

# **Governor's Budget Honors Higher Education Compact, Protects Students from Fee Increases**

## **CSU campuses to receive funding for enrollment growth and compensation**

(January 10, 2006) —Governor Arnold Schwarzenegger has proposed \$215 million in new revenue for the California State University, fully funding the trustees' budget request for 2006-07 based on the Higher Education Compact, and providing enough funds to eliminate student fee increases scheduled for fall 2006.

The proposed budget provides nearly \$2.8 billion in state General Fund revenue to the CSU, which represents a 7.3 percent increase over the current 2005-06 budget year appropriations. Included in this amount is \$54.4 million above the state's General Fund commitment under the Higher Education Compact to eliminate the proposed fee increase of 8 percent for undergraduate and 10 percent for graduate students.

"The governor's budget proposal is good for the students, their families and the CSU," said California State University Chancellor Charles B. Reed. "The elimination of the fee increase provides financial relief to middle class students, affording them more time to study and less time working to pay for the additional fee increase.

"The 2006-07 budget augmentation for the CSU reinforces the governor's commitment to offer more students an opportunity to achieve a college degree and to meet the demand for an educated workforce that can only strengthen California's future economy," Reed said.

As agreed in the compact, the budget provides a 3 percent general fund increase (\$75.8 million) for general operations, and \$57.7 million for a 2.5 percent enrollment increase. This will open university doors for an additional 8,490 full-time-equivalent students (more than 11,000 headcount).

The 2.5 percent increase in enrollment is projected to generate \$26 million in revenue.

"The CSU was subject to three years of budget reductions that resulted in a loss of \$500 million to the university," said Richard West, CSU executive vice chancellor and chief financial officer. "This budget recognizes and begins to address some critical funding issues faced by our campuses, as well as the impact of those budget reductions on students, faculty, and the delivery of education in the classroom."

In addition to the base compact funding, the governor supported \$2.3 million to expand master-level nursing programs, and an augmentation of \$1.1 million to increase the number of K-12 math and science teachers.

"These funding priorities are consistent with the trustee's budget recommendations," said CSU Board Vice Chair, Roberta Achtenberg. "Funding for nursing programs and for K-12 teachers of math and science is critical to address certain specialties where California has prevalent shortages of qualified professionals."

## **Uses of Revenue**

The CSU will use \$70.1 million to fund costs of direct instruction, academic support and student services associated with enrollment growth. In 2006-07 the CSU will have approximately 348,262 FTES (approximately 435,400 headcount).

The CSU plans to use \$77.4 million of the Higher Education Compact to fund a 3 percent compensation pool for all employees. In addition, in 2006-07 the CSU will initiate a five-year strategic plan to begin reducing significant salary lags for all CSU employees. The CSU's 2006-07 budget plan includes \$16.6 million for the first year of the plan. Combined, they represent an overall compensation increase pool in 2006-07 of 3.64 percent. With respect to the compensation for represented employees, the amount of such compensation is not predetermined, but shall be subject to collective bargaining. This applies both to the 3 percent compensation pool as well as increases to reduce salary lags.

The budget plan also allocates \$33.6 million for mandatory costs -- expenditures the university must pay regardless of its financial condition -- including health benefits, new space, energy, and service-based salary increases.

It also allocates \$10 million to fund long-term needs in technology, libraries, deferred maintenance and instructional equipment.

### **2006-07 Fees**

If the legislature approves the fee elimination as proposed by the governor, in 2006-07 California State University students will pay state university fees at current year levels: \$2,520 for undergraduates, \$2,922 for teaching credential students, and \$3,102 for graduate students. In addition to the state university fee, students pay an average of \$644 in campus fees. Full-time, non-resident students pay the above fees plus an additional \$10,170 non-resident tuition fee for an average total of \$13,334.

The CSU will continue being the university with the lowest costs in the country among its 15 public comparison institutions. CSU fees are almost \$3,000 less than the comparison average and more than \$100 less than the closest university.

### **The Compact**

The Higher Education Compact is a six-year agreement from 2005-06 through 2010-11. It promises to fund at least a 2.5 percent annual enrollment growth, allowing the CSU to stem enrollment decreases experienced as a result of the state's budget crisis. It also provides a 3 percent minimum General Fund increase in 2005-06 and 2006-07, and a 4 percent minimum increase in 2007-08 through 2010-11 for basic needs, including salary increases, health benefits, maintenance and inflation. For 2008-09 through 2010-11, the compact provides an additional 1 percent for core academic needs.

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
- June 15 — Official deadline for legislative budget approval.