



Vol. 5, No. 27, July 5, 2006

New CSU Budget Honors Compact

Governor Arnold Schwarzenegger has signed a new state budget that provides \$226 million in new revenue for the California State University, fully funding the trustees' budget request for 2006/07, 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, representing a 7.8 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 in the Higher Education Compact to eliminate a proposed fee increase of 8 percent for undergraduate and 10 percent for graduate students.

"The budget the governor signed is good for the students, their families, and the CSU," said CSU 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.

"This budget underlines 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," Reed said.

As agreed to in the compact, the budget provides a 3 percent general fund increase of \$75.8 million for general operations.

The budget provides the CSU with \$61.3 million for a 2.5 percent enrollment increase. This increase will open university doors for more than 11,000 additional students. The 2.5 percent increase in enrollment is projected to generate \$26 million in revenue. The budget provides a permanent outreach funding appropriation of \$7 million and also provides nearly \$2.4 million to support nursing education and \$1.1 million for teacher training in math and science.

"The CSU was subject to three years of budget reductions that resulted in a loss of more than \$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."

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

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 435,400 students.

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.

The newly approved budget increases allow California resident students entering the CSU to avoid expected fee increases. Instead, they 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.