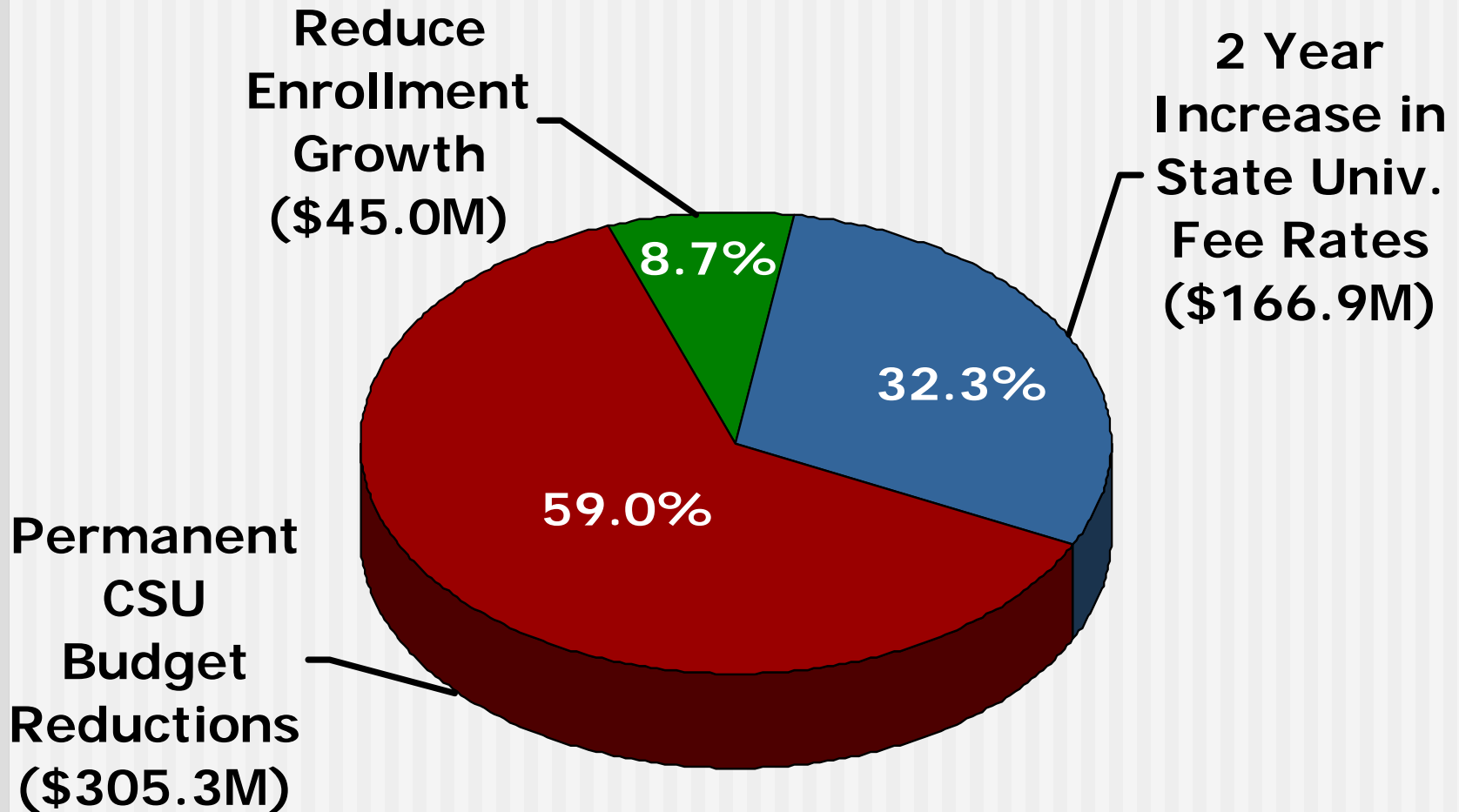
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|--------------------------------------|------------------|
| CSU Unfunded Costs and Reductions | (\$517.2M) |
| CSU Revenue Offsets | \$212.0M |
| CSU Net Fiscal Impact | <hr/> (\$305.2M) |

CSU 2003/04 Supplemental Report Language

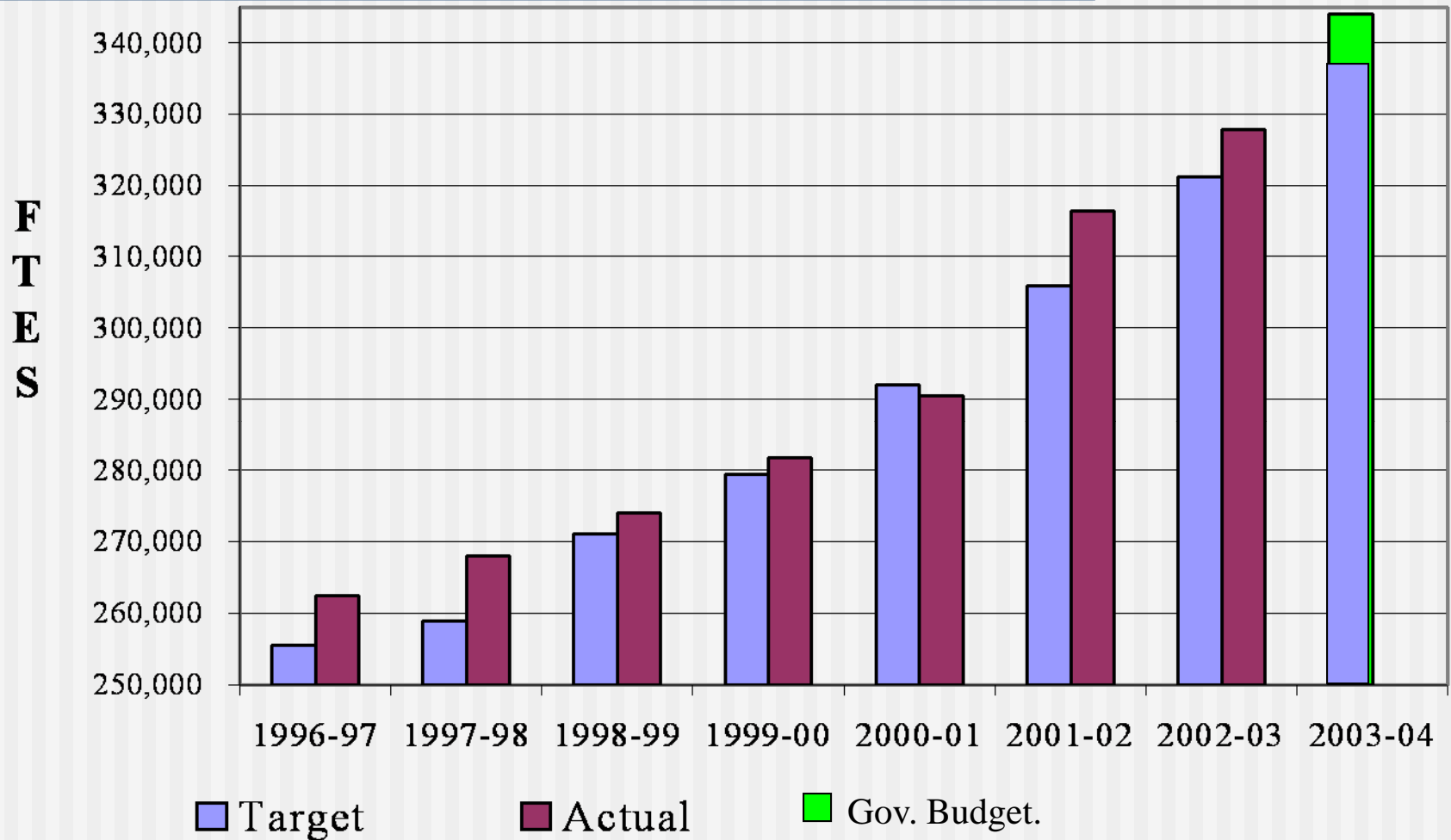
- Protect, to the greatest extent possible, undergraduate and graduate instruction
- Recognize Academic Support and Maintenance & Operations roles in providing CSU's quality education
- To the extent possible under law, use alternative funding sources to mitigate the impact of budget reductions
- Reduce administrative costs, serve students effectively, manage the CSU system, and remain accountable to the State
- Where feasible, defer 2003-04 expansion for CMS new start-up projects
- Extensive reporting requirements

CSU 2003/04 Budget Actions

\$517.2 Million



Enrollment Growth – Funded Targets vs. Actual



Actual for 2002/03 reflects over-enrollment funded in Governor's January budget proposal

Change in CSU Average Cost Funding per Student

- 2001/02 — **\$10,942** per FTES
- 2002/03 — **\$10,658** per FTES
- 2003/04 — **\$10,356** per FTES
based on current budget proposal
and a 30% student fee rate increase

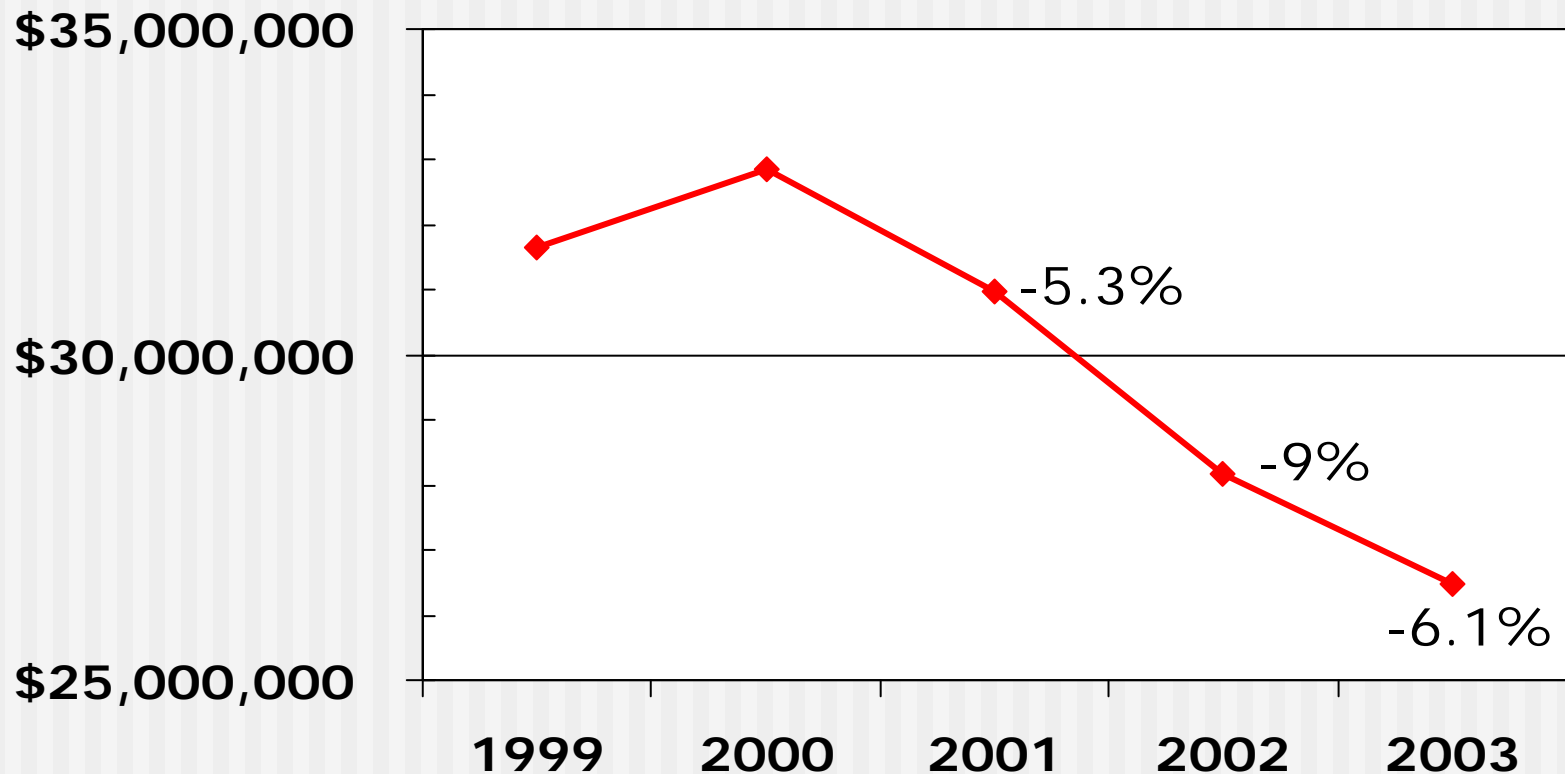
Systemwide Position Reductions

Along with the fee increase and enrollment reductions, CSU would need to reduce 2,300 vacant or frozen positions

- Forecasted to impact 3.9% of 16,000 FTE total March 2002 faculty position base
- Other employee groups would be impacted by up to 11% of 18,000 FTE total March 2002 position base

Vacant or frozen positions would be eliminated before any existing positions

Chancellor's Office General Fund Budget Reductions



Chancellor's Office budget for headquarters administrative costs only

CSU Budget Consultation Process

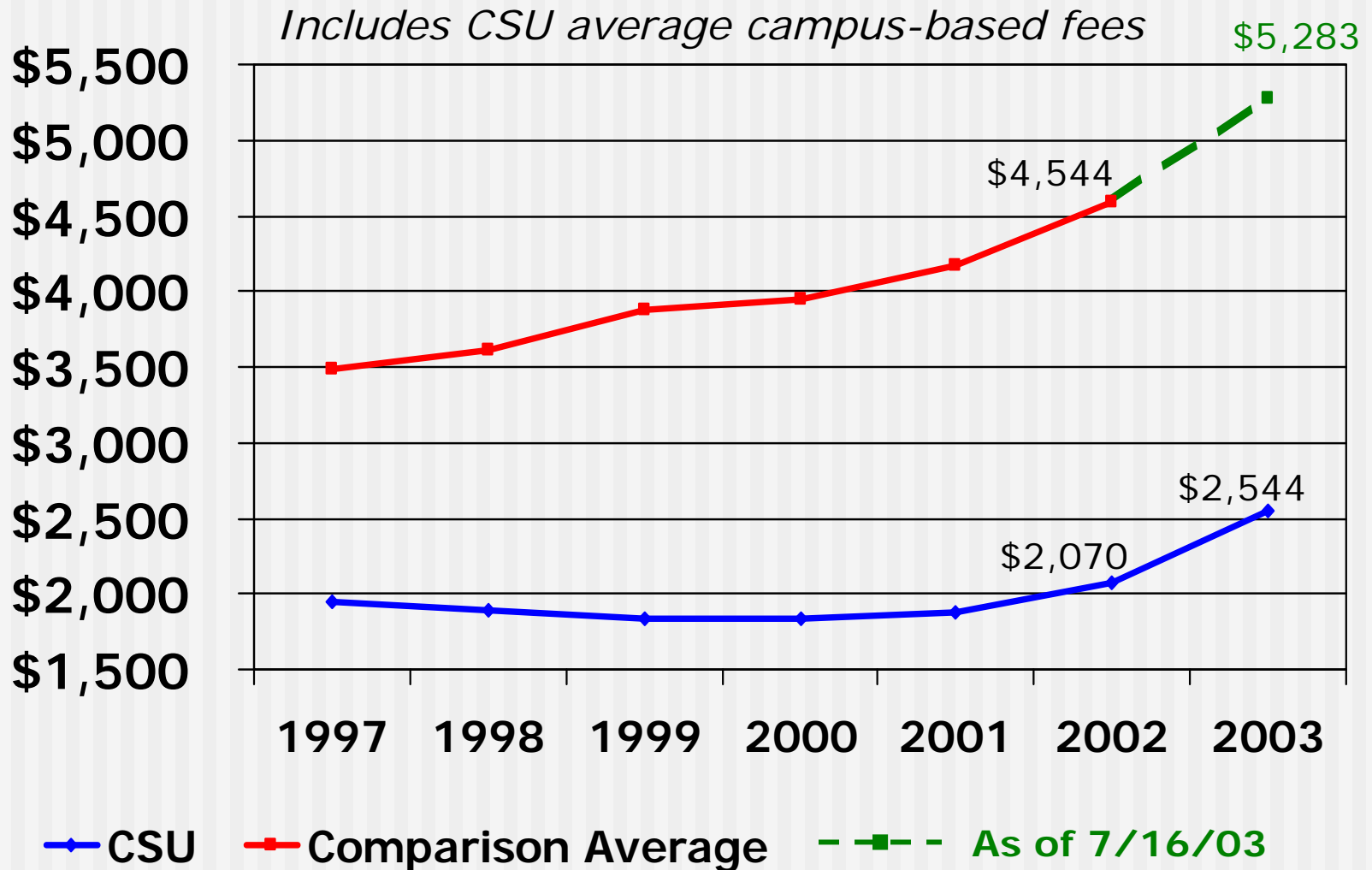
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| System Budget Advisory Committee | January 21, 2003 |
| System Budget Advisory Committee | February 21, 2003 |
| BOT Committee on Finance | February 28, 2003 |
| BOT Committee on Finance | March 11, 2003 |
| Budget Summit | March 17, 2003 |
| System Budget Advisory Committee | April 7, 2003 |
| BOT Committee on Finance | April 17, 2003 |
| BOT Committee on Finance | May 13, 2003 |
| System Budget Advisory Committee | May 16, 2003 |

Student Fees & Financial Aid

History of State University Fees

| Year | SUF Rate | |
|---------|-----------------|---------------|
| | Undergrad/Grad | Change |
| 1994/95 | \$1584 | |
| 1995/96 | \$1584 | 0 |
| 1996/97 | \$1584 | 0 |
| 1997/98 | \$1584 | 0 |
| 1998/99 | \$1506 / \$1584 | -5% Undergrad |
| 1999/00 | \$1428 / \$1506 | -5% All |
| 2000/01 | \$1428 / \$1506 | 0 |
| 2001/02 | \$1428 / \$1506 | 0 |
| 2002/03 | \$1572 / \$1734 | +10% / +15% |
| 2003/04 | \$2046 / \$2256 | +30% / +30% |

Student Fees – CSU vs. Comparison Institutions



CSU Financial Aid

(before Federal or State Aid)

Financially needy students will not be impacted by the fee increase

- \$90.3M increase for State University Grants
- Funds will cover fee increase for the 85,000 current State University Grant recipients
- Funds will also provide State University Grants to 22,000 additional students

CSU Financial Aid – Cal Grants

- \$3.8M increase for CSU Cal Grants
- Funds will cover fee increase for the 33,000 current CSU Cal Grant recipients
- Funds will also provide Cal Grants to 6,000 additional CSU students

CSU Student Fees and Enrollment Growth

- Increase undergraduate fees by \$474 and Graduate fees by \$522
- Support CSU State University Grant and Cal Grant financial aid increases
- Recognize funding for 5% enrollment growth versus 7% growth provided in Governor's Budget