

AGENDA

COMMITTEE ON FINANCE

Meeting: **1:30 p.m., Tuesday, July 11, 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
~~Romey Sabalius~~
Jose Antonio Vargas

- Consent** 1. Approval of Minutes of the Meeting of May 24, 2023, *Action*
2. Approval to Issue Debt for Affordable Housing at California State
University, Northridge, *Action*
3. Approval to Issue Debt in Support of the 2023-2024 Budget, *Action*
- Discussion** 4. 2023-2024 Final Budget, *Information*
5. Planning for the 2024-2025 Operating Budget, *Information*
6. Tuition Policy, *Information*
7. Multi-Year Tuition Proposal, *Information*

**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**

May 24, 2023

Members Present

Jack McGrory, Chair
Julia I. Lopez, Vice Chair
Larry L. Adamson
Diana Aguilar-Cruz
Leslie Gilbert-Lurie
Lillian Kimbell
Anna Ortiz-Morfit
Romey Sabalius
Christopher Steinhauser

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

Trustee Julia Lopez called the meeting to order.

Public Comment

Public comment took place at the beginning of the meeting's open session, prior to all committees.

Approval of the Consent Agenda

The minutes of the March 22, 2023, meeting of the Committee on Finance were approved as submitted.

Item 2, Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for a Capital Project at California State Polytechnic University, Humboldt, was approved as submitted (RFIN 05-23-06).

Item 3, Quarterly Investment Report was an information item.

Discussion Agenda

The committee had two items on the discussion agenda.

Item 4, 2023-2024 Operating Budget Update, *Information*

An update was provided to the California State University (CSU) Board of Trustees with the latest developments on the CSU budget request for 2023-2024.

Trustee Steinhauser emphasized the significance of maintaining reserves, highlighting their importance. The CSU possesses a reserve equivalent of 33 days (as opposed to the standard practice of 3-6 months). Trustee McGrory echoed and supported this statement.

Trustee Sabalius inquired about the potential adverse effects of the accumulated debt on the CSU's credit rating. Executive Vice Chancellor Steve Relyea clarified that the amount of debt would not pose any negative consequences to the credit rating of the CSU.

Item 5, Sustainable Financial Model Workgroup, *Information*

The Sustainable Financial Model Workgroup submitted its report with recommendations to the Chancellor on May 9, 2023. Attachment A in the agenda for the Committee on Finance is the final report and related documents.

During the past eight months, the Workgroup conducted a thorough and disciplined examination of CSU expenditures and revenues. Members of the Workgroup participated in robust discussions of the issues, informed by analysis, experience, and different perspectives of members from different stakeholders and constituencies.

CSU's financial position is strong, thanks to the continuing support of the state legislature and the governor's multi-year compact. Looking ahead, increasing cost pressures identified in the report are a cause for concern. The Workgroup reached the conclusion that long-term sustainability requires adequate revenues for the CSU to fulfill its functions. To thrive, the Workgroup concludes the CSU must regularly conduct systematic and comprehensive assessments to ensure that the CSU can provide a quality, affordable, and accessible education to Californians in the 21st century.

The conclusions drawn from the report highlight that the operational costs of the CSU far exceed the projected revenues in the coming years, regardless of revenue sources such as general funds, tuition, philanthropy, and partnerships. The report emphasizes the need to step back and assess goals, strategies, and funding methods, especially considering the upcoming appointment of a new chancellor.

The report proposes a thorough review of policies and practices, including budgeting, to address issues such as outdated policies and implementation challenges. One significant recommendation is the adoption of a tuition policy that aligns with the values of affordability, gradual increases, and strong financial aid support. While advocating for state funding remains important, the report stresses the stability and predictability of tuition as a revenue source. A new workgroup is proposed to explore financial aid policies and implementation, focusing on maximizing aid options and delivering clear messaging to students. The report concludes by emphasizing the need for proactive decision-making, acknowledging the vulnerability of state funding, and preparing for future challenges by seeking realistic options.

President Yao emphasizes the importance of differentiating costs from expenses, evaluating system-wide policies, and utilizing data for a strategic and predictable financial model. He plans to incorporate the cost model into the Academic Master Plan Implementation at CSU Channel Islands and use it for multi-year enrollment and budget planning. President Jiménez-Sandoval highlights the need for a transparent financial model that considers the full costs of teaching across disciplines. He believes that understanding the comprehensive costs will enable strategic planning and the development of initiatives that align with California's market opportunities and economic growth. Both presidents stress the significance of information and knowledge for vision-building and maintaining California's economic stability and innovation.

EVC Relyea shared that the process would start with a written proposal for a tuition increase (for FY 24-25) that will be presented to the California State Student Association (CSSA), followed by an information item at the July Board meeting and potentially an action item at the September meeting.

Trustee McGrory shared that the report uncovered detailed information on the costs of majors, student expenses, and campus expenditures, revealing the challenge of running the university without sufficient funding.

Krishan Malhotra shared that the CSSA executive officer team and board of directors are currently undergoing a transition and are not ready to adopt a formal position on this just yet. During the discussions on the sustainable financial model workgroup recommendations, CSSA has expressed student concerns and emphasized the need for a student-centered proposal that clarifies how increased tuition revenue will support student success. The CSSA board has raised concerns about the impact on enrollment, affordability, and the inclusion of student input in decision-making processes. They highlight the importance of clear communication and safeguards to ensure affordability and the pursuit of resources from the state and federal government. CSSA appreciates the inclusion of their recommendations and ongoing dialogue.

Lieutenant Governor Kounalakis highlighted the significance of understanding the potential impacts on graduation rates, accessibility, and opportunities for students and suggested a comprehensive analysis of the financial strength of students before deciding on a tuition increase.

Trustee Lopez acknowledged the importance of considering financial aid in conjunction with any tuition policy. Lopez mentioned that currently, 60% of students do not pay tuition, and believes that increasing financial aid can further support students. Lopez recognized the concerns raised and shared that the workgroup will continue to take them into account during their discussions.

Trustee Gilbert-Lurie highlighted the need to maintain excellence and ensure that students view the CSU as a top choice. Gilbert-Lurie agrees that any tuition should be directed towards student success and advocate for making the CSU accessible to all eligible students in the state.

Trustee Rodriguez suggested including federal advocacy in the system practices to ensure that no financial aid opportunities are missed. Rodriguez emphasized the importance of a strong federal component in financial aid. Secondly, Rodriguez discussed the need for a system-wide real-time data system to track the progression of recruitment, applications, and enrollment. Rodriguez believes that having this data will help inform budget forecasting and improve decision-making.

Trustee Arambula highlighted the need for action and emphasized that it is not solely about generating revenue, but also finding more efficient ways to allocate existing resources without compromising value for students.

Trustee Aguilar-Cruz requested two things for the proposed policy: accountability through regular reports to the board and the public on the impact of the policy on students over a span of five to ten years, and the allocation of tuition revenue towards student success initiatives.

Interim Chancellor Koester emphasized the need to understand these efforts as part of an integrated whole for the CSU system.

Chair Fong adjourned the meeting of the Committee on Finance.

COMMITTEE ON FINANCE

Approval to Issue Debt for Affordable Housing at California State University, Northridge

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officers

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury and Risk Management

Summary

This item requests that the California State University Board of Trustees authorize the issuance of long-term Systemwide Revenue Bond (SRB) financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and bond anticipation notes (BANs) to support interim financing under the CSU commercial paper (CP) program, in an aggregate amount not-to-exceed \$20,605,000 to provide financing for a campus capital project:

California State University, Northridge Affordable Student Housing Project

Background

The SRB program provides capital financing for projects of the CSU – student housing, parking student union, health center, continuing education facilities, certain auxiliary projects, and other projects, including academic facilities, approved by the Board of Trustees. Revenues from these programs and other revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements for the projects and pay debt service on the bonds issued to finance the projects. The consolidated pledge of gross revenues to the bondholders strengthens the SRB program and has resulted in strong credit ratings and low borrowing costs for the CSU. Prior to issuance of bonds, some projects are funded through BANs issued by the CSU in support of its CP program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute's issuance of CP used to finance the projects. CP notes provide greater financing flexibility and lower short-term borrowing costs during project construction than long-term bond financing. Proceeds from the issuance of bonds are then used to retire outstanding CP and finance any additional costs not previously covered by CP.

California State University, Northridge Affordable Student Housing Project

The California State University, Northridge Affordable Student Housing Project (the “Project”) was presented to the Board of Trustees Committee on Campus Planning, Buildings and Grounds for schematic approval during the July 2022 meeting. The Project will be in the student housing precinct, north of the existing student housing dining services, and will consist of two buildings providing a total of 198 beds. The Project will include suite-style living rooms, study rooms, community kitchen space, student housing administrative space, laundry rooms, and a mail room. The Project will also be oriented to create a sheltered central courtyard and common area.

The not-to-exceed principal amount of the proposed bonds is \$20,605,000, based on a total project budget of \$72,905,000 with funding of \$37,500,000 from the State’s Higher Education Student Housing Grant Program, and a campus housing reserve contribution of \$17,072,000. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at \$2,272,000), are expected to be funded from bond proceeds. The Project is scheduled to start construction in July 2023 with completion expected in May 2025.

The funding from the State’s Higher Education Student Housing Grant Program was initially expected to be in the form of a one-time cash grant, which was awarded in the 2022-23 fiscal year. However, the 2023-24 state budget for the CSU claws back the cash grants for all previously awarded projects in the program and replaces them with an increase in CSU’s annual support appropriation which will allow CSU to replace the cash grants with a like amount of additional SRB net proceeds. This additional SRB funding—\$37,500,000 for the Project in this agenda item, as well as funding for all other CSU affordable student housing projects under the program—will be repaid from the additional support appropriation from the state (rather than campus resources) and is being presented for approval by the Board of Trustees in Agenda Item 3 at this meeting of the Committee on Finance.

The following table summarizes key information about this financing transaction.

Not-to-exceed principal amount	\$20,605,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$1,407,739
Projected debt service coverage including the new project:	
Net revenue – Northridge pledged revenue programs: ¹	1.78
Net revenue – Projected campus housing program:	1.68

1. Combines 2021-22 actuals for campus pledged revenue programs with 2025-26 projections for the project.

The not-to-exceed principal amount for the Project, the maximum annual debt service, and the financial ratios above are based on an estimated all-in true interest cost of 5.68 percent, which includes a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan assumes level amortization of debt service, which is the CSU program standard. The campus financial plan projects a housing program net revenue debt service coverage of 1.68 in fiscal year 2025-26, the first full year of operations, which is better than the CSU benchmark of 1.10 for the program. When combining the Project with information for all campus pledged revenue programs, the campus' overall net revenue debt service coverage for the first full year of operations is projected to be 1.78, which is better than the CSU benchmark of 1.35 for a campus.

In coordination with CSU's Office of General Counsel, Orrick, Herrington & Sutcliffe LLP, as outside bond counsel, is preparing resolutions to be distributed to the Board prior to this meeting that authorize interim and permanent financing for the Project described in this agenda. The proposed resolutions will achieve the following:

1. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$20,605,000 and certain actions relating thereto.
2. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes, the revenue bonds, and the related debt instruments.

Approval of the financing resolutions for this project as described in this Agenda Item 2 of the Committee on Finance at the July 9-12, 2023, meeting of the CSU Board of Trustees is recommended for:

California State University, Northridge Affordable Student Housing Project

COMMITTEE ON FINANCE

Approval to Issue Debt in Support of the 2023-2024 Budget

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

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

Summary

This item requests that the California State University (CSU) Board of Trustees authorize the issuance of long-term Systemwide Revenue Bond (SRB) financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and bond anticipation notes (BANs) to support interim financing under the CSU commercial paper (CP) program, in an aggregate amount not-to-exceed \$1,266,040,000 to provide financing for various capital projects as part of the state's final 2023-24 budget for the CSU.

Background

The SRB program provides capital financing for projects of the CSU – student housing, parking student union, health center, continuing education facilities, certain auxiliary projects, and other projects, including academic facilities, approved by the Board of Trustees. Revenues from these programs and other revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements for the projects and pay debt service on the bonds issued to finance the projects. The consolidated pledge of gross revenues to the bondholders strengthens the SRB program and has resulted in strong credit ratings and low borrowing costs for the CSU. Prior to issuance of bonds, some projects are funded through BANs issued by the CSU in support of its CP program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute's issuance of CP used to finance the projects. CP notes provide greater financing flexibility and lower short-term borrowing costs during project construction than long-term bond financing. Proceeds from the issuance of bonds are then used to retire outstanding CP and finance any additional costs not previously covered by CP.

Financing Component of the State's Final 2023-2024 Budget for the CSU

As originally proposed by the Governor in January and May of 2023 and shared with the Board of Trustees at the January and May 2023 meetings, the state's final 2023-2024 budget for the CSU includes provisions to replace \$1,245,389,000 of approved and proposed one-time funding for capital projects of the CSU, most of which was originally approved in the 2021-2022 and 2022-2023 state budgets for CSU, and replace those sources of funding with SRB debt supported by \$99.69 million of ongoing state appropriation. This amount of ongoing appropriation is in addition to the \$227 million of ongoing state appropriation approved in the state's final 2023-2024 budget for CSU to support core CSU operations.

The capital projects to be financed under this new plan include the following:

- Five projects totaling \$329.8 million originally proposed by the Governor in January for this “swapping” concept. The original total amount of projects proposed for swapping in January was \$404.8 million, however, CSU staff subsequently determined that \$75 million of that total was ineligible for capital financing under the CSU's SRB program.
- The grant component of CSU housing projects approved and proposed under the state's Higher Education Student Housing Grant Program totaling \$655 million. As originally envisioned, the grant components of the program were about 65% of the total project costs with the remaining 35% to be provided by campus housing funds or SRB debt supported by campus housing revenues. Nine projects totaling \$498,461,000 had already been approved for grant funding under the program and are included in this swap plan. In addition, \$156,779,000 of pending grants for CSU projects under the program will now be included in this financing plan. Note that two of the affordable student housing projects that had already been approved for grant funding—the San Francisco State University West Campus Green Housing, Student Health Center and Dining project and the California State Polytechnic University, Humboldt Student Housing project—already received financing approval from the Board of Trustees at the January, March, and May 2023 meetings for the SRB component of the projects supported by campus housing revenues. A third project that has also already been approved for grant funding—the California State University, Northridge Affordable Student Housing project—is being presented in the Committee on Finance at this meeting of the Board of Trustees (see Agenda Item 2) for financing approval of the SRB component of the project supported by campus housing revenues.
- Two projects totaling \$201,009,000 at the California State Polytechnic University, Humboldt campus that were to be funded with a portion of the \$433 million in one-time funds provided by the state in the 2021-2022 budget to transition the campus to a polytechnic university.
- Two new projects: a human identification lab at California State University, Chico with an estimated cost of \$55,000,000; and a capacity and infrastructure expansion for the Master of

Science in Physician Assistant Program at California State University, San Bernardino with an estimated cost of \$4,340,000.

A summary of these capital projects and the amount of appropriation from the state to cover expected debt service on the debt for the projects are included in Attachment A.

Systemwide Revenue Bond Financing

This agenda item requests authorization from the Board of Trustees to issue long-term SRB financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and BANs to support interim financing under the CP program, in an aggregate amount not-to-exceed \$1,266,040,000 to provide financing for the various capital projects as described herein and in Attachment A, as well as the costs of issuance. The final amount of debt to be issued will be determined based upon interest rates at the time long term bonds are sold and will be set at an amount so that the annual maximum debt service over the life of the debt issued for these projects will not exceed \$99.69 million, which is the amount of ongoing state appropriation approved by the state for the CSU in the 2023-2024 state budget to pay the principal and interest on the debt issued for these projects.

Trustee Resolutions and Recommendations

Orrick, Herrington & Sutcliffe LLP, as bond counsel and in coordination with CSU's Office of General Counsel, is preparing resolutions to be distributed to the Board prior to this meeting that authorize interim and permanent financing for the projects in Attachment A as described in this agenda item. The proposed resolutions will be distributed at the meeting and will achieve the following:

- a. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$1,266,040,000 and certain actions relating thereto.
- b. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the revenue bonds, bond anticipation notes, or related debt instruments.

The financing resolutions described in this Agenda Item 3 of the Committee on Finance at the July 9-12, 2023, meeting of the CSU Board of Trustees are recommended for approval.

**CSU Capital Projects to be Financed with Systemwide Revenue Bonds
as Part of the CSU's 2023-2024 Final State Budget**

Project Category and Description		Project Amount to be Financed	Ongoing State Appropriation Approved to Cover Annual Debt Service
<u>Projects Originally Funded with 2022-2023 One-Time Funds</u>			
Bakersfield	Energy and Innovation Center	83,000,000	
Fullerton	Engineering & Computer Science Innovation Hub	67,500,000	
San Bernardino	Palm Desert Student Center	79,000,000	
San Diego	Brawley Center	80,000,000	
San Luis Obispo	Swanton Pacific Ranch	20,300,000	
		\$329,800,000	
<u>Higher Education Student Housing Grant Projects</u>			
	San Francisco	116,300,000	
	Long Beach	53,300,000	
	Humboldt	27,107,000	
	Fresno	31,050,000	
	Northridge	37,500,000	
	Dominguez Hills	48,750,000	
	Fullerton	88,900,000	
	San Marcos	91,000,000	
	San Diego/Imperial Valley College	4,554,000	
	Pending approvals	156,779,000	
		\$655,240,000	
<u>California State Polytechnic University, Humboldt Projects</u>			
	PLY101: Eng.Tech Housing Building	100,000,000	
	PLY106: Student Housing Health Dining	101,009,000	
		\$201,009,000	
Chico Human ID Lab		\$55,000,000	
San Bernardino Expansion for the Master of Science in Physician Asst.		\$4,340,000	
Total		\$1,245,389,000	\$99,690,000

COMMITTEE ON FINANCE

2023-2024 Final Budget

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

This agenda item summarizes 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.

Background

As anticipated, the governor's May Revision reported a drop in anticipated state general fund tax revenue by another \$9 billion resulting in an overall state budget shortfall of approximately \$31.5 billion for the 2023-2024 budget cycle.

In the May Revision, the governor sustained the multi-year compact commitment of an additional \$227.3 million base increase to the CSU's budget.

Additionally, the governor's administration used a technique known as a cost shift to help propose a balanced budget. This strategy was employed for the CSU in the January proposal and again in the May Revision. Specifically, the state appropriated hundreds of millions of one-time dollars in the 2021-2022 and 2022-2023 state budgets for CSU capital outlay projects. To help solve the budget shortfall, the governor's administration proposed in the May Revision to revert \$1.2 billion of one-time funding that would have used state cash for the construction of these projects. To ensure that the projects are completed and to finance another capital project, the governor's administration proposed \$91.1 million dollars of ongoing funding that would allow the CSU to issue bonds, complete the projects with the proceeds of those bonds, and pay the annual debt service on those bonds for many years. This proposal is fiscally neutral to the CSU and would not slow down any of the planned projects.

The governor's January and May proposals would affect all affordable student housing grant program projects, several university facility and infrastructure projects approved for this current year, and a few large Humboldt projects approved in the past year.

Specifically, the May Revision included:

- Affordable student housing grants: A reversion of \$655 million of current and planned one-time state general fund and an increase of \$45 million in ongoing funding for debt service on CSU-issued bonds.
- Various university facility and infrastructure projects: a reversion of \$329.8 million of one-time state general fund and an increase of \$27 million in ongoing funding for debt service on CSU-issued bonds.
- Cal Poly Humboldt: A reversion of \$201.1 million of one-time state general and an increase of \$16 million in ongoing funding for debt service on CSU-issued bonds.
- Human identification lab facility at California State University, Chico: An increase of \$3.1 million in ongoing funding for debt service for the project.

Since the May Board of Trustees meeting, there have been several important developments on the 2023-2024 state budget.

On June 11, 2023, the state legislature adopted a bicameral budget agreement that approved many of the administration's proposals through the May Revision including the additional compact funding and the cost shift strategy on the many CSU facility and infrastructure projects.

In addition, the legislature proposed the following ongoing funding increases:

- \$1.3 million ongoing for student basic needs.
- \$1 million ongoing to support students with disabilities.
- \$800,000 ongoing for student mental health.
- \$300,000 for rapid rehousing.

The legislature proposed the following one-time funding increases:

- \$15 million in support of California State University, Dominguez Hills.
- \$3 million for the CalFresh Outreach Resource Hub at the Center for Healthy Families at California State University, Chico.
- \$1 million to improve and expand discrimination, harassment and retaliation programs at CSU.

In summary for 2023-2024, the governor’s plan would have increased the CSU’s ongoing funding by \$318.4 million and the legislature’s plan would have increased the CSU’s ongoing funding by \$322.1 million.

The CSU and the Final Budget Agreement

On June 26, 2023, the governor, senate president pro tempore, and assembly speaker reached a three-party consensus on the 2023-2024 state budget.

The final budget included all amounts noted above—the combined governor’s January and May proposals and the legislature’s bicameral budget agreement. The two most notable contents of the budget agreement are the \$227.3 million base funding increase contained in the multi-year compact commitment and a \$99.7 million base increase for the many CSU facility and infrastructure projects (Note: the change from \$91.1 million to \$99.7 million reflects an update to anticipated debt service costs due to changes in market conditions). The ongoing increase in support of both the Board of Trustees’ priorities and state leadership priorities totals \$330.5 million.

The final budget agreement also included one-time increases aligned with state leadership priorities totaling \$25.5 million.

The following tables capture the items included in the Board of Trustees budget request for the 2023-2024 and state-elected leader priorities funded by the Budget Act of 2023.

Ongoing Sources of Funds (<i>in millions</i>)	Request	Final Budget
• State General Fund	\$513.8	\$330.5
• Tuition Revenue from Enrollment Growth	16.1	16.1
Total Incremental Ongoing Sources of Funds	\$529.8	\$346.6

Ongoing Uses of Funds (<i>in millions</i>)	Request	Final Budget
• Unallocated Base Increase	-	\$122.6
• Faculty & Staff Compensation Pool	\$260.9	-
• Graduation Initiative 2025	55.0	-
• Strategic Resident Enrollment Growth	50.6	50.6
• Health Premium Increases	50.5	50.5
• Academic Facilities & Infrastructure	50.0	-
• Required Operational Costs	42.8	19.7
• Student Basic Needs	20.0	1.3
• Students with Disabilities	-	1.0
• Capital Projects: Cash to Ongoing Funding Shift	-	99.7

• Student Mental Health	-	0.8
• Rapid Rehousing	-	0.3
• Corp. for Edu. Network Init. in CA (CENIC)	-	0.1
Total Incremental Ongoing Uses of Funds	\$529.8	\$346.6

One-Time Uses of Funds (in millions)	Request	Final Budget
• Critical Capital Renewal	\$1,300.0	-
• Dominguez Hills: General Operations	-	\$15.0
• Northridge: Basic Needs Suite	-	6.0
• CalFresh Outreach Resource Hub, CSU Chico	-	3.0
• Title IX Program Improvement & Expansion	-	1.0
• Dominguez Hills: Dymally Institute Operations	-	0.5
Total Incremental One-Time Uses of Funds	\$1,300.0	\$25.5

Conclusion

As the state developed and eventually enacted its budget for the 2023-2024 fiscal year, the state's fiscal picture progressively worsened. The state expects a tax revenue shortfall and resulting budget shortfall for the 2023-2024 cycle. For context, this is approximately a five percent budget deficit, on average, for the past, current, and budget years.

Despite the state budget deficit, the governor proposed and the legislature agreed to a \$227.3 million ongoing increase to the CSU, which would fulfill the multi-year compact commitment to provide a five percent state general fund increase to the CSU for 2023-2024 (or a 2.85 percent increase to the operating budget). To help solve the budget shortfall, state leaders reverted \$1.2 billion of one-time funding that would have used state cash for the construction of several campus facility and infrastructure projects. Instead, the state provided \$99.7 million dollars of ongoing funding that would allow the CSU to issue bonds and pay the annual debt service on those bonds for many years. This change is fiscally neutral to the CSU and it is anticipated that this change will not slow down any of the planned projects.

The CSU is grateful that, despite revenue declines in the state's general fund, the Budget Act of 2023 continues to honor the multi-year commitment to increase base funding for the CSU. While the \$227.3 million General Fund base funding increase does not fully cover the CSU's projected ongoing operating costs, it offers predictable and reliable levels of current and future funding and provides a valuable element of protection against a more severe economic downturn.

COMMITTEE ON FINANCE

Planning for the 2024-2025 Operating Budget

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

The purpose of this item is to provide the CSU Board of Trustees with preliminary assumptions and an initial framework in preparation for the 2024-2025 Operating Budget Request for the governor's and legislature's consideration.

Introduction

A budget is a financial plan for a defined period, normally a year, and includes a summary of intended uses (expenditures) along with estimated funding sources (revenues).

The Operating Fund budget, which supports the core functions of the university—such as classroom instruction, student services, campus operations, and state university grants, remains the greatest focus for CSU budget planning purposes. The primary revenue sources for the Operating Fund are state general fund, tuition, and certain student fees. Typical expenditures of the Operating Fund are employee salaries and benefits, student financial aid, and operations (e.g., goods, energy, and debt service). The following sections of this item will delve deeper into various issues including potential revenues and expenditure priorities for 2024-2025.

The preliminary 2024-2025 budgetary priorities for the CSU could include: improved compensation for all employee groups, student enrollment growth, investment in student success priorities (with particular emphasis on eliminating equity gaps), required cost obligations, initiatives included in the multi-year compact, facility, infrastructure, and critical capital renewal needs, and emerging issues.

Current Budget Context

The CSU's current budget situation provides important context for constructing the 2024-2025 budget plan. We are entering the 2023-2024 year with several unfunded costs that are creating significant cost pressures for our universities. Each university is undertaking a critical assessment of priorities and how to balance available resources with rising costs, unfunded mandates, and underfunded compensation increases.

The possibility of predictable multi-year tuition revenue is an important consideration in the budget planning discussion. The additional tuition revenue from the multi-year tuition proposal would provide critical resources to complement the state's compact funding and would 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 report. In addition, the Chancellor recently shared several strategic workgroup recommendations calling for new investments to support enrollment, black student success, graduation initiative, and a sustainable financial model.

Current and Prospective State Funding

The multi-year compact between Governor Newsom's administration and the CSU continues to provide necessary financial support. Beginning in fiscal year 2022-2023 and continuing through 2026-2027, the governor agreed to propose annual, ongoing state general fund increases of five percent for the term of the compact (or approximately 2.9 percent of the CSU Operating Fund). The governor's administration supported that commitment by ensuring that the five percent state general fund increase (i.e., \$227.3 million) was provided in 2023-2024. 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.

The CSU anticipates that the governor's administration will again propose an ongoing state general fund increase of five percent for 2024-2025. This foundational feature of the compact provides the CSU the opportunity to differentiate the revenue assumptions of the 2024-2025 operating budget plan. The compact's five percent state general fund commitment would not cover all of the Trustees' budget priorities. Put another way, the challenge the CSU faces is several priorities would not be fully funded or funded at all if the CSU were to rely exclusively on the compact funding.

At this early point in time, 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 the compact. Market volatility, specifically capital gains, delayed tax receipts, rising inflation and interest rates, and financial institution failures contribute to continued economic uncertainty.

Revenue from Proposed Tuition Rate Increase

The interim chancellor is recommending a multi-year tuition proposal that would increase tuition rates beginning in the 2024-2025 year. The additional revenue resulting from the recommended six percent rate increases is included in the preliminary budget plan. The increased tuition revenue would 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 proposed increase would be \$148.3 million in 2024-2025. Aligned with the CSU's long-standing practice of using 33 percent of the new tuition revenue for financial aid, the preliminary plan would dedicate an additional \$49.4 million to the State University Grant program.

Expenditure Priorities

The CSU has several budget priorities that are critical to the university and contribute to the mission and values of student achievement. CSU students have expressed a desire for increased support services that meet their diverse individual needs. This approach necessitates the need for a high level of support and engagement with students, which will enhance the educational experience for all students.

It is very early in the budget development process and appropriate for the Board of Trustees to discuss these CSU priorities (and others) for the 2024-2025 Operating Budget Request. Each of these budget priorities contributes to the whole and are important to student success. As mentioned previously, there are insufficient ongoing financial resources proposed in the compact to fully support these and other priorities.

- Advance student success by expanding the work of Graduation Initiative 2025 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 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 degree-holding, well-educated citizenry.

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

At this stage, it is important for the Board of Trustees to provide input on fiscal policy priorities and the potential to delineate between expenditures of the preliminary budget plan.

Preliminary Budget Plan – Ongoing

This section provides descriptions for each of the potential investments and revenue sources of the preliminary budget plan. At this time, only a few include dollar estimates. Estimates for all potential investments and revenue sources will be further developed and available at the September board meeting.

Estimated Revenue Sources – To Be Determined

At this preliminary stage, the planning effort focuses on stating the CSU's budget priorities and needs. Forecasted revenues of \$411 million would be available to support the plan and include the proposed tuition rate increase of six percent (\$148 million), tuition from the one percent resident, undergraduate enrollment growth (\$24 million), and the 2024-2025 compact commitment (\$239 million). If the estimated revenues are insufficient to support the preliminary expenditure plan an additional request for ongoing funds above the state compact could be included.

State University Grant – \$49 million

The State University Grant (SUG) program provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students. As a six percent increase in tuition rates is being proposed, the SUG commitments by the CSU would increase by approximately \$49 million.

Strategic Resident Enrollment Growth – \$54 million

To accommodate more students at the CSU, the governor and the CSU committed in the compact to grow enrollment by approximately 3,500 resident, undergraduate, full-time equivalent students in 2024-2025. This would cost approximately \$54 million and would be equivalent to a one percent increase in resident undergraduate enrollment. Due to the multi-year compact, it could be possible to increase undergraduate resident students over the next three years by approximately 10,500 full-time equivalent students.

Title IX and DHR Programs – To Be Determined

Implementing the Cozen recommendations and establishing systemwide and university Title IX and DHR programs at appropriate levels will create substantial new costs.

Workforce Investments – To Be Determined

Three-quarters of the operating budget consists of 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 to cover these investments.

With some minor exceptions, no collective bargaining agreements have salary provisions that extend beyond 2022-2023. 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 one percent increase in employee salaries is estimated at \$55 million. In addition, we anticipate health premium and retirement benefit costs will climb again by several tens of millions of dollars.

Graduation Initiative – \$30 million

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 Graduation Initiative 2025. 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 workgroups 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 2025 goals—especially closing the equity gap. 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 receives the largest share of funding. Costs associated with high-demand degrees are often higher than 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 the need for a high level of support and engagement with students. The additional resources will help to fill the already existing funding gap in student services and enhance the educational experience for students. Student basic needs 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

Required Operational Costs – \$45 million

Required operational cost increases for existing university commitments are anticipated to be \$45 million in 2024-2025. Required operational costs include increases to operations and maintenance of newly-constructed facilities, utilities and insurance, inflation, and other mandated programs. If operating budget requests 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.

Academic Facilities and Infrastructure - To Be Determined

The addition of ongoing funds in 2024-2025 could finance needed facility and infrastructure projects that modernize and address deficiencies in existing facilities and increase capacity for student growth. For every \$25 million in ongoing funding, the CSU could finance approximately \$300 million of new academic and infrastructure facilities.

To effectively educate all students, it is necessary to regularly invest in critical infrastructure while also refurbishing existing, and building new, academic facilities to best serve students. The CSU's five-year plan has identified more than \$7 billion in systemwide academic infrastructure and facility needs in 2023-24 alone.

Multi-year Budget Plan (ongoing)

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. But in this early stage of determining priorities, it would be premature to develop multiyear expenditure estimates for many of these priorities.

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.

Incremental Ongoing Plan In Millions	Year 1 2024-25	Year 2 2025-26	Year 3 2026-27
Revenue Sources			
General Fund			
Compact Commitment (5%)	\$238.7	\$250.6	\$263.1
Above Compact	TBD	TBD	TBD
Tuition from Proposed Rate Increase	148.3	157.8	167.6
Tuition from Strategic Enrollment Growth (1%)	24.0	25.4	26.7
Total Revenue Sources	\$411.0	\$433.8	\$457.4
Expenditures			
State University Grant (SUG)	\$49.4	\$52.6	\$55.9
Strategic Resident Enrollment Growth (1%)	54.2	57.4	60.3
Title IX and DHR Programs	TBD	TBD	TBD
CSU Workforce Investments	TBD	TBD	TBD
Graduation Initiative	30.0	40.0	50.0
Required Operational Costs	44.6	46.2	47.9
Academic Facilities & Infrastructure (Debt Service)	TBD	TBD	TBD
Total Expenditures	\$178.2	\$196.2	\$214.1

Preliminary Budget Plan: Critical Capital Renewal – One-time – To Be Determined

A complementary strategy to address CSU’s deferred maintenance and infrastructure needs would be to include a request for one-time funds from the state for critical capital renewal. Additional one-time funding could be used to reduce existing, growing backlogs which are estimated at more than \$7 billion.

Next Steps

Over the next several weeks, Chancellor's Office staff will meet with many stakeholder groups to solicit feedback on the potential contents of the 2024-2025 Operating Budget Request.

Using feedback provided by the Board of Trustees at the July 2023 meeting as well as feedback from CSU stakeholder groups, Chancellor's Office staff will present an updated and detailed operating budget recommendation for Board of Trustees' approval in September 2023.

Conclusion

The California State Constitution requires the submittal of the governor's budget proposal each year by January 10. To meet fall deadlines of the Department of Finance and to optimally engage in state budget advocacy, it is necessary to commence planning for the 2024-2025 CSU Operating Budget Request at the July 2023 meeting.

This information item presented preliminary assumptions and an initial framework for the 2024-2025 CSU Operating Budget Request, which will be brought to the board for approval at the September 2023 meeting.

COMMITTEE ON FINANCE

Tuition Policy

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

This information item includes 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 their September 2023 meeting.

Background

The State of California, through the establishment of the California State University (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.

The board provides policy guidance and fiduciary oversight for all matters pertaining to systemwide tuition and fees, and has authority to establish, adjust and oversee tuition and fees. Unlike the CSU Fee Policy which was revised by the Board of Trustees in 2015, it has been three decades since the Board of Trustees last formulated a tuition policy and guiding principles.

At the May 2023 board meeting, the Sustainable Financial Model Workgroup recommended the adoption of a tuition policy and formation of a new workgroup on financial aid. As a result, the Interim Chancellor and Board of Trustees have discussed in recent board meetings a desire to

establish a new tuition policy and the Interim Chancellor formed a Strategic Workgroup on Financial Aid charged with recommending a comprehensive financial aid strategy and policy.

The Financial Aid Workgroup will recommend the level of student financial need that the CSU should meet with institutional aid, ways to measure achievement of this goal, and annual reports to the board. The proposed tuition policy may be adjusted by the board based on the financial aid workgroup recommendations.

Draft Tuition Policy

The draft tuition policy provided in this item would supersede the tuition policy last formulated by the board in 1993 and applies to systemwide tuition for all levels of education, undergraduate through doctorate; nonresident supplemental tuition; and Graduate Business Professional Program supplemental tuition.

The Board of Trustees will establish, adjust, and oversee systemwide tuition using the following principles:

- The CSU relies on revenue from tuition and state support to ensure the delivery of a high-quality education and robust student support services.
- Affordability of a CSU education must be measured based on the total cost of attendance and student need. A CSU education must be affordable to all students and their families and consider factors such as income, cost of living, enrollment status, and university program of study.
- 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 operations.

It shall be the policy of the Board of Trustees that:

- Each year, the CSU shall increase funding for need-based institutional aid by an amount not less than one-third of incremental tuition revenue, including tuition increases and enrollment growth.
- Increases in tuition shall be predictable and clearly communicated so that students and their families are able to plan for university attendance.
- The Board of Trustees shall review the tuition policy every five years in consultation with the designated student association.

COMMITTEE ON FINANCE

Multi-Year Tuition Proposal

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

The California State University (CSU) Board of Trustees is considering 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.

The CSU's first priority and commitment continues to be to pursue full funding from the state and to collaborate with partners across the system to make the case in Sacramento for the level of new funding that supports student success. Additionally, the CSU is committed to its efforts to find administrative efficiencies and increase effectiveness across the system, which help mitigate increasing mandatory costs. However, to ensure the university has the revenue to meet its priorities, the CSU began a conversation and consultation process for a possible multi-year tuition increase.

The interim chancellor recommends the Board consider the following:

- A Board action in September 2023 that would put in place scheduled tuition rate increases each year.
- The increases would begin in fall 2024.
- The annual rate increases would be six percent per year for all levels of education.
- The first increase in 2024-25 would be \$342 for the academic year for full-time undergraduate students.
- Sixty percent of students would not be affected by the proposed tuition increase because their tuition is fully covered by grants or waivers.

- The Board would review the tuition rate schedule every five years.

The proposal would generate \$148 million of revenue in the first year (2024-2025) with a goal of dedicating \$49 million to the CSU's State University Grant (SUG) program for financial aid support for low-income students. Over the first five years of the tuition increase, the proposal would generate \$840 million in revenue with a goal of dedicating \$280 million to the SUG program. The tuition increase would take effect in fall 2024, aligning with the timeline and requirements of the Working Families Student Fee Transparency and Accountability Act (Act).

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.

The CSU remains committed to keeping tuition costs as low as possible for students. Nearly 60 percent of all enrolled undergraduate students have the full cost of tuition covered by grants, scholarships or waivers. Because these programs are designed to pay the full cost of tuition, the multi-year tuition proposal would have no financial effect on more than 249,000 students who receive these grants, scholarships and waivers.

To provide students and their families with as much information as possible for planning purposes, the calstate.edu/tuition-increase website includes information on the proposal. The webpage also provides the opportunity for students, their families, and anyone else to comment on the proposal.

Background

The trustees have the sole authority to establish and increase systemwide tuition. The trustees establish and periodically adjust tuition rates by student level: undergraduate, post-baccalaureate, credential, graduate and doctorate. In order for the trustees 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 Act codified in 2012 by Assembly Bill 970. The Act requires the CSU to consult with the California State Student Association (CSSA) before the trustees consider any increase to mandatory systemwide tuition and ensure transparency in the process. Specifically, the CSSA is to receive a detailed tuition proposal and the opportunity to consult with the CSU at a minimum of six months before the CSU can fully implement a tuition increase. Specific to this proposal and its potential effect on the 2024-2025 academic year, the Chancellor's Office prepared and delivered to the 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 and subsequent meetings occurred on June 20 and June 28 and another is scheduled for July 9. Next, the Act requires public notice of the proposed tuition increase (this item meets this requirement), followed by a meeting of the trustees to discuss the proposal and gather public comment. The proposal will be considered for adoption at the

September 2023 Board of Trustees meeting.

The CSU has long valued inclusive excellence, equity, access, affordability and elevating lives through the transformative power of higher education. These core values are on exhibit every day across the 23 universities and are embodied by more than 460,000 students. University faculty, staff, and—importantly—students are accelerating the CSU’s undeniable positive momentum evidenced by record numbers of graduates and student success measures. To continue this unwavering commitment and to carry on the promise of an affordable and accessible higher education for students from all backgrounds and walks of life, the CSU must be financially sustainable now and for the coming years. This tuition proposal will allow the CSU to build on the promise made to the state and ensure it extends to future generations.

Long-term financial sustainability of the CSU requires an alignment of costs and revenues necessary for the CSU to fulfill its functions and provide a high-quality, affordable, and accessible education to Californians in the 21st century. The system has continual and growing cost pressures—an increased need to expand high-cost degree offerings, inflation, unfunded mandates, and infrastructure needs growing over time.

The CSU has two principal sources of revenue: state general fund and tuition. The state general fund is the CSU’s largest revenue source, but it is volatile and dependent on the state economy. Recessions, even mild ones, often result in state revenue shortfalls, which in turn translate into campus budget reductions. Tuition is the second-largest source of revenue. Today, the CSU’s undergraduate tuition rate is \$5,742 per year and is among the lowest in the country. Historically, tuition increases followed state budget cuts; however, for 10 of the past 11 years, there has been no tuition increase. Instead, thanks to a strong economy and support from the governor and legislature, general fund support has grown. The net effect is that, since the last tuition increase, the general fund portion of total system revenue steadily grew while the tuition portion remained flat. When only one of the two main revenue sources is available to cover growing costs, an imbalance is created.

When the CSU receives less revenue than it requires to operate the university, some costs go unaddressed (e.g., student services, critical capital renewal projects, up-to-date instructional equipment and appropriate workforce investments) and costs that cannot be deferred are accommodated by redirecting funds from other purposes. Gaps between revenues and costs cannot be closed with existing practices. As the CSU strives to be an engine of social mobility, it is not sustainable to rely only on state funding increases or to defer necessary institutional investments. A tuition proposal that governs future changes, ensures stable and predictable increases and is transparent for the universities, students and their families is required.

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 request 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 requests 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 request 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 request, 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 requests

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 request. The last time this occurred was in the 2015-2016 fiscal year. Prior to that, the operating budget request was fully funded in 2006-2007.

2. Increase tuition to partially cover the operating budget request 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 request, 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 request, 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, 2022, the CSU had operating fund designated balances and reserves totaling \$2.5 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 (\$1.4 billion), catastrophic events (\$48 million), capital (\$282 million) and economic uncertainty (\$714 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 \$714 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.

Proposed Tuition Increases

The process to increase tuition began on May 25, 2023, with a written proposal to the CSSA and continues with appropriate consultation with, and feedback from, other CSU stakeholders. The consultation period includes this information item at the July 2023 Board of Trustees meeting and a possible action item at the September 2023 board meeting. The state budget cycle is asynchronous from the planning decisions of the CSU, as well as the planning that current and potential students must undertake to prepare for the 2024-2025 academic year. Specifically, the outcome of the 2024-2025 budget cycle will not be known until June 2024. If the trustees consider

and approve a tuition increase at their September 2023 meeting, the tuition increase would go into effect for the fall 2024 term and apply to the full 2024-2025 academic year. An 11-month lead time between a potential decision at the board meeting and the ultimate implementation of the tuition increase helps provide 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:

- Tuition increases would begin with the 2024-25 academic year.
- Annual tuition increases would apply to all students at every level of education.
- Tuition would increase six percent each year for all students.
- Tuition increases would continue to consider the longstanding trustee policy to maintain differential pricing between undergraduate and graduate/postbaccalaureate tuition levels.

The proposed tuition increase of \$342 per resident undergraduate student would take the annual tuition price from \$5,742 per student to \$6,084 for a six percent rate increase. 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) with a goal of dedicating \$49 million to the 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 goal of dedicating \$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					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
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 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.

	Academic Year					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
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	\$ 20,034	\$ 21,234	\$ 22,508	\$ 23,858	\$ 25,290

- 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.

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					
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Semester Rate		\$ 396	\$ 420	\$ 444	\$ 471	\$ 498	\$ 528
Quarter Rate		\$ 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 Fee varies widely by campus and is kept locally at each campus to educate graduate students.

		Academic Year					
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Semester Rate		\$ 270	\$ 285	\$ 303	\$ 321	\$ 339	\$ 360
Quarter Rate		\$ 180	\$ 190	\$ 202	\$ 214	\$ 226	\$ 240

Further Information and Opportunity for Public Comment

To provide students and their families with as much information as possible for planning purposes, the 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 received will be compiled and summarized for the trustees at the September 2023 meeting.

Conclusion

The CSU's first priority continues to be to pursue additional funding from the state and to collaborate with partners across the system including the board, students, faculty, staff, business and union leaders, alumni, and friends to make the case in the capitol for the level of new funding that supports student success. However, to ensure the university has the revenue available to meet its priorities, the CSU must consider a multi-year tuition proposal. The proposal seeks to balance the need to keep tuition affordable and yield enough revenue to make meaningful investments in necessary existing and new academic programs, student services, financial aid, unfunded state and federal mandates, and emerging priorities to support students on their path to graduation.

This information item requests the trustees' consideration of a multi-year tuition proposal. The CSU would use new tuition revenue in combination with additional state general fund allocations to support CSU budget priorities. The adoption of the multi-year tuition proposal by the trustees in September 2023 would put in place annual, scheduled tuition rate increases with the first increase effective for fall 2024. This would keep with the timeline and requirements of the Working Families Student Fee Transparency and Accountability Act. Also, it would allow the CSU to publish the approved increases in communications and provide advance notice of the change to current and prospective students and their families.