

**B 10-02**

**Campus Budget Submissions Due by: August 20, 2010**

**To:** CSU Chief Fiscal Officers

**From:** Robert Turnage, Assistant Vice Chancellor for Budget   
Rodney Rideau, Director for Budget 

**Copy:** CSU Financial Officers, Budget Officers, Financial Aid Directors,  
Enrollment Planning and Resource Officers, and Enrollment Managers

**Date:** August 5, 2010

**Subject:** August Revision of Governor's 2010/11 Budget Allocations

**Attachments:** Coded Memo 2010-02, Revised 2010/11 Governor's Budget Allocation  
Attachments A-E, and New SUG Attachment F

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As recently reported to you, it remains extremely uncertain when the Legislature will pass a 2010/11 budget act and how much funding it will include for the CSU. Therefore, in the absence of an enacted state budget act for 2010/11, a conservative approach will be maintained based on the Chancellor's direction established a year ago, in active consultation with the presidents, to reduce enrollment to a 310,317 FTES target for 2010/11. Last week, Chancellor Reed sent a memo to campus presidents on spring 2011 student applications, which stated that campuses may exceed their 2010/11 targets by no more than two percent. The enrollment reduction plan established a year ago was premised on the following assumptions:

- No increase in state support for CSU in 2010/11 over 2009/10.
- Flat appropriation amount year-to-year.
- Furloughs generating expenditure reductions of \$270 million in 2009/10 only.
- 9.5 percent systemwide reduction in FTES targets to 310,317 generating expenditure reduction in 2010/11 of roughly \$270 million by reducing the number of CSU faculty and staff on the state-supported payroll.
- 10 percent increase in State University Fee rates to roughly offset the 9.5 percent decline in FTES and keep overall revenues roughly even between 2009/10 and 2010/11.

This August revision of the Governor's Budget allocations includes the following recognized changes to be incorporated into campus August budget submissions:

- Continues to hold the \$305 million budget restoration and \$60.6 million enrollment funding in the 2010/11 Governor's Budget proposal in systemwide provisions until the state budget is enacted and the final amount of state support for the CSU is known.
- Includes financial aid adjustments to date.
- Other minor systemwide provision adjustments.

In June, the Board of Trustees (BOT) took action on the first 5 percent State University Fee (SUF) rate increase required for 2010/11 with the remaining 5 percent assumed from a state "buy-out" proposed by the Assembly. However, on August 4<sup>th</sup>, the fee buyout proposal was dropped by the Legislature's budget conference committee. The BOT anticipated this possibility and stated its intent to revise fee rates at its November meeting as necessary to keep revenues whole for the fiscal year. Therefore, the August budget allocation memo indicates the same revenue amounts as in the 2010/11 Governor's budget.

After the state 2010/11 budget is enacted, campus 2010/11 budget allocations will be updated based on the actual CSU General Fund appropriation and, as applicable, revised campus student enrollment targets, and General Fund base adjustments that could result in a second campus 2010/11 final budget submission in the fall.

Please direct questions concerning this memorandum to Rodney Rideau, Chris Canfield, or a system Budget Analyst at (562) 951-4560. Reference the staff directory for further contact information, <http://www.calstate.edu/budget/about/staff-directory.shtml>

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Attachments

The following summarizes Attachments A through F displays.

**Attachment A – August Revised 2010/11 Governor’s Budget Allocations, Gross Budget Summary**

The August revision includes currently recognized campus gross budgets adjustments related to the General Fund (GF) base as further described in Attachment B and SUF revenue adjustments as shown in Attachment E. Due to continued budget uncertainty, the Governor’s Budget proposal GF increases of \$305 million for partial budget restoration and \$60.6 million for enrollment growth as shown in Attachment C are held in systemwide provisions.

**Attachment B – August Revised 2010/11 Base Budget Adjustments**

Base budget adjustments changes are required to address modifications to the GF allocation that campuses received in the 2009/10 final budget (reference Coded Memo B 09-02). The CSU 2009/10 GF appropriation based on the 2009/10 Budget Act enacted last July totaled \$2,337,952,000, which after base budget adjustments becomes \$2,345,398,000 for 2009/10 and \$2,357,879,000 for 2010/11 that is before the Governor’s Budget \$365.5 million increase held in systemwide provisions as shown on Attachments A and C. The Attachment B base budget adjustments to campus allocations are comprised of the following:

❖ **Retirement Adjustment**

Each year CalPERS adjusts employer-paid contribution rates in order to meet defined benefit pension obligations. Adjustments in 2009/10 CalPERS employer-paid retirement rates of .343 percent increase in the State Miscellaneous Tier 1 category and .216 percent decrease in the State Peace Officer/Firefighter category resulted in an overall increase of \$7.4 million in CSU employer-paid retirement costs. The state Department of Finance processed the 2009/10 GF appropriation retirement adjustment by 2009/10 fiscal year end. The retirement adjustment amounts are based on the change in retirement rates applied to the campus 2009/10 FIRMS final budget CSU State Support salaries submitted in August 2009. For additional information on employer-paid and employee retirement, please reference the 2010/11 Support Budget supplemental documentation at <http://www.calstate.edu/budget/fybudget/2010-2011/documentation/index.shtml>.

❖ **Adjustment in Distribution of 2009/10 versus 2010/11 Unallocated GF Base Expenditure Reductions**

The campus distribution of the \$571.1 million reduction included in 2009/10 final budget allocations was revised for 2010/11 in accordance with Dr. Quillian’s November 6, 2009 memorandum to campus Chief Administrators / Business Officers regarding mid-year budget reduction reports due in February 2010. The difference of the two distributions results in a GF base budget adjustment for 2010/11.

A primary difference in the distribution of the \$571.1 million base budget reduction in 2009/10 versus 2010/11 is related to the 2009/10 base reduction in salary expenditures (e.g. employee furloughs) that is replaced in 2010/11 with a systemwide 9.5 percent reduction (32,576) in FTES enrollment targets at the projected 2009/10 marginal cost GF savings of \$7,964 per FTES.

❖ General Fund Base Adjustments

Other GF base budget adjustments include an operating fee revenue interest assessment adjustment (\$.9 million) in Systemwide Provisions (SWP); transfers from SWP to C.O. for Assist Program (\$269,418) headquarters rent and insurance (\$2.3 million), Council on Science and Technology dues (\$143,250), and Federal Relations (\$25,000); transfer from SWPs to CSU Bakersfield (\$55,908); transfer from SWPs to CSU Long Beach (\$8,288); SWP lease revenue bonds increase (\$12.7 million), dental annuitants funding adjustment (\$.7 million), and retired 1997 deferred maintenance debt decrease (\$1.9 million).

❖ Financial Aid -- State University Grant (SUG) Set-Aside / Distribution

The financial aid set-aside from current 2010/11 adjustments results in a \$29.9 million augmentation for State University Grants (SUG). The \$29.9 million SUG augmentation is distributed based on financial need. The difference between how the SUG increase is funded (based on the one-third set-aside of estimated campus SUF revenue adjustments) and how SUG is distributed (based on estimate of need) results in adjustments to campus GF allocations.

**Attachment C - August Revised 2010/11 Mandatory Cost Increases / 2010/11 Governor's Budget GF Restoration and Enrollment Growth**

❖ Mandatory Costs

Mandatory costs are expenditure obligations the university must pay whether or not funding is received from the state or from student fee revenue. Mandatory cost obligations were identified in the CSU 2010/11 budget plan that was adopted by the CSU Board of Trustees in November 2009 and include increases in employer-paid health benefits, energy, and new space costs. For reference purposes, Attachment C includes the campus distribution of CSU 2010/11 mandatory cost increases as further described below:

➤ Health Benefits

The projected annualized cost to cover the increase in employer-paid health care benefits resulting from January 2010 premium increases is \$9.7 million. Health care cost increases are determined by the number of CSU employee participants and the difference between the old and new employer-paid contribution rates. The employer-paid health care benefit cost increase is distributed on the basis of the campus percentage share of the most recently reported past-year actual (2008/09) state support health benefits expenditures.

For additional information regarding January 2010 health premium increases, please reference the 2010/11 Support Budget supplemental documentation at <http://www.calstate.edu/budget/fybudget/2010-2011/documentation/7-health-care-premium-table.shtml>.

➤ Energy Costs

The 2010/11 CSU budget plan included \$7.2 million to assist with increases in electricity, natural gas, and water/sewer rates occurring at campuses, which would conservatively cover the projected 2010/11 increase. The total has been distributed by campus based on the campus proportional share of custodial square footage included in the 2009/10 Capital Planning Design

and Construction facility database for main campus and off-campus sites.

➤ 2010/11 New Space Need

The CSU 2010/11 support budget plan identified a total cost of \$5.4 million to fund regular maintenance of 552,409 square feet of new space at \$9.73 per square foot. Further information on campus facilities with new space need are identified in the 2010/11 Support Budget supplemental documentation at:

<http://www.calstate.edu/budget/fybudget/2010%2D2011/documentation/3-new-space-table.shtml>. There is one campus change with new space added for CSU Los Angeles in the 2010/11 August revision bringing the total new space need to \$6.6 million.

❖ GF Restoration and Enrollment Growth

The \$305 million restoration and the \$60.6 million for 2.5 percent enrollment growth (8,290 FTES) included in the 2010/11 Governor's Budget are held in systemwide provisions until the state budget is enacted and the final amount of state support for the CSU is known and pending further decisions related to enrollment targets and use of funds.

**Attachment D - CSU Operating Revenue - 2010/11 Interest Payment Schedule**

The campus 2010/11 CSU operating revenue interest payment schedule is included with the budget allocations for informational purposes. The total 2010/11 campus operating revenue interest chargeback is \$7.2 million, which represents a \$.9 million reduction from \$8.15 million assessed in 2009/10. The 2010/11 interest assessment is based on the campus operating revenue equivalent to the 2009/10 SUF and other fee revenue reported in 2009/10 FIRMS final budget submissions.

The annual interest chargeback requirement was agreed upon to maintain fiscal neutrality for the state GF in recognition of the 2006/07 transition of the deposit of fee revenue from the state GF to the CSU local trust funds. Further, the CSU annual interest chargeback obligation is included each year in the State of California, Budget Act.

The campus quarterly assessments will be processed by Cash Posting Order to credit systemwide provisions. Questions concerning processing of quarterly interest payments should be directed to Kelly Cox, CSU Systemwide Financial Operations, at (562) 951-4611.

**Attachment E - August Revised 2010/11 SUF Revenue Adjustments**

The August revision includes 2010/11 SUF revenue adjustments related to changes in enrollment patterns, enrollment decline, lagging summer SUF rate change, and SUF revenue equivalent to 2010/11 Governor's Budget revenue increase. The applicable resulting changes in financial aid related to the SUF revenue adjustments are also included in Attachment E. The fee revenue projections included in the attachment follow campus mid-year reduction plans based on 310,317 resident FTES.

The following table summarizes the provisional 2010/11 SUF revenue adjustments net of financial aid as shown in Attachment E:

**August Revision of  
Governor's Budget**

**2010/11 State University Fee Revenue Adjustments - Provisional (Net of Financial Aid)**

Change in Enrollment Patterns	(14,504,000)
9.5% Resident Student Enrollment Reduction	(129,353,000)
2009/10 SUF Rate Change Applied to Lagging Summer Term for Rate Change Purposes	25,390,000
Financial Aid Set-Aside Adjustment due to Enrollment Reduction and Summer SUF Rate Change	17,305,000
2010/11 Governor's Budget Revenue Equivalent to Full-AY 10% SUF Rate Increase	141,787,000
One-third Financial Aid Set-Aside on Governor's Budget SUF Revenue Increase	<u>(47,264,000)</u>
<b>Total</b>	<b>(6,639,000)</b>

**Attachment F - Preliminary 2010/11 State University Grant (SUG) Adjustment (based on 310,317 FTES and Governor's Budget SUF Revenue)**

Attachment F of the August budget allocations includes a net SUG increase of \$29.9 million after SUG adjustments as shown in Attachment E related to SUF revenue adjustments. The preliminary SUG distribution by campus is based on fee revenue adjustment, campus funded enrollment targets, and a recognition of the highest need students, defined as those with a family contribution less than or equal to \$4,000. The campus SUG allocations are calculated after allowances for SUF Waivers and Cal Grant fee awards.

Campus SUG allocations recognize the distribution of financial need for both the highest need students and those with family contributions between \$4,001 and \$9,500. While the SUG allocation methodology ensures that the SUF is covered for students with the highest level of need, systemwide financial aid policy enables campuses to make awards to SUG-eligible students with family contributions up through 50 percent of the cost of attendance for a student living off campus (approximately \$9,500) and/or to increase SUG awards to cover the cost of additional education expenses. Questions about the SUG distribution process or campus' SUG allocations may be directed to Dean Kulju, Director of Financial Aid, at (562) 951-4737 or [dkulju@calstate.edu](mailto:dkulju@calstate.edu).