

THE CALIFORNIA STATE UNIVERSITY STUDENT FEES TRUST FUND SUMMARY OF CHANGES FOR FY 2006-07

The Governor's proposed budget for FY 2006-07 establishes the authority for the California State University to collect and administer all university student fee revenues through the CSU trust fund (State fund 0948). The passage of this initiative will facilitate the adoption of new intrastate agency business processes that can substantially reduce State administrative costs while maintaining and promoting local fiscal accountability. A major strategic goal of the university is to transition all of its core financial operations from the State general fund to the CSU trust fund.

Summary of Legislative Changes:

- Amend Education Code § 89721 to include the state university fee (SUF) and other student fees with moneys authorized for deposit in State or local trust accounts; the new student fee revenue fund will be "continuously appropriated", as provided in Ed Code § 89724.
- The annual budget act will no longer appropriate State fund 0498, Higher Education Fees and Income Fund; carryover balances from prior years' activity will be reconciled, liquidated, and/or reverted by the end of FY 2007-08.

NEW BUSINESS PROCESSES

The adoption of this legislation will have a profound impact on intrastate/agency business processes by streamlining the flow of transaction documents and records between the State Controller's Office and CSU campus agencies.

Impact on Personnel/Payroll Division:

- Payroll disbursements will be posted to State fund 0948, CSU Trust Fund, instead of the State general fund (Fund 0001);
- Eliminates annual appropriation year updates to "payroll headers";
- Eliminates burdensome payroll adjustments to expired general fund appropriations.

Impact on Accounting & Reporting Division:

- Process monthly expenditure transfers (TC36) from State fund 0948 to the State general fund and other enterprise funds, as authorized by Plan of Financial Adjustment;
- Minimize the need for a "revolving fund" reserve in the general fund, thereby, reducing "carrying costs" in the State general fund;
- Streamline YE closing process to meet SCO reporting requirements and deadlines.

Impact on Administration & Disbursements Division:

- Reduce the number of Claims Schedules and checks processed;
- Reduce stop payment orders to the State Treasurer's Office;
- Reduce or eliminate the batching and return of cancelled checks to CSU agencies.

Impact on Audit Division:

- Reduce volume of revolving fund transactions for claims audit review;
- Provide detailed audit trail support for claims reconciliation.

IMPLEMENTATION ISSUES

Payroll Expenditures:

There will be a period of transition during FY 2006-07 while campuses set up new accounts and business processes to move toward full operation within the CSU trust fund. Initially, campuses may continue to expense payroll through the general fund and reimburse the general fund through expenditure transfer to other funds, such as, housing, parking, continuing education, and other CSU trust funds. This method will continue until sufficient cash balance is available in trust to handle monthly payroll charges. At that point, campuses will submit new “headers” to switch payroll expenditures (TC37) to Fund 0948. From that point on, campuses will be responsible to maintain balances in State fund 0948 at the State treasury to cover monthly payroll. This transition can be phased in through a mutual agreement with the SCO.

Remittance of revenues:

Beginning July 1, 2006, campuses will have two options:

- remit student fee revenues to the State treasury in State fund 0948, CSU Trust fund, or
- deposit student fee moneys in local trust accounts outside the State Treasury.

In order to accumulate trust fund balances to the level needed for payroll, initially student fee revenues will be remitted to the State treasury in State fund 0948. Thereafter, funds will be remitted as needed to maintain balances for monthly payroll.

Payables and disbursements:

CSU campuses will use local trust bank accounts to process all disbursement activities including travel reimbursements and payments to vendors. This change will permit the adoption of a modern electronic disbursement processes using “positive pay file”, electronic reconciliation services, and on-line commercial banking resources for cancelled check maintenance.

Relevant Legal Citations: 2006-07 Budget Act; Education Code: § 89720-89725, § 89750-89760