

California State Budget 2008-09 CSU Budget

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May 14, 2008
Board of Trustees

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 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 Institutional Support administrative costs
- 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.

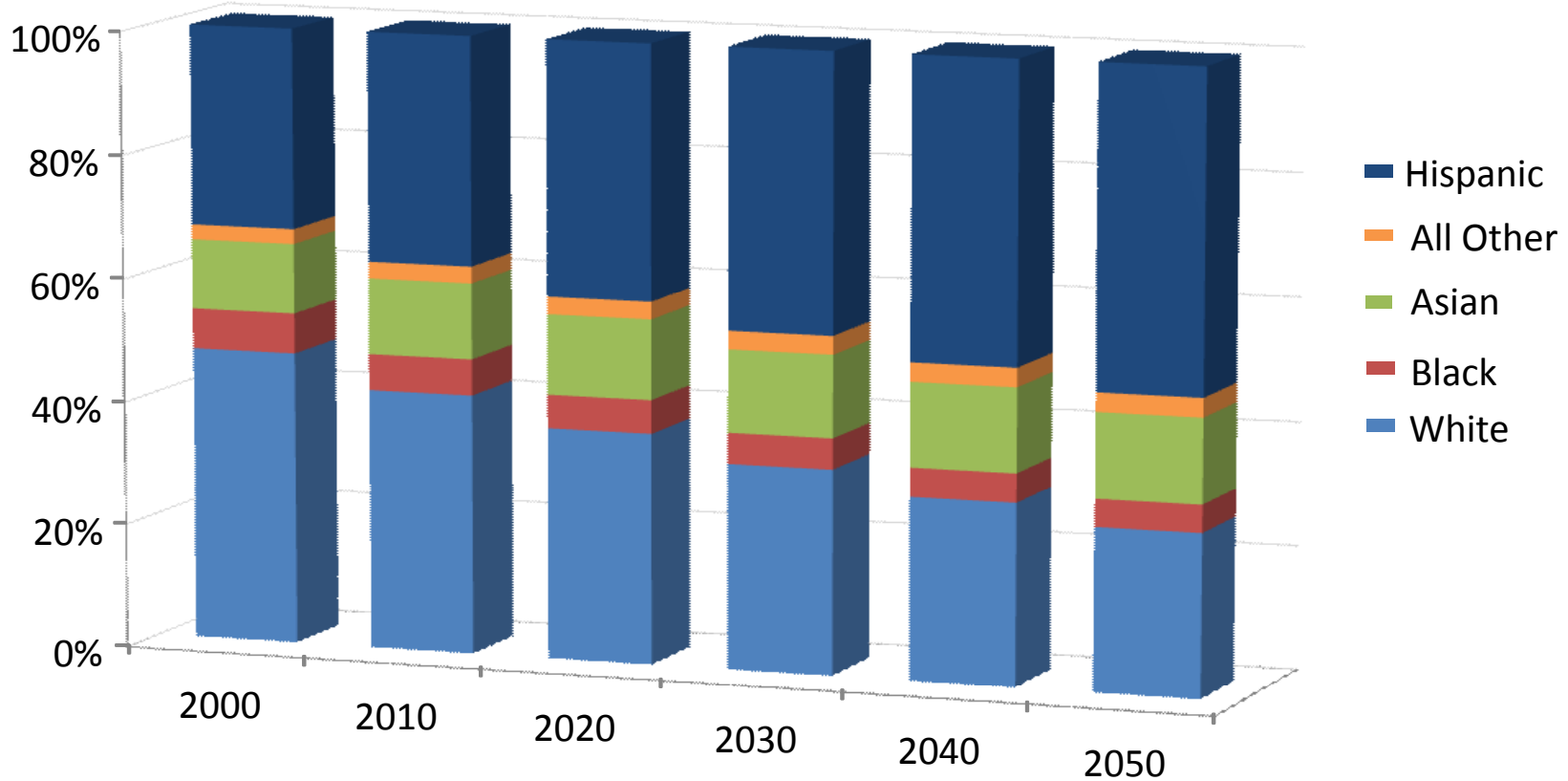
| | 2002-03 | 2003-04 | 2004-05 | 3 Year Total |
|-----------------------------------|-----------------|-----------------|-----------------|---------------------|
| General Fund Budget Reduction | (102.60) | (373.70) | (175.60) | (651.90) |
| Unfunded Mandatory Cost | (22.80) | (78.60) | (57.50) | (158.90)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

CSU Response to 2008-09 Support Budget Recommendations

Bring enrollment in line with funded levels

- Cannot continue serving 10,000 FTES served in 2007-08
- 2008-09 budget enrollment level is equal to the 2007-08 resident student target of 342,893 FTES
- All campuses closed for first-time freshmen as of March 1, 2008

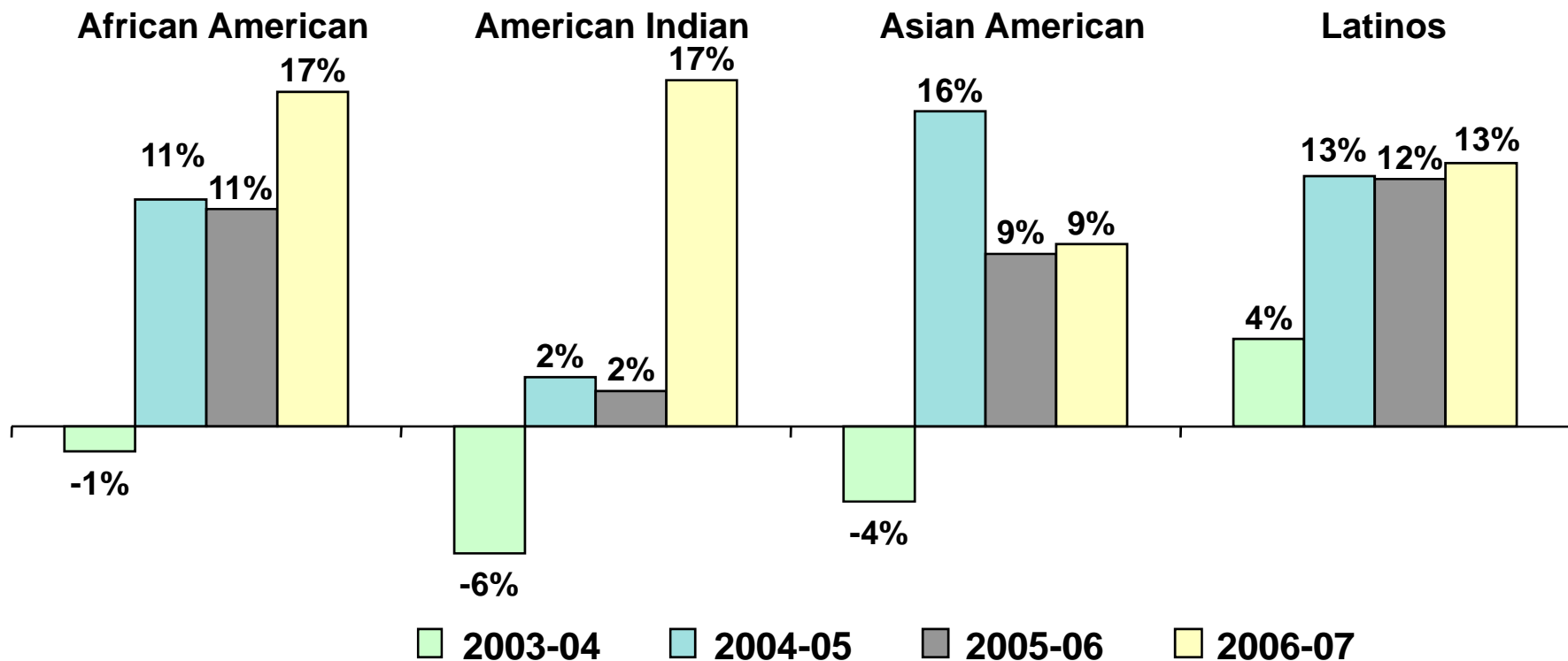
As the diversity of California's student population grows, CSU has made enhanced efforts in outreach and access to underserved communities. Enrollment from these communities will be significantly affected if the state's budget actions impair CSU's ability to grow.



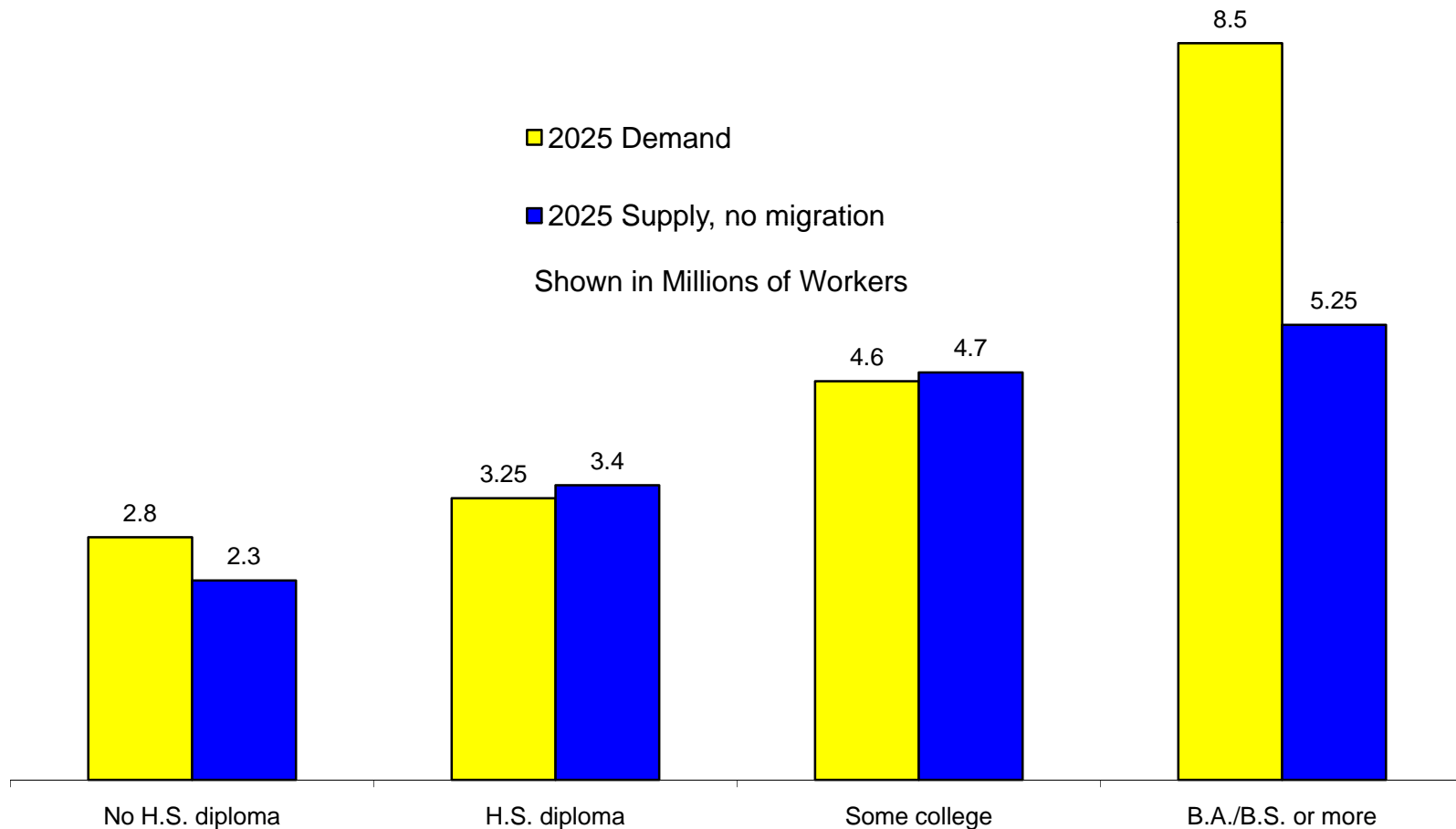


CSU's successful outreach efforts have resulted in double-digit annual increases in student enrollment from underserved communities.

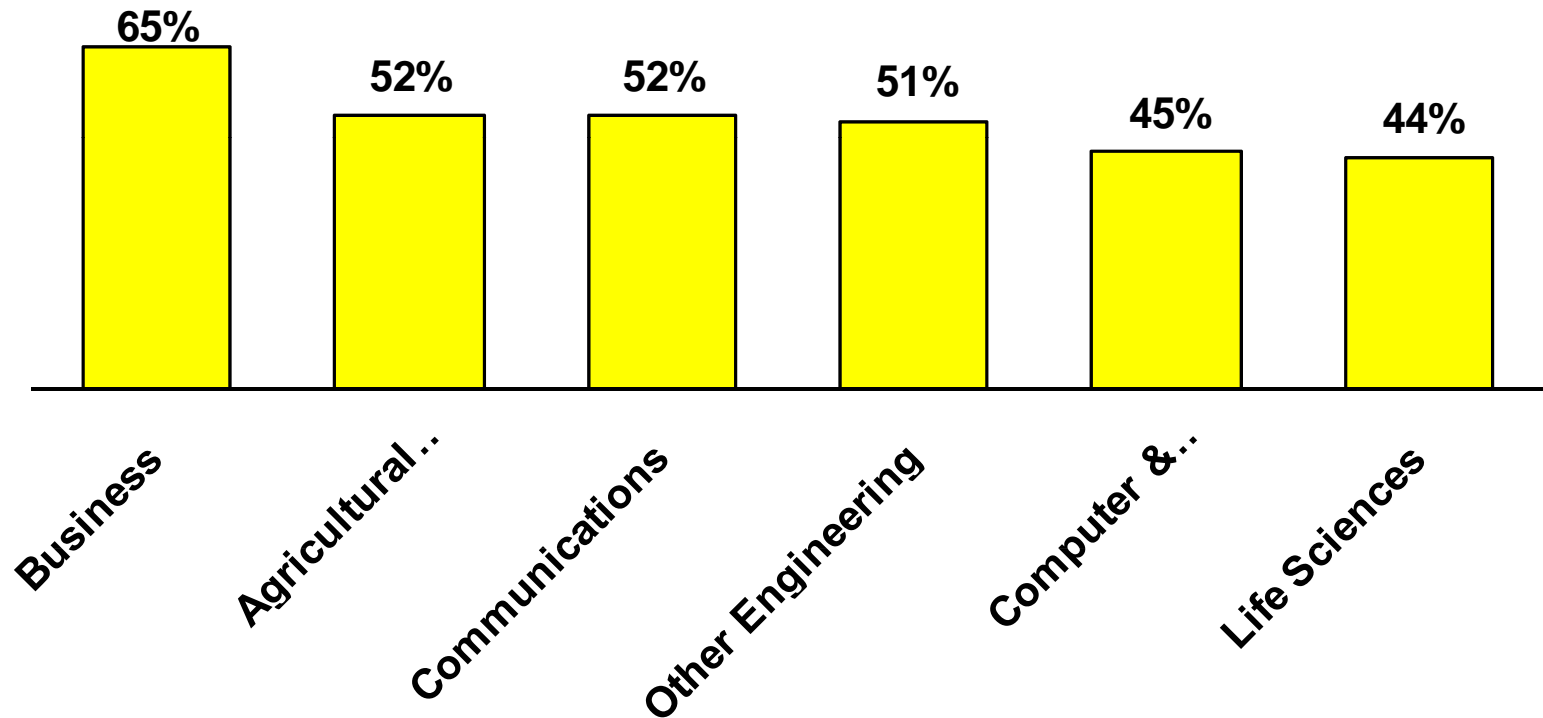
First Time Freshman Enrolled in CSU



Future Supply and Demand for Skilled Workers: Three million shortage of skilled workers



CSU Bachelor's Degrees as a Percent of All Public and Private University Bachelor's Degrees Awarded in California, Critical Fields 2001-2002



Source: California Postsecondary Education Commission

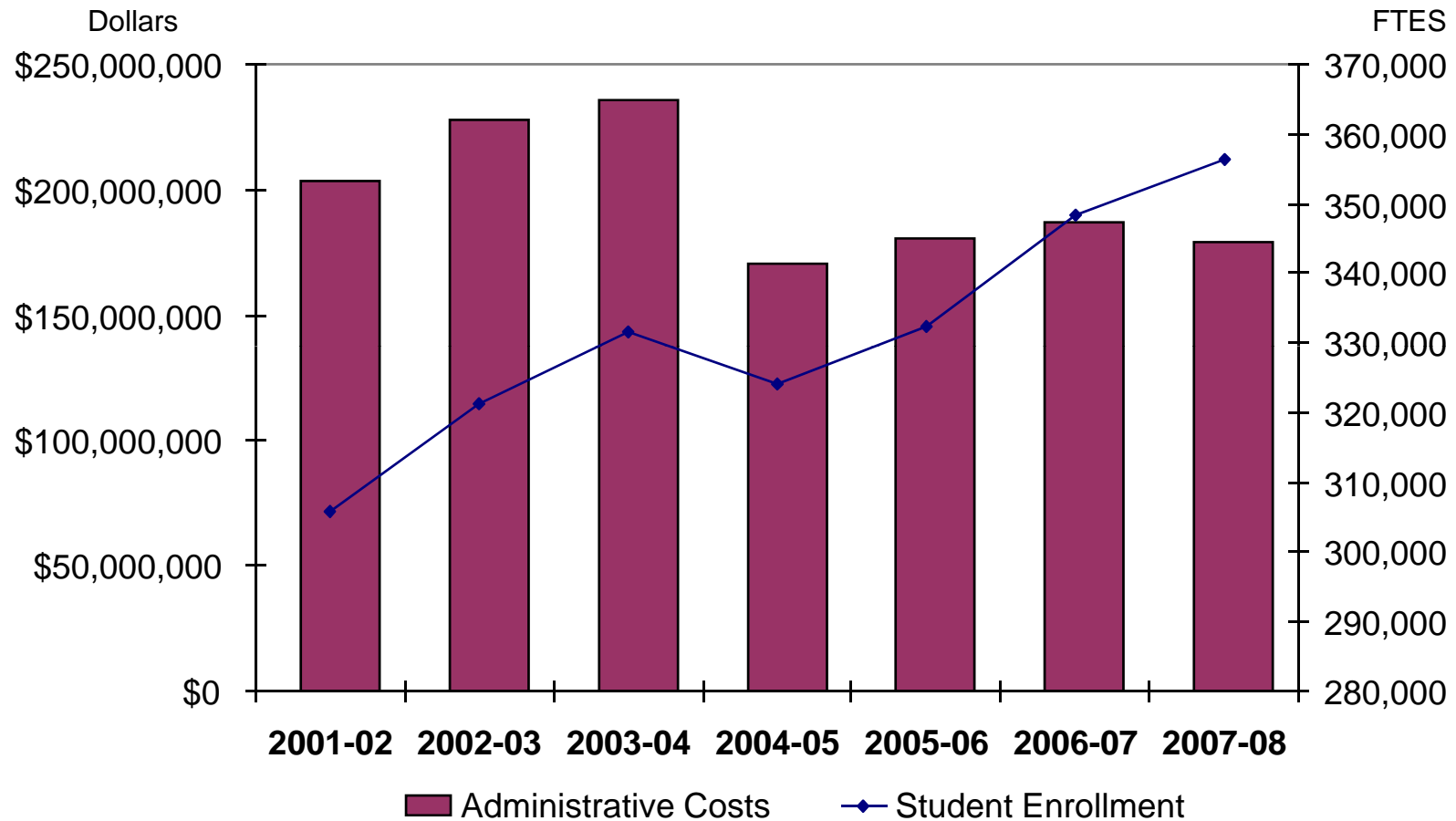
- University will honor all contracts with all units for 2007-08
- All contracts include agreed upon language that re-opens contracts if CSU does not receive a minimum of “Compact” funding level
- Employee salary lags range up to 42 percent
- Workload concerns for faculty and staff:
 - Prior budget reductions
 - Over enrollment
 - Under-funding for programs and services

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
 - CCC students follow optimal pathways to undergraduate majors when completing lower division work
 - Encourage and support efficient pathways to degree at CSU
- K-12 Partnerships and Early Intervention
 - Early Assessment Program
 - Parent Institute for Quality Education (PIQE)
 - “How to get to College” Poster
 - Super Sundays

Institutional Support as Percentage of Total Budget has Declined Over Time

| | 00-01 | 02-04 | 05-07 |
|----------------------------------|--------------|--------------|--------------|
| Instruction | 44.4% | 46.3% | 45.6% |
| Academic Support | 14.2% | 13.1% | 12.9% |
| Student Services | 10.0% | 9.7% | 9.9% |
| Institutional Support | 15.2% | 14.6% | 12.9% |
| Plant Operations | 9.4% | 9.2% | 10.9% |
| Financial Aid | 4.8% | 5.5% | 6.8% |
| Research, Public Service, SWP | 2.0% | 1.6% | 1.0% |



As enrollment grew between 2001 and 2007, expenditures on General Administration were reduced by \$24 million and overall costs for Institutional Support were reduced roughly \$60 per student

| Campus Enrollments | < 9,999 FTES | 10,000 – 14, 999 FTES | 15,000 – 19,999 FTES | > 20,000 FTES |
|-----------------------------|------------------------|------------------------------|-----------------------------|-------------------------|
| Average for public colleges | \$10,855,226 | \$22,117,900 | \$29,557,148 | \$54,838,203 |
| CSU average | \$10,989,015 | \$17,607,776 | \$24,631,227 | \$32,520,821 |
| CSU comparison average | \$25,672,950 | \$34,117,798 | \$29,135,131 | \$46,276,321 |
| # of public | 345 | 74 | 38 | 71 |
| # of CSU | 9 | 3 | 4 | 7 |
| # CSU comparison | 1 | 4 | 1 | 8 |

Source: IPEDS

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. The most recent comparison data for 2005-06 shows CSU costs are 40% below our comparison institution average.

Average Funding per Student 2005/06

| | |
|--|----------|
| CSU Campus Average (All Funds) | \$12,857 |
| Public Comparison Institutions | |
| Low (UT Arlington) | \$12,441 |
| High (North Carolina State Univ., Raleigh) | \$31,330 |
| Comparison Average | \$21,317 |

Source: IPEDS 2005/total operating expenses (less depreciation, auxiliary enterprises, hospital, & independent operations)

Recommend Board of Trustees Increase Student Fee Rates

| Student Classification | Academic Year Increase | 2008-09 Academic Year Fee Rate |
|--------------------------------|-------------------------------|---------------------------------------|
| Undergraduate | \$276 | \$3,048 |
| Teacher Credential | \$324 | \$3,540 |
| Graduate and Postbaccalaureate | \$342 | \$3,756 |

State and Fee Operating Funds Only

2007-08 CSU Operating Funds Use of Dollars per FTES

| | |
|--|-----------------|
| Current Funding per FTES | \$12,221 |
| State General Fund Dollars per FTES | \$8,356 |
| State University Fee Dollars per FTES | \$3,172 |
| Other Student Fee Dollars per FTES | \$693 |
| <i>(application fees, nonresident tuition, etc.)</i> | |

Use of CSU Dollars per FTES – 2007-08 Budget

| | General Fund | State University Fee | Other Student Fees | Total Dollars per FTES |
|---|-----------------|----------------------------|--------------------------|------------------------------|
| Compensation (Salaries and Benefits) | \$6,991 | \$1,808 | \$581 | \$9,380 |
| Enrollment (Supplies and Services) | \$838 | \$519 | \$89 | \$1,446 |
| Academic Infrastructure | \$409 | \$103 | \$19 | \$531 |
| Financial Aid | \$118 | \$742 | \$4 | \$864 |
| Total Operating Dollars per FTES | \$8,356 | \$3,172 | \$693 | \$12,221 |

CSU Financial Aid 2006-07

- 228,324 CSU Students
- \$1.8 Billion
 - Grants: 169,000 students receive \$861 Million
 - Average Award: \$5,085
 - 74% received grants
 - Loans: 142,000 students - \$958 Million
 - Average Loan: \$6,744
 - 62% received loans
 - Work-Study: 8,222 students - \$19 Million
 - Average Award: \$2,322
 - 4% received work-study

Financial Need Analysis Principles

- Parents
 - Primary responsibility to pay for dependent students
- Students
 - Responsibility to help pay
- Families
 - Evaluated in present financial condition
- Family's ability to pay
 - Evaluated in equitable and consistent manner
- Recognition of special family circumstances

Dependency

- Dependent
 - 24 years of age or less
- Independent
 - Over age 24
 - Veteran or current member of Armed Forces
 - Orphan or Ward of the Court
 - Graduate Student
 - Married
 - Single with dependents

Financial Need

$$\begin{array}{r} \text{Cost} \\ - \quad \underline{\text{Family Contribution}} \\ = \quad \text{Financial Need} \end{array}$$

2007-08 Cost of Attendance (9 months)

| | At Home | On Campus | Off Campus |
|--------------|-----------------|------------------|-------------------|
| Fees | \$3,215 | \$3,215 | \$3,215 |
| Books/Supp | \$1,348 | \$1,348 | \$1,348 |
| Room/Bd | \$3,466 | \$8,892 | \$9,469 |
| Trans | \$1,113 | \$1,025 | \$1,151 |
| Personal | \$2,362 | \$2,303 | \$2,404 |
| Total | \$11,504 | \$16,783 | \$17,587 |

Expected Family Contribution

- Federal Methodology
 - Family size
 - Number in college
 - Income
 - Expenses
 - Assets

Examples of Need

| | Parents | On Campus | Off Campus |
|---------------------|----------------|------------------|-------------------|
| Cost | \$11,500 | \$16,800 | \$17,600 |
| Family Contribution | \$2,000 | \$2,000 | \$2,000 |
| Financial Need | \$9,500 | \$14,800 | \$15,600 |

Financial Aid Package

Grants

- Pell Grant
- ACG/Smart Grant
- Cal Grant
- State University Grant
- Educational Opportunity Grant
- Supplemental Educational Opportunity Grant
- Community organizations, employers

Work-Study

Loans

State University Grant Eligibility

| Expected Family Contribution (EFC) | Dependent family of 4: 1 - 2 students in college | Single Independent Student | Married with 1 in college |
|------------------------------------|---|----------------------------|---------------------------|
| < \$800 | \$36,900 - \$41,800 | \$8,980 | \$16,560 |
| < \$4,000 | \$56,250 - \$71,980 | \$17,300 | \$25,240 |
| < \$9,090 | \$75,230 - \$104,670 | \$31,370 | \$38,760 |

Note: Income ranges will vary based upon family size and number in college. Therefore, maximum income range may be higher or lower.

Effect of Fee Increases on Needy Students

- 47% of all CSU students received need-based aid
- The fee increase will be offset dollar-for-dollar for:
 - 59,000 students receiving Cal Grants
 - 111,000 students receiving State University Grants
- Therefore, 74% of all need-based financial aid recipients will NOT pay any fee increase
- 26% of all the remaining need-based financial aid recipients will be offered student loans and employment to offset fee increase

2006-07 Average Financial Data

| | <i>SUG/ Cal Grant Recipients</i> | <i>Needy Non SUG/Cal Grant Recipients</i> |
|---------------------------|--------------------------------------|---|
| Average EFC | \$1,489 | \$8,131 |
| Average Parent Income | \$30,061 | \$68,370 |
| Average Student Income | \$12,192 | \$31,262 |

Not Eligible for State University Grant

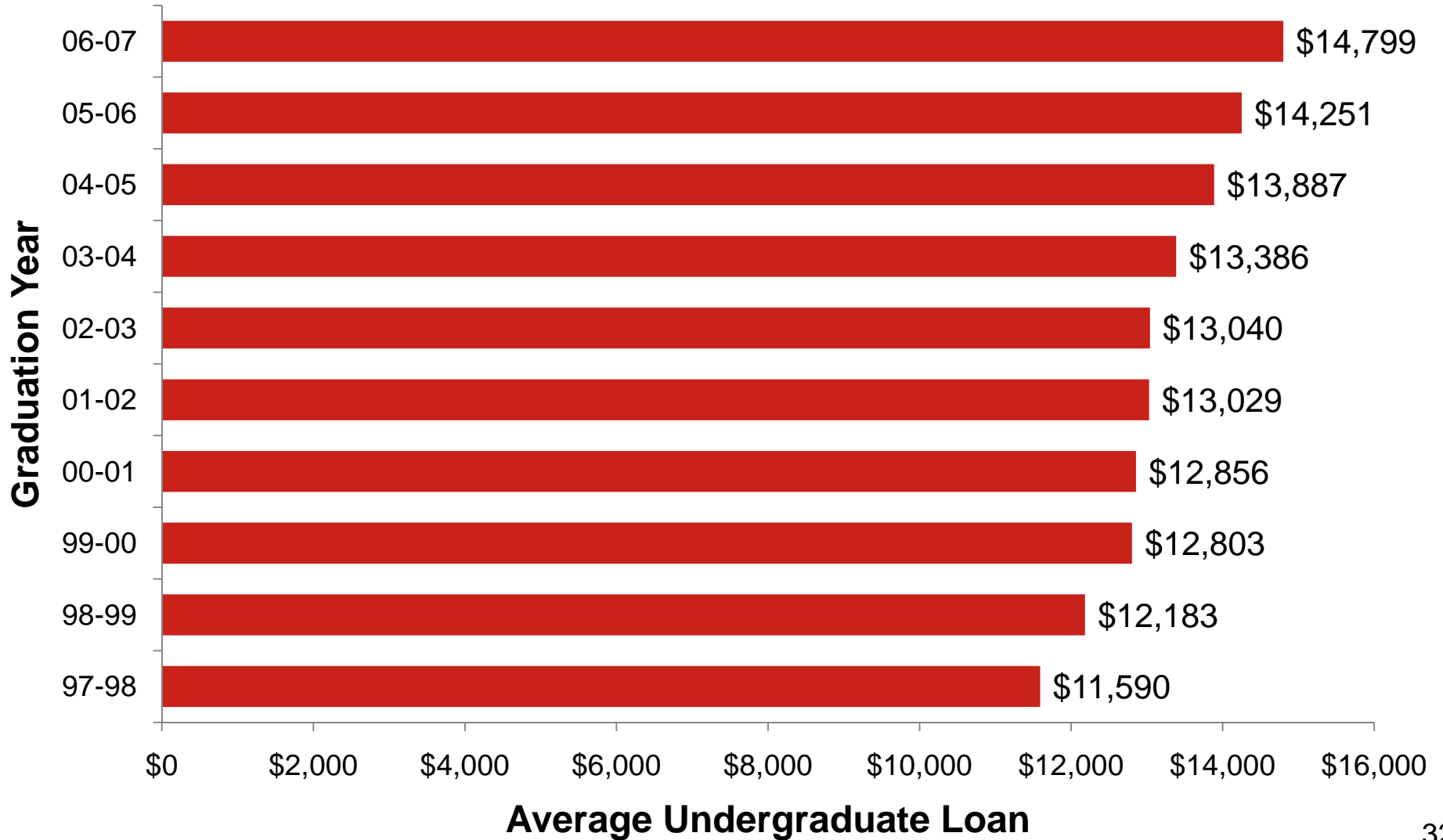
Remaining needy students will be offered student loans and employment if:

- Dependent student's family income exceeds income ranges (about \$104,670)
- Single independent student's income exceeds income ranges (about \$31,370), or
- Married student's (one in college) income exceeds income ranges (about \$38,760)

Note: Income ranges will vary based upon family size and number in college. Therefore, maximum income range may be higher or lower.

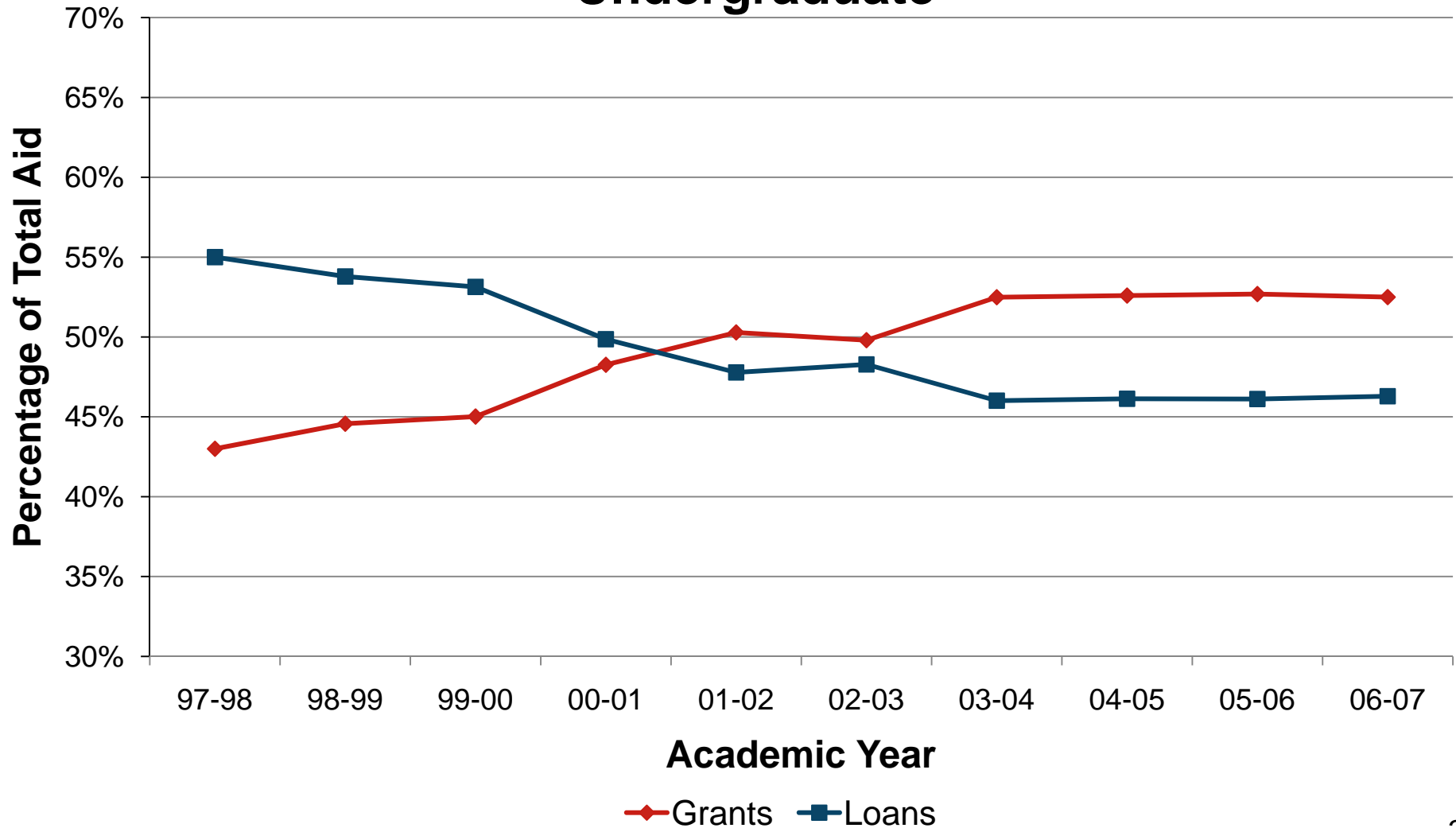


CSU Student Borrowing



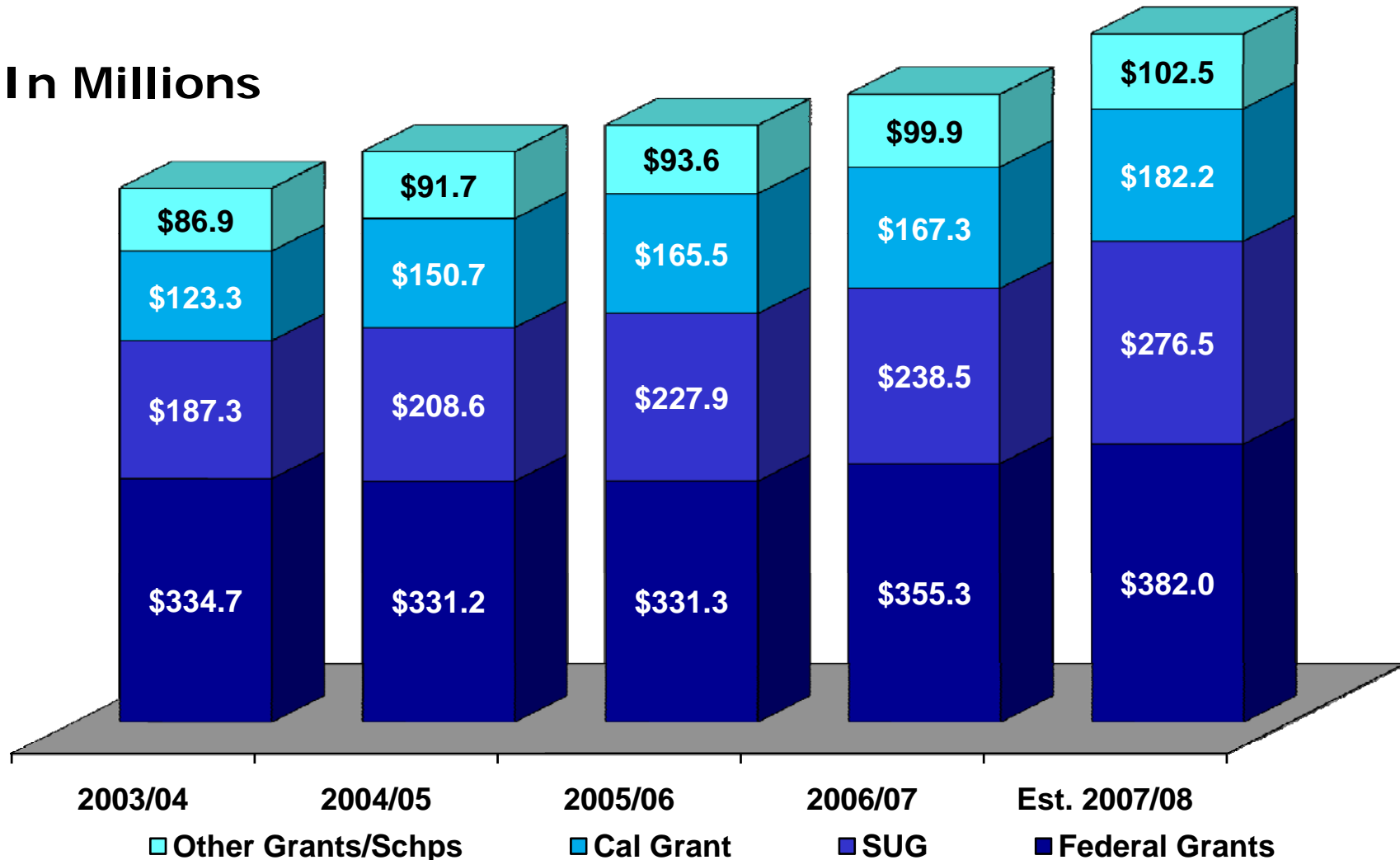


Grants vs. Loans Undergraduate

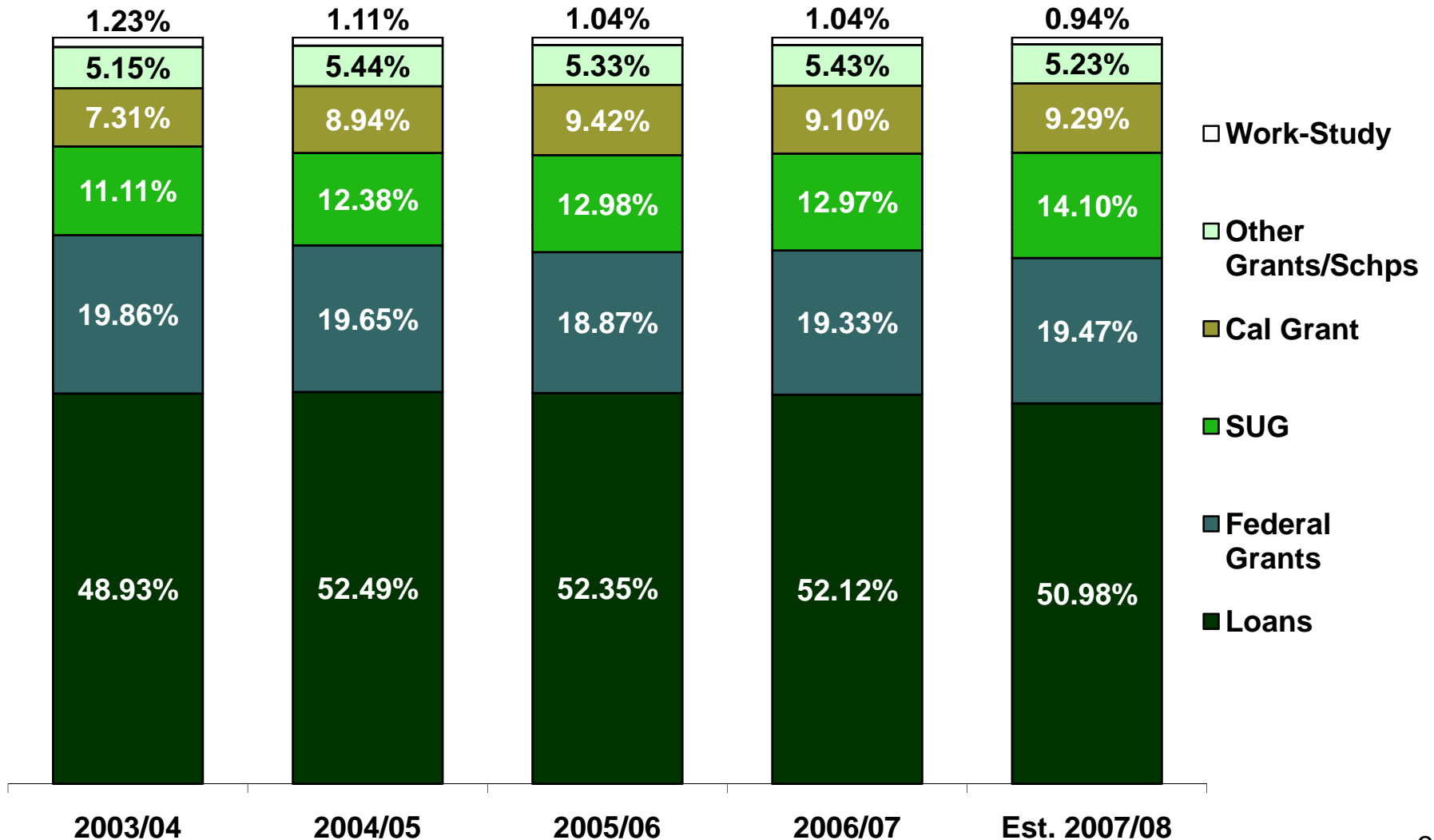


Grants and Scholarships

In Millions

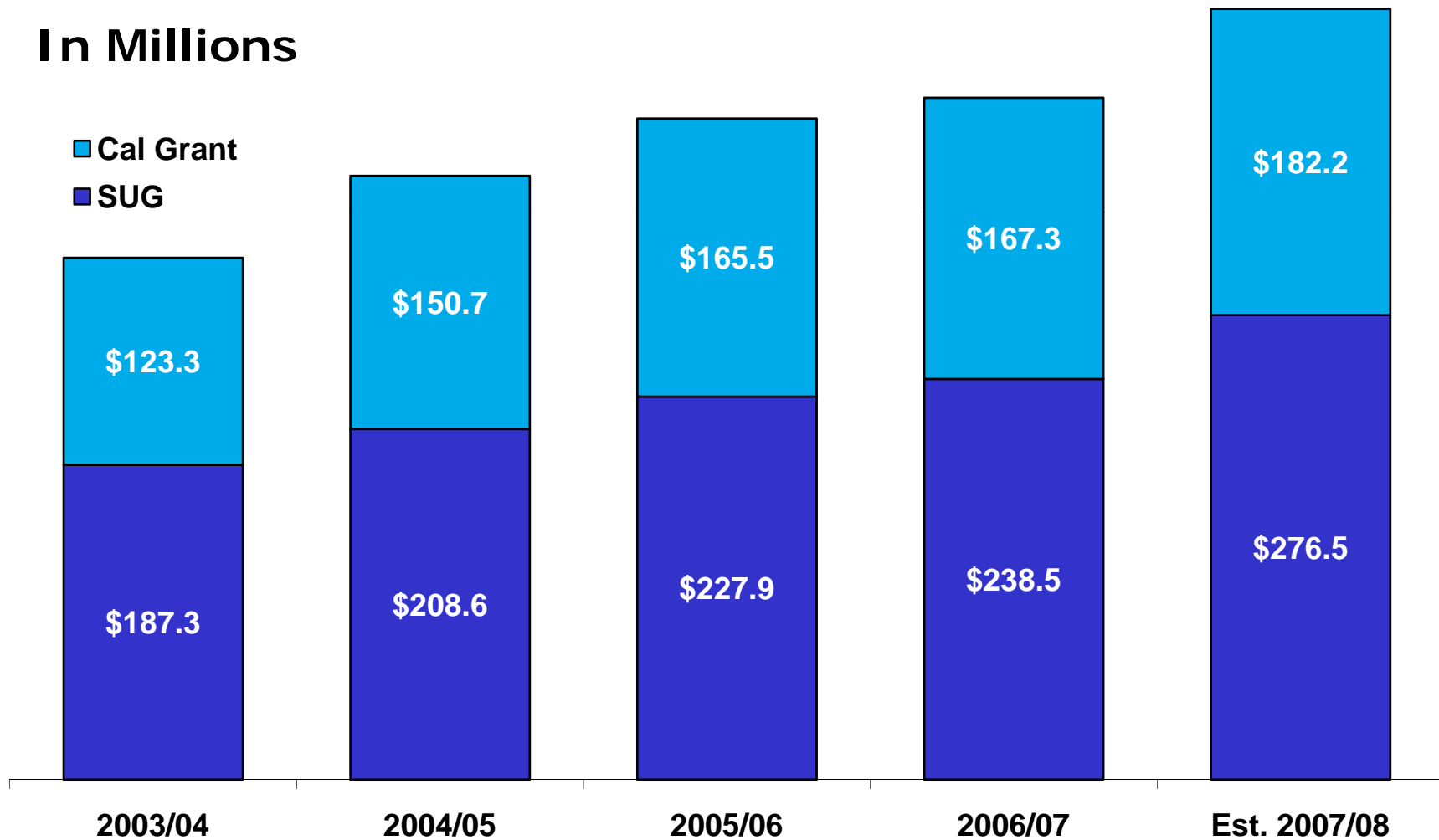


Sources of Financial Aid

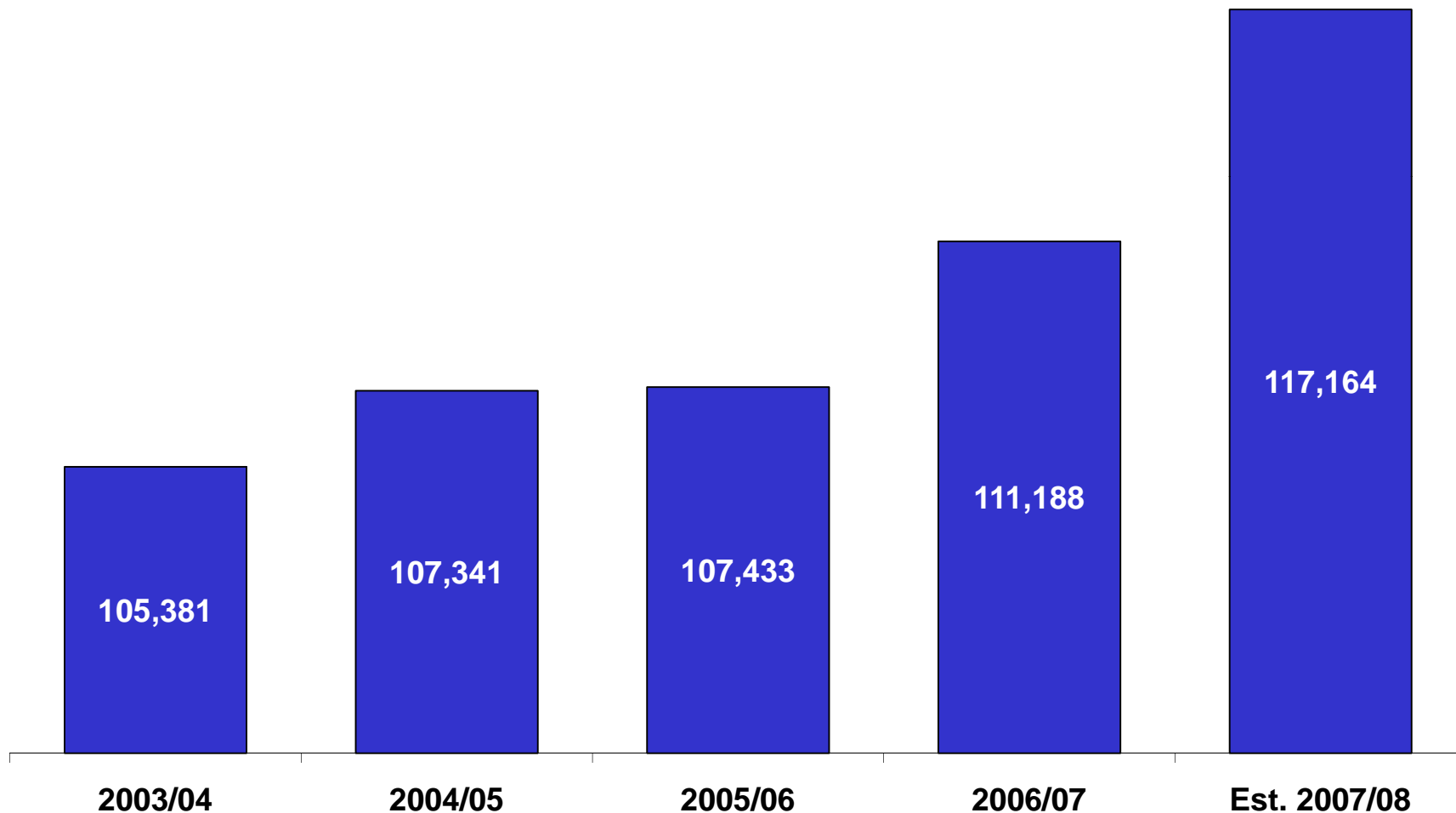


State and CSU Grant Funding

In Millions

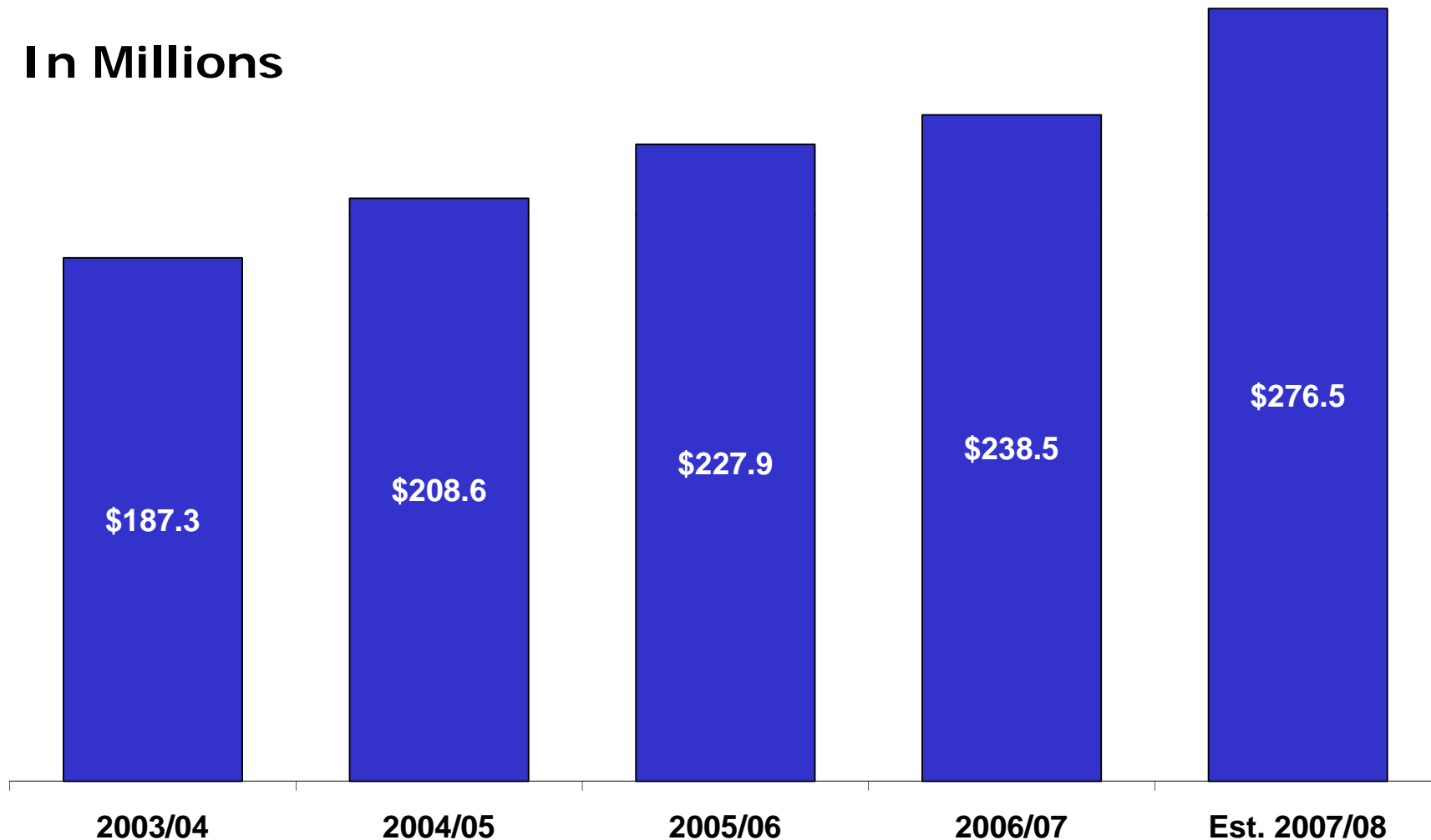


State University Grants Awarded



State University Grant Support

In Millions



Student Fees

- Governor and Legislative Analyst recommends increasing student fees by \$276/year for undergraduates
- 47% of all CSU students (228,324) received need-based aid:
 - The fee increase will be offset dollar-for-dollar for
 - 59,000 students receiving Cal Grants
 - 111,000 students receiving State University Grants
- State Cal Grant and CSU Grant percent of aid increasing, loan percent of aid decreasing

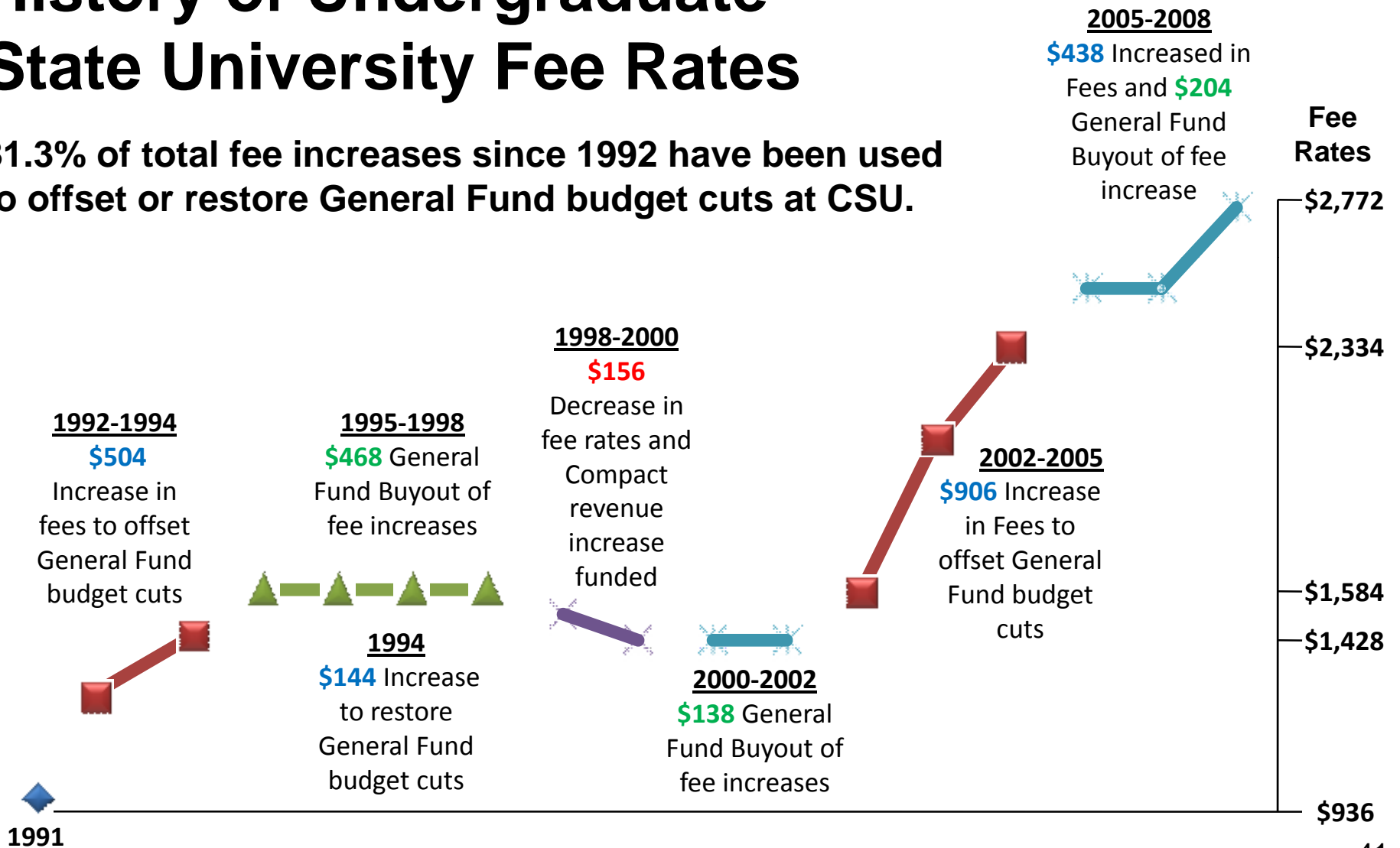
CSU is committed to the policy goals of access and quality. The university has operated under several guiding principles, reflected in trustee policy, regarding student fees, which include the following:

- State support levels determine how many students may study at CSU
- Fee revenues should be used to improve and support the quality of the educational programs
- There is a differential cost in providing graduate and undergraduate education
- Adjustments in student fee levels should be predictable and reasonable and allow for students and families to plan for university attendance
- Student financial aid grant programs should be augmented by 25-33.3% of any new fee income



History of Undergraduate State University Fee Rates

81.3% of total fee increases since 1992 have been used to offset or restore General Fund budget cuts at CSU.



Impact of \$276 Fee Rate Increase

- \$37 million increase in Financial Aid grants
- Maintains 6,520 course sections
- Moderates increase in Student/Faculty Ratio
- Funds Enrollment of 8,932 FTES
- Reduces impact on library services, student counseling, academic preparation programs, classroom maintenance, and instructional equipment
- Enables 450,000 students to continue progress to graduation

Summary

- 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

CSU The California State University

www.calstate.edu