Cal State Trustees To Consider Adoption of Budget Contingency Plans

_system prepares scenarios dependent on Governor's tax measure_

(September 17, 2012) – The California State University Board of Trustees will consider adopting a package of budget contingency measures at its meeting on September 18/19 based on the outcome of Proposition 30 on the November 6 ballot. University officials are recommending a multi-part plan to be implemented if the Governor's tax initiative fails to pass and a $250 million "trigger" budget cut to the CSU goes into effect.

"It is clear that we cannot simply cut our way out of another $250 million hit to our budget," said CSU Chancellor Charles B. Reed. "We need to take a balanced approach in terms of cost reductions and revenue enhancements. That is reflected in the contingency plans going before the board."

Over the past six months, CSU has been meeting with stakeholder groups to receive input about how to address the potential cut, which would bring the total loss in state funds to $1.2 billion over the past several years. The university system has already implemented numerous measures including enrollment cuts, workforce reductions, employee furloughs, deferred maintenance and a host of other steps to address massive funding losses from previous state cuts.

_Tuition Strategies_

As part of the contingency package if voters approve Proposition 30, the board would rescind the 9.1 percent or $249 per semester tuition fee increase that is already in place for this fall. This would be in response to legislation passed by the legislature and governor as part of the state budget. It would mean a reduction of $132 million in revenue for this year, and require the system to reprocess financial aid packages, grant tuition credit or issue refund checks.

To help bridge the gap for this year, approximately $50 million of the one-time revenue loss would be made up through the use of one-time balances under the Continuing Education Revenue Fund using authority granted by recent legislation. In addition, if the tuition fee is rescinded, CSU will receive a $125 million state appropriation as part of next year's budget.
If Proposition 30 fails and CSU's budget is cut mid-year by another $250 million, university officials are recommending a 5 percent or $150 a semester tuition increase that would go into effect in January 2013. That would bring undergraduate tuition for one semester to $3,135 and provide approximately $58 million in revenue for 2012-2013. There would be no incremental set aside for financial aid since that would require a $225 per semester increase to generate the same net revenue and would result in a larger burden for students without significant financial aid. The CSU already provides almost $700 million in tuition subsidies for students with the greatest financial need. Comparable amounts of tuition subsidies are also available through state Cal-grants, federal Pell grants, tuition waivers and federal tax credits.

In addition, CSU is recommending an increase in the additional per-unit tuition for nonresident students who account for approximately 4 percent of CSU's total enrollment. The contingency plan recommends a 7 percent increase or $810 per year to the tuition supplement such students already pay.

More information on how Proposition 30 would impact tuition fee rates can be found here.

**Other Student Fee Changes**

Regardless of the outcome of Proposition 30, staff is recommending several fee policy changes to increase access to classes and reduce the time to graduation. It is estimated that combined they would generate about $35 million annually, beginning in 2013-2014. These include:

- **Graduation Incentive Fee**: Would require seniors who have already earned 150 semester/225 quarter units to pay an additional per unit cost equal to that paid by nonresident students – currently $372 per semester unit. The fee is intended to encourage "super seniors" to graduate and free up admission slots for other eligible CSU applicants.

- **Course Repeat Fee**: Each term there are 40,000 seats in state-supported classes taken by students who have already taken the course. Students who decide to repeat a class would be required to pay a course repeat fee of $100 per semester unit. The fee is intended to encourage students to make more careful decisions in terms of repeating classes, and free up spaces for students who have not had a chance to take the course.

- **Extra Unit Tuition Fee**: This would require students to pay a rate of $200 per semester unit for any course load of 17 or more units. This would discourage students from signing up for extra courses – and then often dropping them later in the term – and allow additional courses and sections to be available for all students.

**Cost Reduction Strategies**
• **Health care premiums:** CSU is facing rapidly growing health care costs, which now account for $356 million or 9 percent of its overall operating budget, despite the fact the system has about 3,000 fewer employees. On average, CSU pays for 95 percent of total premium costs for employees while most state agencies pay less than 80 percent for its employees for the exact same health benefit plans. CSU anticipates annual costs rising by another $36 million in 2013. The recommended plan would target changes that would realize approximately $70 million in savings for 2013-2014.

• **Administrative efficiencies:** CSU has already implemented a number of initiatives aimed at increasing the efficiency and effectiveness of its administrative operations including common systems for a number of information technology operating systems, shared services and other efforts. Cost savings from these are estimated at $10 million for this year, and expected to double in 2013-2014.

• **Campus cutbacks:** Finally, CSU campuses will continue to take individual measures to cut costs including reducing faculty assigned time, workforce attrition, layoffs or non-renewals of contracts to generate cost reductions for the current fiscal year and beyond.

###