



# THE CALIFORNIA STATE UNIVERSITY

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## **RICHARD P. WEST**


Executive Vice Chancellor

Chief Financial Officer

### MEMORANDUM

**DATE:** January 12, 2005

**TO:** Members of the Board of Trustees

**FROM:** Richard P. West  
Executive Vice Chancellor  
Chief Financial Officer  


**SUBJECT:** 2005/06 Governor's Budget

The 2005/06 Governor's Budget honors the compact agreement adopted in May 2004 to stabilize higher education funding for CSU and the University of California as the state continues its recovery from the structural budget deficiencies that have constricted funding over the past three years. It provides a three percent increase in General Fund operating support plus additional funding necessary to permanently increase enrollment by roughly 10,000 students (8,103 full-time equivalent students). This increase in enrollment raises the 2005/06 CSU enrollment target to 332,223 FTES, a 2.5 percent increase over the 2004/05 enrollment target.

The budget also proposes an increase in student fee rates for undergraduate and graduate students equal to the 2005/06 Support Budget rates approved by the Board in October 2004. Fees for undergraduates and students enrolled in CSU teacher credential programs will increase by eight percent, or \$186 and \$216 respectively over the academic year for a full-time student. For graduate and other post-baccalaureate students, fees will increase by ten percent or \$282 over the academic year for a full-time student. The new fee rates will be effective with the Fall 2005 term.

In addition to enrollment growth, the budget plan associated with the \$211.7 million net increase in CSU operating support is consistent with the budget plan approved by the trustees in October 2004 and will fund over \$40 million in mandatory costs increases for employee benefits, new space and insurance premiums, provide a 3.5% compensation pool for employee salary increases, increase financial aid grants to cover fee rate increases for the neediest CSU students and provide roughly 2,700 new grant awards, and address \$8 million in long-term deficiency needs associated with technology, libraries and deferred maintenance. These are the same budget plan priorities approved by the Board at its October 2004 meeting.

The Governor's Budget authorizes an additional \$44.4 million increase to address the costs of 2004/05 employer-paid PERS retirement benefits, which is reflected in the 2005/06 budget

approved by the board in October 2004 as an adjustment to CSU's 2004/05 General Fund appropriation.

Before adding the compact revenue proposed for 2005/06, the CSU budget has been reduced by \$11.9 million to reflect lower charges for annuitant dental benefits (\$608,000), to remove the \$4.3 million one-time funding CSU received in 2004/05 from 2003/04 Carryforward, and to remove \$7 million of the \$37.7 million added to the CSU budget by the Governor and legislature after the May Revision. In the 2004/05 budget this \$7 million was for academic preparation and outreach. In the 2005/06 Governor's budget, the \$7 million is an unallocated reduction.

Next steps in the budget review process include the following dates:

- February — Budget review by Legislative Analyst's Office
- March/April — Budget subcommittee meetings
- May — Governor announces May revise to the January budget projections
- June — Two-House Conference Committee. Official deadline for budget adoption.

RPW/tr