

THE CALIFORNIA STATE UNIVERSITY
Office of the Chancellor
401 Golden Shore, 5th Floor
Long Beach, California 90802-4210
(562) 951-4610

Date: August 22, 2006 **Code:** AD NOAT 06-127

To: Financial Managers
Accounting Officers
Budget Officers

From: Mr. George V. Ashkar
Senior Director, Controller
Financial Services, Accounting

Subject: FY06/07 CONTINUING EDUCATION PROGRAM
INDIRECT COST ALLOCATION

Transfer Request: 069027
Legal Posting FY2006-07
GAAP Posting FY2006-07
(When GAAP year = Legal year, no GAAP entry is needed)

The Chancellor's Office will record the allocation of the Systemwide CERF Indirect costs on a quarterly basis via the Transfer Request listed above. The transfer request will charge CERF trust fund.

If you have any questions regarding the amount charged to your campus, please contact **Angelene Renaud at (562) 951-4613** or via e-mail at arenaud@calstate.edu.

GVA:AR:lm AD NOAT 06-127

Attachment A
Attachment B

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

June 22, 2006

BAKERSFIELD

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

FRESNO

FULLERTON

HAYWARD

HUMBOLDT

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

Dr. James E. Lyons, Sr., President
California State University, Dominguez Hills
Chair, CSU Commission on the Extended University
1000 East Victoria Street
Carson, CA 90747

Dear Jim:

Upon review and recommendation of staff, I am accepting the recommendations outlined in your correspondence of June 2, 2006. Specifically:

1. A budget of \$337,239 for the CSU Statewide Office of Extended Education.
2. A budget of \$250,950 for systemwide services provided by the Chancellor's Office to the Commission and campus Extended/Continuing units.
3. A budget of \$585,000 for the Commission on the Extended University.

The matter of campus deposits to the Continuing Education Revenue Fund (CERF) and interest generated from the State Money Investment Fund is currently under review, per Audit Report 05-13. However, we will distribute all interest accruing to appropriate campuses when a resolution is achieved.

Your leadership with the Commission is deeply appreciated. I look forward to working with you in the coming year on a variety of new programs and services.

With kind regards,

Sincerely,



Charles B. Reed
Chancellor

CBR/trf

PLAN FOR THE ALLOCATION OF THE SYSTEMWIDE ADMINISTRATIVE COST OF SUPPORTING THE CALIFORNIA STATE UNIVERSITY CONTINUING EDUCATION PROGRAM

In accordance with Executive Order 753, the following cost allocation plan will be implemented by the Chancellor's Office to distribute the direct and indirect costs of various central administrative services associated with the support of the systemwide Continuing Education Program. The attached schedule presents the planning estimate of the annual costs of facilities, goods, and services identified by the Chancellor's Office and chargeable to the Continuing Education program. This plan is effective for the fiscal period beginning July 1, 2006 through June 30, 2007.

I. DESCRIPTION OF FACILITIES, GOODS, AND SERVICES PROVIDED

The following services and associated costs are assigned to the on-going support and maintenance of the systemwide Continuing Education program:

Direct Cost Components

- | | | |
|------|---|--------------------|
| I. | State Pro Rata: | \$3,272,581 |
| | Allocation of costs of centralized administrative services provided by departments and agencies of the State of California to special revenue funded programs including CERF. | |
| II. | Commission on Extended Education: | \$585,000 |
| | Annual operating cost for support of the commission and its program activities. | |
| III. | Office of the Dean of Extended Education: | \$337,239 |
| | Annual operating cost of supporting the systemwide program office including staff, benefits, and program materials. | |
| IV. | Systemwide Accounting Services: | \$82,950 |
| | Annual operating expenses including salaries, benefits, and supplies for one full-time staff accountant assigned to the CERF program. | |

Indirect Cost Components

- | | | |
|----|--|------------------|
| V. | Chancellor's Office Operations: | \$168,000 |
| | <ul style="list-style-type: none">• B&F Executive Vice Chancellor
Allocated share of executive management services for systemwide legislative advocacy and program support.• Systemwide Budget Office
Allocated share of annual systemwide budget development and legislative support costs.• Systemwide Financial Services Office
Allocated share of annual cost of staff, benefits, space, and operating costs for centralized fiscal management services, agency-wide financial data systems maintenance, and consolidated Budgetary-legal and GAAP-basis financial reporting. | |

2. COST ALLOCATION PROCESS

The **annual billable amount** due from each campus for direct and indirect cost recovery will be calculated using the following methodology:

- a) The sum of assessable revenues reported by each campus in Continuing Education program funds/accounts during the prior fiscal year will be divided by the total revenue reported for all campuses during the same period to determine each campus' percentage share of total revenue.
- b) The percentage calculated in step a) will be multiplied by the total annual estimated cost of staff services, facilities, the commission, and other program support costs identified in Section 1 above to determine each campus' share of the **estimated annual administrative cost** for the current period (column A).
- c) The annual assessment for State Pro Rata will be allocated to each campus based upon its percentage share of systemwide prior year employer-paid retirement expenditures (column B).
- d) The sum of columns A + B equals the **annual indirect cost allocation** for each campus.
- e) The total **annual billable amount** for the prior period will be subtracted from the **total annual actual cost** from the prior period to determine the **prior year adjustment factor** (column C).
- f) The sum of the **annual indirect cost allocation** calculated in step d) will be added to the **prior year adjustment factor** calculated in step e) to determine the total **annual billable amount** due from each campus for the current period.

3. PAYMENT METHOD

The total **annual billable amount** due from each campus will be divided into four installments and "passed down" through quarterly trust fund expenditure transfer (ADNOAT/PFA) initiated by the Chancellor's Office. Each campus will be responsible to post the quarterly indirect cost assessments to the appropriate program, State/CSU fund, and campus accounts.

ATTACHMENT B
CONTINUING EDUCATION PROGRAM
Distribution of Systemwide Indirect Cost
FY 2006/2007

	A		B		A+B		C	D	A+B+C		
Campus	0573, 0580 & 0948 Revenue 4Qtr 05/06*	Commission ¹	Chancellor's Office Operations ¹	Total Administrative Costs	State ProRata ²	Total Indirect Cost Allocation	Prior Year Adjustment Factor	2004/05 Revenue Percentages	2006/07 Billable Amount	2006/07 Quarterly PFA	
Bakersfield	2,928,540	2.23%	13,044	13,115	26,158	73,720	99,878	(8,491)	1.89%	91,387	22,846.67
Channel Islands	1,053,709	0.80%	4,693	4,719	9,412	3,762	13,174	(1,707)	0.38%	11,467	2,866.65
Chico	1,686,558	1.28%	7,512	7,553	15,065	56,490	71,555	(6,874)	1.53%	64,681	16,170.13
Dominguez Hills	6,130,796	4.67%	27,306	27,455	54,761	229,693	284,454	(17,747)	3.95%	266,707	66,676.86
Fresno	3,464,820	2.64%	15,432	15,516	30,948	27,738	58,686	(15,995)	3.56%	42,692	10,672.94
Fullerton	9,131,034	6.95%	40,669	40,891	81,560	323,558	405,118	(42,862)	9.54%	362,256	90,563.99
East Bay	6,337,941	4.83%	28,229	28,383	56,611	104,299	160,910	(19,274)	4.29%	141,636	35,409.03
Humboldt	1,683,807	1.28%	7,500	7,540	15,040	44,846	59,886	(7,099)	1.58%	52,787	13,196.83
Long Beach	16,662,355	12.69%	74,213	74,618	148,831	415,596	564,427	(46,860)	10.43%	517,566	129,391.56
Los Angeles	3,654,069	2.78%	16,275	16,364	32,639	76,294	108,933	(13,119)	2.92%	95,814	23,953.39
Maritime Academy	519,257	0.40%	2,313	2,325	4,638	0	4,638	(1,483)	0.33%	3,155	788.86
Monterey Bay	900,485	0.69%	4,011	4,033	8,043	27,862	35,905	(2,606)	0.58%	33,299	8,324.85
Northridge	13,479,470	10.26%	60,037	60,364	120,401	334,990	455,391	(49,511)	11.02%	405,879	101,469.86
Pomona	2,164,672	1.65%	9,641	9,694	19,335	69,327	88,662	(8,357)	1.86%	80,305	20,076.37
Sacramento	15,747,410	11.99%	70,138	70,520	140,658	334,658	475,316	(48,523)	10.80%	426,793	106,698.36
San Bernardino	2,690,484	2.05%	11,983	12,049	24,032	108,689	132,721	(13,928)	3.10%	118,793	29,698.24
San Diego	9,677,235	7.37%	43,102	43,337	86,439	179,567	266,006	(26,867)	5.98%	239,138	59,784.57
San Francisco	10,702,181	8.15%	47,667	47,927	95,593	278,887	374,480	(28,664)	6.38%	345,816	86,454.03
San Jose	13,827,827	10.53%	61,588	61,924	123,512	310,269	433,781	(54,094)	12.04%	379,687	94,921.83
San Luis Obispo	1,998,436	1.52%	8,901	8,949	17,850	45,990	63,840	(5,122)	1.14%	58,718	14,679.62
San Marcos	1,411,098	1.07%	6,285	6,319	12,604	61,667	74,271	(8,222)	1.83%	66,049	16,512.31
Sonoma	4,633,651	3.53%	20,638	20,750	41,388	129,547	170,935	(14,602)	3.25%	156,334	39,083.43
Stanislaus	858,688	0.65%	3,825	3,845	7,670	35,132	42,802	(7,278)	1.62%	35,524	8,880.88
	\$ 131,344,522	100%	\$ 585,000	\$ 588,189	\$ 1,173,189	3,272,581	\$ 4,445,770	\$ (449,285)	100%	\$ 3,996,485	999,121.25

CSU Fund	441	441	441	441
FIRMS Object Codes	660025	660025	660025	660025
Offset	305022	305022	305022	305022
	Comm budget	Ed's Dept. budget	New Method Applied	Commission Refund

* Revenues collected in the Continuing Education Fund, Dorm Revenue Fund and Trust Fund applicable to the CE/EE program were included.

1 Numbers used for Commission Expense and Chancellor's Office Operations are budgeted amounts.

2 New Methodology applied in calculating State Pro Rata