

**BOARD OF TRUSTEES**

**2002-2003 Mid-Year Budget Adjustments and State University Fee Increase**

**Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

Patrick J. Lenz  
Assistant Vice Chancellor  
Budget Development

**Summary**

The Board of Trustees will be meeting in this special session to address the growing fiscal pressures on the California State University. The Governor has proposed mid-year reductions to the CSU budget as part of his effort to address the state's current fiscal crisis. The mid-year and full-year budget recommendations combined with the current year unfunded costs have resulted in a \$125.4 million budget reduction to the CSU. The Board will be briefed on the fiscal impact to the University and presented with a short-term strategy to a number of approaches to address these cuts including a 10 percent (\$72) increase in undergraduate fees and a 15 percent (\$114) increase in graduate fees.

**2002-03 Budget Adjustments**

On December 6, 2002, the Governor submitted his 2002-03 mid-year budget reductions in an effort to achieve \$10.2 billion in General Fund savings as part of the solution to California's \$21 to \$30 billion budget deficit. The Administration proposes to achieve \$3.4 billion in current year budget reductions and savings of an additional \$6.8 billion in the 2003-04 fiscal year. The California State University is being cut by an additional \$59.6 million in the current fiscal year as part of the overall budget reductions.

The mid-year budget reductions bring will CSU's unfunded costs and cuts to \$125.4 million.

- \$59.6 million - Mid-Year Budget Reduction
- \$43.0 million - One-Time, Long-Term Needs  
(Technology – Network Equipment, Libraries, and Deferred Maintenance)
- \$18.5 million - Unfunded Health Care Costs
- \$ 4.3 million - Unfunded Compensation Costs
- \$125.4 million - Total**

The proposed budget reductions and unfunded costs represent significant funding pressures on the CSU budget. As a result of the growing General Fund deficit the state was unable to fully fund its Partnership agreement with the CSU resulting in \$115.8 million in less revenue for the 2002-03 fiscal year. In addition, the CSU is experiencing increasing demands for student access that resulted in an estimated 8,000 annualized unfunded Full-Time Equivalent Students (FTES) as of the Fall 2002 enrollment.

Should the Legislature approve all of the Governor's mid-year budget reduction proposals it would only address one-third of the state's fiscal deficit. At this time the Administration's recommendations lack any "revenue enhancement" proposals that are likely to be included when the Governor releases the budget for the next fiscal year (2003-04) on January 10, 2003. Failure to enact any revenue enhancements in the new fiscal year would result in additional draconian cuts to the CSU that will impact access and the resources necessary to provide a quality education in a timely fashion.

### **Addressing Current Year Reductions**

Despite the underfunding of the Partnership Agreement (\$115.8 million) and the current year budget reductions (\$125.4 million) the CSU has made a commitment to serve all budgeted enrollment for the 2002-03 fiscal year and maintain funding for instruction and student services. In the current fiscal year, CSU will take the following reductions:

- \$43 million – Reduced funding for technology equipment, libraries, and scheduled maintenance
- \$62.5 million – On a one-time basis by filling only critically needed positions, administrative and travel reductions, reduced funding for plant maintenance and academic support, deferring expenditures.
- \$20.0 million – Through additional student fee revenues.
- \$125.4 million – Total**

### **Student Fees**

The board has the authority to establish, adjust, and abolish systemwide fees. In the 2002-03 Student Fee Report presented to the Board last month, it noted the CSU academic year resident, undergraduate student fees include the systemwide State University Fee (SUF) and campus fees. The 2002-03 total systemwide and campus fees average is \$1,926. The undergraduate SUF (6.1 units or more) represents \$1,428 of that total. The SUF level remains unchanged to date. A SUF increase has not occurred since 1994-95. Further, SUF reductions of 5 percent occurred in both 1998-99 and 1999-00.

State University Fee (SUF) levels for graduate and post-baccalaureate students vary from undergraduate students. The graduate/post-baccalaureate SUF is \$876 for 6 units or less and \$1,506 for 6.1 units or more. Further, nonresident students pay an additional fee. Nonresident

tuition is \$282 per semester unit and \$188 per quarter unit. The nonresident tuition fee was increased 15 percent in 2002-03, which was the first increase since 1991-92.

The recommendation before the Board today is to increase undergraduate fees by 10 percent (\$72) and graduate fees by 15 percent (\$114). Increasing student fees will generate a total of \$30 million, of which \$10 million will be set-aside for State University Grant financial aid. The undergraduate fee would increase \$72 for the spring semester and a total of \$96 for the winter and spring quarters for the six campuses on the quarter system. The graduate fee would increase \$114 for the spring semester and a total of \$152 for the winter and spring quarters for the six campuses on the quarter system.

Annually, undergraduate fees would increase from \$1,428 to \$1,572 (\$144) and graduate fees would increase from \$1,506 to \$1,734 (\$228). Assuming undergraduate fees of \$1,572 annually and including the average campus-based fee of \$498 the total undergraduate fee of \$2,070 would still be over \$500 lower than the lowest of our comparison institutions and \$2,500 less than the average of the CSU comparison institutions.

<b>2002/03 Comparison Institution</b>				
<b>Academic Year Resident, Undergraduate, Student Fee Levels</b>				
<b>University</b>	<b>2002/03</b>	<b>2001/02</b>	<b>2002/03 Increase</b>	<b>Percentage Increase</b>
Rutgers University (Newark, NJ)	\$7,308	\$6,422	\$886	12.1%
University of Maryland, at Baltimore	6,362	5,910	452	7.1%
University of Connecticut (Storrs, CT)	5,843	5,824	19	0.3%
State University of New York, at Albany	5,337	4,625	712	13.3%
Cleveland State University	5,196	4,464	732	14.1%
Illinois State University	5,037	4,721	316	6.3%
Wayne State University (Detroit, MI)	5,031	4,679	352	7.0%
<b>COMPARISON AVERAGE*</b>	<b>4,584</b>	<b>4,168</b>	<b>415</b>	<b>9.1%</b>
George Mason University (Fairfax, VA)	4,416	3,792	624	14.1%
University of Wisconsin, at Milwaukee	4,356	4,057	299	6.9%
University of Texas, at Arlington	4,123	3,470	653	15.8%
North Carolina State University	3,827	3,302	525	13.7%
Georgia State University, at Atlanta	3,472	3,292	180	5.2%
University of Colorado, at Denver	3,238	2,934	304	9.4%
University of Nevada, at Reno	2,622	2,547	75	2.9%
Arizona State University, at Tempe	2,585	2,488	97	3.8%
<b>CALIFORNIA STATE UNIVERSITY</b>	<b>\$1,998</b>	<b>\$1,926</b>	<b>\$72</b>	<b>5.0%</b>

*\*Average does not include CSU*

**Recommended Trustee Action**

The recommendation before the Board is to increase undergraduate fees by \$72 and graduate fees by \$114 for the Spring semester (\$96 and \$152 respectively for Winter/Spring quarters), setting aside one-third of the fee revenue for State University Grant financial aid. The Board is requested to approve the following resolution.

**RESOLVED**, By the Board of Trustees of the California State University, that the following schedule for the State University Fee, which incorporates a ten percent increase for undergraduate and fifteen percent increase for graduate students, for the 2002/2003 academic year, effective winter/spring term 2003 is approved until further amended:

**2002-03 State University Fee Schedule (Effective Winter/Spring 2003)**

All Campuses, except California State University, Stanislaus:

<u>Units</u>	<u>Per Semester</u>	<u>Per Quarter</u>	<u>Per Academic Year</u>
<b>Undergraduate</b>			
6.1 or more	\$786	\$524	\$1,572
0 to 6.0	\$456	\$304	\$912
<b>Graduate</b>			
6.1 or more	\$867	\$578	\$1,734
0 to 6.0	\$504	\$336	\$1,008

California State University, Stanislaus:

<u>Units</u>	<u>Per Semester</u>	<u>Winter Term</u>	<u>Per Academic Year</u>
<b>Undergraduate</b>			
6.1 or more	\$715	\$142	\$1,572
0 to 6.0	\$385	\$142	\$912
<b>Graduate</b>			
6.1 or more	\$789	\$156	\$1,734
0 to 6.0	\$426	\$156	\$1,008

And, be it further

**RESOLVED**, That the chancellor may approve individual campus State University Fee rates that do not exceed the maximum fee rates established by this fee schedule.