2007-08 State Budget Overview & CSU Budget

Board of Trustees
January 24, 2007
Budget Assumptions

- Budget is Balanced
- Eliminates Previous Budget Deficits
- Budget Fully Funds Proposition 98 Guarantee
- Budget Fully Funds CSU and UC Compacts
Budget Assumptions

- Major Health Care Reforms. No Funding
- Major Increase for Prison Funding
- Shift in Transportation Funding
- Significant Reductions in Social Services
- Successful Outcome on Two Court Cases
2007-08 Governor’s Budget

**Total Spending**: $131 billion
- **State General Fund**: $103.1 billion
- **Special Fund**: $27.8 billion
- **Budget Reserve**: $2.1 billion
Legislative Response

- Restore Cal-Works
- Address State Structural Deficit
- Balanced Budget
- No New Taxes
LAO Initial Concerns - Budget Not so Balanced

- Optimistic Revenue Projections
- Challenging Budget Solutions
- Pending Court Cases
LAO - Optimistic Revenue Projection

$1.2 Billion

- Higher Revenue Estimate $641 Million
- Lower Expenditure Assumption $537 Million
# LAO - Challenging Budget Solutions

## $3.4 Billion

- Shift Transportation Funds: $1.1 Billion
- Tribal Gaming Compact: $506 Million
- Bonds for GF Expenditures: $200 Million
- Cuts to CalWORKS: $496 Million
- Child Care Costs to Prop. 98: $269 Million
- Changes in Tax Policy: $200 Million
- Other: $656 Million
LAO - Pending Court Cases

$1.0 Billion

- Guillen Lawsuit $553 Million
- Pension Obligation Bonds $525 Million
Closing the 2007-08 Budget Shortfall

- November LAO Estimate ($2.4 Billion)
- Governor’s Budget
  - New Spending ($1.2 Billion)
  - Revenue Projects $1.2 Billion
  - Budget Solutions $3.4 Billion
  - Court Cases $1.0 Billion
- 2007/08 Budget Reserve $2.0 Billion
Education Budgets – K-12

Proposition 98 (↑$1.8 Billion- 3.3%) $56.8 Billion

– General Fund ($36.9 billion, .5 percent)
  ▪ Increase in Per Pupil Spending
    (3.3% - $275, $8,525)
  ▪ Full funds statutory and discretionary COLA
    (4.04% - $1.9 billion)
  ▪ Assumes 10 percent increase in property tax
Education Budget, CCC – Prop 98

CCC ($4.2 billion. 4.6%)

- Fully funds statutory and discretionary COLA (4.04% or $224.9 million)
- Provides $109.1 million for 2% enrollment growth
- Assumes full year implementation of student fee reduction ($26 to $20 per unit fee rate)
- Assumes 10% increase in property tax
Education Budgets - UC

- Total Funds $5.4 Billion
  - Base Budget Support (4%) $116.7 million
  - Enrollment Growth (2.5%) $54.4 million
  - Fee Revenue $104.7 million
    - Undergraduate Fee increase $495 – 7%
  - Outreach Programs ($19.3 million)
  - Research Funding $20.0 million
Education Budgets - CSU

Total Funds $4.4 Billion

- Base Budget Support (4%) $108.7 million
- Enrollment Growth (2.5%) 65.5 million
- Fee Revenue $97.7 million
  - Undergraduate Fee Increase $252 -10%
- Outreach Programs ($7 million)
Above Compact Requests

- One Percent Compensation $27.6 M
- Student Services Initiative $24.6 M
- Applied Research $12.0 M
- Clinical Nursing Support $4.3 M
- Mathematics and Science Teachers* $2.0 M
- Special Education Teachers $1.2 M

Total Ongoing Funding $71.7 M

* Funded in the 2007-08 Governor’s Budget
Compact Support

2004-05 Actuals: $1,098,122
2005-06 Actuals: $1,230,748
2006-07 Budget: $1,236,947
2007-08 Budget: $1,366,398

General Fund
Revenue

$2,475,792
$2,596,000
$2,812,194
$2,976,335
Enrollment Growth

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<th>Year</th>
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CSU Fee Policy

- Board of Trustees adopted its current student fee policy in 1993
  - State’s responsibility to support access
  - Fee revenues for quality of programs
  - Differential costs for undergraduate and graduate education
  - Fee policy tied to financial aid policies
  - Students fees should not go above 1/3 the total cost of education
Financial Aid

SUG Funding

Year | State Funds | CSU Fee Revenue
-----|-------------|-----------------|
2004/05 | 33,785,000 | 141,749,000
2005/06 | 33,785,000 | 165,049,000
2006/07 | 33,785,000 | 175,534,000
2007/08 | 33,785,000 | 243,959,000
Economic Growth

U.S. Gross Domestic Product
- 2006 – 3.3 percent
- 2007 – 2.4 percent
- 2008 – 2.9 percent

California Wage and Salary Employment
- 2006 – 1.8 percent
- 2007 – 1.2 percent
- 2008 – 1.6 percent