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MEMORANDUM

May 15, 2007

TO: Chief Administrators/Business Officers



FROM: Richard P. West
Executive Vice Chancellor & CFO

SUBJECT: May Revise, 2007-08 CSU Budget

On Monday, Governor Schwarzenegger released his May revision to the 2007-08 State Budget in an effort to update the revenue and expenditure assumptions to the budget he proposed to the legislature in January. While recent reports indicate that state General Fund revenue for the 2006-07 came in nearly as expected, it is clear the Administration exercised caution in their May Revise revenue and expenditure recommendations for the 2007-08 budget. Major changes to the overall budget include a net operation deficit of \$1.4 billion; additional spending of \$1.5 billion for mostly non-discretionary programs; an additional \$430 million in budget reductions (in addition to \$2.5 billion proposed in January); \$980 million from the sale of EdFund and a \$2.2 billion budget reserve.

The Governor's May Revise fully funds the Compact for the CSU budget of \$290 million, consistent with the January budget, that includes the 10 percent increase or \$97.7 million in student fee revenue necessary to support the CSU budget, including funding for financial aid. The May Revise provides funding "above the Compact" of \$3.6 million to fund an additional 340 Full-Time Equivalent Students (FTES) in our nursing programs. This recognizes a higher cost associated with baccalaureate nursing programs of \$10,600 per FTES. The nursing augmentation is in addition to the "above Compact funding" of \$2 million to continue CSU's success to increase the number of credentialed K-12 math and science teachers.

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Due to California's overall fiscal condition, the May Revision did not provide any additional funding for CSU's 2006-07 unfunded enrollment of 6,356 at a cost of \$46 million. The May Revise did not restore the \$7 million in Outreach and Academic preparation programs that was deleted in the Governor's January budget. The Senate Budget Subcommittee on Education has already restored this funding, while the Assembly has yet to take an action.

Any additional questions or concerns on the CSU budget, please contact Patrick J. Lenz, Assistant Vice Chancellor for Budget at plenz@calstate.edu or 562-951-4560.

RPW: mjs

cc: Budget Team
Financial Officers Association
Systemwide Budget Advisory Committee