

AGENDA

COMMITTEE ON FINANCE

Meeting: 9:00 a.m., Wednesday, September 13, 2023
Glenn S. Dumke Auditorium

Julia I. Lopez, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Douglas Faigin
Mark Ghilarducci
Leslie Gilbert-Lurie
Anna Ortiz-Morfit
José Antonio Vargas

- Consent**
1. Approval of Minutes of the Meeting of July 11, 2023, *Action*
 2. Appointment of the California State University Investment Advisory Committee Chair, *Information*
 3. California State University Quarterly Investment Report, *Information*
- Discussion**
4. Tuition Policy, *Action*
 5. Approval of the 2024-2025 Operating Budget Plan and Multi-Year Tuition Proposal, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON FINANCE**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

July 11, 2023

Members Present

Julia I. Lopez, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Douglas Faigin
Mark Ghilarducci
Leslie Gilbert-Lurie
Anna Ortiz-Morfit

Wenda Fong, Chair of the Board
Jolene Koester, Interim Chancellor

Trustee Julia Lopez called the meeting to order.

Public Comment

Public comment occurred at the beginning of the meeting's open session before all committees.

Approval of the Consent Agenda

The minutes of the May 24, 2023, meeting of the Committee on Finance were approved as submitted.

Item 2, Approval to Issue Debt for Affordable Housing at California State University, Northridge, was approved as submitted (RFIN 07-23-07).

Item 3, Approval to Issue Debt in Support of the 2023-2024 Budget, was approved as submitted (RFIN 07-23-08).

Discussion Agenda

The committee had four items on the discussion agenda.

Item 4, 2023-2024 Final Budget, *Information*

This information item summarized final budget-related decisions made by the State of California for the 2023-2024 fiscal year and their effect on the California State University (CSU) operating budget.

Trustee McGrory raised a question about the trade-off in terms of capital dollars and debt bonds. He questioned whether the commitment of \$100 million would remain in place over several years despite potential administrative changes. Steve Relyea responded, explaining that the money wouldn't be kept in a separate fund but would be integrated into the operating budget. The \$100 million would be used in the operating budget and shown as a debt service payment to the system revenue bond program.

Trustee McGrory further inquired if the \$100 million would be represented as a distinct line item in the budget. Steve Relyea clarified that while the money would be displayed as a capital expenditure, it wouldn't be explicitly earmarked for that sole purpose. Trustee McGrory mentioned the need to advocate for more funding beyond the compact.

The conversation shifted to addressing concerns about budget shortfalls, the potential impact on reserves, and the need for a plan to manage worst-case scenarios. Trustee Lopez echoed these concerns, the uncertainties tied to labor negotiations, and the difficulty of maintaining a balance between revenue and expenses. Trustee Lopez concluded the discussion by focusing on the need for a long-term plan to align revenues and costs.

Item 5, Planning for the 2024-2025 Operating Budget, *Information*

This information item provided the CSU Board of Trustees with preliminary assumptions and an initial framework in preparation for the 2024-2025 Operating Budget Plan for the governor's and legislature's consideration.

Trustee Lopez emphasized the significance of establishing priorities and suggested that staff assess these priorities, factoring in associated costs. The assessed priorities would then be compiled into a comprehensive budget plan, to be submitted for consideration in September 2023. Presidents were encouraged to think innovatively when developing strategies for their respective universities. Trustee Lopez encouraged the submission of innovative ideas, policies, and practices that could aid in cost savings and enhance revenue.

Lieutenant Governor Kounalakis raised concerns regarding the proposed tuition increase. She questioned the process and timing, cautioning against significant tuition hikes without sufficient student involvement or the new chancellor's evaluation. She expressed concern with automatic and perpetual tuition increases without regular board review, proposing an annual review instead. Lieutenant Governor Kounalakis stressed the potential burden on students, particularly those facing financial challenges, urging thorough analysis and research on the proposal's impact to precede any decision.

Trustee Yee-Melichar supported the idea of a three-year budget plan to ensure predictability and sustainability. She suggested a new category for revenue sources in the budget, specifically the new state revenue generated by the oil gas price gouging penalty bill (SB X1-2). She suggested that the CSU request a share of these innovative revenues.

Trustee Clarke requested detailed information on how the proposed tuition increase and budget plan would address specific campus needs, such as Title IX/DHR. He emphasized the importance of substantive budget discussions to help trustees communicate the CSU's efforts to their communities effectively.

Trustee Gilbert-Lurie suggested allocating a specific budget for mental health, as it has been a reoccurring issue raised during public comment. She suggested conducting a study or forming a group to address mental health at universities effectively. She also inquired about the role of philanthropy and development in the budget, seeking clarity on their revenue contributions.

Steve Relyea clarified that the presented budget request is a proposal from the CSU to the governor, outlining the institution's needs based on its mission and compact. Presidents are actively engaged in philanthropic initiatives, aligning with academic priorities and donor interests. Philanthropy is crucial for the presidents' budgets, along with self-funded enterprises managed at their universities.

President Armstrong highlighted key points about philanthropy and CSU funding. He emphasized that donors expect CSU involvement and funding in supported projects. Donors often prefer funding specific projects or naming rights rather than maintenance or salaries. Building a substantial endowment is challenging due to the significant amount required for sustainable annual income (for example, a \$500 million endowment will generate \$20 million a year).

Trustee Aguilar-Cruz inquired about the categorization of basic needs in the expenditure table presented. Ryan Storm clarified that basic needs have been included in various ways historically, often as part of the Graduation Initiative.

Trustee Aguilar-Cruz referred to the previous year's budget proposal, highlighting a separate line item for basic needs that was supported by Superintendent Tony Thurman. She emphasized the importance of maintaining basic needs as a distinct line item rather than including it under the Graduation Initiative.

Trustee McGrory supported the idea of separate line items for specific requests and asked about the cost breakdown of Title IX implementation. Leora Freedman explained that a fully developed Title IX proposal might not be ready by September 2023. However, a clearer estimate is anticipated. Trustee McGrory suggested showing Title IX implementation as a separate line item in the system and campus costs.

Trustee Arambula is in favor of the three-year budgeting process and appreciated the president's sharing their expenditure breakdown. He stressed the importance of addressing budget challenges creatively rather than burdening universities with shifting financial responsibilities.

Trustee Lopez called for a comprehensive presentation of budget priorities, suggesting more detailed information about spending and proposed funds for initiatives.

Interim Chancellor Koester acknowledged the challenges in providing specific numbers for board review but agreed with the request for more information. She assured the board that staff would make efforts to provide the requested details, even if they are preliminary estimates.

The discussion concluded with an agreement to work towards providing the requested information and ensuring a comprehensive understanding of budget priorities and initiatives.

Item 6, Tuition Policy, *Information*

This information item included a draft tuition policy. Based on the outcome of the discussion by the trustees at this meeting, a final policy will be presented to the board at the September 2023 meeting.

Trustee Aguilar-Cruz recommended involving student input in the review process to consider their perspectives. She also sought clarification on the term "review" and its actions. Steve Relyea explained that the Board will have staff conduct a review prior to every five years. The review will assess metrics like student impact, financial aid, and institutional revenue, considering alignment with Cal Grant and financial aid policy changes. Trustee Aguilar-Cruz proposed changing "review" to "reconsideration."

Ryan Storm emphasized the focus was on establishing high-level policy statements, acknowledging future refinement. Trustee Faigin sought clarity on the term "predictable". Steve Relyea clarified by presenting the Multi-Year Tuition increase history, highlighting the need for stability to eliminate sudden spikes.

Chair Fong asked about the rationale for a five-year review. Steve Relyea explained that understanding cost drivers is crucial. A five-year review would ensure stable revenue, aiding long-term planning. Trustee Yee-Melichar stressed knowing both tuition and net financial aid details. Nathan Evans explained the commitment to set aside one-third of new tuition, enhancing predictability.

Trustee Rodriguez emphasized involving student input. Trustee Lopez supported a five-year review and addressed policy schedules and the misconception of permanent increases. It was suggested to clarify that approved increases would be reconsidered. Several trustees echoed the need for clarity.

Item 7, Multi-Year Tuition Proposal, *Information*

This information item presented a multi-year tuition proposal for certain systemwide tuition and fees: systemwide tuition, nonresident tuition, and the graduate business professional program fee. The proposal would benefit current and prospective students in three important ways: 1) provide the necessary resources for each university to further the CSU's core values of equitable excellence and access; 2) provide tuition stability and predictability for students and parents; and 3) enhance financial aid and affordability for those students with the greatest financial need.

Trustee Faigin expressed willingness to consider supporting a 6% tuition increase for one, possibly two, or three years. He sought clarification that the proposal would involve a 6% increase each year. After five years, the board would review the situation and make decisions accordingly. If no action or vote were taken, the 6% annual increases would continue. Steve Relyea proposed adjusting the wording to clarify the board's role at the five-year mark, specifying that at the moment the annual increase would continue if no action were taken.

Trustee Faigin raised concerns about the proposal's ambiguity, particularly the implication of indefinite tuition increases. To address this, he proposed removing the automatic continuation of tuition increases after three years.

Trustee McGrory expressed concerns about freezing a substantial portion of the general fund budget for 11 years, emphasizing the need to address revenue issues causing the financial shortfall. A sunset provision after five years was suggested.

Trustee Gilbert-Lurie highlighted the importance of clarity, measurable impact, and a clear plan for assessing future tuition increases.

Ryan Storm explained the consideration of a cohort model and its limitations in generating revenue compared to the proposed 6% increase. The board's commitment to addressing the revenue gap over five years was emphasized.

Trustee Aguilar-Cruz requested the report include nonresident tuition for perspective and questioned the 6% increase considering the average higher education price index. Ryan Storm clarified the decision-making process for the 6% increase, considering affordability and revenue needs.

Trustee Aguilar-Cruz raised concerns about the allocation of revenue in various areas, including student support services and faculty/staff compensation. A request was made for a visual representation of fund distribution. Ryan Storm discussed the approach taken in the previous year's budget request, emphasizing challenges due to uncertainty in collective bargaining, state funding fluctuations, and tuition increase approval. He highlighted the importance of stating values and priorities upfront while adapting to financial changes.

Trustee Aguilar-Cruz stressed CSSA's desire for transparent revenue allocation, with a focus on dedicating a majority to student resources. Concerns were shared about an indefinite tuition increase, and CSSA's unanimous vote against the increase was mentioned.

Trustee Rodriguez expressed concern about the lack of clarity on the proposal's duration and opposed an indefinite increase. Questions were raised about the 6% annual increase, the absence of the cohort model, and suggested waiting until November 2023 to ensure student involvement. Trustee Kimbell suggested clarifying the proposal's language to include termination or a sunset provision. Trustee Yee-Melichar noted the faculty's inability to give input during the summer.

Interim Chancellor Koester emphasized the need to implement the proposal in September 2023 to provide ample notice to students for the 2024-2025 academic year and requested the board's commitment to addressing the revenue gap over a five-year period, allowing presidents to implement necessary changes for sustainable funding models. She suggested proceeding with a proposal and exploring alternative approaches in the future.

Chair Fong directed the Chancellor's Office team to amend the proposal, specifying a five-year duration. After the five-year period, a thorough review, evaluation, and subsequent vote would be conducted.

Trustee McGrory requested a comparison between cohort and across-the-board models. Steve Relyea agreed to provide the analysis (Information was sent to Trustees on July 18, 2023). Trustee Gilbert-Lurie suggested assessing student impact during the five years. Trustee Lopez mentioned the financial aid workgroup's role in tracking impacts.

Trustee Lopez adjourned the meeting of the Committee on Finance.

COMMITTEE ON FINANCE

Appointment of the California State University Investment Advisory Committee Chair

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item provides the California State University Board of Trustees with information concerning the appointment of the CSU Investment Advisory Committee Chair for the 2023-2024 fiscal year.

Background

At its September 2017 meeting, the CSU Board of Trustees established the CSU Investment Advisory Committee (IAC). In establishing the membership of the IAC, the board determined that three of the members would be ex officio: (1) the Chair of the Committee on Finance of the CSU Board of Trustees; (2) the Executive Vice Chancellor and Chief Financial Officer of the California State University; and (3) the Assistant Vice Chancellor, Financing, Treasury, and Risk Management for the California State University. In addition, the Chair of the Committee on Finance would serve as Chair of the IAC, and the Executive Vice Chancellor and Chief Financial Officer would serve as Vice Chair of the IAC.

Information Regarding the Appointment of the Investment Advisory Committee Chair

The California State University Investment Advisory Committee Charter approved by the IAC in January 2018 contains provisions that allow a member of the Board of Trustees, other than the Chair of the Committee on Finance, to be appointed and serve as Chair of the IAC. Specifically, Chapter 3 of the Charter, under "Operation, IAC Composition", contains the following paragraph:

"At his or her discretion, the Chair of the Committee on Finance for the Board may elect to designate another Board member to serve on the IAC in place of the Chair of the Committee on Finance for the Board, but in no event shall such service of another Board member on the IAC exceed the term of Chair of the Committee on Finance for the Board."

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Appointment of Jack McGrory to Continue as Chair of the Investment Advisory Committee

For the fiscal year 2023-2024, Trustee Julia I. Lopez has been appointed Chair of the Committee on Finance for the Board of Trustees. With this appointment, Trustee Lopez would now become the Chair of the IAC, however, Trustee Lopez has determined that it is in the best interests of the CSU for Trustee Jack McGrory to continue serving as the Chair of the IAC. To that end and pursuant to the provisions of the IAC Charter, Trustee Lopez has designated Trustee McGrory, and Trustee McGrory has agreed, to continue serving as the Chair of the IAC for the 2023-2024 fiscal year.

COMMITTEE ON FINANCE

California State University Quarterly Investment Report

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

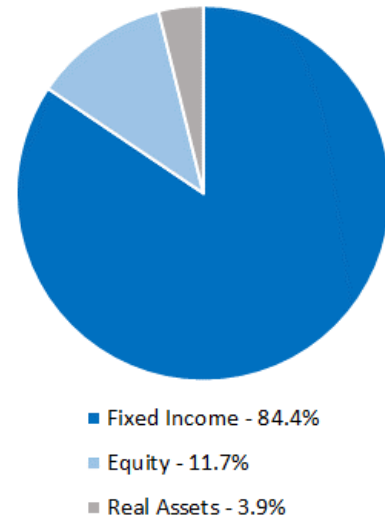
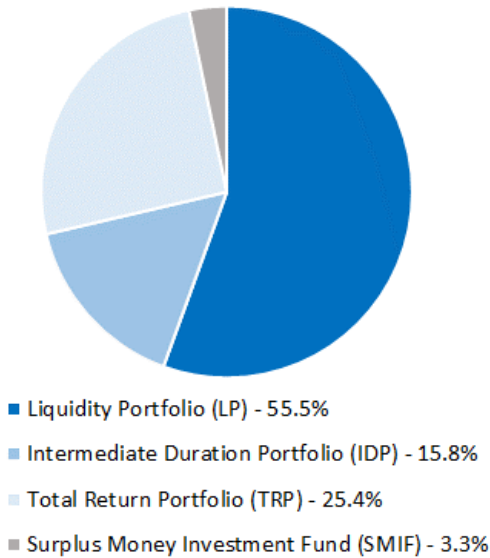
This item provides the quarterly investment report to the California State University Board of Trustees for the quarter ended March 31, 2023. The information in Attachment A provides the entire quarterly investment report regarding CSU investments as required by Education Code § 89726.

Background

The California State University Master Investment Policy is posted publicly to: <https://calstate.policystat.com/policy/11691689/latest>. Pursuant to the CSU Master Investment Policy, CSU investments as of March 31, 2023 consisted of investments in the Liquidity Portfolio, the Intermediate Duration Portfolio (IDP), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). Except for amounts held at the State in SMIF, all CSU investments are held by US Bank, the custodian bank for the CSU. Neither state general fund nor CSU auxiliary funds are included in CSU investments. In addition, this report does not include approximately \$1.07 billion in bond proceeds, which by state law are required to be held by the state and are invested in SMIF.

**CSU Investments – Balances, Allocations, and Returns
 March 31, 2023**

	Balance	% of CSU Investments	Twelve Month Returns
Liquidity Portfolio (LP)	\$4.430 billion	55.5%	1.30%
Intermediate Duration Portfolio (IDP)	\$1.260 billion	15.8%	-2.57%
Total Return Portfolio (TRP)	\$2.023 billion	25.4%	-6.92%
Surplus Money Investment Fund (SMIF)	\$0.262 billion	3.3%	1.09%
CSU Investments	\$7.98 billion	100%	



CSU Investment Portfolios

For detailed information on the investment performance and characteristics of the CSU investment portfolios please see Attachment A.

CSU Liquidity Portfolio

The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objectives are safety of principal and liquidity.

The Liquidity Portfolio is managed through contracts with two investment management firms, BlackRock Financial Management and Payden & Rygel, each of whom provides investment management services for the program. While the custodian, US Bank, holds the funds invested in the Liquidity Portfolio, for investment management purposes additions to the portfolio are split evenly between the investment managers and invested according to permitted investments outlined in the Government Code of the State and the Liquidity Portfolio investment policy. Consistent with state law, the Liquidity Portfolio is restricted to high quality, fixed income securities.

CSU Intermediate Duration Portfolio (IDP)

The Intermediate Duration Portfolio launched on October 1, 2021, with an initial investment of \$675 million. The purpose of the IDP is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives are safety of principal, liquidity, and return. The IDP is managed through contracts with three investment management firms, Western Asset Management Company, PGIM Fixed Income, and Income Research & Management, each of whom provides investment management services for the program. While the custodian, US Bank, holds the funds invested in the IDP, for investment management purposes additions to the portfolio are split evenly between the investment managers and invested according to permitted investments outlined in the Government Code of the State and the IDP investment policy. Consistent with state law, the IDP is restricted to high quality, fixed income securities.

CSU Total Return Portfolio (TRP)

Legislation effective January 1, 2017 expanded the CSU investment authority to allow investment in mutual funds (including equity mutual funds) and real estate investment trusts. The Total Return Portfolio was created to take advantage of the new investment authority.

The purpose of the TRP is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level.

Under State law, investment of funds in the TRP is subject to the CSU meeting certain conditions regarding investment oversight, reporting, and use of earnings, and may not be more than sixty-five percent of eligible CSU investments. The CSU Investment Advisory Committee (IAC), established by the Board of Trustees in September 2017, oversees the TRP and focuses on key issues such as investment policy, asset allocation, investment manager oversight, and investment performance.

The TRP investment policy provides a framework for the investment of portfolio funds in the TRP and includes the following key elements as further described in the TRP Investment Policy:

Investment Objectives
Spending Policy
Time and Investment Horizon
Risk Tolerance
Expected Return
Asset Allocation
Benchmarks

Investment Manager Selection
Roles & Responsibilities
Environmental, Social and Governance
Framework
Risk Management
Monitoring and Control Procedures

The IAC has adopted an investment schedule for the TRP that utilizes a dollar-cost averaging approach and provides regular monthly contributions to the TRP. An initial investment of \$33.5 million into the TRP was made on April 1, 2018, and additional investments allowed the TRP to reach the fiscal year 2018-2019 statutory limit of \$600 million in the first half of 2019. After June 30, 2019, a new investment schedule was adopted by the IAC and staff, with the goal of funding the TRP to as much as thirty percent of CSU investments by mid-2020. However, in April of 2020, the IAC approved a reduced investment schedule in the amount of \$20 million total between April and July of 2020, and in August of 2020, the IAC suspended further contributions to the TRP for the time being. Both actions were taken in order to preserve liquidity in the CSU Liquidity Portfolio in response to the COVID-19 pandemic. In January of 2022, the IAC approved an additional \$900 million investment into the TRP scheduled over the next eighteen months. The investment schedule may also be adjusted by the IAC at any time depending on market conditions and staff will ensure the TRP does not exceed its statutory limit as a percent of CSU Investments.

Since the TRP Inception date¹ through March 31, 2023, the TRP investment earnings were approximately \$230.2 million. During this period, the TRP total return exceeded the Liquidity Portfolio total return by 4.06% annualized (net of fees) or a cumulative \$189.3 million, which was about 5.6 times higher than Liquidity Portfolio investment earnings.

In October 2022, the IAC approved the fourth annual TRP distribution to the system of approximately \$48.8 million, bringing total TRP distributions to the system since inception to \$161.8 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with state law, specifically Education Code § 89726, additional moneys earned through investments in the TRP shall be used only for capital outlay or maintenance and shall not be used for ongoing operations.

Surplus Money Investment Fund (SMIF)

The State Treasurer also provides investment vehicles that may be used for CSU funds. The Surplus Money Investment Fund (SMIF) is used by the State Treasurer to invest state funds, or funds held by the state on behalf of state agencies, in a short-term pool. To facilitate certain expenditures, the CSU maintains small amounts of funds with the State. The portfolio includes

¹ The TRP Inception Date was April 1, 2018.

Certificates of Deposit, Treasuries, Commercial Paper, Corporate Bonds, and U.S. Government Agencies.

Reporting Requirements

California Education Code § 89726 requires quarterly investment reports to the Board of Trustees and an annual report to the State Legislature and the Department of Finance.

Recent Actions/Next Steps

With the passage of AB 2422, effective January 1, 2023, up to sixty-five percent of CSU investments may be invested in the TRP and the TRP may additionally invest in commingled funds and exchange-traded funds. Considering these legislative changes, in January of 2023 the IAC took two actions and in March of 2023 the Board of Trustees took one action. First, the IAC approved a recommendation to the Board of Trustees to revise the California State University Master Investment Policy. These recommended revisions were presented to and approved by the Board of Trustees at the March 2023 meeting in Agenda Item 4 for the Committee on Finance. The IAC also approved a revised funding schedule for the TRP calling for an additional \$1.25 billion to be invested in the TRP over a twelve-month period.

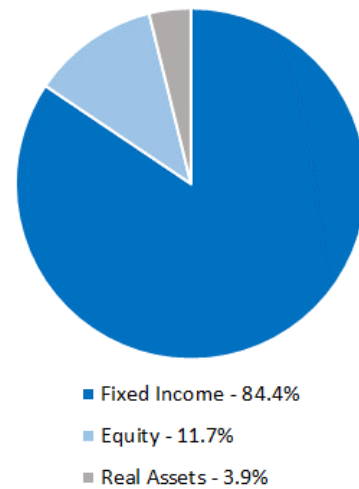
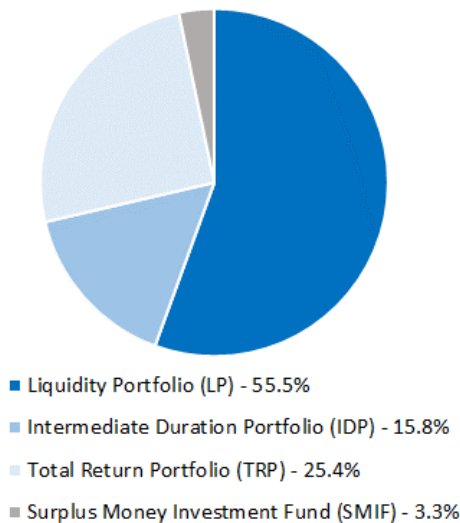
The next investment report to the board is scheduled for the November 2023 meeting and will provide information on the CSU Annual Investment Report for the fiscal year ending June 30, 2023.

CSU Quarterly Investment Report For the Fiscal Quarter Ended March 31, 2023

CSU investments as of March 31, 2023, consisted of investments in the CSU Liquidity Portfolio (LP), the Intermediate Duration Portfolio (IDP), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). All CSU investments (except for funds invested in SMIF) are held by US Bank, the custodian bank for the CSU. Neither state general fund nor CSU auxiliary funds are included in CSU investments. In addition, this report does not include approximately \$1.07 billion in bond proceeds, which by state law are required to be held by the state and are invested in SMIF.

Balances and Allocations as of March 31, 2023

	<u>Balance</u>	<u>% of CSU Investments</u>
Liquidity Portfolio (LP)	\$4.430 billion	55.5%
Intermediate Duration Portfolio (IDP)	\$1.260 billion	15.8%
Total Return Portfolio (TRP)	\$2.023 billion	25.4%
Surplus Money Investment Fund (SMIF)	\$0.262 billion	3.3%
CSU Investments	\$7.98 billion	100%



For the nine months ending March 31, 2023, direct investment management fees¹, advisory, and custodial fees totaled just under \$3.1 million, or about 0.045 percent (about 0.06 percent annualized) on CSU investments' average balance for the nine months ending March 31, 2023.

¹ Direct investment management fees exclude TRP mutual fund investment management fees. TRP mutual fund investment management fees are included as mutual fund expenses and reported as a percent of total fund assets. See TRP Fund Expense Ratio (Fee) in the table on page 6.

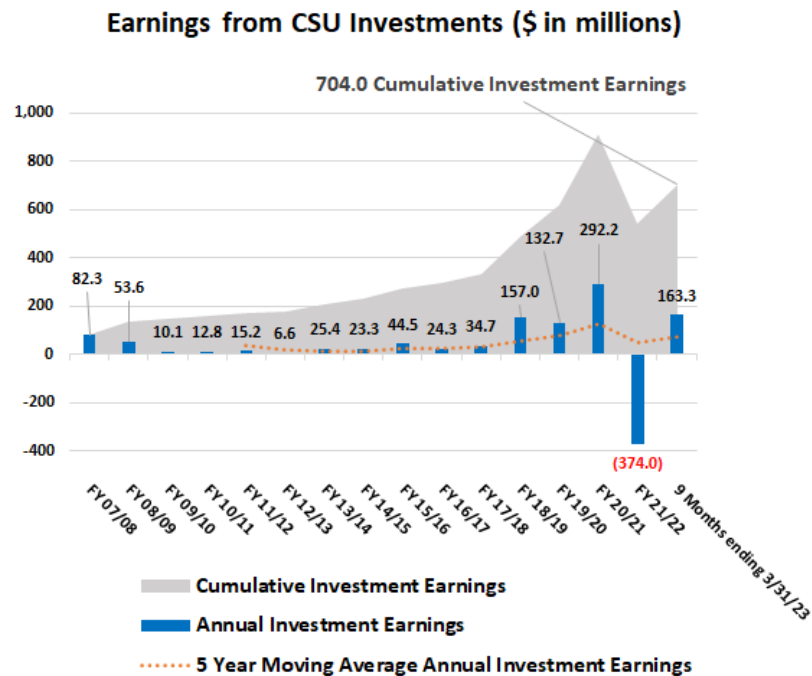
CSU Consolidated Investment Portfolio

The following table displays performance returns for the CSU Consolidated Investment Portfolio which includes the Liquidity Portfolio, IDP, and TRP.²

	CSU Consolidated Investment Portfolio	CSU Total Return Portfolio (TRP)	CSU Intermediate Duration Portfolio (IDP)	CSU Liquidity Portfolio (LP)
1 Year Return	-0.81%	-6.92%	-2.57%	1.30%
3 Year Annualized Return	2.24%	9.53%	N/A	0.20%
5 Year Annualized Return	2.08%	5.33%	N/A	1.31%
10 Year Annualized Return	1.39%	N/A	N/A	1.01%
Since Inception Return ³	1.49%	5.33%	-5.56%	1.25%

As of March 31, 2023, the TRP since inception investment earnings were approximately \$230.2 million. During this period, the TRP total return exceeded the Liquidity Portfolio total return by 4.06 percent annualized (net of fees) or a cumulative \$189.3 million, which was about 5.6 times higher than Liquidity Portfolio investment earnings.

Investment Earnings from CSU Investments Support Campus Operations and Student Experience



² CSU Consolidated Investment Portfolio returns exclude SMIF.

³ Inception Dates for the CSU portfolios were: Consolidated Investment Portfolio, July 1, 2007; Liquidity Portfolio, July 1, 2007; IDP, October 1, 2021; and TRP, April 1, 2018. CSU Consolidated Investment Portfolio, Liquidity Portfolio, and IDP returns reported gross of fees and as total return, including income and gains (realized and unrealized).

CSU Liquidity Portfolio (LP)

The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objectives are safety of principal and liquidity. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

	<u>CSU Liquidity Portfolio</u>	<u>Benchmark⁴</u>
1 Year Return ⁵	1.30%	0.82%
3 Year Annualized Return	0.20%	-0.35%
5 Year Annualized Return	1.31%	1.22%
10 Year Annualized Return	1.01%	0.85%
Annualized Since Inception Return ⁶	1.25%	1.41%
Yield	4.34%	4.36%
Duration (Years)	1.04	1.36
Average Credit Rating	AA-	Aaa/AA+

Holdings by Asset Type (% of CSU Liquidity Portfolio):

Treasuries	44.5%	Commercial Paper	5.2%
U.S. Corporate Bonds	22.9%	Cash Equivalents	2.6%
U.S. Government Agencies	15.1%	Agency MBS	2.0%
Certificates of Deposit	7.5%	CA Municipal Obligations	0.2%

⁴ Benchmark for the Liquidity Portfolio is the Bank of America Merrill Lynch 0-3 Year Treasury Index.

⁵ Liquidity Portfolio Returns reported gross of fees and as total return, including income and gains (realized and unrealized).

⁶ Inception Date for the Liquidity Portfolio was July 1, 2007.

CSU Intermediate Duration Portfolio (IDP)

The purpose of the Intermediate Duration Portfolio is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives are safety of principal, liquidity, and return. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

	CSU Intermediate Duration Portfolio	Benchmark⁷
3 Months Return ⁸	2.40%	2.50%
1 Year Return	-2.57%	-2.73%
Annualized Since Inception Return	-5.56%	-5.35%
Yield	4.71%	4.50%
Duration (Years)	4.82	4.61
Average Credit Rating	A+	AA-

Holdings by Asset Type (% of CSU Intermediate Duration Portfolio):

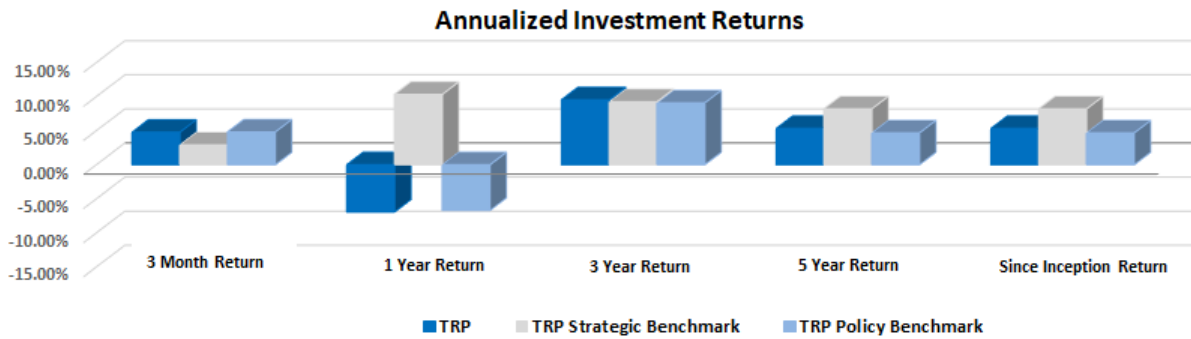
U.S. Corporate Bonds	57.4%	U.S. Government Agencies	1.7%
Agency MBS	25.9%	Cash Equivalents	1.5%
Treasuries	10.2%	CA Municipal Obligations	1.3%
Asset-Backed Securities	1.9%	Supranationals	0.1%

⁷ Benchmark for the IDP is 50% Bloomberg Barclays US Corporate 1-10 Year A or Better Ex-Yankee / 30% Bloomberg Barclays US MBS / 20% Bloomberg Barclays US Intermediate Treasury Index.

⁸ Inception Date for the IDP was October 1, 2021. IDP Returns reported gross of fees and as total return, including income and gains (realized and unrealized).

CSU Total Return Portfolio (TRP)

The purpose of the Total Return Portfolio is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level. Consistent with state law, the TRP is invested in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission or in United States registered real estate investment trusts.



	CSU Total Return Portfolio	Strategic Benchmark⁹	Policy Benchmark¹⁰
3 Months Return	4.77%	2.91%	4.81%
1 Year Return	-6.92%	10.32%	-6.69%
3 Year Annualized Return	9.53%	9.24%	9.07%
5 Year Annualized Return	5.33%	8.19%	4.67%
Annualized Since Inception Return ¹¹	5.33%	8.19%	4.67%

In October 2022, the CSU Investment Advisory Committee approved the fourth annual TRP distribution to the system of approximately \$48.8 million, bringing total TRP distributions to the system since inception to \$161.8 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with Education Code Section § 89726, additional moneys earned through investments in the TRP shall be used only for capital outlay or maintenance and shall not be used for ongoing operations.

⁹ The TRP Strategic Benchmark is Inflation (Core Consumer Price Index) plus 4.5% per annum. The long-term rate of inflation is assumed at 2.2% per annum.

¹⁰ The TRP Policy Benchmark is a blend of passive indices whose weights match the TRP target asset allocation.

¹¹ TRP Inception Date was April 1, 2018.

Holdings by Asset Type (% of CSU Total Return Portfolio):

Equity Mutual Funds	46.2%	Passive Index Mutual Funds	74%
Fixed Income Mutual Funds	38.6%	Actively Managed Mutual Funds	26% ¹²
Real Asset Mutual Funds	15.2%		

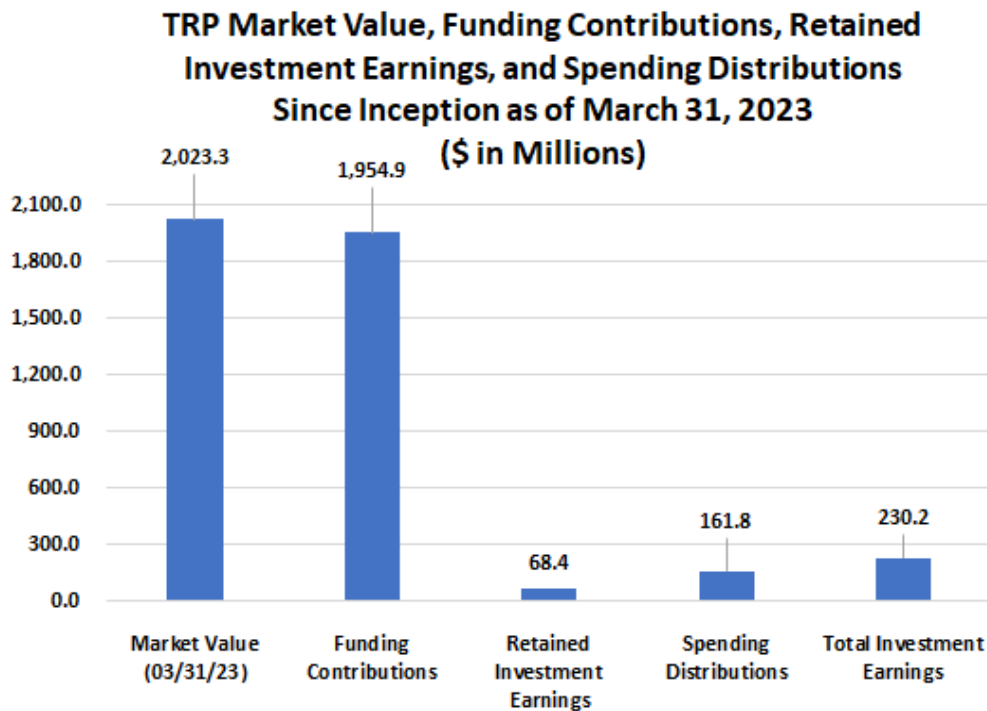
Values, Holdings & Fees (CSU Total Return Portfolio)

Asset Class	Strategy Name	Ticker	Value (millions)	% of Total Return Portfolio	TRP Fund Expense Ratio (Fee)	Median Fee Per Asset Class ¹³
Fixed Income						
	Vanguard Total Bond Market Index Fund	VBMPX	440.4	21.76%	0.03%	0.44%
	Vanguard Inflation-Protected Securities Fd	VIPIX	100.2	4.95%	0.07%	0.38%
	Lord Abbett High Yield Fund	LHYOX	120.2	5.94%	0.60%	0.69%
	Pacific Funds Floating Rate Income Fund	PLFRX	59.9	2.96%	0.72%	0.77%
	Payden Emerging Markets Bond Fund	PYEIX	30.1	1.49%	0.69%	0.80%
	T. Rowe Emerging Markets Bond Fund	TREBX	30.1	1.49%	0.70%	0.80%
Equity						
	Vanguard Total Stock Market Index Fund	VSMPX	489.3	24.18%	0.02%	0.75%
	Vanguard Developed Markets Index Fund	VDIPX	243.5	12.03%	0.04%	0.88%
	Driehaus Emerging Markets Growth Fund	DIEMX	121.2	5.99%	1.08%	1.03%
	DFA Emerging Markets Value Fund	DFEVX	60.5	2.99%	0.44%	1.03%
	Redwheel Global Emerging Equity Fund	RWCEX	20.5	1.01%	1.20%	1.03%
Real Assets						
	Vanguard Real Estate Index Fund	VGSNX	165.1	8.16%	0.10%	0.87%
	Vanguard Materials Index Fund	VMIAx	51.1	2.52%	0.10%	0.93%
	First Sentier Global Listed Infrastructure Fd	FLIIX	91.2	4.51%	0.95%	0.97%
Cash			0.0	0.00%	NA	NA
Total			2,023.3	100%	0.24%	0.73%

¹² The percent of Actively Managed Mutual Funds is likely to increase in the future while the percent of Passive Index Mutual Funds would decrease consistent with the TRP implementation plan. The total TRP Fund Expense Ratio and total Median Fee Per Asset Class are weighted averages using the percent of the Total Return Portfolio shown in the table for each fund and their respective asset class.

TRP Annual Spending Distributions Assist Campuses to Meet Deferred Maintenance & Capital Outlay Needs

The following chart shows the TRP market value, total funded contributions, total retained investment earnings, total spending distributions, and total investment earnings since inception as of March 31, 2023. Total TRP investment earnings equal total TRP spending distributions plus total TRP retained investment earnings.



Surplus Money Investment Fund (SMIF)

The Surplus Money Investment Fund (SMIF) is managed by the State Treasurer to invest State funds, or funds held by the State on behalf of State agencies, in a short-term pool. The portfolio includes Certificates of Deposit, Treasuries, Commercial Paper, Corporate Bonds, and U.S. Government Agencies.

Apportionment Annual Yield¹⁴	
Trailing 12 month as of 03/31/23	1.57%
Average (FYE 06/30/07 – 03/31/23)	1.09%

¹⁴ Annual Yield calculated by CSU Treasury Operations based on the quarterly apportionment yield rates published by the State Controller’s Office.

COMMITTEE ON FINANCE

Tuition Policy

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

This is an action item to adopt a tuition policy for the California State University (CSU).

Background

The State of California, through the establishment of the CSU, recognized the importance of higher education collectively to the state and individually to its citizens.

It is reasonable, therefore, for both the state, through appropriations to the university, and for students (or their benefactors), through the payment of systemwide tuition and fees, to provide the financial support necessary for the university to offer high-quality academic programs and student support services. It is also reasonable that qualified students who could not otherwise afford to attend the CSU be provided with the financial support necessary for them to enroll.

It has been three decades since the Board of Trustees last formulated a tuition policy and guiding principles; this action would supersede the tuition policy formulated by the board in 1993.

As discussed in previous board meetings and upon the recommendation of the Sustainable Financial Model Workgroup, a tuition policy should be adopted prior to approving an increase in tuition rates. In addition, the recently formed Strategic Workgroup on Financial Aid will recommend a comprehensive financial aid strategy and policy that will inform the level of student financial need the CSU should meet with institutional aid and ways to measure achievement of the goal.

Recommendation

The following resolution is recommended for approval:

Tuition Policy

RESOLVED, that the Board of Trustees provides policy guidance for all matters pertaining to student fees and has authority for the establishment of Category I and VI fees, and oversight and adjustment of Category I fees, pursuant to the Working Families Student Fee Transparency and Accountability Act (commencing with Section 66028 of the Education Code).

RESOLVED, that the Board of Trustees will establish, adjust, and oversee systemwide tuition (e.g., systemwide tuition for all levels of education, undergraduate through doctorate; nonresident supplemental tuition; and Graduate Business Professional Program supplemental tuition) using the following guiding principles:

- The affordability of a CSU education must be measured based on the total cost of attendance and student financial need. A CSU education should be affordable to all students and their families and consider factors such as income, cost of living, enrollment status, and academic program of study.
- The CSU relies on revenue from tuition and state support to ensure the delivery of a high-quality education and robust student support services.
- A paramount responsibility of the Board of Trustees is to ensure sufficient revenues from state appropriations and tuition to meet the CSU mission and to provide the universities with the necessary funding for high-quality operations.

RESOLVED, it shall be the policy of the Board of Trustees that:

- The Board of Trustees shall review the tuition policy and approved tuition schedules at least every five years in consultation with the California State Student Association.
- Tuition rates shall be predictable and clearly communicated so that students and their families are able to plan for the cost of their education.
- Increases in tuition shall be predictable and for a duration of not more than five years.

- Concurrently with any increase in tuition or growth in enrollment, the CSU shall increase funding for need-based institutional aid (i.e., State University Grant program) by an amount not less than one-third of incremental systemwide tuition revenue.
- Eighteen months prior to the end of any scheduled tuition increase, or earlier at the request of the Board of Trustees, the Chancellor shall report to the Board with an assessment of the tuition rates and their impact on the tuition policy guiding principles established by the Board of Trustees.
- The assessment of approved tuition schedules shall be prepared by the Chancellor's Office in consultation with key stakeholders including students, faculty, and staff. The assessment shall include, at a minimum, the following:
 - CSU systemwide tuition rates compared to public four-year institutions of higher education in the United States as reported to the National Center for Education Statistics.
 - Student financial assistance provided from federal, state, and institutional aid programs disaggregated by student household income and other demographic measures.
 - Change in average student debt burden at graduation and amounts for comparable institutions.
 - Changes in Board of Trustees adopted measures of student outcomes and achievements, such as retention rates, graduation rates, and equity gaps.
 - Gross systemwide tuition revenue generated annually and per full-time equivalent student, compared to other operating revenue categories including federal and state appropriations, over the past five years.
 - Level of student financial need that is met with institutional aid, over the past five years.

COMMITTEE ON FINANCE

Approval of the 2024-2025 Operating Budget Plan and Multi-Year Tuition Proposal

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

This item recommends approval of the 2024-2025 CSU Operating Budget Plan by the Board of Trustees. The CSU's baseline operating budget totals \$8.1 billion. The 2024-2025 Operating Budget Plan would increase the budget by \$557 million. This represents a 6.9 percent increase.

Also, this item recommends approval of the Multi-Year Tuition Proposal recommended by the interim chancellor. The proposal would establish annual tuition rate increases of six percent for undergraduate students (\$342 for the 2024-2025 academic year). Similar increases would apply to all other levels of education. The increases would begin in fall 2024. The rate increases would span five academic years: 2024-2025 through 2028-2029. The Board of Trustees would need to determine any rate changes for 2029-2030 and beyond.

New revenue from the tuition increase and the state are necessary to balance the operating budget plan. Together, the operating budget plan and the tuition proposal would:

- Utilize all new revenue to ensure all students have the opportunity to earn lifelong, life-transforming benefits of a CSU degree.
- Keep tuition costs as low as possible for students.
- As identified by the CSU Sustainable Financial Model Workgroup, begin to narrow the funding gap between currently available revenue and needed investments.
- Provide the greatest level of revenue sustainability and predictability in the university's history.
- Express the budgetary values and priorities of the Board of Trustees to state lawmakers and the governor's administration.

This item includes additional information in two attachments. Attachment A is the proposed 2024-2025 Operating Budget Plan, which contains historical detail as well as prospective information for the Board of Trustees' consideration. Attachment B includes statutorily required information for the Multi-Year Tuition Proposal.

One Discussion, Two Resolutions

The Board of Trustees discussed at the July 2023 meeting the multi-year tuition proposal and, separately, the preliminary 2024-2025 Operating Budget Plan. However, after the board's discussion and further contemplation, it is logical to combine the discussion on operating budget expenditures and all revenue sources into one item. This is because these topics are inextricably linked and rarely can one be discussed without the other. For example, a discussion about a possible new expenditure inevitably leads to further discussion on how to pay for it. And vice versa—if new funding is provided to the CSU or the CSU generates new revenue, then a determination must be made on how the money is to be spent. It is anticipated that a comprehensive discussion of all revenue sources as well as all potential expenditures will improve decision-making and results.

The chancellor's office staff will present and the chair of the committee will facilitate conversation on the operating budget plan and tuition proposal as one discussion item. It is then recommended that the Board of Trustees take distinct actions on two separate resolutions: one resolution specific to the multi-year tuition proposal and the other resolution specific to the 2024-2025 Operating Budget Plan. Those draft resolutions are near the end of this written agenda item.

2024-2025 Operating Budget Plan

CSU Values and Priorities

The CSU has several value-driven priorities that are critical to the university and contribute to the mission and student achievement:

- Advance student success by expanding the work of the graduation initiative to support the CSU's broader mission of educational equity so that all students have the equal opportunity to earn the lifelong, life-transforming benefits of a CSU degree.
- Invest in faculty and staff who educate, inspire, and uplift our diverse and talented students.
- Ensure safe, modern, and sustainable facilities where teaching, learning and student well-being can thrive.
- Expand financial aid to support students with the greatest financial need.
- Grow enrollment to ensure a solid foundation for California's future economy with a degree-holding, well-educated citizenry.

2024-2025 Operating Budget Plan Summary

The CSU’s baseline operating budget totals \$8.1 billion. The 2024-2025 Operating Budget Plan would increase the baseline budget by \$557 million. This represents a 6.9 percent increase.

The Expenditure Priorities of the 2024-2025 Operating Budget Plan Reflect the CSU’s Values and Priorities

An organization’s budget reflects an organization’s values. This is the case at the CSU. As briefly shown in the below table and more exhaustively in Attachment A, the 2024-2025 Operating Budget Plan includes new, aspirational investments that complement the many values and priorities of the university. There is further evidence to support this claim as the expenditures have been placed in groups that stress the linkage between the budget, values, and priorities. Also, the plan contains necessary investments in required operational costs that are important for the long-term financial sustainability of the university. With these investments appropriately resourced, the CSU and the state will be in a better position to meet the overall economic and future workforce needs of California.

Incremental Ongoing Plan In Millions	2023-2024 Base	2024-2025 Increase	Change
Expenditures			
Student Access and Success			
Financial Aid: State University Grant	\$701	\$58	8%
Student Access & Enrollment		55	
Graduation Initiative	380	30	8%
Student Basic Needs & Mental Health	95	7	7%
Institutional Support			
Title IX and DHR Programs	20	16	80%
State and Federal NAGPRA Compliance		4	
Required Operational Costs	400	63	16%
Debt Service on Facilities & Infrastructure	440	25	6%
CSU Workforce Investments			
Faculty & Staff Compensation Pool	5,374	221	4%
Health Premium	699	78	11%
Total Ongoing Expenditures	\$8,109	\$557	6.9%

One-Time Expenditures In Millions		2024-2025 Increase	Change
Critical Capital Renewal		\$1,300	

The Necessary Revenue to Support the Expenditure Priorities

State general fund and student tuition revenue are the two primary sources that support the university's annual operating budget plan and the educational endeavors of approximately 460,000 CSU students.

To support the expenditure priorities of the budget plan, it would require a significant infusion of new, ongoing revenue from the state general fund and from a tuition increase. But the amounts of new revenue forecasted (state general fund) and proposed (tuition), will not be sufficient to fully support the new expenditures included in this plan.

The governor agreed to propose annual, ongoing state general fund increases of five percent for the term of the compact (or approximately 3.0 percent of the CSU Operating Fund) beginning in fiscal year 2022 and continuing through 2026-2027. The CSU anticipates that the governor's administration will again propose an ongoing state general fund increase of five percent for 2024-2025 or approximately \$240 million.

The interim chancellor is recommending a multi-year tuition proposal that would increase tuition rates beginning in the 2024-2025 academic year. The additional revenue resulting from the recommended six percent rate increase is included in the operating budget plan. The additional tuition revenue estimated from the proposed increase would be \$148 million in 2024-2025 (or approximately 1.8 percent of the CSU Operating Fund).

Tuition from the one percent resident, undergraduate enrollment growth is estimated at \$24 million (or approximately 0.3 percent of the CSU Operating Fund).

In sum, forecasted revenues of \$412 million (or approximately 5.1 percent of the CSU Operating Fund) would be available to support the plan. The multi-year tuition proposal and the governor's multi-year compact funding commitment would provide the greatest level of revenue sustainability and predictability in the university's history.

These forecasted revenue sources would allow the university to advance several—but not all—of the expenditure priorities included in the operating budget plan. Consequently, to balance the plan, an additional request of \$145 million state general fund above the state compact is included in the operating budget plan (or approximately 1.8 percent of the CSU Operating Fund). The grand total of these four revenue sources—compact commitment, tuition increase, tuition from enrollment growth and state general fund above compact—is \$557 million ongoing (or approximately 6.9% of the CSU Operating Fund).

At this early point in time, both positive and negative economic signals make the future uncertain and it is unclear if there will be additional state revenue (beyond those already identified) to support more CSU priorities. If the CSU does not secure funding at or beyond compact and tuition levels for the operating budget plan, priority areas of the operating budget would not be funded, would be reduced or eliminated, and universities would have to redirect funding from designated balances and reserves (one-time) and existing programs (ongoing). Faced with budget reductions, it is possible that layoffs could occur, fewer course sections would be available to students, average unit loads would go down, and ultimately it could take longer for students to graduate, costing students more money and creating challenges for graduation initiative efforts.

Incremental Ongoing Plan In Millions	2023-2024 Base	2024-2025 Increase	Change
Revenue Sources			
Tuition	\$2,448	\$148	6%
Tuition: Access & Enrollment		24	1%
Campus-based Mandatory Fees	672		
General Fund			
Compact Commitment	4,989	240	5%
Additional Request (Above Compact)		145	3%
Total Revenue Sources	\$8,109	\$557	6.9%

Again, please review Attachment A, the proposed 2024-2025 Operating Budget Plan, which contains historical and prospective information for the Board of Trustees' consideration.

Potential Opportunities to Address Additional Operating Budget Revenue Need

The CSU's highest priority is to advocate for increased state funding above the compact and proposed tuition increase to cover the full operating budget plan. The CSU will work collaboratively with stakeholders and partners across the system including trustees, campuses, alumni, students, and CSU champions to make the case in Sacramento for increased funding that supports our priorities.

Multi-Year Tuition Proposal

The process to increase tuition has many steps. It began on May 25, 2023, with a written proposal to the California State Student Association (CSSA) and continues with appropriate consultation with, and feedback from, CSSA and other CSU stakeholders. The consultation period includes the information item at the July 2023 Board of Trustees meeting and this action item at the September 2023 board meeting. The tuition increase would go into effect for the fall 2024 term and apply to the 2024-2025 academic year. There is an 11-month lead time between the September 2023 board meeting and the implementation of the tuition increase. This span of time provides students and their families adequate time to plan and ensures that the CSU is in alignment with the law.

As one of the long-term financial sustainability solutions, the multi-year tuition proposal would apply to the following systemwide tuition and fee categories: systemwide tuition, nonresident tuition, and the graduate business professional fee (for simplicity purposes, these will be referred to collectively as “tuition”).

Under this proposal:

- Annual tuition increases would apply to all students at every level of education.
- Tuition would increase by six percent each year for all students.
- Tuition increases would span five academic years. The increases would begin with the 2024-2025 academic year and sunset at the end of the 2028-2029 academic year. These would be permanent rate increases, not temporary rate increases.
- At the end of the 2028-2029 academic year, tuition rates will remain at that level until the Board of Trustees takes another action, if any, for 2029-2030 and beyond. In other words, tuition rates will not return to 2023-2024 levels in 2029-2030.
- The chancellor’s office would begin in July 2027 an assessment of the approved tuition schedules and would report findings to the Board of Trustees in January 2028. The assessment would use several data sets to evaluate whether tuition increases met the tuition policy guiding principles and policy elements established (for more details, see Committee on Finance Agenda Item #4).
- Upon review of the assessment’s findings, the Board of Trustees would determine any tuition rate changes for 2029-2030 and beyond.

The proposed tuition increase of \$342 per resident undergraduate student would take the annual tuition price from \$5,742 per student to \$6,084 reflecting a six percent rate increase in 2024-2025. Similar rate increases are proposed for nonresident tuition, as well as graduate, doctoral, and teacher credential programs.

The proposal would generate \$148 million of revenue in the first year (2024-2025) and would dedicate \$49 million in the operating budget plan to the State University Grant (SUG) program for financial aid support for students. Over the first five years of the tuition increase, the proposal would generate \$860 million with a commitment of \$280 million for financial aid.

Undergraduate, Credential and Graduate Programs

The following tables show the current and proposed tuition rates for full- and part-time undergraduate, credential, and graduate programs.

Summer rates would increase beginning with the summer 2025 term.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Undergraduate (full-time)	\$ 5,742	\$ 6,084	\$ 6,450	\$ 6,840	\$ 7,248	\$ 7,682
Undergraduate (part-time)	\$ 3,330	\$ 3,528	\$ 3,738	\$ 3,962	\$ 4,200	\$ 4,452
Credential (full-time)	\$ 6,660	\$ 7,062	\$ 7,488	\$ 7,938	\$ 8,414	\$ 8,918
Credential (part-time)	\$ 3,864	\$ 4,098	\$ 4,344	\$ 4,604	\$ 4,880	\$ 5,172
Graduate (full-time)	\$ 7,176	\$ 7,608	\$ 8,064	\$ 8,550	\$ 9,066	\$ 9,612
Graduate (part-time)	\$ 4,164	\$ 4,416	\$ 4,680	\$ 4,962	\$ 5,262	\$ 5,580

Doctoral Programs

The tables below show the current and proposed tuition rates for the six doctoral programs offered by the CSU. Noted are any limitations to future tuition increases. Because state law requires that four of the six rates must be coordinated with the University of California (UC) and future UC rates are not yet determined, rate increases for future years may not occur if the rate has reached the not-to-exceed threshold. Due to this potential administrative complexity over the next five years, it is recommended that the Board of Trustees establish the following tuition rate schedule for the doctoral programs and delegate to the chancellor the authority to hold or adjust individual doctoral program tuition rates, as necessary.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Doctor of Audiology	\$ 14,742	\$ 15,624	\$ 16,560	\$ 17,556	\$ 18,612	\$ 19,728
Doctor of Education	\$ 11,838	\$ 12,546	\$ 13,296	\$ 14,094	\$ 14,940	\$ 15,836
Doctor of Nursing Practice	\$ 15,270	\$ 16,188	\$ 17,160	\$ 18,192	\$ 19,284	\$ 20,442
Doctor of Occupational Therapy	\$ 17,196	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Physical Therapy	\$ 17,196	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Public Health	\$ 18,900	\$ 18,900	\$ 20,034	\$ 21,236	\$ 22,510	\$ 23,860

- Doctor of Audiology program tuition is mandated by state law (Education Code 66041.1) to be no higher than the rate at UC.
- Doctor of Education program tuition is mandated by state law (Education Code 66040.5) to be no higher than the rate at UC.
- State law does not limit the tuition that may be assessed for the CSU Doctor of Nursing Practice program.

- State law does not limit the tuition that may be assessed for the Doctor of Occupational Therapy program.
- Doctor of Physical Therapy program tuition is mandated by state law (Education Code 66042.1) to be no higher than the rate at UC.
- Doctor of Public Health program tuition is mandated by state law (Education Code 66044.1) to be no higher than the rate at UC. Because the 2023-2024 rate was just established in January 2023, the first increase will be effective with the 2025-2026 academic year.

Nonresident Students

Nonresident tuition is in addition to applicable systemwide tuition. The following table shows the per semester and per quarter unit tuition rates for nonresident students. Revenue from nonresident tuition varies widely by campus and is kept locally at each campus to educate nonresident students.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Semester Rate (per unit)	\$ 396	\$ 420	\$ 444	\$ 471	\$ 498	\$ 528
Quarter Rate (per unit)	\$ 264	\$ 280	\$ 296	\$ 314	\$ 332	\$ 352

Graduate Business Professional Program

The Graduate Business Professional Fee is in addition to applicable systemwide tuition. The board resolution authorizing this fee requires that whenever the board takes action to adjust tuition for graduate students, the same adjustment will be made to the Graduate Business Professional Fee. The following table shows the per semester and per quarter unit rates. Revenue from Graduate Business Professional Fees vary widely by campus and is kept locally at each campus to educate graduate students.

	Academic Year					
	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Semester Rate (per unit)	\$ 270	\$ 285	\$ 303	\$ 321	\$ 339	\$ 360
Quarter Rate (per unit)	\$ 180	\$ 190	\$ 202	\$ 214	\$ 226	\$ 240

Further Information and Summary of Public Comment

The process to increase tuition began on May 25, 2023, with a written proposal to the CSSA. The consultation period included a discussion of the information item at the July 2023 Board of Trustees meeting. The discussion continued with appropriate consultation with, and feedback from, other CSU stakeholders and includes this action item for the September 2023 Board of Trustees meeting.

To provide students and their families with as much information as possible for planning purposes, the <http://www.calstate.edu/tuition-increase> website includes information on the proposal. It provides information about the possible tuition increase, including proposed rate increases, general and specific campus financial aid resources, answers to frequently asked questions and other information.

The webpage also provides the opportunity for students, their families, and anyone else to comment on the proposal. Comments were collected from the webpage and from public comments provided during the July 9-12, 2023 Board of Trustees meeting. Most comments opposed the multi-year tuition increase. A few respondents indicated they understand the need for the increase, but they believe the state should be the primary funding source for the CSU. Additionally, a few commented on finding alternative funding in place of increasing tuition. Other respondents raised issues that were unrelated to the multi-year tuition proposal, and outside of the university's control.

Public feedback fell into three main categories: 1) overall affordability and increasing future student debt, specifically highlighting concern for those not receiving financial aid, 2) transparency in the use of all new revenue to support students, and 3) the state's responsibility to fund the CSU rather than charging students higher tuition.

Recommended Changes to the Proposal Since the July 2023 Board of Trustees Meeting

Based on feedback from the trustees and other stakeholders, the chancellor's office revised the tuition proposal in two ways.

Scheduled Sunset

The prior proposal would have begun tuition increases with the 2024-2025 academic year with no end—no scheduled sunset date. Several trustees were concerned that annual tuition increases would have continued in perpetuity. The revised proposal would establish a sunset of five years. Specifically, tuition rates would increase by six percent per year beginning with the 2024-2025 academic year and the last scheduled increase would occur for the 2028-2029 academic year. Any change for the 2029-2030 academic year or beyond would require affirmative action by the trustees at a later date.

Assessment

Several trustees stated an interest in a CSU assessment of the effect of tuition rate increases near the end or at the end of the approved tuition schedules. The revised proposal would have the chancellor's office begin an assessment of the tuition increases in July 2027 and a report to the Board of Trustees in January 2028 of that assessment. This timeline would provide the Board of Trustees with the opportunity to consider during the spring and summer of 2028 changes to rates for the 2029-2030 academic year or beyond.

The assessment would include, at a minimum, the following:

- Tuition rate comparisons,
- Student financial assistance by demographic,
- Student debt burden,
- Student achievement, such as retention rates, graduation rates, and equity gaps,
- Generated tuition revenue, and
- Student financial need met by institutional aid.

Agenda Item 4 of the Committee of Finance would incorporate this assessment into the tuition policy so that this proposed five-year tuition rate increase and all future rate increases would be similarly assessed. Additional detail is available in that item.

September 2023 Action by the Board is Important

Action by the Board of Trustees is necessary at the September 2023 meeting for several reasons. First, the timing of this vote is intended to provide students and families with clarity around tuition rates as early as possible as they consider applying for admission at CSU universities. With the fall 2024 application period scheduled from October 1 to November 30, 2023, a delay in the tuition vote would introduce uncertainty during the application and early admission process. Second, students also need to better understand their financial aid situation as early as possible to make informed decisions. The September approval would provide the universities adequate time to update communications and package financial aid for students. Third, campus leadership is in the process of making budget decisions for the upcoming year, and a September approval provides adequate time to make informed decisions.

Recommendation

The following resolutions are presented for approval. The members of the Committee on Finance and the full board will vote separately on each. The recommendation is to first vote on the tuition proposal because the operating budget plan assumptions are dependent on new tuition revenue from a rate increase.

The following resolution is recommended for approval:

Tuition Rates for the 2024-2025 through the 2028-2029 Academic Year

RESOLVED, By the Board of Trustees of the California State University that the following academic year 2024-2025 through 2028-2029 schedule of systemwide tuition and per-unit fees be approved, effective fall term 2024:

Academic Year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Undergraduate Programs					
Full-Time (6.1+ units)	\$ 6,084	\$ 6,450	\$ 6,838	\$ 7,248	\$ 7,682
Part time (0-6.0 units)	\$ 3,528	\$ 3,738	\$ 3,962	\$ 4,200	\$ 4,452
Credential Programs					
Full-Time (6.1+ units)	\$ 7,062	\$ 7,488	\$ 7,938	\$ 8,414	\$ 8,918
Part time (0-6.0 units)	\$ 4,098	\$ 4,344	\$ 4,604	\$ 4,880	\$ 5,172
Graduate & Post-Baccalaureate					
Full-Time (6.1+ units)	\$ 7,608	\$ 8,064	\$ 8,548	\$ 9,060	\$ 9,604
Part time (0-6.0 units)	\$ 4,416	\$ 4,680	\$ 4,960	\$ 5,258	\$ 5,574
Doctoral Programs					
Doctor of Audiology	\$ 15,624	\$ 16,560	\$ 17,554	\$ 18,608	\$ 19,724
Doctor of Education	\$ 12,546	\$ 13,296	\$ 14,094	\$ 14,940	\$ 15,836
Doctor of Nursing Practice	\$ 16,188	\$ 17,160	\$ 18,190	\$ 19,282	\$ 20,438
Doctor of Occupational Therapy	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Physical Therapy	\$ 18,228	\$ 19,320	\$ 20,480	\$ 21,708	\$ 23,010
Doctor of Public Health	\$ 18,900	\$ 20,034	\$ 21,236	\$ 22,510	\$ 23,860
Nonresident Fee					
Semester Rate (per unit)	\$ 420	\$ 444	\$ 471	\$ 498	\$ 528
Quarter Rate (per unit)	\$ 280	\$ 296	\$ 314	\$ 332	\$ 352
Graduate Business Professional					
Semester Rate (per unit)	\$ 285	\$ 303	\$ 321	\$ 339	\$ 360
Quarter Rate (per unit)	\$ 190	\$ 202	\$ 214	\$ 226	\$ 240

The systemwide tuition and fees provided in the above table are for the academic year. The applicable per-term schedules, for universities based on a semester or quarter calendar for regular students (6.1 units or more per term) and part time students (up to 6.0 units per term), and for the academic year will be provided on the calstate.edu internet site; and be it further

RESOLVED, the chancellor will amend the systemwide tuition and fee rate increase(s) if such action is required by the state budget act approved for 2024-2025, 2025-2026, 2026-2027, 2027-2028, or 2028-2029 or if such action is limited by state law (e.g., doctoral programs). Any such changes made by the chancellor will be communicated promptly to the trustees; and be it further

RESOLVED, revenue from the tuition increase will be used for purposes of student achievement and success, as outlined in the board-approved operating budget plan each year; and be it further

RESOLVED, the chancellor will report to the board in January 2028, regarding an assessment of these tuition rates, using data to evaluate the tuition policy established by the Board; and be it further

RESOLVED, the scheduled tuition rate increases will sunset July 1, 2029, and require board review and action to change rates beyond the 2028-29 academic year rates approved by this resolution.

The following resolution is recommended for approval:

Approval of the 2024-2025 Operating Budget Plan

RESOLVED, that the future of California rests on the California State University's ability to provide a high-quality, affordable, and accessible education to 460,000 students each year; and be it further

RESOLVED, by the Board of Trustees of the California State University that the 2024-2025 Operating Budget Plan 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 the chancellor promptly communicate any changes to the trustees; and be it further

RESOLVED, that the chancellor transmit copies of this resolution and the 2024-2025 CSU Operating Budget Plan included as Attachment A to this agenda item to the governor, to the director of the Department of Finance, and to the legislature.

OPERATING BUDGET PLAN

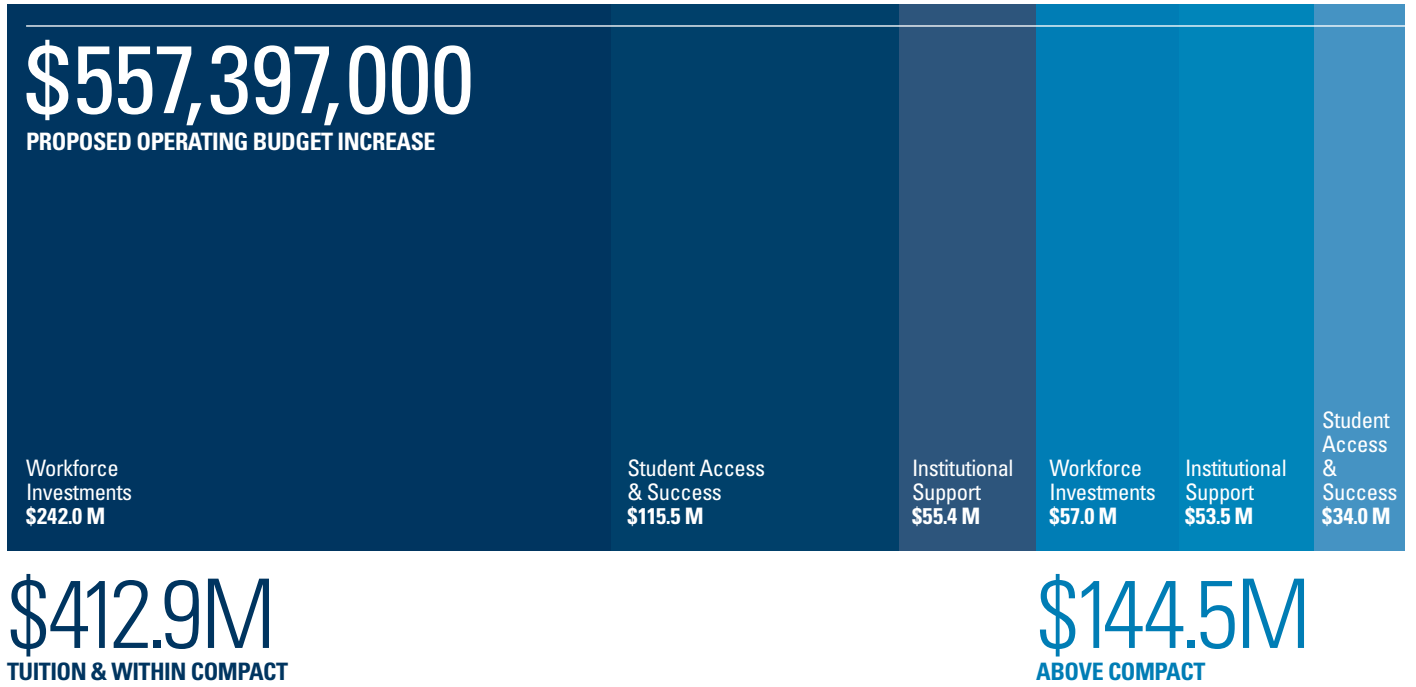
APPROVED BY THE CSU BOARD
OF TRUSTEES
SEPTEMBER 13, 2023

www.calstate.edu/budget

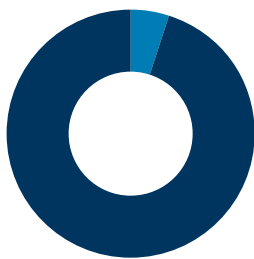
2024-25



2024-25 PROPOSED INCREASE



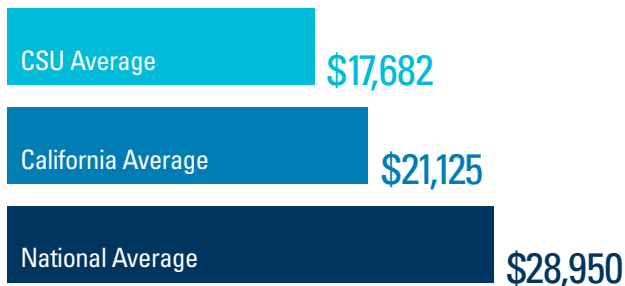
95% OF CSU STUDENTS ARE FROM CALIFORNIA



362,254
California Residents

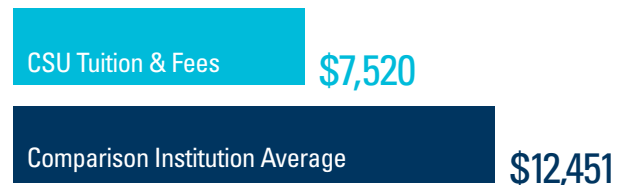
20,907
Non-Californians

CSU STUDENTS HAVE LOWER AVERAGE DEBT

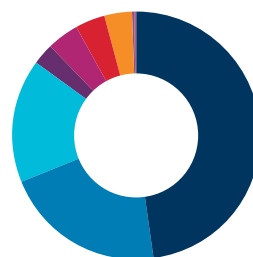


CSU TUITION & FEES REMAIN AFFORDABLE

(Based on average resident undergrad with recommended rate increase for 2024-25)



CSU SERVES A DIVERSE STUDENT POPULATION

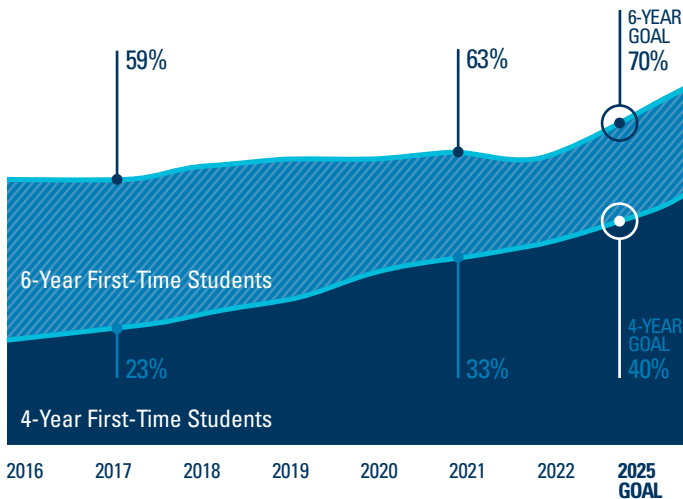


Total Enrollment: 457,992

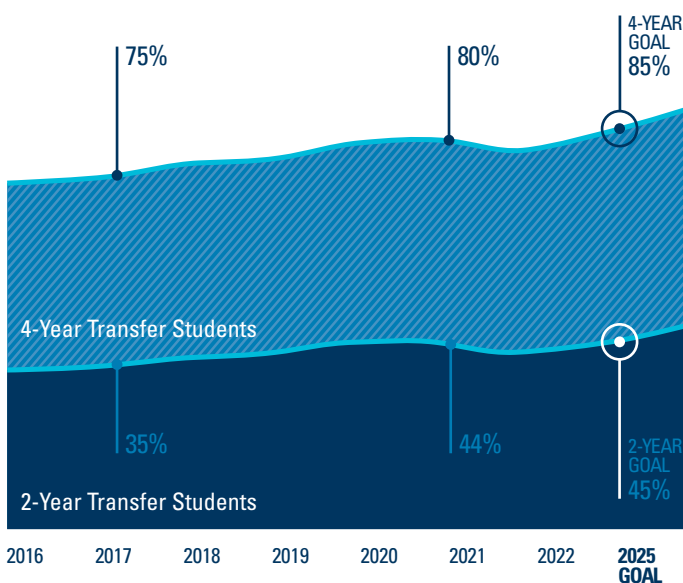
- Hispanic 48%
- White 21%
- Asian American 16%
- Nonresident 3%
- Two or More Races 4%
- African American 4%
- Unknown 3.5%
- Pacific Islander 0.3%
- American Indian 0.2%

CSU IS MAKING PROGRESS ON GRADUATION RATE GOALS BY 2025

FIRST-TIME STUDENTS



TRANSFER STUDENTS



82%

OF ALL CSU STUDENTS RECEIVED FINANCIAL AID

60%

OF ALL CSU UNDERGRADUATES PAID \$0 TUITION

CSU EMPLOYS NEARLY

56,000

FACULTY & STAFF

53%

OF UNDERGRADUATES ARE FROM HISTORICALLY UNDERREPRESENTED MINORITIES

CSU AWARDS

125,400

ADDITIONAL BACHELOR'S DEGREES AS A RESULT OF GRAD INITIATIVE

THE CSU IS REDEFINING SUCCESS FOR CALIFORNIA



ACCESS

Opportunity for learners of all ages and stages



AFFORDABILITY

High-quality degrees within financial reach



SUPPORT

Commitment to belonging, well-being and care



EQUITY

A data-informed focus on inclusive excellence



IMPACT

Achievement and upward mobility for 4 million global alumni and counting



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CSU Budget & Funding Environment

Photo: Sacramento State



CURRENT BUDGET CONTEXT

The CSU's current budget situation provides important context for constructing the 2024-25 budget plan. We are entering the 2023-24 year with several unfunded costs that are creating significant cost pressures for our universities. Each CSU university is undertaking a critical assessment of priorities and how to balance available resources with rising costs, unfunded mandates and underfunded compensation increases.

Predictable multi-year tuition revenue is an important consideration in the budget plan. The additional revenue from the multi-year tuition plan will provide essential resources to complement the state's compact funding and will allow the university to substantially advance the most important budget priorities.

Along with existing cost pressures, the CSU is facing several emerging items that are creating new fiscal constraints. Significant resources will be required to implement the Title IX and discrimination, harassment and retaliation (DHR) program recommendations from the Cozen O'Connor report. In addition, several strategic workgroup recommendations call for new investments to support enrollment, Black student success, the graduation initiative and a sustainable financial model.

The multi-year compact between Governor Newsom's administration and the CSU continues to provide necessary financial support. Beginning in fiscal year 2022-23 and continuing through 2026-27, the governor has agreed to propose annual, ongoing state general fund increases of 5% for the term of the compact (equivalent to approximately 2.9% of the CSU Operating Fund). The governor's administration supported that commitment by ensuring that the 5% state General Fund increase (\$227.3 million) was provided in 2023-24. The CSU is grateful for the multi-year compact because it provides foundational, predictable and more sustainable funding for our shared commitments to access, equity and student success. Further, the CSU views the compact as a critical safety net to protect the university from economic fluctuations over the next several years.

Currently, both positive and negative economic signals make the future uncertain. It is unclear if there will be additional state revenue to support CSU priorities above that provided by the compact. Market volatility—specifically capital gains—delayed tax receipts, rising inflation and interest rates, and financial institution failures contribute to continued economic uncertainty.

The CSU Today

Photo: Cal Poly Pomona



In the 2023-24 final budget, the CSU received from the state a permanent base budget increase of \$330.5 million. The 2023-24 total CSU operating budget of \$8.1 billion is comprised of \$5.0 billion in state General Fund and \$3.1 billion in tuition and fees. New resources to fulfill the CSU’s budget plan for 2024-25 are \$557.4 million, as shown in Table 1.

TABLE 1: OPERATING BUDGET

	2022-23 Past Year	2023-24 Current Year	2024-25 Budget Year	2024-25 Increase
General Fund, Operations	\$4,594,526,000	\$4,548,424,000	\$4,908,213,000	\$359,789,000
General Fund, Debt Service on Academic Facilities & Infrastructure	340,560,000	440,250,000	465,250,000	25,000,000
Tuition & Other Fee Revenue	3,207,859,000	3,120,257,000	3,292,865,000	172,608,000
TOTAL OPERATING BUDGET & INFRASTRUCTURE	\$8,142,945,000	\$8,108,931,000	\$8,666,328,000	\$557,397,000

TABLE 2: EXPENDITURES BY PROGRAM AREA

	2022-23 Past Year	2023-24 Current Year	2024-25 Budget Year
Instruction	\$3,172,303,000	\$3,266,070,000	\$3,266,070,000
Research	49,992,000	28,249,000	28,249,000
Public Service	39,489,000	18,381,000	18,381,000
Academic Support	818,412,000	806,051,000	806,051,000
Student Services	973,488,000	882,297,000	882,297,000
Institutional Support	969,114,000	1,137,019,000	1,137,019,000
Operation & Maintenance of Plant	1,306,774,000	1,201,038,000	1,201,038,000
Student Grants & Scholarships	813,373,000	769,826,000	769,826,000
New Expenditures	0	0	557,397,000
TOTAL EXPENDITURES	\$8,142,945,000	\$8,108,931,000	\$8,666,328,000

The operating budget supports the main functions of the university and the advancement of the CSU’s student-centered mission and core values. As shown in Table 2, the CSU spends 71%, \$5.8 billion, of its total operating budget on instruction, academic support, student services and financial aid. All of these activities promote student access and success, support the faculty and staff that enrich the academic experience and help provide for student basic needs and mental health to ensure that each CSU graduate is prepared to succeed.



The CSU's core values of inclusive excellence, equity, access and elevating lives through the transformative power of higher education are on exhibit every day across the 23 Cal State universities. At the onset of her appointment, Interim Chancellor Koester commissioned five Chancellor's Strategic Workgroups and charged them with addressing some of the CSU's most critical operational and strategic challenges, which included:

- Advancing innovative and effective systemwide and campus approaches to enrollment management.
- Developing a more sustainable financial model.
- Envisioning the next iteration of our Graduation Initiative, and our continuing, collective efforts to advance student success and eliminate equity gaps.
- Recruiting, hiring and retaining diverse and world-class human resources.
- Positioning the CSU as a nationwide leader in Black student outreach, recruitment, enrollment, persistence, success and graduation.

Workgroup reports and recommendations were provided to the Interim Chancellor in May 2023 and will establish a glidepath for Chancellor García to immediately begin meaningful engagement with faculty, staff, students, campus leaders, alumni and other stakeholders in advancing effective solutions. Several recommendations require immediate action and resource commitments that are included in this budget plan. Other recommendations require further evaluation and refinement and will inform future initiatives.

The sustainable financial model workgroup report provided recommendations for developing a multi-year strategy to achieve stable and predictable revenues to support the CSU mission, maintain affordability for its students, and recognize the differing needs of our 23 universities. After estimating costs to operate the CSU, comparing those costs to actual expenditures, projecting future year costs, and modeling various realistic scenarios for increasing the two core revenue sources – state General Fund and tuition – it was evident the gaps between revenues and costs cannot be closed with existing revenue trends. The workgroup developed several recommendations to create long-term financial sustainability that included new system policies and system practices, effective advocacy in Sacramento, and adopting a tuition policy that will govern future increases so those increases are modest, gradual, and predictable for both the CSU and for students and their families.

Financial sustainability and predictability are critically important for the CSU to accomplish its mission and to overcome its challenges. The State of California continues to be a vital partner. California is underwriting the CSU's efforts in two extremely important and foundational ways. The multi-year compact between the governor and the CSU provides predictable funding over five years for our shared commitments to access, equity and student success. Further, the compact is a critical safety net to protect the university from economic fluctuations. The CSU is grateful for both the past investments as well as the future financial commitments by state leaders.

The 2024-25 budget plan will allow the CSU to significantly improve accountability and compliance in programs such as Title IX and other antidiscrimination work, increase access by enrolling more California students, provide additional resources for the Graduation Initiative, increase student financial aid, improve compensation for all employee groups, cover required operational cost obligations, and make progress on facility and infrastructure needs and critical capital renewal. Funding commitments included in the multi-year compact and the tuition increase will support significant portions of the budget plan. State General Fund dollars *above* the compact are necessary to support other portions of the plan if the state's budget condition allows it and if state leaders choose to invest more in the CSU plan.

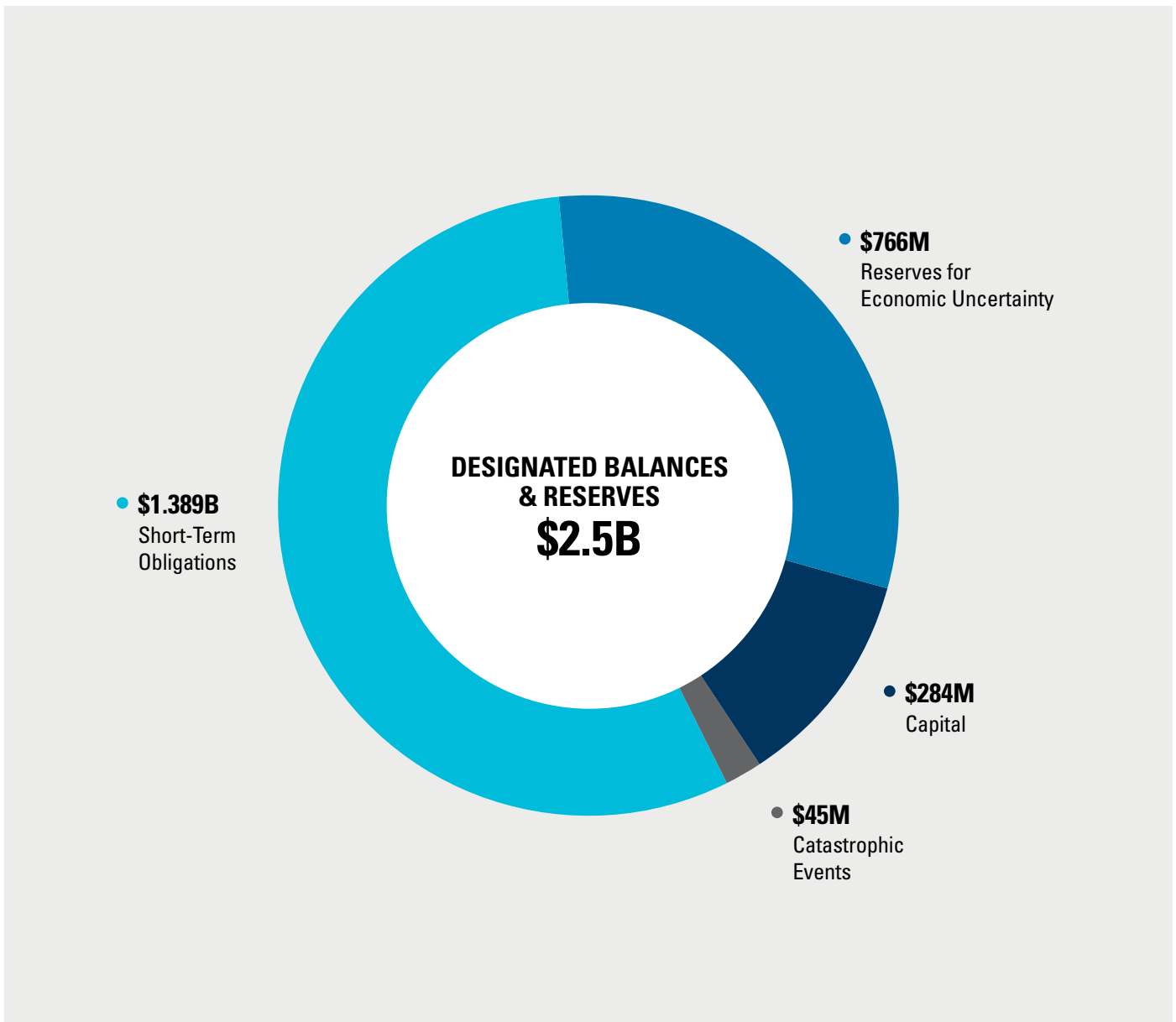
The budget priorities included in this plan are critical to the university, reflect our core values, promote student success and advance our mission. Understanding this, partners from across the CSU and throughout the state will continue to advocate with a powerful and unified voice for the needed resources for the CSU to continue to transform lives, families and communities as we help drive California to a brighter future.

DESIGNATED BALANCES & RESERVES: \$2.5 BILLION

Designated balances and reserves in the CSU operating fund represent equity balances that are held or designated for specific purposes. They are used to address non-recurring expenses by managing short-term obligations and commitments; provide funding for capital projects, infrastructure repairs, and facility maintenance; and help to ensure that operating costs can be paid during times of catastrophic events and economic and budgetary uncertainty. Designated balances and reserves are determined and reported annually by the campuses and the system office and are published on CSU's financial transparency portal (calstate.edu/transparency).

Designated balances and reserves are not used to fund recurring expenses, such as salary increases. The use of one-time monies to pay ongoing, permanent expenses can lead to significant structural deficits.

The CSU has prudently managed designated balances and reserves to meet certain strategic goals. As of June 30, 2023, designated balances and reserves in the operating fund totaled \$2.5 billion.





Cal State LA

Reserves for Economic Uncertainty

Reserves for economic uncertainty are part of the university's prudent fiscal strategy. Reserves are held for costs that may occur because of short-term recessionary cycles or state budget fluctuations. As of June 30, 2023, reserves for economic uncertainty totaled \$766 million and represent about 33 days of operation for all 23 universities and the Chancellor's Office. This is significantly below the recommended practice of maintaining three to six months of operating expenses.

Designated for Catastrophic Events

These designated balances are to be used in the event of a natural disaster or other catastrophic event. Typically, these balances are used to pay for costs not covered by insurance. Balances designated for catastrophic events totaled \$45 million, which is sufficient to cover expected needs.

Designated for Capital

Balances designated for capital are for new projects and to repair current buildings that include planning costs and

equipment acquisition associated with those buildings. Capital reserves fall well short of the expected need, which is at least 10% of the cost of academic projects approved in the most recent multi-year capital plan. The projected need for capital projects in 2024-25 is \$4.0 billion and the projected need through 2028-29 is \$31.1 billion. Balances designated for capital totaled \$284 million.

Designated for Short-Term Obligations

Amounts designated for short-term obligations are for open contracts and purchase orders, near-term debt service payments, financial aid obligations, and programs that are in development. Balances designated for short-term obligations totaled \$1.4 billion at the end of last year, which are sufficient to cover expected needs and are typically paid in the following fiscal year.

2024-25 Operating Budget Plan

Photo: Chico State

The CSU proposes an \$8.7 billion operating budget for 2024-25, with \$5.4 billion from the state General Fund and \$3.3 billion from tuition and fee revenue. As shown in Table 1, this budget plan is an increase of \$557.4 million over 2023-24. Table 3 summarizes the sources and uses of funds that make up the \$557.4 million increase. Because of the multi-year compact and tuition proposal, the 2024-25 budget plan indicates sources and uses of funds within and above the amount of funds provided by the multi-year compact. The 2024-25 budget plan reveals that within the compact, the CSU would prioritize student access and success, grow student enrollment and financial aid, provide workforce investments for all employee groups and cover institutional infrastructure costs. All budget priorities included in the plan could be supported by a combination of sources from within and above the compact and from new tuition revenue.



TABLE 3: SOURCES & USES OF FUNDS

SOURCES OF FUNDS (Incremental New Revenue)	TUITION & WITHIN COMPACT	ABOVE COMPACT	BUDGET PLAN
State General Fund	\$240,243,000	\$144,546,000	\$384,789,000
Tuition from Rate Increase	148,330,000		148,330,000
Tuition from Strategic Resident Enrollment Growth	24,278,000		24,278,000
TOTAL NEW SOURCES	\$412,851,000	\$144,546,000	\$557,397,000

USES OF FUNDS (Incremental New Expenditures)	TUITION & WITHIN COMPACT	ABOVE COMPACT	BUDGET PLAN
Student Access & Success			
Financial Aid			
State University Grant — Tuition Rate Increase	\$49,443,000		\$49,443,000
State University Grant — Enrollment Increase	8,093,000		8,093,000
Student Access and Enrollment	54,957,000		54,957,000
Graduation Initiative		30,000,000	30,000,000
Student Basic Needs and Mental Health	3,000,000	4,000,000	7,000,000
Institutional Support			
Title IX and DHR Programs	7,900,000	8,000,000	15,900,000
State and Federal NAGPRA Compliance	2,250,000	2,000,000	4,250,000
Maintenance of New Facilities	12,548,000		12,548,000
Liability and Property Insurance Premium Increases	22,635,000		22,635,000
Inflation on Non-Personnel Costs		28,506,000	28,506,000
Debt Service on Academic Facilities & Infrastructure	10,000,000	15,000,000	25,000,000
CSU Workforce Investments			
Faculty and Staff Compensation Pool	163,664,000	57,040,000	220,704,000
Health Premium Increases	78,361,000		78,361,000
TOTAL NEW USES	\$412,851,000	\$144,546,000	\$557,397,000



Sources of Funds

Photo: Cal State East Bay



REVENUE SOURCES (MILLIONS)	BASE	INCREASE	%
Tuition: Increase	\$2,448	\$148	6%
Tuition: Access & Enrollment		24	1%
Campus-based Mandatory Fees	672		
General Fund: Compact Commitment	4,989	240	5%
General Fund: Additional Request		145	3%
TOTAL	\$8,109	\$557	6.9%

ESTIMATED INCREMENTAL NEW REVENUE: \$413 MILLION TO \$557 MILLION

Forecasted revenues of \$412.9 million would be available to support the budget plan and include the 2024-25 compact commitment (\$240.2 million), the tuition rate increase (\$148.3 million), and tuition from the 1% resident, undergraduate enrollment growth (\$24.3 million). The estimated revenues are insufficient to support the expenditure plan, so an additional request for ongoing funds above the state compact (\$144.5 million) is included in the budget plan.

STATE GENERAL FUND: \$240 MILLION TO \$385 MILLION

The CSU anticipates that the governor's administration will again propose an ongoing state General Fund increase of 5% (\$240.2 million) for 2024-25. A foundational feature of the compact provides the CSU the opportunity to differentiate the revenue assumptions of the 2024-25 operating budget plan. The compact's 5% state General Fund commitment, along with the additional tuition revenue, will not fully cover the expenditure plan. As a result, the CSU requests an additional \$144.5 million in state funding above the compact commitment.

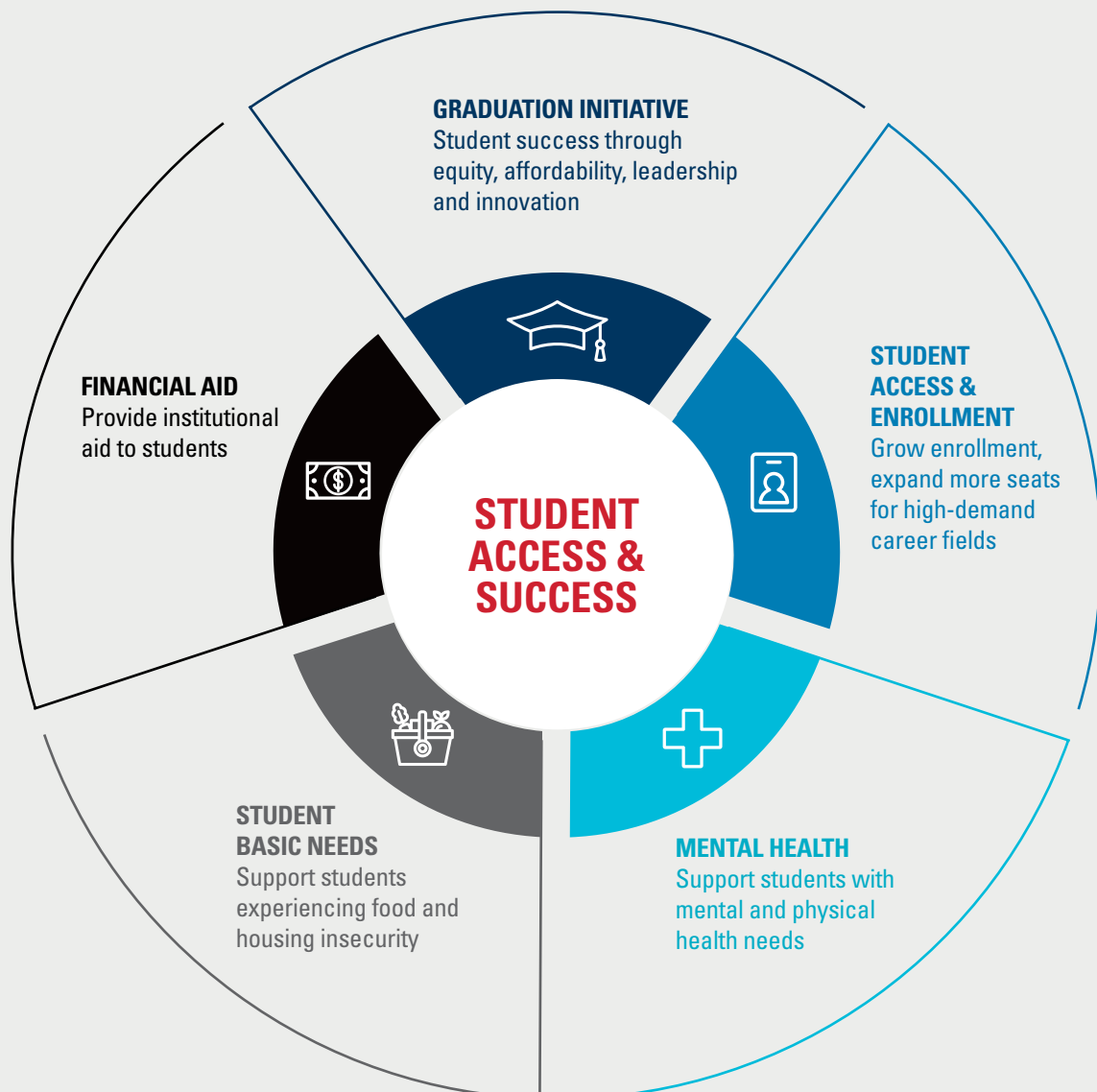
REVENUE FROM TUITION RATE INCREASE: \$148 MILLION

The multi-year tuition plan will increase rates beginning in the 2024-25 year. The additional revenue resulting from the 6% rate increase for all levels of education is included in the budget plan and will allow the CSU to invest more fully in the trustees' budget priorities and more adequately advance student success. The additional tuition revenue estimated from the increase is \$148.3 million in 2024-25.

REVENUE FROM STRATEGIC ENROLLMENT GROWTH: \$24 MILLION

As part of the compact, the CSU is committed to grow enrollment equivalent to a 1% increase, or approximately 3,484 resident, undergraduate, full-time equivalent students (FTES) in 2024-25. The additional tuition revenue from the enrollment growth is estimated to be \$24.3 million.

Uses of Funds



EXPENDITURE PLAN (MILLIONS)	BASE	INCREASE	%
Student Access & Success			
Financial Aid: State University Grant	\$701	\$58	8%
Student Access & Enrollment		55	
Graduation Initiative	380	30	8%
Student Basic Needs & Mental Health	95	7	7%
Institutional Support			
Title IX & DHR Programs	20	16	80%
State & Federal NAGPRA Compliance		4	
Required Operational Costs	400	63	16%
Debt Service on Facilities & Infrastructure	440	25	6%
CSU Workforce Investments			
Faculty & Staff Compensation Pool	5,374	221	4%
Health Premiums	699	78	11%
TOTAL	\$8,109	\$557	6.9%



STUDENT ACCESS & SUCCESS: \$149 MILLION

Financial Aid	\$57,536,000
Student Access & Enrollment	54,957,000
Graduation Initiative	30,000,000
Student Basic Needs & Mental Health	7,000,000
TOTAL	\$149,493,000

Financial Aid

The CSU understands the impact financial aid has on social mobility—a student’s ability to attend college, earn a baccalaureate degree, and enter the California workforce in a position to attain greater lifetime earnings. The CSU strives to keep costs to a minimum by offering institutional aid in addition to federal and state grant and loan programs. Financial aid allows CSU students to better focus on their academics by easing the pressure of educational and personal costs. Although CSU tuition is among the lowest in the nation for a resident undergraduate student, and will remain so even with the tuition increase, 82% of all CSU students receive financial aid and 60% of all undergraduate students receive non-loan aid to cover the full cost of tuition.

The State University Grant (SUG) program is the CSU’s institutional grant-aid program and provides need-based awards to eligible students. Aligned with the commitment to increase SUG by an amount equal to one-third of the additional tuition revenue, the plan dedicates an additional \$49 million due to the rate increase and \$8 million due to enrollment growth. The additional funding provides larger grant awards so that our students with the greatest financial need are not affected by the tuition increase. The SUG program has grown considerably since its inception, from \$4 million in 1982-83 to a projected \$759 million in 2024-25. Currently, 9% of the CSU’s total operating budget is dedicated to financial aid for students with the greatest need. The SUG program remains one of the largest commitments in the CSU operating budget.

2023-24 Base	\$701 million	Over 144,000 annual student awards
2024-25 Increase (8%)	58 million	Tuition increase & 1% enrollment growth

2024-25 Base \$759 million

In 2021-22, the CSU provided nearly \$965 million in institutional aid, which includes \$701 million for SUG. An additional \$788 million from the state Cal Grant program, over \$73 million in the Middle Class Scholarship Program, and over \$1 billion from the federal Pell Grant program help CSU undergraduate students cover tuition, fees and some personal expenses. These CSU, state and federal financial aid programs help defray the cost of attendance for the lowest-income students and keep CSU student debt well below the national average. In 2021-22, CSU baccalaureate degree recipients have lower average debt (\$17,682) than the 2019-20 non-CSU California student average (\$21,125) and well below the 2019-20 national average (\$28,950).

Ensuring that every Californian has an equal opportunity to earn the life-long, life-transforming benefits of a CSU degree and meeting California’s growing need for a diverse, highly educated workforce.

Student Access and Enrollment

To accommodate more students at the CSU, the governor and the CSU committed in the compact to grow enrollment by approximately 3,484 resident, undergraduate, full-time equivalent students in 2024-25. Using the marginal cost rate, which is the cost of education per FTES, the funding required to support these new students is approximately \$55 million and would be equivalent to a 1% increase in resident undergraduate enrollment.

As it did in 2023-24, the CSU intends to strategically place new enrollment at campuses experiencing significant prospective student demand that can expand more seats in academic programs that support high-demand career fields in California.

2023-24 Resident FTES Base	387,114
Proposed Growth	3,484
2024-25 Total Resident FTES	390,598
Marginal Cost Rate per FTES	\$15,774
Total Cost of Enrollment Growth	\$54,957,000
State’s Share of Marginal Cost Rate	\$10,995

Due to the multi-year compact, it could be possible to increase undergraduate resident students over the next three years so that by 2026-27, CSU’s enrollment will grow by approximately 10,500 full-time equivalent students. For decades, California has encouraged generations of young Californians to pursue higher education, and during that time, the CSU has been a beacon of access to that opportunity.

Higher education enrollment declined across the country during the pandemic, but overall CSU campuses fared better than other institutions. For the first time in 13 years, the 2022-23 academic year ended with actual resident enrollment below the resident enrollment target. One contributing factor is change in continuing student enrollment behaviors, including average units enrolled. Additionally, as CSU campuses have returned to in-person outreach and recruitment efforts, challenges persist including those related to the national sentiment about the value of a college degree and decreasing enrollment in California K-12 and community colleges. With 95% of the CSU undergraduate student population enrolling from California schools, the system and universities are actively and collaboratively engaged in robust strategic and enrollment planning initiatives.

Graduation Initiative

As the year 2025 approaches, and after a decade of focused systemwide work and lessons learned, the CSU finds itself at an inflection point. Increasing retention and graduation rates while eliminating equity gaps remains the CSU’s imperative, and it is a consequential and opportune moment to remake, rebrand and reshape the Graduation Initiative. Additional resources of \$30 million would advance this effort through a variety of priorities directly focused on student learning and success.

Reports from the interim chancellor’s strategic work groups were recently released and include several recommendations to strategically deploy a variety of data-informed best practices, policies and innovations that have the potential to drive student success and equity to new heights. Additional investments would ensure implementation is strategically integrated, particularly the Black Student Success, Strategic Enrollment Management, and Sustainable Financial Model workgroup recommendations.

The CSU remains focused on meeting Graduation Initiative goals—especially closing equity gaps. The CSU adopted and began implementing an equity action plan that is re-engaging underserved students who have disenrolled, expanding the use of digital degree planners, reviewing and restructuring courses with inequitable low-pass rates, bolstering student opportunities to earn credits during summer and winter sessions and eliminating administrative barriers. The multi-year compact contains shared goals designed to close equity gaps and promote student success, expand student access, increase affordability for students, increase intersegmental collaboration to benefit students, support workforce preparedness, and provide access to online course offerings. Instruction is the core function at the CSU, and it receives the largest share of funding. Costs associated with high-demand degrees are often higher than with other disciplines. Additional resources will be focused on these areas to achieve the shared goals of the CSU and the governor’s administration.

Students have expressed a desire for increased support services that meet their diverse individual needs. This approach necessitates a high level of support and engagement with students. The additional resources will help to close the already existing funding gap in student services and enhance the educational experience for students. Continued investment in these efforts may include but are not limited to the following:

- Tutoring, peer mentoring and academic support
- Cultural centers (space, staffing and programming)
- Title IX efforts to include bystander and prevention education

- Increasing the number of students participating in high-impact practices such as undergraduate research, international experiences and internships
- Early alert systems and case management efforts to support student retention and persistence
- Increased efforts to re-engage and re-enroll students who have dropped out of college
- On-campus student employment opportunities

Student Basic Needs and Mental Health

Student basic needs remain a priority investment as the CSU takes a holistic approach to students’ well-being both inside and outside the classroom. While the primary mission of the CSU is educational in nature, students cannot be fully engaged in or out of the classroom if they do not receive appropriate support services. The CSU plans \$7 million to sustain and expand its Basic Needs Initiative in support of the Graduation Initiative. Critical to student success at the CSU, the Basic Needs effort supports CSU students on their path to graduation.

2023-24 Base	\$380 million	Investments since 2017-18
2024-25 Increase (8%)	30 million	Redefining student success through equity, affordability, leadership and innovation, and the organizational and cultural changes necessary to accelerate the work
2024-25 Base	\$410 million	

2023-24 Base	\$95 million	Student Mental Health, Housing & Food Insecurity
2024-25 Increase (7%)	7 million	Additional student counseling services and after-hours availability
2024-25 Base	\$102 million	

TABLE 4: CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS

			2016	2017	2018	2019	2020	2021	2022	2025 Goal
GRADUATION RATES	First-Time Students	4-Year	21%	23%	25%	27%	31%	33%	35%	40%
		6-Year	59%	59%	61%	62%	62%	63%	62%	70%
	Transfer Students	2-Year	33%	35%	38%	40%	44%	44%	40%	45%
		4-Year	74%	75%	77%	77%	79%	80%	80%	85%
EQUITY GAPS (in percentage points)	Underserved Students of Color		12.0	12.2	10.5	11.1	10.5	12.4	12.0	0.0
	Pell Grant Recipients		10.0	10.6	9.5	10.2	9.2	10.2	11.0	0.0

INSTITUTIONAL SUPPORT: \$109 MILLION

As part of the 2024-25 budget plan, institutional support costs are anticipated to be \$109 million. The CSU must amplify its accountability and compliance efforts and pay for certain required operating expenditures regardless of the level of funding allocated by the state, as they often increase despite the level of state support. If operating budget plans do not include these types of required operational cost increases, campuses must redirect resources from existing programs, services and priorities to meet those cost increases.

Title IX & DHR Programs	\$15,900,000
State & Federal NAGPRA Compliance	4,250,000
Maintenance of New Facilities	12,548,000
Liability & Property Insurance Premium Increases	22,635,000
Inflation on Non-Personnel Costs	28,506,000
Debt Service on Academic Facilities & Infrastructure	25,000,000
TOTAL	\$108,839,000

Title IX and DHR Programs

To strengthen our cultures of care and compliance, in 2022 and 2023 the CSU engaged Cozen O'Connor to conduct a systemwide assessment of the CSU's implementation of its programs to prevent and address discrimination, harassment and retaliation (DHR) based on protected statuses, including sex and gender (under Title IX). The goal of the engagement was to strengthen the CSU's institutional culture by assessing current practices and providing insights, recommendations and resources to advance the CSU's Title IX and DHR training, awareness, prevention, intervention, compliance and support systems.

Cozen O'Connor's assessment included interviews and campus visits, in addition to gathering feedback through surveys and email and concluded with thorough and detailed reports that were released in July 2023. The reports identify core observations and recommendations for improvements at both the system and university levels. While the CSU has taken several proactive steps, much more can and will be done to assist the 23 universities in meeting the needs of their students, staff and faculty.

In July 2023, the California State Auditor (CSA) also completed its review of CSU's handling of sexual harassment complaints against employees at three campuses and the Chancellor's Office. The CSA made recommendations at the systemwide level that are aligned with those of Cozen O'Connor. Implementing the Cozen recommendations and establishing systemwide and university Title IX and DHR programs at appropriate levels will require investing in significant additional personnel, shifting the current philosophy and manner of engagement, and developing sustainable tools and processes to support these efforts. Implementation teams have been formed at the Chancellor's Office and at our 23 universities to develop comprehensive strategies to implement the recommendations. At this initial stage, we estimate the need for more than 100 new positions and significant other operating resources at the system and university levels. The 2024-25 operating budget plan requires \$15.9 million for substantial new costs to implement the recommendations in the first of multi-year efforts to support this program. Additional investments will be necessary and have been preliminarily estimated at nearly \$6 million. Further refinement of needs and estimated costs are expected during the coming year.

Creating innovative and sustainable spaces that inspire learning, creativity, inquiry and discovery.

2023-24 Base	\$20 million	151 FTE positions & minimal operational support
2024-25 Increase (80%)	16 million	98 university & 14 systemwide positions & operational support
2024-25 Base	\$36 million	

TITLE IX AND DHR PROGRAM		2024-25 PLAN	2025-26 ESTIMATE
SYSTEMWIDE OVERSIGHT & COORDINATION	<ul style="list-style-type: none"> • Create a systemwide Title IX & Civil Rights division • Centralize oversight & accountability for university programs • Centralize investigation services • Provide enterprise-level Title IX & DHR case management system • Expand Office of General Counsel staffing • Add 14 new positions and operational support 	\$5,137,000	\$2,086,000
UNIVERSITY INFRASTRUCTURE & RESOURCES	<ul style="list-style-type: none"> • Ensure sufficient personnel and resources to cover core Title IX/DHR functions at all universities • Provide minimum levels of confidential advocates & respondent support for each university • Add 98 new positions and operational support 	\$10,763,000	\$3,587,000
TOTAL		\$15,900,000	\$5,673,000



State and Federal NAGPRA Compliance

In June 2022, the state Joint Legislative Audit Committee (JLAC) announced a systemwide audit of the CSU’s legal compliance with the federal Native American Graves Protection and Repatriation Act of 1990 (NAGPRA) and the California Native American Graves Protection and Repatriation Act of 2001 (CalNAGPRA). These laws were enacted to resolve and restore the rights of Native American, Alaska Native and Native Hawaiian lineal descendants and tribes to the ancestral remains, associated burial objects, sacred objects and objects of cultural patrimony held in institutions like the CSU.

All campuses were surveyed, and four campuses were selected for in-depth audits that included campus visits and reviews of past and current repatriation-related documentation and records. The audit findings and recommendations, published July 29, 2023, revealed that of 21 campuses with collections, more than half have not repatriated any ancestral remains or cultural items to the tribes. Further, more than half do not know the extent of the ancestral remains and cultural items in their collections.

At present, only five campuses have full-time repatriation coordinators. The audit report identified 15 campuses as needing these positions and, depending upon collection size, some campuses may require additional staffing resources. The lack of sufficient funding to cover the repatriation-related expenses was also reported. The audit report recommended the Chancellor’s Office establish a system infrastructure to oversee campus repatriation activities. The CSU plans \$4.3 million for new costs to comply with NAGPRA.

2023-24 Base	\$0.3 million	2 positions and minimal operational costs
2024-25 Increase	4.3 million	30 university and 3 systemwide positions & operational costs
2024-25 Base	\$4.6 million	

Maintenance of New Facilities

The CSU is scheduled to open 532,130 square feet of new facilities in 2024-25. The cost to fund regular maintenance of these facilities is \$23.79 per square foot, for a total of \$12.5 million in 2024-25. Regular maintenance of new facilities includes the cost of utilities, building maintenance, custodial, landscape and administrative support.

Liability and Property Insurance Premium Increases

The CSU plan includes \$22.6 million, equivalent to a 21% increase, in costs related to property and liability coverage. The insurance markets for property and liability coverage emerged from a decade of low premiums. Insurance premiums continue to rise across the country and more so for California public entities. Many factors are causing this significant rise in premiums in California, including an overall rise in claims and inflated values of settlements and verdicts. California higher education and public entities writ large face some of the toughest challenges in the liability insurance market because of higher risks of physical abuse and molestation, law enforcement, and employment practice exposures. Additionally, sizable liability settlements continue at other higher education institutions, resonating throughout the insurance industry. Property losses, including those caused by wildfires and wind/water events (atmospheric rivers), are also a factor. The CSU has experienced multiple losses, and these contribute to property insurance premium increases.

Inflation on Non-Personnel Costs

Inflation impacts all areas of the university. Over the past decade, the CSU operating budget plan and the final state budget have not included funding explicitly dedicated to cost increases on a variety of expenses, such as technology, instructional equipment, library subscriptions, software subscriptions, contracts and other supplies. Utilizing the California Consumer Price Index of 3% for 2023-24, the CSU plans \$28.5 million for expenditure increases due to inflation.

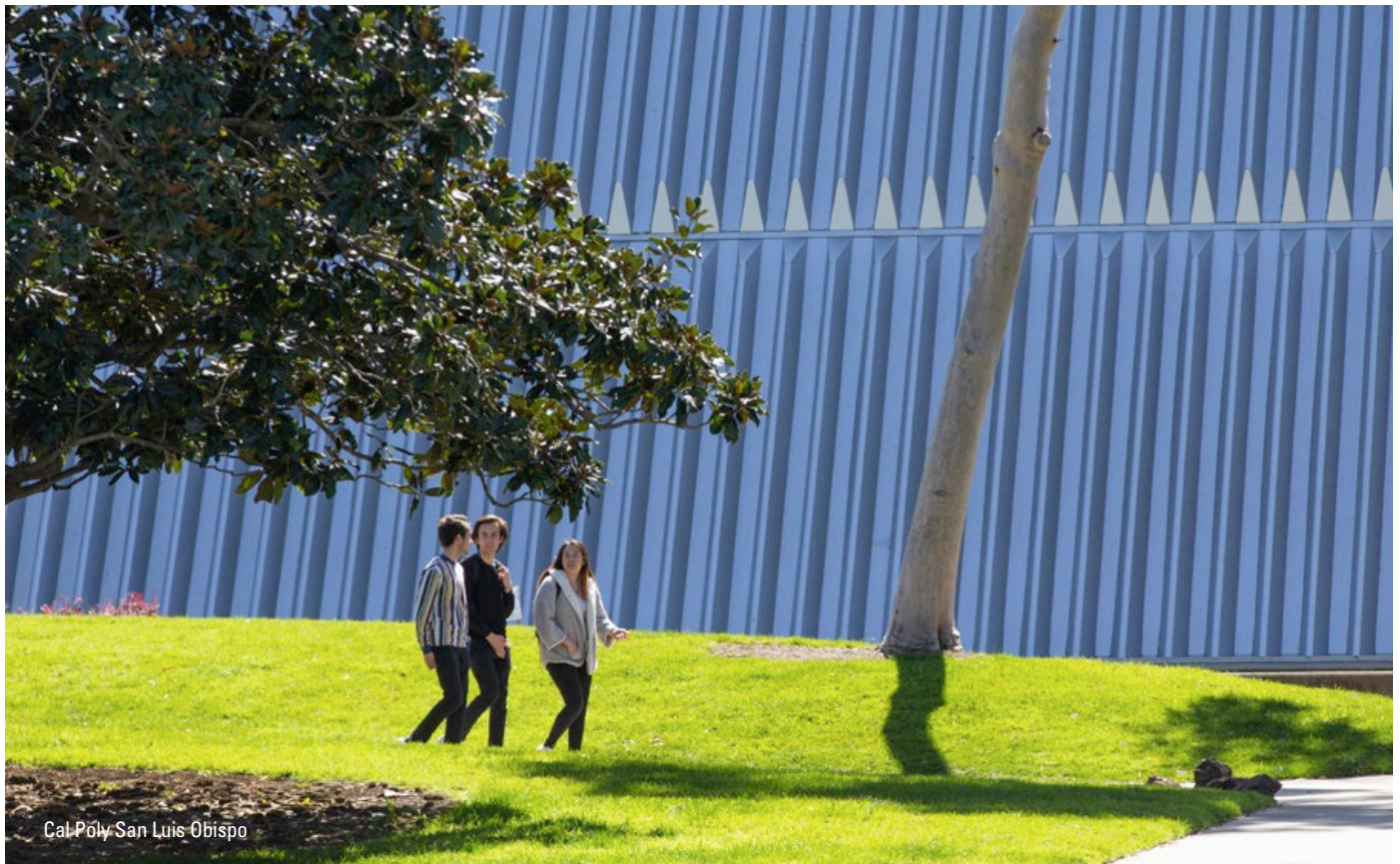
Debt Service on Academic Facilities and Infrastructure

To effectively educate all students, it is necessary to invest regularly in critical infrastructure while also refurbishing existing and building new academic facilities to best serve students. The CSU proposes using \$25 million to finance needed facility and infrastructure projects. These projects will address critical infrastructure needs, renovate existing buildings and expand capacity for targeted growth in new student enrollment. Many of these projects would support students seeking careers in engineering, health care and the sciences. For every \$25 million in ongoing funding, the CSU could finance approximately \$300 million of new academic and infrastructure facilities.

The CSU five-year capital plan identifies the priority needs of each of the 23 campuses and is based on the categories and criteria approved by the Board of Trustees. The plan has identified—in 2024-25 alone—more than \$4.0 billion in systemwide academic infrastructure and facility needs. The priorities are consistent with the state’s priorities of critical infrastructure, energy efficiency and life safety projects. The following table summarizes some of the CSU’s highest priority projects that could be funded with this additional support.

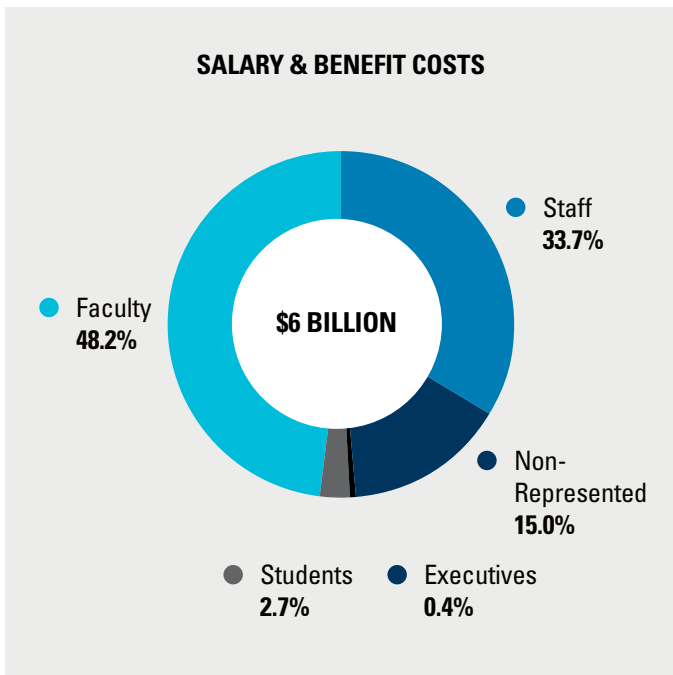
Category	Project Description	Total Budget
Existing Infrastructure	Statewide Infrastructure Improvements	\$100,000,000
Existing Facility	Replacement Facilities (Seismic)	\$170,000,000
New Facility	Sciences & Engineering (Growth)	\$71,000,000

For more information on specific projects and priorities, please reference the CSU five-year capital plan (calstate.edu/major-capital-outlay).



CSU WORKFORCE INVESTMENTS: \$299 MILLION

Three-quarters of the operating budget (\$6 billion) goes toward salaries and benefits. For salaries to keep pace with inflation and to cover related health care and pension cost increases requires many tens of millions of dollars more per year.



With some minor exceptions, no collective bargaining agreements have salary provisions that extend beyond 2022-23. At this stage, it would be premature to identify specific amounts or forms of compensation (e.g., general salary increases) for any employee group. The cost of a 1% increase in employee salaries is estimated to be \$55.2 million. In addition, the CSU anticipates substantial increases in health care premium costs.

The CSU Board of Trustees recognizes that competitive salary and benefits for faculty, staff and management is a key element to our universities' success. Continued investment in competitive salary and benefits is critical to recruit and retain a world-class workforce to provide access to an affordable, high-quality education and graduate a well-prepared workforce.

Faculty and Staff Compensation Pool	\$220,704,000
Health Premium Increases	78,361,000
TOTAL	\$299,065,000

Faculty and Staff Compensation Pool

The faculty and staff compensation pool is funding that could be used for different elements of compensation, such as salary and benefit changes for all employees of a bargaining unit. Under mutual agreement between the CSU and CSU bargaining units, pool funding is used to address specific market, salary structure, or job framework issues for employees within a bargaining unit. The mutual agreement between the CSU and each CSU bargaining unit will determine the form of compensation that the compensation pool will support.

This budget plan includes \$220.7 million to fund 2024-25 compensation increases for all employee groups. The compensation pool is subject to collective bargaining and contingent on the state providing the funding to support this priority.

Recognizing the CSU is a people-driven institution—people who support, inspire and uplift the diverse and talented students who are California’s future leaders.

Health Premium Increases

Permanent base budget costs associated with January 2024 employer-paid health care premium increases are \$78.4 million, reflecting an 11% increase in costs. Health care premiums are shared between the CSU and its employees, with the CSU funding a significant portion of the costs. The CSU is governed by California Government Code Section 22871, which defines the employer-paid contribution rates.

2023-24 Base	\$699 million
2024-25 Increase (11%)	78 million
2024-25 Base	\$777 million

One-Time Request

Photo: Cal State San Bernardino



CRITICAL CAPITAL RENEWAL: \$2.4 BILLION

A complementary strategy to address the CSU's deferred maintenance and infrastructure needs includes a request for one-time funds from the state for critical capital renewal.

The CSU seeks \$2.4 billion of one-time funding to continue to address the growing maintenance backlog of building and utility infrastructure systems that have passed their useful life. More than half of the CSU's academic buildings are over 40 years old, and many of these buildings are overdue for major renovation. The CSU has estimated more than \$7.4 billion in critical capital renewal backlog and accumulates approximately \$344 million of additional critical capital renewal costs per year.

As buildings and their associated systems age, the cost to operate, maintain and renovate the facilities increases. Although CSU facilities staff does an admirable job of keeping these aging facilities operational with limited financial resources, increased funding is necessary. Over the past two years, the state has provided \$125 million in one-time funding to address a portion of the deferred renewal backlog. This is a substantial amount of funding, and it is being put to good use on the most pressing campus projects. It should be noted, however, that two significant factors are exacerbating this budget challenge: year-over-year growth in the CSU backlog and unusually high construction cost inflation over the past several years.

The \$2.4 billion one-time funding request will allow the CSU to address additional systemwide deficiencies, improve the reliability of systems and prevent costly and disruptive outages caused by system failures. Aligned with the CSU's overarching academic mission, system repairs and replacements will provide safer and healthier environments that support teaching and learning across all 23 universities.

**Providing safe and modern facilities
for students, faculty and staff—
spaces where teaching, learning and
student well-being can thrive.**

Multi-Year Forecast

Photo: Chancellor's Office



In light of the multi-year compact and recommended tuition proposal, the CSU has a unique opportunity to develop a budget framework that would span multiple years. Planning over more than one year recognizes the time horizon necessary for CSU priorities to be successfully implemented. The multi-year expenditure estimates for many of these priorities are forecast based on trends from prior years and high-level estimates for future increases.

The continued state investment and additional student tuition provide predictable revenues to ensure continued investment in high-impact areas of the university. This plan reflects the final three years of the governor's compact and demonstrates a gradual investment in several of the university's highest priorities.

TABLE 5: MULTI-YEAR SOURCES & USES OF FUNDS (MILLIONS)

SOURCES OF FUNDS (Incremental New Revenue)	PLAN 2024-25	EST. 2025-26	EST. 2026-27	EST. 2027-28	EST. 2028-29
TUITION: INCREASE	\$148	\$158	\$168	\$178	\$189
TUITION: ACCESS & ENROLLMENT	24	26	27	30	32
GENERAL FUND: COMPACT COMMITMENT	240	252	265	278	292
GENERAL FUND: ADDITIONAL REQUEST	145	104	56	79	76
TOTAL NEW SOURCES	\$557	\$540	\$516	\$565	\$589
USES OF FUNDS (Incremental New Expenditures)	PLAN 2024-25	EST. 2025-26	EST. 2026-27	EST. 2027-28	EST. 2028-29
STUDENT ACCESS AND SUCCESS	\$150	\$169	\$190	\$209	\$219
Financial Aid: State University Grant	58	61	65	69	74
Student Access & Enrollment	55	61	65	70	75
Graduation Initiative	30	40	50	60	60
Student Basic Needs and Mental Health	7	7	10	10	10
INSTITUTIONAL SUPPORT	\$108	\$92	\$95	\$122	\$126
Compliance Programs	20	14	14	14	16
Required Operational Costs	63	53	56	58	60
Debt Service on Facilities & Infrastructure	25	25	25	50	50
CSU WORKFORCE INVESTMENTS	\$299	\$279	\$231	\$234	\$244
Faculty & Staff Compensation Pool	221	229	179	185	190
Health Premiums	78	39	40	42	44
Retirement Benefits	0	11	12	7	10
TOTAL NEW USES	\$557	\$540	\$516	\$565	\$589

Note: Figures may not sum to totals due to rounding.

The CSU has several multi-year budget priorities that are critical to fulfilling the mission and providing students with a high-quality, affordable and accessible education. CSU students have expressed a desire for increased support services that meet their diverse individual needs.

Each of these budget priorities contributes to the whole and are important to student success. As mentioned previously, ongoing financial resources proposed in the compact are insufficient to fully support these and other priorities.

- Advance student success by expanding the work of the Graduation Initiative to support the CSU's broader mission of educational equity so that all students have the equal opportunity to earn the lifelong, life-transforming benefits of a CSU degree.
- Invest in our faculty and staff who educate, support, inspire and uplift our diverse and talented students.
- Ensure safe, modern and sustainable facilities where teaching, learning and student well-being can thrive.
- Continue to provide financial aid to assist students with the greatest financial need.
- Grow enrollment to ensure a solid foundation for California's future economy with a diverse, degree-holding, well-educated citizenry.

The multi-year budget plan would be supported by the ongoing funding included in the state's multi-year compact, as well as the multi-year tuition increase. It is unclear whether state funding above the compact would be available and provided by the state.



Additional Budget Considerations

Photo: CSU Monterey Bay



The CSU's overall revenue streams remain under significant pressure. When the final budget does not include sufficient revenue, the universities are underfunded, creating significant cost pressures. An underfunded budget requires the universities to redirect funding from existing programs, services and priorities such as the Graduation Initiative to fund required operating cost obligations. The year-over-year effect of this practice creates significant financial stress, as was reported by the Sustainable Financial Model Workgroup. Each university is taking a hard look at costs and how to balance available resources with rising costs, unfunded mandates and underfunded compensation increases.

The system has continual and growing cost pressures: an increased need to expand high-cost degree offerings, inflation, increased salary and benefit costs for staff and faculty and unfunded mandates, as well as infrastructure needs. Not only are there existing pressures, the CSU will have to contend with emerging items that are creating new fiscal constraints.

Although the state has provided significant investments in the CSU over the past three years, it is important to point out several remaining fiscal challenges the university system still faces.

OPERATIONAL AND STRATEGIC CHANGES

To address some of the CSU's most critical operational and strategic challenges, several changes were recommended by Interim Chancellor Koester's strategic workgroups (e.g., Black Student Success, Graduation Initiative, Strategic Enrollment Planning, and Faculty and Staff Excellence). These changes are needed to successfully implement and deliver on the key initiatives identified by the groups which will eventually be shaped by Chancellor García. Fiscal support will be necessary for launching these as well as other emerging initiatives.

COMPENSATION

With continuing high inflation rates, there is pressure during the collective bargaining process to provide CSU employees with a general salary increase in 2023-24 that is at least commensurate with these high rates. However, the CSU did not receive sufficient funding in the Budget Act of 2023 to cover all necessary budget priorities. Consequently, it is anticipated that campuses will be required to redirect tens of millions of dollars from existing campus budgets to cover some of these new compensation costs. A more definitive estimate of these costs will be known at the conclusion of the collective bargaining process. This follows a similar redirection of approximately \$44 million from campus budgets to cover 2021-22 and 2022-23 compensation costs. The CSU's commitment to fair and competitive employee compensation requires budgetary tradeoffs, which could result in nearly all other operating budget priorities receiving only some or none of the new funding in 2023-24 (enrollment growth is an exception).

An evaluation of the existing salary structure for CSU non-faculty, represented staff employees was completed in 2022. The study, executed by consulting firm Mercer, found that median salaries in the CSU lagged market median salaries for most employees and recommended changes to increase median salaries and implement a salary step structure with initial ongoing costs of \$287 million and over \$50 million more each year thereafter.

In December 2021, the CSU initiated a faculty employee salary study. The study's findings and recommendations are expected in 2023. The recommendations could include solutions that require additional funding.

Future collective bargaining agreements between the CSU and employee bargaining units are required to implement recommendations of the staff and faculty studies. The CSU will require additional, ongoing funding beyond the amount in this plan to implement any cost-creating recommendations of either study.

CHANGES TO FEDERAL & STATE FINANCIAL AID PROGRAMS

Several forthcoming changes to federal and state financial aid programs will require corresponding changes to most aspects of CSU's policies, procedures, processes and systems used to award student aid. The changes could significantly impact the awards provided to CSU students and put financial pressure on the State University Grant program. Financial aid programs complement one another to provide maximum financial support for students. Program changes have cascading effects that must be considered and potentially addressed. Several of the approved changes will streamline processes, remove barriers, and expand

access. But these changes come with certain tradeoffs, such as a lower income eligibility threshold, removal of non-tuition awards for all CSU students and a drop in aid for transfer students. As the CSU strives to maximize access to aid and balance the federal and state changes, the CSU will develop an implementation plan that provides flexibility, tools, resources, administrative capacity and infrastructure required by our universities to comply with the changes. The financial implications are currently unknown.

MINIMUM WAGE

In January 2023, the California minimum wage reached \$15.50 per hour. Senate Bill 3 of 2016, which raised the state's minimum wage to \$15 per hour over consecutive years, includes a provision for the state to adjust the rate in subsequent years for inflation. Due to high rates of inflation, the minimum wage will increase to \$16 in January 2024. The estimated annualized cost of the increase on CSU campuses is \$3.7 million.

RETIREMENT BENEFITS (BEYOND STATE-FUNDED)

Beginning with the 2013-14 fiscal year, the legislature placed a limit on the state's obligation to adjust CSU retirement funding due to annual changes in CalPERS rates. CalPERS employer contribution rates increased significantly for 2022-23, which created an ongoing significant financial burden to the CSU. Although rates are remaining the same for 2023-24, the unfunded cost to the CSU is estimated at almost \$19 million in 2023-24. If offsetting funding cannot be found, campuses will have to reprioritize existing one-time resources to fund this required cost.

The state's statutory obligation to adjust retirement funding based on annual rates set by CalPERS continues (Government Code Section 20814). But the salary base applied to the incremental rate change is fixed at the CSU 2013-14 pensionable payroll level in the state budget. Final 2022-23 pensionable payroll for the CSU was \$971 million (42%) above the 2013-14 frozen pensionable payroll level. The retirement increase amount above the frozen payroll level is an unfunded cost for the CSU, and it continues to increase each year when pensionable payroll or retirement contribution rates increase.

This practice is problematic and unsustainable. Throughout the years that this budget practice has been in effect, the state or students ultimately covered the unfunded liability above frozen pensionable payroll because retirement costs are required and unavoidable. The CSU must balance the need to serve students with the level of funding available to the university, particularly as tuition rates have remained relatively constant.









Statutorily Required Information for the Multi-Year Tuition Proposal

Summary

The trustees have the sole authority to establish and adjust systemwide tuition. In order to increase tuition in a fiscal year without state appropriation cuts, the CSU must follow a precise timeline and meet several requirements outlined by the Working Families Student Fee Transparency and Accountability Act (Act).

The following steps have been taken. The chancellor's office prepared and delivered to the California State Student Association (CSSA) the "CSU Multi-Year Tuition Proposal" on May 25, 2023. A consultation meeting between CSSA executive leadership and chancellor's office representatives to discuss the proposal followed on May 30, 2023. (Note: the chancellor's office met with CSSA on this topic numerous other times including, most notably, the CSSA Board of Director plenary meeting on July 9, 2023 and CSSA's CSUnity conference on August 14, 2023). Next, the Act requires public notice of the proposed tuition increase, followed by a meeting of the trustees to discuss the proposal and gather public comment (the July 9-12, 2023 meeting and agenda materials met this requirement) and required public notice of the proposed action on tuition followed by a meeting of the trustees to act on tuition (these September 10-13, 2023 agenda materials and subsequent meeting satisfy this requirement).

More specifically, the Act (California Education Code sections 66028 through 66028.6) requires the following information to be provided at least five days prior to the consultation meeting with the CSSA and included in both the tuition information and action agenda items. Specifically, the law requires the following information: 1) the justification for the proposed tuition increase, 2) the purposes for which the new revenue will be used, 3) the potential impact to students, 4) the efforts to mitigate the increase on students, and 5) alternative proposals in lieu of the tuition proposal. This information was provided to the CSSA via the "CSU Multi-Year Tuition Proposal" on May 25, 2023 and to the board at the July 9-12, 2023 meeting under Agenda Item 7 Multi-Year Tuition Proposal of the Committee on Finance. To minimize the length of this item and meet the statutory requirement, this attachment once again contains this information. Please note that the only substantive change to the information in this attachment is an update to designated balances and reserves as of June 30, 2023. These amounts were unavailable at the July 2023 board meeting.

Justification for the Multi-Year Tuition Proposal

The CSU is the largest driver of social mobility for students and their families in the state. The 23 universities are widely regarded by policymakers, business leaders, millions of CSU alumni and the broader California public as one of the most important drivers of California's economy, locally, regionally and across the state. To ensure the CSU can continue to fulfill this role—while maintaining diversity, academic quality and rigor—new investments in the CSU are crucial.

State general fund and student tuition and fee revenue are the two primary sources that make up the university's operating budget and support the educational endeavors of approximately 460,000 CSU students. Over the past two decades, state tax revenues that support public higher education institutions have significantly fluctuated, with a trend toward a decrease in real dollars, across the country and within California. This decline came as states responded to the condition of the economy and shifted public dollars to other priorities. The state's share of the total CSU operating budget has decreased from approximately 80 percent in the mid-1990s to 60 percent by 2022-2023, with the remaining revenue provided by tuition and fees. Despite this fiscal trend, the CSU has remained committed to keeping tuition affordable, providing all students a high-quality education and admitting as many qualified students from California's high schools and community colleges as can be accommodated. Ninety-four percent of CSU students are from California.

The CSU's priority is to advocate for and pursue increased state funding to cover elements of the operating budget plan for 2024-2025 and beyond. Over the past decade, these advocacy efforts have coincided with an important increase in state tax revenues, which recovered by tens of billions of dollars between the low point of the Great Recession and the 2022-2023 state budget year. The CSU has and will continue to collaborate with stakeholders and partners across the system including trustees, students, faculty, staff, union leaders, alumni, business partners and friends to make the case in Sacramento to fund the CSU's priorities.

Over the past 10 years, the CSU made operating budget plans that would fund the most critical priority areas, such as academic and student support service improvements through Graduation Initiative 2025, additional student basic needs investments, and improved academic facilities for better learning environments and student collaboration spaces. However, only once in the last 10 years has that plan been fully funded.

The CSU appreciates Governor Newsom's multi-year compact that ensures a five percent increase to the CSU's general fund appropriation for five years. This commitment has been and will continue to be an important fiscal foundation for the universities. However, more funding is still needed for the CSU to continue advancing its educational mission and to do so through the 21st century. The governor's compact only provides funding through 2026-2027 and due to current economic and budgetary indicators and other state priorities, there is the possibility that the state may not be able to significantly supplement the CSU budget at or beyond the committed levels of the multi-year compact.

Beginning in the spring of 2022, members of the board expressed a desire to deeply explore the totality of university costs, expenditures, and revenues. A greater understanding of these budgetary factors would help the board identify the necessary multi-year investments in the university and would chart a long-term fiscal plan for the CSU. As a result, Interim Chancellor Jolene Koester appointed the Sustainable Financial Model Workgroup in July 2022, and charged it to recommend

a multi-year strategy to achieve stable and predictable revenues to support the CSU mission, maintain affordability for its students, and recognize the differing needs of its 23 universities.

Currently, the CSU budget reflects expenditures and the revenues it receives, that is, the CSU spends what it gets, but these expenditures do not capture what it more appropriately costs to operate the university system. When the CSU receives less revenue than it requests from the state or generates from tuition, two things occur: (1) some costs go unaddressed (e.g., increased student support, critical capital renewal projects and up-to-date instructional equipment and appropriate workforce investments) and (2) costs that cannot be deferred are accommodated by redirecting funds from existing programs and purposes, leaving those areas under-resourced. These two actions create a disconnection between costs and expenditures. The workgroup concluded that CSU costs exceed the amounts expended, creating an expenditure gap. When compared with university revenues, there is similarly a funding gap.

The annual five percent multi-year compact commitment (coupled with the assumption that the commitment continues beyond 2026-2027) would provide an additional \$1.3 billion in new funding by 2028-2029. While advocating for additional state funding will continue to be the CSU's top priority, it is unlikely that state funding alone would be able to meet CSU's funding needs.

Tuition is the only other significant source of revenue for the CSU operating fund. Tuition has been held flat for 10 of the last 11 years through 2022-2023, which has helped maintain affordability for as many students as possible and kept the CSU as one of the most affordable institutions of higher education in the country. However, the absence of a tuition increase has also prevented the CSU from having sufficient resources to keep up with rising costs. For example, the annual tuition for an undergraduate student increased only once by \$270 (or five percent) since 2011-2012. By comparison, inflation increased by 39 percent over that same time period. Implementing the multi-year tuition proposal would provide the CSU with an additional \$840 million in tuition revenue by 2028-2029, which would help the 23 universities address more of the CSU's budgetary priorities than the status quo.

An underfunded budget requires the universities to redirect funding from existing programs, services and priorities like the Graduation Initiative to fund required operating cost obligations. A persistently underfunded CSU could mean fewer course sections, reduced average unit loads, less student services and a longer timeline to graduation. The CSU would also be limited in its ability to build or renew critical capital projects on the campuses, adjust employee compensation to remain competitive in the higher education industry and create or improve additional safe, functional and educationally appropriate learning environments.

Financial sustainability and predictability are critically important for the CSU to accomplish its mission and overcome its challenges. A strategic, multi-year increase to tuition, nonresident tuition and the graduate business professional fee, beginning with 2024-2025, would provide additional

resources to better ensure that Californians have opportunities to earn lifelong, life-transforming benefits through CSU educational programs. A multi-year tuition proposal and the governor's multi-year compact funding commitment would provide the greatest level of revenue sustainability and predictability in the university's history.

How New Revenues Would Be Used

It must be emphasized that the additional revenue is necessary to pay for existing programs, services, priorities and unfunded state and federal mandates. That said, additional revenue received from a tuition increase also likely would be invested in the budget priorities that reflect the values and mission of the university:

- Expand the work of Graduation Initiative 2025 to support the CSU's broader mission to advance educational equity so that all students have the equal opportunity to earn the lifelong, life-transforming benefits of a CSU degree.
- Provide competitive salaries and benefits to our faculty and staff who educate, inspire and uplift our diverse and talented students.
- Ensure safe, modern and sustainable facilities where teaching, learning and student well-being can thrive.
- Continue to provide financial aid to assist students with the greatest financial need. This would cover the full cost of tuition and could also be expanded to cover other attendance costs of the university.

More specifically, additional revenue received from tuition would be used to support seven key priorities over a multi-year period. Decisions on the precise amount of ongoing funding to be dedicated to each of the key priorities will be made through the annual CSU budget process and periodically by way of finalized collective bargaining agreements.

1. **Graduation Initiative:** Launched in 2016, the graduation initiative aims to increase graduation rates for first-time and transfer students, eliminate equity gaps for underrepresented minority students and Pell Grant recipients and meet California's workforce needs. Reducing time to degree means that graduates enter the workforce or graduate sooner, with less debt, positively impacting their future and producing additional graduates to power California.

Based on 2022 data, four- and six-year graduation rates for first-time students and two- and four-year rates for transfer students continue to increase and many have reached and sustained all-time highs.

- The four-year graduation rate for first-time students increased from 19 percent to 35 percent.

- The six-year graduation rate for first-time students increased from 57 percent to 62 percent.
- The two-year graduation rate for transfer students increased from 31 percent to 40 percent.
- The four-year graduation rate for transfer students increased from 73 percent to 80 percent.

Despite systemwide efforts, eliminating equity gaps—the difference in graduation rates between students from historically underserved backgrounds and their peers—remains an ongoing challenge. To address this, the CSU adopted and began implementing an equity action plan that is re-engaging underserved students who have disenrolled, expanding the use of digital degree planners, reviewing and restructuring courses with inequitable low-pass rates, bolstering student opportunities to earn credits during summer and winter sessions, and eliminating administrative barriers.

Students have expressed a desire for increased support services that meet their diverse individual needs. This approach necessitates the need for an elevated level of support and engagement with students. The additional tuition revenue will help to fill the already existing funding gap in student services and enhance the educational experience for students. Student basic need programs remain a priority investment as the CSU takes a holistic look at students' well-being both inside and outside the classroom. While the primary mission of the CSU is educational in nature, students cannot be fully engaged in or out of the classroom if they do not receive appropriate support services. Continued investment in these efforts may include but are not limited to the following:

- Tutoring, peer mentoring, and academic support
 - Cultural centers (space, staffing & programming)
 - Title IX efforts to include bystander and prevention education
 - Increasing the number of students participating in high-impact practices such as undergraduate research, international experiences, and internships
 - Early alert systems and case management efforts to support student retention and persistence
 - Increased efforts to re-engage and re-enroll students who have dropped out of college
 - On-campus student employment opportunities
2. CSU Workforce Investments: Central to the student experience is the ability to interact, learn from, and be guided by outstanding faculty and staff. The CSU is proud of the thousands of its employees who are dedicated to students and their success. The CSU recognizes that a competitive compensation package is essential to recruit and retain a diverse world-class workforce, which is a key element to student success. Unfortunately,

there are current fiscal challenges that limit the CSU's ability to adequately address compensation. The 2023-2024 budget plan is a good example. After addressing other critical CSU budget needs, the remaining funding available for compensation improvements would be equivalent to less than a two percent general salary increase for all employee groups. Two percent is less than the rate of inflation today and for the near future. Without additional funding in the form of tuition revenue, the CSU would not be able to sufficiently fund compensation and remain competitive in today's job market.

Workforce investments are subject to collective bargaining. The mutual agreement between the CSU and each CSU bargaining unit will determine the form of compensation that additional state general fund and tuition revenue will support.

3. **Academic Facilities & Infrastructure Needs:** To provide students with the best possible educational experience, it is necessary to regularly invest in critical infrastructure and academic facilities. The CSU's five-year plan has identified—in 2023-2024 alone—more than \$4.2 billion in systemwide academic infrastructure and facility needs. The five-year capital outlay and infrastructure improvement plan primarily identifies renewal and replacement needs of existing buildings, along with some new facilities to be constructed to advance student access. These priorities of the plan are consistent with the state's priorities of critical infrastructure, energy efficiency and life safety projects, to increase the CSU's capacity to serve its existing and projected enrollment. Many of these projects would support students seeking careers in engineering, health care and the sciences.
4. **Required Operational Costs:** Required operational costs are expenditures the university must pay regardless of the level of funding allocated by the state, and they often increase independent of growing, flat or declining state support. Over the past decade, the final state budget received by the CSU has not included funding explicitly for a variety of expenses such as utilities, technology, instructional equipment, library subscriptions, contracts and other supplies. Examples of emerging required operational costs are Title IX and discrimination, harassment and retaliation programs, liability and property insurance premiums and heightened rates of inflation. More specifically, the California Consumer Price Index increased by 6.6 percent in 2021-2022 alone, with no new funding to cover these rising costs. Insurance premiums are on the rise across the country and even more so for California public entities. Numerous factors contribute to this increase such as an overall rise in claims (especially for wildfires in recent years) and inflated values of settlements and verdicts.
5. **Investment In High-Demand Instruction:** Instruction is the core function at the CSU and receives the largest share of funding. Costs associated with high-demand degrees in health and science, technology, engineering and mathematics (STEM) fields are often higher than other disciplines. The difference between the costs and expenditures in instruction

highlights questions about the capacity of campuses to finance increased enrollments in higher-cost, high-demand disciplines and support the balance of the CSU student population.

The renewed emphasis on undergraduate education outcomes—to improve student learning outcomes, persistence, and graduation rates for students in STEM—has become an institutional imperative. There is a recognized need to invest in more student-centered learning environments that are built on the foundations of conceptual learning goals and use the most effective research-based teaching, learning and assessment strategies. Indeed, the increasingly interdisciplinary nature of the global challenges our society faces requires that students engage in learning that will prepare them to address and solve 21st-century problems. Improved learning environments have led to more students graduating and entering the workforce with high-wage career opportunities.

STEM leaders also recognize that in addition to improvements in pedagogy and curriculum, multifaceted changes are needed to create student success. Student advising, faculty professional development, student research mentoring and academic support programs are central to student success.

6. Strategic Resident Enrollment Growth: The CSU continues to plan for steady and strategic increases in enrollment to meet student demand for a CSU education and the needs of California's future workforce. The governor's multi-year compact includes a requirement of one-percent growth in resident undergraduate students annually through 2026-2027. It is the CSU's intent to place new enrollment strategically at campuses that are experiencing significant prospective student demand and can expand more seats in academic programs that are vital to reducing current and prospective workforce shortages.
7. Expand Financial Aid Opportunities: Continuing to provide financial aid to assist students with the greatest financial need is of utmost importance. At present, the CSU's State University Grant (SUG) program covers the full cost of tuition for more than 100,000 low-income CSU students and the program could be expanded to cover other attendance costs of the university.

Potential Impact to Students and Mitigation of Impact on Students with Financial Need

The CSU remains committed to keeping costs as low as possible for students. Nearly 82 percent of all CSU students receive financial aid and nearly 60 percent of all enrolled undergraduate financial aid recipients receive non-loan aid to cover the full cost of tuition. The CSU does not expect these percentages to change as the result of a possible tuition increase.

The CSU understands the impact financial aid has on social mobility – a student’s ability to attend college, earn a baccalaureate degree and enter the California workforce in a position to attain greater lifetime earnings. The CSU strives to keep costs to a minimum by offering institutional aid (most notably SUG) in addition to federal and state grant and loan programs. Financial aid allows CSU students to better focus on their academics by easing the pressure of educational and personal costs. The average financial aid award for a CSU student is \$11,070.

The CSU’s goal is to use tuition revenue generated from a rate increase for additional financial aid support for students. The percentage would be determined each year through the CSU operating budget plan, approved by the board, based on available funding and student needs. This would provide the CSU the necessary flexibility to dedicate more or less tuition revenue per year to financial aid depending on the financial condition of the state’s economy and the effect that the state budget would have on the CSU’s financial position. This increased source of financial aid would continue to support the CSU’s financially neediest students by paying the full cost of tuition and up to fifty percent of the campus-based mandatory fees. The CSU currently provides \$945 million in institutional aid; \$701 million of that aid is associated with the SUG program.

State Grants and Fee Waivers

The multi-year tuition proposal would not typically affect a student who receives a Cal Grant tuition award because the state designed the program so that the award amount pays the entire tuition cost. This would include students utilizing the California Dream Act Application. However, there is no guarantee that the state will increase Cal Grant awards if the CSU annually raises tuition. Similarly, the proposed tuition increase would not affect a student who receives a statutory tuition fee waiver because the state designed these programs to waive the entire cost of tuition.

Institutional Grants

SUG is available to undergraduates, teacher credential candidates and graduate students. The multi-year tuition proposal would not affect a student who receives a full SUG because this CSU-administered institutional aid program covers the entire tuition cost. For students who do not receive the maximum award to cover the full tuition cost and absent any other financial aid, SUG may still cover the proposed increase in tuition. However, individual SUG awards vary for each student. CSU doctoral programs and graduate business professional programs also offer need-based grant programs like SUG. As part of the proposal, SUG funding could grow \$280 million (from 2024-2025 through 2028-2029) to accommodate eligible students’ additional needs that could result from a tuition increase.

Federal Aid

The maximum full-time Pell Grant award for 2023-2024 is \$7,395. Any changes to the 2024-2025 Pell award amounts are not known at this time. Under the proposal, the increases to CSU tuition would not exceed the maximum 2023-2024 Pell Grant award until 2028-2029. This means a resident undergraduate student who qualifies for the maximum Pell Grant award would have the

cost of tuition covered by this program through at least 2028-29 even if the maximum Pell Grant award did not increase. At the CSU, most resident students who are eligible for a full Pell Grant also qualify for a Cal Grant or SUG tuition award. For those students, non-loan aid would still fully cover the cost of tuition.

For those students who qualify for the Cal Grant or SUG, the Pell Grant may be used for non-tuition expenses including campus-based fees, books, housing and other living expenses.

Pell Grant award amounts can vary based on income and enrolled units. For students who do not receive the maximum award, and absent any other financial aid, the Pell Grant may partially cover the proposed increase in tuition.

Financial Aid Awareness

The CSU will continue its commitment to informing students and families of the availability of financial aid. Each campus maintains a robust website that provides information to students and families. Campuses will continue to communicate with students on a regular basis with reminders and notices of key application periods and deadlines. Information will continue to be available via the admission application site (i.e., [Cal State Apply](#)) and [calstate.edu](#). Campuses will also provide information as part of student outreach, the admission process and orientation events as well as through workshops both on and off campus to prospective and current students and their families.

Employment

CSU financial aid packaging policies do not include or establish a minimum workload expectation for students. A student may work on or off campus to cover tuition and other college-related expenses and, if the student qualifies, one can participate in the Federal Work-Study program. For students who work to meet their full cost of attendance, at the current minimum wage of \$15.50 per hour, a resident undergraduate student would need to work approximately 166 additional hours over a four-year academic career or an average of 42 hours per year—equivalent to roughly 0.8 hours per week—to cover the additional \$2,286 of tuition for a full-time undergraduate student entering the CSU in 2024-2025.

Loans and Student Indebtedness

Loan programs can also be used to cover tuition costs for a student. Based on CSU financial aid packaging policies in which grants and waivers are applied first, and loans second, it is unlikely that student loan debt would increase materially, if at all, to pay for a tuition increase.

While 42 percent of all CSU students graduate with loan debt for college-related expenses, the amount of the debt is substantially lower than the California and national average. In 2021-2022, CSU baccalaureate degree recipients had lower average debt (\$17,682) than the 2019-2020 non-CSU California student average (\$21,125) and well below the 2019-2020 national average

(\$28,950). Given this, the multi-year tuition proposal should keep CSU graduate debt below the California average and the national average for many years.

If a student were to borrow additional funds to cover the proposed tuition increase, average indebtedness would increase. For example, a full-time undergraduate student entering the CSU in 2024-2025 would pay \$2,286 more for four years of enrollment. If a student were to borrow, the anticipated monthly payment upon graduation would increase by \$28, based on a maximum interest rate of 8.25 percent (currently 5.49 percent) and a standard 10-year repayment schedule. Based on similar terms and conditions, if a student were to borrow \$6,096 more for six years of enrollment, the anticipated monthly payment would increase by approximately \$75. With these changes included, average indebtedness at the CSU would continue to be lower than the national average.

Alternative Options

The CSU has five primary options as alternatives for addressing the current fiscal priorities. These options are not mutually exclusive and may be combined in varying proportions.

1. Advocate for increased state funding to cover full operating budget plans

The CSU's first priority and commitment are to make the case with state leaders that additional investments in the CSU are necessary and in the best interest of the state and students. The CSU continues to collaborate with partners across the system including students, faculty, staff, businesses, union leaders, alumni and friends to make the case in Sacramento. While additional state funding will always be the preferred option, the current budgetary indicators for the state do not look promising over the next few years making it more challenging for the state to provide additional funding to the CSU.

It is exceptionally rare for the state to fully fund a CSU operating budget plan. The last time this occurred was in the 2015-2016 fiscal year. Prior to that, the operating budget plan was fully funded in 2006-2007.

2. Increase tuition to partially cover the operating budget plan while continuing to advocate for more state funding

While the revenue generated from a multi-year tuition proposal would not fully fund the operating budget plan, it would allow for tens of millions of dollars of new investments to be made in critical areas per year. The new revenue would be coupled with continued advocacy efforts in Option 1 (above) to fund the annual operating budget plan.

3. Cost avoidance, efficiencies and reduction of programs and services

The CSU remains vigilant in its efforts to pursue cost avoidance strategies and administrative efficiencies to be good stewards of state and tuition resources and to address as many unfunded

cost increases as possible. CSUBUY is just one example of a recent endeavor to leverage systemwide buying power to receive greater discounts and rebates on common supplies purchased throughout the CSU. However, it is important to manage expectations and dispel misconceptions about improved efficiency and effectiveness. Past successes have yielded up to tens of millions of dollars per year and remaining opportunities are marginal in value.

The CSU makes every effort to ensure any new efforts undertaken add value to the students, the campus or fulfill a legislative requirement. Along that vein, any reduction in programs and services will undoubtedly have a negative impact on student success and either halt or undo some of the groundbreaking work done through the Graduation Initiative.

Additionally, the CSU will continue to examine ongoing investments to ensure they are in line with the mission of the university so that the funding invested in the CSU by the state and students is spent thoughtfully and with student success at its core. For example, state law authorizes the CSU to invest in securities that yield a higher rate of return than fixed income securities. As regularly reported to the board, a portion of funds are invested in portfolios that typically earn a better rate of return and those returns are to be used for critical capital renewal, which is a key piece of student success. Doing so allows the CSU to use more of the operating funds for direct academic offerings and support.

4. In lieu of additional state funding or the multi-year tuition proposal, reduce programs and services, both academic and non-academic

The CSU's required financial obligations, along with critical priorities like workforce investments and Graduation Initiative 2025, far exceed the amount of funding received from the state in recent years. If advocacy efforts do not secure the operating budget plan, and if tuition is not increased, priority areas of the operating budget would be reduced or eliminated because campuses would have to redirect funding from existing programs, services and priorities to fund a sizable portion of mandatory cost obligations. Fewer course sections would be available to students, the average unit load would go down and fewer academic and student support services would be available due to the possibility of employee layoffs.

5. Use operating fund designated balances and reserves

As of June 30, 2023, the CSU had operating fund designated balances and reserves totaling \$2.484 billion, accumulated primarily from tuition, fees and other revenues in excess of annual expenses. These balances can be broken down into four main categories: short-term obligations (\$1.389 billion), catastrophic events (\$45 million), capital (\$284 million) and economic uncertainty (\$766 million).

Designated balances for short-term obligations include everything from encumbrances for goods and services already under contract, to planned program development and/or to outstanding

commitments that were not complete by the end of the fiscal year. Examples are near-term debt service payments and financial aid obligations.

Designated balances for catastrophic events are held to be used in the event of a natural disaster or other catastrophic event. Typically, these balances are used to pay for costs that are not covered by insurance and are sufficient to cover expected needs.

Designated balances for capital are for new construction projects and building improvements on campuses, facilities maintenance and repair. Campuses could use these balances for critical capital renewal and emergency capital needs as well using them to meet the 10 percent of project costs for larger, bond-supported projects. It is important to note that the projected need for capital projects in 2024-2025 is \$4.0 billion and the projected need through 2028-2029 is \$31.1 billion.

Reserves for economic uncertainty are held for costs that may occur due to periods of short-term recessionary cycles or state budget fluctuations. These reserves are part of the university's prudent fiscal strategy and are intended to be used as a one-time supplement giving the operating budget time to balance reductions and minimize disruptions to the educational experience. The \$766 million designated for economic uncertainty equates to less than one month of operating expenses for the CSU operating fund.

Using operating fund reserves is at best a one-time, short-term solution and at worst, a fiscally irresponsible divergence of funds if used extensively for ongoing costs.