

# THE CSU, CHICO BUDGET ENVIRONMENT





## **THE GOVERNOR'S BUDGET: 2003-2004**

---

### **Addressing A \$34.6 Billion Budget Gap: Administration Takes Early Action**

- ◆ Governor submits 2002-03 Mid-Year Spending Reduction Proposals totaling \$10.2 billion to the Legislature in December 2002.
- ◆ Governor calls the Legislature into Extraordinary Session beginning December 9, 2002, to facilitate prompt action on these proposals.
- ◆ Administration directs state departments to freeze current-year spending, identify General Fund savings, and reduce expenditures.
- ◆ Since the beginning of this Administration's first term, more than 12,600 vacant state positions have been eliminated.



# THE GOVERNOR'S BUDGET: 2003-2004

FIGURE-1

## Addressing the Overall \$34.6 billion Gap

(Dollars in millions)

	<u>December Revision</u>	<u>Additional Measures</u>	<u>Total</u>	<u>%</u>
Cuts/Savings	\$8,966.4*	\$11,761.9	\$20,728.3	59.9%
State-Local Realignments	191.6*	7,962.4	8,154.0	23.6%
Fund Shifts	815.6	1,087.1	1,902.7	5.5%
Transfers/Other Revenue	199.7*	1,914.6	2,114.3	6.1%
Loans/Borrowing	25.4	1,657.9	1,683.3	4.9%
Totals	<u>\$10,198.7</u>	<u>\$24,383.9</u>	<u>\$34,582.6</u>	<u>100.0%</u>



---

## California State University

For 2003-04, total funding will increase by 2.5 percent over the revised current year budget. The Governor's Budget proposes to fund a 5 percent increase in enrollment at the California State University (CSU). However, due to the significant decline in State revenues, General Fund expenditures will decline by 3.9 percent for CSU, or approximately \$105.8 million.

The Budget anticipates the CSU Board of Trustees will increase student fees in 2003-04 to compensate for the proposed General Fund reductions. The Budget assumes future anticipated student fee increases over the amount projected for receipt in 2002-03.

**Student Enrollment**—The Budget includes \$150.9 million to fund an increase of 16,000 additional FTES. This amount also provides funding for approximately 8,000 FTES in over-enrollment that was not anticipated during the 2002-03 fiscal year.

**Other Augmentations**—The Budget provides a total of \$70 million for increased Public Employees' Retirement System costs, increased annuitant benefit costs, and additional lease-revenue bond debt service.

**December 2002 Mid-Year Spending Reduction Proposals**—The December 2002 package proposes \$59.6 million in unallocated reductions in 2002-03.

**2003-04 General Fund Reductions**—The Budget proposes no increases for the Partnership Agreement which saves \$201 million and \$326 million in additional base General Fund reductions to CSU's budget in 2003-04 including:

- ◆ \$143 million in unallocated base reductions.



- 
- ◆ A total of \$112 million in reductions for academic and institutional support and student services.
  - ◆ \$53 million through increasing the faculty-to-student ratio from 18.9 to 1 to 19.9 to 1.
  - ◆ \$13 million in outreach reductions.
  - ◆ \$5 million to eliminate funding for the Cal Teach Program and the Bilingual Teacher Recruitment Program and to reduce funding for the Student Fellows Program.
- 





# THE GOVERNOR'S BUDGET: 2003-2004

- 74 Major Budget Adjustments Proposed for 2002-03  
75  
76 • Reduction Issues in the December Revision  
77 • \$59,634,000 General Fund in unallocated base reductions.  
78 • Other Major Budget Adjustments  
79 • \$68,074,000 General Fund for increased PERS costs.  
80 • \$45,248,000 in additional student fee funding, in anticipation of fee increases intended to offset proposed General Fund reductions.  
81

E 76

EDUCATION

## 6610 CALIFORNIA STATE UNIVERSITY—Continued

- 1  
2  
3  
4 Major Budget Adjustments Proposed for 2003-04  
5 • Reduction Issues in the December Revision (the following adjustments define \$152,334,000 in unallocated base reductions):  
6 • \$24,000,000 General Fund in unallocated base reductions.  
7 • \$53,197,000 General Fund reduction in Student Services funding.  
8 • \$58,091,000 General Fund reduction in Academic and Institutional Support funding.  
9 • \$12,596,000 General Fund reduction in outreach funding.  
10 • \$2,000,000 General Fund reduction in Cal Teach funding.  
11 • \$2,000,000 General Fund reduction in Bilingual Teacher Recruitment funding.  
12 • \$450,000 General Fund reduction in public services funding.  
13  
14 • Other Major Budget Reductions  
15 • \$118,752,000 General Fund additional unallocated base reduction.  
16 • \$53,542,000 General Fund through increasing the student to faculty ratio from 18.9 to 1 to 19.9 to 1.  
17 • \$1,444,000 General Fund reduction in Student Fellows Program funding.  
18 • Other Major Budget Adjustments  
19 • \$258,497,000 in additional student fee funding, in anticipation of fee increases intended to offset proposed General Fund reductions.  
20 • \$150,880,000 General Fund increase for enrollment growth to fund overenrollment and enrollment growth of an additional 16,000  
21 full-time equivalent (FTE) students.  
22 • \$68,074,000 General Fund for increased PERS costs.  
23 • \$1,064,000 General Fund increase for annuitant benefit costs.  
24 • \$1,143,000 General Fund increase for lease-revenue costs.  
25  
26

# THE GOVERNOR'S BUDGET FOR CSU

## Major Budget Adjustments Proposed for 2003–04

- **Reduction Issues in the December Revision** (the following adjustments define \$152,334,000 in unallocated base reductions):
  - \$24,000,000 General Fund in unallocated base reductions.
  - \$53,197,000 General Fund reduction in Student Services funding.
  - \$58,091,000 General Fund reduction in Academic and Institutional Support funding.
  - \$12,596,000 General Fund reduction in outreach funding.
  - \$2,000,000 General Fund reduction in Cal Teach funding.
  - \$2,000,000 General Fund reduction in Bilingual Teacher Recruitment funding.
  - 450,000 General Fund reduction in public services funding.
  
- **Other Major Budget Reductions**
  - \$118,752,000 General Fund additional unallocated base reduction.
  - \$53,542,000 General Fund through increasing the student to faculty ratio from 18.9 to 1 to 19.9 to 1.
  - \$1,444,000 General Fund reduction in Student Fellows Program funding.
  
- **Other Major Budget Adjustments**
  - \$258,497,000 in additional student fee funding, in anticipation of fee increases intended to offset proposed General Fund reductions.
  - \$150,880,000 General Fund increase for enrollment growth to fund overenrollment and enrollment growth of an additional 16,000 full-time equivalent (FTE) students.
  - \$68,074,000 General Fund for increased PERS costs.
  - \$1,064,000 General Fund increase for annuitant benefit costs.
  - \$1,143,000 General Fund increase for lease-revenue costs.



**Governor's Budget 2003-04**  
**California State University**

**General Fund Increases**

Additional Fee Funding	258,497,000
Enrollment Growth (16,000 FTES)	150,880,000
GF Increase in PERS costs	68,074,000
GF Increase for Annuitant Benefits	1,064,000
GF Increase for Lease Revenue Costs	1,143,000

**Total GF Increases** **\$ 479,658,000**

**General Fund Reductions**

GF Unallocated Base Reductions	(24,000,000)
In Student Services	(53,197,000)
In Academic & Institutional Support	(58,091,000)
In Outreach Funding	(12,596,000)
In CalTeach Funding	(2,000,000)
In Bilingual Teacher Recruitment	(2,000,000)
In Public Service Funding	(450,000)
Additional Unallocated Base Reductions	(118,752,000)
Change in SFR 18.9 to 19.9	(53,542,000)
In Student Fellows Program Funding	(1,444,000)

**Total GF Decreases** **\$ (326,072,000)**

**Net Change** **\$ 153,586,000**



**Governor's Budget 2003-04**  
**California State University Impact**



<b>General Fund Increases</b>	<b>Governor</b>	<b>CSU Version</b>
Additional Fee Funding	258,497,000	172,997,400
Enrollment Growth (16,000 FTES)	150,880,000	150,880,000
GF Increase in PERS costs	68,074,000	0
GF Increase for Annuitant Benefits	1,064,000	0
GF Increase for Lease Revenue Costs	1,143,000	0
<b>Total GF Increases</b>	<b>\$ 479,658,000</b>	<b>\$ 323,877,400</b>
<b>General Fund Reductions</b>		
GF Unallocated Base Reductions	(24,000,000)	(24,000,000)
In Student Services	(53,197,000)	(53,197,000)
In Academic & Institutional Support	(58,091,000)	(58,091,000)
In Outreach Funding	(12,596,000)	(12,596,000)
In CalTeach Funding	(2,000,000)	(2,000,000)
In Bilingual Teacher Recruitment	(2,000,000)	(2,000,000)
In Public Service Funding	(450,000)	(450,000)
Additional Unallocated Base Reductions	(118,752,000)	(118,752,000)
Change in SFR 18.9 to 19.9	(53,542,000)	(53,542,000)
In Student Fellows Program Funding	(1,444,000)	(1,444,000)
Mandatory Cost Funding Increase		(78,609,000)
Permanent Reduction Long-term Needs		(43,000,000)
<b>Total GF Decreases</b>	<b>\$(326,072,000)</b>	<b>\$ (447,681,000)</b>
<b>Net Change</b>	<b>\$ 153,586,000</b>	<b>\$ (123,803,600)</b>



**Governor's Budget 2003-04**  
**California State University Impact**



<b>General Fund Increases</b>	<b>CSU Version</b>	<b>CSU, Chico Impact</b>
Additional Fee Funding	172,997,400	5,820,600
Enrollment Growth (16,000 FTES)	150,880,000	949,500
GF Increase in PERS costs	0	
GF Increase for Annuitant Benefits	0	
GF Increase for Lease Revenue Costs	0	
<b>Total GF Increases</b>	<b>\$ 323,877,400</b>	<b>\$ 6,770,100</b>
<b>General Fund Reductions</b>		
GF Unallocated Base Reductions	(24,000,000)	
In Student Services	(53,197,000)	(2,463,000)
In Academic & Institutional Support	(58,091,000)	(2,585,000)
In Outreach Funding	(12,596,000)	(61,800)
In CalTeach Funding	(2,000,000)	
In Bilingual Teacher Recruitment	(2,000,000)	
In Public Service Funding	(450,000)	
Additional Unallocated Base Reductions	(118,752,000)	(6,609,000)
Change in SFR 18.9 to 19.9	(53,542,000)	(2,345,200)
In Student Fellows Program Funding	(1,444,000)	
Mandatory Cost Funding Increase	(78,609,000)	(3,549,877)
Permanent Reduction Long-term Needs	(43,000,000)	
Campus Unfunded Needs		(1,443,346)
<b>Total GF Decreases</b>	<b>\$(447,681,000)</b>	<b>\$ (19,057,223)</b>
<b>Net Change</b>	<b>\$(123,803,600)</b>	<b>\$ (12,287,123)</b>

## HIGHER EDUCATION

*UC and CSU.* For the current year, the Governor proposes allocated and unallocated reductions totaling \$74.3 million at UC. His proposal includes a \$59.6 million unallocated reduction at CSU. The segments enacted fee increases for spring 2003 that will backfill \$19 million of the General Fund reduction at UC and about \$20 million for CSU.

For 2003-04, the Governor's proposal reduces General Fund support for UC and CSU by 4.2 percent and 4.5 percent, respectively, from revised current-year levels. However, the Governor assumes a significant increase in student fee revenue due to an additional 25 percent hike in educational fees for most students.

Because of this additional fee revenue, total funding for UC and CSU would *increase by* 4.1 percent *and 1.2 percent*, respectively.

The Governor's proposal provides funding for a 6.9 percent increase in budgeted enrollment at UC and 7.3 percent at CSU in 2003-04.

This compares with an estimated 1.4 percent increase in college age population.

**Figure 2**  
**California State University**  
**Comparison of 2003-04 Budget Proposal**  
**And LAO Alternative**

*(In Millions)*

Proposal	Budget	LAO	Difference
<b>Student Fees Revenue Available for General Fund Backfill</b>	\$141.5	\$146.1	\$4.6
<ul style="list-style-type: none"> <li>• Governor—25 percent fee increase for undergraduates and 20 percent for graduates (assumes one-third of fee revenue earmarked for financial aid)</li> <li>• LAO—15 percent fee increase for undergraduates and 20 percent for graduates (assumes \$15.3 million earmarked for financial aid)</li> </ul>			
<b>Enrollment Growth</b>	\$150.9	\$84.7	-\$66.2
<ul style="list-style-type: none"> <li>• Governor—7.1 percent increase in budgeted enrollment</li> <li>• LAO—4 percent increase in budgeted enrollment</li> </ul>			
<b>Institutional Financial Aid</b>	\$71.0	\$4.9	-\$66.1
<ul style="list-style-type: none"> <li>• Governor—58 percent increase (funded from one-third of student fee increase)</li> <li>• LAO—4 percent increase (funded from student fee increase)</li> </ul>			