

Introduction

The CSU's Importance to the State of California

Each year, CSU campuses graduate tens of thousands of students in every field imaginable; they are the future of California. CSU graduates become the backbone of our communities.

They are your daughter's elementary school teacher, your mother's registered nurse, your neighborhood police officer, your elected leader and your community's leading business people.

CSU campuses and the students they serve quite literally infuse billions of dollars into California's economy each year. In fact, many liken the CSU to one of the engines powering California's economy.

Yet, the CSU is much more than a training ground and economic incubator. CSU campuses are vital contributors to California's social and cultural vitality.

Students from economically and socially disadvantaged groups turn to the CSU to help them break free from the cycle of poverty and deprivation.

Parents count on the CSU to provide their children with opportunities they never had access to.

The public counts on CSU campuses to offer concerts, lecture series, plays and sporting events that enrich their lives and strengthen their communities.

The Context

Long-Term Trends in CSU Funding

Despite all its contributions to California, the CSU is being drained of its resources. Because it is one of the largest discretionary areas of state spending, the California State University has come to play the role of “budget-balancer”.

Constitutional funding guarantees such as Proposition 98 limit legislators’ budget flexibility. In other words, legislators balance the state budget in lean times by cutting unprotected programs such as the CSU

The state attempted to remedy this inequity by spelling out a CSU funding commitment (called the “Partnership Agreement”) in the mid-1990’s. However, the compact was a non-binding and the CSU was forced to deal with massive budget reductions when state revenues dropped in 2002/03.

The result of these structural budget problems is clearly visible over the long term. Thirty years ago, California spent about 6.5 percent of the General Fund on the CSU. Today, the state spends only around 3.5 percent.

State expenditures per CSU student have fallen dramatically. In 1980-81, the CSU received \$10,742 per student (in 2002/03 dollars). By 2002/03 the state’s contribution per student had declined to \$8,426, a drop of 21.6 percent

This long-term erosion in support for the CSU has brought the CSU to the brink of crisis. The 2004/05 budget reductions proposed by Gov. Schwarzenegger, which build on draconian cuts suffered in 2003/04, threaten to push the CSU over the edge and into a state of catastrophe.

The Current Catastrophe

Recent Reductions to the CSU Budget

The Governor's 2004/05 budget proposal sharply reduces state support for the CSU. Under the Governor's plan, the CSU would suffer a net General Fund reduction of \$239.6 million, a cut of about 9.0 percent.

The drastic cuts proposed in student success programs, including the complete elimination of the CSU's Education Opportunity Program (EOP), will have a particularly harsh impact on Californians. EOP helps low-income and educationally disadvantaged California students succeed in college and persist to graduation.

The Governor proposes to increase the CSU's student faculty ratio, a move that will result in larger class sizes and the elimination of hundreds, if not thousands, of CSU faculty members.

Finally, the Governor proposes two unallocated budget reductions totaling \$101.5 million, a move that will result in painful reductions to the CSU's instruction program and force the CSU to scale back or cancel contracts with many California businesses. The Governor's General Fund reductions are partially offset by \$105.6 million generated from another student fee increase.

After taking into account all the cuts and costs the CSU would have to absorb, the CSU will face a budget shortfall of \$191.5 million in 2004/05 if the governor's budget is adopted (see Table #1).

Table #1 – Impact of Governor's Budget on the California State University

Adjusted 2003/04 GF Base (excludes fee revenue)	\$ 2,649,219,000
Total 2004/05 Reductions	\$ (311,061,000)
Total 2004/05 Increases	\$ 71,400,000
Total 2004/05 General Fund Impact	\$ (239,661,000)
Proposed 2004/05 GF Base (excludes fee revenue)	\$ 2,409,558,000
Total 2004/05 General Fund Impact	\$ (239,661,000)
Net Increase in 2004/05 Student Fee Revenue	\$ 105,647,000
2004/05 Mandatory Costs	\$ (57,475,000)
Total CSU 2004/05 Budget Shortfall	\$ (191,489,000)

It is essential to remember that the 2004/05 budget reductions recently proposed by the Governor come on top of drastic reductions suffered by the CSU in 2003/04. When considered together, the current year reductions and proposed cuts are a mind-boggling \$541.2 million – more than a half billion dollars.

This is, over this two-year period, a 20 percent reduction in state support. To get some sense of the scale of this reduction in General Fund resources, consider that in 2003/04 the CSU's three largest campuses (San Diego State, Long Beach and Northridge) received a combined total of \$515.0 million in state support.

As state support for the CSU has dried up, CSU students have been forced to shoulder a rapidly increasing portion of CSU costs through student fee hikes – a move that amounts to a tax increase on lower and middle income families.

In his 2004/05 budget, the Governor proposes to backfill a portion of his General Fund reductions with a 10 percent increase in undergraduate student fees and a 40 percent hike in graduate fees. If adopted, this would be the third CSU student fee increase in less than two years (see Table #2).

The cumulative impact means that in less than two years undergraduate student fees will have increased by \$823, or 58 percent. Graduate student fees will have more than doubled, increasing by \$1,652, or 110 percent

Table #2 – Recent CSU Student Fee History

	Fall 2002*	Spring 2003*	Fall 2003	Proposed Fall 2004	Cumulative Increase
Undergraduates					
Percent Increase	--	10%	30%	10%	58%
Fee	\$ 1,428/yr	\$ 1,572/yr	\$ 2,046/yr	\$ 2,251/yr	\$ 823
Graduates					
Percent Increase	--	15%	30%	40%	110%
Fee	\$ 1,506/yr	\$ 1,734/yr	\$ 2,256/yr	\$ 3,158/yr	\$ 1,652

*Two separate fee rates applied during the 2002/03 fiscal year due to the mid-year fee increase adopted in mid-December of 2002.

The Governor amplifies the impact of the proposed 2004/05 student fee increases with two major changes in financial aid policy, changes that will make student aid more difficult to get.

First, the Governor would decouple the traditional link between student fee levels and the CalGrant, the state's primary student financial aid program. Under the Governor's plan, CalGrants would no longer automatically increase when student fees increase, thus leaving a gap that students will be forced to cover with loans, out-of-pocket money or additional student aid dollars.

Second, the Governor would reduce the allowable income ceiling for CalGrant recipients by 10 percent. The California Student Aid Commission, the agency that administers the CalGrant program, estimates that 4,450 California students will no longer be CalGrant eligible in 2004/05 if the ceiling is raised.

Conclusion

The reductions already suffered in 2003/04 and those proposed for 2004/05 will have an impact on every aspect of the CSU and everyone associated with the university.

- Students will have a more difficult time getting classes, possibly forcing them to delay graduation
- Class sizes will increase
- Students will find it more difficult to secure out-of-class time with their professors
- Faculty and staff will be laid off
- Counseling time will become more scarce
- Library subscriptions will be canceled
- Campus user fees may increase
- Student will have more difficulty finding on-campus jobs.

And, because the CSU plays such an important role in California's economic and social life, the impact of the reductions will reach well beyond the university community.

In the second of our three part series on the CSU, scheduled for release in mid-March, we will examine in greater detail the impact the CSU has on California's economy.