



Presentation to the Board of Trustees

Committee on Finance
January 31, 2006

Agenda

- I. California's Fiscal Climate**
- II. Governor's 2006/07
Budget Assumptions**
- III. 2006/07 CSU Budget**



California's Fiscal Climate

State Fiscal Climate (Legislative Analyst Office)

- 2005/06 GF Short-Fall (Nov. 2004) \$6.7 Billion
- 2005/06 GF Short-Fall (Jan 2004) \$8.6 Billion
- 2005/06 Budget Enacted (July 2005) \$3.4 Billion

State Fiscal Climate (Legislative Analyst Office)

- Structural Budget Solutions \$5.9 Billion
- Increase in G.F. Revenues from Sales Tax on Gasoline
- Improving Economy, Ongoing Revenue
- Amnesty-Related Tax Collections, Potential One-Time Revenue

State Fiscal Climate (Legislative Analyst Office)

- 2006/07 Budget Deficit Projection \$10 Billion
(Jan. 2005)
- 2006/07 Budget Deficit Projection \$6 Billion
(July 2005)
- 2005/06 Budget Reserve \$1.3 Billion
(July 2005)
- 2005/06 Budget Reserve \$5.3 Billion
(Nov. 2005)
- 2006/07 Budget Deficit Projection \$4 Billion
(Nov. 2005)

Governor's Budget Expenditure Assumptions

- 2006/07 Total State Budget \$125.6 Billion
- State General Fund \$97.9 Billion
- Special Funds \$25.0 Billion
- Bond Funds \$2.7 Billion
- Budget Reserve \$613 Million

Governor's Budget Revenue Assumptions

- 2004/05 Revenue Increase \$2.3 Billion
- 2005/06 Revenue Increase \$3.2 Billion
- 2006/07 Projected Revenue Increase \$3.7 Billion
- 2006/07 Budget Deficit Projection \$6.4 Billion

Continuing State Budget Issues

- State continues to face a \$6.4 Billion structural deficit in 2006/07
- Budget Threats total nearly \$1 billion
 - CalWorks - \$460 million
 - Local Mandate Liabilities - \$140 million
 - 18 State Employee Contracts Expire on July 2, 2006
- Downturn in the economy remains a major threat on state's ability to balance the budget and provide additional funding to the CSU over the current Compact Agreement



Governor's Proposed 2006/07 CSU Budget

2006/07 Revenue Assumptions

	<u>BOT Proposal</u>	<u>Gov. Budget</u>
State General Fund	\$128,463,000	\$188,980,000
General Operations (3 percent)	\$75,803,000	\$75,815,000
Enrollment Growth (2.5 percent)	\$52,660,000	\$57,664,000
Fee Buy Out		\$54,386,000
Math/Science Teacher Recruitment		\$1,115,000
Fee Revenue	\$106,986,000	\$26,012,000
State University Fee Revenue	\$79,504,000	
Enrollment Growth Fee Revenue	\$27,482,000	\$26,012,000
2006-07 Compact Revenue	\$ 235,449,000	\$214,992,000

2006/07 Budget Assumptions

	<u>BOT Proposal</u>	<u>Gov. Budget</u>
State General Fund	\$128,463,000	\$188,980,000
Fee Revenue	\$106,986,000	\$26,012,000
Compact Revenue	\$235,449,000	\$214,992,000
Expenditure Assumptions	\$218,898,000	198,441,000
CSU Budget Challenges	\$16,551,000	\$16,551,000

2006/07 Expenditure Assumptions

	<u>BOT Proposal</u>	<u>Gov Budget</u>
Mandatory Costs	\$33,629,000	\$33,589,000
Enrollment Growth (8306/8490 FTES)	\$65,127,000	\$70,606,000
Financial Aid Set-Aside	\$32,739,000	\$5,664,000
Compensation (3 percent)	\$77,403,000	\$77,403,000
YR 1 – Salary Gap	\$16,551,000	\$16,551,000
Long-Term Need (Technology, Libraries, Deferred Maintenance)	\$10,000,000	\$10,000,000
Math/Science Teacher Recruitment		\$1,115,000
Center for CA Studies		\$84,000
Total	\$235,449,000	\$214,992,000

2006/07 Mandatory Costs

	<u>BOT Proposal</u>	<u>Gov Budget</u>
Total Mandatory Costs	\$33,629,000	33,589,000
– Health Benefits Rate Increase	\$18,709,000	\$18,709,000
– New Space	\$ 6,548,000	\$6,548,000
– Energy Cost Increase	\$ 4,316,000	\$4,276,000
– Salary Step Increase (SSI)	\$ 4,056,000	\$4,056,000

Enrollment Growth and Financial Aid

	<u>BOT Proposal</u>	<u>Gov Budget</u>
Enrollment Growth	\$65,127,000	\$70,606,000
	(8,306 FTES)	(8,490 FTES)
Financial Aid	\$32,739,000	\$5,644,000
<ul style="list-style-type: none"> • State University Grants (33% Set-Aside from enrollment growth) 	\$6,238,000	\$5,644,000
<ul style="list-style-type: none"> • State University Grants (33% Set-Aside from Undergraduate/ Post baccalaureate and Graduate SUF Rate Increases) 	\$26,501,000	

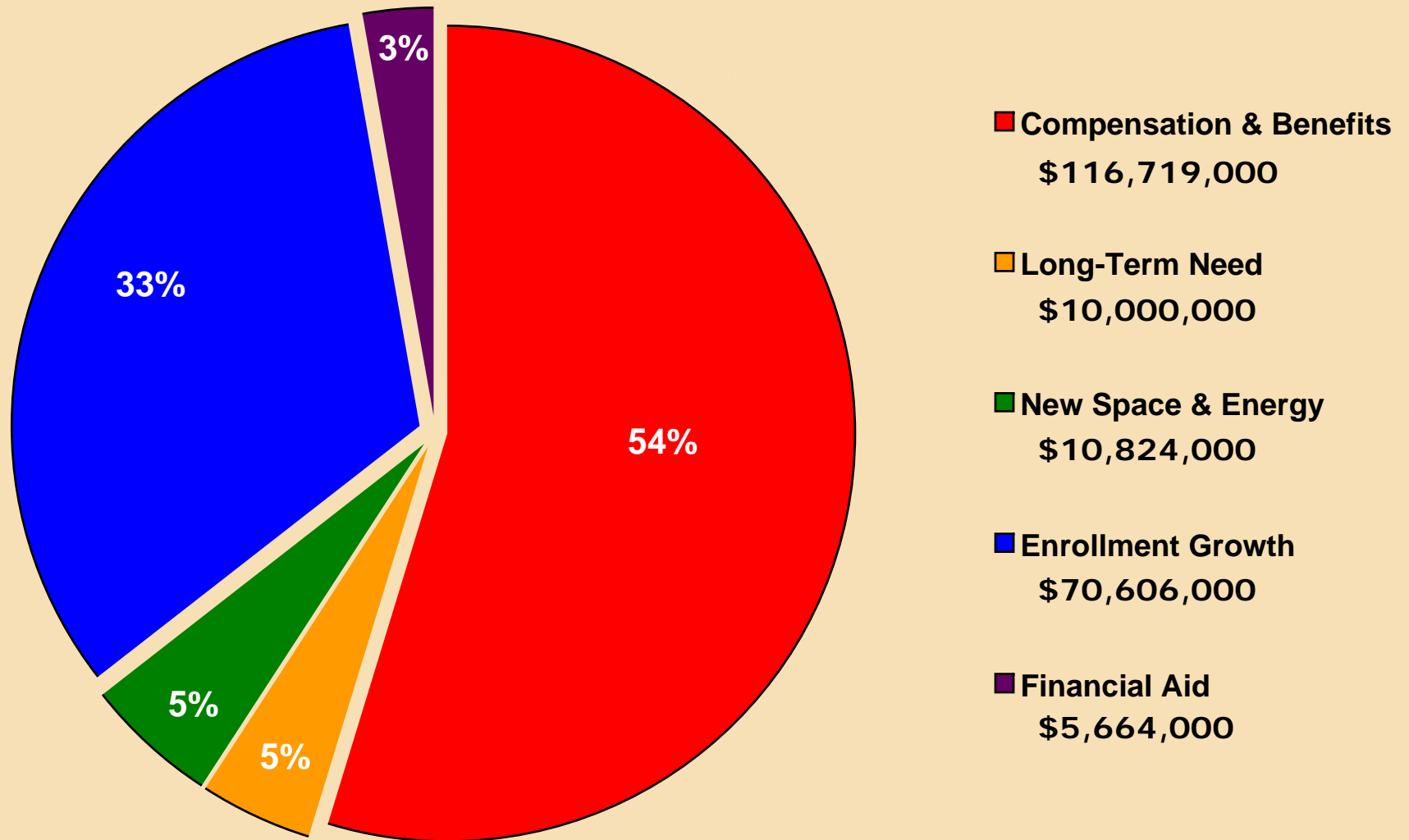
Addressing Budget Deficiencies

Compensation (3%)	\$77,403,000
Year 1 Salary Gap	\$16,551,000
Long-Term Need	\$10,000,000
Technology	5,000,000
Libraries	2,500,000
Deferred Maintenance	2,500,000

Structural Changes to the CSU Budget

- CSU Trust Fund for Student Fee Revenue
- CSU Marginal Costs
 - Recognition of New Faculty Hires
 - Change in FTES from 15 to 12 Units for Graduate Programs
 - New Funding Component for New Space
- Continuation of Capital Renewal Program (Increasing from \$26 to \$50 million)

Governor's Budget Distribution of Funds



2006/07 CSU Student Fees

	<u>BOT Proposal</u>	<u>Gov. Budget</u>
Undergraduate	\$2,724 (8% - \$204)	\$2,520 no increase
Credential	\$3,156 (8% - \$234)	\$2,922 no increase
Graduate	\$3,412 (10% - \$310)	\$3,102 no increase



Patrick J Lenz
Assistant Vice Chancellor
Budget Development
plenz@calstate.edu