



Presentation to the Board of Trustees

Committee on Finance

October 27, 2005

Agenda

- I. California's Fiscal Outlook**
- II. 2006/07 CSU Budget Proposal**
- III. 2006/07 Lottery Budget**
- IV. 2006-11 Multi-Year Plan**
 - A. Compact for Higher Education**
 - B. CSU Budget Challenges**
 - C. Multi-Year Plan Recommendations**



California's Fiscal Outlook

State Fiscal Condition (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
- Improving Economy, Ongoing Revenue
- Amnesty-Related Tax Collections, Potential One-Time Revenue

State Fiscal Condition (Legislative Analyst Office)

- 2006/07 Budget Deficit Original Projection \$10 Billion
- 2006/07 Budget Deficit Projection to Date \$6 Billion
- Improving Year-End Balance in the 2005/06 Budget
- \$5.9 Billion in Structural Budget Solutions
- Improving Economy
- Increase in G.F. Revenues from Sales Tax on Gasoline
- \$1.3 Billion 2005/06 Budget Reserve

State Fiscal Condition (Department of Finance)

- General Fund up \$897 million over 2005/06 Budget Act forecast
- Over 20,000 new jobs each month
- Unemployment rate 6.0% in Dec. 2004
- Unemployment rate 5.2% in August 2005

State Fiscal Condition

(University of California, Los Angeles)

- Weak economic growth through 2007
- Slowdown, housing market, mid-2007
- Possible recession by end of 2007

Continuing State Budget Issues

- State continues to face a \$6 Billion structural deficit in 2006/07
- Prior year budget solutions, deferred spending and loan repayments total \$4 Billion over the next 3 years
- Downturn in the economy will have major impact on state's ability to balance the budget and provide additional funding to the CSU
- Compact agreement provides CSU's minimum funding plan through 2010/11



TRUSTEE BUDGET PROPOSAL 2006/07

Action Item

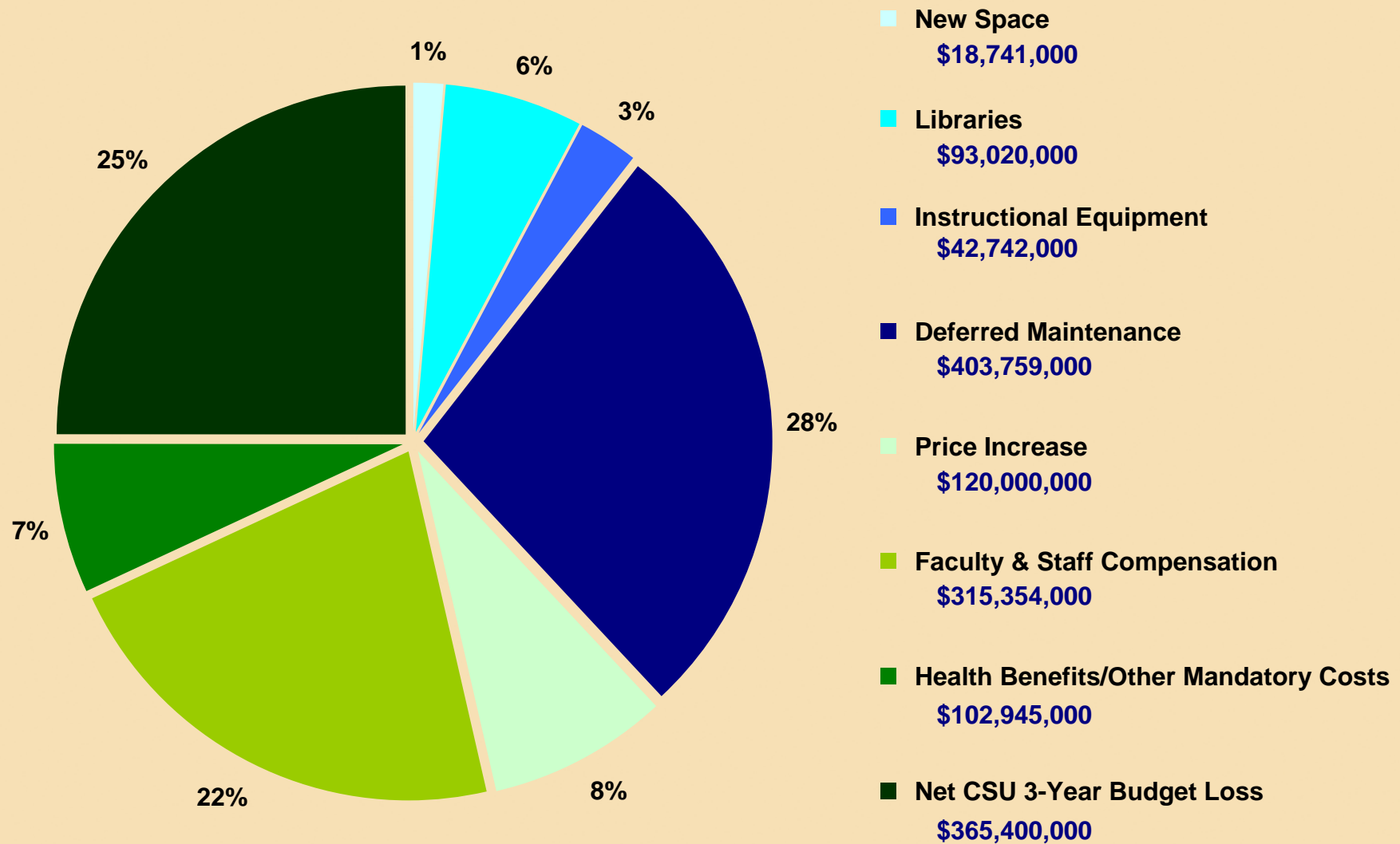
2006/07 Revenue Assumptions

State General Fund	\$128,463,000
General Operations (3 percent)	\$75,803,000
Enrollment Growth (2.5 percent)	\$52,660,000
Fee Revenue	\$106,986,000
State University Fee Revenue	\$79,504,000
Enrollment Growth Fee Revenue	\$27,482,000
2006-07 Compact Revenue	\$ 235,449,000

2006/07 Unfunded Budget Needs

Joint Audiology Program	\$ 0.8 M
Special Education Teacher Initiative	\$ 0.9 M
K-12 Math and Science Teacher Initiative	\$ 1.1 M
Off-Campus Centers	\$ 3.0 M
Bachelor of Science in Nursing Programs	\$ 3.0 M
Facilitating Graduation Initiative	\$ 8.9 M
Faculty & Staff Salary Lag	\$ 16.5 M
Marginal Cost for Graduate FTES	\$ 26.2 M
ACR 73	\$ 35.8 M
Long Term Need	\$ 101.3 M
Total	\$ 197.5 M

CSU Funding Deficiencies



Total Deficiency \$1,502,319,000

2006/07 Budget Assumptions

State General Fund	\$128,463,000
Fee Revenue	<u>\$106,986,000</u>
Compact Revenue	\$235,449,000
Expenditure Assumptions	<u>\$218,898,000</u>
CSU Budget Challenges	\$16,551,000

2006/07 Expenditure Assumptions

Mandatory Costs	\$33,629,000
Enrollment Growth (8,306 FTES)	\$65,127,000
Financial Aid Set-Aside (33 %)	\$32,739,000
Compensation (3 percent)	\$77,403,000
YR 1 – Salary Gap	\$16,551,000
Long-Term Need (Technology, Libraries, Deferred Maintenance)	\$10,000,000
<hr/> Total	<hr/> \$235,449,000

Mandatory Costs

Mandatory Costs **\$33,629,000**

- Health Benefits Rate Increase \$18,709,000
- New Space \$ 6,548,000
- Energy Cost Increase \$ 4,316,000
- Salary Step Increase (SSI) \$ 4,056,000

Enrollment Growth and Financial Aid

Enrollment Growth (8,306 FTES)	\$65,127,000
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Financial Aid	\$32,739,000
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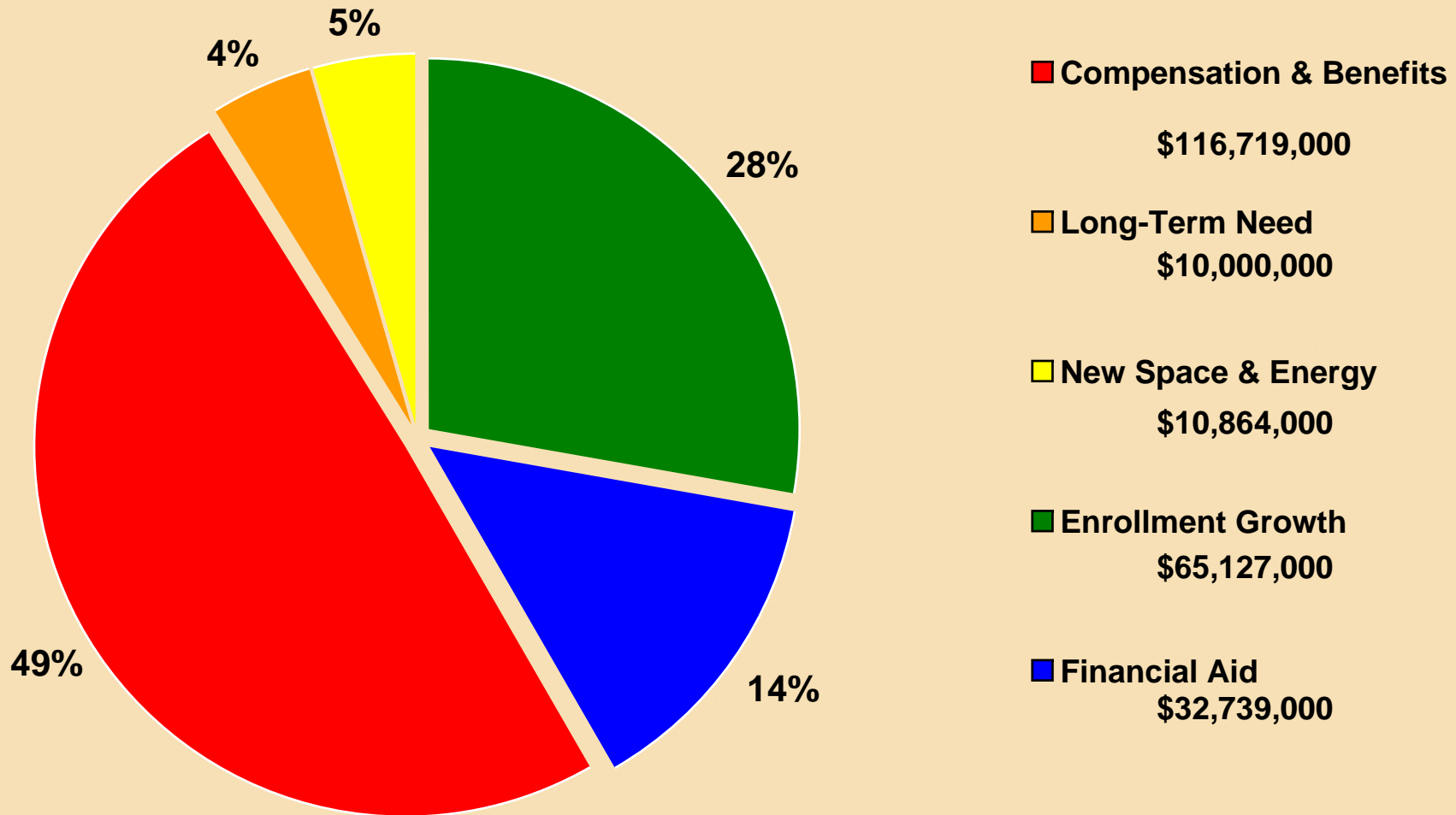
–State University Grants (33% Set-Aside from enrollment growth)	\$6,238,000
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–State University Grants (33% Set-Aside from Undergraduate/ Post baccalaureate and Graduate SUF Rate Increases)	\$26,501,000
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Addressing 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

Distribution of Funds

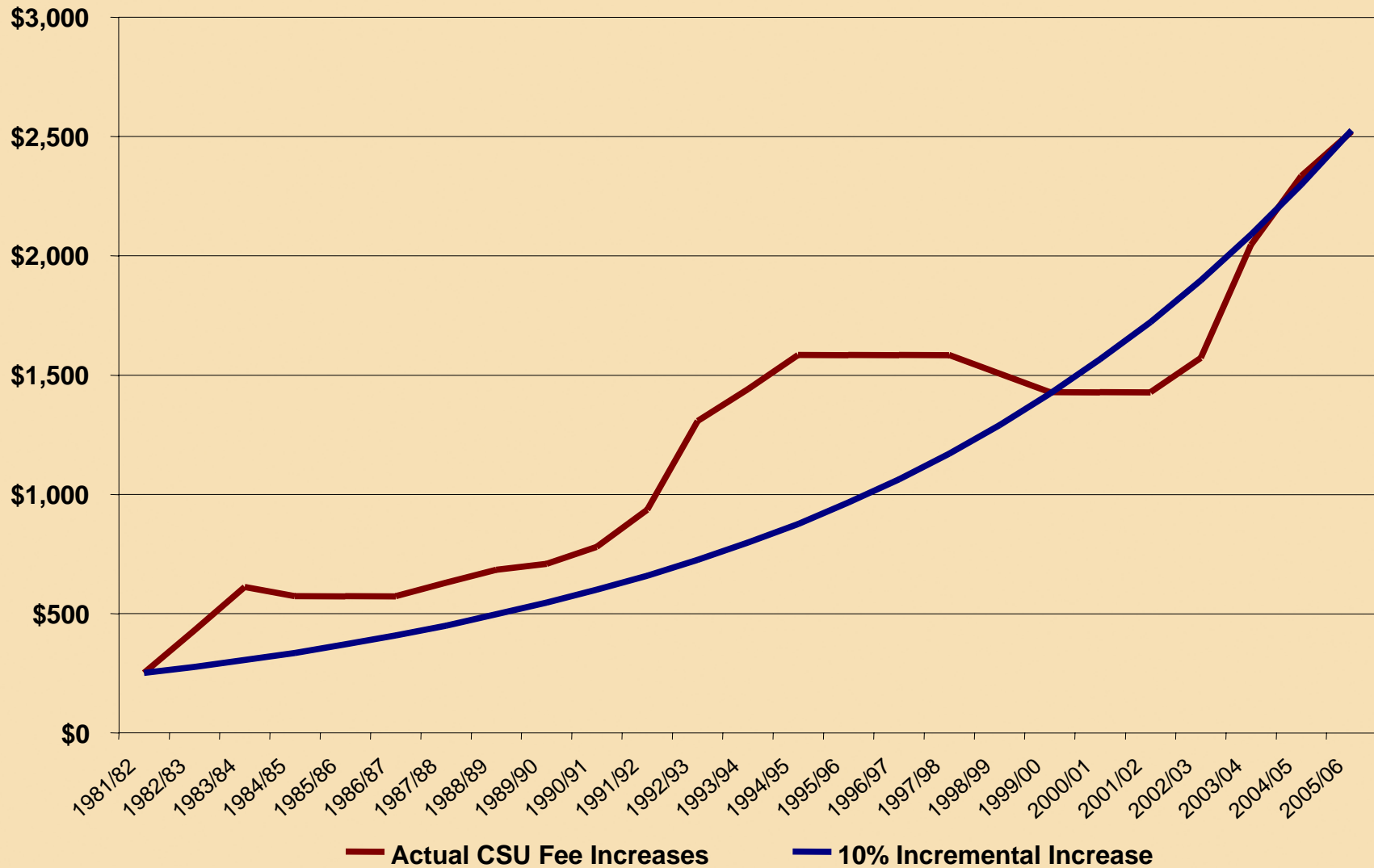


2006-07 CSU Student Fees

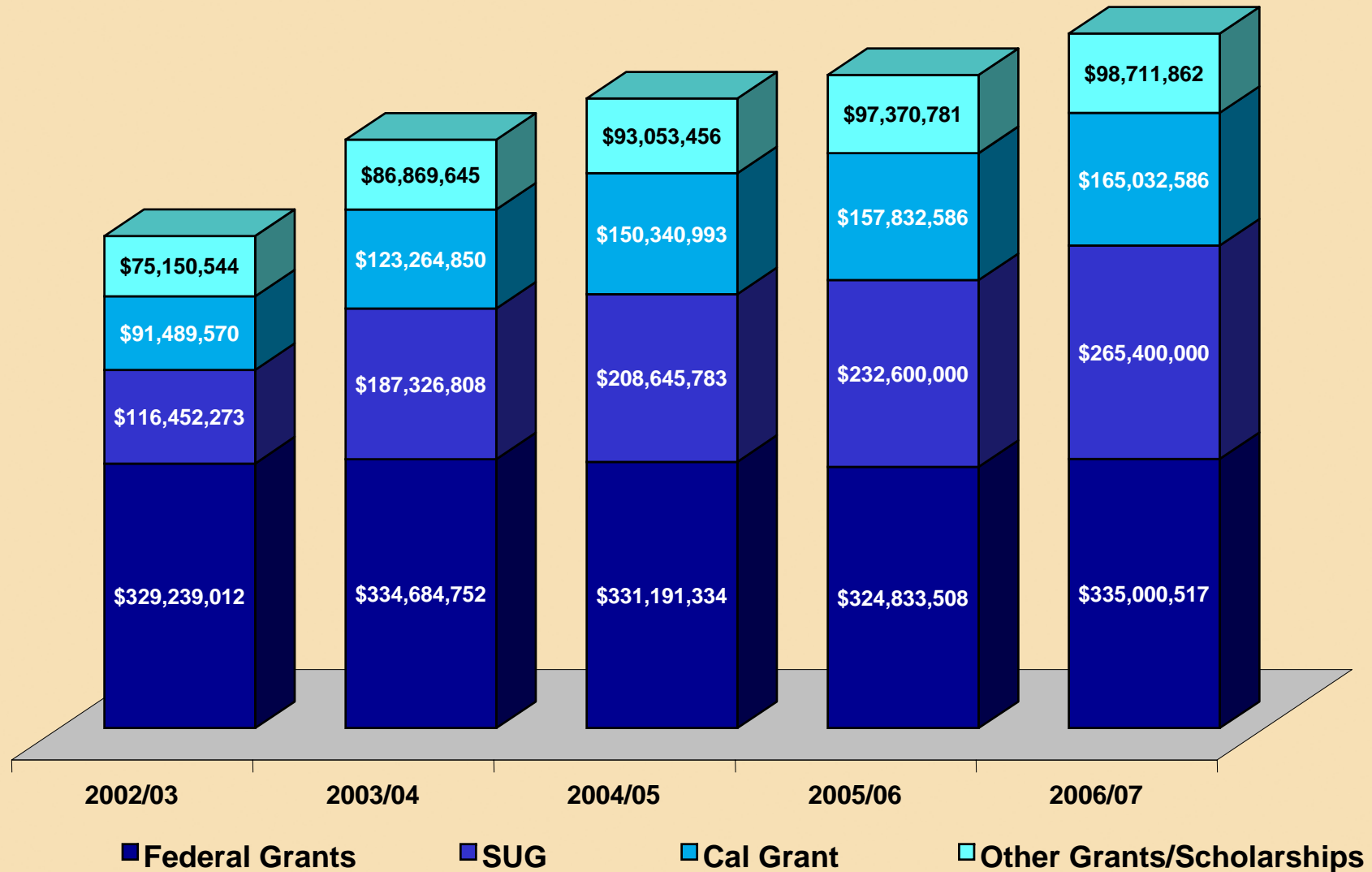
Undergraduate	(8% - \$204)	\$2,724
Credential	(8% - \$234)	\$3,156
Graduate	(10% - \$310)	\$3,412

Undergraduate Fees

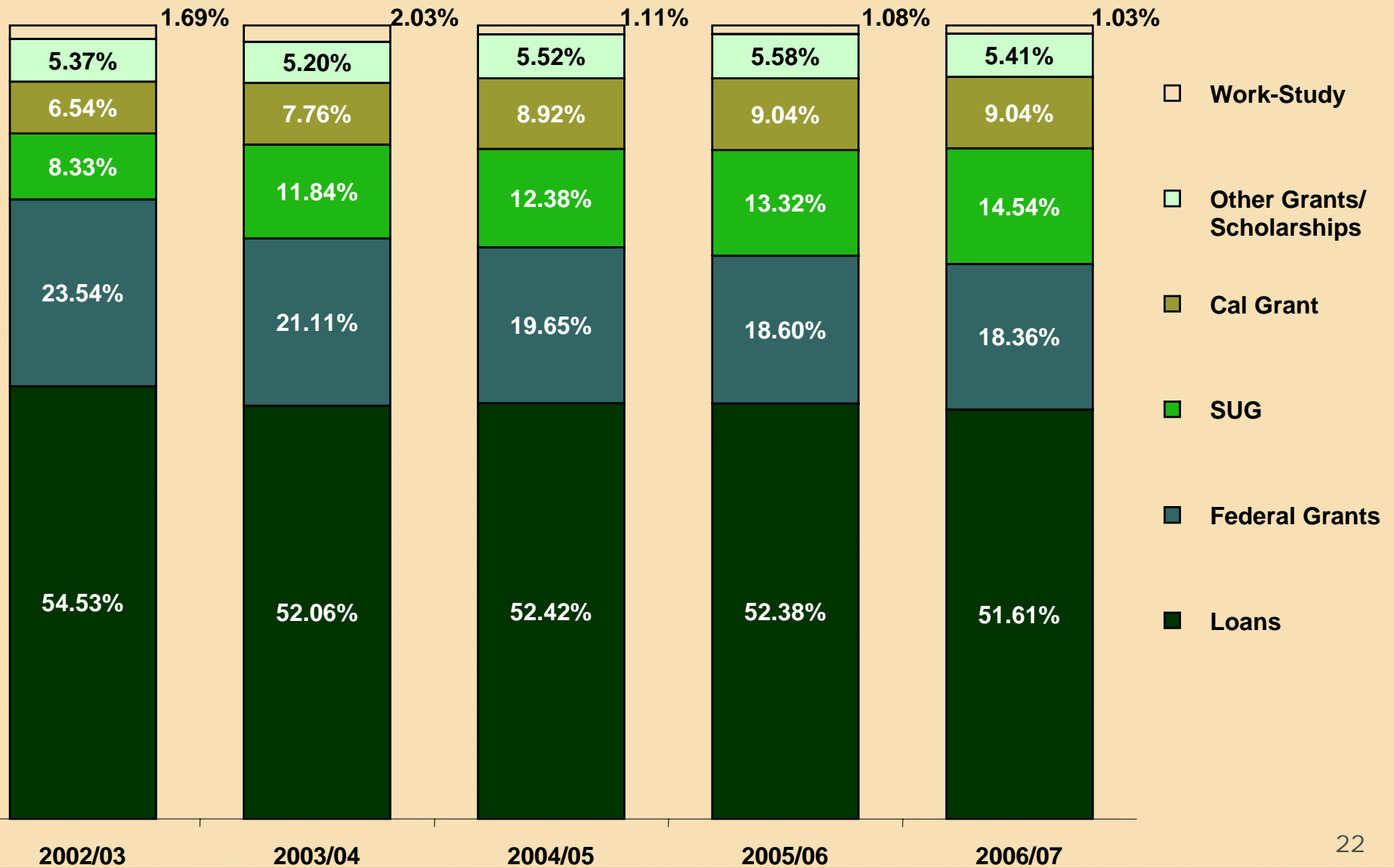
10% Incremental Increase Compared with Actual



Grants and Scholarships

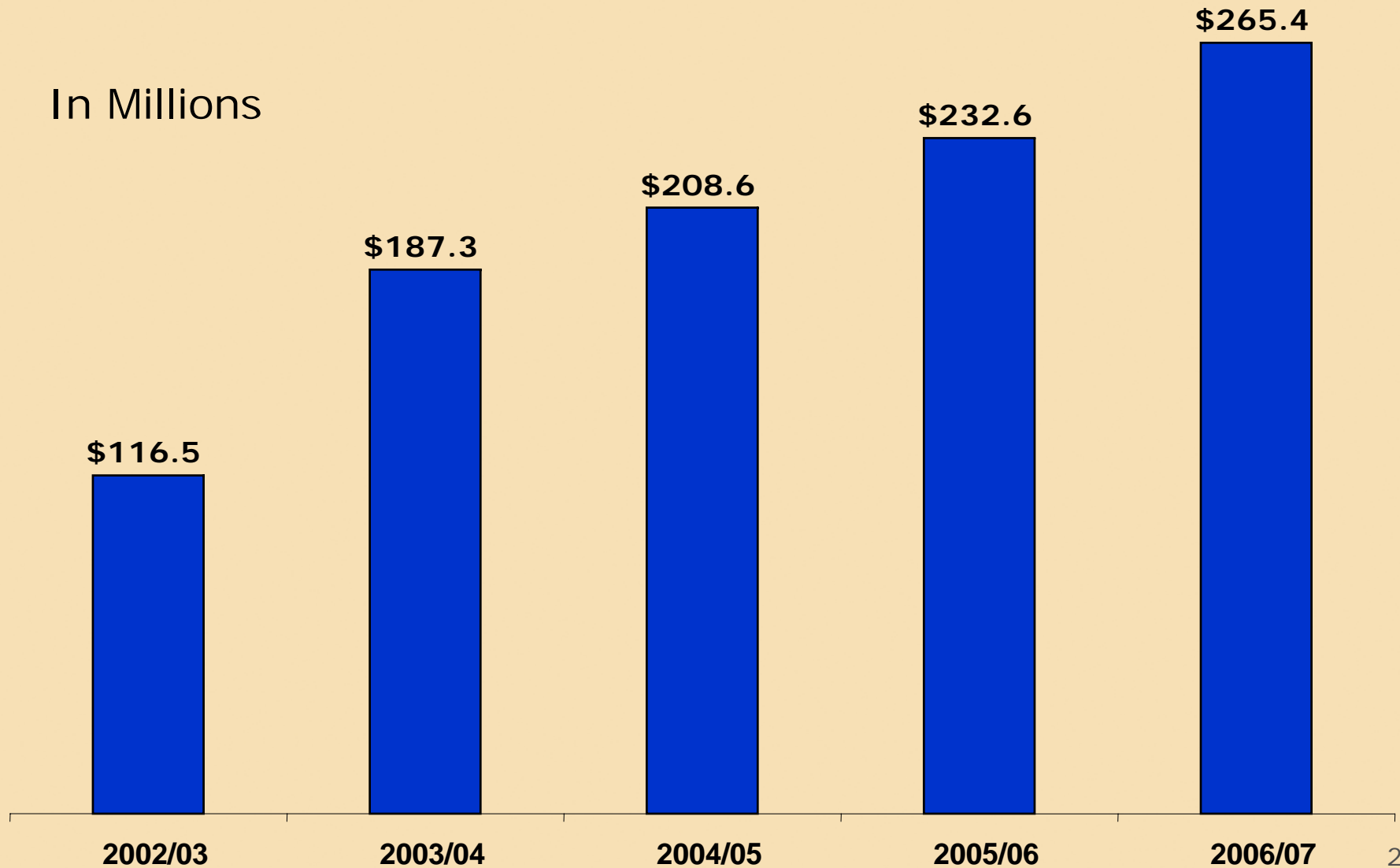


Other Financial Aid

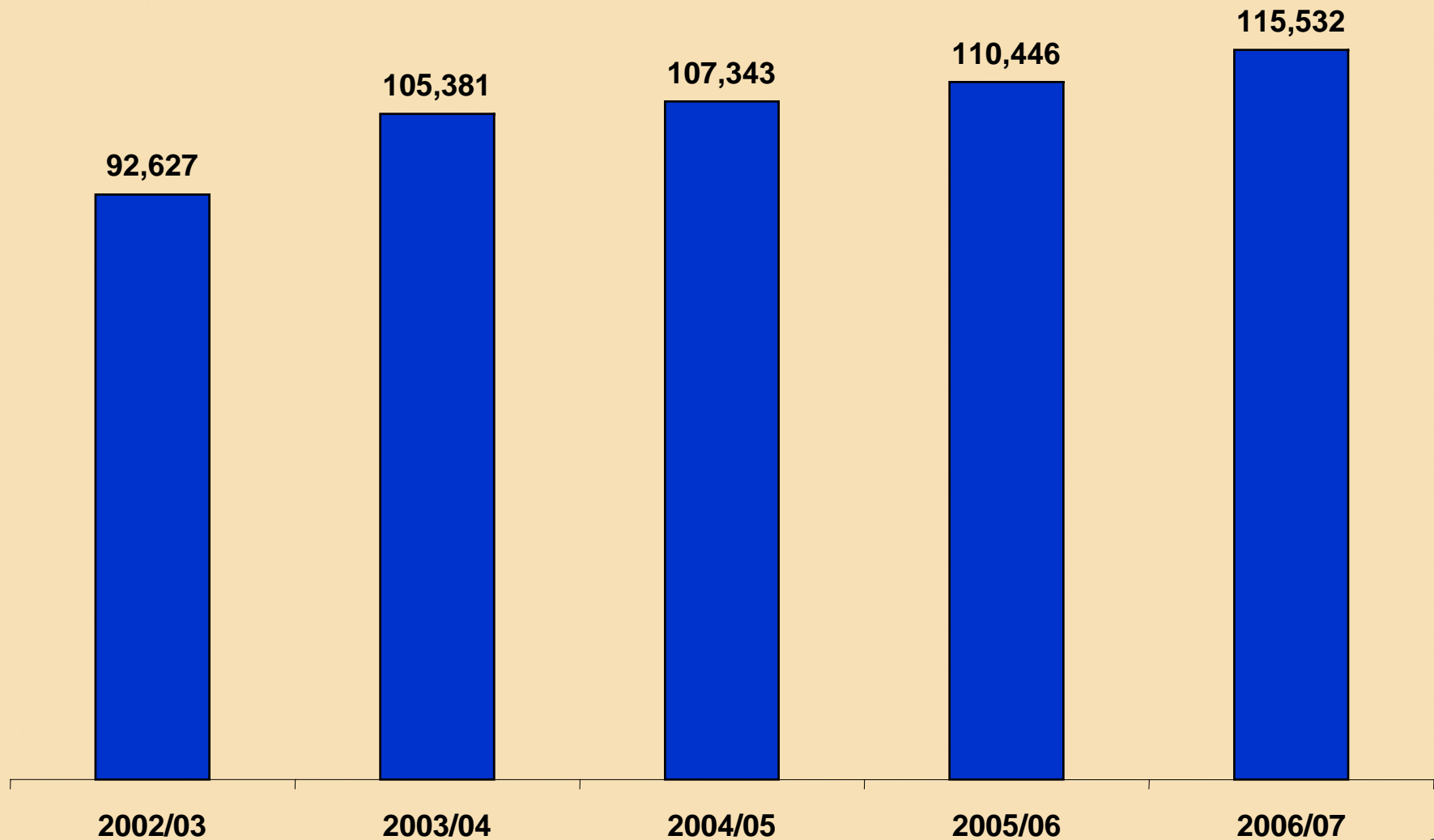


State University Grant Support

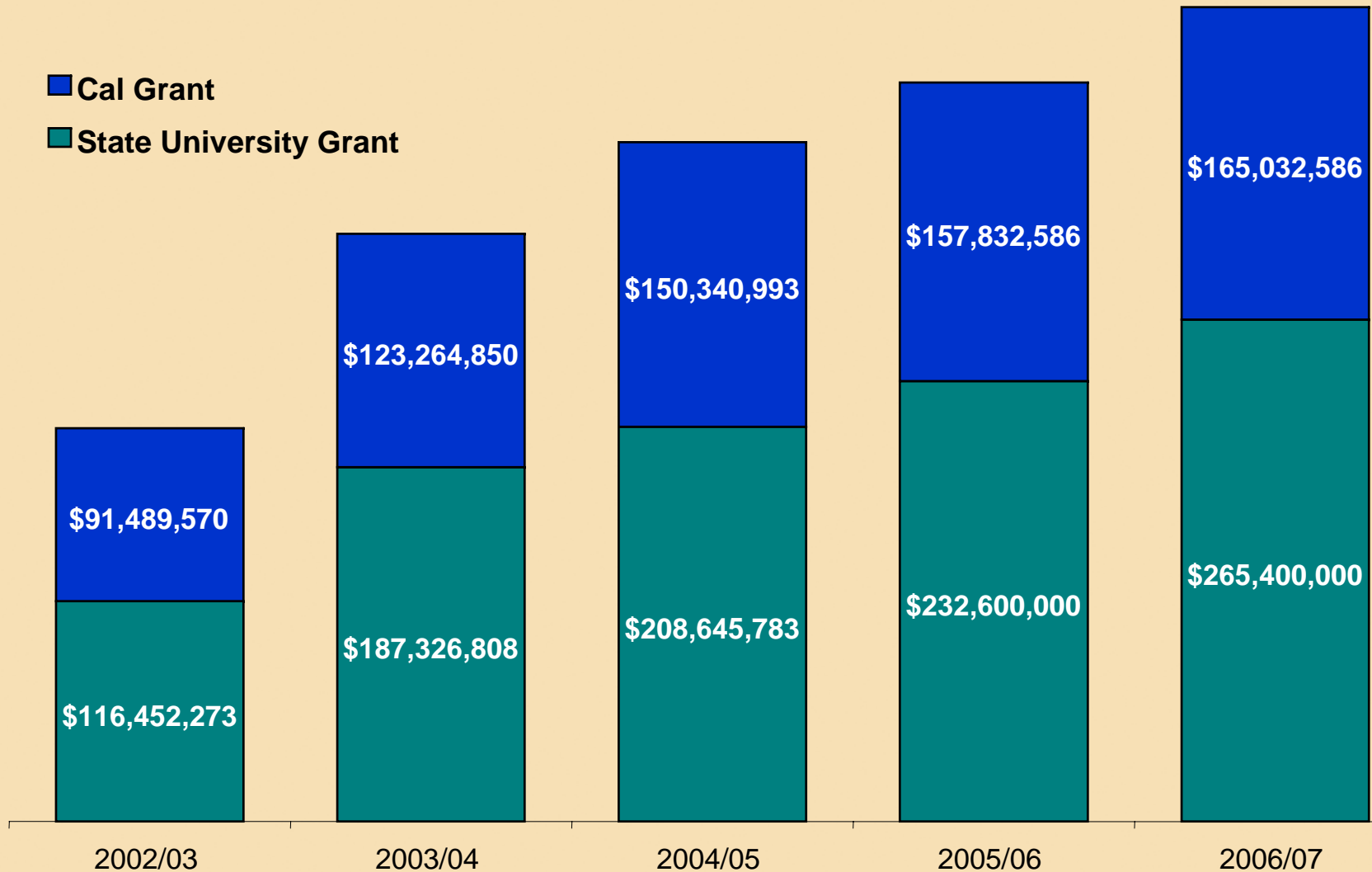
In Millions



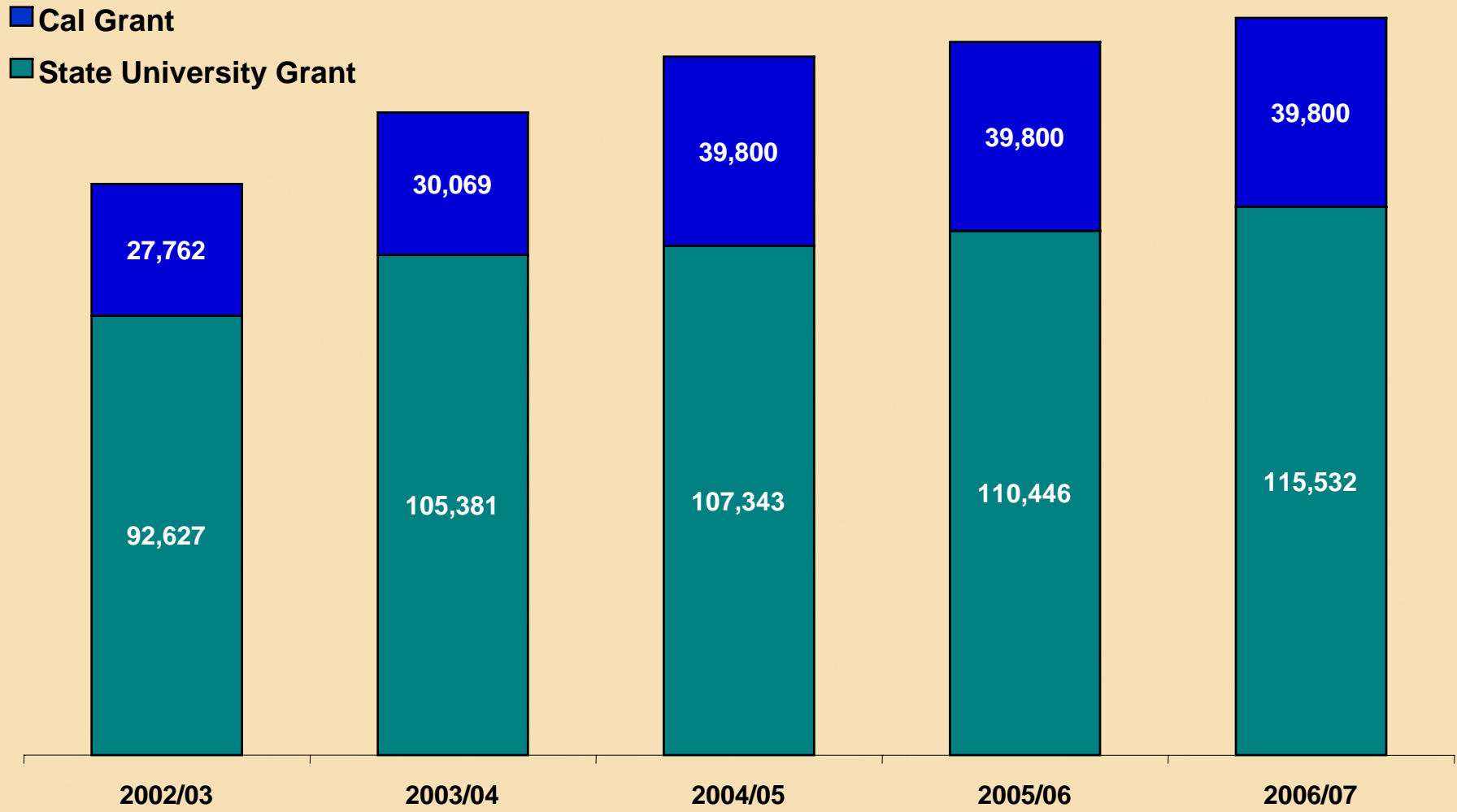
State University Grants Awarded



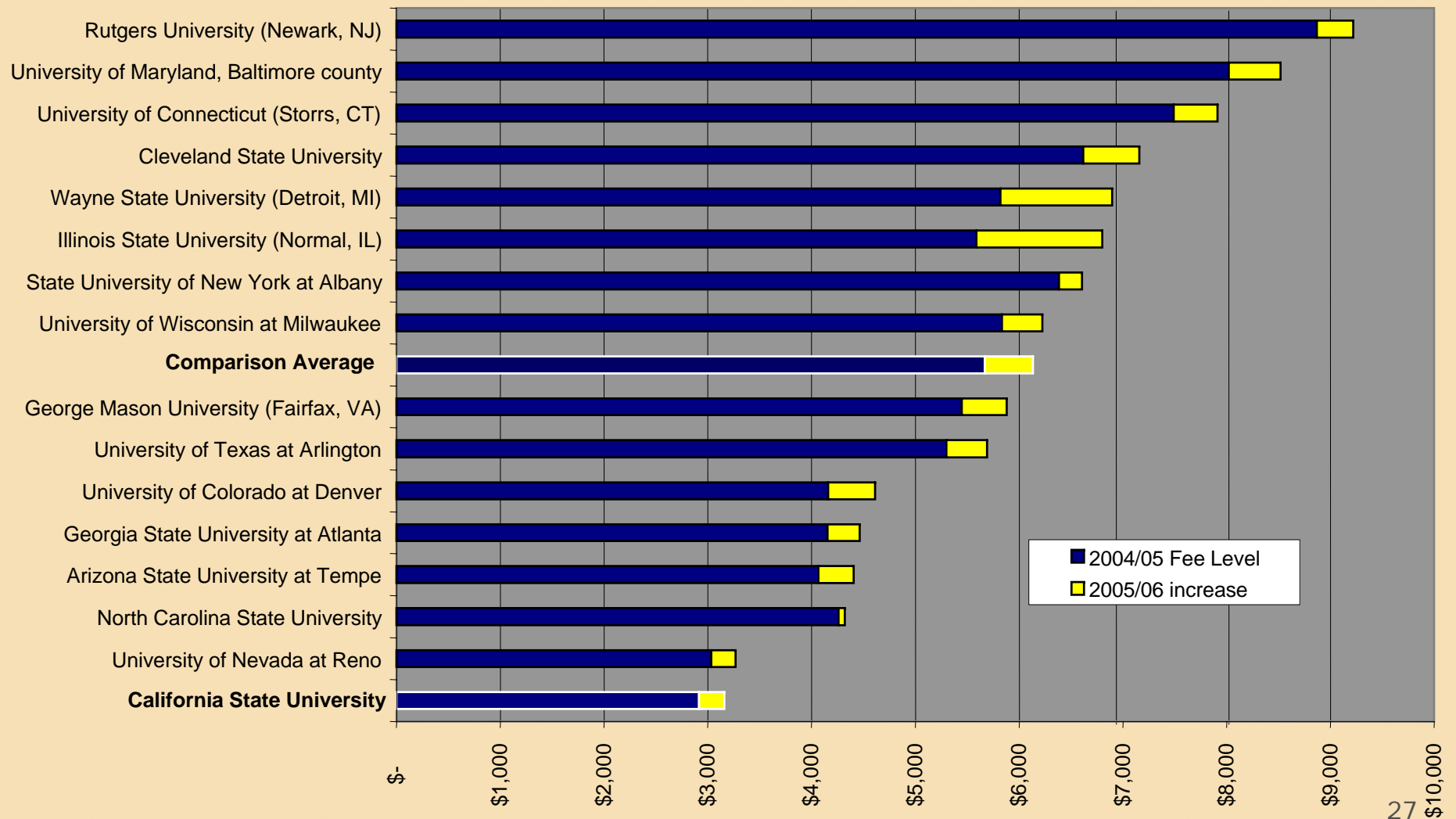
State and CSU Grant Funding



State and CSU Grant Awards



Undergraduate Resident Student Fees at Comparison Universities





Lottery Budget

2006/07 Recommendations

Action Item

Lottery Budget

Uses of Funds

System Programs

Forgivable Loan/Doctoral Incentive	\$	3,000,000
California Pre-Doctoral Program		714,000
CSU Summer Arts Program		1,200,000
Systemwide Implementation Costs		491,000
	\$	<u>5,405,000</u>

Campus Based Programs

Campus/CO Programs	\$	34,595,000
Campus/CO Interest	\$	400,000
	\$	<u>34,995,000</u>

<i>Planned Carryforward Expenditures</i>	\$	5,600,000
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Total Uses of Funds	\$	<u>46,000,000</u>
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Use of Campus-Based Funds

- Examples of Lottery Funded Activities
 - Access and Academic Development
 - Teacher Recruitment
 - Libraries
 - Faculty Mentoring



2006-2010 Multi-Year Plan



Compact for Higher Education

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
 - ✓ 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 CSU employees

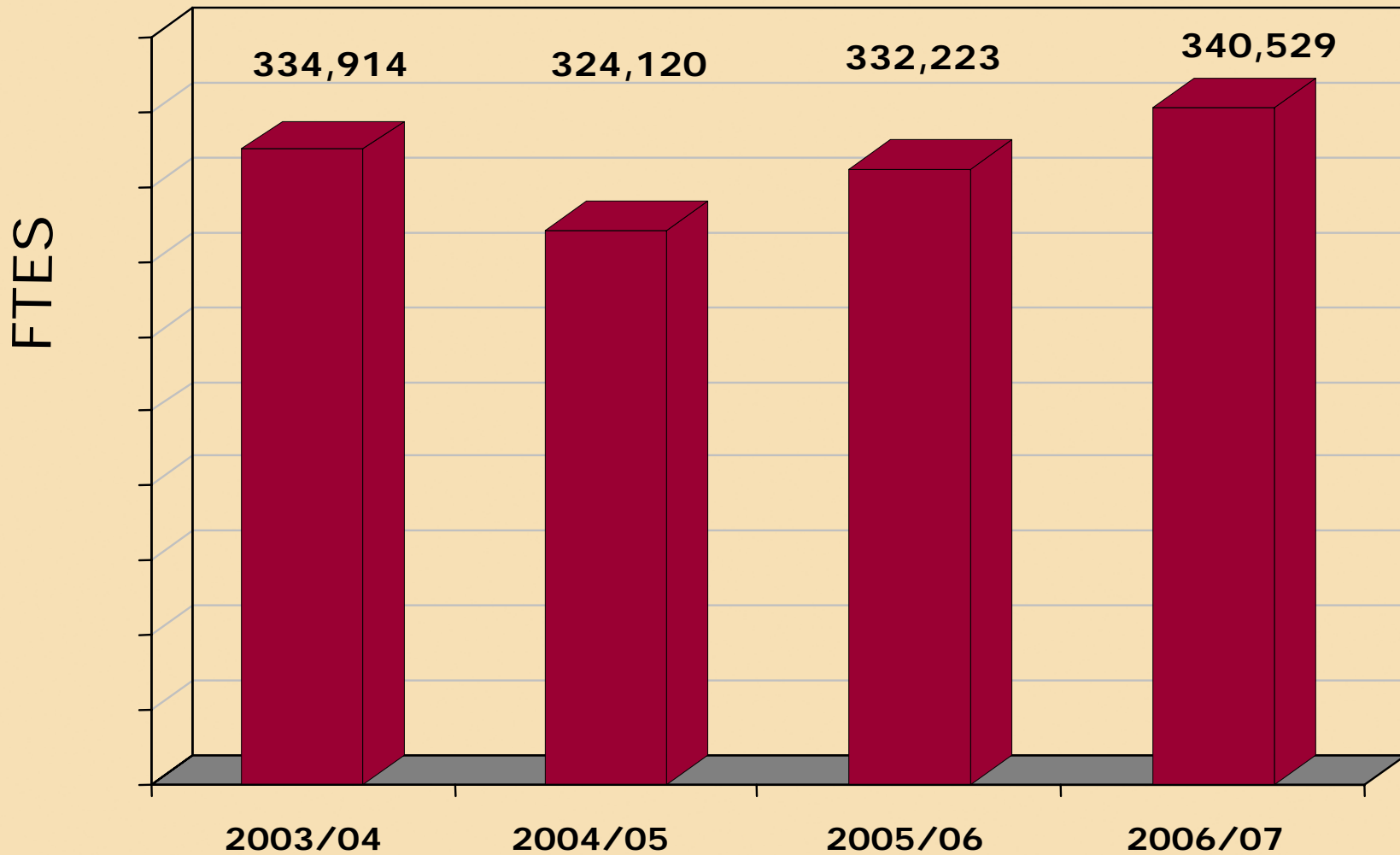
Compact Enrollment Assumptions

- 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

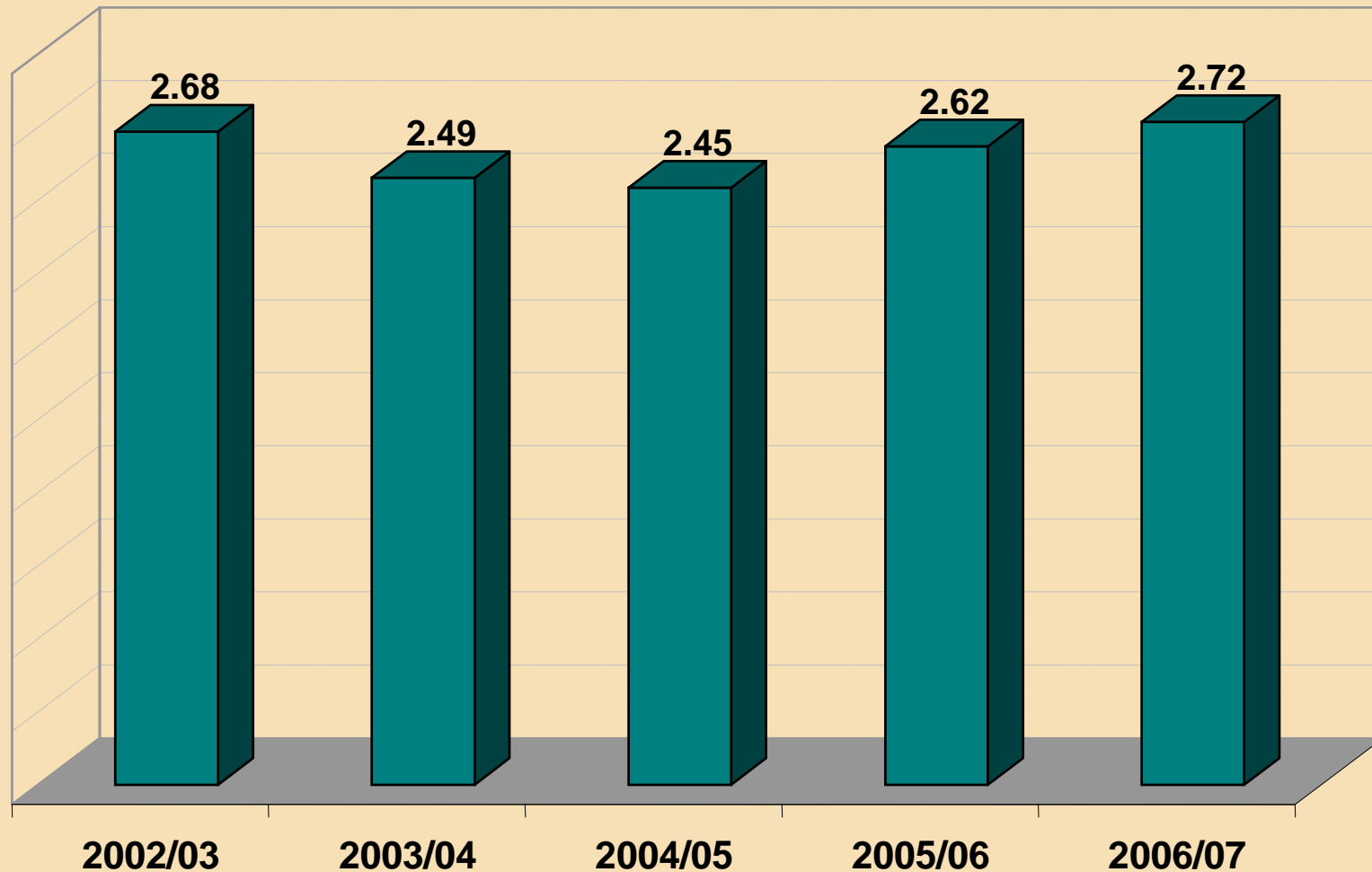
Compact Fee Assumptions

- SUF increased an average of 10% per year from 2004/05 through 2006/07
- SUF has increased 10% per year from 2004/05 through 2006/07 for graduate students
- Up to 33% of SUF revenue increase directed to financial aid in 06/07
- State will maintain its funding commitment
- Fee revenue stays with the CSU

Restoring Student Access



State General Fund Investment



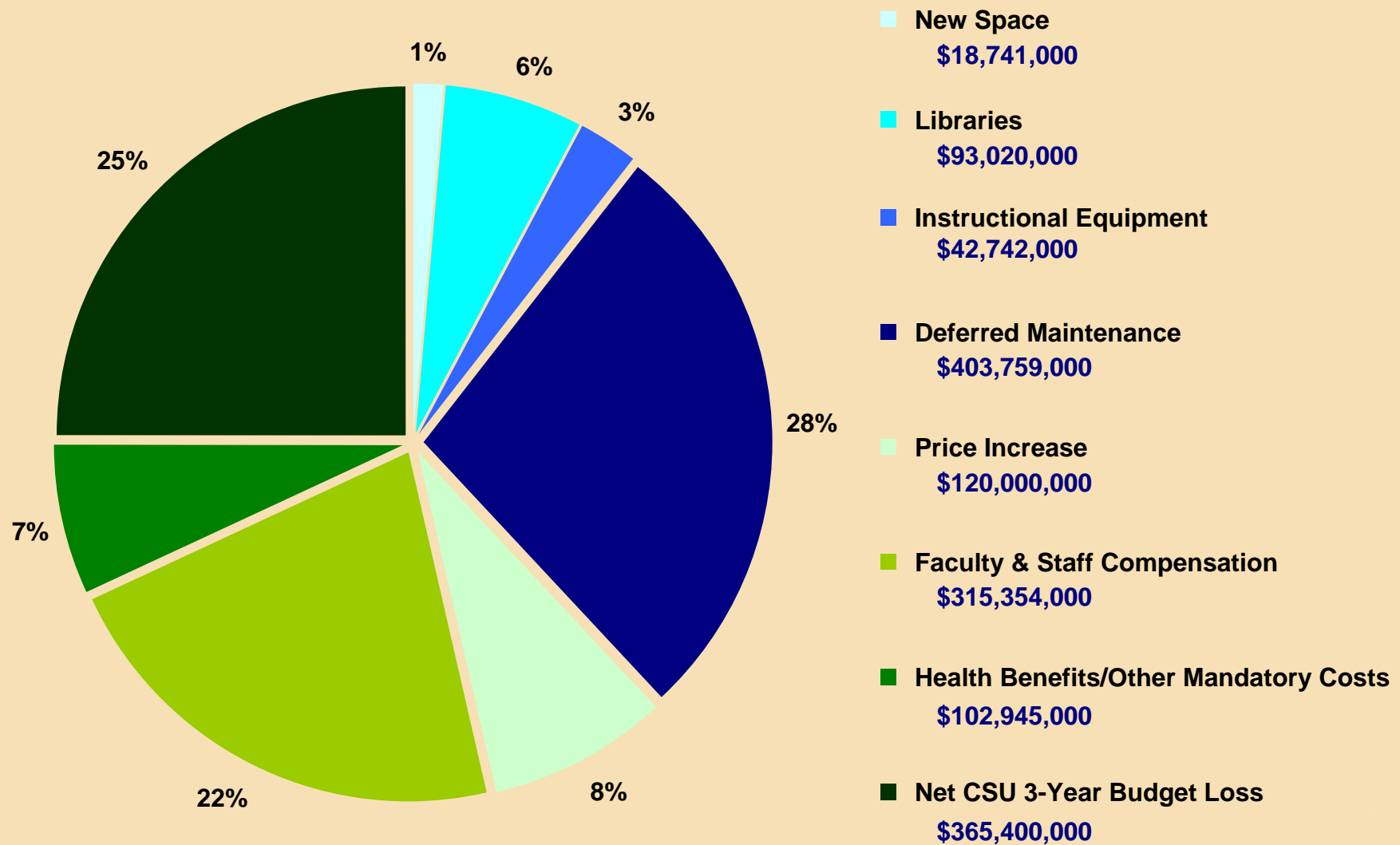


CSU Budget Challenges

2006/07 Unfunded Budget Needs

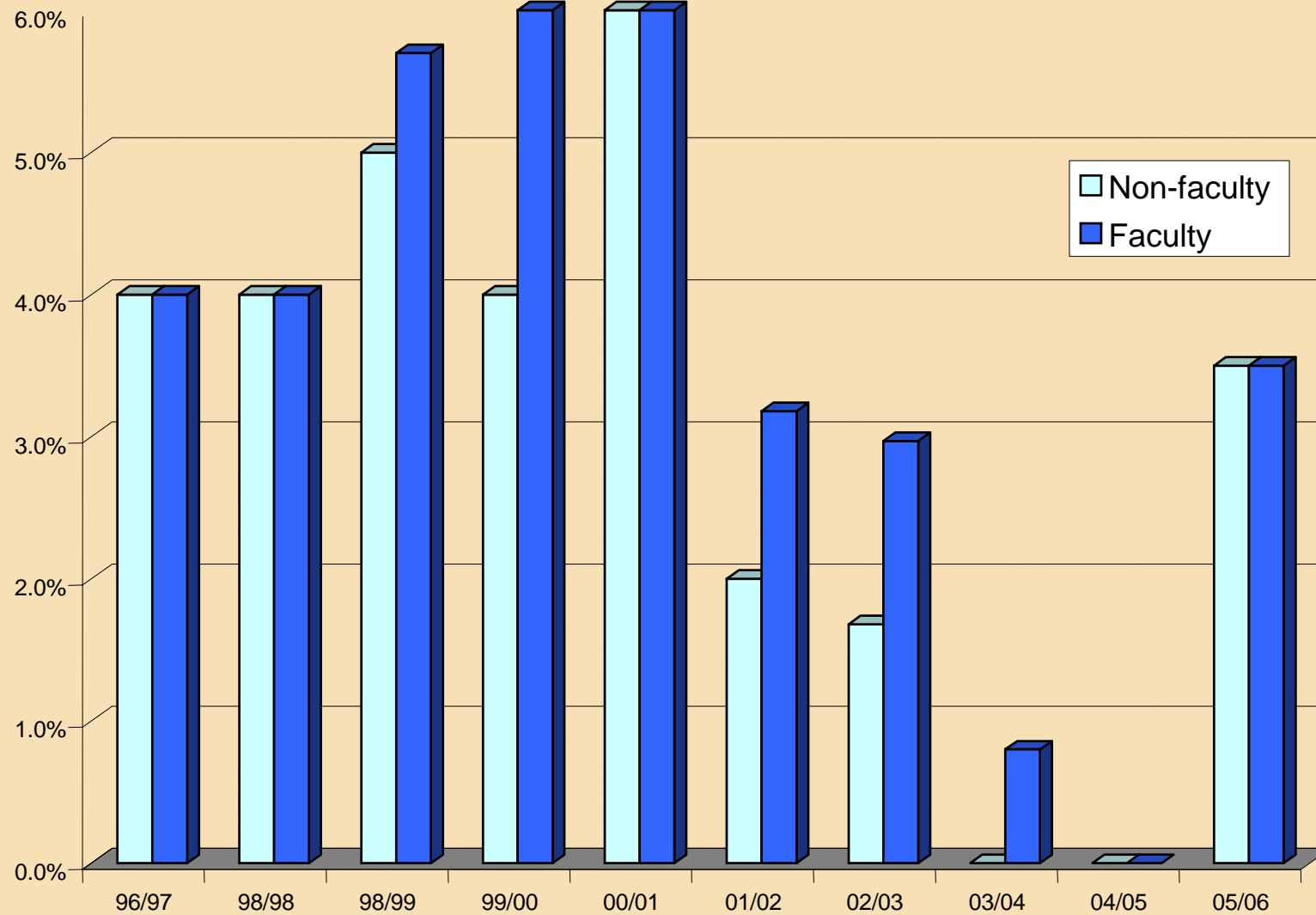
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CSU Funding Deficiencies



Total Deficiency \$1,502,319,000

Funding For CSU Compensation





Multi-Year Plan Recommendations

Multi-Year Plan Revenue Projections

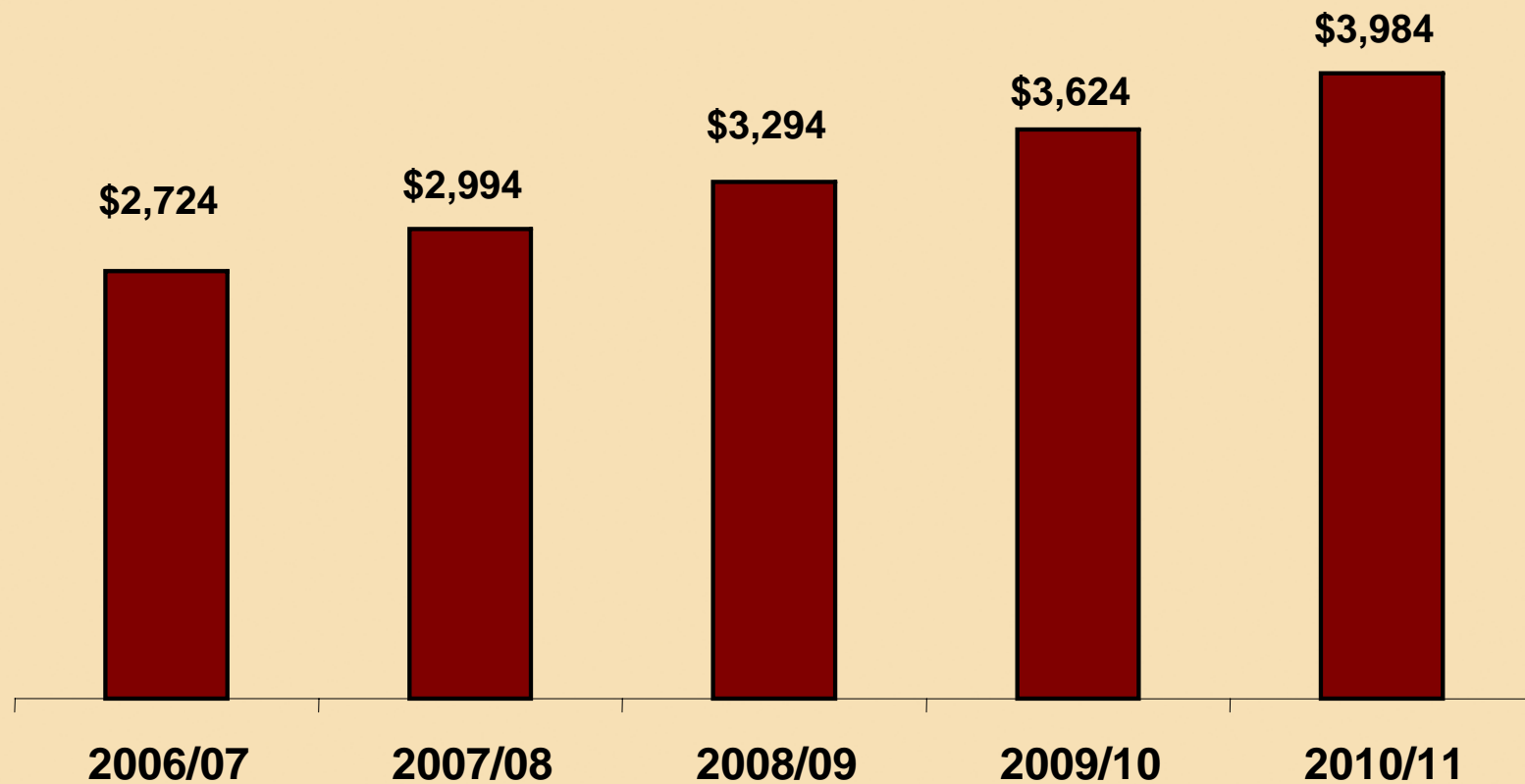
(In Thousands)

	2006/07	2007/08	2008/09	2009/10	2010/11
General Fund	\$128,463	\$161,527	\$199,504	\$213,583	\$227,134
SUF Revenue	\$106,986	\$141,640	\$159,699	\$180,061	\$203,018
Total	\$235,449	\$303,167	\$359,203	\$393,644	\$430,152

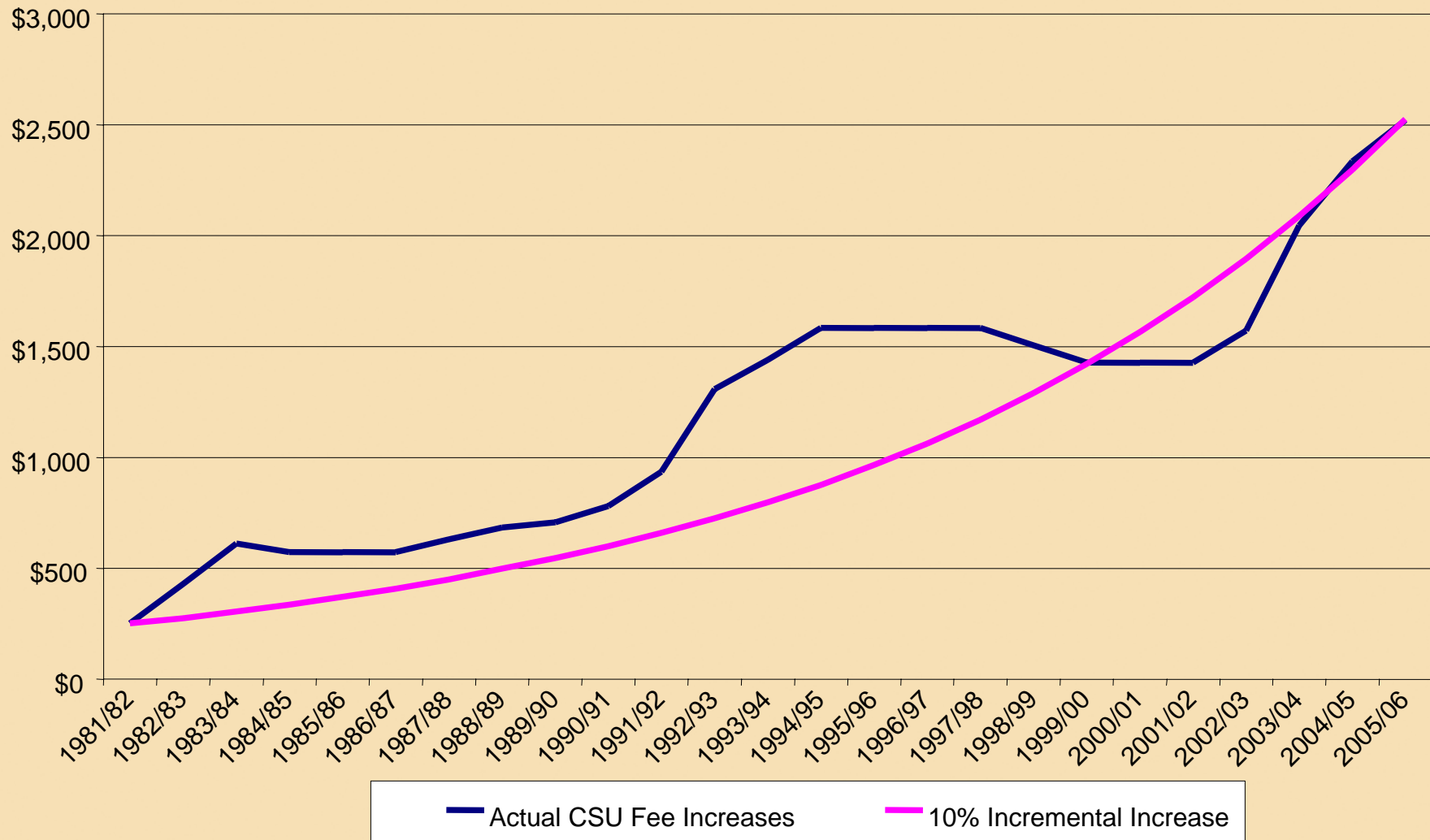
Multi-Year Plan Expenditure Projections (In Thousands)

	2006/07	2007/08	2008/09	2009/10	2010/11
Mandatory Costs	\$33,629	\$33,143	\$40,184	\$41,250	\$41,323
Enrollment Growth	\$65,127	\$69,185	\$74,389	\$80,594	\$85,398
Financial Aid	\$32,739	\$43,968	\$49,613	\$55,992	\$62,951
Compensation (3%)	\$77,403	\$80,217	\$84,342	\$89,007	\$94,115
Closing the Salary Lag	\$16,551	\$60,050	\$68,192	\$82,449	\$88,112
Long Term Need	\$10,000	\$15,000	\$43,000	\$45,000	\$47,000
Total Expenditures	\$235,449	\$303,563	\$359,720	\$394,292	\$418,939

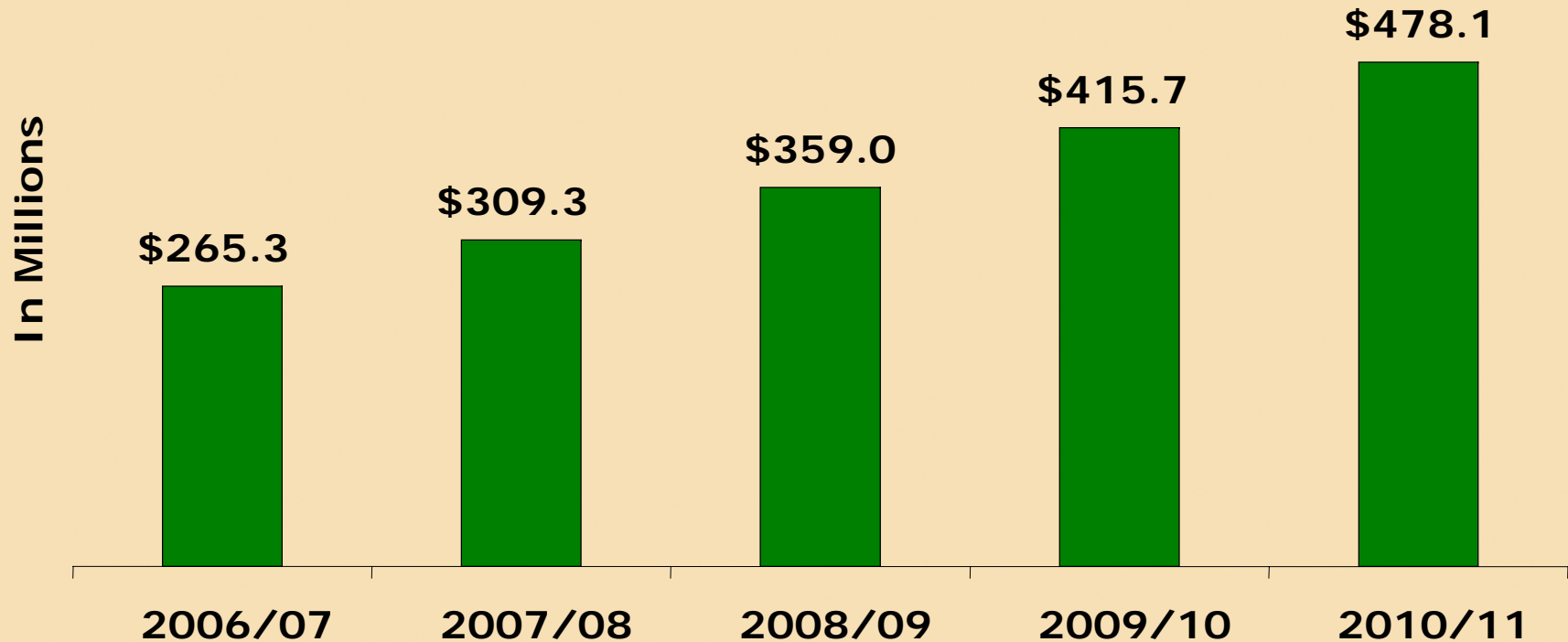
State University Fee Rates



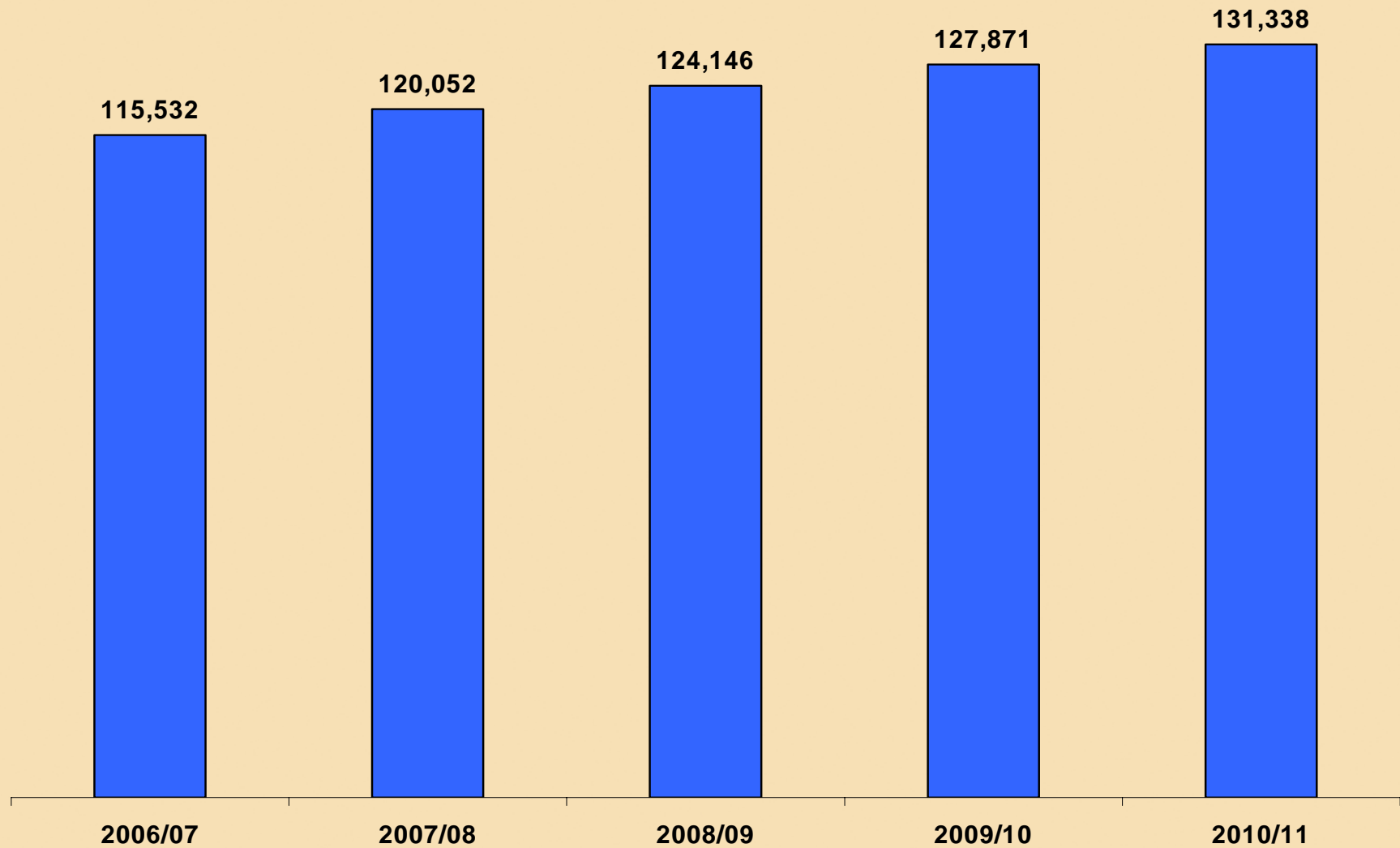
Undergraduate Fees 10% Incremental Increase Compared with Actual



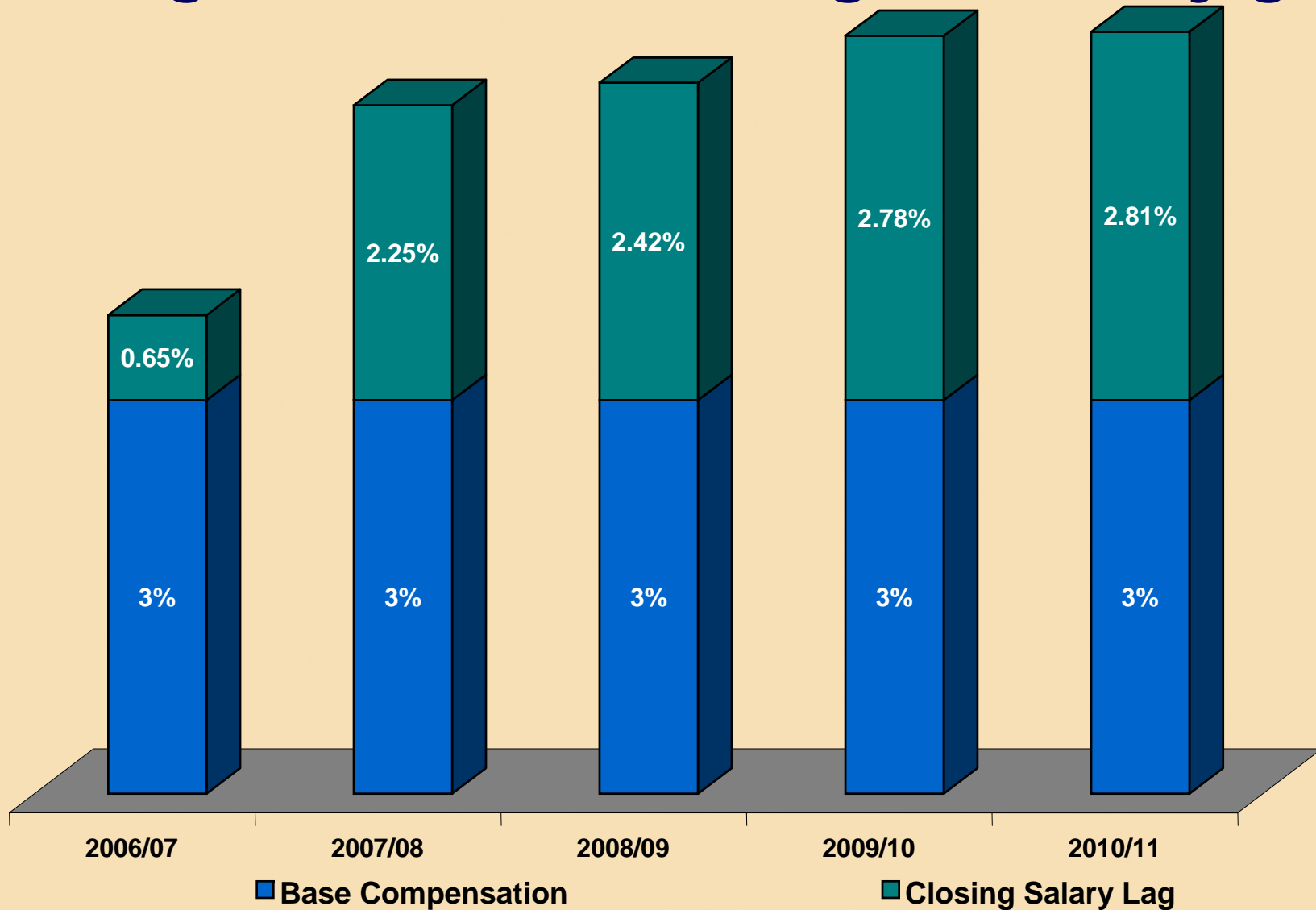
Projected SUG Support Available



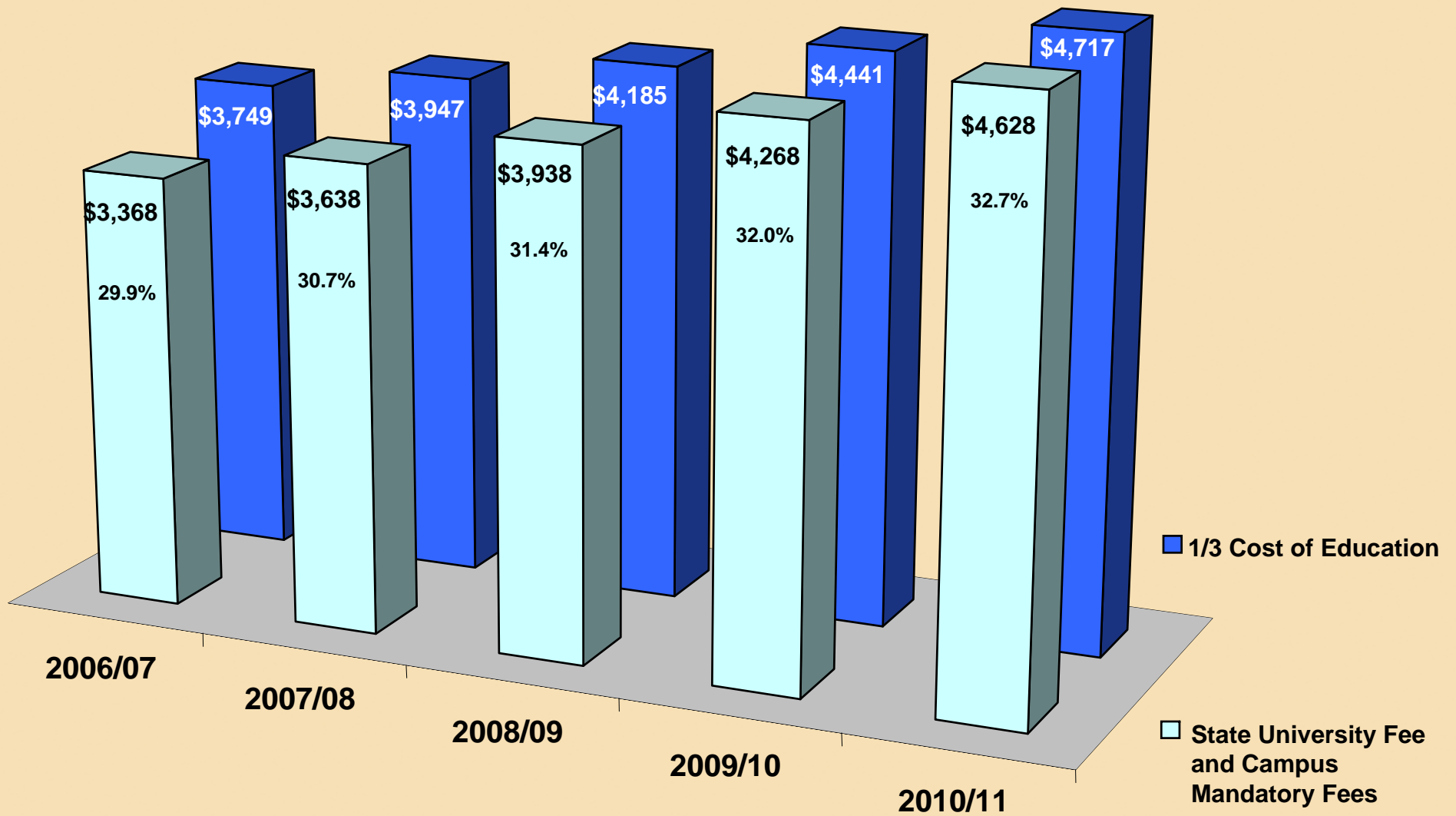
Projected number of SUG Awards



Progress toward closing the salary gap



Projected Cost of Education





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