The Governor’s proposed budget for FY 2013-14 calls for more money for the CSU, but less than was requested by the Board of Trustees. This increase in funding includes some spending restrictions.

As expected, the Governor’s proposed budget calls for the restoration of $125 million that was cut from last year’s budget, or about $6.5 million to Cal Poly. This is the backfill for the fee reduction connected with the passage of Prop 30.

In addition, the proposed budget calls for the CSU to receive an additional $125.1 million for core instructional costs, with $10 million designated for online strategies to provide increased access to high-demand courses. We don’t yet know how the additional $125.1 million will be distributed to the campuses, and we don’t yet have a definition of “high-demand courses.”

We anticipate greater clarity as the Legislature reviews the Governor’s proposal and the CSU reviews the final budget. The Legislature is required to approve a budget by mid-June.

Several other items of note about the Governor’s budget message:

Fees and Enrollment

- Tuition fees are expected to remain as currently established for the next four years, with the exception of a new fee to students who initially exceed 150% of the required units to graduate. Over time, that percentage will decrease to equal no more than one full year of additional course work. At Cal Poly, the 150% threshold would mean that students would have to pay the full cost of any credit unit over 270 for majors requiring 180 units. Over time, as the threshold declines, that extra cost would kick in after the accumulation of 225 credit units.

- There is no reference or funding called out for enrollment increase or decrease.

Compensation

- No provision was identified for wage increases.

- Authority was provided to negotiate and set employee health benefit cost-sharing rates. The message noted that CSU employees pay a significantly smaller share of their health insurance than other state employees.

- Some pension costs will shift from the State to the CSU. Funding for retirement costs are now funded by the State based on 2012-13 levels. Retirement costs related to any increases in staffing or increases
in salaries beyond those in place in 2012-13 will be borne by the CSU. This shift of pension-funding costs could have significant impact on Cal Poly in the years ahead.

Also of note, the Governor’s budget provides no new funding for capital projects.

We will be able to provide more clarity as the budget process unfolds. The Chancellor’s Office needs to work through the numbers in the next few weeks, and, as noted earlier, the Legislature will be working on the budget over the next several months.

While some issues are uncertain at the moment, we appreciate that the Governor is proposing a larger investment in higher education. As CSU Chancellor White said, the Governor’s proposal “heads us in the right direction.”

As you know, news reports frequently comment on the tuition fee increases that have occurred over the last several years. Often unavailable in those reports is the cumulative size of the tuition increases compared to the state’s cuts in funding. Bottom line: The cuts in state funds were much larger than the increases in tuition. Here is what has happened:

Between 2007-08 and 2012-13, state funding to Cal Poly was reduced by $67.2 million from $150 million annually. During that time, Cal Poly’s net state university tuition fee revenue increased $32 million, leaving us with $35.2 million less in operating funds for 2012-13. Based on the Governor’s Budget for 2013-14, that gap will be reduced to about $23.2. It is evident we need to continue to find more ways to be even more efficient.

We will be sure to update you as we learn more.

As always, we are grateful for your exceptional professionalism and unstinting devotion to our students’ success.

Thank you.