


THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

September 29, 2016

CHANNEL ISLANDS

Mr. David Lopez, President
Ms. Isabelle Franz, Chair, Board of Directors
California State Students Association
401 Golden Shore
Long Beach, California 90802

CHICO

DOMINGUEZ HILLS

EAST BAY

Dear David and Isabelle:

FRESNO

A tuition increase is a painful step that I hope – with your assistance – we can avoid. The California State University remains committed to our joint advocacy efforts to that effect. Indeed, as we have shown the past few years, the work of the California State Student Association on the *Stand with CSU* campaign demonstrated the significant power of student voices.

FULLERTON

HUMBOLDT

LONG BEACH

We continue to explore every option to keep costs low for our students and their families. At the same time, we are committed to the goals of *Graduation Initiative 2025*, which include facilitating more timely completion of degree while continuing to provide students with an education of substance – in preparation for a lifetime of personal and professional success. Ultimately, this important work supporting our students' success requires student-focused resources for faculty, staff and facilities.

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

At this early point in the 2017-18 budget process, we must keep all options open. Consequently, attached is a proposal on possible student tuition for 2017-18 that addresses the matters raised by the *Working Families Student Fee Transparency and Accountability Act*. I also seek to arrange a meeting to discuss this proposal and other items related to the legislation on October 5, 2016.

POMONA

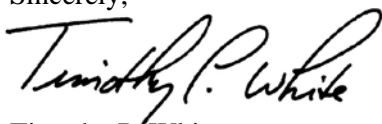
SACRAMENTO

I will continue to rely on your voice as we tackle the tough issues raised in this budget cycle. I remain – as always – committed to the work we are doing together to build California's future.

SAN BERNARDINO

SAN DIEGO

Sincerely,



Timothy P. White
Chancellor

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

TPW/ef

SONOMA

c: Dr. C. Rob Shorette, Executive Director, California State Student Association

STANISLAUS



Possible 2017-18 Tuition Proposal for
Consideration:
Prepared for the California State Student
Association

September 29, 2016

Amended October 5, 2016 (see footnote pg.1)

Contents¹

The California State University (CSU) is initiating consultation with the California State Student Association (CSSA) on consideration of a possible tuition increase as part of the 2017-18 support budget plan. If approved, the increase would take effect in fall 2017.

In keeping with the timeline and requirements of the *Working Families Student Fee Transparency and Accountability Act*, the following information is included for your consideration and to begin conversations as part of the consultative process with the CSSA.

The *Working Families Student Fee Transparency and Accountability Act* is codified in Sections 66028 through 66028.6 of the California Education Code. The act requires the CSU to first consult with the CSSA before any increases to mandatory systemwide tuition are considered by the Board of Trustees (Board) and to ensure transparency in the process. The following areas are addressed to begin the conversation about this proposal:

- 1) Justification for a possible tuition increase proposal including facts supporting the increase
- 2) A statement specifying the purposes for which revenue from the potential increase would be used
- 3) A description of the efforts to mitigate the impact of any potential tuition increase on financially-needy students
- 4) The potential impact to students including but not limited to:
 - a. Changes to the minimum workload burden for all students
 - b. Institutional financial aid awards
 - c. Average student loan debt
- 5) Alternative proposals that could be considered in lieu of a potential tuition increase

To orient the reader, each section of this document is numbered and identified according to the five required pieces identified above.

In addition to this required information, the CSU also provides the following:

- Potential Systemwide Tuition and Fee Changes for the 2017-18 Academic Year
- Timeline

¹ The original version of this document included potential maximum tuition levels for undergraduate, credential and graduate programs. This amended version reflects the original intent that potential maximum tuition levels would also apply to doctoral and graduate business professional programs and non-resident tuition. This clarification was discussed at the consultation meeting of the CSU and the CSSA on October 5, 2016. Clarifying edits are underlined and limited to pages 5, 9, 11 and 12.

1) JUSTIFICATION FOR A POSSIBLE TUITION INCREASE

Context

Over the last two decades, state tax revenues that support public higher education institutions have significantly fluctuated—with a trend toward a decrease in real dollars—across the country and within California. This decline came as states responded to the condition of the economy and shifted public dollars to other priorities.

The decrease in public investment has come at a time of increased student and industry demand for bachelor's, master's and other advanced degrees. Universities—including the California State University—have responded over the past two decades by making programmatic cuts while increasing tuition and fees in order to balance budgets. These cuts, coupled with shifting of costs from states to students and the connected reduction in educational opportunities for students were unfortunate, yet necessary, steps to continue to operate quality programs.

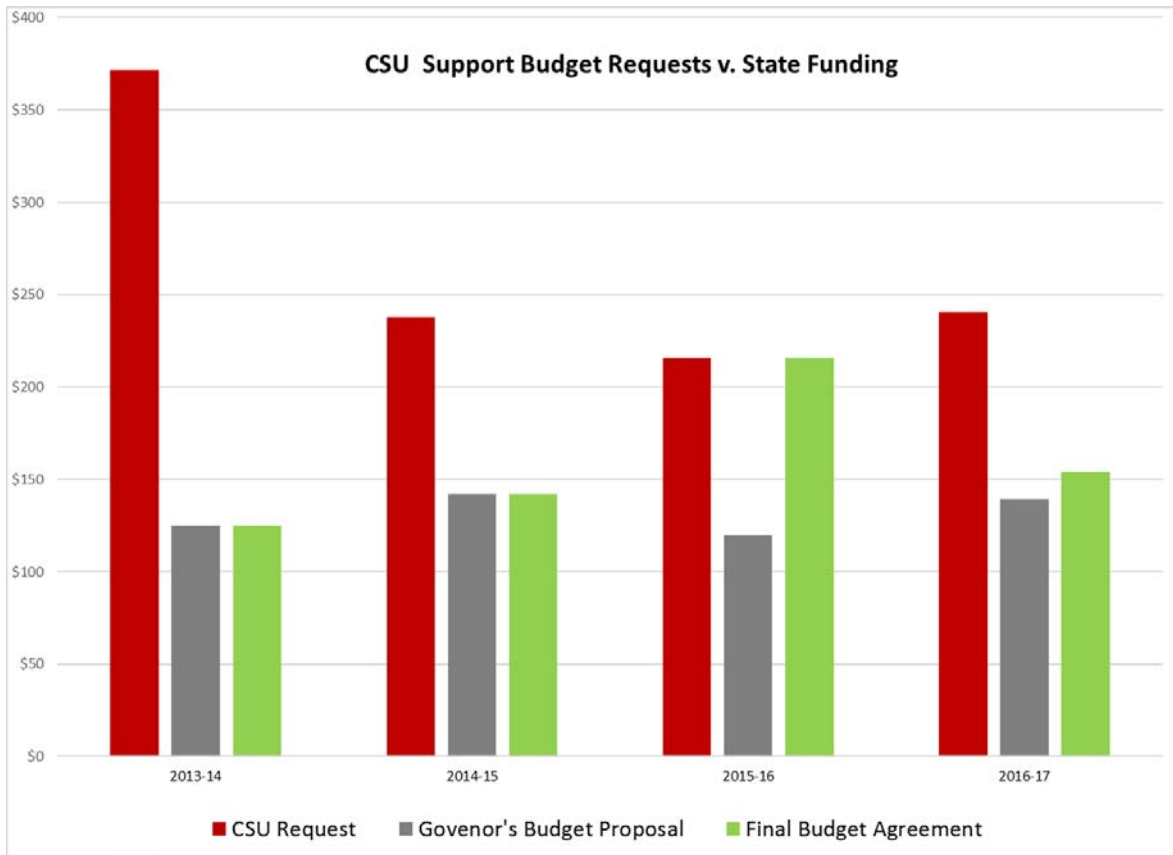
State investment in support of the CSU has moved from approximately 80 percent in the mid-1990s to closer to 50 percent by 2016-17, with the remaining revenue provided by tuition and fees. In spite of this fiscal trend, the CSU has remained committed to providing students a high-quality education and admitting qualified students from California's high schools and community colleges.

The CSSA has been a dedicated partner advocating with the CSU for increased state investment. Over the last four years, these advocacy efforts have coincided with an important increase in state tax revenues, which recovered by \$33.2 billion between the low point of the recession and today. However, the CSU is only now, as of 2016-17, funded at prerecession levels of 2007-08—despite serving 20,000 additional students.

Also over the past four years, the CSU consistently made support budget requests that would reinvest in our most critical priority areas, yet only once in the last four years since the worst days of the recession has that request been fully funded. Put another way, the state did not fund a total of \$425 million of recurring funding requested by the CSU since the recovery began (see below figure).

The governor's multi-year funding plan for the CSU from 2013-14 through 2016-17 provided increases in general fund support with a caveat requirement that tuition be held at 2011-12 levels. These state funds have allowed modest recoveries in course sections, faculty and staff hires, technology and infrastructure, while providing employees with salary increases for the first time since the beginning of the recession.

Based on recent information from the governor's administration, the governor will likely propose an increase of \$157.2 million to the CSU support budget for 2017-18. This will continue the limited and incremental nature of investment that has dominated state funding for the CSU during California's recovery.



2017-18 CSU Support Budget

Each September, the Board considers the preliminary support budget request and identifies funding priority areas. A final support budget request is brought before the Board in November for approval and is then submitted to the governor and legislature for their consideration.

During their meeting on September 20-21, 2016, the Board considered a preliminary support budget request that identified major priority areas. Current estimates indicate that these priority areas would require investment of \$346 million in new revenue. At this time, the CSU anticipates the governor will allocate \$157.2 million in new funding to the CSU in his January budget proposal. This leaves about a \$168.8 million funding gap between anticipated state funding and the real needs of the university.

Board of Trustees Priorities:

- I. *Graduation Initiative 2025:* The CSU is committed to improving the opportunities for a more timely graduation for all our students, including a doubling of the four-year graduation rate from 19 percent to 40 percent, achieving a 70 percent six-year graduation rate, shortening time to degree for transfer students, and closing the achieving gap among low income and underserved students. While these goals are important indicators of the overall effectiveness of the system,

the tools and strategies that will help support more students earning degrees in a timely manner are directly tied to the ability to invest new funding to improve tenure-track faculty hiring, student-advisor ratios, eAdvising platforms, college readiness and use of data to ensure resources are dedicated to the most important factors leading to overall student success.

- II. *Enrollment Growth:* The CSU confers the most baccalaureate degrees in the state and contributes to the California workforce in significant ways. Increased enrollment funding contributes to new sections of high-demand courses, hiring new tenure-track and temporary faculty, providing more academic and student support services, and bolstering overall institutional support and operation of the campus to serve additional students. With a total student body of more than 470,000 students, the CSU continues to see increased demand from qualified applicants each year.
- III. *Academic Facilities & Campus Infrastructure:* Leading-edge academic facilities support quality degree programs setting the stage for CSU graduates to be workforce ready and equipped to excel in their chosen field. CSU campuses have several of these academic and laboratory spaces, but a significant portion of CSU facilities are dated. Specifically, fifty-five percent of all CSU buildings are more than 40 years old. Every campus can point to a classroom building or a piece of critical infrastructure that has fallen into disrepair. While the CSU has maintained its buildings as best as it could with available funding, the state funded most of the costs associated with the construction and maintenance of academic buildings and campus infrastructure. The state shifted this obligation to the CSU in 2014, making facilities and infrastructure a significant consideration when developing and implementing the CSU support budget. Dedicating a portion of the CSU support budget to facilities and infrastructure is essential to allow the most pressing facility and infrastructure needs on campuses to be addressed.
- IV. *Employee Compensation:* Central to the student experience is the ability to interact, learn from and be guided by outstanding faculty and staff. The CSU is proud of our thousands of employees who are dedicated to our students and their success. As such, compensation increases are a significant priority for the CSU in order to remain competitive to recruit and retain faculty, staff and administrators who are committed to students' well-being and academic success.
- V. *Mandatory Costs:* Mandatory costs are the expenditures in the operating budget that increase annually due to inflation and other state, federal or statutory mandates that apply to the CSU. These include changes in the cost of health care and retirement for employees, changes in state and federal wage laws—including a multi-year incremental increase in the minimum wage—and the increased cost of operating and maintaining new facilities. Without funding for mandatory cost increases, campuses would have to make cuts and redirect resources from other program areas to meet these obligations.

Possible Tuition Proposal for Consideration

To ensure the university has all revenue options available to meet its 2017-18 priorities, the CSU must begin a conversation about a possible tuition increase. The process to potentially increase tuition begins with notification and this submittal to the CSSA.

In the coming months, appropriate consultation with and feedback from the CSSA and other CSU stakeholders on this possible tuition proposal will be aligned with CSU's shared governance model and considered by the Board. At the same time the CSU will engage with the CSSA, Academic Senate and other stakeholders to advocate for full funding of the CSU's support budget request.

It is anticipated that this consultation period will include an information item at the November 2016 Board meeting and an action item at the January 2017 Board meeting. The state budget cycle is asynchronous from the planning decisions of the CSU, as well as the planning that current and potential students must undertake to prepare for the 2017-18 academic year. Specifically, the outcome of the 2017-18 budget cycle will not be known until June 2017. To provide students and their families adequate time to plan, and to ensure the CSU is in alignment with the law, the administration, the Board, and all constituents must begin a conversation regarding tuition now. If a tuition increase is approved by the Board at their January 2017 meeting, the tuition increase would go into effect for the fall 2017 term and apply to the full 2017-18 academic year.

The potential tuition increase, not-to-exceed \$270 per resident undergraduate student, would take the annual tuition price from \$5,472 per student to \$5,742. Coupled with similar, potential, not-to-exceed tuition increases to non-resident tuition, as well as graduate, doctoral, and teacher credential programs, the potential increase would generate approximately \$77.7 million of new revenue in 2017-18 to support the Board's budget priorities described above.

POSSIBLE 2017-18 TUITION PROPOSAL FOR CONSIDERATION:
PREPARED FOR THE CALIFORNIA STATE STUDENT ASSOCIATION

2) PURPOSES/USE OF POSSIBLE INCREASED TUITION REVENUES

The state general fund and student tuition and fees are the two primary revenue sources that support the educational endeavors of more than 470,000 CSU students. The current support budget is made up of approximately 56 percent from state general funds and 44 percent from student tuition and fees.

State funding and tuition revenue support general operations of the university including instruction, academic support, student services, institutional support, operations and maintenance of academic facilities, and institutional financial aid.

The Board recently discussed a preliminary support budget plan for 2017-18 that would invest new resources in top priority areas (described on page 3-4 and summarized below). It is anticipated that the Board will adopt a final support budget plan for 2017-18 at its November 2016 meeting.

Once this budget plan is finalized by the Board and submitted for the state’s consideration, it is the responsibility of the governor and legislature to determine the appropriate amount of state general fund for the CSU. Subject to final Board decisions, and subsequent action by the governor and legislature on the CSU budget, revenue generated by a potential tuition increase would be used to partially support the categories of incremental expenditures in the table below.

Preliminary 2017-18 Budget Plan	
Incremental Expenditures	In Millions
Graduation Initiative 2025	\$75.0
Enrollment Growth: 3,600 FTES	\$40.0
Compensation: Current Commitments	\$140.0
Compensation: New	\$55.0
Academic Facilities & Infrastructure Needs	\$10.0
Mandatory Costs	\$26.0
Total	\$346.0
Anticipated Incremental Revenue	
General Fund:	
Administration’s Anticipated Funding Plan	\$157.2
Tuition Revenue:	
Net Tuition from Enrollment Growth	\$20.0
Total	\$177.2
CSU Remaining Need	\$168.8

3) and 4) POTENTIAL IMPACT TO STUDENTS AND MITIGATION OF IMPACT ON STUDENTS WITH FINANCIAL NEED

The CSU remains committed to keeping costs as low as possible for students. More than 60 percent of all CSU undergraduates have their tuition fully covered by grants and waivers. Nearly 80 percent of all CSU students receive some form of financial assistance. The CSU does not expect these percentages to change as the result of a possible tuition increase.

State Grants and Waivers

A student who receives a Cal Grant tuition award would not be affected by a potential tuition increase because the award amount for this state program is designed to pay the entire tuition cost. This would include students utilizing the California Dream Act Application. Similarly, a student who receives a state-mandated tuition fee waiver would not be affected by the potential tuition increase because these state programs are also designed to waive the entire cost of tuition.

Institutional Grants

The State University Grant (SUG) is available to undergraduates, teacher credential candidates, and graduate students. A student who receives a full SUG would not be affected by a potential tuition increase because this CSU-administered institutional aid program waives the entire tuition cost. For students who do not receive the maximum award to cover the full tuition cost and absent any other financial aid, SUG may cover the potential increase in tuition. However, individual SUG awards vary for each student. CSU doctoral programs and graduate business professional programs also offer need-based grant programs similar to SUG. As part of the potential tuition increase, SUG funding would grow by more than \$38 million to accommodate eligible students' additional need resulting from a potential tuition increase.

Federal Grant and Loans

Federal programs, such as the Pell Grant or loan programs may partially or fully cover tuition and may also partially or fully cover any potential tuition increase.

The maximum full-time Pell Grant award is \$5,815. If tuition were increased by an additional \$270 per year, CSU tuition would be \$5,742 which means a resident undergraduate student who qualifies for the maximum Pell Grant award would have the entire cost of tuition covered by this program. Pell Grant award amounts can vary based upon income and enrolled units. For students who do not receive the maximum award, and absent any other financial aid, the Pell Grant may partially cover the potential increase in tuition. However, individual Pell Grant awards vary for each student.

Loan programs can also be used to cover all tuition costs for a student. Based on CSU financial aid packaging policies in which grants and waivers are applied first, and loans second, it is unlikely that student loan debt would increase materially, if at all, in order to pay for a potential tuition increase.

Financial Aid Awareness

The CSU will continue its commitment to informing students and families of the availability of financial aid. Each campus maintains a robust internet site that provides information to students and families. Campuses will continue to communicate with students on a regular basis with reminders and notices of key application periods and deadlines. Information will continue to be available via the admission

POSSIBLE 2017-18 TUITION PROPOSAL FOR CONSIDERATION:
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application site (i.e. CSU Mentor) and calstate.edu. Campuses will also provide information as part of student outreach, the admission process, and orientation events as well as provide workshops both on and off campus to prospective and current students and their families.

Employment

CSU financial aid packaging policies do not include or establish a minimum workload expectation for students. A student may work to cover tuition and other college-related expenses and if he or she qualifies, can participate in the federal work-study programs for this purpose. For students who work to meet their full cost of attendance, at the current minimum wage of \$10 per hour, a resident undergraduate student would have to work approximately 33 additional hours per academic year—equivalent to 1 hour per week—to cover a \$270 potential increase in tuition (assuming taxes and other withholdings).

Student Indebtedness

While 49 percent of all CSU students graduate with some loan debt for college-related expenses, the amount of the debt is substantially lower than the California and national average, as shown in the table below.

AY 2013-14	Amount of Debt	% with Debt
National Average	\$28,950	69%
California Average	\$21,382	55%
CSU Average	\$14,388	49%

Average indebtedness would increase slightly if a student needs to borrow additional funds to cover the potential tuition increase. For example, if a student borrows an additional \$270 a year for four years of enrollment (total \$1,080), the anticipated monthly payment upon graduation would increase by approximately \$13, based on a maximum interest rate of 6.8 percent (currently 3.76 percent) and a standard 10-year repayment schedule. Based on similar terms and conditions, if a student borrowed an additional \$270 a year for six years of enrollment (total \$1,620), the anticipated monthly payment would increase by approximately \$19. With these changes included, average indebtedness at the CSU would still be significantly lower than the California average or national average.

5) ALTERNATIVES FOR ADDRESSING SUPPORT BUDGET SHORTFALL

The CSU has three primary options as alternatives for addressing its fiscal priorities in the coming year. These options are not mutually exclusive and may be combined in varying proportions by the end of the budget process. In general, the three options are described below.

Option A: Increase state funding to cover the full support budget request

The CSU's first priority and commitment is to pursue this option. The CSU will work with partners across the system including students, faculty, staff, business, union leaders, alumni, and friends to make the case in Sacramento for the level of new funding that supports student success. With the historic gains we have made in four-year and six-year graduation rates, the aggressive targets set out in Graduation Initiative 2025, and the state recently focusing on these same goals, our arguments for increased state funding have never been stronger. While additional state funding is the preferred option, the state allocation will not be known until a final budget agreement is reached in June 2017.

Option B: Increase tuition to partially cover the support budget request while continuing to advocate for more state funding

A potential, not-to-exceed tuition increase of \$270 per resident undergraduate student would take the annual tuition price from \$5,472 per student to \$5,742. Coupled with similar, potential, not-to-exceed increases to non-resident tuition, as well as graduate, doctoral, and teacher credential programs, the potential tuition increase would generate approximately \$77.7 million of new revenue in 2017-18. While the funding raised from a potential tuition increase would not fully fund the support budget request, it would allow for some investments to be made in critical areas, coupled with continued advocacy efforts in Option A to fully fund the support budget request.

Option C: In lieu of additional state funding or a potential tuition increase, reduce programs and services, both academic and non-academic

The CSU's required financial obligations exceed anticipated new revenues for 2017-18. If additional funding is not secured through Options A and/or B, many priority areas of the support budget would be reduced or eliminated while campuses would have to redirect funding from existing programs, services and priorities like the Graduation Initiative to fund a portion of mandatory cost obligations and employee compensation increases. Fewer course sections would be available to students, average unit load would go down and ultimately it could take longer for students to graduate.

The CSU will continue to pursue administrative efficiency and effectiveness. Efforts by the Office of the Chancellor and every campus to identify and employ administrative efficiencies and effectiveness will continue to be a high priority. As a quantifiable example of success in this area, the Office of Chancellor recently reported savings of approximately \$200 million over the past several years in academic support (e.g. electronic library resources and learning management systems), information technology, financial services, energy, purchasing, and shared services among campuses.

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However, it is important to manage expectations and dispel misconceptions about improved efficiency and effectiveness. With the 2017-18 preliminary budget plan funding gap of approximately \$168.8 million, these efforts will have a very small impact on narrowing that gap for two reasons. First, past successes have yielded, on average, savings of tens of millions of dollars per year. Based on currently available information, CSU anticipates several, single-digit million dollar savings opportunities that could culminate in 2017-18, but not significantly narrow the budget gap. Lastly, it is not always possible to align cost savings with annual budget cycles making it difficult to plan and redirect resources from one function to another.

Again CSU will continue to pursue this and realize efficiencies, maintain effectiveness, and identify cost savings as they become available.

More importantly, CSU will continue to examine ongoing investments to ensure they are in line with the mission of the university so that the money invested in CSU by the state and students is spent thoughtfully and with student success at its core.

POTENTIAL SYSTEMWIDE TUITION AND FEE CHANGES FOR THE 2017-18 ACADEMIC YEAR

Undergraduate, Credential and Graduate Programs

Table 1 shows the current and potential maximum tuition levels for undergraduate, credential, and graduate programs.

Table 1: Undergraduate, Credential and Graduate Tuition per Academic Year			
	Current Rate	Potential Rate	Dollar Change
Undergraduate Programs			
6.1 or more units	\$5,472	\$5,742	\$270
0 to 6.0 units	3,174	3,330	156
Credential Programs			
6.1 or more	6,348	6,660	312
0 to 6.0	3,684	3,864	180
Graduate and Other Post-Baccalaureate Programs			
6.1 or more	6,738	7,176	438
0 to 6.0	3,906	4,164	258

Summer rates would increase beginning with the summer 2018 term.

Doctoral Programs

The table below shows the current and potential maximum tuition rates for the three doctoral programs offered by the CSU.

Table 2: Doctoral Program Tuition Per Academic Year			
	Current Rate	Potential Rate	Dollar Change
Doctor of Education	\$11,118	\$11,838	\$720
Doctor of Nursing Practice	14,340	15,270	930
Doctor of Physical Therapy	16,148	17,196	1,048

Tuition for the Doctor of Physical Therapy program is mandated by state law (Education Code 66042.1) to be no higher than that of the University of California (UC).

The tuition for the Doctor of Education program is mandated by state law (Education Code 66040.5) to be no higher than the rate at the UC.

The law does not limit the tuition that may be assessed for the CSU Doctor of Nursing Practice program and does not link the CSU tuition and UC tuition and fees for doctoral nursing programs.

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Non-Resident Students

Non-resident tuition is in addition to applicable systemwide tuition. Table 3 shows the current and potential maximum per semester and per quarter unit rates for non-resident students.

	Current Per Semester Unit Rate	Current Per Quarter Unit Rate	Potential Per Semester Unit Rate	Potential Per Quarter Unit Rate
Non-Resident Tuition	\$372	\$248	\$396	\$264

Graduate Business Professional Program

The Graduate Business Professional Fee is in addition to applicable systemwide tuition. The Board resolution authorizing this fee requires that whenever the Board takes action to adjust tuition for graduate students, the same adjustment will be made to the Business Professional Fee. Table 4 shows the current and potential maximum per semester and per quarter unit rates.

	Current Per Semester Unit Rate	Current Per Quarter Unit Rate	Potential Per Semester Unit Rate	Potential Per Quarter Unit Rate
All Students	\$254	\$169	\$270	\$180

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TIMELINE

Date	Action
Sep 29, 2016	<i>California State Student Association</i> -- Provide potential tuition proposal to student representatives
Oct 5, 2016	<i>California State Student Association</i> -- Hold consultation meeting with student representatives to discuss potential tuition proposal
Nov 15-16, 2016	<i>Trustees</i> -- Information Item -- Hold public meeting to consider potential tuition proposal
Jan 31 – Feb 1, 2017	<i>Trustees</i> -- Action Item -- Hold public meeting to consider adopting potential tuition proposal
May 2017	<i>Campuses</i> -- Implement tuition increase in billing statements for continuing students for the 2017-18 academic year (if adopted)
June 2017	Outcome of 2017-18 state budget process
July 2017	Campus allocations made based on final budget decisions and available resources
Aug–Sept 2017	Fall 2017 classes begin

All dates and actions align with requirements of the *Working Families Student Fee Transparency and Accountability Act*.