

AGENDA

COMMITTEE ON FINANCE

Meeting: 10:30 a.m., Friday, June 18, 2010
Glenn S. Dumke Auditorium

William Hauck, Chair
Raymond W. Holdsworth, Vice Chair
Roberta Achtenberg
Kenneth Fong
Margaret Fortune
Linda A. Lang
A. Robert Linscheid
Henry Mendoza
Russel Statham
Glen O. Toney

Discussion Items

1. Increase of State University Fee and Graduate Business Professional Fee, *Action*
2. California State University Education Doctorate State University Fee for 2010-2011 Academic Year, *Action*
3. Nonresident Tuition—Eliminate Annual Cap, *Action*

COMMITTEE ON FINANCE

Increase of State University Fee and Graduate Business Professional Fee

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor for Budget

Summary

The Board is presented with background and analysis on the 2010-11 support budget and the need for an increase in the State University Fee and Graduate Business Professional Fee. The analysis indicates that increased fee revenues (net of financial aid) of at least \$100 million are needed under a wide range of possible budget outcomes. At the time of this analysis, the Assembly budget committee had advanced a proposal to provide additional state revenues as a partial replacement of fee revenues, in order to make it possible for the university to limit its 2010-11 State University Fee increase to five percent rather than 10 percent. This proposal holds out a possibility that is worth consideration by the Board.

Background

The CSU Board of Trustees has the authority to establish, adjust, and abolish systemwide fees. In May 2009, the Board increased the State University Fee (SUF), effective fall 2009, by \$306 for full-time undergraduates for the academic year, with proportional adjustments for part-time students and students in graduate and teacher preparation programs. This 10 percent increase was consistent with the Governor's Compact for Higher Education and followed similar 10 percent increases approved by the Board for the 2007-08 and 2008-09 academic years. In July 2009, the CSU faced a sudden, unprecedented reduction in State support and a 2009-10 budget deficit estimated at that time at \$584 million. If this entire deficit had been closed through expenditure reductions alone, impacts to student access and to the quality of instruction and services to students would have been devastating. In order to provide vitally needed revenues to help address this deficit, and thereby help mitigate impacts to access and program quality for students, the Board approved additional rate increases for fall 2009. Those July increases, added to the increases approved in May, resulted in a 32 percent increase in the SUF for fall 2009. For a full-time undergraduate this meant an increase of \$978 for the 2009-10 academic year.

The Board also took action in May 2009 to implement a Graduate Business Professional Fee, effective for Fall 2009. Future increases in this fee are to be made at the same time as increases in the State University Fee, and are to be calculated at the same percentage increase as the SUF. The resolution passed by the Board in May 2009 expressed that increases in the Graduate Business Professional Fee may become effective as early as Fall 2010.

An estimated 180,000 undergraduate students (over 45 percent) were fully covered for the State University Fee increase by increases either in fee waivers, State University Grants or Cal Grants. In addition, Congress approved historic expansions in tax credits for university fees, in Pell Grant awards, and in funding for work/study. Pell Grants for full-time students increased by \$550 to \$5,350 per academic year. (Because CSU Pell Grant recipients also receive waivers or state grants that fully cover the SUF, these Pell Grant increases had the effect of offsetting non-SUF costs for the estimated 120,000 CSU Pell recipients.) Many other CSU students were helped on the fee increase by the newly expanded federal tax credits, which are available for family incomes of up to \$180,000.

Analysis

Although the Governor proposes a partial, yet significant, restoration of approximately \$366 million in State support for the CSU, fundamental differences between the Governor and the Legislature over how to close a budget gap of over \$19 billion bring tremendous uncertainty regarding how much support the state will ultimately provide to the CSU for the 2010-11 fiscal year. Despite this uncertainty, Board action is needed regarding the State University and Graduate Business Professional Fee at this time to meet deadlines for making student financial aid award decisions and to provide reasonable notice to students for the fall 2010 term. In our view, a fee increase of at least 10 percent is needed under almost any foreseeable State funding scenario. In fact, the Governor's budget proposal itself—which must be regarded as an optimistic possible outcome—assumes the approval of a 10 percent fee increase. The Governor's budget estimates that a 10 percent fee increase would generate \$153 million. Under the Board's longstanding practice of redirecting one-third of any increase to financial aid, however, the net yield in terms of resources for the university's operations would be just over \$100 million.

At the conservative end of these scenarios—a situation in which the State provides little or no restoration of funds—a 10 percent fee increase would barely make up for the reduction in overall fee collections that would result from a 9.5 percent systemwide drop in enrollment. That drop in enrollment is unavoidable if the state does not restore a significant portion of the \$625 million (21 percent) of state support cut since 2007-08. Under this conservative planning assumption the CSU's strategy for reducing expenditures—while avoiding the need for a second year of faculty and staff furloughs—depends on a smaller number of faculty and staff serving a smaller number of students. The fee increase is an essential component of this conservative planning assumption.

Without the fee increase, this reduction in staffing levels would not reduce spending enough to match budgeted resources, even when combined with over \$115 million of other unspecified cuts at the campuses. Instead, resources would be short by about \$100 million, and the university would have no reasonable option but to seek furloughs or pay reductions for 2010-11.

The need to continue furloughs is not the issue under the more optimistic of potential budget outcomes. At the more optimistic end of the range, the issue becomes the ability of the University to restore access to students in a meaningful sense—that is, to restore full access to courses and the full range of services students need to succeed and graduate. As perspective, consider that since 2007-08 the CSU not only endured a \$625 million drop in annual state support, but will have had to “absorb” \$135 million in mandatory cost increases. Absorbing these cost increases means reducing spending elsewhere in the budget—and with fee increases, furloughs and enrollment reductions only partially filling the gap—these spending reductions have fallen hard across student services and the broader range of support services for the campuses. When all these factors are considered, an increase of \$480 million is required to fully restore resources to the level that existed in 2007-08. The Governor’s budget, including a 10 percent fee increase, would add about \$466 million. Thus, even with a 10 percent fee increase, the university’s resources fall short of the effective level of 2007-08.

The above analysis indicates that increased fee revenues (net of financial aid) of at least \$100 million are needed under a wide range of possible budget outcomes. At the time of this analysis, the Assembly budget committee had advanced a proposal to provide additional State revenues as a partial replacement of fee revenues, in order to make it possible for the university to limit its 2010-11 State University Fee increase to five percent rather than 10 percent. This proposal holds out a possibility that is worth consideration by the Board, with two important notes of caution. First, the Assembly proposal relies on one-time funds, a real concern given the fact that the university’s resource needs continue into future years. Second, the Assembly proposal is effective only if (a) adopted by the Legislature and Governor as part of the final budget package, and (b) it augments the full amount of State funding proposed by the Governor’s budget.

CSU Rates and Comparison Institutions

A five percent fee increase, as proposed by the Assembly budget committee, would translate into a \$204 increase for a full-time undergraduate, bringing the total State University Fee for such a student to \$4,230 for the 2010-11 academic year. Assuming a 2010-11 undergraduate fee rate of \$4,230 and including campus-based fees that currently average \$867, total undergraduate academic year fees of \$5,097 would continue to be less than any of CSU’s public comparison institutions and significantly lower than the comparison average of \$8,367. As noted in the table, fee data for 2010-11 are not currently available for some of the comparison institutions.

Estimated 2010/11 Comparison Institution Academic Year Resident Undergraduate, Student Fee Levels	
	2010/11
Rutgers University (Newark, NJ) ¹	\$11,886
Illinois State University (Normal, IL)	\$11,247
University of Connecticut (Storrs, CT)	\$10,416
Wayne State University (Detroit, MI) ¹	\$9,272
University of Maryland, Baltimore County	\$9,171
University of Texas at Arlington	\$8,500
George Mason University (Fairfax, VA)	\$8,484
Comparison Average²	\$8,367
Cleveland State University ³	\$8,196
Arizona State University at Tempe	\$8,132
University of Wisconsin at Milwaukee ³	\$7,702
University of Colorado at Denver	\$7,450
Georgia State University at Atlanta ¹	\$7,298
State University of New York at Albany ¹	\$6,748
North Carolina State University ³	\$5,527
University of Nevada at Reno	\$5,479
California State University⁴	\$5,097
<p>¹ Reflects 2009/10 fee rates, 2010/11 fee rates not yet published. ² CSU not included in comparison average ³ Based on annualized Spring 2010 rates ⁴ Based on proposed 2010/11 SUF rate of \$4,230 (5% increase from 2009/10 rate), and 2009/10 avg. campus mandatory fees of \$867</p> <p style="text-align: right;"><i>June 2, 2010</i></p>	

Recommendation

In view of the above analysis, we recommend that the Board adopt a five percent increase in the State University Fee and the Graduate Business Professional Fee effective fall 2010. This action would recognize the possibility that has been posed by the Assembly’s budget committee action. At its November meetings, the Board can ascertain whether final adoption of the State budget act has provided adequate resources for the 2010-11 fiscal year and, if necessary, the Board can revise fee rates accordingly for the winter and spring terms.

The education doctorate program fee rate established by the Board at the November 2006 meeting, which by law is linked to the University of California graduate student fee rate, is not affected by this recommended action. Another action item on this agenda addresses the education doctorate program fee.

2010-11 State University Fee and Graduate Business Professional Fee Levels

RESOLVED, By the Board of Trustees of the California State University, that the following academic year schedule of the State University Fee is approved effective fall term 2010 and until further amended:

State University Fees and Graduate Business Professional Fee

<u>Units Per Term</u>	<u>Undergraduate</u>	<u>Credential Program Participants</u>	<u>Graduate and Other Post-Bac Students</u>
6.1 or more	\$4,230	\$4,908	\$5,214
0 to 6.0	\$2,454	\$2,850	\$3,024

RESOLVED, further, that the supplemental Graduate Business Professional Fee be set at rates of \$220 per semester unit and \$147 per quarter unit.

The fees provided in the above table are for an academic year. The applicable per term fee schedules consistent with these academic year fees for campuses on semester, quarter and other calendars, 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 and summer terms are provided on the Budget Office website:

<http://www.calstate.edu/budget/student-fees/mandatory-fees/index.shtml>

And, be it further

RESOLVED, That the Chancellor may approve individual campus State University Fee rates that do not exceed the maximum fee rates established by this fee schedule, and be it further

RESOLVED, That the Board of Trustees, at its November 2010 meeting, intends to review whether adequate resources have been provided to the university by the Legislature and Governor in the 2010-11 Budget Act and, on the basis of that review, whether additional fee actions merit consideration.

COMMITTEE ON FINANCE

California State University Education Doctorate State University Fee for 2010-2011 Academic Year

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Background

The CSU Board of Trustees has the authority to establish, adjust and abolish systemwide fees and tuition. Senate Bill 724 (Jack Scott), signed into law in 2005, authorized the CSU to award the Doctor of Education degree (Ed.D). Pursuant to that legislation, new Ed.D programs have been established at eleven CSU campuses. The legislation directs that the CSU not charge its education doctorate students more than the fees charged for state-supported doctoral degree programs at the University of California (UC).

During the 2009-10 academic year, the State University Education Doctorate Fee was \$4,338 per semester (\$2,892 per quarter), for an academic year total of \$8,676. For the same period UC's fee totaled \$8,958. The UC Regents have set their education doctorate fee at \$10,302 for the 2010-11 academic year.

Recommendation

Although State law permits the Board to increase the CSU education doctorate program fee to the level adopted by the UC Regents for 2010-11—which would be a permissible increase of over 18 percent—a moderate increase of 10 percent is recommended. This would increase the academic year total by \$870 to a total of \$9,546.

2010-11 Education Doctorate Program Fee

RESOLVED, by the Board of Trustees of the California State University, that the following academic year schedule of the California State University Education Doctorate State University Fee is approved effective fall term 2010 and until further amended:

Per Semester: \$4,773
Per Quarter: \$3,182
Per Academic Year: \$9,546

COMMITTEE ON FINANCE

Nonresident Tuition—Eliminate Annual Cap

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Summary

The elimination of the current cap on the amount of nonresident tuition that may be charged in an academic year is proposed, effective with the fall 2010 term. This would carry forward a recommendation from a task force of campus vice presidents for finance. It is expected that any revenue increase from this change would be relatively small, but the change would conform with state law by eliminating inadvertent subsidies to nonresident students who take more than 30 semester units or 45 quarter units per academic year.

Background

The CSU Board of Trustees has the authority to establish, adjust, and abolish systemwide fees and tuition. Nonresident students pay nonresident tuition in addition to the State University Fee and mandatory campus-based fees. State law requires that the board set nonresident tuition at a level that covers the full cost of instruction and instructionally-related services. The current rates are \$372 per semester unit and \$248 per quarter unit, with an Academic Year (AY) maximum of \$11,160.

Analysis

A task force of campus vice presidents of finance has recently recommended the elimination of the annual cap on the amount of nonresident tuition in order to avoid inadvertent subsidies of state resources for nonresident students taking more than 30 semester units or 45 quarter units per academic year. Under the current practice of an annual cap, these nonresident students are able to take additional courses for free. Charging the per-unit tuition for these courses will curb this incentive to take excess units and will better assure California resident students fair access to courses.

CSU Rates and Comparable Institutions

The table below compares total nonresident undergraduate fee levels for the CSU (as proposed for 2010-11) with the 15 public institutions traditionally selected by the California Postsecondary Education Commission for such comparisons. For a nonresident CSU student, this example assumes a full-time nonresident undergraduate taking 30 semester units in the 2010-11 academic year. This student is assumed to pay nonresident tuition of \$11,160, a State University Fee of \$4,230 (which includes the State University Fee increase proposed in another agenda item) and the current \$867 average of campus-based mandatory fees. CSU fees for nonresident students would continue to be less than all but two of the 15 public comparison institutions.

Estimated 2010/11 Comparison Institution	
Academic Year Nonresident Undergraduate, Student Fee Levels	
	2010/11
University of Connecticut (Storrs, CT)	\$26,880
Georgia State University at Atlanta ¹	\$25,502
George Mason University (Fairfax, VA)	\$25,248
Rutgers University (Newark, NJ) ¹	\$22,796
Wayne State University (Detroit, MI) ¹	\$21,593
Arizona State University at Tempe	\$20,596
University of Colorado at Denver	\$20,171
Comparison Average²	\$20,107
University of Maryland, Baltimore County	\$19,108
University of Nevada at Reno	\$18,769
North Carolina State University ³	\$18,012
University of Texas at Arlington	\$17,800
Illinois State University (Normal, IL)	\$17,787
University of Wisconsin at Milwaukee ³	\$17,431
Cleveland State University ³	\$15,270
State University of New York at Albany ¹	\$14,648
California State University⁴	\$16,257
¹ Reflects 2009/10 fee rates, 2010/11 fee rates not yet published. ² CSU not included in comparison average ³ Based on annualized Spring 2010 rates ⁴ Based on \$11,160 non-resident tuition, proposed 2010/11 SUF rate of \$4,230 (5% increase from 2009/10 rate), and 2009/10 avg. campus mandatory fees of \$867	
<i>June 2, 2010</i>	

2010-11 Nonresident Tuition

RESOLVED, By the Board of Trustees of the California State University, that the Nonresident Tuition schedule for the 2010-11 academic year, effective for all campuses with the fall 2010 term and until further amended, shall be as follows:

	Quarter Term	Semester Term
Nonresident Tuition Per Unit Charge:	\$248	\$372

The tuition paid per term shall be determined by multiplying the number of units taken by the charge per unit in accordance with this schedule. There is no academic year maximum for the amount of nonresident tuition.

And, be it further

RESOLVED, The Chancellor is delegated authority to further amend the nonresident tuition if such action is required by the budget act approved for 2010-2011, and that such changes made by the Chancellor are communicated promptly to the Trustees.