

COMMITTEE ON FINANCE

Approval of the 2024-2025 Operating Budget Plan and Multi-Year Tuition Proposal

Presentation By

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Summary

This item recommends approval of the 2024-2025 CSU Operating Budget Plan by the Board of Trustees. The CSU's baseline operating budget totals \$8.1 billion. The 2024-2025 Operating Budget Plan would increase the budget by \$557 million. This represents a 6.9 percent increase.

Also, this item recommends approval of the Multi-Year Tuition Proposal recommended by the interim chancellor. The proposal would establish annual tuition rate increases of six percent for undergraduate students (\$342 for the 2024-2025 academic year). Similar increases would apply to all other levels of education. The increases would begin in fall 2024. The rate increases would span five academic years: 2024-2025 through 2028-2029. The Board of Trustees would need to determine any rate changes for 2029-2030 and beyond.

New revenue from the tuition increase and the state are necessary to balance the operating budget plan. Together, the operating budget plan and the tuition proposal would:

- Utilize all new revenue to ensure all students have the opportunity to earn lifelong, life-transforming benefits of a CSU degree.
- Keep tuition costs as low as possible for students.
- As identified by the CSU Sustainable Financial Model Workgroup, begin to narrow the funding gap between currently available revenue and needed investments.
- Provide the greatest level of revenue sustainability and predictability in the university's history.
- Express the budgetary values and priorities of the Board of Trustees to state lawmakers and the governor's administration.

This item includes additional information in two attachments. Attachment A is the proposed 2024-2025 Operating Budget Plan, which contains historical detail as well as prospective information for the Board of Trustees' consideration. Attachment B includes statutorily required information for the Multi-Year Tuition Proposal.

One Discussion, Two Resolutions

The Board of Trustees discussed at the July 2023 meeting the multi-year tuition proposal and, separately, the preliminary 2024-2025 Operating Budget Plan. However, after the board's discussion and further contemplation, it is logical to combine the discussion on operating budget expenditures and all revenue sources into one item. This is because these topics are inextricably linked and rarely can one be discussed without the other. For example, a discussion about a possible new expenditure inevitably leads to further discussion on how to pay for it. And vice versa—if new funding is provided to the CSU or the CSU generates new revenue, then a determination must be made on how the money is to be spent. It is anticipated that a comprehensive discussion of all revenue sources as well as all potential expenditures will improve decision-making and results.

The chancellor's office staff will present and the chair of the committee will facilitate conversation on the operating budget plan and tuition proposal as one discussion item. It is then recommended that the Board of Trustees take distinct actions on two separate resolutions: one resolution specific to the multi-year tuition proposal and the other resolution specific to the 2024-2025 Operating Budget Plan. Those draft resolutions are near the end of this written agenda item.

2024-2025 Operating Budget Plan

CSU Values and Priorities

The CSU has several value-driven priorities that are critical to the university and contribute to the mission and student achievement:

- Advance student success by expanding the work of the graduation initiative to support the CSU's broader mission of educational equity so that all students have the equal opportunity to earn the lifelong, life-transforming benefits of a CSU degree.
- Invest in faculty and staff who educate, inspire, and uplift our diverse and talented students.
- Ensure safe, modern, and sustainable facilities where teaching, learning and student well-being can thrive.
- Expand financial aid to support students with the greatest financial need.
- Grow enrollment to ensure a solid foundation for California's future economy with a degree-holding, well-educated citizenry.

2024-2025 Operating Budget Plan Summary

The CSU’s baseline operating budget totals \$8.1 billion. The 2024-2025 Operating Budget Plan would increase the baseline budget by \$557 million. This represents a 6.9 percent increase.

The Expenditure Priorities of the 2024-2025 Operating Budget Plan Reflect the CSU’s Values and Priorities

An organization’s budget reflects an organization’s values. This is the case at the CSU. As briefly shown in the below table and more exhaustively in Attachment A, the 2024-2025 Operating Budget Plan includes new, aspirational investments that complement the many values and priorities of the university. There is further evidence to support this claim as the expenditures have been placed in groups that stress the linkage between the budget, values, and priorities. Also, the plan contains necessary investments in required operational costs that are important for the long-term financial sustainability of the university. With these investments appropriately resourced, the CSU and the state will be in a better position to meet the overall economic and future workforce needs of California.

Incremental Ongoing Plan In Millions	2023-2024 Base	2024-2025 Increase	Change
Expenditures			
Student Access and Success			
Financial Aid: State University Grant	\$701	\$58	8%
Student Access & Enrollment		55	
Graduation Initiative	380	30	8%
Student Basic Needs & Mental Health	95	7	7%
Institutional Support			
Title IX and DHR Programs	20	16	80%
State and Federal NAGPRA Compliance		4	
Required Operational Costs	400	63	16%
Debt Service on Facilities & Infrastructure	440	25	6%
CSU Workforce Investments			
Faculty & Staff Compensation Pool	5,374	221	4%
Health Premium	699	78	11%
Total Ongoing Expenditures	\$8,109	\$557	6.9%

One-Time Expenditures In Millions		2024-2025 Increase	Change
Critical Capital Renewal		\$1,300	

The Necessary Revenue to Support the Expenditure Priorities

State general fund and student tuition revenue are the two primary sources that support the university's annual operating budget plan and the educational endeavors of approximately 460,000 CSU students.

To support the expenditure priorities of the budget plan, it would require a significant infusion of new, ongoing revenue from the state general fund and from a tuition increase. But the amounts of new revenue forecasted (state general fund) and proposed (tuition), will not be sufficient to fully support the new expenditures included in this plan.

The governor agreed to propose annual, ongoing state general fund increases of five percent for the term of the compact (or approximately 3.0 percent of the CSU Operating Fund) beginning in fiscal year 2022 and continuing through 2026-2027. The CSU anticipates that the governor's administration will again propose an ongoing state general fund increase of five percent for 2024-2025 or approximately \$240 million.

The interim chancellor is recommending a multi-year tuition proposal that would increase tuition rates beginning in the 2024-2025 academic year. The additional revenue resulting from the recommended six percent rate increase is included in the operating budget plan. The additional tuition revenue estimated from the proposed increase would be \$148 million in 2024-2025 (or approximately 1.8 percent of the CSU Operating Fund).

Tuition from the one percent resident, undergraduate enrollment growth is estimated at \$24 million (or approximately 0.3 percent of the CSU Operating Fund).

In sum, forecasted revenues of \$412 million (or approximately 5.1 percent of the CSU Operating Fund) would be available to support the plan. The multi-year tuition proposal and the governor's multi-year compact funding commitment would provide the greatest level of revenue sustainability and predictability in the university's history.

These forecasted revenue sources would allow the university to advance several—but not all—of the expenditure priorities included in the operating budget plan. Consequently, to balance the plan, an additional request of \$145 million state general fund above the state compact is included in the operating budget plan (or approximately 1.8 percent of the CSU Operating Fund). The grand total of these four revenue sources—compact commitment, tuition increase, tuition from enrollment growth and state general fund above compact—is \$557 million ongoing (or approximately 6.9% of the CSU Operating Fund).

At this early point in time, both positive and negative economic signals make the future uncertain and it is unclear if there will be additional state revenue (beyond those already identified) to support more CSU priorities. If the CSU does not secure funding at or beyond compact and tuition levels for the operating budget plan, priority areas of the operating budget would not be

funded, would be reduced or eliminated, and universities would have to redirect funding from designated balances and reserves (one-time) and existing programs (ongoing). Faced with budget reductions, it is possible that layoffs could occur, fewer course sections would be available to students, average unit loads would go down, and ultimately it could take longer for students to graduate, costing students more money and creating challenges for graduation initiative efforts.

Incremental Ongoing Plan In Millions	2023-2024 Base	2024-2025 Increase	Change
Revenue Sources			
Tuition	\$2,448	\$148	6%
Tuition: Access & Enrollment		24	1%
Campus-based Mandatory Fees	672		
General Fund			
Compact Commitment	4,989	240	5%
Additional Request (Above Compact)		145	3%
Total Revenue Sources	\$8,109	\$557	6.9%

Again, please review Attachment A, the proposed 2024-2025 Operating Budget Plan, which contains historical and prospective information for the Board of Trustees’ consideration.

Potential Opportunities to Address Additional Operating Budget Revenue Need

The CSU’s highest priority is to advocate for increased state funding above the compact and proposed tuition increase to cover the full operating budget plan. The CSU will work collaboratively with stakeholders and partners across the system including trustees, campuses, alumni, students, and CSU champions to make the case in Sacramento for increased funding that supports our priorities.

Multi-Year Tuition Proposal

The process to increase tuition has many steps. It began on May 25, 2023, with a written proposal to the California State Student Association (CSSA) and continues with appropriate consultation with, and feedback from, CSSA and other CSU stakeholders. The consultation period includes the information item at the July 2023 Board of Trustees meeting and this action item at the September 2023 board meeting. The tuition increase would go into effect for the fall 2024 term and apply to the 2024-2025 academic year. There is an 11-month lead time between the September 2023 board meeting and the implementation of the tuition increase. This span of time provides students and their families adequate time to plan and ensures that the CSU is in alignment with the law.

As one of the long-term financial sustainability solutions, the multi-year tuition proposal would apply to the following systemwide tuition and fee categories: systemwide tuition, nonresident tuition, and the graduate business professional fee (for simplicity purposes, these will be referred to collectively as “tuition”).

Under this proposal:

- Annual tuition increases would apply to all students at every level of education.
- Tuition would increase by six percent each year for all students.
- Tuition increases would span five academic years. The increases would begin with the 2024-2025 academic year and sunset at the end of the 2028-2029 academic year. These would be permanent rate increases, not temporary rate increases.
- At the end of the 2028-2029 academic year, tuition rates will remain at that level until the Board of Trustees takes another action, if any, for 2029-2030 and beyond. In other words, tuition rates will not return to 2023-2024 levels in 2029-2030.
- The chancellor’s office would begin in July 2027 an assessment of the approved tuition schedules and would report findings to the Board of Trustees in January 2028. The assessment would use several data sets to evaluate whether tuition increases met the tuition policy guiding principles and policy elements established (for more details, see Committee on Finance Agenda Item #4).
- Upon review of the assessment’s findings, the Board of Trustees would determine any tuition rate changes for 2029-2030 and beyond.

The proposed tuition increase of \$342 per resident undergraduate student would take the annual tuition price from \$5,742 per student to \$6,084 reflecting a six percent rate increase in 2024-2025. Similar rate increases are proposed for nonresident tuition, as well as graduate, doctoral, and teacher credential programs.

The proposal would generate \$148 million of revenue in the first year (2024-2025) and would dedicate \$49 million in the operating budget plan to the State University Grant (SUG) program for financial aid support for students. Over the first five years of the tuition increase, the proposal would generate \$860 million with a commitment of \$280 million for financial aid.

Undergraduate, Credential and Graduate Programs

The following tables show the current and proposed tuition rates for full- and part-time undergraduate, credential, and graduate programs.

Summer rates would increase beginning with the summer 2025 term.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Undergraduate (full-time)	\$ 5,742	\$ 6,084	\$ 6,450	\$ 6,840	\$ 7,248	\$ 7,682

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Undergraduate (part-time)	\$ 3,330	\$ 3,528	\$ 3,738	\$ 3,962	\$ 4,200	\$ 4,452
Credential (full-time)	\$ 6,660	\$ 7,062	\$ 7,488	\$ 7,938	\$ 8,414	\$ 8,918
Credential (part-time)	\$ 3,864	\$ 4,098	\$ 4,344	\$ 4,604	\$ 4,880	\$ 5,172
Graduate (full-time)	\$ 7,176	\$ 7,608	\$ 8,064	\$ 8,550	\$ 9,066	\$ 9,612
Graduate (part-time)	\$ 4,164	\$ 4,416	\$ 4,680	\$ 4,962	\$ 5,262	\$ 5,580

Doctoral Programs

The tables below show the current and proposed tuition rates for the six doctoral programs offered by the CSU. Noted are any limitations to future tuition increases. Because state law requires that four of the six rates must be coordinated with the University of California (UC) and future UC rates are not yet determined, rate increases for future years may not occur if the rate has reached the not-to-exceed threshold. Due to this potential administrative complexity over the next five years, it is recommended that the Board of Trustees establish the following tuition rate schedule for the doctoral programs and delegate to the chancellor the authority to hold or adjust individual doctoral program tuition rates, as necessary.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Doctor of Audiology	\$ 14,742	\$ 15,624	\$ 16,560	\$ 17,556	\$ 18,612	\$ 19,728
Doctor of Education	\$ 11,838	\$ 12,546	\$ 13,296	\$ 14,094	\$ 14,940	\$ 15,836
Doctor of Nursing Practice	\$ 15,270	\$ 16,188	\$ 17,160	\$ 18,192	\$ 19,284	\$ 20,442
Doctor of Occupational Therapy	\$ 17,196	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Physical Therapy	\$ 17,196	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Public Health	\$ 18,900	\$ 18,900	\$ 20,034	\$ 21,236	\$ 22,510	\$ 23,860

- Doctor of Audiology program tuition is mandated by state law (Education Code 66041.1) to be no higher than the rate at UC.
- Doctor of Education program tuition is mandated by state law (Education Code 66040.5) to be no higher than the rate at UC.
- State law does not limit the tuition that may be assessed for the CSU Doctor of Nursing Practice program.
- State law does not limit the tuition that may be assessed for the Doctor of Occupational Therapy program.
- Doctor of Physical Therapy program tuition is mandated by state law (Education Code 66042.1) to be no higher than the rate at UC.

- Doctor of Public Health program tuition is mandated by state law (Education Code 66044.1) to be no higher than the rate at UC. Because the 2023-2024 rate was just established in January 2023, the first increase will be effective with the 2025-2026 academic year.

Nonresident Students

Nonresident tuition is in addition to applicable systemwide tuition. The following table shows the per semester and per quarter unit tuition rates for nonresident students. Revenue from nonresident tuition varies widely by campus and is kept locally at each campus to educate nonresident students.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Semester Rate (per unit)	\$ 396	\$ 420	\$ 444	\$ 471	\$ 498	\$ 528
Quarter Rate (per unit)	\$ 264	\$ 280	\$ 296	\$ 314	\$ 332	\$ 352

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 Graduate Business Professional Fee. The following table shows the per semester and per quarter unit rates. Revenue from Graduate Business Professional Fees vary widely by campus and is kept locally at each campus to educate graduate students.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Semester Rate (per unit)	\$ 270	\$ 285	\$ 303	\$ 321	\$ 339	\$ 360
Quarter Rate (per unit)	\$ 180	\$ 190	\$ 202	\$ 214	\$ 226	\$ 240

Further Information and Summary of Public Comment

The process to increase tuition began on May 25, 2023, with a written proposal to the CSSA. The consultation period included a discussion of the information item at the July 2023 Board of Trustees meeting. The discussion continued with appropriate consultation with, and feedback from, other CSU stakeholders and includes this action item for the September 2023 Board of Trustees meeting.

To provide students and their families with as much information as possible for planning purposes, the <http://www.calstate.edu/tuition-increase> website includes information on the proposal. It provides information about the possible tuition increase, including proposed rate increases, general and specific campus financial aid resources, answers to frequently asked questions and other information.

The webpage also provides the opportunity for students, their families, and anyone else to comment on the proposal. Comments were collected from the webpage and from public comments provided during the July 9-12, 2023 Board of Trustees meeting. Most comments opposed the multi-year tuition increase. A few respondents indicated they understand the need for the increase, but they believe the state should be the primary funding source for the CSU. Additionally, a few commented on finding alternative funding in place of increasing tuition. Other respondents raised issues that were unrelated to the multi-year tuition proposal, and outside of the university's control.

Public feedback fell into three main categories: 1) overall affordability and increasing future student debt, specifically highlighting concern for those not receiving financial aid, 2) transparency in the use of all new revenue to support students, and 3) the state's responsibility to fund the CSU rather than charging students higher tuition.

Recommended Changes to the Proposal Since the July 2023 Board of Trustees Meeting

Based on feedback from the trustees and other stakeholders, the chancellor's office revised the tuition proposal in two ways.

Scheduled Sunset

The prior proposal would have begun tuition increases with the 2024-2025 academic year with no end—no scheduled sunset date. Several trustees were concerned that annual tuition increases would have continued in perpetuity. The revised proposal would establish a sunset of five years. Specifically, tuition rates would increase by six percent per year beginning with the 2024-2025 academic year and the last scheduled increase would occur for the 2028-2029 academic year. Any change for the 2029-2030 academic year or beyond would require affirmative action by the trustees at a later date.

Assessment

Several trustees stated an interest in a CSU assessment of the effect of tuition rate increases near the end or at the end of the approved tuition schedules. The revised proposal would have the chancellor's office begin an assessment of the tuition increases in July 2027 and a report to the Board of Trustees in January 2028 of that assessment. This timeline would provide the Board of Trustees with the opportunity to consider during the spring and summer of 2028 changes to rates for the 2029-2030 academic year or beyond.

The assessment would include, at a minimum, the following:

- Tuition rate comparisons,
- Student financial assistance by demographic,
- Student debt burden,
- Student achievement, such as retention rates, graduation rates, and equity gaps,
- Generated tuition revenue, and
- Student financial need met by institutional aid.

Agenda Item 4 of the Committee of Finance would incorporate this assessment into the tuition policy so that this proposed five-year tuition rate increase and all future rate increases would be similarly assessed. Additional detail is available in that item.

September 2023 Action by the Board is Important

Action by the Board of Trustees is necessary at the September 2023 meeting for several reasons. First, the timing of this vote is intended to provide students and families with clarity around tuition rates as early as possible as they consider applying for admission at CSU universities. With the fall 2024 application period scheduled from October 1 to November 30, 2023, a delay in the tuition vote would introduce uncertainty during the application and early admission process. Second, students also need to better understand their financial aid situation as early as possible to make informed decisions. The September approval would provide the universities adequate time to update communications and package financial aid for students. Third, campus leadership is in the process of making budget decisions for the upcoming year, and a September approval provides adequate time to make informed decisions.

Recommendation

The following resolutions are presented for approval. The members of the Committee on Finance and the full board will vote separately on each. The recommendation is to first vote on the tuition proposal because the operating budget plan assumptions are dependent on new tuition revenue from a rate increase.

The following resolution is recommended for approval:

Tuition Rates for the 2024-2025 through the 2028-2029 Academic Year

RESOLVED, By the Board of Trustees of the California State University that the following academic year 2024-2025 through 2028-2029 schedule of systemwide tuition and per-unit fees be approved, effective fall term 2024:

Academic Year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
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Undergraduate Programs					
Full-Time (6.1+ units)	\$ 6,084	\$ 6,450	\$ 6,838	\$ 7,248	\$ 7,682
Part time (0-6.0 units)	\$ 3,528	\$ 3,738	\$ 3,962	\$ 4,200	\$ 4,452
Credential Programs					
Full-Time (6.1+ units)	\$ 7,062	\$ 7,488	\$ 7,938	\$ 8,414	\$ 8,918
Part time (0-6.0 units)	\$ 4,098	\$ 4,344	\$ 4,604	\$ 4,880	\$ 5,172
Graduate & Post-Baccalaureate					
Full-Time (6.1+ units)	\$ 7,608	\$ 8,064	\$ 8,548	\$ 9,060	\$ 9,604
Part time (0-6.0 units)	\$ 4,416	\$ 4,680	\$ 4,960	\$ 5,258	\$ 5,574
Doctoral Programs					
Doctor of Audiology	\$ 15,624	\$ 16,560	\$ 17,554	\$ 18,608	\$ 19,724
Doctor of Education	\$ 12,546	\$ 13,296	\$ 14,094	\$ 14,940	\$ 15,836
Doctor of Nursing Practice	\$ 16,188	\$ 17,160	\$ 18,190	\$ 19,282	\$ 20,438
Doctor of Occupational Therapy	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Physical Therapy	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Public Health	\$ 18,900	\$ 20,034	\$ 21,236	\$ 22,510	\$ 23,860
Nonresident Fee					
Semester Rate (per unit)	\$ 420	\$ 444	\$ 471	\$ 498	\$ 528
Quarter Rate (per unit)	\$ 280	\$ 296	\$ 314	\$ 332	\$ 352
Graduate Business Professional					
Semester Rate (per unit)	\$ 285	\$ 303	\$ 321	\$ 339	\$ 360
Quarter Rate (per unit)	\$ 190	\$ 202	\$ 214	\$ 226	\$ 240

The systemwide tuition and fees provided in the above table are for the academic year. The applicable per-term schedules, for universities based on a semester or quarter calendar for regular students (6.1 units or more per term) and part time students (up to 6.0 units per term), and for the academic year will be provided on the calstate.edu internet site; and be it further

RESOLVED, the chancellor will amend the systemwide tuition and fee rate increase(s) if such action is required by the state budget act approved for 2024-2025, 2025-2026, 2026-2027, 2027-2028, or 2028-2029 or if such action is limited by state law (e.g., doctoral programs). Any such changes made by the chancellor will be communicated promptly to the trustees; and be it further

RESOLVED, revenue from the tuition increase will be used for purposes of student achievement and success, as outlined in the board-approved operating budget plan each year; and be it further

RESOLVED, the chancellor will report to the board in January 2028, regarding an assessment of these tuition rates, using data to evaluate the tuition policy

established by the Board; and be it further

RESOLVED, the scheduled tuition rate increases will sunset July 1, 2029, and require board review and action to change rates beyond the 2028-29 academic year rates approved by this resolution.

The following resolution is recommended for approval:

Approval of the 2024-2025 Operating Budget Plan

RESOLVED, that the future of California rests on the California State University's ability to provide a high-quality, affordable, and accessible education to 460,000 students each year; and be it further

RESOLVED, by the Board of Trustees of the California State University that the 2024-2025 Operating Budget Plan is approved as submitted by the chancellor; and be it further

RESOLVED, that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that the chancellor promptly communicate any changes to the trustees; and be it further

RESOLVED, that the chancellor transmit copies of this resolution and the 2024-2025 CSU Operating Budget Plan included as Attachment A to this agenda item to the governor, to the director of the Department of Finance, and to the legislature.

Statutorily Required Information for the Multi-Year Tuition Proposal

Summary

The trustees have the sole authority to establish and adjust systemwide tuition. In order to increase tuition in a fiscal year without state appropriation cuts, the CSU must follow a precise timeline and meet several requirements outlined by the Working Families Student Fee Transparency and Accountability Act (Act).

The following steps have been taken. The chancellor's office prepared and delivered to the California State Student Association (CSSA) the "CSU Multi-Year Tuition Proposal" on May 25, 2023. A consultation meeting between CSSA executive leadership and chancellor's office representatives to discuss the proposal followed on May 30, 2023. (Note: the chancellor's office met with CSSA on this topic numerous other times including, most notably, the CSSA Board of Director plenary meeting on July 9, 2023 and CSSA's CSUnity conference on August 14, 2023). Next, the Act requires public notice of the proposed tuition increase, followed by a meeting of the trustees to discuss the proposal and gather public comment (the July 9-12, 2023 meeting and agenda materials met this requirement) and required public notice of the proposed action on tuition followed by a meeting of the trustees to act on tuition (these September 10-13, 2023 agenda materials and subsequent meeting satisfy this requirement).

More specifically, the Act (California Education Code sections 66028 through 66028.6) requires the following information to be provided at least five days prior to the consultation meeting with the CSSA and included in both the tuition information and action agenda items. Specifically, the law requires the following information: 1) the justification for the proposed tuition increase, 2) the purposes for which the new revenue will be used, 3) the potential impact to students, 4) the efforts to mitigate the increase on students, and 5) alternative proposals in lieu of the tuition proposal. This information was provided to the CSSA via the "CSU Multi-Year Tuition Proposal" on May 25, 2023 and to the board at the July 9-12, 2023 meeting under Agenda Item 7 Multi-Year Tuition Proposal of the Committee on Finance. To minimize the length of this item and meet the statutory requirement, this attachment once again contains this information. Please note that the only substantive change to the information in this attachment is an update to designated balances and reserves as of June 30, 2023. These amounts were unavailable at the July 2023 board meeting.

Justification for the Multi-Year Tuition Proposal

The CSU is the largest driver of social mobility for students and their families in the state. The 23 universities are widely regarded by policymakers, business leaders, millions of CSU alumni and the broader California public as one of the most important drivers of California's economy, locally, regionally and across the state. To ensure the CSU can continue to fulfill this role—while maintaining diversity, academic quality and rigor—new investments in the CSU are crucial.

State general fund and student tuition and fee revenue are the two primary sources that make up the university's operating budget and support the educational endeavors of approximately 460,000 CSU students. Over the past 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 state's share of the total CSU operating budget has decreased from approximately 80 percent in the mid-1990s to 60 percent by 2022-2023, with the remaining revenue provided by tuition and fees. Despite this fiscal trend, the CSU has remained committed to keeping tuition affordable, providing all students a high-quality education and admitting as many qualified students from California's high schools and community colleges as can be accommodated. Ninety-four percent of CSU students are from California.

The CSU's priority is to advocate for and pursue increased state funding to cover elements of the operating budget plan for 2024-2025 and beyond. Over the past decade, these advocacy efforts have coincided with an important increase in state tax revenues, which recovered by tens of billions of dollars between the low point of the Great Recession and the 2022-2023 state budget year. The CSU has and will continue to collaborate with stakeholders and partners across the system including trustees, students, faculty, staff, union leaders, alumni, business partners and friends to make the case in Sacramento to fund the CSU's priorities.

Over the past 10 years, the CSU made operating budget plans that would fund the most critical priority areas, such as academic and student support service improvements through Graduation Initiative 2025, additional student basic needs investments, and improved academic facilities for better learning environments and student collaboration spaces. However, only once in the last 10 years has that plan been fully funded.

The CSU appreciates Governor Newsom's multi-year compact that ensures a five percent increase to the CSU's general fund appropriation for five years. This commitment has been and will continue to be an important fiscal foundation for the universities. However, more funding is still needed for the CSU to continue advancing its educational mission and to do so through the 21st century. The governor's compact only provides funding through 2026-2027 and due to current economic and budgetary indicators and other state priorities, there is the possibility that the state may not be able to significantly supplement the CSU budget at or beyond the committed levels of the multi-year compact.

Beginning in the spring of 2022, members of the board expressed a desire to deeply explore the totality of university costs, expenditures, and revenues. A greater understanding of these budgetary factors would help the board identify the necessary multi-year investments in the university and would chart a long-term fiscal plan for the CSU. As a result, Interim Chancellor Jolene Koester appointed the Sustainable Financial Model Workgroup in July 2022, and charged it to recommend

a multi-year strategy to achieve stable and predictable revenues to support the CSU mission, maintain affordability for its students, and recognize the differing needs of its 23 universities.

Currently, the CSU budget reflects expenditures and the revenues it receives, that is, the CSU spends what it gets, but these expenditures do not capture what it more appropriately costs to operate the university system. When the CSU receives less revenue than it requests from the state or generates from tuition, two things occur: (1) some costs go unaddressed (e.g., increased student support, critical capital renewal projects and up-to-date instructional equipment and appropriate workforce investments) and (2) costs that cannot be deferred are accommodated by redirecting funds from existing programs and purposes, leaving those areas under-resourced. These two actions create a disconnection between costs and expenditures. The workgroup concluded that CSU costs exceed the amounts expended, creating an expenditure gap. When compared with university revenues, there is similarly a funding gap.

The annual five percent multi-year compact commitment (coupled with the assumption that the commitment continues beyond 2026-2027) would provide an additional \$1.3 billion in new funding by 2028-2029. While advocating for additional state funding will continue to be the CSU's top priority, it is unlikely that state funding alone would be able to meet CSU's funding needs.

Tuition is the only other significant source of revenue for the CSU operating fund. Tuition has been held flat for 10 of the last 11 years through 2022-2023, which has helped maintain affordability for as many students as possible and kept the CSU as one of the most affordable institutions of higher education in the country. However, the absence of a tuition increase has also prevented the CSU from having sufficient resources to keep up with rising costs. For example, the annual tuition for an undergraduate student increased only once by \$270 (or five percent) since 2011-2012. By comparison, inflation increased by 39 percent over that same time period. Implementing the multi-year tuition proposal would provide the CSU with an additional \$840 million in tuition revenue by 2028-2029, which would help the 23 universities address more of the CSU's budgetary priorities than the status quo.

An underfunded budget requires the universities to redirect funding from existing programs, services and priorities like the Graduation Initiative to fund required operating cost obligations. A persistently underfunded CSU could mean fewer course sections, reduced average unit loads, less student services and a longer timeline to graduation. The CSU would also be limited in its ability to build or renew critical capital projects on the campuses, adjust employee compensation to remain competitive in the higher education industry and create or improve additional safe, functional and educationally appropriate learning environments.

Financial sustainability and predictability are critically important for the CSU to accomplish its mission and overcome its challenges. A strategic, multi-year increase to tuition, nonresident tuition and the graduate business professional fee, beginning with 2024-2025, would provide additional

resources to better ensure that Californians have opportunities to earn lifelong, life-transforming benefits through CSU educational programs. A multi-year tuition proposal and the governor's multi-year compact funding commitment would provide the greatest level of revenue sustainability and predictability in the university's history.

How New Revenues Would Be Used

It must be emphasized that the additional revenue is necessary to pay for existing programs, services, priorities and unfunded state and federal mandates. That said, additional revenue received from a tuition increase also likely would be invested in the budget priorities that reflect the values and mission of the university:

- Expand the work of Graduation Initiative 2025 to support the CSU's broader mission to advance educational equity so that all students have the equal opportunity to earn the lifelong, life-transforming benefits of a CSU degree.
- Provide competitive salaries and benefits to our faculty and staff who educate, inspire and uplift our diverse and talented students.
- Ensure safe, modern and sustainable facilities where teaching, learning and student well-being can thrive.
- Continue to provide financial aid to assist students with the greatest financial need. This would cover the full cost of tuition and could also be expanded to cover other attendance costs of the university.

More specifically, additional revenue received from tuition would be used to support seven key priorities over a multi-year period. Decisions on the precise amount of ongoing funding to be dedicated to each of the key priorities will be made through the annual CSU budget process and periodically by way of finalized collective bargaining agreements.

1. **Graduation Initiative:** Launched in 2016, the graduation initiative aims to increase graduation rates for first-time and transfer students, eliminate equity gaps for underrepresented minority students and Pell Grant recipients and meet California's workforce needs. Reducing time to degree means that graduates enter the workforce or graduate sooner, with less debt, positively impacting their future and producing additional graduates to power California.

Based on 2022 data, four- and six-year graduation rates for first-time students and two- and four-year rates for transfer students continue to increase and many have reached and sustained all-time highs.

- The four-year graduation rate for first-time students increased from 19 percent to 35 percent.

- The six-year graduation rate for first-time students increased from 57 percent to 62 percent.
- The two-year graduation rate for transfer students increased from 31 percent to 40 percent.
- The four-year graduation rate for transfer students increased from 73 percent to 80 percent.

Despite systemwide efforts, eliminating equity gaps—the difference in graduation rates between students from historically underserved backgrounds and their peers—remains an ongoing challenge. To address this, the CSU adopted and began implementing an equity action plan that is re-engaging underserved students who have disenrolled, expanding the use of digital degree planners, reviewing and restructuring courses with inequitable low-pass rates, bolstering student opportunities to earn credits during summer and winter sessions, and eliminating administrative barriers.

Students have expressed a desire for increased support services that meet their diverse individual needs. This approach necessitates the need for an elevated level of support and engagement with students. The additional tuition revenue will help to fill the already existing funding gap in student services and enhance the educational experience for students. Student basic need programs remain a priority investment as the CSU takes a holistic look at students' well-being both inside and outside the classroom. While the primary mission of the CSU is educational in nature, students cannot be fully engaged in or out of the classroom if they do not receive appropriate support services. Continued investment in these efforts may include but are not limited to the following:

- Tutoring, peer mentoring, and academic support
 - Cultural centers (space, staffing & programming)
 - Title IX efforts to include bystander and prevention education
 - Increasing the number of students participating in high-impact practices such as undergraduate research, international experiences, and internships
 - Early alert systems and case management efforts to support student retention and persistence
 - Increased efforts to re-engage and re-enroll students who have dropped out of college
 - On-campus student employment opportunities
2. CSU Workforce Investments: 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 the thousands of its employees who are dedicated to students and their success. The CSU recognizes that a competitive compensation package is essential to recruit and retain a diverse world-class workforce, which is a key element to student success. Unfortunately,

there are current fiscal challenges that limit the CSU's ability to adequately address compensation. The 2023-2024 budget plan is a good example. After addressing other critical CSU budget needs, the remaining funding available for compensation improvements would be equivalent to less than a two percent general salary increase for all employee groups. Two percent is less than the rate of inflation today and for the near future. Without additional funding in the form of tuition revenue, the CSU would not be able to sufficiently fund compensation and remain competitive in today's job market.

Workforce investments are subject to collective bargaining. The mutual agreement between the CSU and each CSU bargaining unit will determine the form of compensation that additional state general fund and tuition revenue will support.

3. **Academic Facilities & Infrastructure Needs:** To provide students with the best possible educational experience, it is necessary to regularly invest in critical infrastructure and academic facilities. The CSU's five-year plan has identified—in 2023-2024 alone—more than \$4.2 billion in systemwide academic infrastructure and facility needs. The five-year capital outlay and infrastructure improvement plan primarily identifies renewal and replacement needs of existing buildings, along with some new facilities to be constructed to advance student access. These priorities of the plan are consistent with the state's priorities of critical infrastructure, energy efficiency and life safety projects, to increase the CSU's capacity to serve its existing and projected enrollment. Many of these projects would support students seeking careers in engineering, health care and the sciences.
4. **Required Operational Costs:** Required operational costs are expenditures the university must pay regardless of the level of funding allocated by the state, and they often increase independent of growing, flat or declining state support. Over the past decade, the final state budget received by the CSU has not included funding explicitly for a variety of expenses such as utilities, technology, instructional equipment, library subscriptions, contracts and other supplies. Examples of emerging required operational costs are Title IX and discrimination, harassment and retaliation programs, liability and property insurance premiums and heightened rates of inflation. More specifically, the California Consumer Price Index increased by 6.6 percent in 2021-2022 alone, with no new funding to cover these rising costs. Insurance premiums are on the rise across the country and even more so for California public entities. Numerous factors contribute to this increase such as an overall rise in claims (especially for wildfires in recent years) and inflated values of settlements and verdicts.
5. **Investment In High-Demand Instruction:** Instruction is the core function at the CSU and receives the largest share of funding. Costs associated with high-demand degrees in health and science, technology, engineering and mathematics (STEM) fields are often higher than other disciplines. The difference between the costs and expenditures in instruction

highlights questions about the capacity of campuses to finance increased enrollments in higher-cost, high-demand disciplines and support the balance of the CSU student population.

The renewed emphasis on undergraduate education outcomes—to improve student learning outcomes, persistence, and graduation rates for students in STEM—has become an institutional imperative. There is a recognized need to invest in more student-centered learning environments that are built on the foundations of conceptual learning goals and use the most effective research-based teaching, learning and assessment strategies. Indeed, the increasingly interdisciplinary nature of the global challenges our society faces requires that students engage in learning that will prepare them to address and solve 21st-century problems. Improved learning environments have led to more students graduating and entering the workforce with high-wage career opportunities.

STEM leaders also recognize that in addition to improvements in pedagogy and curriculum, multifaceted changes are needed to create student success. Student advising, faculty professional development, student research mentoring and academic support programs are central to student success.

6. Strategic Resident Enrollment Growth: The CSU continues to plan for steady and strategic increases in enrollment to meet student demand for a CSU education and the needs of California’s future workforce. The governor’s multi-year compact includes a requirement of one-percent growth in resident undergraduate students annually through 2026-2027. It is the CSU’s intent to place new enrollment strategically at campuses that are experiencing significant prospective student demand and can expand more seats in academic programs that are vital to reducing current and prospective workforce shortages.
7. Expand Financial Aid Opportunities: Continuing to provide financial aid to assist students with the greatest financial need is of utmost importance. At present, the CSU’s State University Grant (SUG) program covers the full cost of tuition for more than 100,000 low-income CSU students and the program could be expanded to cover other attendance costs of the university.

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. Nearly 82 percent of all CSU students receive financial aid and nearly 60 percent of all enrolled undergraduate financial aid recipients receive non-loan aid to cover the full cost of tuition. The CSU does not expect these percentages to change as the result of a possible tuition increase.

The CSU understands the impact financial aid has on social mobility – a student’s ability to attend college, earn a baccalaureate degree and enter the California workforce in a position to attain greater lifetime earnings. The CSU strives to keep costs to a minimum by offering institutional aid (most notably SUG) in addition to federal and state grant and loan programs. Financial aid allows CSU students to better focus on their academics by easing the pressure of educational and personal costs. The average financial aid award for a CSU student is \$11,070.

The CSU’s goal is to use tuition revenue generated from a rate increase for additional financial aid support for students. The percentage would be determined each year through the CSU operating budget plan, approved by the board, based on available funding and student needs. This would provide the CSU the necessary flexibility to dedicate more or less tuition revenue per year to financial aid depending on the financial condition of the state’s economy and the effect that the state budget would have on the CSU’s financial position. This increased source of financial aid would continue to support the CSU’s financially neediest students by paying the full cost of tuition and up to fifty percent of the campus-based mandatory fees. The CSU currently provides \$945 million in institutional aid; \$701 million of that aid is associated with the SUG program.

State Grants and Fee Waivers

The multi-year tuition proposal would not typically affect a student who receives a Cal Grant tuition award because the state designed the program so that the award amount pays the entire tuition cost. This would include students utilizing the California Dream Act Application. However, there is no guarantee that the state will increase Cal Grant awards if the CSU annually raises tuition. Similarly, the proposed tuition increase would not affect a student who receives a statutory tuition fee waiver because the state designed these programs to waive the entire cost of tuition.

Institutional Grants

SUG is available to undergraduates, teacher credential candidates and graduate students. The multi-year tuition proposal would not affect a student who receives a full SUG because this CSU-administered institutional aid program covers 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 still cover the proposed 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 like SUG. As part of the proposal, SUG funding could grow \$280 million (from 2024-2025 through 2028-2029) to accommodate eligible students’ additional needs that could result from a tuition increase.

Federal Aid

The maximum full-time Pell Grant award for 2023-2024 is \$7,395. Any changes to the 2024-2025 Pell award amounts are not known at this time. Under the proposal, the increases to CSU tuition would not exceed the maximum 2023-2024 Pell Grant award until 2028-2029. This means a resident undergraduate student who qualifies for the maximum Pell Grant award would have the

cost of tuition covered by this program through at least 2028-29 even if the maximum Pell Grant award did not increase. At the CSU, most resident students who are eligible for a full Pell Grant also qualify for a Cal Grant or SUG tuition award. For those students, non-loan aid would still fully cover the cost of tuition.

For those students who qualify for the Cal Grant or SUG, the Pell Grant may be used for non-tuition expenses including campus-based fees, books, housing and other living expenses.

Pell Grant award amounts can vary based on 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 proposed increase in tuition.

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 website 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 application site (i.e., [Cal State Apply](#)) and [calstate.edu](#). Campuses will also provide information as part of student outreach, the admission process and orientation events as well as through 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 on or off campus to cover tuition and other college-related expenses and, if the student qualifies, one can participate in the Federal Work-Study program. For students who work to meet their full cost of attendance, at the current minimum wage of \$15.50 per hour, a resident undergraduate student would need to work approximately 166 additional hours over a four-year academic career or an average of 42 hours per year—equivalent to roughly 0.8 hours per week—to cover the additional \$2,286 of tuition for a full-time undergraduate student entering the CSU in 2024-2025.

Loans and Student Indebtedness

Loan programs can also be used to cover 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, to pay for a tuition increase.

While 42 percent of all CSU students graduate with loan debt for college-related expenses, the amount of the debt is substantially lower than the California and national average. In 2021-2022, CSU baccalaureate degree recipients had lower average debt (\$17,682) than the 2019-2020 non-CSU California student average (\$21,125) and well below the 2019-2020 national average

(\$28,950). Given this, the multi-year tuition proposal should keep CSU graduate debt below the California average and the national average for many years.

If a student were to borrow additional funds to cover the proposed tuition increase, average indebtedness would increase. For example, a full-time undergraduate student entering the CSU in 2024-2025 would pay \$2,286 more for four years of enrollment. If a student were to borrow, the anticipated monthly payment upon graduation would increase by \$28, based on a maximum interest rate of 8.25 percent (currently 5.49 percent) and a standard 10-year repayment schedule. Based on similar terms and conditions, if a student were to borrow \$6,096 more for six years of enrollment, the anticipated monthly payment would increase by approximately \$75. With these changes included, average indebtedness at the CSU would continue to be lower than the national average.

Alternative Options

The CSU has five primary options as alternatives for addressing the current fiscal priorities. These options are not mutually exclusive and may be combined in varying proportions.

1. Advocate for increased state funding to cover full operating budget plans

The CSU's first priority and commitment are to make the case with state leaders that additional investments in the CSU are necessary and in the best interest of the state and students. The CSU continues to collaborate with partners across the system including students, faculty, staff, businesses, union leaders, alumni and friends to make the case in Sacramento. While additional state funding will always be the preferred option, the current budgetary indicators for the state do not look promising over the next few years making it more challenging for the state to provide additional funding to the CSU.

It is exceptionally rare for the state to fully fund a CSU operating budget plan. The last time this occurred was in the 2015-2016 fiscal year. Prior to that, the operating budget plan was fully funded in 2006-2007.

2. Increase tuition to partially cover the operating budget plan while continuing to advocate for more state funding

While the revenue generated from a multi-year tuition proposal would not fully fund the operating budget plan, it would allow for tens of millions of dollars of new investments to be made in critical areas per year. The new revenue would be coupled with continued advocacy efforts in Option 1 (above) to fund the annual operating budget plan.

3. Cost avoidance, efficiencies and reduction of programs and services

The CSU remains vigilant in its efforts to pursue cost avoidance strategies and administrative efficiencies to be good stewards of state and tuition resources and to address as many unfunded

cost increases as possible. CSUBUY is just one example of a recent endeavor to leverage systemwide buying power to receive greater discounts and rebates on common supplies purchased throughout the CSU. However, it is important to manage expectations and dispel misconceptions about improved efficiency and effectiveness. Past successes have yielded up to tens of millions of dollars per year and remaining opportunities are marginal in value.

The CSU makes every effort to ensure any new efforts undertaken add value to the students, the campus or fulfill a legislative requirement. Along that vein, any reduction in programs and services will undoubtedly have a negative impact on student success and either halt or undo some of the groundbreaking work done through the Graduation Initiative.

Additionally, the CSU will continue to examine ongoing investments to ensure they are in line with the mission of the university so that the funding invested in the CSU by the state and students is spent thoughtfully and with student success at its core. For example, state law authorizes the CSU to invest in securities that yield a higher rate of return than fixed income securities. As regularly reported to the board, a portion of funds are invested in portfolios that typically earn a better rate of return and those returns are to be used for critical capital renewal, which is a key piece of student success. Doing so allows the CSU to use more of the operating funds for direct academic offerings and support.

4. In lieu of additional state funding or the multi-year tuition proposal, reduce programs and services, both academic and non-academic

The CSU's required financial obligations, along with critical priorities like workforce investments and Graduation Initiative 2025, far exceed the amount of funding received from the state in recent years. If advocacy efforts do not secure the operating budget plan, and if tuition is not increased, priority areas of the operating budget would be reduced or eliminated because campuses would have to redirect funding from existing programs, services and priorities to fund a sizable portion of mandatory cost obligations. Fewer course sections would be available to students, the average unit load would go down and fewer academic and student support services would be available due to the possibility of employee layoffs.

5. Use operating fund designated balances and reserves

As of June 30, 2023, the CSU had operating fund designated balances and reserves totaling \$2.484 billion, accumulated primarily from tuition, fees and other revenues in excess of annual expenses. These balances can be broken down into four main categories: short-term obligations (\$1.389 billion), catastrophic events (\$45 million), capital (\$284 million) and economic uncertainty (\$766 million).

Designated balances for short-term obligations include everything from encumbrances for goods and services already under contract, to planned program development and/or to outstanding

commitments that were not complete by the end of the fiscal year. Examples are near-term debt service payments and financial aid obligations.

Designated balances for catastrophic events are held to be used in the event of a natural disaster or other catastrophic event. Typically, these balances are used to pay for costs that are not covered by insurance and are sufficient to cover expected needs.

Designated balances for capital are for new construction projects and building improvements on campuses, facilities maintenance and repair. Campuses could use these balances for critical capital renewal and emergency capital needs as well using them to meet the 10 percent of project costs for larger, bond-supported projects. It is important to note that the projected need for capital projects in 2024-2025 is \$4.0 billion and the projected need through 2028-2029 is \$31.1 billion.

Reserves for economic uncertainty are held for costs that may occur due to periods of short-term recessionary cycles or state budget fluctuations. These reserves are part of the university's prudent fiscal strategy and are intended to be used as a one-time supplement giving the operating budget time to balance reductions and minimize disruptions to the educational experience. The \$766 million designated for economic uncertainty equates to less than one month of operating expenses for the CSU operating fund.

Using operating fund reserves is at best a one-time, short-term solution and at worst, a fiscally irresponsible divergence of funds if used extensively for ongoing costs.