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## Memorandum

B 06-01

**To:** Chief Fiscal Officers

*Patrick J. Lenz*

**From:** Patrick Lenz, Assistant Vice Chancellor for Budget Development  
Rodney Rideau, Budget Director *Rodney Rideau*

**cc:** Financial Officers, Budget Officers, Enrollment Managers,  
Financial Aid Directors

**Date:** March 9, 2006

**Subject:** 2006/07 Governor's Budget Allocations

**Attachments:** Visit <http://www.calstate.edu/budget/> Fiscal Year 2006/07 to view allocation spreadsheets related to this document

The following allocations are made for planning purposes for the 2006/07 fiscal year. The allocations in this memorandum are based on funding proposed in the Governor's January 2006 budget to the Legislature and the budget plan adopted by the CSU Board of Trustees at their October 2005 meeting. Any questions concerning this allocation memorandum should be directed to Rodney Rideau, Budget Director, at (562) 951-4560.

The budget allocation process for 2006/07 will be influenced by three significant changes in CSU budgeting:

- A new marginal cost methodology has been proposed by the Governor to fund enrollment growth at CSU and UC. The new methodology is generally based on an average cost approach for instruction-related programs and the expectation that all revenue from student fees will be used to fund enrollment growth. The methodology proposed by the Governor recognizes that nonresident students fully fund their instructional cost and funds growth-related maintenance of plant.
- The graduate unit load is recognized in the Governor's Budget as 12 units for a full-time equivalent student.



- The Governor's Budget supports the deposit of CSU student fee revenue into local trust accounts

These changes have required adjustments in the allocation process that deviate from past practice. As such, allocations made for 2006/07 will be transitional as the university works through the implementation of these budgetary changes. The process established for 2007/08 and future budget allocations will be influenced by the analysis of budget data received in 2006/07. Because the budget allocation process for 2006/07 requires several significant adjustments, this Governor's Budget allocation memorandum has been designed to explain each adjustment in detail.

#### Summary of 2006/07 Governor's Budget Revenue Allocations: 2005/06 Final Budget versus 2006/07 Governor's Budget

	General Fund			State University Fee			Other Fees and Reimbursements unchanged Campus 2005/06 FIRMS Submission
				Campus 2005/06 FIRMS Budget Submission	Campus FIRMS w/ 2006/07 Budget Plan Increase	Campus FIRMS w/ 2006/07 Budget Plan Increase	
	2005/06 Allocation	Budget Plan Adjustments	2006/07 Allocation	Budget Submission	Budget Plan Increase	Budget Plan Increase	
Bakersfield	\$54,567,280	\$2,443,200	\$57,010,480	\$19,346,954	\$462,000	\$19,808,954	\$1,456,789
Channel Islands	29,884,210	5,378,600	35,262,810	4,753,683	1,743,000	6,496,683	285,050
Chico	107,406,300	5,899,310	113,305,610	40,343,000	754,000	41,097,000	8,686,357
Dominguez Hills	66,973,470	2,015,420	68,988,890	33,269,000	0	33,269,000	4,753,012
East Bay	81,509,700	3,788,530	85,298,230	35,909,408	0	35,909,408	9,919,821
Fresno	133,028,700	6,129,540	139,158,240	49,827,000	634,000	50,461,000	8,124,700
Fullerton	149,312,220	7,135,910	156,448,130	80,661,400	2,080,000	82,741,400	18,182,197
Humboldt	68,755,676	2,072,970	70,828,646	19,062,076	0	19,062,076	5,220,276
Long Beach	177,735,040	12,073,000	189,808,040	85,000,000	2,207,000	87,207,000	23,414,960
Los Angeles	116,825,340	6,380,080	123,205,420	56,826,564	967,000	57,793,564	7,492,981
Maritime Academy	14,351,400	1,177,640	15,529,040	1,522,080	152,000	1,674,080	1,421,405
Monterey Bay	46,617,600	2,767,590	49,385,190	8,922,838	573,000	9,495,838	1,144,080
Northridge	165,297,980	11,847,870	177,145,850	76,679,000	3,283,000	79,962,000	15,388,723
Pomona	129,173,000	8,016,180	137,189,180	49,785,667	999,000	50,784,667	10,569,296
Sacramento	148,849,500	4,692,730	153,542,230	66,444,000	1,916,000	68,360,000	5,842,739
San Bernardino	91,942,110	4,305,810	96,247,920	42,000,000	1,268,000	43,268,000	6,364,929
San Diego	192,540,150	13,281,680	205,821,830	82,483,000	1,927,000	84,410,000	23,417,671
San Francisco	143,302,700	12,336,200	155,638,900	73,979,600	432,000	74,411,600	17,935,480
San Jose	150,558,500	9,414,790	159,973,290	72,180,000	926,000	73,106,000	14,157,052
San Luis Obispo	129,995,900	9,442,030	139,437,930	44,756,145	1,079,000	45,835,145	11,896,944
San Marcos	54,364,480	3,267,730	57,632,210	17,766,914	1,216,000	18,982,914	2,306,591
Sonoma	54,301,344	4,823,010	59,124,354	18,870,000	823,000	19,693,000	2,630,000
Stanislaus	53,683,980	1,982,850	55,666,830	19,590,688	250,000	19,840,688	3,189,391
<b>Campus Total</b>	<b>\$2,360,976,580</b>	<b>\$140,672,670</b>	<b>\$2,501,649,250</b>	<b>\$999,979,017</b>	<b>\$23,691,000</b>	<b>\$1,023,670,017</b>	<b>\$203,800,444</b>
Chancellor's Office	67,802,501	4,274,704	72,077,205	0	273,000	273,000	0
International Programs	3,077,699	(439,000)	2,638,699	1,512,870	(168,000)	1,344,870	0
Summer Arts	148,800	(43,000)	105,800	0	43,000	43,000	0
Systemwide Provisions	183,114,420	19,531,626	202,646,046	0	0	0	0
<b>CSU System Total</b>	<b>\$2,615,120,000</b>	<b>\$163,997,000</b>	<b>\$2,779,117,000</b>	<b>\$1,001,491,887</b>	<b>\$23,839,000</b>	<b>\$1,025,330,887</b>	<b>\$203,800,444</b>




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## Base Budget Adjustments

Base budget adjustments are changes required to address modifications to the Final Budget allocation campuses received for the 2005/06 fiscal year. Please reference B 05-04 to view the 2005/06 Final Budget General Fund allocation.

**Retirement Adjustment.** The Final Budget allocation to CSU totaled \$2,615,120,000 in the 2005/06 Final Budget. That allocation was adjusted in February 2006 to reduce the General Fund allocation by \$22,490,000 to reflect the reduced cost of employer-paid contributions to CALPERS for employee retirement. The adjustment by campus is based on budgeted General Fund salaries in the 2005/06 campus FIRMS Final Budget submissions received in August 2005. The table below shows the reduction by campus.

Bakersfield	(\$456,000)
Channel Islands	(254,000)
Chico	(933,000)
Dominguez Hills	(607,000)
East Bay	(729,000)
Fresno	(1,162,000)
Fullerton	(1,548,000)
Humboldt	(553,000)
Long Beach	(1,787,000)
Los Angeles	(1,100,000)
Maritime Academy	(121,000)
Monterey Bay	(315,000)
Northridge	(1,652,000)
Pomona	(1,212,000)
Sacramento	(1,383,000)
San Bernardino	(815,000)
San Diego	(1,825,000)
San Francisco	(1,520,000)
San Jose	(1,478,000)
San Luis Obispo	(1,166,000)
San Marcos	(448,000)
Sonoma	(501,000)
Stanislaus	(469,000)
<b>Campus Total</b>	<b>(\$22,034,000)</b>
Chancellor's Office	(456,000)

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***Auxiliary Auditor and Whistleblower Investigator Services.*** Campus General Fund budgets will also be reduced to fund permanent charge-backs for Auxiliary Auditor and Whistleblower Investigator services provided by the Chancellor's Office. The charge-backs were prorated for each campus based on its percentage share of total the \$2,615,120,000 General Fund allocation made in the 2005/06 Final Budget. The Trustee Auditor and the Vice Chancellor for Human Resources calculated the total cost requirement for these services. The charge-backs by campus are present in the following table.

	<i>Auxiliary Auditors</i>	<i>Whistleblower Investigators</i>
Bakersfield	(\$4,800)	(\$6,200)
Channel Islands	(2,600)	(3,400)
Chico	(9,400)	(12,200)
Dominguez Hills	(5,800)	(7,500)
East Bay	(7,100)	(9,200)
Fresno	(11,600)	(15,000)
Fullerton	(13,100)	(17,000)
Humboldt	(6,000)	(7,800)
Long Beach	(15,500)	(20,000)
Los Angeles	(10,200)	(13,200)
Maritime Academy	(1,300)	(1,600)
Monterey Bay	(4,100)	(5,300)
Northridge	(14,400)	(18,700)
Pomona	(11,300)	(14,600)
Sacramento	(12,900)	(16,700)
San Bernardino	(7,900)	(10,300)
San Diego	(16,900)	(21,900)
San Francisco	(12,500)	(16,200)
San Jose	(13,100)	(16,900)
San Luis Obispo	(11,400)	(14,700)
San Marcos	(4,700)	(6,100)
Sonoma	(4,700)	(6,100)
Stanislaus	(4,700)	(6,100)
<b>Campus Total</b>	<b>(\$206,000)</b>	<b>(\$266,700)</b>

***Managing Student Fee Income in Local Trusts.*** The Governor's Budget also includes an accounting adjustment that will authorize CSU to deposit and manage student fee revenue in local trust accounts. This adjustment was approved by the Governor to improve budget and accounting processes at the university. In accepting the fee revenue trust authority, CSU agreed to keep the fund shift revenue neutral to the state – which requires an annual payment to the state for lost interest income. CSU will calculate the interest cost annually, and incremental changes to fund the interest payment to the state will be made as campus base budget adjustments. The interest payment calculated for the 2006/07 fiscal year is \$5 million and it has been prorated by campus based on the percentage share of student fee revenue budgeted in campus-reported FIRMS 2005/06 Final Budget submissions. The following table shows the interest payment charge-back by campus.




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**Campus Assessments for Student Fee Revenue Interest Earnings**

	Campus Projected Revenue	Interest Earnings Chargeback
Bakersfield	\$20,803,700	(\$86,300)
Channel Islands	5,038,700	(20,900)
Chico	49,029,400	(203,390)
Dominguez Hills	38,022,000	(157,730)
East Bay	45,829,200	(190,120)
Fresno	57,951,700	(240,410)
Fullerton	98,843,600	(410,040)
Humboldt	24,282,400	(100,730)
Long Beach	108,415,000	(449,750)
Los Angeles	64,319,500	(266,820)
Maritime Academy	2,943,500	(12,210)
Monterey Bay	10,066,900	(41,760)
Northridge	92,067,700	(381,930)
Pomona	60,355,000	(250,370)
Sacramento	72,286,700	(299,870)
San Bernardino	48,364,900	(200,640)
San Diego	105,900,700	(439,320)
San Francisco	91,915,100	(381,300)
San Jose	86,337,100	(358,160)
San Luis Obispo	56,653,100	(235,020)
San Marcos	20,073,500	(83,270)
Sonoma	21,500,000	(89,190)
Stanislaus	22,780,100	(94,500)
<b>Campus Total</b>	<b>\$1,203,779,500</b>	<b>(\$4,993,730)</b>
Chancellor's Office	1,512,900	(6,270)
International Programs		
Summer Arts		
Systemwide Provisions		
<b>CSU System Total</b>	<b>\$1,205,292,400</b>	<b>(\$5,000,000)</b>

**Other Base Budget Adjustments:** In addition to these campus adjustments, the 2005/06 Final Budget appropriation to CSU is reduced by \$7 million to remove one-time funds provided for CSU outreach programs. CSU is requesting restoration of these funds on a permanent basis in the legislative budget process. The base budget has also been increased to reflect funding CSU received to expand Master's level nursing instruction, increased General Fund lease bond debt-service costs, and increases in annuitants' dental benefit payments, the lower projected cost of annuitant dental premium payments. Additionally, a base budget adjustment has been made to

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transfer administration of the California Articulation Number program from the Sacramento campus to the Chancellor's Office. Funds have also been permanently transferred to the Chancellor's Office to support costs central Academic Affairs support services.

### Summary of 2006/07 Base Budget Adjustments

<b>Final Budget General Fund Appropriation</b>	<b>\$2,615,120,000</b>
<i>Reduction in 2005/06 Employer-Paid Retirement Costs</i>	(22,490,000)
<i>Supplemental Appropriation for MSN Nursing Programs</i>	1,720,000
<i>Increased General Fund Cost for Lease revenue Bond Debt Service</i>	2,929,000
<i>Increased Cost of Annuitant Dental Premiums</i>	1,504,000
<i>Removal of One-Time 2005/06 Academic Preparation/Outreach Funding</i>	(7,000,000)
<i>State Student Fee Revenue Interest Earnings Reimbursement</i>	(5,000,000)
<i>Total, General Fund Adjustments</i>	(28,337,000)
<b>2006/07 General Fund Base</b>	<b>\$2,586,783,000</b>
<b>Additional Campus and Chancellor's Office Adjustments</b>	
<i>Auxiliary Audit and Whistleblower Investigator Chargebacks</i>	\$472,700
<i>California Articulation Number Administration</i>	\$155,000
<i>CSU Financial Aid Billing Systems</i>	\$62,374
<i>Net Impact on CSU General Fund Base = \$0.00</i>	

### 2006/07 Budget Plan Expenditure Increases

Expenditure increases for the 2006/07 fiscal year are made on the assumption \$216,175,000 in new revenue will be appropriated by the state and collected in State University Fee income. The General Fund expectation, \$192,334,000, includes \$54.4 million to buy down fee rate increases for all students, \$61 million to fund 2.5% enrollment growth at the rate of \$7,187 per FTES (which is what the expected rate should be once a technical correction in the CSU marginal cost calculation the Department of Finance has recognized is made at May Revise), \$75.8 million to support a 3% increase in general operations costs, and \$1.1 million to expand the CSU Math/Science Teacher Recruitment Initiative.

Additionally, State University Fee income is expected to increase by \$23.8 million as a result of 2.5% enrollment growth funded for the fiscal year. The student fee revenue projection is lower than the Governor's Budget estimate of \$26 million due to changes in campus enrollment patterns resulting from suspension of Summer 2004 state-supported programs and missed enrollment targets in 2004/05. Also, the decision was made not to adjust campus headcount numbers in the revenue calculation process as a result of the change in graduate unit load FTES. As previously noted, budget allocation decisions for the 2006/07 campus allocation process are in transition and will be reviewed following an analysis of data reported for 2006/07.

A comparison of 2006/07 Governor's Budget and CSU requested General Fund changes are shown on the following table.

**BUDGET FACT SHEET***2006/07 Governor's Budget*

	<b>Gov. Bgt.</b>	<b>BOT Budget</b>	<b>Change</b>
CSU General Fund Base ( <i>includes retirement and lease bond adjustments</i> )	\$2,597,279,000	\$2,592,630,000	\$4,649,000
Remove \$7 million One-Time 2005/06 Outreach Funding	(7,000,000)		(7,000,000)
Annuitant Dental Benefit	1,504,000		1,504,000
Fee Revenue Fund Transfer Offset	(5,000,000)		(5,000,000)
Adjusted 2005/06 General Fund Base	<u>\$2,586,783,000</u>	<u>\$2,592,630,000</u>	<u>(\$5,847,000)</u>
Provide 3% Compact General Fund Increase	75,815,000	75,803,000	12,000
Increase 2006/07 FTES Enrollment Target by 2.5% (8,490 FTES)	61,018,000	52,660,000	8,358,000
Buy Out Scheduled 2006/07 Fee Rate Increases	54,386,000		54,386,000
Math/Science Teacher Recruitment Initiative	1,115,000		1,115,000
2006/07 New General Fund Appropriations	<u>\$192,334,000</u>	<u>\$128,463,000</u>	<u>\$63,871,000</u>
<b>2006/07 CSU General Fund Appropriation</b>	<b><u>\$2,779,117,000</u></b>	<b><u>\$2,721,093,000</u></b>	<b><u>\$58,024,000</u></b>
<b>General Fund Percentage Change over 2005/06 Revised Base</b>	<b>7.4%</b>	<b>5.0%</b>	

**Mandatory Costs**

Mandatory costs are expenditure obligations the university must pay whether or not funding is received from the State or student fee income. Mandatory cost obligations identified in the CSU budget plan for 2006/07 include increases in employer-paid health benefits premium costs, service-based salary increases negotiated through collective bargaining, energy cost increases, and funding required to open and maintain new and/or renovated facility space.

**Health Benefits.** The CSU Support Budget Documentation book (available for viewing on-line at [http://www.calstate.edu/budget/2006\\_07BudIndex/supportbdgt\\_book2/index.shtml](http://www.calstate.edu/budget/2006_07BudIndex/supportbdgt_book2/index.shtml)) discusses changes in Government Code health care contribution rates that have increased CSU costs. Campus expenditure increases to cover incremental costs have been prorated on the basis of their percentage share of reported 2004/05 General Fund health benefits expenditures.

**Service-based Salary Increases.** Of the \$4 million allocated for 2006/07 employee service-based salary increases (SSIs), most (\$3.9 million) results from SSIs included in the CSU Employee Union (CSUEU) 2005/06 bargaining agreement. SSI allocations have been made on the basis of campus employees in the affected bargaining units.

**Energy Costs.** The current estimate of utilities (electricity, natural gas, water/sewer) cost increases for 2006/07 is \$8.5 million. The CSU budget plan currently provides \$4.3 million to assist campuses with half of the projected increase. The budget plan increase has been allocated to campuses on their proportional share of custodial square footage (SQF4) included in the 2005/06 Capital Planning Design and Construction facility database for main campus and off-campus sites.

**New Space.** The new marginal cost of instruction methodology proposed in the Governor's Budget to fund enrollment growth includes a component for operations and maintenance of the physical plant. This component was added to address previously unrecognized cost associated with the opening of new facility space designed to maintain existing enrollment levels and accommodate growth. Before this marginal cost change, CSU dedicated a portion of budget year revenue associated with the cost of general operations to this mandatory cost obligation. With the



recognition of this cost in the marginal cost methodology, the budget allocation for new space identifies the distribution of marginal cost revenue and the supplement need for general operating support from Compact resources to fund the budget plan cost increase of \$6,548,000. The marginal cost rate used to fund New Space is \$548 per FTES (\$443 in General Fund support and \$105 in fee revenue support), which has been combined with Compact resources to fund new space at campuses with budget year need at \$8.42 per square foot. Campuses facilities with New Space need are identified on pages 15 and 16 of the CSU 2006/07 Support Budget Documentation book.

Total Governor's Budget mandatory cost allocations are identified on the following table.

	<b>Mandatory Costs</b>			
	Health Benefits	SSI Costs	Energy Costs	New Space
Bakersfield	\$402,000	\$71,800	\$86,300	\$0
Channel Islands	188,000	39,200	35,400	150,000
Chico	910,000	171,200	190,800	1,089,000
Dominguez Hills	514,000	105,900	99,700	0
East Bay	621,000	148,300	144,600	575,000
Fresno	965,000	199,800	214,500	0
Fullerton	1,222,000	251,300	285,300	0
Humboldt	546,000	105,400	131,200	381,000
Long Beach	1,372,000	275,300	332,800	0
Los Angeles	832,000	165,900	233,900	896,000
Maritime Academy	100,000	14,900	43,500	31,000
Monterey Bay	295,000	69,300	63,400	130,000
Northridge	1,363,000	282,600	279,700	218,000
Pomona	954,000	210,800	221,400	282,000
Sacramento	1,197,000	206,100	230,500	0
San Bernardino	743,000	158,100	176,500	0
San Diego	1,508,000	316,500	373,800	0
San Francisco	1,172,000	270,300	265,000	313,000
San Jose	1,185,000	237,200	334,500	635,000
San Luis Obispo	1,064,000	228,200	270,600	917,000
San Marcos	398,000	78,800	96,700	0
Sonoma	476,000	87,500	103,600	931,000
Stanislaus	429,000	76,700	102,300	0
<b>Campus Total</b>	<b>\$18,456,000</b>	<b>\$3,771,100</b>	<b>\$4,316,000</b>	<b>\$6,548,000</b>
Chancellor's Office	253,000	97,900		
International Programs				
Summer Arts				
Systemwide Provisions		187,000	(132,000)	
<b>CSU System Total</b>	<b>\$18,709,000</b>	<b>\$4,056,000</b>	<b>\$4,184,000</b>	<b>\$6,548,000</b>





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## Enrollment Funding

The Board of Trustees budget request was based on 2.5 percent FTES enrollment growth above the 2005/06 budgeted targeted of 332,223 FTES. This was an 8,306 FTES increase for the budget year that assumed a full-time equivalent graduate student unit load of 15 units per term. The budget request was also based on the current marginal cost methodology approved in 1996/97 (which CSU modified to include the actual new hire salary rate for faculty) that assumes a student fee share of cost based on the percentage share of State University Fee revenue to total General Fund-supported operations.

The Governor's Budget includes several changes in the original Board-approved budget assumptions.

1. The graduate unit load for a full-time equivalent student was changed, as requested by CSU, to 12 units per term. This resulted in a revised enrollment growth expectation of 8,490 FTES once the graduate unit loads for base enrollments and planned growth were re-benched from 15 units.
2. The Governor's Budget proposes a new marginal cost methodology that incorporates the average cost of CSU instruction-related programs, recognizes all student fee income (State University Fee, Nonresident Tuition, Application Fees, etc) used for CSU budgeted expenditures, adjusts out indirect educational programs (museums, public service, research), and excludes fee-supported program costs and nonresident student enrollment in the average cost calculation to determine state General Fund support.
3. A Plant Operations component was specifically included in the enrollment funding methodology to recognize the cost of opening new space to maintain existing enrollment levels and accommodate enrollment growth.
4. No specific reference is made to budgeted student faculty ratio

The Governor's Budget enrollment funding methodology results in a state General Fund cost of \$7,187 per FTES for enrollment growth in 2006/07. This rate assumes a technical correction in the calculation for funding 2006/07 growth will be made at May Revise. The Governor's Budget also assumes \$2,765 in student fee income per FTES, which is based on fee income from all student fee revenue sources.

For the 2006/07 transitional year, the budget allocation process modifies the Governor's proposed enrollment funding model to resemble the CSU enrollment funding methodology that has been used for the past ten years. As shown on the following table, actual funding for enrollment growth will continue to be based on one-rate FTES funding that combines both graduate and undergraduate student classifications, the most recently-reported new hire faculty salary cost, an 18.9 Student Faculty Ratio, and instruction-related program areas that do not include plant maintenance. The methodology also uses only State University Fee income in the gross funding allocation.

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The only significant adjustments to the previous methodology are (1) using only resident student FTES in the cost calculation, (2) adjusting the fixed rate discounts to eliminate the 10 percent discount for instructional support, reduce the academic support discount by 5 percent, and reduce the student services discount by 10 percent, and (3) reflect the actual cost of Teaching Assistants.

2005/06 Components		Average Per Student	Discount	Marginal Rate Per Student	Gross Marginal Dollars
Faculty Salary (Per Student FTE @ 18.9:1)	\$64,009	\$3,387		\$3,387	\$28,756,000
Faculty Benefits (Per Student FTE @ 18.9:1)	22,832	1,208		1,208	10,256,000
Teaching Assistants (Per Student FTE @ 44:1)	10,053	228		228	1,936,000
Instructional Support Total FTE Students Per Student	284,487,605 328,831	865	0%	865	7,344,000
Instructional Equipment Total FTE Students Per Student	42,471,747 328,831	129		129	1,095,000
Academic Support Total FTE Students Per Student	477,219,226 328,831	1,451	-10%	1,306	11,088,000
Student Services Total FTE Students Per Student	364,501,152 328,831	1,108	-10%	997	8,465,000
Institutional Support Total FTE Students Per Student	515,964,957 328,831	1,569	-35%	1,020	8,660,000
<b>Total Enrollment Funding</b>		\$9,945		\$9,140	\$77,599,000
Less: Fee Revenue		-2,607		-2,396	-20,342,000
<b>General Fund Support</b>		<u>\$7,338</u>		<u>\$6,744</u>	<u>\$57,257,000</u>



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Enrollment funding for 2006/07 FTES growth is allocated for Compact enrollment growth of 2.5 percent over 2005/06 funded targets, State University Grant financial aid for enrollment growth and changes in base student financial need, supplemental appropriations CSU received to expand enrollment in Master's of Nursing Science graduate programs, and the recruitment and training of new Math/Science teacher credential candidates.

**Compact Enrollment Growth.** Campus 2006/07 enrollment targets were established in consultation with campus presidents in late February. Compact enrollment growth is funded at a General Fund cost of \$6,744 per FTES for all enrollment growth, undergraduate, graduate and postbaccalaureate (\$7,187 - \$443 used for New Space funding). The Governor's Budget proposed marginal cost methodology calls for future increases to the 2006/07 marginal cost rate to be based on the percentage change provided by the Compact agreement for general operating increase at CSU.

The Compact enrollment allocation also assumes \$2,396 per FTES will be collected in student fee revenue, which reflects a 26.21 percent State University Fee revenue share of 2005/06 budgeted general operating costs. CSU fee policy calls for one-third of the marginal cost revenue, \$799 per FTES, to be set-aside for the CSU State University Grant financial aid program. However, although the changes in the marginal funding methodology incorporates significantly different assumptions regarding resident and graduate FTES, the budget plan for 2006/07 continues to assume no change in CSU headcount enrollment assumptions. Consequently, the budget plan uses a set-aside rate of \$735 per FTES to increase the State University Grant pool by \$6.2 million as originally called for in the Board-approved budget plan. The marginal cost fee set-aside is shown for informational purposes only. Expenditure adjustments related to the set-aside and change in need are shown in the allocation plan as the 2006/07 SUG Adjustment.

The remaining \$1,597 of marginal cost fee revenue ( $\$2,396 - \$799 = \$1,597$ ) has been allocated for general instructional-related enrollment growth costs. The program areas of Instruction, Academic Support, Student Services, and Institutional Support as well as programmatic cost related to instructional equipment and teaching assistants are all considered components of CSU enrollment growth funding.

Each campus has been advised of their graduate student enrollment assumed in the 2006/07 CSU enrollment target of 348,262 FTES. For budget and college year enrollment reporting purposes, campuses should only be concerned with meeting their overall 2006/07 enrollment target, regardless of student classification. Although one-rate for FTES enrollment growth is used in the CSU budget allocation process, campuses may utilize internal processes to fund enrollment growth by whatever funding model is appropriate for the classification of student instruction provided.

Campus 2.5 percent enrollment growth increases (which assume a 12 unit graduate FTES), marginal cost enrollment growth funding, fee revenue financial aid set-aside, and changes in State University Grant allocations are shown on the following table.

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### 2006/07 Compact Enrollment Growth Allocations

	FTES Growth	Marginal Cost			SUG Adjustment
		<i>General</i>	<i>Fee</i>		
		<i>Fund</i>	<i>Fee Revenue</i>	<i>Set-Aside</i>	
Bakersfield	101	\$681,000	\$161,000	(\$74,000)	\$218,600
Channel Islands	686	4,626,000	1,096,000	(504,000)	428,400
Chico	221	1,490,000	353,000	(162,000)	321,800
Dominguez Hills	2	13,000	3,000	(1,000)	(320,700)
East Bay	0	0	0	0	434,300
Fresno	309	2,084,000	493,000	(227,000)	(232,400)
Fullerton	758	5,112,000	1,211,000	(557,000)	(2,503,200)
Humboldt	0	0	0	0	(497,100)
Long Beach	704	4,748,000	1,124,000	(517,000)	2,115,900
Los Angeles	5	34,000	8,000	(4,000)	2,381,500
Maritime Academy	97	654,000	155,000	(71,000)	36,100
Monterey Bay	226	1,524,000	361,000	(166,000)	76,300
Northridge	1,126	7,594,000	1,798,000	(828,000)	(186,400)
Pomona	409	2,758,000	653,000	(301,000)	1,220,000
Sacramento	255	1,720,000	407,000	(187,000)	(696,300)
San Bernardino	409	2,758,000	653,000	(301,000)	(829,200)
San Diego	849	5,726,000	1,356,000	(624,000)	1,756,000
San Francisco	607	4,094,000	969,000	(446,000)	1,866,000
San Jose	373	2,516,000	596,000	(274,000)	1,284,500
San Luis Obispo	568	3,831,000	907,000	(417,000)	204,600
San Marcos	393	2,650,000	628,000	(289,000)	(417,700)
Sonoma	317	2,138,000	506,000	(233,000)	(2,900)
Stanislaus	133	897,000	212,000	(98,000)	(420,100)
<b>Campus Total</b>	<b>8,548</b>	<b>\$57,648,000</b>	<b>\$13,650,000</b>	<b>(\$6,281,000)</b>	<b>\$6,238,000</b>
Chancellor's Office	15	101,000	24,000	(11,000)	
International Programs	(73)	(492,000)	(115,000)	54,000	
Summer Arts	0	0	0	0	
Systemwide Provisions				6,238,000	(6,238,000)
<b>CSU System Total</b>	<b>8,490</b>	<b>\$57,257,000</b>	<b>\$13,559,000</b>	<b>\$0</b>	<b>\$0</b>

State University Grant (SUG) allocations for 2006/07 are based on the actual distribution of the most financially needy students – those with Expected Family Contributions (EFCs) of \$4,000 and lower, and the funds required to cover payment of their State University Fee after allowances for fee waivers and Cal Grant fee awards. While the allocation methodology concentrates on the most needy students and coverage of only the State University Fee, systemwide policy and campus



awarding practices recognize a broader population of SUG-eligible students and the potential for awarding individual students amounts up to \$3,600 per academic year for full-time enrollment. The distributions have been adjusted to reflect the student fee levels proposed in the Governor's Budget for 2006/07 and adjustments have been made for 2006/07 enrollment targets.

The adjustments shown in the Compact enrollment table for SUGs are a preliminary projection of changes that will occur in campus fiscal year 2005/06 budgeted SUG allocations. Final decisions on campus SUG allocations will be made after 2005/06 financial aid reports have been analyzed. Consequently, campuses are only authorized to commit 90 percent of their projected SUG allocation when making initial financial aid awarding decisions. The table on page 14 shows changes in budgeted SUG allocations and the 90 percent award pool campuses should use in initial allocations. Questions concerning SUG allocations should be directed to Mary Robinson at (562) 951-4737.

**MSN Graduate Nursing Program.** The 2005/06 Final Budget included \$2.3 million to grow CSU entry-level Master's nursing programs by 410 FTES. Of this total increase, 280 FTES were to be included in the 2.5 percent Compact enrollment growth target for 2006/07. CSU received a marginal cost funding supplement of \$2,000 over the 2005/06 State share of marginal cost funding for each of these 280 FTES to recognize the higher cost differential of the graduate nursing program. To expand enrollments in these programs above planned growth targets by 130 FTES (which was re-benched in the 2006/07 budget process to 163 FTES), the state provided \$13,231 per FTES in accordance with the provisions of SB 73, that advanced graduate nursing program support at CSU to levels of support provided at the University of California. Master's level program instruction and training are identical in the two systems.

	MSN Nursing			
	<i>Within Target</i>	Above Target	General Fund	SUF Revenue
Bakersfield	16	8	\$137,800	\$34,000
Dominguez Hills	16	8	137,800	34,000
Fresno	41	19	333,400	78,000
Fullerton	41	19	333,400	85,000
Long Beach	35	15	268,500	65,000
Los Angeles	33	15	264,500	64,000
Sacramento	41	19	333,400	76,000
San Francisco	41	19	333,400	82,000
Sonoma	16	8	137,800	35,000
<b>Campus Total</b>	280	130	\$2,280,000	\$553,000

Nine campuses that presented proposals to expand graduate nursing instruction received funding for one-time program costs in 2005/06. This funding has been permanently allocated in the 2006/07 budget process as General Fund increases based on the FTES funding rates identified above. Additionally, \$553,000 in fee revenue associated with the 130 FTES (re-benched to 163 FTES) enrollment growth above the 2.5 percent targets has been allocated for MSN program expenditures at those nine campuses.



Preliminary 2006/07 State University Grant Allocations

Campus	2005/06 Allocations		Preliminary 2006/07 Allocations With Proposed Fee Increases & Enrollment Adjustments	
	Dollars	Pct	Dollars	Pct
	From Final Budget - July 2005		Priority Group Based on 2004/05 Final Database and 2006/07 Fee Levels	
	Dollars	Pct	Dollars	Pct
Bakersfield	5,954,100	2.56%	5,424,901	2.54%
Channel Islands	1,162,500	0.50%	1,105,923	0.52%
Chico	9,632,400	4.14%	8,969,808	4.19%
Dominguez Hills	10,996,300	4.73%	9,473,571	4.43%
East Bay	7,995,800	3.44%	7,495,847	3.50%
Fresno	13,265,700	5.70%	11,960,660	5.59%
Fullerton	15,259,400	6.56%	11,991,689	5.61%
Humboldt	6,925,400	2.98%	5,765,323	2.70%
Long Beach	19,204,200	8.26%	19,002,138	8.88%
Los Angeles	15,759,100	6.77%	15,914,567	7.44%
Maritime Academy	267,300	0.12%	275,074	0.13%
Monterey Bay	2,255,200	0.97%	2,030,329	0.95%
Northridge	19,022,100	8.18%	16,834,435	7.87%
Pomona	11,787,100	5.07%	11,332,901	5.30%
Sacramento	15,062,600	6.48%	12,946,312	6.05%
San Bernardino	13,903,100	5.98%	11,573,055	5.41%
San Diego	15,500,700	6.66%	15,398,190	7.20%
San Francisco	17,488,100	7.52%	17,692,928	8.27%
San Jose	13,191,700	5.67%	13,082,586	6.12%
San Luis Obispo	6,066,000	2.61%	5,713,171	2.67%
San Marcos	3,869,500	1.66%	3,053,131	1.43%
Sonoma	3,046,200	1.31%	2,668,289	1.25%
Stanislaus	5,023,300	2.16%	4,194,948	1.96%
Total	232,637,800	100.00%	213,899,776	100.00%
			Priority Group Adjusted to Reflect 2006/07 Enrollment Estimates	
	Dollars	Pct	Dollars	Pct
Bakersfield	5,783,138	2.58%	5,555,400	2.58%
Channel Islands	1,490,665	0.67%	1,431,900	0.67%
Chico	9,327,365	4.17%	8,958,700	4.17%
Dominguez Hills	10,004,314	4.47%	9,608,000	4.47%
East Bay	7,899,174	3.53%	7,587,100	3.53%
Fresno	12,213,576	5.46%	11,730,000	5.46%
Fullerton	11,953,129	5.34%	11,480,600	5.34%
Humboldt	6,024,312	2.69%	5,785,400	2.69%
Long Beach	19,978,263	8.93%	19,188,100	8.93%
Los Angeles	16,997,803	7.59%	16,326,500	7.59%
Maritime Academy	284,422	0.13%	273,000	0.13%
Monterey Bay	2,184,691	0.98%	2,098,300	0.98%
Northridge	17,649,663	7.89%	16,952,200	7.89%
Pomona	12,188,419	5.45%	11,706,300	5.45%
Sacramento	13,462,418	6.01%	12,929,600	6.01%
San Bernardino	12,250,219	5.47%	11,766,500	5.47%
San Diego	16,170,113	7.22%	15,531,100	7.22%
San Francisco	18,134,291	8.10%	17,418,700	8.10%
San Jose	13,565,023	6.06%	13,028,500	6.06%
San Luis Obispo	5,874,895	2.62%	5,643,600	2.63%
San Marcos	3,234,679	1.45%	3,106,600	1.45%
Sonoma	2,851,162	1.27%	2,739,000	1.27%
Stanislaus	4,314,364	1.93%	4,142,900	1.93%
Total	223,836,098	100.00%	214,988,000	100.00%
			Estimated Final 2006/07 Allocation	
	Dollars	Pct	Dollars	Pct
Bakersfield	6,172,700	2.58%	6,172,700	2.58%
Channel Islands	1,590,900	0.67%	1,590,900	0.67%
Chico	9,954,200	4.17%	9,954,200	4.17%
Dominguez Hills	10,675,600	4.47%	10,675,600	4.47%
East Bay	8,430,100	3.53%	8,430,100	3.53%
Fresno	13,033,300	5.46%	13,033,300	5.46%
Fullerton	12,756,200	5.34%	12,756,200	5.34%
Humboldt	6,428,300	2.69%	6,428,300	2.69%
Long Beach	21,320,100	8.93%	21,320,100	8.93%
Los Angeles	18,140,600	7.59%	18,140,600	7.59%
Maritime Academy	303,400	0.13%	303,400	0.13%
Monterey Bay	2,331,500	0.98%	2,331,500	0.98%
Northridge	18,835,700	7.89%	18,835,700	7.89%
Pomona	13,007,100	5.45%	13,007,100	5.45%
Sacramento	14,366,300	6.01%	14,366,300	6.01%
San Bernardino	13,073,900	5.47%	13,073,900	5.47%
San Diego	17,256,700	7.22%	17,256,700	7.22%
San Francisco	19,354,100	8.10%	19,354,100	8.10%
San Jose	14,476,200	6.06%	14,476,200	6.06%
San Luis Obispo	6,270,600	2.63%	6,270,600	2.63%
San Marcos	3,451,800	1.45%	3,451,800	1.45%
Sonoma	3,043,300	1.27%	3,043,300	1.27%
Stanislaus	4,603,200	1.93%	4,603,200	1.93%
Total	238,875,800	100.00%	238,875,800	100.00%



*Math/Science Teacher Initiative.* CSU received \$1,115,000 to augment \$250,000 received in 2005/06 for program development and administration of CSU mathematics and science credential programs to recruit and train between 150 and 200 added credential candidates in 2006/07. Of the amount allocated for 2006/07 Compact enrollment growth, \$1.28 million will be used to support the mathematics and science program expansion effort. The new funds allocated will be held in the central office until campus participants have been identified.

### Other Expenditures

The 2006/07 budget plan includes expenditure increases for employee compensation, deferred maintenance, libraries and technology.

	Compensation	Deferred Maintenance	Libraries & Technology
Bakersfield	\$1,616,000	\$50,000	
Channel Islands	819,000	20,500	
Chico	3,175,000	110,500	
Dominguez Hills	2,149,000	57,750	
East Bay	2,717,000	83,750	
Fresno	3,933,000	124,250	
Fullerton	5,042,000	165,250	
Humboldt	1,998,000	76,000	
Long Beach	6,058,000	192,750	
Los Angeles	3,722,000	135,500	
Maritime Academy	406,000	25,250	
Monterey Bay	1,151,000	36,750	
Northridge	5,687,000	162,000	
Pomona	4,076,000	128,250	
Sacramento	4,869,000	133,500	
San Bernardino	2,846,000	102,250	
San Diego	6,259,000	216,500	
San Francisco	5,180,000	153,500	
San Jose	5,225,000	193,750	
San Luis Obispo	4,369,000	156,750	
San Marcos	1,536,000	56,000	
Sonoma	1,775,000	60,000	
Stanislaus	1,451,000	59,250	
<b>Campus Total</b>	<b>\$76,059,000</b>	<b>\$2,500,000</b>	<b>\$0</b>
Chancellor's Office	1,344,000		2,500,000
International Programs			
Summer Arts			
Systemwide Provisions	16,551,000		5,000,000
<b>CSU System Total</b>	<b>\$93,954,000</b>	<b>\$2,500,000</b>	<b>\$7,500,000</b>



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**Compensation.** The budget plan provides \$77,403,000 to fund a 3 percent compensation pool to increase employee salaries and salary-related benefits. Represented employees negotiate compensation increases through collective bargaining, and a compensation pool for each of CSU's eleven represented employee groups has been established from the available pool of budget plan funds. Compensation increase dollars are allocated to campuses on the basis of their percentage share of the most recent past year total General Fund salary costs. Campuses fund all salary – related increases that are negotiated in the collective bargaining process. For non-represented employees, a general compensation pool of 3 percent is provided for budget year salary and salary-related increases. The total allocation of compensation increase for non-represented staff employees will not exceed the 3 percent compensation pool funded in the budget plan.

In addition to a 3 percent general compensation increase, the 2006/07 budget plan also provides funding to begin a five-year plan to reduce employee salary lags. The initial allocation of \$16.6 million will be allocated after the final budget is enacted and it is confirmed the final appropriation from the state is sufficient to cover the supplemental salary costs and satisfy mandatory costs and enrollment growth obligations. The allocation of the salary lag supplement will be determined after the cost requirement for each employee group has been identified.

**Deferred Maintenance.** The backlog of deferred maintenance within CSU far exceeds funds available in the budget plan to address campuses' need. The allocation of funds that are available in the budget plan has been made on the basis of campuses' percentage share of total custodial square footage (SQF4), the same allocation methodology used for energy cost funding.

**Libraries and Technology.** In 2005/06 CSU began the process of acquiring system electronic resources that faculty and students need to stay current with research in scientific and technology fields. The allocation of \$2.5 million in 2006/07 will expand this process to acquire additional system electronic information resources.

## **Fee Revenue**

The 2006/07 Governor's Budget allocation utilizes \$23.8 million in revenue associated with enrollment growth to address expenditure need. This amount is \$3.7 million less than the \$27.5 million included in the budget plan approved by the Board of Trustees at their October 2005 meeting. \$1.5 million of this reduction in revenue is associated with the buy-out of the student fee increases included in the Board-approved budget plan. The remaining \$2.2 million revenue loss is associated with adjustments that had to be made to offset enrollment decisions implemented in Summer 2004 to eliminate state-supported programs, address the revenue loss associated with missing the 2004/05 college year enrollment target, and prorating aggregate CSU FTES growth by campus using most recent enrollment FTES and Headcount distribution patterns.

The Governor's Budget allocation does not cover the revenue loss for campuses that missed their 2004/05 FTES targets or for campuses that suspended state-support Summer 2004 operations. Campuses were advised that revenue loss associated with these actions could not be recovered from system resources. It is expected campuses made decisions in the 2004/05 fiscal year to address these losses, and the revenue base for each campus was adjusted prior to making revenue growth projections based on 2006/07 enrollment growth. Because several campuses suspended

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Summer 2004 state-supported instructional programs, the enrollment patterns for the recently completed Summer 2005 term were used to project 2006/07 summer enrollment levels. The academic year distribution of students is based on the most recent past year distribution pattern for 2004/05. However, even with these modifications, the general principle of using the most recently available enrollment distribution patterns to project headcount and revenue has been preserved and revenue growth for 2006/07 is consistent with revenue expectations for similar levels of growth in previous years. Questions concerning campus revenue projections should be directed to Rodney Rideau and Alexander Porter at (562) 951-4560.

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