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

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

RESOLVED, that the future of California rests on CSU’s ability to provide a high-quality, affordable, and accessible education to hundreds of thousands of students; and be it further

RESOLVED, by the Board of Trustees that the proposed CSU 2017–2018 Support Budget Request is approved as submitted by the chancellor; and be it further

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

RESOLVED, that copies of this resolution be transmitted to the governor, to the director of the Department of Finance, and to the legislature.
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Resources are required to achieve big goals. Historic goals. Goals that move the needle.

We have challenged ourselves—and been challenged by our state leaders—to get more students to degree sooner, ensure students earn a quality degree of substance, build pathways from preschool to career, provide fair compensation for our world-class faculty and staff, and restore academic facilities.

We strive to meet these goals in order to power California’s economy and society.

Specifically, the CSU aims to redouble our efforts on Graduation Initiative 2025, increasing degree completion rates and eliminating achievement gaps while maintaining academic rigor and quality. Through this initiative, the CSU aims to graduate more than one million students with baccalaureate degrees between 2015 and 2025. To achieve our 2025 goals, we must lay the foundation now.

The 2017–18 Support Budget plan will focus on:

- Accomplishing the ambitious goals of Graduation Initiative 2025
- Sustaining access for California high school graduates and community college transfer students
- Fulfilling existing commitments while providing fair compensation for all employees
- Covering mandatory costs, including health and retirement benefits
- Addressing critical infrastructure needs across the CSU

Students, faculty and staff are critical partners in the university’s ambitious goals. We must ensure adequate investment and support for their efforts.

California realizes a clear return for every dollar invested in the people of its university. Eighty-five percent of the CSU’s 3.3 million alumni work and live in California. This means that around one in ten professionals in this state earned a degree through the CSU. These are California’s teachers, nurses, engineers, business leaders, artists and innovators.

So much has already been achieved, yet the CSU does not intend to rest on its laurels. The 2017–18 Support Budget request allows the CSU to aggressively pursue reduced degree completion times, increased access and more efficient operations.

The California State University is where opportunity leads to transformation, leaving a lasting impact for our communities, state and beyond. Continued and increased investment from the state will ensure that this tradition of inclusive excellence continues for the next generation of Californians.

Timothy P. White
Chancellor
The California State University
2017–18 CSU SUPPORT BUDGET PLAN

The Public Policy Institute of California (PPIC) continues to project a shortage of baccalaureate degrees by 2030, and the CSU has a significant role to play as the largest public university system in the state. In fact, one in 10 California employees and one in 20 degree holders in the country are graduates of the CSU.

The 2017–18 Support Budget plan represents continued and increased state investment in the CSU. We believe this budget plan, which totals $343.7 million in new resources for 2017–18, reflects the current needs of the CSU and sustains the momentum built in recent years. The CSU’s $5.4 billion total budget is funded from two sources: $3.2 billion from state general funds and $2.2 billion from net tuition and fee revenue.

The support budget plan coordinates our collective efforts toward the ambitious and challenging goals of Graduation Initiative 2025. The CSU has already met and exceeded the goal set in 2009. This prompted the CSU to set even higher systemwide and campus goals for four- and six-year graduation rates, to completely eliminate the achievement gap for underrepresented students, low-income students, and first-generation students, and to do our part to meet California’s need for more bachelor’s degrees by 2030. With proper financial support for the Graduation Initiative, we are confident we can achieve these goals. Much of our past success is attributable to campuses encouraging students to take a full-time course load each term, increasing the availability of courses, restoring student services that were cut during recession years, and hiring more tenure-track faculty. Additional resources will allow campuses to build on this progress and take quicker action to reduce roadblocks to degree completion.

The budget plan also dedicates significant funding for employee compensation. Our faculty and staff are critical to the success of our students. Funding requests for compensation are to cover collective bargaining agreements already in place, including the conversion of one-time funding used in 2016–17 to recurring funding for these ongoing costs. Additionally, the plan assumes costs for collective bargaining units with open contracts in 2017–18 and similar commitments to non-represented employee groups.

The CSU anticipates funded enrollment growth of approximately 3,616 resident full-time equivalent students (FTES), raising the total systemwide FTES to 365,260. The CSU is also requesting recurring state funds for academic facilities and infrastructure needs, though this request would only allow the CSU to slow the growth in the deferred maintenance backlog and not reduce it.

In addition to the Board of Trustees priorities outlined here, new state funding will be used to fund mandatory cost increases for health and dental benefits, retirement, the operation and maintenance of new buildings on campuses, and the effect on salaries due to changes in state and federal wage laws.

For the CSU to fully meet the expectations of the California Master Plan for Higher Education, this budget plan is justified. The current levels of state general fund support coupled with student tuition and fees do not meet the needs of the CSU nor do they match the ambitious goals we have set for ourselves and our students. Going forward, the CSU faces a number of fiscal challenges that must be addressed so the CSU can focus on its core mission. The CSU is confident the 2017–18 Support Budget plan is a step in the right direction and represents a significant investment in a multi-year effort to meet the education and workforce needs of the state.
2017–18 Expenditure Augmentations

- $75.0 million for Graduation Initiative 2025
- $139.1 million for compensation (current contracts)
- $55.1 million for compensation (new contracts & non-represented staff)
- $38.5 million for a one percent increase in funded enrollment
- $10.0 million for academic facilities and infrastructure
- $26.0 million for mandatory cost increases (e.g. health & dental benefits, retirement, new facilities, and federal and state mandates)
### Table 1: Support Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$2,666,784,000</td>
<td>$2,859,449,000</td>
<td>$3,174,306,000</td>
</tr>
<tr>
<td>Net Tuition and Other Fee Revenue</td>
<td>2,378,855,000</td>
<td>2,214,440,000</td>
<td>2,233,284,000</td>
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<tr>
<td><strong>TOTAL SUPPORT BUDGET</strong></td>
<td><strong>$5,045,639,000</strong></td>
<td><strong>$5,073,889,000</strong></td>
<td><strong>$5,407,590,000</strong></td>
</tr>
</tbody>
</table>

### Table 2: Academic Facilities and Infrastructure

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Debt Service Payments on Existing Facilities</td>
<td>$305,741,000</td>
<td>$311,809,000</td>
<td>$316,879,000</td>
</tr>
<tr>
<td>Budget Plan: Maintenance and Infrastructure Totals</td>
<td>35,000,000</td>
<td>35,000,000</td>
<td>45,000,000</td>
</tr>
<tr>
<td><strong>TOTAL ACADEMIC FACILITIES AND INFRASTRUCTURE</strong></td>
<td><strong>$340,741,000</strong></td>
<td><strong>$346,809,000</strong></td>
<td><strong>$361,879,000</strong></td>
</tr>
</tbody>
</table>

**Total Support Budget General Fund Increase**  
Enrollment, Programs, and Operations (Support Budget)  
$314,857,000

**Net Tuition Revenue Adjustment**  
$18,844,000

**Academic Facilities and Infrastructure (General Fund)**  
$10,000,000

**TOTAL SOURCES OF REVENUE**  
$343,701,000

### Table 3: Sum of Tables 1 & 2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Support Budget</td>
<td>$5,045,639,000</td>
<td>$5,073,889,000</td>
<td>$5,407,590,000</td>
</tr>
<tr>
<td>Total Maintenance and Infrastructure</td>
<td>340,741,000</td>
<td>346,809,000</td>
<td>361,879,000</td>
</tr>
<tr>
<td><strong>GRAND TOTALS</strong></td>
<td><strong>$5,386,380,000</strong></td>
<td><strong>$5,420,698,000</strong></td>
<td><strong>$5,769,469,000</strong></td>
</tr>
</tbody>
</table>

---

1 The CSU 2016–17 GF Final Budget Act Appropriation (support budget) was $3,169,425,000, including $346,809,000 for academic facilities and infrastructure. Additionally, the state-funded 2016–17 employer-paid retirement adjustment of $36,833,000 is added to the GF support budget total.

2 Includes tuition and other fee revenue reduced by total State University Grants and tuition waivers (reference Table 4).

3 Total 2015–16 actual GF appropriation for debt service was $303,944,000 versus expenditure of $305,741,000. Beginning in 2014–15, state lease revenue bond and general obligation (GO) bond debt service attributable to CSU academic facilities are included in the CSU main state appropriation. In 2017–18, the lease revenue bond debt service increases $5.1 million to a total of $119.6 million. There is no change in the GO bond debt service amount of $197.2 million.

4 This represents revenue to be collected from an increase in funded enrollment net of State University Grants.
Three-Year Summary of State University Grants (SUGs) and Tuition Waivers/Revenue Foregone

<table>
<thead>
<tr>
<th>Table 4</th>
<th>2015–16 Actuals</th>
<th>2016–17 Final Budget</th>
<th>2017–18 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUG Awards(^1)</td>
<td>$643,588,000</td>
<td>$661,643,000</td>
<td>$665,599,000</td>
</tr>
<tr>
<td>Tuition Waivers (^2)</td>
<td>67,743,000</td>
<td>67,743,000</td>
<td>67,743,000</td>
</tr>
<tr>
<td><strong>TOTAL SUG AWARDS AND WAIVERS/REVENUE FOREGONE</strong></td>
<td>$711,331,000</td>
<td>$729,386,000</td>
<td>$733,342,000</td>
</tr>
</tbody>
</table>

\(^1\) SUG awards cover tuition for eligible students with financial need. Amounts awarded reflect foregone tuition revenue for the CSU.

\(^2\) Includes the campus tuition waivers reported annually in Enrollment Reporting System Students (ERSS) database (Waiver Codes 01-08). Amounts awarded reflect foregone tuition revenue for the CSU.
### Three-Year Budget Summary and Highlights by Program

<table>
<thead>
<tr>
<th>Table 5</th>
<th>2015–16 Actuals</th>
<th>2016–17 Final Budget</th>
<th>2017–18 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$2,292,517,000</td>
<td>$2,448,831,000</td>
<td>$2,448,831,000</td>
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<tr>
<td>Research</td>
<td>13,925,000</td>
<td>11,684,000</td>
<td>11,684,000</td>
</tr>
<tr>
<td>Public Service</td>
<td>12,723,000</td>
<td>11,440,000</td>
<td>11,440,000</td>
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<tr>
<td>Academic Support</td>
<td>612,818,000</td>
<td>612,621,000</td>
<td>612,621,000</td>
</tr>
<tr>
<td>Student Services</td>
<td>637,584,000</td>
<td>598,291,000</td>
<td>598,291,000</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>744,654,000</td>
<td>788,950,000</td>
<td>788,950,000</td>
</tr>
<tr>
<td>Operation and Maintenance of Plant</td>
<td>1,030,677,000</td>
<td>908,962,000</td>
<td>914,032,000</td>
</tr>
<tr>
<td>Student Grants and Scholarships (without SUG Awards)</td>
<td>41,482,000</td>
<td>39,919,000</td>
<td>39,919,000</td>
</tr>
<tr>
<td>New Expenditure Augmentations</td>
<td>0</td>
<td>0</td>
<td>343,701,000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>$5,386,380,000</strong></td>
<td><strong>$5,420,698,000</strong></td>
<td><strong>$5,769,469,000</strong></td>
</tr>
</tbody>
</table>

1. 2017–18 operations and maintenance of plant includes the $5.1 million state increase in lease revenue bond debt service.
2. Amount is reduced by total SUG awards as shown in Table 4.
## Sources of Funds and Expenditure Augmentations

### SOURCES OF FUNDS

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Increase</td>
<td>$324,857,000</td>
</tr>
<tr>
<td>Net Tuition Revenue Adjustment</td>
<td>$18,844,000</td>
</tr>
</tbody>
</table>

- (3,616 Full-Time Equivalent Students’ Revenue)

**TOTAL REVENUE INCREASE**: $343,701,000

### EXPENDITURE AUGMENTATIONS

<table>
<thead>
<tr>
<th>Augmentation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduation Initiative 2025/Student Success</td>
<td>$75,000,000</td>
</tr>
<tr>
<td>Compensation: Current Contracts</td>
<td>$139,138,000</td>
</tr>
<tr>
<td>Compensation: New Contracts &amp; Non-Represented Staff</td>
<td>$55,056,000</td>
</tr>
<tr>
<td>One Percent Increase in Enrollment Growth</td>
<td>$38,507,000</td>
</tr>
<tr>
<td>Academic Facilities and Infrastructure</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Mandatory Costs</td>
<td>$26,000,000</td>
</tr>
</tbody>
</table>

- **Compensation Related**
  - Health Benefits: $912,000
  - Dental Benefits: $2,429,000
  - Retirement: $7,000,000
  - Federal and State Mandates: $14,883,000

- **Other Increases**
  - Maintenance of New Facilities: $776,000

**TOTAL EXPENDITURE INCREASE**: $343,701,000

---

### Distribution of Expenditure Augmentations

- **Graduation Initiative 2025/Student Success**: 40.5%
- **Compensation: Current Contracts**: 21.8%
- **Compensation: New Contracts & Non-Represented Staff**: 11.2%
- **One Percent Increase in Enrollment Growth**: 16.0%
- **Academic Facilities and Infrastructure**: 7.6%
- **Mandatory Costs**: 2.9%
The proposed budget includes a $324.9 million increase to the CSU’s current $3.2 billion General Fund base budget, for a total of almost $3.5 billion, including debt service. This increase will fund Graduation Initiative 2025, new and existing compensation pool increases, one percent enrollment growth, facilities and infrastructure needs, and various mandatory cost obligations.

**Tuition Revenue**

The CSU receives about 45 percent of its operating funds from tuition revenue. The 2017–18 budget plan supports a one percent increase in resident enrollment (3,616 FTES), which is projected to generate $18.8 million in new tuition revenue, after adjusting for State University Grants. Total resident enrollment would increase from 361,644 resident FTES to a new level of 365,260 FTES.

The CSU has put forward a proposal for a potential tuition increase for the 2017–18 academic year, following the consultative process laid out in the Working Families Student Fee Transparency and Accountability Act. The proposed increase will be discussed with the Board of Trustees in early 2017. If the proposed increase is approved, it would generate up to $77.5 million in revenue that could help support the total budget request if additional state general funds are not allocated. The timing of the state budget process, combined with a desire to give students and their families as much time as possible to plan, means a tuition increase would have to be approved by March in order to be an option for fall 2017. However, CSU’s highest priority will be to advocate for full funding of the 2017–18 support budget plan by the state.
Sources of Revenue:
The total 2017–18 Support Budget plan increase is $343.7 million from a combination of state General Fund and net tuition revenue.

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund Increase</td>
<td>$324,857,000</td>
</tr>
<tr>
<td>Net Tuition Revenue Adjustments</td>
<td>18,844,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$343,701,000</strong></td>
</tr>
</tbody>
</table>
Keeping in line with our student-centered mission, the CSU foregoes significant revenue to provide tuition assistance in the form of State University Grants. For 2017–18, the CSU projects over $733 million in grants and waivers will be awarded. Thousands of State University Grants are awarded each year to assist students who have the greatest financial need. The CSU also provides thousands of tuition waivers for eligible students under state and CSU programs. A summary of the total tuition waived due to grants and waivers from 2015–16 through 2017–18 is included in the Three-Year Budget Summary section on page 4.

State University Grant Program
The State University Grant (SUG) program is a critical source of financial assistance for CSU students. Since its inception in 1982–83, the SUG program has provided awards to offset the cost of tuition for resident students who have the greatest financial need.

Prior to 1992–93, the state provided the funds necessary to ensure adequate financial aid was available for the CSU’s neediest students. Since 1992–93, the CSU has continued this program by setting aside a portion of new tuition revenue generated through enrollment growth or changes in tuition rates.

The amount projected for 2017–18 SUG awards is $665.6 million, an increase of $4.0 million from 2016–17. The increase is due to a set-aside from tuition revenue derived from one percent enrollment growth ($1,094 per FTES). This $665.6 million of financial aid reflects tuition that is not collected—in effect, waived—thus decreasing total tuition revenue.
Tuition Waivers

Under current law, there are four state-mandated resident tuition waiver programs:

- California Veterans Waiver for children of disabled/deceased veterans (Education Code 66025.3);
- Alan Pattee Waiver for dependents of deceased law enforcement or fire suppression personnel (Education Code 68120);
- The tuition waiver for California residents who were dependents of victims killed in the September 11, 2001 terrorist attacks (Education Code 68121); and
- The tuition waiver for the two students serving on the Board of Trustees (Education Code 66602).

In addition to state-mandated waiver programs, other programs include waivers for employees and employee dependents pursuant to collective bargaining agreements. Some optional waivers have been established by Board of Trustees policy and California statute including programs for high school students and California residents age 60 years and older, among others. The state has not provided General Fund support for any CSU tuition waiver programs since fiscal year 1992–93.

In the 2015–16 college year (fall, winter, spring, and summer), 14,404 tuition waivers were granted to CSU students. When tuition rates are applied to these waivers based on student enrollment status, it amounts to approximately $67.7 million in revenue foregone to the CSU.
### 2015–16 Systemwide Tuition Waivers

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Veterans</td>
<td>8,514</td>
</tr>
<tr>
<td>9/11</td>
<td>3</td>
</tr>
<tr>
<td>Alan Pattee</td>
<td>34</td>
</tr>
<tr>
<td>Employee and Dependents</td>
<td>3,180</td>
</tr>
<tr>
<td>Other Discretionary Waivers</td>
<td>813</td>
</tr>
<tr>
<td>HS Students in Special Programs</td>
<td>1,860</td>
</tr>
</tbody>
</table>
USES OF REVENUE

The 2017–18 CSU Support Budget recommends an expenditure plan based on increasing state General Fund and tuition revenue from enrollment growth in order to cover the cost of new expenditures. The expenditures outlined in this plan address the university’s fundamental priorities for the 2017–18 fiscal year. These include increases for Graduation Initiative 2025, employee compensation, enrollment growth, academic facilities and infrastructure, and mandatory costs.

Graduation Initiative 2025
The 2017–18 Support Budget plan includes $75 million for Graduation Initiative 2025. In 2009, the CSU set out to improve six-year completion rates and halve achievement gaps for first-time freshmen by 2015. With state support, the CSU was able to make modest investments in tenure-track hiring, increase course taking opportunities, enhance advising and education plans, improve academic and student support, and leverage data for campus decision making. Building on the success of Graduation Initiative 2009 the CSU decided, in consultation with campus leaders and other key stakeholders, to raise the bar even higher.

Graduation Initiative 2025 is focused on aggressive goals for both freshman and transfer students. By more than doubling the four-year rate from 19 percent to 40 percent systemwide and raising the six-year rate from 52 percent to 70 percent for freshmen, in combination with two- and four-year graduation rate goals for transfer students, the CSU will contribute its share of the bachelor’s degrees needed in California by 2030. The CSU is also committed to fully eliminating achievement gaps for underrepresented, low-income and first-generation students. The $75 million request represents the first year of a multi-year investment that is needed in order to achieve the CSU’s ambitious new graduation and student success goals.
Five Priority Areas for Graduation Initiative 2025

With $75 million distributed across the CSU based upon an allocation model which considers the student populations of each campus, these resources will allow campuses to prioritize the investments they make to improve time to degree, eliminate student achievement gaps, and ensure every student has access to the tools, resources and guidance needed to achieve.

1. **Tenure-Track Faculty Hiring:** Campuses will continue to prioritize the hiring of tenure-track faculty and to improve the ratio of tenure and tenure-track faculty to lecturers, as well as improve student/faculty ratios. These funds will enable campuses to hire more tenured and tenure-track faculty systemwide. This increase will provide opportunities to offer more sections of high-demand courses.

2. **Improved Course Taking Opportunities:** Campuses will develop infrastructure to accurately predict student demand for course sections, will organize the schedule of classes to prioritize the delivery of courses required for degree completion, and will strategically allocate campus resources to align with demand throughout the college year.

3. **Enhanced Advising and Education Plans:** Through the hiring of more professional staff advisors and investing in the use of technology to provide clear and accurate education plans, the CSU has prioritized this critical component of academic and student success. Investing in advising will improve opportunities for students to focus on specific academic and career goals, improving both student services and institutional efficiency.

4. **Academic and Student Support:** By identifying and supporting academic and student services and programs which have systemic, campus-wide impact, campuses will scale-up a range of successful strategies to improve retention and completion.

5. **Actively Leveraging Data:** Campuses will continue investment in improving student information systems and the use of available data to facilitate more strategic and intentional campus decision making.
Compensation Increase

The CSU Board of Trustees recognizes compensation for faculty, staff and management as a key element of the university’s success. Continued investment to make progress toward competitive salaries is critical for the CSU to fulfill its primary mission of access to an affordable and high-quality education. A competitive compensation package is essential to the CSU’s ability to recruit and retain faculty, staff and management employees who contribute to the CSU’s mission of excellence.

This budget plan calls for approximately $194.2 million to fund compensation increases, which consists of two parts: current contracts ($139.1 million) and a compensation pool increase for new contracts open in 2017–18 and non-represented employee groups ($55.1 million).

Current Contracts: $139,138,000

The $139.1 million for current compensation commitments includes permanent replacement of one-time funds toward compensation costs in 2016–17 ($33.0 million), costs associated with a June 30, 2017 increase ($21.9 million), and costs associated with a July 1, 2017 compensation increase ($84.2 million) for faculty and staff with existing collective bargaining agreements.

Open Contracts & Non-Represented Staff: $55,056,000

The $55.1 million for new contracts will fund a compensation pool increase effective July 1, 2017 for represented and non-represented employee groups without existing commitments for 2017–18.

Funded Student Enrollment: $38,507,000

The 2017–18 budget plan includes one percent enrollment growth, which is equal to 3,616 California resident FTES based on a 2016–17 enrollment base of 361,644.

<table>
<thead>
<tr>
<th>2016–17 Resident FTES Base</th>
<th>361,644</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017–18 Resident Student</td>
<td>3,616</td>
</tr>
<tr>
<td>Enrollment Growth (1%)</td>
<td></td>
</tr>
</tbody>
</table>

| 2017–18 RESIDENT FTES | 365,260 |

The cost to fund one percent enrollment growth is derived using a marginal cost rate of $10,649 per FTES. New enrollment requires new funds for direct instruction, academic support, student services, institutional support, and plant operations totaling $38.5 million.
Academic Facilities and Infrastructure: $10,000,000
The 2017–18 budget proposes $10 million to address the CSU’s most urgent facilities maintenance and utilities infrastructure needs. Under current bond market conditions, this amount would finance approximately $150 million for much needed capital projects. The CSU prioritizes critical infrastructure and utility renewal projects and facility renovation to support academic program needs. The $10 million request will also enable the CSU to fund limited physical capacity growth to serve growing student enrollment.

However, the budget request will only allow the CSU to keep pace with our aging infrastructure. It will not reduce the deferred maintenance backlog, which currently stands at approximately $2 billion, when funded projects are completed. The backlog is expected to grow at an estimated $143 million per year as facilities continue to age and limited funds are available.

Mandatory Costs: $26,000,000
Mandatory costs are expenditures the university must pay regardless of the level of funding allocated by the state, and they often increase independent of the state budget condition. These costs include increases for employee health, dental and retirement benefits, and the operations and maintenance of newly constructed facilities. Additionally, funding is included in 2017–18 to address increasingly greater compensation costs due to changes in federal overtime rules and state minimum wage laws. Without funding for these types of mandatory cost increases, campuses must redirect resources from other program areas to meet these obligations. In order to preserve the integrity of CSU programs, the 2017–18 plan provides for the following increases in mandatory cost obligations.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Benefits</td>
<td>$912,000</td>
</tr>
<tr>
<td>Dental Benefits</td>
<td>2,429,000</td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Maintenance of New Facilities</td>
<td>776,000</td>
</tr>
<tr>
<td>Federal and State Mandates</td>
<td>14,883,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$26,000,000</strong></td>
</tr>
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CONTINUING CHALLENGES

The CSU will continue to work with state leaders and explore all options to meet the mission to provide access to an affordable, quality higher education.

The 2017–18 Support Budget plan lays out a vision for our students, faculty, staff and the state of California. However, even if the state fully funds the budget plan, there are a number of challenges faced by the CSU—now and over the long-term. Some of these challenges include: continued progress on graduation rates while maintaining access with limited incremental funding, a stagnant deferred maintenance backlog, and ongoing inflationary pressures.

Increasing Graduation Rates and Maintaining Access

While the 2017–18 budget plan supports a one percent increase in resident student enrollment (3,616 FTES), this is only a small step towards addressing California’s higher education demand. The Public Policy Institute of California continues to project a shortfall of more than one million bachelor’s degrees by 2030, and at the current rate of enrollment growth, the CSU cannot fulfill its role.

Additionally, an increase in students does not necessarily correspond with new enrollment, as one of the strategies of Graduation Initiative 2025 involves increasing the average number of courses students take during the academic year. This will raise the average unit load carried by students—currently at 12.9 units per term. The minimum unit load for a full-time undergraduate student is 12 units per term to qualify for full financial aid, though to graduate within four years, a student must take at least 15 units per term.

Given additional state funding, the CSU could expand year-round operations to decrease time to degree and increase access to higher education. This would allow the CSU to offer a more robust summer/winter course schedule so students can make continuous progress toward degree. State funding for year-round operations could also allow the CSU to provide a level of financial aid for summer enrollment.

The CSU continues to experience increased enrollment demand from community college graduates, especially since the Student Transfer Achievement Reform Act (Senate Bill 1440) was enacted in 2010. The act required the CSU to guarantee admission for community college students who complete an associate degree for transfer. From fall 2005 to fall 2015, the number of new community college transfer students increased almost 40 percent from 34,296 to nearly 48,000 students. The CSU is balancing demand for a CSU education from growing numbers of transfer students and increasing numbers of qualified high school graduates, and supplying as many of those students as possible with an affordable, high-quality education.
Deferred Maintenance Backlog

One of the lingering effects of the Great Recession is the deferral of maintenance on buildings and the continued depreciation of facilities and utilities infrastructure beyond their useful life. The CSU operates about 43 million square feet of academic building space across 23 campuses statewide.

At many of our campuses, the utilities infrastructure is obsolete, built more than a half century ago, and in need of upgrade or replacement. The CSU continues to squeeze more life out of many outdated and overworked academic buildings, despite the ever-increasing financial costs. Further, the continued use of antiquated facilities impedes the educational opportunities of students and the CSU’s ability to attract and retain faculty.

The backlog of maintenance and utilities infrastructure needs exceeded $2.6 billion in fiscal year 2015–16. With an infusion of one-time and recurring funds from the state in recent years, the CSU has been able to reduce the backlog to $2.0 billion, when funded projects are completed. This is good progress, yet the backlog continues to grow at an estimated $143 million per year as facilities continue to age. Even if the state were to approve the CSU’s request of $10 million in recurring funding for deferred maintenance and infrastructure, this amount would only allow the CSU to finance approximately $150 million for needed maintenance and infrastructure projects—just enough to maintain the backlog at current levels but not reduce it.

With limited funding, the CSU can only target the most critical renewal and repair projects in the deferred maintenance backlog, including health and safety concerns at each campus (e.g. fire protection, structural repairs, roofing, HVAC, and elevators), to avert building and campus shutdowns. The CSU has also prioritized the utilities infrastructure, which includes electrical distribution, natural gas piping, storm and sewer drain lines, and plumbing and water systems. Any interruptions, shutdowns, or failures in any of the infrastructure areas will impede our ability to provide educational services in a safe environment for students, faculty and staff—and potentially result in additional damage to already stressed systems and infrastructure.

Inflation

Like any other institution, the CSU will continue to experience inflationary pressures. Using the Consumer Price Index (CPI-Urban for California), the average rate of inflation for the past decade is approximately two percent per year. This percentage may not seem significant, but when placed in context of state appropriations to the CSU that fund enrollment growth and facility infrastructure on top of ongoing expenses, these inflationary increases have a detrimental impact. In recent years, the CSU has received an increase in general fund appropriations from the state of about four percent. This means most of the state general fund increase is already committed to inflationary increases before any of the augmentations laid out in each support budget request is funded.

In non-inflation adjusted dollars, state appropriations to the CSU have recovered to the 2007–08 pre-recession level of $2.97 billion. Yet, when the 2007–08 appropriations are adjusted for inflation, state funding in 2016–17 is nearly $500 million less than $3.5 billion in 2007–08. Meanwhile, the CSU has 23,000 more resident FTES now than a decade ago and mandatory costs such as employee health benefits have risen faster than inflation.

Without an increase in the state appropriation, the CSU will continue to be challenged by inflationary realities that limit campus budget flexibility as well as the ability for campuses to dedicate as many resources as possible to achieve sustainable progress in Graduation Initiative 2025, compensation, infrastructure, and other areas vital to the CSU mission.
In addition to the permanent funding increases included in this plan, the 2017–18 Support Budget plan seeks additional, one-time investments from the state. In the recent past, the state has proposed and provided one-time funding for a variety of energy efficiency and maintenance projects on CSU campuses.

**Cap-and-Trade Program**
The CSU plan seeks funds from the California Cap-and-Trade Program for renewable energy and energy efficiency projects. As these state funds are purposed for implementing energy efficiency and greenhouse gas reduction projects, the CSU plan seeks $25 million from the Cap-and-Trade Program for 2017–18 to further these efforts. In addition, discussions with the CSU/UC Investor-Owned Utility Partnership Executive Committee to potentially leverage the utility rebate incentive program in partnership with the Cap-and-Trade funding would further incentivize energy conservation projects across the CSU system.

**Deferred Maintenance Backlog**
The CSU plan seeks an additional $50 million of one-time funding to further address the deferred maintenance backlog. Critical deficiencies identified throughout the 23 campuses will be addressed to enable campuses to continue essential operations, reduce the likelihood of catastrophic failures, and meet current code requirements to operate safe facilities. Major building systems that have exceeded the expected service life will be modernized to enable campuses to operate utilities more effectively, improve HVAC systems efficiency, reduce energy and lighting costs, reduce water consumption and greenhouse gas emissions, and extend the useful life of existing facilities. The one-time funding will be spent on projects on a pay-as-you-go basis.

Together, funds from the Cap-and-Trade Program and funds for deferred maintenance will directly support statewide initiatives to attain energy and water conservation and greenhouse gas reductions.
BUDGET CYCLE

May
- System Budget Advisory Committee (SBAC) consultation
- CSU constituent consultations

June

July
- Final budget allocations to campuses

August
- Budget consultation with presidents
- Budget consultation with SBAC
- Budget planning with the Board of Trustees

September

October
- CSU constituent consultations

November
- Trustees adopt Support Budget plan

December
- Review CSU enrollment

January
- Governor's Budget submitted to Legislature

February
- Legislative Analyst’s analysis of the budget

March

April
- CSU Constituent Briefings
- Legislative budget hearings
- Governor’s May budget revision

May

June
- State Budget adopted