

Support Budget

2015 - 2016

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APPROVED BY
CSU BOARD OF TRUSTEES
NOVEMBER 13, 2014



CSU BOARD OF TRUSTEES

Approval of the 2015-2016 Support Budget Request (RFIN 11-14-05)

RESOLVED, that the Board of Trustees of the California State University acknowledges and expresses its appreciation to the governor and legislature for their increased budget support; and be it further

RESOLVED, that the Board of Trustees understands there are numerous competing interests for budgetary support given the fiscal constraints and competing policy priorities under which California continues to operate; and be it further

RESOLVED, that the future of California and its economy rests on the success of the CSU in providing life-changing benefits to hundreds of thousands of students; and be it further

RESOLVED, by the Board of Trustees of the California State University that the 2015-2016 Support Budget Request is approved as submitted by the chancellor; and be it further

RESOLVED, that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that any changes made by the chancellor be communicated promptly to the trustees; and be it further

RESOLVED, that copies of this resolution be transmitted to the governor, to the director of the Department of Finance, and to the legislature.

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Chancellor's Message

A little more than 150 years ago, the California State University and the state began a partnership—with a three thousand dollar public investment in the San Francisco Normal School supporting the enrollment of 60 students intent on becoming teachers. That partnership was strengthened when the renamed California State Normal School relocated to the site that is now San José State University—with classrooms, dormitories, and offices funded through a state property tax. This was the origin of the state's capital investment and support for student access to excellent public higher education.



I am thankful for those early pioneers and the countless leaders since who have held firm to that partnership. In these fifteen decades, the CSU has educated three million people who contribute on a daily basis to California's schools, economy, and culture. In fact, one out of every ten employees relied on to drive California's vital industries, from aerospace to biotechnology and from entertainment to hospitality, earned a degree on a CSU campus. CSU graduates have the skills, expertise, and preparation to succeed and excel in knowledge-based fields like life sciences, information technology, and the emerging "green" industries as well as the public sector fields of education, criminal justice, social work, and public administration. Of particular note the CSU produces well over 50 percent of the bachelor's degrees awarded in California in the fields of hospitality and tourism, business, and agriculture.

As in those early days, the public good of the CSU is made possible by the public funds of the State of California. It is imperative that our partnership grow stronger in thoughtful and strategic ways. Illustrating our commitment to this strategic partnership, the CSU established the Graduation Initiative during the depths of the recession. As a result of a relentless CSU focus on enabling student success, the CSU achieved a nearly 11 percentage point rise in 6-year graduation rates in the last decade, well outpacing the national trend for similar universities.

Yet, the CSU is limited in what we can do without meaningful support from our strategic partner. This budget recommendation for 2015/16 represents a significant state financial investment that emphasizes current student success and completion, increases community college and first-time freshman student access, stresses the need for academic facility and information technology infrastructure repair, replacement, and improvement, addresses compensation issues, and funds CSU mandatory costs. This request meets the high expectations that we all have for an educated and successful California populace.

A handwritten signature in black ink that reads "Timothy P. White".

Timothy P. White
Chancellor
California State University



CSU – Providing for our Future

As the nation's largest four-year public university system, the CSU is a crucial partner in ensuring the state has an adequate educated workforce. As noted in recent budget requests, California's near-term and long-run prospects for economic recovery and prosperity depend largely on the ability of the CSU to increase the number of Californians attaining higher education degrees. According to a report published by the Public Policy Institute of California (PPIC), the CSU and public higher education are critical to California's economic future:

- Four of every five college students in California are enrolled in one of the state's three public higher education systems;
- The value of the college degree results in a 50 percent higher wage for workers over their peers who only hold a high school diploma; and
- Nearly 90 percent of parents hope their child pursues a post high school education.

Student demand is at an all-time high. CSU campuses received more than 760,000 undergraduate applications for admission to the fall 2014 term and that number is expected to continue to increase this year. In order to meet the growing demand, renewed investment from the state is critical to ensuring the CSU can continue to build upon recent efforts to improve graduation rates, close the achievement gap and contribute to the overall economic prosperity and growth of the state. Over the past year, the CSU has continued to strategically focus resources on key student success initiatives that have shown proven progress towards improving degree attainment.

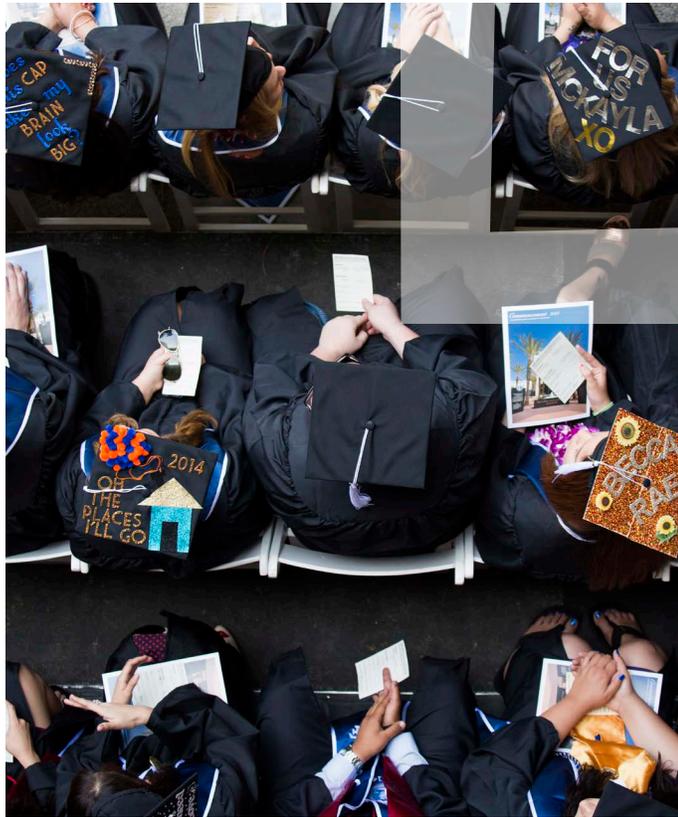


Graduation Initiative

Launched in 2009 amidst the height of the economic downturn, the CSU Graduation Initiative has explicitly refocused CSU priorities and maintained the historical focus on access, quality, and affordability, but with the added component of successful, timely degree completion. In the project's shorthand, genuine access should not be strictly to the campus, but also to the degree. The initiative's initial phase is approaching its sixth and final year and is on track to end with the likelihood of exceeding a very ambitious target for overall rates. In his inaugural "State of the CSU" address in January 2014, Chancellor White committed the system to continuing its focus on student success and to raising graduation rates for first-time full-time freshmen and transfer students.

The chancellor set 2025 as the target date for these goals, consistent with the year identified in the 2009 PPIC report, by which time the state will fall short by one million college graduates unless there is improvement. Since the publication of that report, PPIC staff has recognized gains in the CSU's graduation rates, observing that the system is on-track to contribute its share of the additional degrees needed. However, as the chancellor pointed out in January, meeting the state's long-term needs will require continued improvement and renewed, robust investment in higher education.

The second phase of the initiative launched October 15, 2014, with re-benchmarked systemwide and individual campus target graduation rates that will carry the CSU through 2025. This signature, over-arching systemwide initiative and systemwide and campus student success funding requests are uniquely and intimately integrated with these efforts. These funding requests tend to fall into two categories: 1) strengthening campus capacity to gather, analyze, and use real-time student success data, in support of local decision-making; or 2) supporting high-impact educational practices that deepen learning, improve graduate rates, and close achievement gaps. The CSU has been successful in strategically investing limited resources that are already starting to show positive returns.



Associate Degree for Transfer

Recently, the California Community Colleges Chancellor's Office provided the CSU with 5,082 records for students identified as graduates with an Associate Degree for Transfer from 2012/13 to 2013/14. When the CSU matched the records against systemwide applications files, 4,575 matched records were generated (90 percent of the records), indicating those graduates applied for transfer to the CSU. Ultimately, 4,337 were admitted to a CSU campus.

As of spring 2014, the CSU has identified 131 CSU graduates who entered with an Associate Degree for Transfer from a California Community College. All of these graduates matriculated in fall 2012 or after and in some cases graduated less than 2 years after transfer. As the number of Associate Degrees for Transfers continues to expand at the community college level, the program is showing promise for initial transfer students successfully completing their degrees in a timely manner.

Early Assessment and Early Start Programs

The Early Assessment Program (EAP) has been in existence for more than a decade. The program identifies students who are not yet ready for college level courses in English and mathematics by the end of their junior year of high school and provides them an opportunity to use their senior year to improve upon those skills. This early identification allows students to focus on those subjects and likely be more successful upon enrolling at the CSU.

Over the past decade, the CSU has seen a steady increase of students participating in EAP and who are designated as college ready by the end of their senior year (317,056 students participated in 2006 compared to 387,405 in 2013). In English, students who are college ready at the end of their junior year has increased from 15 percent in 2006 to 25 percent in 2014. Similarly, in mathematics, the percent of students who showed readiness at the end of their junior year was 12 percent in 2006 compared to 14 percent in 2013. During the same time, students who were conditionally ready in mathematics grew from 43 percent to 46 percent. Students who are deemed "conditionally ready" are highly encouraged to enroll in an advanced English and/or mathematics course in their senior year in order to be determined "college ready" at high school graduation.

Building on the successes of EAP and local campus approaches to address college readiness, such as Summer Bridge, the Early Start Program requires underprepared students to simply "get started" on their pathway to proficiency in the summer preceding their freshman year of college. Students who have not otherwise demonstrated college readiness in English or mathematics must begin developmental coursework, but do not need to complete remediation nor even reduce their remedial course load. Intensive classes in English and mathematics strengthen skills and reduce the time necessary to get on the college track.

Early Start is envisioned as one additional pre-college pathway to enable underprepared students to start college as ready as possible. The number of students participating in Early Start has increased from over 16,000 in summer 2012 to more than 20,000 in summer 2014. While it will take several years to evaluate the impact of the program on retention and graduation, early indicators such as retention, persistence, and average unit load have shown promising results.

Student Success Initiatives

The CSU Enrollment Bottleneck Solutions Initiative, launched in 2013, is designed to accelerate student progress to degree and decrease bottlenecks that negatively impact students. Bottlenecks are anything that limits students' ability to make progress toward graduation. Demand often exceeds supply because public universities are constrained by limited facilities and course requirements; faculty, staff and student schedules; resources; academic program requirements; and student readiness and their academic program choices.

Strategies and solutions to address the causes of enrollment bottlenecks include course redesign to improve student success and access; CourseMatch, which offers CSU students access to online courses delivered by campuses other than their own; Virtual Labs where faculty can offer hybrid lab courses; and eAdvising to streamline advising, registration, and academic planning for undergraduate students at all 23 campuses.

Reducing Overall Units to Degree/Time to Degree

The CSU has made significant progress through various initiatives to improve and support timely degree completion for all students. Notably, curricular reform between Spring 2009 and Fall 2014 has shrunk the percentage of baccalaureate degrees in excess of 120 required units from 29 percent to 5 percent systemwide. At the same time, the CSU strives to ensure and mitigate potential roadblocks that may delay graduation. Efforts to support student success and timely degree completion have included eAdvising and early warning and predictive analytics where students receive better and faster feedback about their performance in critical courses. Continued and renewed investments supporting student success initiatives that improve a student's time-to-degree can prove to pay positive economic dividends for both students and taxpayers, as students will require fewer state resources per degree.

2015/16 CSU Budget Plan Summary

The tables on the following pages provide background data on the CSU's state-assisted budget for the current and prior fiscal years and summarize the CSU's 2015/16 budget plan. The plan focuses on critical needs to fulfill the CSU's mission to educate Californians under the state's higher education master plan and seeks ongoing reinvestment by the state in the CSU. The planning approach is tempered by recognition of the state's finite resources, yet represents a credible statement of the CSU's key funding needs for the upcoming fiscal year.

The 2015/16 budget plan increase of \$269.0 million would bring the CSU's annual support budget to approximately \$5.1 billion, with approximately \$2.1 billion from tuition fee and other fee revenues (net of financial aid) and a requested state appropriation of almost \$3.0 billion. As shown in the summary, it is estimated that additional tuition fee revenues generated by enrollment growth will total \$52.4 million. This revenue, combined with a recommended increase of state support of \$216.6 million, would provide the needed ongoing revenues for the recommended spending increase. Specific justifications for the elements of planned spending increase are provided in the narrative pages for uses of revenue following the summary displays.

A much larger increase in resources could be justified for the CSU to fully meet the expectations placed upon it by the higher education master plan. This budget plan, however, strikes a balance in meeting the increased expenditure needs of the CSU between an amount that can be reasonably requested from the state and an amount that can be reasonably provided through tuition fee revenues generated by enrollment growth. Development of a 2015/16 budget request on these lines provides the governor and legislature with an achievable plan to continue investing in the CSU for the sake of California's economic and social future.



Three-Year Budget Summary and Highlights

Table 1: Support Budget	2013/14 Actuals	2014/15 Final Budget ¹	2015/16 Request
General Fund Support Appropriation	\$2,255,596,000	\$2,455,702,000	\$2,647,312,000
Net Tuition Fee and Other Fee Revenue ²	2,144,688,000	2,045,274,000	2,097,691,000
TOTAL SUPPORT BUDGET	\$4,400,284,000	\$4,500,976,000	\$4,745,003,000

Table 2: Maintenance and Infrastructure Needs	2013/14 Actuals	2014/15 Final Budget ¹	2015/16 Request
General Fund Debt Service Payments on Existing Facilities ³	\$90,104,000	\$296,316,000	\$313,944,000
Budget Plan: Maintenance and Infrastructure Needs	0	10,000,000	25,000,000
TOTAL MAINTENANCE AND INFRASTRUCTURE NEEDS	\$90,104,000	\$306,316,000	\$338,944,000

Enrollment, Programs, and Operations (Support Budget)			\$191,406,000
Center for California Studies ⁴			204,000
Total General Fund Support Budget Appropriation Increase			\$191,610,000
Net Tuition Fee Revenue Adjustment⁵			\$52,417,000
Maintenance and Infrastructure Needs Appropriation Increase			\$25,000,000
TOTAL SOURCES OF REVENUE			\$269,027,000

Table 3: Sum of Tables 1 & 2	2013/14 Actuals	2014/15 Final Budget ¹	2015/16 Request
Total Support Budget	\$4,400,284,000	\$4,500,976,000	\$4,745,003,000
Total Maintenance and Infrastructure Needs	90,104,000	306,316,000	338,944,000
GRAND TOTALS	\$4,490,388,000	\$4,807,292,000	\$5,083,947,000

¹ The CSU 2014/15 GF Final Budget Act Appropriation (support budget) was \$2,399,439,000, net of \$296,316,000 for maintenance and infrastructure. Additionally, the state-funded 2014/15 employer-paid retirement adjustment of \$66,263,000 is added to the GF support budget total.

² Includes tuition fee and other fee revenue reduced by total tuition fee discounts from revenue forgone (reference table 4).

³ A major change in the CSU budget appropriation beginning in 2014/15 is the fold in of state general obligation bond debt service payments (\$197.2M) into the CSU main appropriation and movement of CSU lease revenue bonds debt service from a separate appropriation to the CSU main appropriation item (\$99.1M), which the state will increase \$7.6M to \$106.7M in 2015/16.

⁴ This expenditure augmentation of \$204,000 is included at the request of the Center for California Studies, which is a state-funded program administered through the CSU.

⁵ This represents revenue to be collected from an increase in funded enrollment net of tuition fee discounts.

Highlights—Uses of the 2015/16 CSU Budget Increases

- \$ 23.1 million for mandatory cost increases (e.g. health benefits, retirement and new space)
- \$ 65.5 million for a 2 percent compensation pool increase
- \$ 38.0 million for student success and completion initiatives
- \$103.2 million for 3 percent increase in funded enrollment
- \$ 14.0 million for information technology infrastructure upgrade and renewal
- \$ 0.2 million for Center for California Studies
- \$ 25.0 million for maintenance and infrastructure needs

Three-Year Summary of Tuition Fee Discounts and Tuition Fee Waivers/Revenue Forgone

Table 4	2013/14 Actuals	2014/15 Final Budget	2015/16 Request
Tuition Fee Discounts (Forgone from Tuition Fees) ¹	\$619,464,000	\$644,191,000	\$644,191,000
Tuition Fee Discount Adjustment from Increase in Funded Enrollment	0	0	13,175,000
Tuition Fee Waivers ²	65,735,000	65,735,000	65,735,000
TOTAL TUITION FEE DISCOUNTS AND WAIVERS/ REVENUE FORGONE	\$685,199,000	\$709,926,000	\$723,101,000

¹ Tuition Fee Discounts cover tuition fees for eligible students with financial need. Amounts awarded reflect forgone tuition fee revenue for the CSU.

² Includes the campus tuition fee waivers reported annually in Enrollment Reporting System Students (ERSS) database (Waiver Codes 01-08). Amounts awarded reflect forgone tuition fee revenue for the CSU.

Three-Year Budget Summary by Program

Table 5	2013/14 Actuals	2014/15 Final Budget	2015/16 Request
Instruction	\$2,091,171,000	\$2,178,351,000	\$2,178,351,000
Research	11,103,000	8,586,000	8,586,000
Public Service	11,167,000	10,012,000	10,012,000
Academic Support	535,618,000	550,540,000	550,540,000
Student Services	530,168,000	535,500,000	535,500,000
Institutional Support	643,076,000	671,508,000	671,508,000
Operation and Maintenance of Plant ¹	635,379,000	820,847,000	828,475,000
Student Grants and Scholarships (without Tuition Fee Discounts) ²	32,706,000	31,948,000	31,948,000
Provisions for Allocation	0	0	269,027,000
GROSS EXPENDITURES	\$4,490,388,000	\$4,807,292,000	\$5,083,947,000

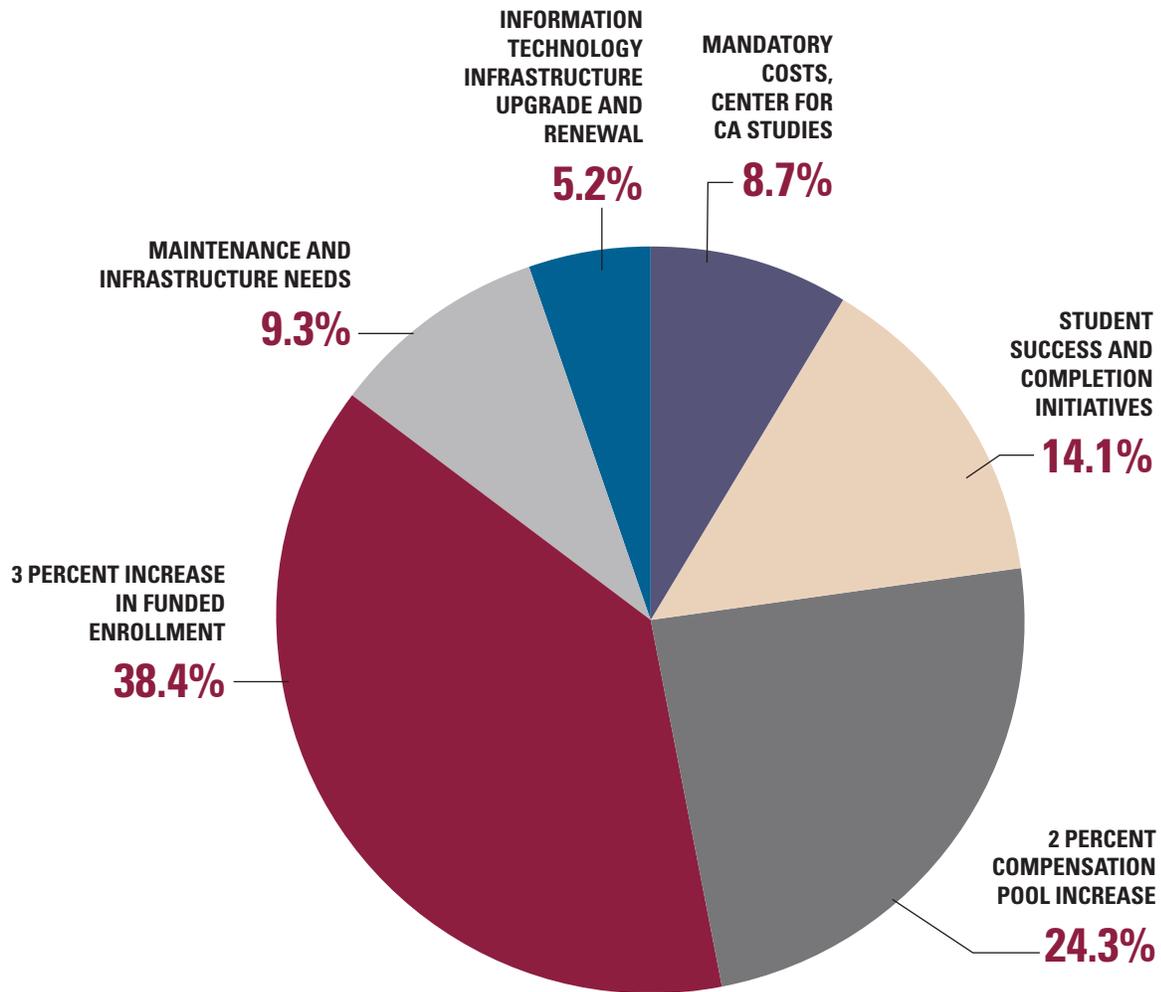
¹ 2015/16 operations and maintenance of plant includes the \$7.6M state increase in lease revenue bond debt service.

² Amount is reduced by the tuition fee discounts (revenue forgone) as shown in table 4.

Sources of Funds and Expenditure Augmentations

SOURCES OF FUNDS		
General Fund Increase		\$216,610,000
3 Percent Enrollment Growth, Programs, and Operations	216,406,000	
Center for California Studies	204,0000	
Net Tuition Fee Revenue Adjustment		\$52,417,000
3 Percent Funded Enrollment Increase (10,382 FTES Revenue)		
TOTAL REVENUE INCREASE		\$269,027,000
EXPENDITURE AUGMENTATIONS		
Mandatory Costs		\$23,077,000
Compensation Related		
Health Benefits	11,040,000	
Retirement	7,000,000	
Other Increases		
Maintenance of New Space	5,037,000	
2 Percent Compensation Pool Increase		\$65,528,000
3 Percent Increase in Funded Enrollment		\$103,218,000
Student Success and Completion Initiatives		\$38,000,000
Information Technology Infrastructure Upgrade and Renewal		\$14,000,000
Center for California Studies		\$204,000
Maintenance and Infrastructure Needs		\$25,000,000
TOTAL EXPENDITURE INCREASE		\$269,027,000

Distribution of Expenditure Increases



Sources of Revenue

The 2015/16 California State University Support Budget plan includes a \$216.6 million increase to the currently authorized CSU \$2.8 billion General Fund base for a total of almost \$3.0 billion. The \$216.6 million General Fund requested increase for 2015/16 budget is comprised of the following:

- \$216,406,000 to fund 3 percent enrollment growth, programs, and operations; and
- \$204,000 to fund annual cost increases for the state Center for California Studies Capitol Fellows Program.



The CSU 2015/16 budget plan also reflects tuition fee revenue from the recommended 3 percent California resident funded student enrollment (10,382 FTES). The net change in tuition fee revenue, after adjusting for forgone revenue associated with financial aid, is \$52,417,000.

The total 2015/16 support budget plan increase in sources of funds is \$269.0 million.

State General Fund Increase	\$216,610,000
Tuition Fee Revenue Adjustments	\$52,417,000
TOTAL	\$269,027,000

Programs and Operations

The 2015/16 CSU budget request is based on a General Fund increase of \$269.0 million and tuition fee revenue adjustments of \$52.4 million to fund the cost of budget plan expenditure augmentations for various needs, including mandatory costs, funded student enrollment, employee compensation, student success and completion, and maintenance and infrastructure needs. The General Fund increase also includes funding for the Center for California Studies. These cost increases are detailed in the next section.

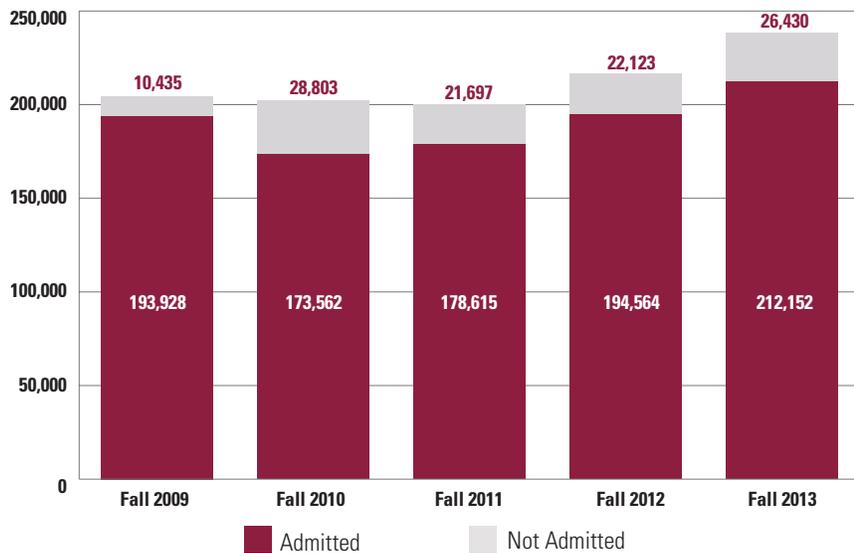
3 Percent Funded Enrollment

The 2015/16 budget plan augmentation supports a 3 percent increase in resident student enrollment to continue to address California's higher education demand.

Many CSU campuses continue to experience record levels of applications and enrollments. The CSU had to turn away more than 26,000 eligible undergraduate applicants in fall 2013. Demand for the CSU has remained high at more than 760,000 undergraduate applications for admission to the fall 2014 term. Funding restrictions have constrained the ability of the CSU to admit eligible applicants as shown in the following chart.

Increasing enrollment from the current state-assisted level of 346,050 California resident FTES by 3 percent to a new level of 356,432 is entirely feasible, given adequate support from the state. Continued restoration to meet demand of baccalaureate and master's instruction at the CSU is a vital investment by the state for the sake of student access and for the sake of California's further economic recovery and workforce development. Simply on the basis of application demand, an increase in state-assisted enrollment of more than 3 percent would be justified. However, due to the lead times and operational complexities of implementing funded enrollment growth at the campuses, this request is limited to 3 percent for the 2015/16 fiscal year.

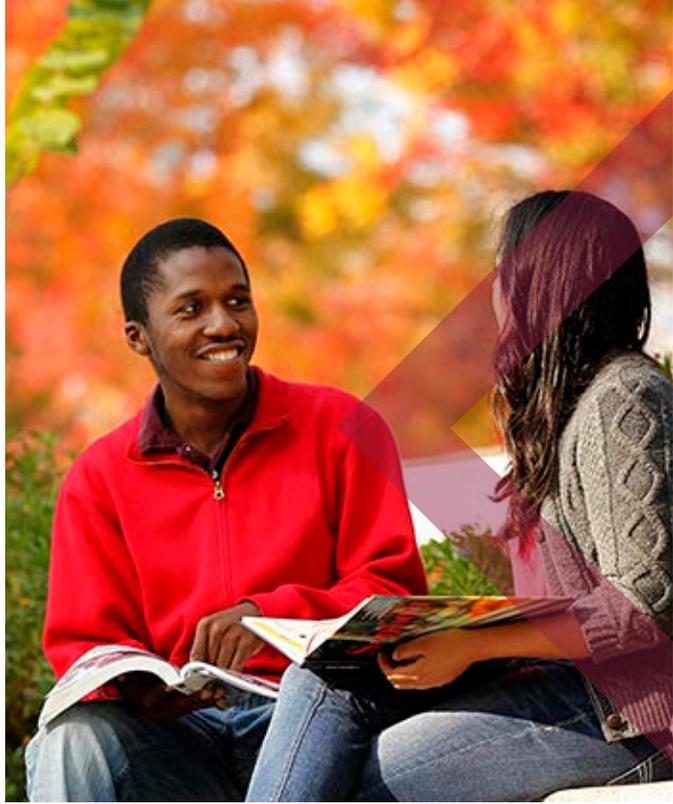
Eligible Undergraduate Applicants - California Residents



Based on the state-approved marginal cost methodology, the 2015/16 estimated net marginal cost rate of instruction, after forgone financial aid, has been calculated at \$9,942 per FTES. This amount times 10,382 FTES (3 percent) equals an estimated cost of \$103.2 million. The General Fund portion of marginal cost rate of instruction is \$7,405 per FTES, which equates to \$76.9 million funded from the state General Fund appropriation. The remainder would be offset by the estimated tuition fee revenue (net of financial aid) generated by the additional enrollment. The 10,382 FTES translates into more than 12,000 additional students.

2015/16 Tuition Fee Revenue

A 3 percent increase in resident FTES enrollment (10,382 FTES) is projected to generate \$52.4 million in new tuition fee revenue, after adjusting for forgone revenue associated with students receiving CSU Tuition Fee Discounts.





Revenue Forgone

Tuition Fee Discounts and Tuition Fee Waivers

The Tuition Fee Discount program (also known as State University Grants) is a critical source of assistance for CSU students. Since its inception in 1982/83, the Tuition Fee Discount program has provided need-based discounts to offset the cost of mandatory systemwide tuition fees for resident students and the impact of increased charges for students with the greatest financial need.

Prior to 1992/93, the state provided the funds necessary to ensure adequate assistance was available for the CSU's neediest students. Since 1992/93, the CSU has continued assistance to these students by forgoing one-third of annual revenue increases from tuition fees in most years.

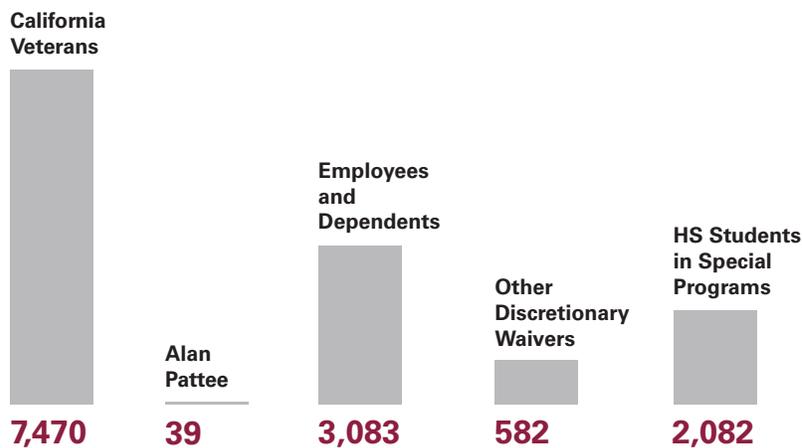
The amount projected for 2015/16 Tuition Fee Discounts from tuition fee revenue is \$657.4 million, an increase of \$13.2 million from 2014/15. The Tuition Fee Discount adjustment is due to a one-third set-aside from tuition fee revenue derived from a 3 percent increase in funded enrollment (estimated 2015/16 marginal cost of \$1,269 per FTES). This \$657.4 million of financial aid reflects tuition fees that go uncollected—in effect, waived—and is a form of revenue loss for the CSU.



Under current law, there are four state-mandated tuition fee waiver programs: the California Veterans Waiver for children of disabled/deceased veterans (Education Code 66025.3), the Alan Pattee Waiver for dependents of deceased law enforcement or fire suppression personnel (Education Code 68120), the tuition fee waiver for California residents who were dependents of victims killed in the September 11, 2001 terrorist attacks (Education Code 68121), and the tuition fee waiver for the two students serving on the Board of Trustees (Education Code 66602). In addition to state-mandated tuition fee waiver programs, other tuition fee waiver programs include waivers for employees and employee dependents pursuant to collective bargaining agreements. Other non-mandatory waivers have been established by CSU Board of Trustees policy and California statute that include programs for high school students and California residents age 60 years and older, among others. The state has not provided General Fund support for CSU tuition fee waiver programs since 1992/93.

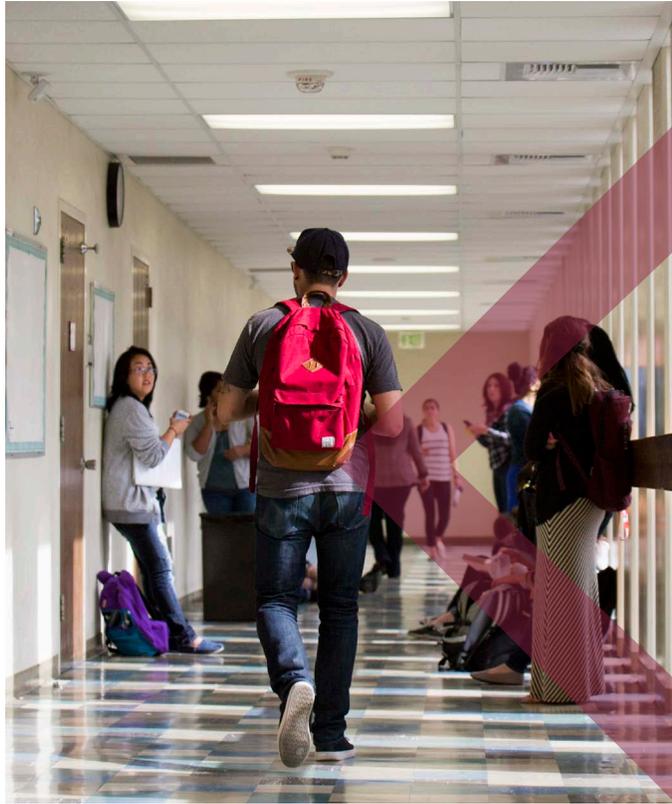
A summary of the total revenue forgone and applied to Tuition Fee Discounts and mandatory waivers from 2013/14 through 2015/16 is included in the **Three-Year Budget Summary and Highlights** section. In the 2013/14 college year (fall, winter, spring, and summer), 13,256 tuition fee waivers were granted to CSU students. When tuition fee rates are applied to these waivers based on student enrollment status, it amounts to approximately \$65.7 million in revenue forgone to the CSU.

2013/14 Systemwide Tuition Fee Waivers



Uses of Revenue

The 2015/16 California State University Support Budget recommends an expenditure plan based on General Fund and tuition fee revenue increases from higher enrollment to cover the cost of expenditure augmentations. The expenditures outlined below address the university's fundamental priorities for the 2015/16 fiscal year. These include increases for mandatory costs, employee compensation, enrollment, student success and completion initiatives, information technology infrastructure upgrade and renewal, the Center for California Studies, and maintenance and infrastructure needs.



Mandatory Costs, \$23,077,000

Mandatory costs are expenditures the university must pay regardless of the level of funding appropriated by the state. These costs include increases for employee health and retirement benefits and operations and maintenance of newly constructed space. Without funding for mandatory cost increases, campuses must redirect existing resources from other program areas to meet these obligations. In order to preserve the integrity of CSU programs, the 2015/16 support budget plan provides for the following increases in mandatory cost obligations.

Mandatory Costs

Health Benefits	\$11,040,000
Retirement Benefits	\$7,000,000
New Space Maintenance	\$5,037,000
TOTAL	\$23,077,000

Two Percent Compensation Pool, \$65,528,000

The CSU Board of Trustees recognizes compensation for faculty, staff, and management as a key element of the university's success. The ability to offer a competitive compensation package is essential to the CSU's ability to recruit and retain faculty, staff, and management employees who contribute to the CSU's mission of excellence.

Continued investment to make progress toward competitive salaries for faculty and staff are needed to place the CSU in a stronger position to fulfill its primary mission of providing accessible higher education that maintains quality and supports the state's ability to fill jobs and support the economy. There continues to be critical salary-related concerns across CSU employee groups that require attention by CSU leadership and the collective bargaining process. The first general salary increase in several years for faculty and staff occurred in 2013/14 with \$38 million, representing an average increase of 1.34 percent, distributed across employee groups. A three percent compensation pool increase has been budgeted for 2014/15, subject to collective bargaining.

This budget plan calls for approximately \$65.5 million to fund a two percent compensation pool increase, subject to collective bargaining, for all employee groups effective July 1, 2015. A two percent pool is intended to strike a balance between competing priorities. The 2015/16 cost of each one percent compensation increase is based on 2014/15 final budget salaries and salary-related benefits (OASDI, Medicare, and retirement) and is summarized in the following table.

Estimated 2015/16 Cost of 1 Percent Compensation Increase

	2014/15 Final Budget Compensation (Adjusted ¹)	2015/16 Cost of 1% Increase
Faculty	\$1,650,399,000	\$16,504,000
Staff	1,626,040,000	16,260,000
TOTAL	\$3,276,439,000	\$32,764,000

COST OF 2% INCREASE **\$65,528,000**

¹ The compensation base is adjusted for changes in employer-paid retirement rates. The CalPERS member categories for State Miscellaneous-Tier 1 and State Peace Officer/ Firefighter increased 3.077 percentage points and 5.507 percentage points, respectively, from the 2013/14 composite rates of 21.203 percent and 31.320 percent to 2014/15 rates of 24.280 percent and 36.827 percent.

Funded Student Enrollment, \$103,218,000

The 2015/16 budget plan includes a three percent funded student enrollment increase of 10,382 California resident FTES from a 2014/15 California resident FTES base of 346,050.

2015/16 FULL-TIME EQUIVALENT STUDENTS ENROLLMENT TARGET

2015/16 Resident FTES Base	346,050
2015/16 Resident Student Enrollment Growth (3%)	10,382
2015/16 TOTAL RESIDENT FTES	356,432

This enrollment increase will be funded using a marginal cost rate of \$9,942 per FTES. The total funding required to sustain direct instruction, academic support, student services, institutional support, and plant operations related to the proposed enrollment growth is \$103.2 million.



Student Success and Completion Initiatives, \$38,000,000

The 2015/16 support budget includes \$38 million for a variety of efforts and strategies to close achievement gaps and facilitate student success and degree completion.

These funds will be used in six initiative areas:

- 1. Tenure-track Faculty Hiring** – \$11 million for campuses to hire tenure-track faculty and continue reversing the declining ratio of tenured and tenure-track faculty to lecturers, as well as to improve student/faculty ratios. These funds would augment state funds and tuition fee revenue related to new enrollment and savings from retiring faculty, to enable campuses to hire more tenured and tenure-track faculty systemwide. More faculty, added to current faculty numbers, mean more sections of high-demand courses taught and more faculty mentoring/ advising of students.
- 2. Enhanced Advising** – \$7 million, with \$4 million to hire more professional staff advisors systemwide, and \$3 million to leverage the work already underway with various e-advising technologies that provide clear and accurate “real time” information for students and advisors related to graduation and major requirements and the efficient scheduling of classes.
- 3. Augment Bottleneck Solutions Initiative** – \$1.5 million to expand the initiative to \$11.5 million. The added funding would support more online concurrent enrollment courses.
- 4. Student Preparation** – \$5 million augmentation to help incoming freshmen attain college readiness before arriving on CSU campuses.
- 5. High-Impact Practices for Student Retention** – \$9 million to “scale up” a wide range of successful “high impact” practices, including service learning projects, undergraduate participation in applied research, first-year learning communities (a cohort or shared academic focus for groups of first-year students), and peer mentoring (upper division students mentoring lower division students).
- 6. Data-Driven Decision Making** – \$4.5 million for the Data Dashboard, a project currently underway at the CSU to provide all 23 campuses with the type of data they need to make important decisions related to time to degree and term-to-term retention. Growth and wide-spread adoption of the use of data, and the mechanism to report and display this data in an accessible way for faculty and staff, will dramatically improve decision-making at the campuses and the system and improve overall effectiveness and efficiency of the university’s programs. CSU campuses will also use this data to give faculty and staff a basis upon which to make decisions about graduation pathways and measure the success of academic and student success programs including high impact practices.



These six areas of funding are directed at improving student success and completion. Improvements in graduation rates and the number of successful degree completions at the CSU have the potential for maximum effect across the state.

Information Technology Infrastructure Upgrade and Renewal, \$14,000,000

Under the 2015/16 budget plan, \$14.0 million of financing proceeds would be prioritized for information technology infrastructure to meet the most urgent needs for campus network upgrade and renewal. Specifically, these proceeds will be used to replace the data network equipment at each campus on a 4 to 5 year replacement cycle.

More than 13 years ago when the CSU Common Network Initiative was instituted, members of the campus communities accessed relatively few online resources from a handful of wired campus locations such as libraries and computer labs. Today students, faculty and staff wirelessly access a seemingly infinite set of data and information repositories located on campus and across the globe. They communicate via digital video and access an ever-expanding number of network-enabled devices locally and globally to aid teaching and learning and to conduct research. The result has been a 2,000 percent increase in network traffic, and zero-tolerance for operational disruption. In short, this infrastructure represents the “line” in online learning, and it is critical to the future mission of the CSU.

Unfortunately, while the criticality of this infrastructure has increased, financial resources to maintain and periodically replace obsolete components have been steadily reduced since 2010. Today, the CSU has a growing inventory of critical network equipment that is no longer supported by the vendor, rendering it effectively obsolete. Specifically, as of June 30, 2014, 86 out of 138 (62 percent) mission-critical core routers and 2,547 out of 4,044 (63 percent) network access switches across the CSU are obsolete. In addition, by December 2015, 7,523 out of 12,573 (60 percent) wireless devices also will be obsolete. This has resulted in diminished network reliability, and increased risk of information security breaches because vendors are no longer providing related software security patches.



Assuming an ongoing annual allocation, the requested funds will be used to replace the remaining obsolete switching and routing hardware, wireless access points and controllers, and network security devices at all campuses. After the initial refresh, funds will be used to refresh this equipment on 4 to 5 year cycles (4 to 6 campuses per year) to ensure that such obsolescence does not occur in the future.

Center for California Studies, \$204,000

The Center for California Studies is a state-funded program within the CSU that promotes understanding of and effective participation in the political and policy processes that govern California. Included within the 2015/16 support budget is a 6 percent augmentation of \$204,000 for the Center. The Center's General Fund appropriation, a stand-alone appropriation in the state's annual budget bill (currently \$3.5 million), funds direct costs and administrative expenses for the Assembly, Senate, Executive, and Judicial Fellows programs and other programs consistent with the Center's mission. The augmentation would help to alleviate mounting cost pressures that continue even after implementing operational efficiencies and cost saving measures. The augmentation would be used to (1) cover anticipated increases in personnel costs due to systemwide collective bargaining agreements, (2) maintain financial access to the Fellows and other programs by modestly increasing stipends, and (3) fund other inflationary increases.

Maintenance and Infrastructure Needs, \$25,000,000

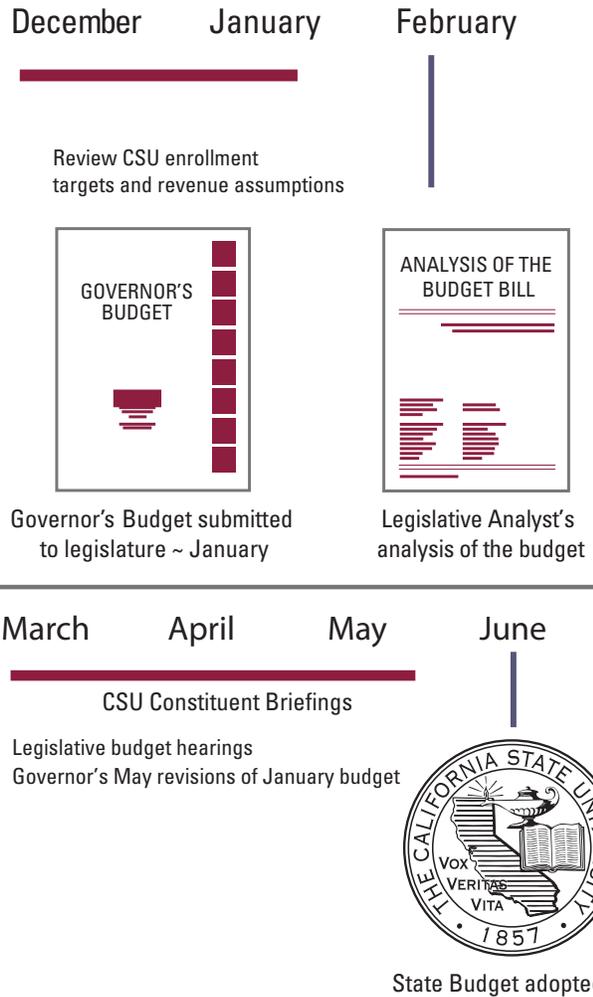
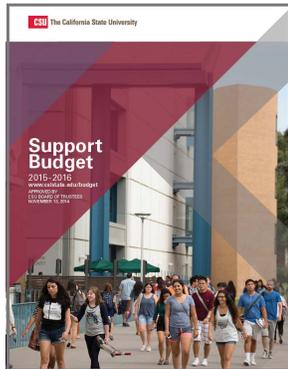
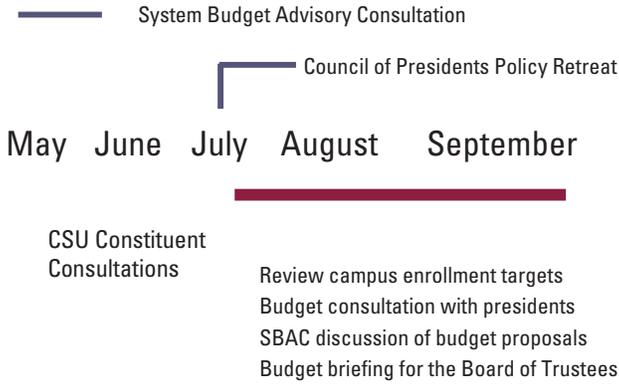
The 2015/16 budget plan includes \$25.0 million of funding to finance the CSU's most urgent facility maintenance and utilities infrastructure backlogs. The CSU's backlog of facility maintenance and infrastructure needs, even if restricted to the highest priority needs, is massive and growing. Even with the state statutorily changing the way it handles CSU academic-related infrastructure needs by providing the CSU with the autonomy to self-determine its capital program, the state did not provide sufficient funds for the CSU to capitalize the new program. Consequently, annual support budgets will not be able to retire significant portions of the \$1.8 billion maintenance backlog for many years without additional resources being allocated for this purpose. In light of the backlog of infrastructure renewal needs, the program continues to focus on needed improvements to our utilities, technology network and building infrastructure, and seismic upgrades, followed by major building replacements/renovations and new buildings to accommodate the growing student population. The Systemwide Infrastructure Improvements program is the highest priority for the use of CSU financing as the program provides funds across all campuses. The \$25.0 million of funding could be spent to pay for projects on a pay as you go basis or be used to finance projects.



The 2015/16 budget plan includes funding to address the CSU's most urgent maintenance needs. The deferral of CSU priority maintenance needs have accumulated annually due to insufficient funding to address scheduled maintenance requirements in CSU final budget appropriations. This lack of funding has resulted in a backlog of systems and facilities past their useful life. Funding in the 2015/16 support budget is necessary to address the most critical renewal and repair projects that are part of the priority deferred maintenance backlog, including health and safety concerns at each campus (e.g., fire protection, structural repairs, roofing, HVAC, and elevators) to avert building and campus shutdowns. Facilities shutdowns will interrupt education services to students and impede the CSU's ability to provide a clean and safe work environment for faculty and staff. Without funding to begin addressing this need, emergency failures will continue to drive up deferral costs and CSU critical renewal needs will multiply.

At many CSU campuses, the utilities infrastructure is obsolescent, dating back more than a half century and in need of upgrade or replacement. The cost of repairing this infrastructure is high as electrical, gas and water systems continue to age. Because the utilities infrastructure is a core system to the CSU and its ability to educate its students at functioning, reliable campuses, funding included in the 2015/16 support budget is imperative to address the most critical projects that are part of the infrastructure backlog, including electrical distribution, utility system retrofit, natural gas piping, storm/sewer drain line, and plumbing and water systems. Power or water service interruptions and failures impede the CSU's ability to provide education services in a safe environment for students, faculty and staff. Without funding, failures and potential building and campus shutdowns will occur producing additional costs and the potential for further damage to systems and infrastructure.

Budget Cycle





Reference further 2015/16 Support Budget, Supplemental Documentation at www.calstate.edu/budget

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