

# The California State University



# 2005/06 Trustees Budget Proposal

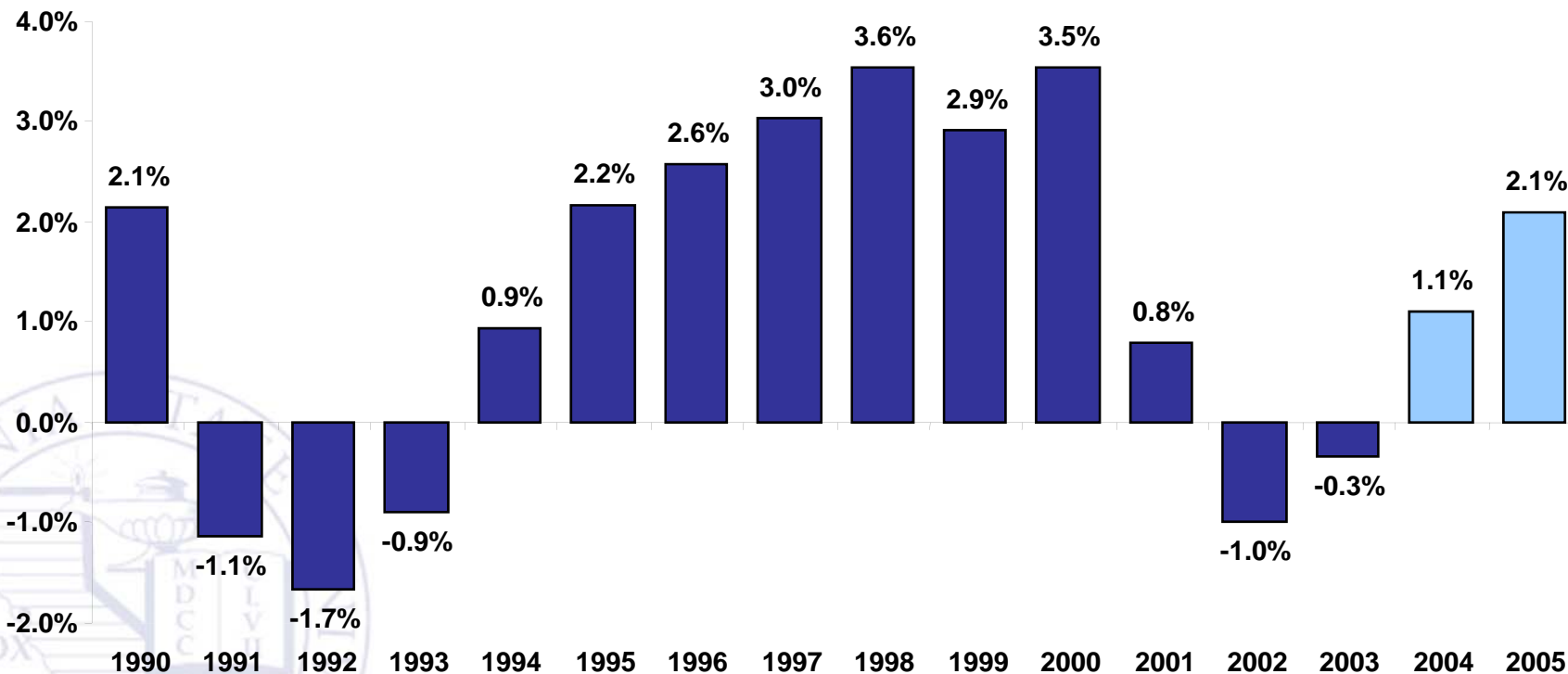
- I. State Economic and Budget Background
- II. CSU Funding Deficiencies and State Funding Policy
- III. Compact
- IV. Trustees Budget Proposal 2005/06
- V. Lottery Budget Proposal 2005/06

# **STATE ECONOMIC AND BUDGET BACKGROUND**

# Board of Trustees

## What Happened? The Recession Was Mild Compared to 1990s

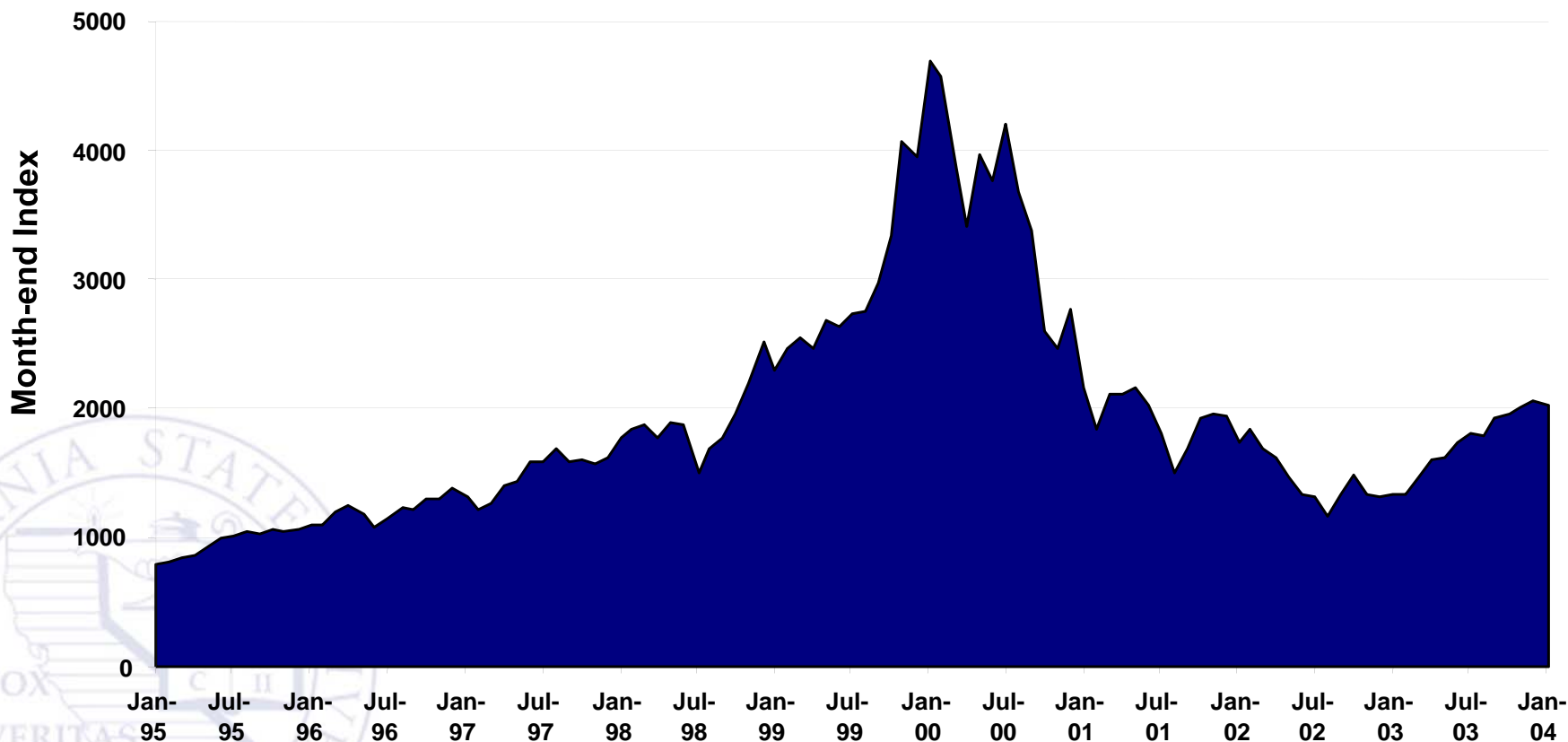
California Nonfarm Payroll Employment  
Annual Percent Change



# Board of Trustees

## The NASDAQ Bubble

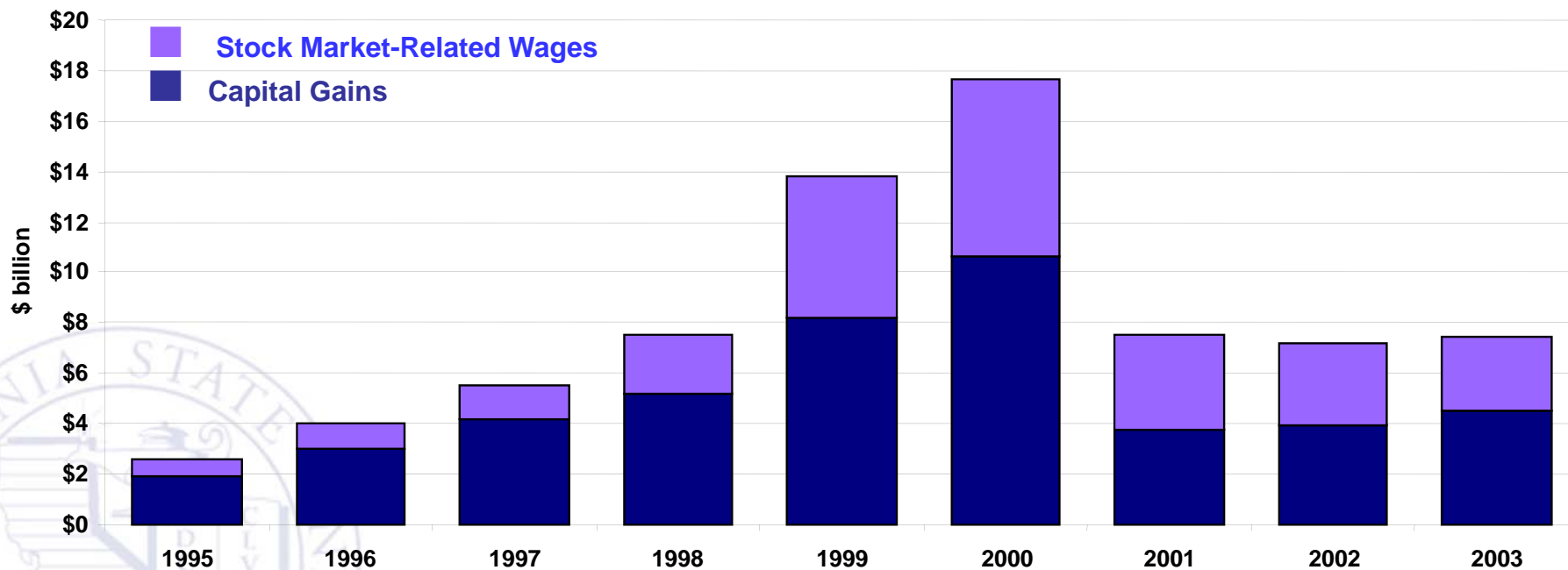
NASDAQ Monthly Average



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## Market-Related Revenues Surged

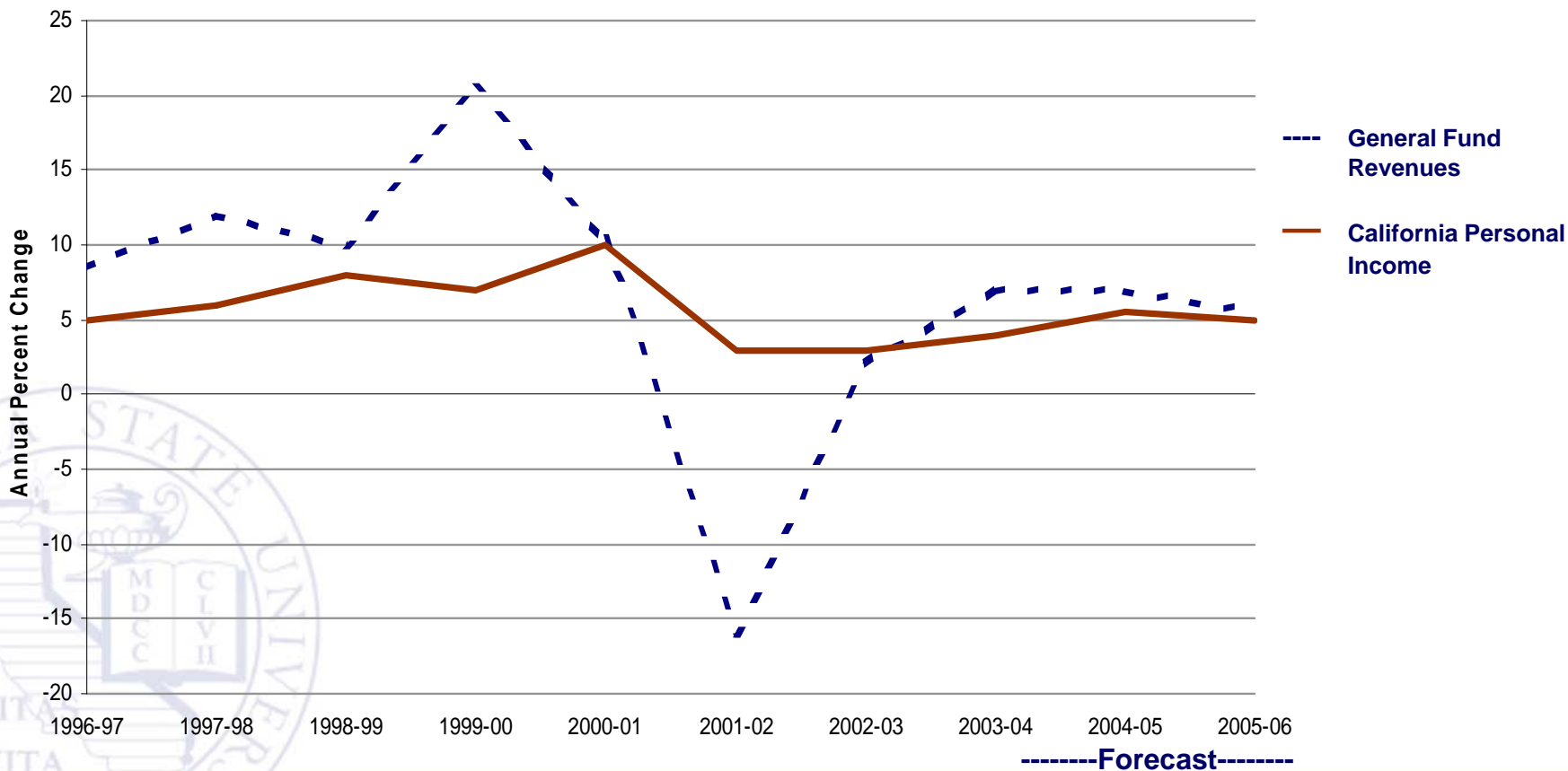
Stock Market-Related Revenue



# Board of Trustees

## Revenue Roller Coaster: California's Unstable Tax Base

General Fund Tax Revenue  
And Personal Income Growth



# Board of Trustees

## Fourth Year of Budget Problems

- First Year (FY 2001-02)
  - Spent Down Record Surplus
  - Didn't Recognize Revenue Gains as Temporary
- Second Year (FY 2002-03)
  - Substantial Borrowing
  - Some Program Reductions
- Third Year (FY 2003-04)
  - Deficit Bonds – Pension Bonds
  - Program Reductions
  - Loans - Deferred

# Board of Trustees

## Financing the FY 2004/05 Budget

- Economic Recovery Bonds
  - Successful Sales
  - Used to Finance Accumulated Budget Deficit
    - Revised to \$11.3 Billion
- Pension Obligation Bonds
  - Finances 20 Years of Pension Reform
  - Almost \$600 Million of FY 04/05 Revenue

# Board of Trustees

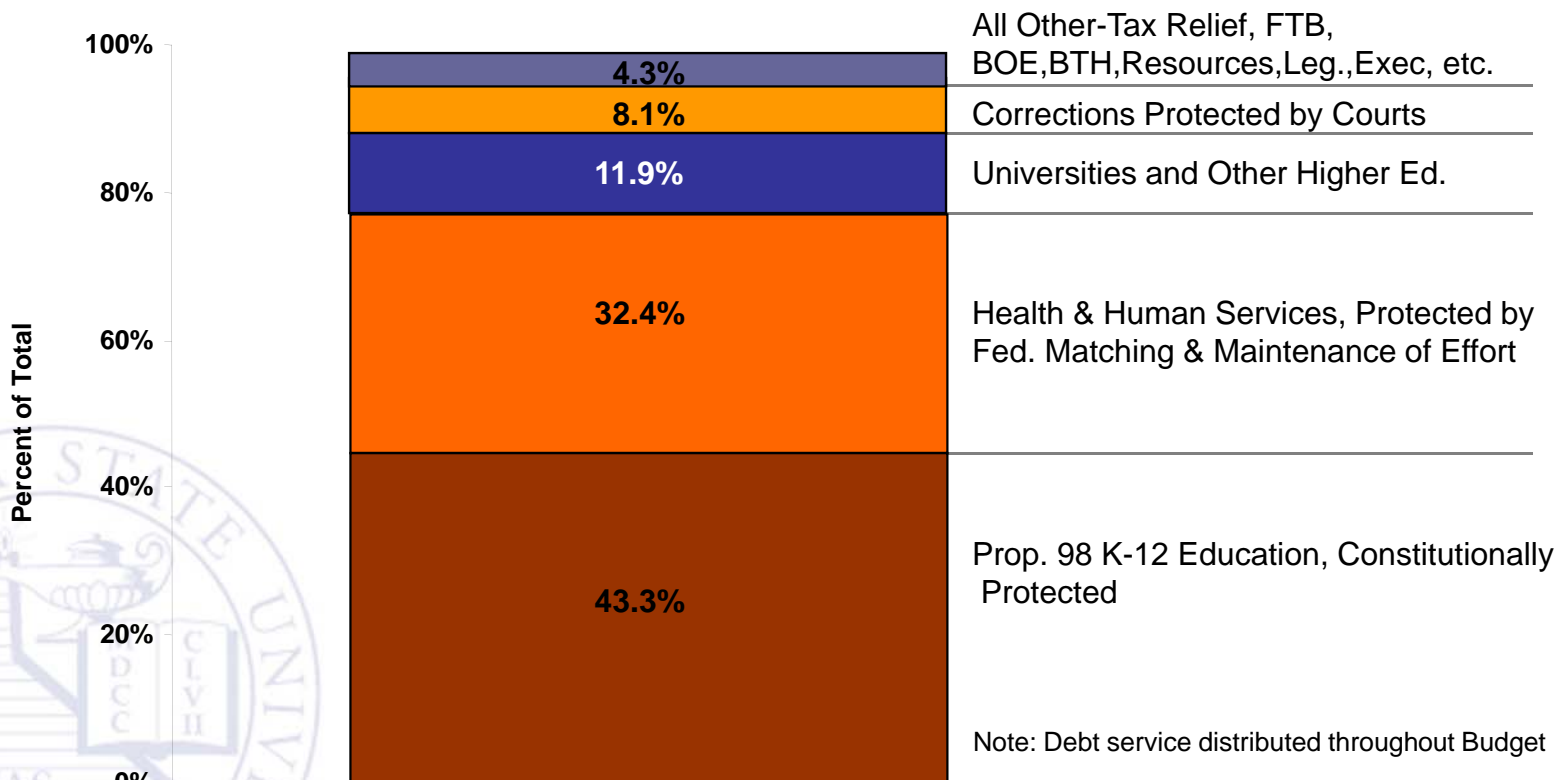
## Future Budget Picture

- Current Estimate of Structural Budget Gap
  - FY 05/06 – Approximately \$6.0 Billion
  - FY 06/07 – Approximately \$9.0 Billion
- Future Economic Assumptions
  - Make or Break Feature of Future Budgets
- Financing Available
  - ERB Proceeds - \$3.7 Billion

# Board of Trustees

## Narrow Opportunities For Spending Cuts

### General Fund Expenditures

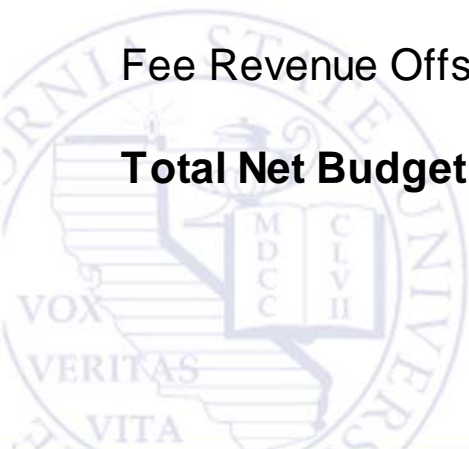


**CSU FUNDING  
DEFICIENCIES  
and  
STATE FUNDING POLICY**

# Board of Trustees

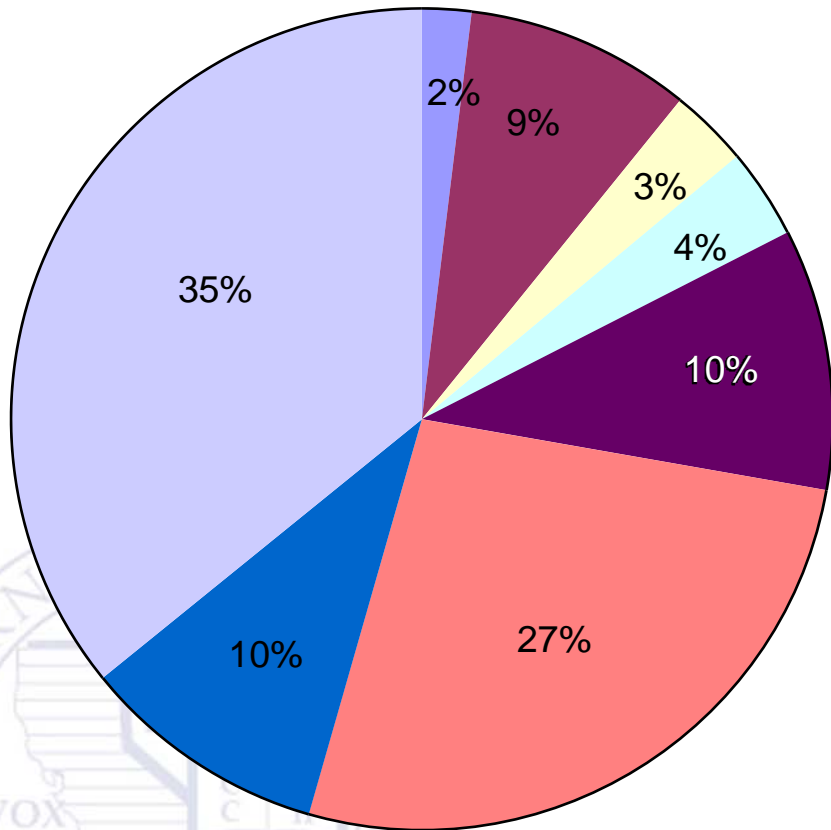
## Summary of Budget Adjustments 2002 – 2005 (in Millions)









	2002/03	2003/04	2004/05	3 Year Total
General Funds Budget Reduction	(102.60)	(373.70)	(175.60)	<b>(651.90)</b>
Unfunded Mandatory Cost	(22.80)	(78.60)	(57.50)	<b>(158.90)</b>
Fee Revenue Offset	20.00	167.00	101.50	<b>288.50</b>
<b>Total Net Budget Reduction</b>	<b>(105.40)</b>	<b>(285.30)</b>	<b>(131.60)</b>	<b>(522.30)</b>



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## CSU Funding Deficiencies



 New Space	2%	\$18,741,000
 Libraries	9%	\$91,520,000
 Instructional Equipment (Amortized)	3%	\$31,045,743
 Deferred Maintenance (Amortized)	4%	\$38,080,503
 Price Increase	10%	\$103,500,000
 Faculty & Staff Compensation	27%	\$273,575,000
 Health Benefits/Other Mandatory Costs	10%	\$98,845,000
 Net CSU 3-Year Budget Loss	35%	\$365,400,000
<b>Total</b>		<b>\$1,020,707,246</b>

# Board of Trustees

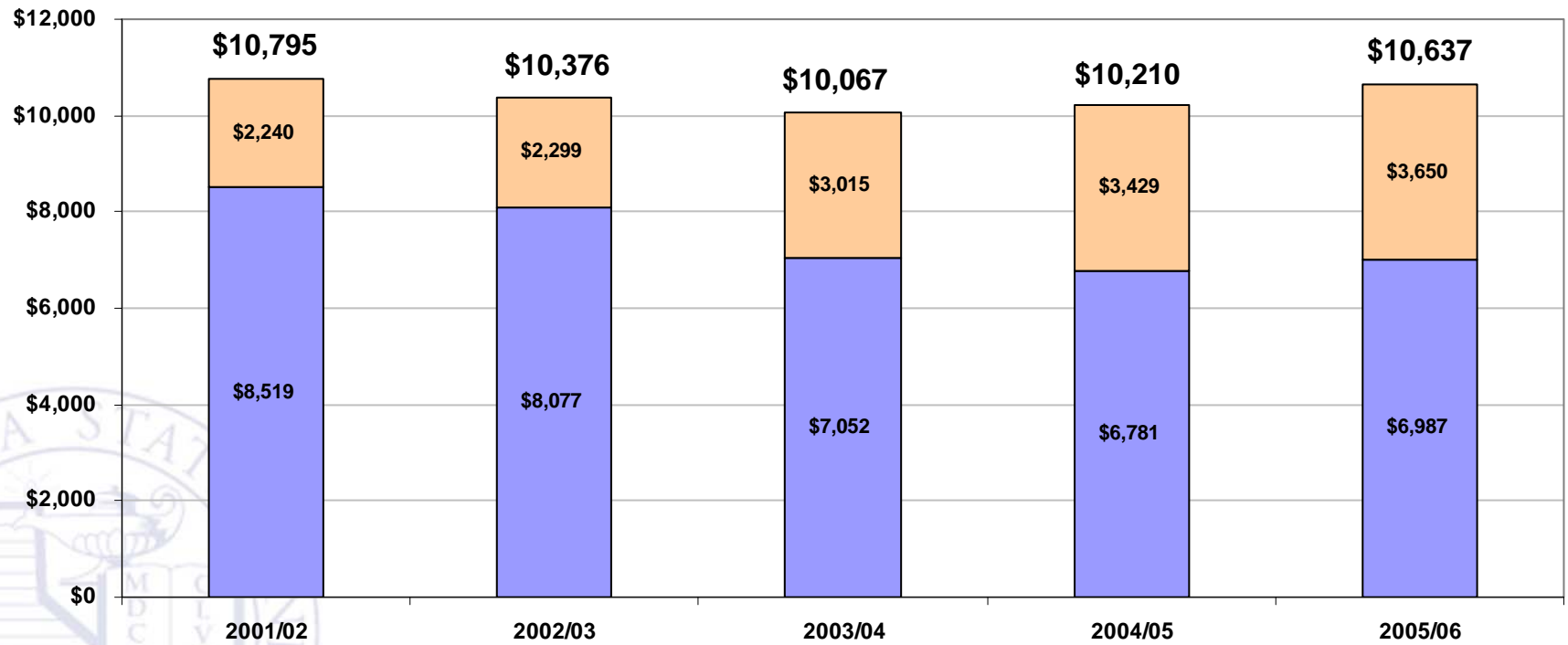
## 2005/06 Unfunded Budget Needs

• Off-Campus Centers	\$3.0 M
• Facilitating Graduation Initiative	\$8.9 M
• Clinical Nursing Academic Programs	\$5.1 M
• Marginal Cost for Graduate FTES	\$18.6 M
• Close Faculty & Staff Salary Gaps	\$243.4 M
<b>Total</b>	<b>\$279.0 M</b>



# Board of Trustees

## State General Fund and Fee Revenue per FTES



■ Student Fee Revenue per FTES  
■ State General Funds per FTES

\* Final Budget General Fund does not reflect CSU Retirement Costs

**COMPACT**

# Board of Trustees

## Compact for Higher Education

- Covers six years – 2005/06 through 2010/11
- Adjustments to the base budget:
  - ✓ 3% annual increase for 2005/06 – 2006/07 (\$73M)
  - ✓ 4% annual increase for 2007/08 – 2010/11
- An additional 1% annual increase to the base budget for 2008/09 – 2010/11 for core academic needs
- State will cover annuitant dental benefits, retirement contributions and debt service
- Identifies importance of restoring more competitive salaries for faculty and staff

## Board of Trustees

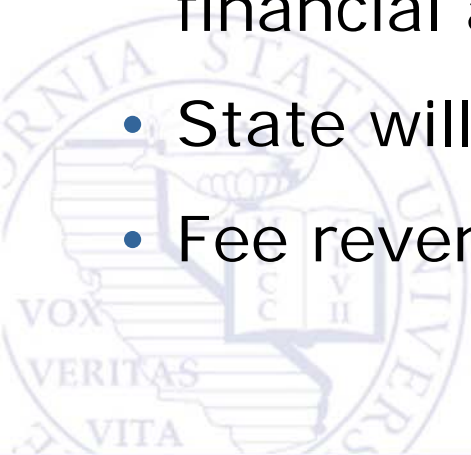
### Compact Enrollment Assumptions

- Recognizes projection of 2.5% growth per year through 2010
- Growth rate of 8,000 FTES/10,000 headcount per year for CSU
- New growth funding paid at marginal cost of instruction, adjusted annually
- Implementations of CSU Graduation Initiative

# Board of Trustees

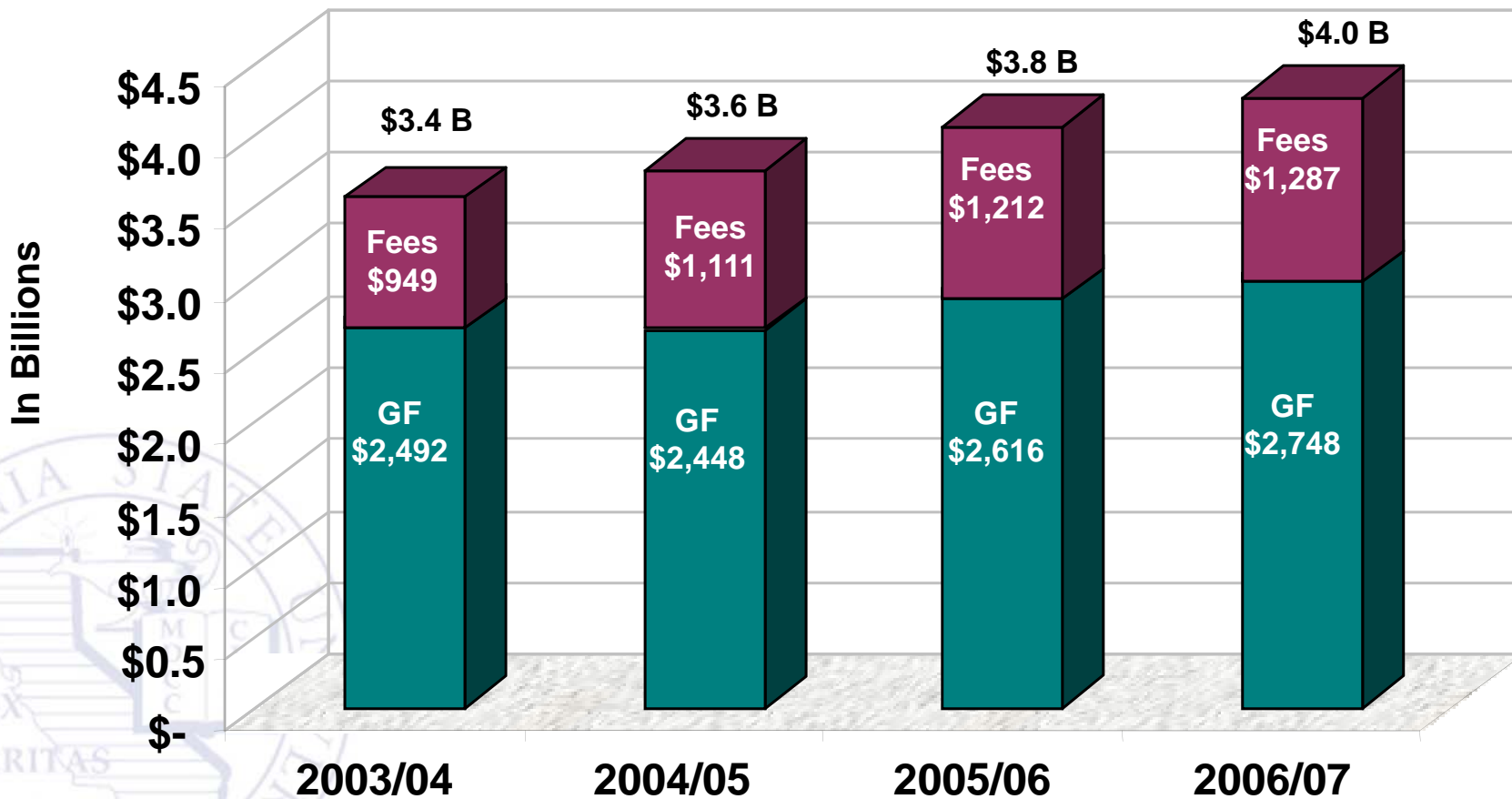
## Compact Fee Assumptions

- SUF will increase an average of 10% a year from 2004/05 through 2006/07 for undergraduates
- SUF will increase no less than 10% a year from 2004/05 through 2006/07 for graduate students
- 20% – 33% of SUF revenue increase directed to financial aid
- State will maintain its funding commitment
- Fee revenue stays with the CSU



# Board of Trustees

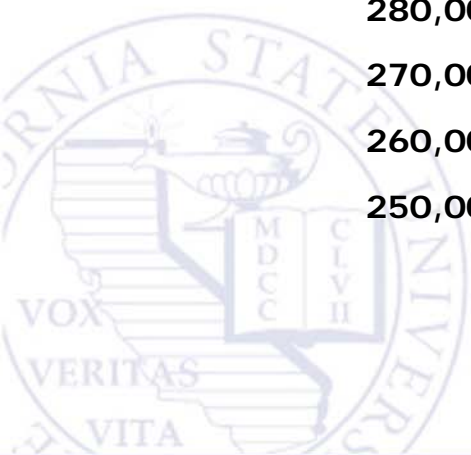
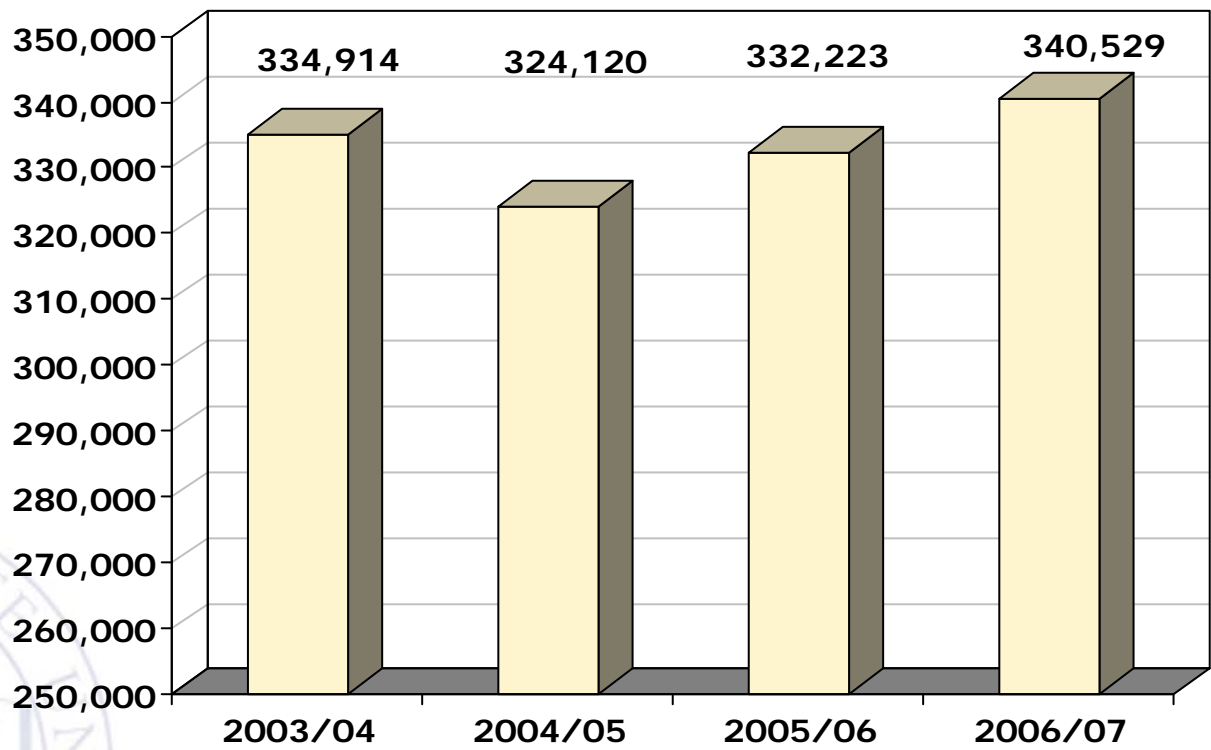
## Total CSU Budget and Compact Funding Assumptions



# Board of Trustees

## Restoring Student Access

FTES



**TRUSTEE BUDGET  
PROPOSAL  
2005/06**

# Trustees Budget Proposal 2005/06

## Sources of Funds

# Board of Trustees

## Sources of Funds

<b>Partnership-General Fund</b>	<b>\$123,597,000</b>
– 3% Increase for General Operations	\$72,791,000
– State Marginal Cost for 2.5% Enrollment Growth (8,103 FTES) @ \$6,270 per FTES	50,806,000
<b>Partnership-Fee Revenue</b>	<b>\$101,248,000</b>
– Revenue from Enrollment Growth (2.5% - 8,103 FTES)	25,334,000
– Revenue from 8% Undergrad/10% Graduate Increase in State University Fee Rates	75,914,000
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$224,845,000</b>

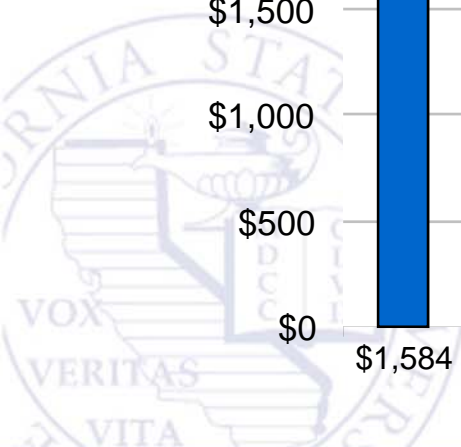
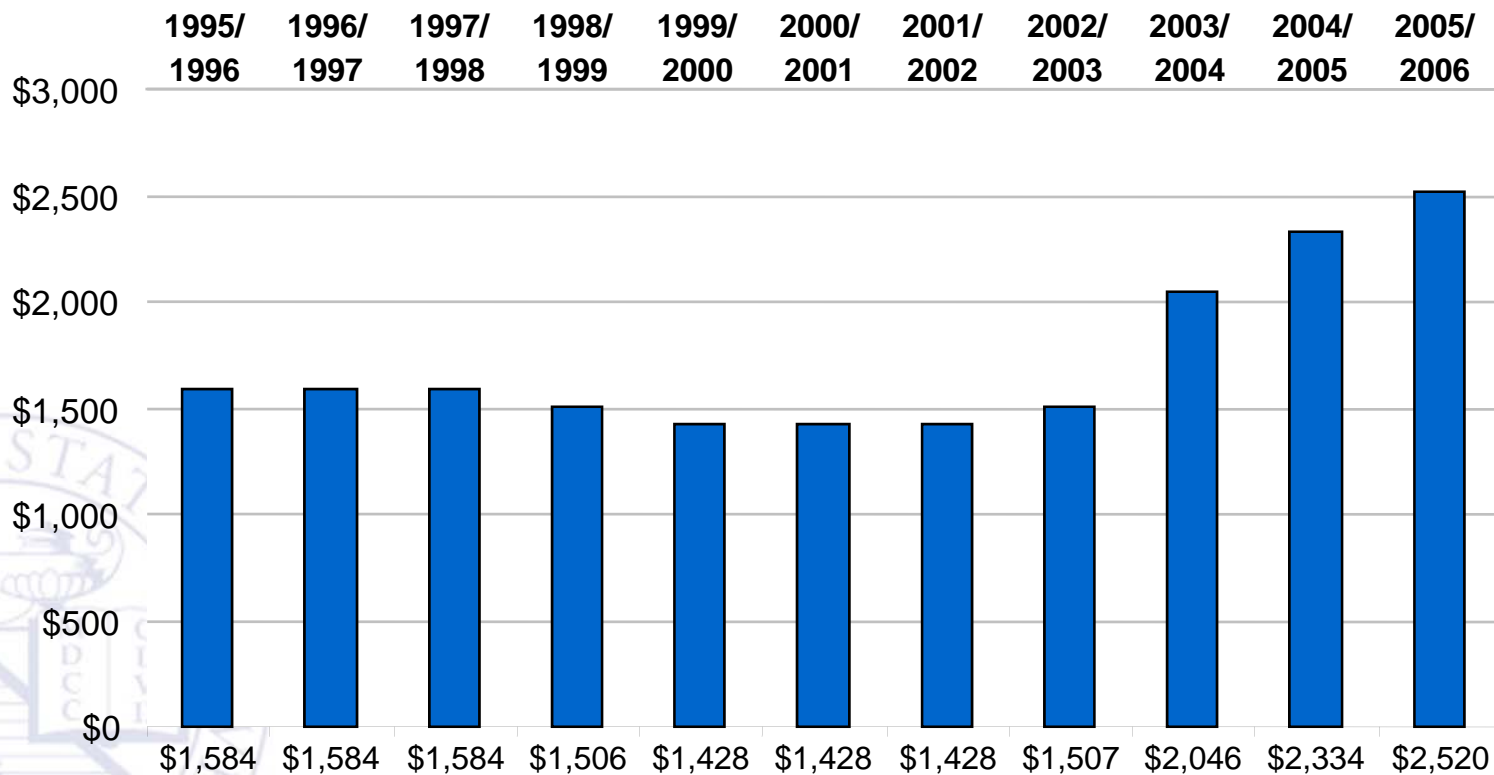
## Board of Trustees

### **Proposed 2005/06 Student Fees and Financial Aid**

- 8% increase for Undergraduates
- 8% increase for Teaching Credential Students
- 10% increase for Graduate Students
- 25% set-aside of fee revenue for State University Grants
- 2005-06 101,200 total SUG Recipients or Increase of 2,700 grants
- 2005-06 \$223 million or Increase of \$23.3 million for SUG

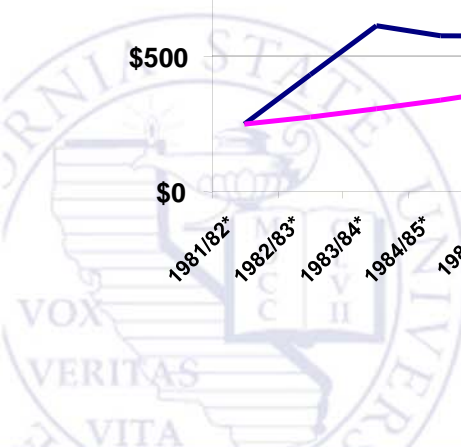
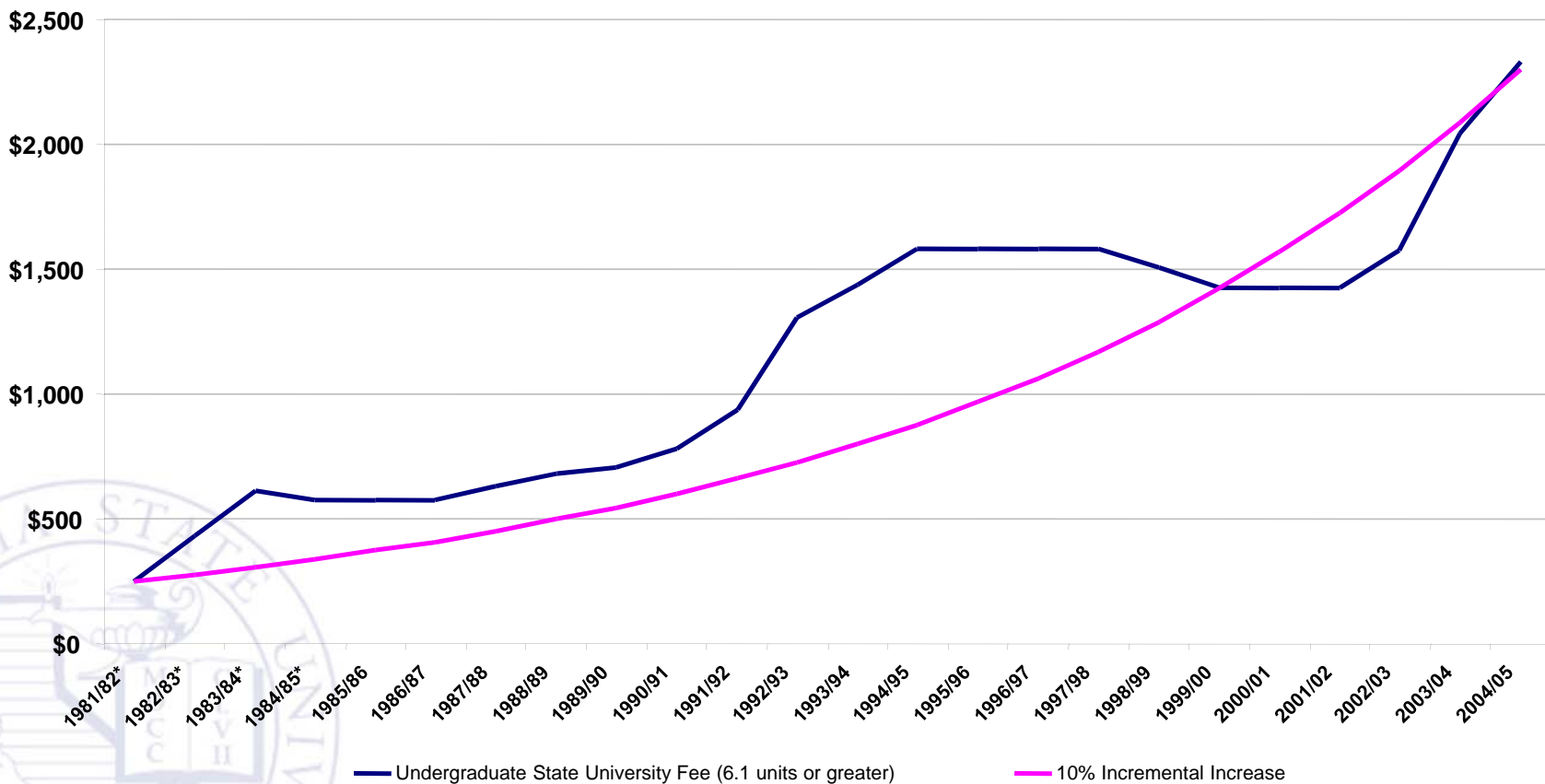
# Board of Trustees

## CSU Undergraduate Academic Year State University Fee Levels (1995/96 – 2005/06)



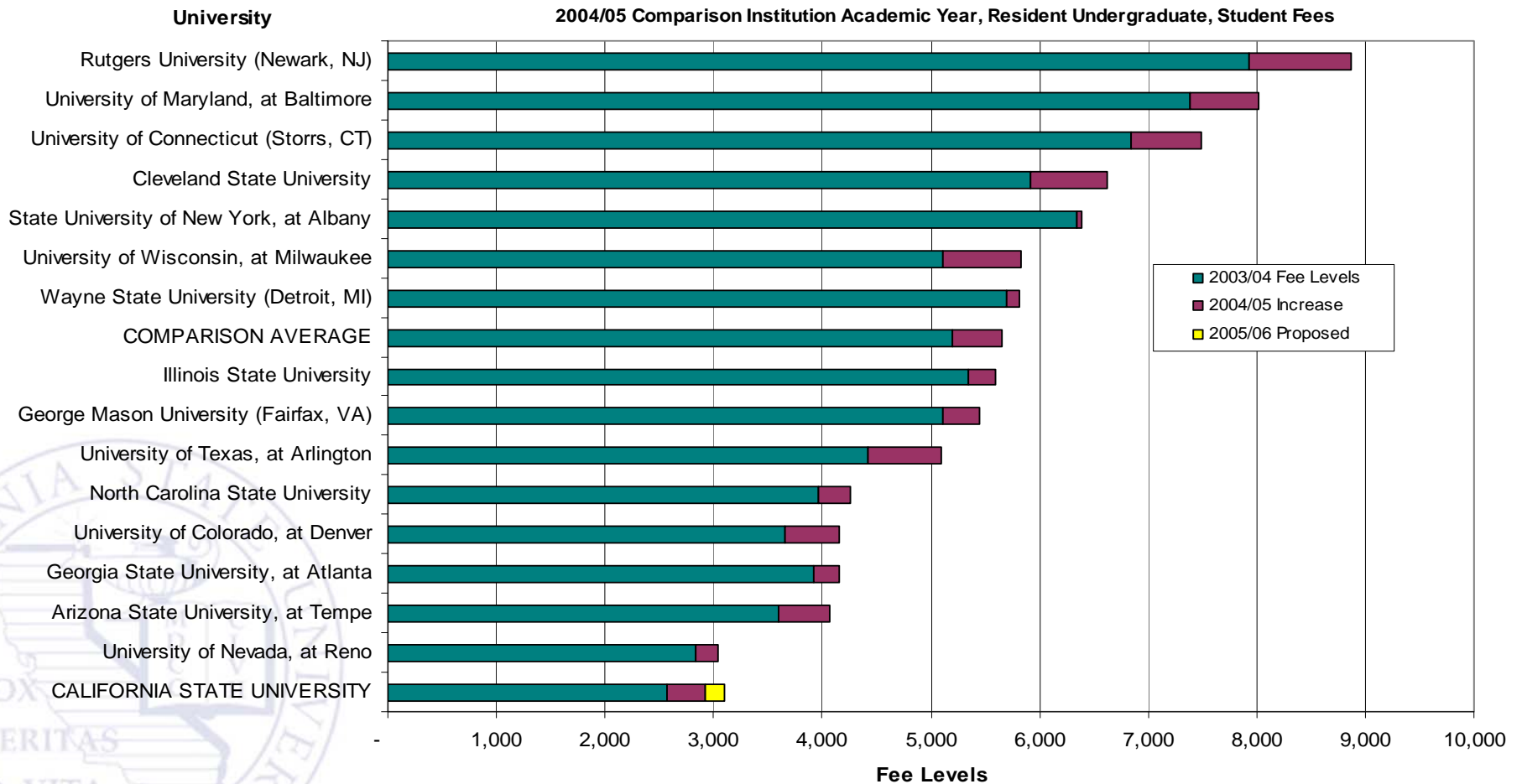
# Board of Trustees

## Undergraduate Fees 10% Incremental Increase Compared with Actual



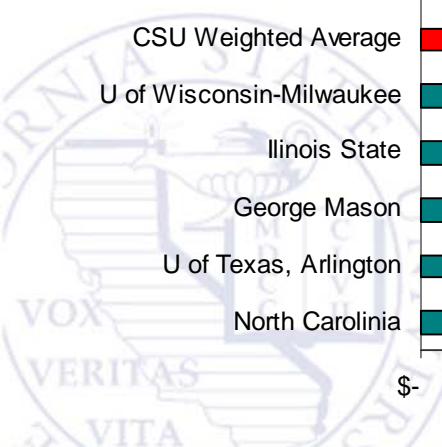
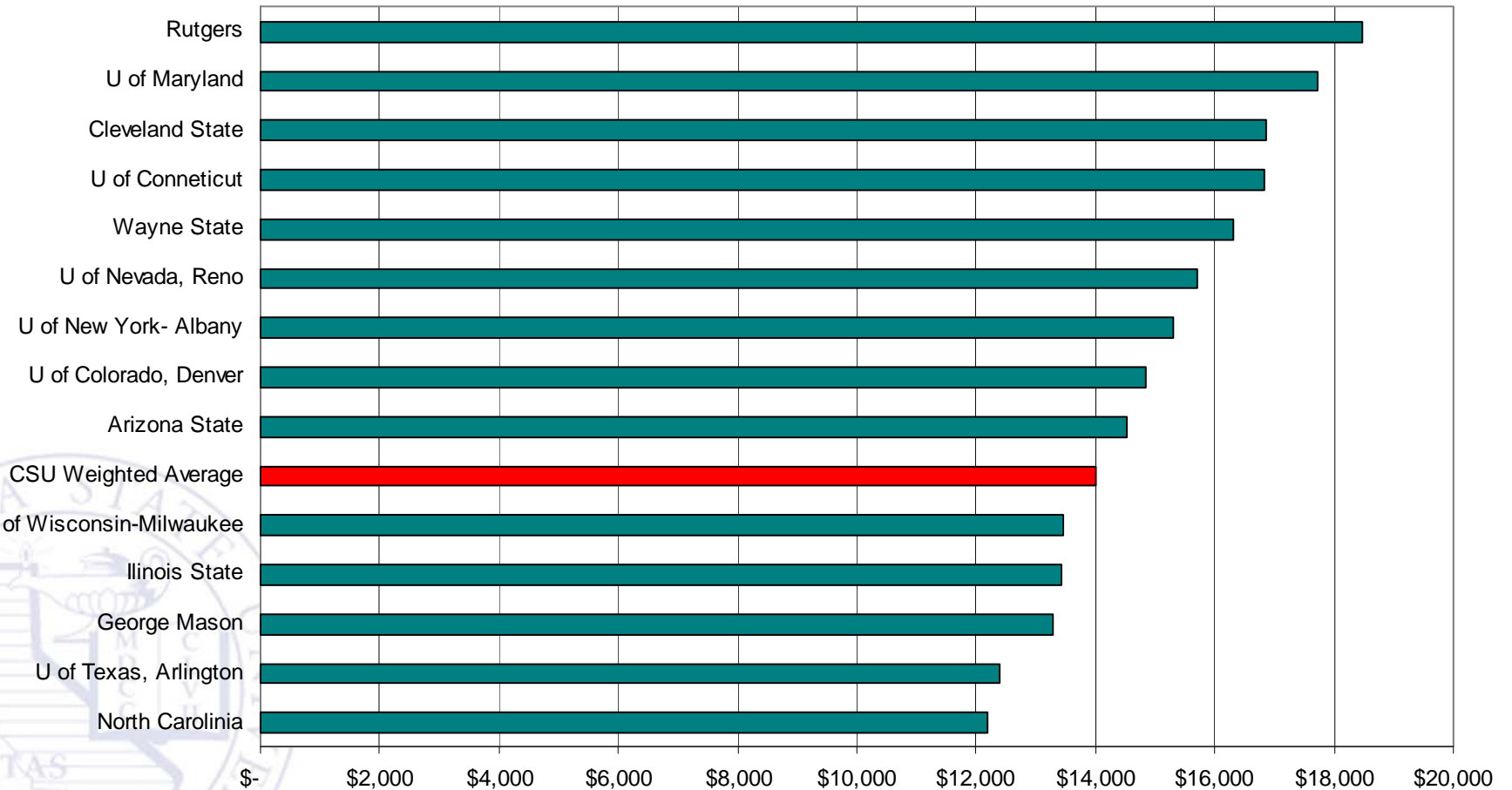
# Board of Trustees

## Student Fee and Comparison Universities



# Board of Trustees

## In-State Cost of Attendance Comparison 2003/04



# Trustees Budget Proposal 2005/06

## Uses of Funds

# Board of Trustees

## Proposed 2005/06 CSU Budget

• Mandatory Costs	\$41.8 M
• Enrollment Growth (8,103 FTES)	\$63.8 M
• Financial Aid (25% of New Fee Revenue)	\$23.3 M
• Compensation	\$88.1 M
• Long Term Needs (libraries, technology, deferred maintenance)	\$ 7.9 M
<b>Proposed 2005-06 CSU Budget</b>	<b>\$224.9 M</b>

# Board of Trustees

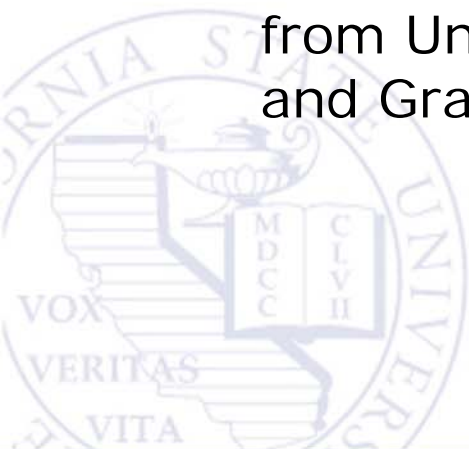
## Mandatory Costs

Mandatory Costs	\$41,825,000
– Health Benefits Rate Increase (approximately 9.7% increase effective January 2005)	19,500,000
– Dental Benefits Cost Increase (approximately 5% increase effective January 2005)	1,525,000
– New Space	4,466,000
– Insurance Costs (Risk Pool Program: liability, IDL/NDI/UI, workers' compensation, and property)	12,334,000
– Energy Cost Increase	4,000,000

# Board of Trustees

## Enrollment Growth and Financial Aid

Enrollment Growth - 8,103 FTES	\$63,756,000
Financial Aid	\$23,298,000
– State University Grants (25% Marginal Cost projected revenue Set-Aside)	4,319,000
– State University Grants (25% Set-Aside from Undergraduate/Postbaccalaureate and Graduate SUF Rate Increases)	18,979,000



# Board of Trustees

## Compensation & Benefits

### 3.5% Compensation Increase Totals \$88.1 million

Fiscal Year	CSU Compensation Increase (Faculty)	CPEC Actual Faculty Salary Lag After Increase	CSU Compensation Increase (Non-Faculty)	Value of Employer Paid Health & Dental Benefit Premium Change	Amount of State Funded Retirement Contribution Change
1996/97	4.0%	-7.4%	4.0%	0.30%	\$10,121,000
1997/98	4.0%	-7.4%	4.0%	0.00%	(5,092,000)
1998/99	5.7%	-7.2%	5.0%	0.48%	(60,861,000)
1999/00	6.0%	-5.1%	4.0%	0.39%	(104,155,000)
2000/01	6.0%	-3.9%	6.0%	0.38%	(26,297,000)
2001/02	3.18%	-6.7%	2.0%	0.55%	84,245,000
2002/03	2.97%	-7.7%	1.68%	0.39%	68,074,000
2003/04	0.8%	-9.2% <sup>1</sup>	0.0% <sup>1</sup>	1.55%	155,112,000
2004/05	0.0%	-12.7% <sup>*</sup>	0.0%	1.02%	44,418,000
2005/06	3.5% <sup>2</sup>	TBD	3.5% <sup>2</sup>	0.83%	TBD Aug. 2005

1996/97-2004/05 change: **\$ 165,565,000**  
 % of 2004/05 GF Budget Appropriation: **6.48%**

<sup>1</sup>Exception -- Unit 6 2003/04 settlement: 2%

<sup>2</sup>Proposed

\* Projected

# Board of Trustees

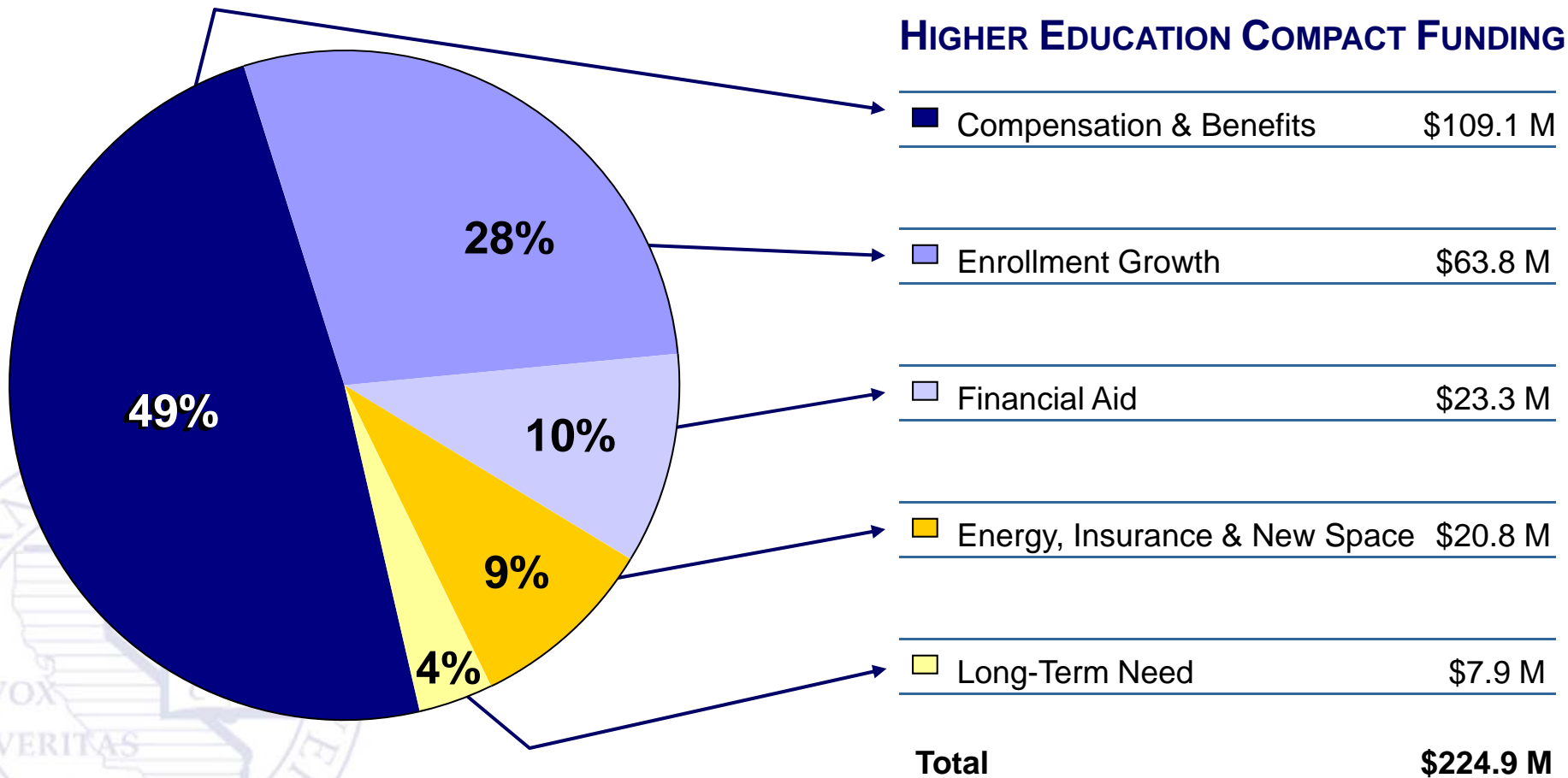
## Addressing Budget Deficiencies

Long-Term Need	\$7,890,000
– Technology	5,000,000
– Libraries	1,445,000
– Deferred Maintenance	1,445,000



# Board of Trustees

## Distribution of Funds



# **Lottery Budget**

2005/06 Recommendations

# Board of Trustees

## Lottery Budget

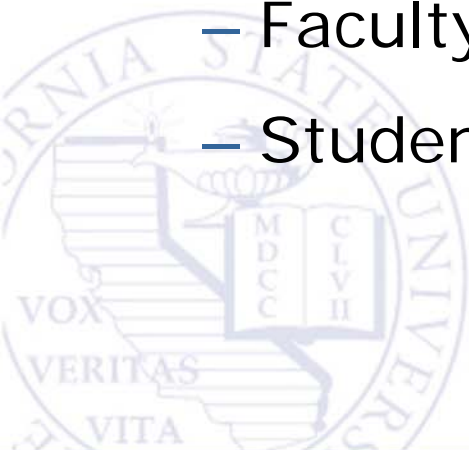
### 2005/06 Recommended Lottery Revenue Budget

	2004/05 Adopted Budget	2005/06 Recommended Budget
<b>Sources of Funds</b>		
Beginning Balance	\$ 5,000,000	\$ 5,000,000
Receipts	36,081,000	36,000,000
Projected Interest Earnings	1,500,000	500,000
<b>Total Revenues</b>	<b>\$ 42,581,000</b>	<b>\$ 41,500,000</b>
<i>Less Systemwide Reserve</i>	<i>(5,000,000)</i>	<i>(5,000,000)</i>
<b>Total Available for Allocation</b>	<b>\$ 37,581,000</b>	<b>\$ 36,500,000</b>
<b>Uses of Funds</b>		
<i>Systemwide Programs</i>		
Forgivable Loan/Doctoral Incentive Program	\$ 3,000,000	\$ 3,000,000
California Pre-Doctoral Program	714,000	714,000
CSU Summer Arts Program	1,200,000	1,200,000
Systemwide Implementation Costs	341,000	491,000
	<b>\$ 5,255,000</b>	<b>\$ 5,405,000</b>
<i>Campus Based Programs</i>	<b>\$ 32,326,000</b>	<b>\$ 31,095,000</b>
<b>Total Uses of Funds</b>	<b>\$ 37,581,000</b>	<b>\$ 36,500,000</b>

# Board of Trustees

## Use of Campus-Based Funds

- Examples of Lottery Funded Activities
  - Access and Academic Development
  - Teacher Recruitment
  - Libraries
  - Faculty Mentoring
  - Student Services Administration SNAPS





# The California State University

[www.CalState.edu](http://www.CalState.edu)

