

AGENDA

COMMITTEE ON FINANCE

Meeting: 12:30 p.m., Tuesday, July 21, 2009
Glenn S. Dumke Auditorium

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

Consent Item

Approval of Minutes of Meeting of May 12, 2009

Discussion Items

1. Report on the 2008-2009 and 2009-2010 Support Budgets, *Information*
2. State University Fee Increase, *Action*
3. Nonresident Tuition Increase, *Action*

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

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

May 12, 2009

Members Present

William Hauck, Chair
Raymond W. Holdsworth, Vice Chair
Roberta Achtenberg
Herbert L. Carter
Kenneth Fong
Margaret Fortune
Curtis Grima
Robert Linscheid
Henry Mendoza
Glen O. Toney
Charles B. Reed, Chancellor

Approval of Minutes

The minutes of March 24, 2009 were approved by consent as submitted.

Report on the 2008-2009 and 2009-2010 Support Budgets

In his opening remarks, Executive Vice Chancellor and Chief Financial Officer Benjamin F. Quillian indicated that California's fiscal situation continues to deteriorate. He pointed to projections recently released by the Legislative Analyst's Office. Accordingly, the \$8 billion shortfall that was projected in March is compounded by the almost \$6 billion that depend on the passage of the propositions in the May 19th special election. Dr. Quillian explained that if the propositions pass, the shortfall will near \$15.4 billion or \$21.3 billion if the propositions fail. The state's cash condition will be drastically lower than normal and composed totally of borrowing as opposed to the general fund balance. The state is expected to run out of cash in July. He noted that federal stimulus money has provided some relief. Per Trustee Hauck's request, Dr. Quillian outlined the Maintenance of Effort (MOE) requirement where states like California that accept federal funds must maintain the support for the public colleges and universities at the level they received in 2005-06. Assuming that California does not seek or is granted the waiver, a waiver provision in the MOE requirement would expect the state to maintain the support of the CSU at \$2.596 billion. Robert Turnage, assistant vice chancellor for budget, agreed that the state's cash situation is unprecedented.

State University Fee Increase

The committee members then turned their attention to an action item regarding a recommended increase in the State University Fee. Executive Vice Chancellor and Chief Financial Officer Benjamin F. Quillian pointed out that this agenda item should be understood in the context of the long-term trend of declining state support per student, and the current State budget, but also in the context of CSU's extraordinarily strong provisions for financial aid. The 2009-10 budget approved last February by the Legislature and Governor is based on an assumption of a fee increase. Dr. Quillian noted that CSU's financial aid policy, as well as new federal aid, will provide significant protections for students. This includes our policy that one-third of the revenues generated by the recommended fee increase will be directed to financially needy students in the form of augmented State University Grants that fully pay the entire fee. After reviewing a media presentation and following committee discussion, the committee recommended approval by the Board for a state university fee increase effective fall term 2009 (RFIN 05-09-02).

Meeting Quality Standard in State-Supported Professional Business Graduate Programs with Revenue Support Derived from a Per-Unit Fee

Executive Vice Chancellor and Chief Financial Officer Benjamin F. Quillian presented a second action item asking the Board to establish a new fee for professional business graduate programs. Dr. Quillian noted that at the September 2007 Board meeting, preliminary information was provided about a task force recommendation to implement a professional fee for state supported MBA degrees and similar professional graduate business programs. The task force, jointly chaired by Executive Vice Chancellors Reichard and West, provided several compelling reasons to establish the fee. The increased revenue was to enable the recruitment and retention of additional highly qualified faculty members in the CSU business schools and colleges and thereby make the accreditation of the programs more secure. The new fees would also be used to support the enrollment growth needed to meet regional needs for competent well trained business professionals. Additionally, the revenue could enhance the recruitment and support of students from diverse and underrepresented communities. Further, Dr. Quillian explained that the proposed professional fee is \$210 per semester unit and \$140 per quarter unit. At least 25 percent of the generated revenue would be set aside to support students who demonstrate financial need. Thus, the annual fee at CSU for an MBA or similar program will be \$9,174. The average for comparison institutions is \$11,285. As originally projected, the CSU price for MBA programs, before need-based financial aid, was considerably less than the fall 2008 total price for the MBA programs at California Postsecondary Education Commission (CPEC) comparison public institutions. The total CSU price would represent only 76% of estimated average fall 2008 tuition and fees for MBA programs at all CPEC-defined CSU comparison institutions (public and private); 46% of the average fees charged by the Irvine, Riverside and Davis campuses of the University of California; and 35% when compared to all of the UC campuses including UCLA

and Berkeley. In addition, the resolution included a requirement that an accountability report be provided to this Board in 2011-12. Trustee Carter requested further explanation regarding why the minimum set-aside for student aid would be 25% as opposed to the 33% set-aside related to other student fees. The committee then determined that rather than the set-aside be based on a present pattern of need, as had been recommended by the task force, presidents would be directed to set aside a minimum of 25% and not more than 33% of the Graduate Business Professional Fee revenue for need-based financial aid, with such funds to be used first to meet the demonstrated financial need of students in campus professional graduate degree programs in business; and that any part of the revenue that is not awarded to professional business master's degree program students be made available to meet demonstrated financial need of any other undergraduate or graduate students on the campus. The committee unanimously recommended approval by the Board that beginning with the fall term, 2009, a Graduate Business Professional Fee shall be assessed to students for coursework required in state-supported professional master's of business degree programs that are subject to accreditation by the Association to Advance Collegiate Schools of Business International (AACSB International). (RFIN 05-09-03).

COMMITTEE ON FINANCE

Report on the 2008-2009 and 2009-2010 Support Budgets

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

At the time this item was prepared, the Governor and Legislature remain deadlocked in negotiations to revise both the 2008-09 and 2009-10 budget acts that were enacted last February. As discussed at the Board's July 7, 2009 meeting, wholesale revisions are needed to close a \$26.3 billion state budget deficit. Although the CSU support budget is not directly at issue in discussions between the Legislature and Governor, the final resolution of the overall budget problem could have significant "collateral" effects on the CSU support budget. Also, as discussed at the last meeting, the 2008-09 budget act remains relevant to the CSU because the Governor's "July Revision" proposes a \$717.5 million "retroactive" reduction to the CSU appropriation for 2008-09. The practical impact of that reduction, if approved, would be felt in 2009-10. Overall, considering expected federal stimulus funds and the additional fee revenues made available by board action last May, we estimate that CSU faces a 2009-10 budget deficit of \$584 million.

The board will be provided an update at the meeting on state budget developments and on planning efforts with regard to closing CSU's budget deficit.

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COMMITTEE ON FINANCE

State University Fee Increase

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Summary

In order to address an unprecedented drop in state support for the university and to preserve resources necessary to maintain as many course sections and services for students as possible, staff recommends an additional increase in the State University Fee (SUF) above the current approved rates. The estimated revenue from this rate increase is approximately \$236 million. Per CSU policy, one-third of fee revenue will be set-aside as financial aid grant support. The set-aside, along with historic increases in federal Pell grants, federal tax credits and federal work-study funds, will mitigate the impact of the fee increase for students with financial need. The revenue generated from the fee increase, net of financial aid, is estimated at approximately \$157 million and will be used to offset reductions in state General Fund support to CSU and thereby maintain resources to support course sections and services to students.

Background

The CSU Board of Trustees has the authority to establish, adjust, and abolish systemwide fees. The Board increased the State University Fee for undergraduates by \$252 in 2007-08 and \$276 in 2008-09 (fulltime students for an academic year) and also made comparable adjustments for part-time students and students in graduate and teacher preparation programs. In May 2009 the board increased the State University Fee, 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. As discussed at the July 7, 2009 meeting of the Committee of the Whole, the University faces an unprecedented reduction in state support and a 2009-10 budget deficit estimated at \$584 million. If this entire deficit were closed through expenditure reductions alone, impacts to student access and to the quality of instruction and services to students would be devastating. In order to provide vitally needed revenues to help address this deficit, and thereby mitigate impacts to access and quality, the following *additional* rate increases are recommended effective fall 2009 (stated for full academic year for full-time students): \$672 for undergraduate students; \$780 for teacher credential students; and \$828 for graduate students. The University will set aside one-third of this revenue to increase funding

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support for CSU State University Grants to cover the fee rate increase for students with most financial need.

In addition, Congress recently approved historic expansions in tax credits for university fees, in Pell Grant awards, and in funding for work/study. We estimate that 187,300 undergraduate students will be covered dollar-for-dollar for the full fee increase (including the increase approved last May) either by increases in the State University Grant, federal and state grants, CSU fee waivers or the newly expanded federal tax credits. Many other CSU students will be covered on the fee increase by the expanded federal tax credits, which are available for family incomes of up to \$180,000.

Board action is needed at this time in order to meet deadlines for making student financial aid award decisions and financial planning options for the fall.

CSU Rates and Comparable Institutions

Assuming a 2009-10 increased undergraduate fee rate of \$4,026 (approved by the board last May) and including the \$801 average campus-based fees students currently pay; total undergraduate academic year fees of \$4,827 would continue to be less than any of CSU's public comparison institutions and significantly lower than the comparison average.

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2008/09 CSU Comparison Institution Academic year Resident Undergraduate, Student Fee Levels	
	2009/10
Rutgers University (Newark, NJ)	\$11,562
Illinois State University (Normal, IL)	\$10,672
University of Connecticut (Storrs, CT)	\$9,886
University of Maryland, Baltimore County	\$8,872
Wayne State University (Detroit, MI) ¹	\$8,751
Cleveland State University ¹	\$7,920
University of Wisconsin at Milwaukee ¹	\$7,906
University of Texas at Arlington	\$8,186
<i>Comparison Average</i> ²	\$7,904
George Mason University (Fairfax, VA) ¹	\$7,512
University of Colorado at Denver	\$6,542
State University of New York at Albany	\$6,698
Georgia State University at Atlanta	\$7,298
Arizona State University at Tempe	\$6,846
North Carolina State University	\$5,527
University of Nevada at Reno	\$4,856
California State University ³	\$4,827

¹ Student fee levels reflects the 2008/09 rate; 2009/10 rates are not available.

² Comparison Average Does Not Include CSU. In 2009-10, average does not include CSU, Cleveland State, Wayne St., GMU or UWis.

³ Includes State University Fee \$4,026 and average campus mandatory fees \$801; total \$4,827

The Education Doctorate program fee rate approved 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 action.

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2009-10 State University Fee Level

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 2009 and until further amended:

State University Fees

<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	\$4,026	\$4,674	\$4,962
0 to 6.0	\$2,334	\$2,712	\$2,880

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 Chancellor is delegated authority to further adopt, amend, or repeal the State University Fee rate increase if such action is required by changes to the 2009-10 Budget Act, and that such changes made by the Chancellor are communicated promptly to the Trustees.

COMMITTEE ON FINANCE

Nonresident Tuition Increase

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Summary

A nonresident tuition increase is proposed of \$33 per semester unit (\$22 per quarter unit), effective with the fall 2009 term. This would be the first increase in nonresident tuition since the 2004-05 fiscal year and would raise academic year nonresident tuition from \$10,170 to \$11,160 for a full-time nonresident student. The anticipated revenue increase from this rate change is approximately \$11.5 million for 2009-10 and will help address the budget gap identified for CSU's support budget in 2009-10 and beyond.

Background

The CSU Board of Trustees has the authority to establish, adjust, and abolish systemwide fees. Nonresident students pay nonresident tuition in addition to the State University Fee and mandatory campus-based fees. Nevertheless, consistent with state law, the current nonresident tuition is set at a level that covers the full cost of instruction and instructionally-related services. In order to help address an unprecedented deficit in CSU's support budget, the following rate increases are recommended: \$33 per unit at semester campuses and \$22 per unit at quarter campuses. The current rates are \$339 per semester unit and \$226 per quarter unit, with an academic year (AY) maximum of \$10,170. Under this proposal, the AY maximum would increase by \$990 to \$11,160.

The fee increase has been proposed at a level intended to raise additional resources for the CSU. The estimate of \$11.5 million of additional resources makes an allowance of 20 percent based on the possibility that the increase could result in some reduction in the number of units taken by nonresident students. General Fund allocations to campuses would be adjusted as needed to assure that these additional resources are, in effect, distributed equitably. Board action is needed at this time in order to accommodate recent budget reductions from the state.

CSU Rates and Comparable Institutions

Assuming a 2009-10 nonresident tuition AY maximum of \$11,160, undergraduate fee rate of \$4,026 (which includes the State University Fee increase proposed in another agenda item) and including the \$801 average campus-based fees students currently pay; total undergraduate AY fees would be \$15,987 for a full-time nonresident student. At this higher level, CSU fees for nonresident students would continue to be less than all but two of the 15 public comparison institutions.

2008/09 CSU Comparison Institution	
Academic year Non-Resident Undergraduate, Student Fee Levels	
	2009/10
University of Connecticut (Storrs, CT)	\$25,486
George Mason University (Fairfax, VA) ¹	\$21,648
Rutgers University (Newark, NJ)	\$21,776
Georgia State University at Atlanta	\$25,508
University of Colorado at Denver	\$19,574
Wayne State University (Detroit, MI) ¹	\$18,888
<i>Comparison Average</i> ²	<i>\$19,507</i>
Arizona State University at Tempe	\$19,630
University of Wisconsin at Milwaukee ¹	\$17,815
North Carolina State University	\$18,012
University of Maryland, Baltimore County	\$18,213
Illinois State University (Normal, IL)	\$17,965
University of Texas at Arlington	\$16,496
University of Nevada at Reno	\$17,316
California State University ³	\$15,987
Cleveland State University ¹	\$13,127
State University of New York at Albany	\$14,598

¹ Student fee levels reflects the 2008/09 rate; 2009/10 rates are not available.

² Comparison Average Does Not Include CSU. In 2009-10, average does not include CSU, Cleveland State, Wayne St., GMU or UWis.

³ Includes nonresident Tuition \$11,160, State University Fee \$4,026 and average campus mandatory fees \$801; total \$15,987

2009-10 Nonresident Tuition

RESOLVED, By the Board of Trustees of the California State University, that the Nonresident Tuition schedule for the 2009-10 academic year, effective for all campuses with the Fall 2009 term and until further amended, shall be as follows:

	Quarter Term	Semester Term
Non-resident tuition Per Unit Charge:	\$248	\$372

The academic year nonresident tuition maximum is \$11,160. The fee paid per term shall be determined by multiplying the number of units taken by the charge per unit in accordance with this schedule.

And, be it further

RESOLVED, The Chancellor is delegated authority to further adopt, amend, or repeal the nonresident tuition fee rate increase if such action is required by the budget act approved for 2009-10, and that such changes made by the Chancellor are communicated promptly to the Trustees.