


B 08-02

To: CSU Chief Fiscal Officers

From: Rodney Rideau, Director of the Budget 

Copy: CSU Financial Officers, Budget Officers, Enrollment Managers, Financial Aid Directors

Date: February 13, 2008

Subject: 2008/09 Governor's Budget Allocations Memo

Attachments: B 08-02 Governor's Budget Allocation Attachments A through C

The preliminary 2008/09 CSU budget allocations are provided in this memorandum and attachments for planning purposes. These allocations are based on funding proposed in the Governor's January 2008 budget to the Legislature. The allocations address changes in campuses General Fund appropriations only. The Board of Trustees has not taken action on fee rates for the 2008/09 academic year. Pending Board decisions, no action relative to CSU fee revenue is included in this allocation memorandum. Any questions concerning this allocation memorandum should be directed to the system Budget Office at (562) 951-4560.

The following table compares the Board of Trustees' budget plan approved at their November 2008 meeting with the 2008/09 Governor's Budget action to reduce CSU General Fund support:

	BOT Budget Plan	Governor's Budget
2007-08 General Fund Appropriation	\$2,985,874,000	\$2,985,874,000
Budget Year Base Adjustments	(8,578,000)	(13,467,000)
Budget Year Workload Requirements	288,212,000	213,581,000
10% Budget Year General Fund Reduction		(312,900,000)
2008-09 General Fund Appropriation	\$3,265,508,000	\$2,873,088,000

Budget Year Base Adjustments include changes in employer-paid retirement contributions, lease bond payments, and State administrative service charges. The BOT augmentation request is based on Compact higher education funding commitments and State funds in lieu of revenue from a student fee increase. The Governor's Budget augmentation identifies workload changes in enrollment and services projected by the Department of Finance for the budget year. The Budget Year Reductions reflect the CSU share of a 10 percent across-the-board reduction in General Fund appropriations for all State spending. The CSU 10 percent reduction is calculated on a 2008/09 General Fund budget assumption that adds the 2007/08 appropriation, the base adjustments, and the budget year augmentation (after excluding roughly \$57 million budgeted for CSU bond payments).

For campus planning purposes based on the Governor’s Budget proposal, none of the expenditure increases requested in the CSU budget plan have been funded.

2008-09 Governor's Budget

	BOT Request	Governor's Budget
2008-09 CSU Budget		
Mandatory Costs	\$36.0 million	
Enrollment Growth (2.5% Student Increase)	\$82.5 million	
Compensation	\$154.3 million	
Long-term Need	\$43.0 million	
Financial Aid	\$6.8 million	
Fee Revenue	(\$34.4 million)	
Adjusted State 10% General Fund Reduction	\$0	(\$312.9 million)
Total 2008-09 General Fund Change	\$288.2 million	(\$312.9 million)

2008-09 Above Compact Funding Request

Additional 1% Enrollment Growth	\$27.5 million	
Clinical Nursing Support	\$7.8 million	
Teacher Performance Assessment	\$10.0 million	
Student Services for Success and Authentic Access	\$24.6 million	
One Percent Compensation	\$30.4 million	
Applied Research	\$12.0 million	
First-Year Implementation to Increase the Ratio of Tenured Faculty	\$42.9 million	
Total 2008-09 Above Compact Funding Request	\$155.2 million	\$0 million

In addition to the challenge of 2008/09 mandatory cost obligations, campuses must also develop budget strategies to address continuing compensation cost obligations associated with implementation of collective bargaining agreements for the 2006/07 and 2007/08 fiscal years. Compensation provisions for 2008/09 are subject to CSU budget appropriations from the State. Although there are no systemwide budget directives in place at this time, each campus should be developing budget plans to address any actions that may be required as a result of the Governor’s Budget proposal or that may be approved during the legislative budget process.

Attachment A gives a summary overview of the changes in CSU General Fund appropriations and lease bond reimbursements based on the Governor’s Budget. No changes in CSU student fee revenue will be made until after the Board of Trustees has considered 2008/09 State University Fee rates.

Attachment B details the General Fund adjustments to the 2008/09 budget. The retirement adjustment reflects changes in employer-paid contribution rates that went into effect for the 2007/08 fiscal year. Changes in funding support for the CSUPERB biotechnology applied research program, annuitants’ dental care premium costs, and debt service on CSU capital bonds have also been made to reflect current and budget year adjustments. CSU is obligated by budget statute to keep the State whole for

interest earned on student fee revenue held in trust. Interest payments to the State based on 2008/09 revenue projections will increase by \$3.1 million dollars. CSU General Fund appropriations are reduced by this change to reflect the increased interest earnings the university will achieve. In addition to the General Fund adjustment for interest earnings, the Governor’s Budget increased base funding recognition for workload changes that would generally be supported in the 2008/09 fiscal year. The workload changes reflect the General Fund share of expenditure support CSU would have received for changes in enrollment and other cost obligations.

These four financial adjustments to the 2007/08 Final Budget appropriation to CSU (retirement, bond and annuitants’ dental adjustments, interest earnings, and workload) resulted in a \$3.186 billion General Fund base for the 2008/09 fiscal year. Excluding roughly \$57 million in bond payments that are required by law, the applicable CSU base used in the Governor’s Budget to implement a 10 percent across-the-board reduction in General Fund support to state agencies is \$3.129 billion.

	Governor's Budget
2007-08 General Fund Appropriation	\$2,985,874,000
Budget Year Base Adjustments	(13,467,000)
Budget Year Workload Requirements	213,581,000
CSU 2008-09 General Fund Workload Budget	<u>\$3,185,988,000</u>
	<u>(56,999,000)</u>
Adjusted General Fund Reduction Base	\$3,128,989,000
10% Budget Year General Fund Reduction	(\$312,900,000)

The 2008/09 Governor’s Budget reduction totals \$312.9 million based on the budget calculations described above. Of this amount, \$213.6 million equals dollar-for-dollar the workload adjustments that were allocated to campuses and system programs in columns 5 and 6 of Attachment B. The remaining \$99.3 million was allocated at the same percentage rate against campuses’ adjusted General Fund appropriations in column 4 of Attachment B. Campuses’ Chief Fiscal Officers, Budget Officers, and Financial Officers Association representatives will be provided detailed information regarding the adjustments reflected in columns 6 and 7 under separate cover.

Consistent with budget procedures established in 2003/04 and 2004/05, budget adjustments have been made to address new space cost obligations that must be funded in 2008/09. As identified in the 2008/09 budget plan approved by the Board of Trustees at their November 2007 meeting, new space cost obligations are to be funded by General Fund and fee revenue support received in the 2008/09 fiscal year. In lieu of fee action for 2008/09, campus General Fund budgets have been proportionally reduced as part of the Governor’s Budget allocation process to redirect \$6.1 million to the twelve campuses that have new space coming on-line during the fiscal year.

Attachment C provides campus enrollment targets associated with the Governor's Budget proposal. Campuses are expected to achieve resident student full-time equivalent (FTES) enrollments at State-funded levels for the 2008/09 college year. The resident student target is equal to the 2007/08 enrollment target campuses were funded to achieve in the 2007/08 fiscal year. Nonresident student enrollment is not funded by the State, and the enrollment shown in column 6 of Attachment C reflects nonresident FTES reported for the 2006/07 college year. It is expected that campuses will maintain or surpass these enrollment levels to sustain revenues achieved in the current fiscal year from the Nonresident Tuition fee.

Any questions concerning the Governor's Budget General Fund and enrollment allocations identified in this memorandum should be directed to me or Chris Canfield, Associate Budget Director, by e-mail or at (562) 951-4560.