California State Budget
2008-09 CSU Budget

Richard West, Executive Vice Chancellor and Chief Financial Officer

March 12, 2008
Board of Trustees
2008-09 CSU Support Budget

- Governor’s Budget Overview
- Legislative Analyst’s Recommendations
- 2002-2005 Budget Reductions
- 2008-2009 CSU Budget Response
  - Enrollment
  - Collective Bargaining
  - Cost Effectiveness
Governor’s Budget Findings and Recommendations

- $14.5 billion budget deficit
- 10% statewide across-the-board reductions
- No new state taxes
Governor’s Budget

$2.873 billion General Fund State Support
$1.487 billion Student Fee Revenue

- $ -312.9 million cut in CSU support
- $ +73.2 million net fee revenue increase from a $276/undergraduate student fee increase
- Resident enrollment at 2007-08 funded target
Legislative Analyst’s Findings and Recommendations

- $16 billion budget deficit
- $2.7 billion in new state tax revenues
- Differential budget reductions
Legislative Analyst’s Alternative Budget Proposal

$2.939 billion General Fund State Support

$1.486 billion Student Fee Revenue

- Raises fees by $276/undergraduate to increase student’s share of current costs
- Funds enrollment growth at 1.6%, only if CSU continues to enroll 10,000 FTES over-enrollment, projected for 2007-08 without funding to cover costs
- Recommends $43 million reduction in administrative costs (institutional support)
- Funds price increase for supplies and services only
**Budget Reductions 2002-03 through 2004-05**

CSU sustained significant reductions over a 3-year period that created long-term deficiencies that continue to present funding challenges.

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
<th>2004-05</th>
<th>3 Year Total</th>
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</thead>
<tbody>
<tr>
<td>General Fund Budget Reduction</td>
<td>(102.60)</td>
<td>(373.70)</td>
<td>(175.60)</td>
<td>(651.90)</td>
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<tr>
<td>Unfunded Mandatory Cost</td>
<td>(22.80)</td>
<td>(78.60)</td>
<td>(57.50)</td>
<td>(158.90)</td>
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<tr>
<td>Fee Revenue Offset</td>
<td>20.00</td>
<td>167.00</td>
<td>101.50</td>
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<tr>
<td><strong>Total Net Budget Reduction</strong></td>
<td>(105.40)</td>
<td>(285.30)</td>
<td>(131.60)</td>
<td>(522.30)</td>
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CSU Response to 2008-09 Support Budget Recommendations
Consultation with all CSU constituencies to deliver messages consistently

Central Budget Theme: Restore $312.9 million cut and add $73.2 million to buyout 10% fee increase

- Periodic communications with all groups to assure consistency of messages
- Campus Budget Forums to deliver key messages (March 3 - April 2)
- CSU and Alumni Legislative Advocacy Day (April 28)
- Employee Groups/Academic Senate/Student Advocacy Days (March 6 – April 29)
Unified support from alumni, employee, faculty and student representatives to coordinate advocacy during 2008-09 legislative budget process around three central messages

Key Messages

- The proposed budget will not allow the CSU to serve all qualified students, reduces access to college
- Long term prospects of increasing college going rates of underserved communities will be negatively impacted just as we are making real progress
- Less access to the CSU will impact industries and the state’s economy given our role in preparing the state’s workforce
Bring enrollment in line with funded levels

- Cannot serve 10,000 student demand already served in 2007-08
- 2007-08 target of 342,893 resident student FTES is the budgeted level for 2008-09
- All campuses closed for first-time freshmen as of March 1, 2008
Demographic Projections for California

Source: State of California, Dept. of Finance, May 2004
Enrollment Growth

First Time Freshman Enrolled in CSU

Large Gap Between Future Supply and Demand for Skilled Workers

Source: Public Policy Institution of California
CSU Bachelor’s Degrees as a Percent of All Public and Private University Bachelor’s Degrees Awarded in California, Critical Fields 2001-2002

- Business: 65%
- Agricultural Businesses: 52%
- Communications: 52%
- Other Engineering: 51%
- Computer & Electronics: 45%
- Life Sciences: 44%

Source: CPEC data as cited in Budget Central, Impact Report, Figures, Pg. 7, Fig. 2
- Results in collective bargaining for all agreements
- Employee salary lags range up to 42 percent
- Workload concerns
  - Prior budget reductions
  - Over enrollment
  - Insufficient funding
- Likely reductions in workforce through non-rehiring of part time employees of all types
CSU 2008-09 Budget Response – Improving Service to Students

- Improving transfer with Community Colleges
- Trustees Graduation Initiative
  - Adopted by the Board in 2003 to help:
    - Students enroll as freshman well prepared for university level work
    - Students follow optimal pathways to undergraduate majors when completing lower division work at community colleges
    - Encourage and support efficient pathways to degree at CSU
- Early Assessment Program
  - Improve coordination and communications with public schools
Overall, CSU is one of the most cost effective comprehensive universities in the country, with the second lowest cost per student among public comparison institutions

**Average Cost per Student**

- **CSU Campus Average**: $16,144
- **Public Comparison Institutions**:
  - Low (UT Arlington): $15,105
  - High (University of Connecticut): $37,277
  - Comparison Average: $26,045

Source: IPEDS 2005/all operating expenses, all fund sources
CSU cost per student in constant dollars has gone down and students have already assumed a larger share of overall costs.

Source: FIRMS final budget/GF and fees
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<tbody>
<tr>
<td>Instruction</td>
<td>44.4%</td>
<td>46.3%</td>
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<td>Academic Support</td>
<td>14.2%</td>
<td>13.1%</td>
<td>12.9%</td>
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<tr>
<td>Student Services</td>
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<td>9.9%</td>
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<td><strong>Institutional Support</strong></td>
<td><strong>15.2%</strong></td>
<td><strong>14.6%</strong></td>
<td><strong>12.9%</strong></td>
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<tr>
<td>Plant Operations</td>
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<tr>
<td>Financial Aid</td>
<td>4.8%</td>
<td>5.5%</td>
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<tr>
<td>Research, Public Service, SWP</td>
<td>2.0%</td>
<td>1.6%</td>
<td>1.2%</td>
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As CSU enrollment grew between 2001 and 2007, expenditure costs for General Administration were reduced by $24 million and overall costs for Institutional Support have been reduced roughly $60 per student.
Key Messages

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- Less access to the CSU will impact industries and the state’s economy given our role in preparing the state’s workforce.