

August 2, 2004

**MEMORANDUM**

TO: CSU Board of Trustees  
CSU Presidents

FROM: Charles B. Reed  
Chancellor

SUBJECT: 2004-05 Final CSU Budget

As you no doubt have heard from the media reports, a final agreement has been reached on the state general fund and capital outlay budget for the 2004-2005 fiscal year (see attached CSU press release). We are pleased that the final budget for the California State University restores some of the proposed reductions for this current year. Even with these restorations, the net reduction for the CSU, including unfunded mandatory costs, and after considering the additional fee revenue from new fee increases, is approximately \$157 million. Managing through these difficult fiscal times has been extraordinarily challenging for our campuses.

The Higher Education Compact signed with the governor played a pivotal role in restoring some of the CSU's cumulative funding loss of \$562 million since 2002-03. Not only does the Compact set a floor for CSU funding, it also recognizes that the state is obligated to provide sufficient funding per student to provide the courses and quality student services to those students admitted.

The final CSU budget is \$2.448 billion, which includes restoration of \$40.3 million for enrollment growth and academic preparation programs. The detail comparing the January Governor's Budget proposal and the final budget is attached. The passage of the budget also approves the capital outlay budget for construction projects funded from revenue provided by general obligation bonds issued by the state. The capital outlay budget is also attached which is consistent with the information provided to the Board in July.

CSU Board of Trustees  
CSU Presidents  
August 2, 2004  
Page Two

The enrollment management program implemented in January to address a reduction of \$297 million in unfunded mandatory costs and state General Fund reductions was designed to reduce our enrollment by 5% for 2004/05 for a planned total of 318,000 FTE. The addition of \$33.3 million will allow us to admit approximately 7,500 headcount new students, or a total of approximately 324,000 FTE. While this does not address what we know is our enrollment demand, opening the doors by even this modest amount is very welcome news. In addition, the CSU will receive \$7 million to restore academic preparation programs to the 2003/04 level.

The budget also reaffirms the fee actions taken by the Board in May. Those fee actions begin to recognize the differential cost of providing graduate education without penalizing students studying to be the future teachers for the state. CSU fee levels continue to be lower than those at all our comparison institutions, making this university an excellent financial choice for California students. The budget action also allows us to continue to move forward with the development of a CSU State Funding and Student Fee Policy.

While the news on the budget is not all good given the overall reduction, it is positive since from this point forward we will build future budget requests using the Compact agreement reached earlier this year with Governor Schwarzenegger. The Compact acknowledges the state's commitment to provide adequate funding for the California State University and establishes a base that the legislature may supplement.

We will be discussing the final 2004-05 budget in more detail with you at the September meeting, but if you have questions before then, please feel free to call me or Richard West.

CBR/slw

Enclosures

cc: Executive Staff, Office of the Chancellor