COMMITTEE ON FINANCE

Multi-Year Tuition Proposal

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Summary

The California State University (CSU) Board of Trustees is considering a multi-year tuition proposal for certain systemwide tuition and fees: systemwide tuition, nonresident tuition and the graduate business professional program fee. The proposal would benefit current and prospective students in three important ways: 1) provide the necessary resources for each university to further the CSU’s core values of equitable excellence and access; 2) provide tuition stability and predictability for students and parents; and 3) enhance financial aid and affordability for those students with the greatest financial need.

The CSU’s first priority and commitment continues to be to pursue full funding from the state and to collaborate with partners across the system to make the case in Sacramento for the level of new funding that supports student success. Additionally, the CSU is committed to its efforts to find administrative efficiencies and increase effectiveness across the system, which help mitigate increasing mandatory costs. However, to ensure the university has the revenue to meet its priorities, the CSU began a conversation and consultation process for a possible multi-year tuition increase.

The interim chancellor recommends the Board consider the following:

- A Board action in September 2023 that would put in place scheduled tuition rate increases each year.
- The increases would begin in fall 2024.
- The annual rate increases would be six percent per year for all levels of education.
- The first increase in 2024-25 would be $342 for the academic year for full-time undergraduate students.
- Sixty percent of students would not be affected by the proposed tuition increase because their tuition is fully covered by grants or waivers.
The Board would review the tuition rate schedule every five years.

The proposal would generate $148 million of revenue in the first year (2024-2025) with a goal of dedicating $49 million to the CSU’s State University Grant (SUG) program for financial aid support for low-income students. Over the first five years of the tuition increase, the proposal would generate $840 million in revenue with a goal of dedicating $280 million to the SUG program. The tuition increase would take effect in fall 2024, aligning with the timeline and requirements of the Working Families Student Fee Transparency and Accountability Act (Act).

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.

The CSU remains committed to keeping tuition costs as low as possible for students. Nearly 60 percent of all enrolled undergraduate students have the full cost of tuition covered by grants, scholarships or waivers. Because these programs are designed to pay the full cost of tuition, the multi-year tuition proposal would have no financial effect on more than 249,000 students who receive these grants, scholarships and waivers.

To provide students and their families with as much information as possible for planning purposes, the calstate.edu/tuition-increase website includes information on the proposal. The webpage also provides the opportunity for students, their families, and anyone else to comment on the proposal.

**Background**

The trustees have the sole authority to establish and increase systemwide tuition. The trustees establish and periodically adjust tuition rates by student level: undergraduate, post-baccalaureate, credential, graduate and doctorate. In order for the trustees 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 Act codified in 2012 by Assembly Bill 970. The Act requires the CSU to consult with the California State Student Association (CSSA) before the trustees consider any increase to mandatory systemwide tuition and ensure transparency in the process. Specifically, the CSSA is to receive a detailed tuition proposal and the opportunity to consult with the CSU at a minimum of six months before the CSU can fully implement a tuition increase. Specific to this proposal and its potential effect on the 2024-2025 academic year, the Chancellor’s Office prepared and delivered to the 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 and subsequent meetings occurred on June 20 and June 28 and another is scheduled for July 9. Next, the Act requires public notice of the proposed tuition increase (this item meets this requirement), followed by a meeting of the trustees to discuss the proposal and gather public comment. The proposal will be considered for adoption at the
The CSU has long valued inclusive excellence, equity, access, affordability and elevating lives through the transformative power of higher education. These core values are on exhibit every day across the 23 universities and are embodied by more than 460,000 students. University faculty, staff, and—importantly—students are accelerating the CSU’s undeniable positive momentum evidenced by record numbers of graduates and student success measures. To continue this unwavering commitment and to carry on the promise of an affordable and accessible higher education for students from all backgrounds and walks of life, the CSU must be financially sustainable now and for the coming years. This tuition proposal will allow the CSU to build on the promise made to the state and ensure it extends to future generations.

Long-term financial sustainability of the CSU requires an alignment of costs and revenues necessary for the CSU to fulfill its functions and provide a high-quality, affordable, and accessible education to Californians in the 21st century. The system has continual and growing cost pressures—an increased need to expand high-cost degree offerings, inflation, unfunded mandates, and infrastructure needs growing over time.

The CSU has two principal sources of revenue: state general fund and tuition. The state general fund is the CSU’s largest revenue source, but it is volatile and dependent on the state economy. Recessions, even mild ones, often result in state revenue shortfalls, which in turn translate into campus budget reductions. Tuition is the second-largest source of revenue. Today, the CSU’s undergraduate tuition rate is $5,742 per year and is among the lowest in the country. Historically, tuition increases followed state budget cuts; however, for 10 of the past 11 years, there has been no tuition increase. Instead, thanks to a strong economy and support from the governor and legislature, general fund support has grown. The net effect is that, since the last tuition increase, the general fund portion of total system revenue steadily grew while the tuition portion remained flat. When only one of the two main revenue sources is available to cover growing costs, an imbalance is created.

When the CSU receives less revenue than it requires to operate the university, some costs go unaddressed (e.g., student services, critical capital renewal projects, up-to-date instructional equipment and appropriate workforce investments) and costs that cannot be deferred are accommodated by redirecting funds from other purposes. Gaps between revenues and costs cannot be closed with existing practices. As the CSU strives to be an engine of social mobility, it is not sustainable to rely only on state funding increases or to defer necessary institutional investments. A tuition proposal that governs future changes, ensures stable and predictable increases and is transparent for the universities, students and their families is required.
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 request 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 requests 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 request 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 request, 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 requests
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 request. The last time this occurred was in the 2015-2016 fiscal year. Prior to that, the operating budget request was fully funded in 2006-2007.
2. Increase tuition to partially cover the operating budget request 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 request, 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 request, 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, 2022, the CSU had operating fund designated balances and reserves totaling $2.5 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 ($1.4 billion), catastrophic events ($48 million), capital ($282 million) and economic uncertainty ($714 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 $714 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.

**Proposed Tuition Increases**

The process to increase tuition began on May 25, 2023, with a written proposal to the CSSA and continues with appropriate consultation with, and feedback from, other CSU stakeholders. The consultation period includes this information item at the July 2023 Board of Trustees meeting and a possible action item at the September 2023 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 2024-2025 academic year. Specifically, the outcome of the 2024-2025 budget cycle will not be known until June 2024. If the trustees consider
and approve a tuition increase at their September 2023 meeting, the tuition increase would go into effect for the fall 2024 term and apply to the full 2024-2025 academic year. An 11-month lead time between a potential decision at the board meeting and the ultimate implementation of the tuition increase helps provide 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:

- Tuition increases would begin with the 2024-25 academic year.
- Annual tuition increases would apply to all students at every level of education.
- Tuition would increase six percent each year for all students.
- Tuition increases would continue to consider the longstanding trustee policy to maintain differential pricing between undergraduate and graduate/postbaccalaureate tuition levels.

The proposed tuition increase of $342 per resident undergraduate student would take the annual tuition price from $5,742 per student to $6,084 for a six percent rate increase. 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) with a goal of dedicating $49 million to the 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 goal of dedicating $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.

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
<th>2026-27</th>
<th>2027-28</th>
<th>2028-29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate (full-time)</td>
<td>$5,742</td>
<td>$6,084</td>
<td>$6,450</td>
<td>$6,840</td>
<td>$7,248</td>
<td>$7,682</td>
</tr>
<tr>
<td>Undergraduate (part-time)</td>
<td>$3,330</td>
<td>$3,528</td>
<td>$3,738</td>
<td>$3,962</td>
<td>$4,200</td>
<td>$4,452</td>
</tr>
<tr>
<td>Credential (full-time)</td>
<td>$6,660</td>
<td>$7,062</td>
<td>$7,488</td>
<td>$7,938</td>
<td>$8,414</td>
<td>$8,918</td>
</tr>
<tr>
<td>Credential (part-time)</td>
<td>$3,864</td>
<td>$4,098</td>
<td>$4,344</td>
<td>$4,604</td>
<td>$4,880</td>
<td>$5,172</td>
</tr>
<tr>
<td>Graduate (full-time)</td>
<td>$7,176</td>
<td>$7,608</td>
<td>$8,064</td>
<td>$8,550</td>
<td>$9,066</td>
<td>$9,612</td>
</tr>
<tr>
<td>Graduate (part-time)</td>
<td>$4,164</td>
<td>$4,416</td>
<td>$4,680</td>
<td>$4,962</td>
<td>$5,262</td>
<td>$5,580</td>
</tr>
</tbody>
</table>

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 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.

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
<th>2026-27</th>
<th>2027-28</th>
<th>2028-29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctor of Audiology</td>
<td>$14,742</td>
<td>$15,624</td>
<td>$16,560</td>
<td>$17,556</td>
<td>$18,612</td>
<td>$19,728</td>
</tr>
<tr>
<td>Doctor of Education</td>
<td>$11,838</td>
<td>$12,546</td>
<td>$13,296</td>
<td>$14,094</td>
<td>$14,940</td>
<td>$15,836</td>
</tr>
<tr>
<td>Doctor of Nursing Practice</td>
<td>$15,270</td>
<td>$16,188</td>
<td>$17,160</td>
<td>$18,192</td>
<td>$19,284</td>
<td>$20,442</td>
</tr>
<tr>
<td>Doctor of Occupational Therapy</td>
<td>$17,196</td>
<td>$18,228</td>
<td>$19,320</td>
<td>$20,480</td>
<td>$21,708</td>
<td>$23,010</td>
</tr>
<tr>
<td>Doctor of Physical Therapy</td>
<td>$17,196</td>
<td>$18,228</td>
<td>$19,320</td>
<td>$20,480</td>
<td>$21,708</td>
<td>$23,010</td>
</tr>
<tr>
<td>Doctor of Public Health</td>
<td>$18,900</td>
<td>$20,034</td>
<td>$21,234</td>
<td>$22,508</td>
<td>$23,858</td>
<td>$25,290</td>
</tr>
</tbody>
</table>

- 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.

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.

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
<th>2026-27</th>
<th>2027-28</th>
<th>2028-29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semester Rate</td>
<td>$396</td>
<td>$420</td>
<td>$444</td>
<td>$471</td>
<td>$498</td>
<td>$528</td>
</tr>
<tr>
<td>Quarter Rate</td>
<td>$264</td>
<td>$280</td>
<td>$296</td>
<td>$314</td>
<td>$332</td>
<td>$352</td>
</tr>
</tbody>
</table>

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 Fee varies widely by campus and is kept locally at each campus to educate graduate students.

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
<th>2026-27</th>
<th>2027-28</th>
<th>2028-29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semester Rate</td>
<td>$270</td>
<td>$285</td>
<td>$303</td>
<td>$321</td>
<td>$339</td>
<td>$360</td>
</tr>
<tr>
<td>Quarter Rate</td>
<td>$180</td>
<td>$190</td>
<td>$202</td>
<td>$214</td>
<td>$226</td>
<td>$240</td>
</tr>
</tbody>
</table>

Further Information and Opportunity for Public Comment
To provide students and their families with as much information as possible for planning purposes, the 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 received will be compiled and summarized for the trustees at the September 2023 meeting.

Conclusion

The CSU’s first priority continues to be to pursue additional funding from the state and to collaborate with partners across the system including the board, students, faculty, staff, business and union leaders, alumni, and friends to make the case in the capitol for the level of new funding that supports student success. However, to ensure the university has the revenue available to meet its priorities, the CSU must consider a multi-year tuition proposal. The proposal seeks to balance the need to keep tuition affordable and yield enough revenue to make meaningful investments in necessary existing and new academic programs, student services, financial aid, unfunded state and federal mandates, and emerging priorities to support students on their path to graduation.

This information item requests the trustees’ consideration of a multi-year tuition proposal. The CSU would use new tuition revenue in combination with additional state general fund allocations to support CSU budget priorities. The adoption of the multi-year tuition proposal by the trustees in September 2023 would put in place annual, scheduled tuition rate increases with the first increase effective for fall 2024. This would keep with the timeline and requirements of the Working Families Student Fee Transparency and Accountability Act. Also, it would allow the CSU to publish the approved increases in communications and provide advance notice of the change to current and prospective students and their families.