

**BUDGET FACT SHEET**  
(based on Governor's Budget Proposal for 2003/04)

<b>Unfunded Mandatory Costs</b>	<b>(\$78.6 million)</b>
<b>CSU Budget Reductions</b>	<b>(\$326.1 million)</b>
<b>Permanent Reduction, Long-Term Needs</b>	<b>(\$43.0 million)</b>
<ul style="list-style-type: none"> <li>• <i>Base Budget Reduction</i> <span style="float: right;">\$142.8 million</span></li> <li>• <i>Reduce Academic and Institutional Support</i> <span style="float: right;">\$58.1 million</span></li> <li>• <i>Increase Student-to-Faculty Ratio</i> <span style="float: right;">\$53.5 million</span></li> <li>• <i>Reduce Student Services</i> <span style="float: right;">\$53.2 million</span></li> <li>• <i>Reduce Outreach Services</i> <span style="float: right;">\$12.6 million</span></li> <li>• <i>Eliminate CalTeach Recruitment Program</i> <span style="float: right;">\$2.0 million</span></li> <li>• <i>Eliminate Bilingual Teacher Recruitment</i> <span style="float: right;">\$2.0 million</span></li> <li>• <i>Reduce Center for California Studies</i> <span style="float: right;">\$1.4 million</span></li> <li>• <i>Reduce State Supported Public Service</i> <span style="float: right;">\$.5 million</span></li> </ul>	
<b>Total Fiscal Impact to Campus</b>	<b>(\$447.7 million)</b>
<b>CSU Revenues</b>	<b><u>187.0 million</u></b>
<ul style="list-style-type: none"> <li>• <i>Net Student Fee Revenue (less SUG allocation)</i> <span style="float: right;">\$142.0 million</span></li> <li>• <i>Partial Funding - 2002-03 Over-enrollment</i> <span style="float: right;">\$45.0 million</span></li> </ul>	
<b>Ongoing Budget Reduction to the CSU</b>	<b>\$260.7 million</b>

**Governor's Budget and LAO Recommendations**

Enrollment Growth, Governor's Budget	\$150.9 million, 7% - 22,801 FTES
Enrollment Growth, LAO Recommendation	\$84.7 million, 4% - 12,845 FTES
Net Student Fee Revenue, Governor's Budget	\$142.0 million 25% undergraduate, 20% graduate Assumes Gross Fee Revenue (\$213 M) and Redirection to Financial Aid (\$71 M)
Net Student Fee Revenue, LAO Recommendation	\$146.0 million 15% undergraduate, 20% graduate Assumes Gross Fee Revenue (\$161 M) and Redirection to Financial Aid (\$15 M)
SUG, Financial Aid, Governor's Budget	\$70.7 million; 106,743 student awards
SUG, Financial Aid, LAO Recommendation	\$15.3 million; 75,126 student awards
Precollegiate Courses, Governor's Budget	Included in CSU marginal cost funding
Precollegiate Courses, LAO Recommendation	-\$10 million; Fund at the CCC rate of \$3,900 per FTES

# CSU 2003/04 Governor's Budget Support Budget Proposal

State General Fund Support	\$2,582,851,000
CSU Student Fee Revenue	<u>943,695,000</u>
Total State General Fund and Student Fee Revenue Support	\$3,526,546,000
Lottery	<u>38,989,000</u>
Total, General Purpose Support Funding	\$3,565,535,000

## 2003/04 Program Funding Proposals

Instruction \$1,629,334,000

CSU prepares nearly 60 percent of California's teachers, 10 percent of the nation's teachers, 10 percent of the California workforce and 7 percent of the nations engineers while offering over 1,600 bachelor and master's degree programs. State-supported instruction programs consist of general academic and precollegiate instruction.

Research \$1,923,000

CSU general purpose Research principally funds research, scholastic and creative opportunities for faculty.

Academic Support \$466,428,000

Academic Support – provides support services for instruction such as libraries, museums and galleries, educational media services, academic computing support, course and curriculum development, academic administration and personnel development, and ancillary programs to assist the academic function of the university.

Student Services \$349,054,000

Provides funding for admission and registrar activities, student newspapers, intramural athletics, student organizations, counseling and career guidance, student financial aid administration, and student health services. Funding for a variety of outreach programs designed to strengthen precollegiate academic preparation of high school graduates at schools that send a significant number of graduates to CSU campuses is also provided through Student Services.

Student Financial Aid \$126,009,000

Provides over \$115 million in direct student financial aid through the State University Grant program. Additional financial aid is provided through graduate fellowships and federal financial aid programs.

**TOTAL, Academic and Student Services** **\$2,572,748,000**

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Institutional Support **\$551,477,000**

Institutional Support – provides fixed-cost and incremental support funding for executive management, fiscal operations, general administrative and logistical services, administrative computing support, and public relations. Ensures the university's operations are consistent with the public higher education policy developed by the legislature, the Governor, and the Board of Trustees.

Operations and Plant Maintenance **\$373,768,000**

Provides funding support for the CSU physical plant including ground maintenance, utilities, debt service payments, and insurance costs and to address the CSU deferred maintenance backlog estimated in excess of \$351 million.

Provisions for Allocation **\$58,616,000**

Provides a category of central office and campuses expenditures that have yet to be allocated to a specific program, campus, or purpose as a result of various state funding allocations to the CSU during the year. These funding allocations include unbudgeted costs for earthquake repairs and costs for legal services provided by the California Attorney General's office. Total shown includes CSU Reimbursement of \$7,898,000 for lease bond payments in Governor's Budget.

Public Services **\$8,926,000**

Supports CSU public education television and learning programs. The State provided \$1.5 million for public television at CSU, San Diego and the 2003/04 budget proposal would reduce State support for this program by approximately 30 percent.

**TOTAL, General Purpose Budget Support** **\$3,565,535,000**

## CSU Funding Issues: Auxiliary Enterprises

**\$1,314,149,000**

Provides for “fee for service” activities such as student housing, parking, food services, bookstores and self-supporting, non-instructional services provided mainly to students. These services are not subsidized by the state and are specifically supported through user fees.

Examples of Auxiliary Enterprises include Dormitory Housing and Food Services; Parking Lots and Garages; Bookstores; Agricultural Projects; Student Union Operations; Associated Student Body Organizations; and Federal, State and private grant Special Education Programs.

### **2003/04 Projected Revenue**

**\$1,314,149,000**

Dormitory Housing and Food Services	\$127,093,000
Parking Lots and Garages	\$50,562,000
Auxiliary Organizations	\$1,136,494,000
<i>Student Union Operations</i>	
<i>Associated Student Body Organizations</i>	
<i>Federal, State &amp; private grant Special Ed Progs.</i>	
<i>Book Stores, Agricultural Projects</i>	
<i>Donor gifts and alumni support-Foundations</i>	

### **2001/02 Foundation and Endowment Revenue**

The California State University had a record-breaking year in generating non-state revenue in 2001/2002. Increases in both voluntary support and special revenue were achieved despite a difficult economic environment for donors. The donors typically provide these gifts or grants with restrictions.

#### *Voluntary Support*

Total voluntary support for the CSU system exceeded \$257.2 million, an increase of 3.8 percent from last year’s total of \$248.2 million. Voluntary support plays an increasingly important role in campus operations. In 2001/2002 fifty-five percent (\$141 million) of voluntary support dollars went to support the day-to-day academic mission of the CSU campuses and nearly one-fourth of the funds (\$57 million) were spent on campus enhancements, equipment or facilities. Only three percent of voluntary support dollars were unrestricted, and sixteen percent of the money raised was added to endowments.

#### *Special Revenue*

Special revenue represents funds that are generated from non-state sources that are not included under voluntary support. Increases in special revenue in 2001/2002 were seen in nearly every category—sponsorships, pledges, contracts, and endowment distribution. External resources derived from grants and contracts represent three-fourths of all special revenue income and are a significant benefit to the CSU and its campuses. The more than \$500 million from grants and contracts is evidence of the confidence of businesses, governmental agencies and other outside sources in the capability of the CSU to fulfill major research, academic and programmatic assignments. Campuses also continue to derive income from sponsorship agreements with corporations and vendors. All of these revenue sources help support academic programs and supplement public support.

## CSU Funding Issues: Common Management System

### *Annual Operations and Maintenance Costs of Old Legacy System*

(in 2006/07 constant dollars, based on California CPI Department of Finance forecast)

❖ <i>CSU (based on \$41.7 million 1999/200 expenditures)</i>	\$52,388,000
❖ <i>State Audit Report (based on \$43.0 million in 1994/95)</i>	\$58,662,000
<b><i>Annual Projected CMS Operations and Maintenance Costs</i></b>	<b>\$65,000,000</b>

CSU's Common Management Systems project provides efficient, effective, high quality service to students, faculty, and staff. This purpose will be accomplished in part through the achievement, by the year 2006, of the financial, human resources and student services targeted systemwide administrative operations environment.

<b>CMS Cost Projections</b>	<b>Estimated Costs-to-Date 1998/99 - 2002/03</b>	<b>Cumulative Total 1998/99 – 2006/07</b>
<b>Implementation Expenses</b>		
• Central Implementation Costs	\$69,068,000	\$83,801,000
• Campus Implementation Costs	<u>84,404,000</u>	<u>208,109,000</u>
Total, Implementation Costs	\$153,472,000	\$291,910,000
❖ <i>Planned New Incremental Expenses for 2003/04</i>		\$20 – \$25 million
• Ongoing Central Operational Costs	<u>54,700,000</u>	<u>152,615,000</u>
	\$208,172,000	\$444,525,000

<b>CMS Current Operations (based on 24 Total Sites)</b>	<b>June 2002</b>	<b>By July 2003</b>
Human Resources	15	19
Financial	14	15
Student Administration	5	6

## Senate Republican Caucus, Alternative Budget Proposals

### Alternative Budget Proposals – Senate Republican Caucus

- 7% across the board reduction to achieve \$5.1 billion in savings
- An alternative to the Governor's Budget that would not rely on a tax or fee increase (excluding higher education)
- Assume 25% and 20% increase Governor's budget for CSU, otherwise fees are unknown
- CCC fees would remain at \$11 per unit

### Alternative Budget Proposals – Senate Republican Caucus

- 7% reduction would mean the loss of an additional \$182 million in state General Fund over the Governor's budget reduction of \$260.7 million or a total reduction of \$442.7 million to the CSU

### Alternative Budget Proposals – Constitutional Protected Programs

- Assume a state General Fund of \$75.5 billion in 2003-04
  - Prop. 98 Guarantee at \$29 billion
  - Public Safety at \$6.2 billion
  - Debt Service at \$3.2 billion
  - Tax Relief at \$3.2 billion
  - 24-Hour Care at \$2 billion
  - STRS at \$1 billion
  - Legislature at \$.3 billion
- Alternative Budget Proposals – Constitutional Protected Programs
    - State General Fund of \$42.6 billion
    - 17.5% reduction which translates into a loss of an additional \$455 million in state General Fund over the Governor's budget reduction of \$260.7 million or a total reduction of \$715.7 million to the CSU
  - Alternative Budget Proposals – How to cope with 7%? Not a lot of alternatives! But, consider these or a combination of these alternatives.
    - Reduce the CSU budget by another \$182 million
    - Reduce student access by 27,000 FTES
    - Increase undergraduate student fees by a total of 57.3% if you include the 25% increase proposed in the Governor's budget.

- Alternative Budget Proposals – How to cope with 17.5%? Not a lot of alternatives! But, consider these or a combination of these alternatives.
  - Reduce the CSU budget by another \$455 million
  - Reduce student access by 67,500 FTES
  - Increase undergraduate student fees by a total of 105% if you include the 25% increase proposed in the Governor’s budget.

**Senate Budget and Fiscal Review Committee Hearing  
(March 27, 2003)**

Under a 10 percent reduction the CSU would have to consider trade-offs such as:

- \$258.3 million additional reduction over the Governor’s budget to achieve the 10 percent target.
- Reduce student access by 39,100 Full-Time Equivalent Students (FTES) through reduction in course sections
- Potentially increase undergraduate student fees by an additional 46.3 percent
- Equivalent to the combined campus budgets of CSU, Channel Islands, CSU, Los Angeles and CSU, Chico or the combined campus budgets of CSU, Dominguez Hills, CSU Sonoma, and CSU, San Luis Obispo

Finally, if all constitutionally protected programs were exempt from the across the board reduction and the CSU were reduced by 20 percent, it would mean:

- \$516.6 million additional reduction over the Governor’s budget to achieve the 20 percent target.
- Reduce student access by 78,340 Full-Time Equivalent Students (FTES) through reduction in course sections
- Potentially increase undergraduate student fees by an additional 92.7 percent
- Equivalent to the combined campus budgets of CSU, Channel Islands, CSU, Los Angeles, CSU Fullerton, CSU Maritime, CSU Monterey Bay and CSU, San Jose or the combined campus budgets of CSU, Fresno, CSU Fullerton, CSU Los Angeles and CSU, Monterey Bay

Keeping in mind that the CSU would not have the ability to achieve any saving by an assumption that we could actually close a CSU campus in the 2003-04 fiscal year.

# CSU Cost Table

**1,000 FTES Marginal Cost Support** **\$7,813,000**

**1% (one-percent) Fee Rate Increase Revenue** *(above Gov. Budget.)* **\$8.1 million**

**1% (one-percent) Faculty Compensation Cost** **\$12,432,000**

**1% (one-percent) Non-Faculty Compensation Cost** **\$11,496,000**

# Challenges of Providing Quality Education Budget Deficiencies

ACR 73 Implementation	\$35.6 million
New Hire Average Salary Rate	\$15.2 million
Graduate FTES Conversion	\$10.5 million

**Cost Deficiencies in Quality of Instructional Services**  
**8%**

**Structural Deficiencies in Instruction and Instruction Related Costs**  
**17%**

**Structural Long-Term Budget Deficiencies**  
**73%**

Libraries	\$ 91.5 million
Instructional Equipment	\$153.5 million
Deferred Maintenance	\$350.7 million

**Unfunded Structural CSU Operational Costs**  
**2%**

New Space \$13.6 million

Close Faculty Salary Lag	\$80.8 million
Maintain Staff Salaries And Benefits	\$51.7 million

**Total Budget Deficiency = \$803 million**