

Memorandum

B 99-03**DUE DATE:
August 12, 1999****Date:** July 15, 1999**To:** Chief Financial Officers
From: John R. Richards
Budget Director**Subject:** 1999/2000 Final Budget Allocations and 1999/2000 State University Fee Rates

The governor signed the Budget Act of 1999 (Chapter 50) on June 30, 1999. It provides new General Fund appropriations of \$225.4 million and projects \$12.2 million in new State University Fee revenue for CSU operating budget support. The Budget Act also provides a \$260 million capital outlay budget financed from the Proposition 1A bond measure passed by California voters in November 1998.

CSU final budget allocations to campuses based on Budget Act revenue provide \$24.2 million to reduce student fee rates by \$78 per academic year and \$213.4 million for increased expenditures that support the following:

- (1) Mandatory cost increases for new space, health and dental benefits, and student financial aid (\$18.4 million)
- (2) 3% enrollment growth of 8,381 FTES (\$52.5 million)
- (3) A 3.8% general compensation pool increase for all employees and an additional 2% salary differential for CSU faculty (\$89.4 million). CSU will provide additional funds to support a 4% general compensation increase for all employees in 1999/2000.
- (4) Technology access, training and support services (\$10 million)
- (5) Plant maintenance (\$12 million)
- (6) Student assistance and faculty alliance outreach programs (\$14.4 million)
- (7) Campus-specific applied research, educational, and state-requested investments (\$16.8 million)

The 1999/2000 Final Budget allocations also include a \$134.9 million net base budget reduction. This reduction is a net change involving lower employer retirement contributions, permanent funding for teacher preparation enrollment growth and outreach, campus assessments to support development and maintenance of the CSU Collaborative Management System (CMS), and elimination of one-time funding received in 1998/99 for deferred maintenance, technology, instructional equipment, and library acquisitions.

The following display summarizes campus 1999/2000 budget allocations.

Summary Table: 1999/2000 Campus Final Budget Allocations

Canpus	Campus Reported 1998/99 Gros Final Budget	CSU Base Budget Adjustments	CSU 1999/2000 Expenditure Increases	CSU 1999/2000 Final Budget Allocation	1999/2000 General Fund Allocation
Bakersfield	\$52,348,444	(\$933,520)	\$2,115,000	\$53,529,924	\$42,176,778
Chico	127,085,534	(3,010,168)	10,085,300	134,160,666	100,245,663
Dominguez Hills	75,348,207	(1,163,912)	3,603,600	77,787,895	56,176,970
Fresno	151,336,248	(3,122,096)	12,655,300	160,869,452	122,191,722
Fullerton	158,099,286	(3,076,680)	12,680,900	167,703,506	119,939,614
Hayward	102,649,420	(2,212,942)	6,173,700	106,610,178	77,781,283
Humboldt	80,021,036	(1,916,857)	4,551,000	82,655,179	64,288,339
Long Beach	185,812,069	(4,035,005)	14,145,500	195,922,564	144,531,715
Los Angeles	137,035,284	(2,740,023)	9,571,400	143,866,661	105,152,646
Maritime Academy	13,816,977	(296,100)	939,500	14,460,377	11,077,333
Monterey Bay	33,862,120	(748,525)	6,797,600	39,911,195	34,604,239
Northridge	182,459,912	(3,730,859)	12,599,200	191,328,253	140,692,146
Pomona	147,229,561	(3,264,200)	11,371,300	155,336,661	114,089,724
Sacramento	163,236,941	(3,774,258)	10,988,900	170,451,583	127,051,278
San Bernardino	95,619,874	(1,673,100)	7,825,900	101,772,674	73,299,729
San Diego	234,343,492	(5,161,873)	14,516,700	243,698,319	173,499,460
San Francisco	181,117,737	(4,192,241)	13,275,600	190,201,096	134,138,208
San Jose	189,236,150	(3,994,464)	8,698,200	193,939,886	136,224,763
San Luis Obispo	166,217,951	(3,905,955)	8,891,900	171,203,896	124,010,315
San Marcos	45,998,147	(886,677)	2,454,200	47,565,670	40,097,136
Sonoma	63,831,318	(1,523,232)	3,032,900	65,340,986	46,652,386
Stanislaus	50,669,043	(1,108,913)	4,257,800	53,817,930	43,292,559
Campus Total	\$2,637,374,751	(\$56,471,600)	\$181,231,400	\$2,762,134,551	\$2,031,214,006
System Offices	55,646,308	1,092,530	1,515,000	58,253,838	45,758,111
International Programs	2,902,588	0	18,000	2,920,588	2,173,718
Summer Arts	331,148	0	0	331,148	182,223
Channel Islands	0	5,233,070	2,150,000	7,383,070	7,383,070
Systemwide Provisions	222,442,272	(84,753,000)	28,540,600	166,229,872	166,229,872
Grand Total	\$2,918,697,067	(\$134,899,000)	\$213,455,000	\$2,997,253,067	\$2,252,941,000

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Attachment A displays campus 1999/2000 Final Budget allocations by fund source. Campus budget plan submissions based on these allocations in the FIRMS reporting format should be provided to the Budget Office no later than August 12, 1999. Campuses may change revenue and reimbursement estimates calculated by CSU to better reflect planned resource activity; however, such adjustments cannot alter the General Fund support totals that have been allocated with this memorandum.

In addition, campuses cannot reduce the amount of budgeted State University Grants (SUG) or Equal Opportunity Program Grant (EOP) allocations included in their Final Budget FIRMS transmittal. The State University Grant policy is consistent with CSU policy developed by the Student Aid Advisory Commission. The 1999/2000 Budget Act requires that CSU budget at least \$17.8 million for Equal Opportunity Grants. However, campuses may increase State University Grant and Equal Opportunity Grant budgeted allocations in their August 12 budget submissions if a corresponding adjustment is made so that such changes do not affect the General Fund support totals that have been allocated with this memorandum.

The following actions were taken in accordance with CSU policy to determine campus allocations by fund source. Campus 1999/2000 budgeted expenditure increases are used to determine total allocation adjustments only and do not proscribe how campuses should make internal budget allocations except as specified above for SUG and EOP.

Base Budget Adjustments (see [Attachment B](#))

Campus reported budget submissions for 1998/99 have been adjusted to reflect the following changes:

- Permanent adjustments have been made to increase campus General Fund support and reduce campus Revenue estimates by an equal amount to reflect a \$78 reduction in undergraduate and graduate fee rates for 1999/2000. State support for this reduction in student fee rates totaled \$24.2 million. These funds have been allocated on the basis of campuses' percentage share of adjusted revenue at reduced fee levels.
- Permanent allocation of \$4.5 million in General Fund support received in 1997/98 for the state's teacher preparation Economic Improvement Initiative (EII). Permanent funding was allocated to each campus in the exact amount received in temporary budget allocations for EII in the 1998/99 fiscal year. In addition, campus expenditure budgets were increased by \$1.6 million to reflect CSU estimated State University Fee revenue associated with 881 FTES EII enrollment growth. The revenue estimate is based on headcount conversions using the 1998/99 CSU revenue calculation methodology based on 1996/97 reported college year enrollments.
- Permanent reduction of \$60.9 million for changes in CSU retirement contributions. The reduction is based on campus percentage share of actual retirement expenditures in 1997/98. These savings reverted to the state.
- Permanent allocation of \$2 million received in 1998/99 for Equal Opportunity Program (EOP) outreach funding. Campuses received a \$2 million increase in EOP budget support in a separate allocation for 1998/99 based on the December 18, 1998 memorandum from David Spence and Richard West to campus vice presidents for Academic and Student Affairs. This increase is made permanent in the Final Budget allocations for 1999/2000 at the same level of funding received in the 1998/99 allocation.

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- Permanent redirection of \$5 million in campus General Fund support to the Chancellor's Office for support of the Collaborative Management System component of the CSU Integrated Technology Strategy.
- Permanent allocation of \$3.9 million as base budget redirections for campus State University Grants (SUG) and Equal Opportunity Program grants (EOP). Campus SUG budgets must match or exceed base allocations provided by CSU as part of final budget allocations. An adjustment was required at one campus to match its CSU SUG allocation for 1998/99. Several campuses coded 1998/99 EOP Grant budgeted expenditures as Other Scholarships and Grants. An adjustment has been made to permanently code these as base budget EOP allocations for 1998/99. An offsetting adjustment for these changes is reflected in Special Initiatives so that campuses net General Fund 1998/99 final budget appropriations remain unchanged.
- Permanent General Fund adjustments have been made as Special Initiatives to support 1998/99 student outreach agreements with CSU, Dominguez Hills and establish a facilities and planning operating budget for the expanded off-campus center at CSU, Channel Islands. Adjustments have also been made to remove one-time funding allocated in 1998/99 to the Center for California Fellows program administered by CSU, Sacramento and to remove one-time appropriations to CSU for deferred maintenance, technology, instructional equipment and libraries. The CSU Institute for Educational Reform will also receive permanent allocation of funds provided in 1998/99 for teacher recruitment activities.
- Final Budget allocations do not include any adjustment in 1998/99 campus-budgeted revenue for nonresident tuition.

Budget Year Expenditure Increases (see [Attachment C](#))

The CSU budget plan based on General Fund and Revenue appropriations included in the Budget Act of 1999 provides \$213.4 million in CSU expenditure increases. The majority of this increase (43%) will be used for employee compensation. After providing for mandatory cost increases in CSU benefit rates, new space and State University Grants (\$16 million), the remainder principally funds 3% FTES enrollment growth, technology, plant maintenance, and CSU outreach activities. Other special appropriations also have been made for campus-specific applied research and other state-funded educational initiatives. A detailed description of 1999/2000 expenditure increases follows. These expenditure allocations reflect the basis on which CSU requested and received funding from the state. They are used in conjunction with CSU State University Fee revenue projections to determine campus General Fund support allocations for 1999/2000. Except as otherwise specified in this memorandum for State University and EOP Grants, campuses have management flexibility to distribute and report these funds programmatically in their August 12 submissions in a manner that best reflects the budget plans they have established to meet enrollment, administrative and institutional goals and objectives.

- Benefits Maintenance. Health and dental benefit allocations provide increases for the full-year cost of rate increases that became effective in January 1999. Campuses received one-time allocations to cover the 6 months of cost increase incurred in 1998/99. Allocation of the full-year cost for 1999/2000 is based on campuses' percentage share of 1997/98 salaries and wages.

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- New Space. The net change in campus maintained facilities space is funded at \$6.45 per square foot. The net change reflects new space associated with the opening of newly constructed or renovated buildings and previously maintained space that has been eliminated or closed pending renovation or following the opening of newly constructed space.
- State University Grants. CSU policy requires that one-third of revenue increase from the State University Fee be used for student financial assistance. The State University Grant pool has been increased by approximately \$3.3 million to reflect one-third of the revenue from 8,151 FTES campus enrollment growth based on marginal cost funding (\$402 per FTES). Campus expenditure increases are based on their percentage share of 1999/2000 projected State University Grant need determined on the basis of targeted enrollments and actual financial aid expenditures. Campus allocations are made in accordance with policies set forth by the Student Aid Advisory Commission and cannot be reduced in campus August 12 budget submissions. **Attachment G** displays the State University Grant allocation methodology.
- Equal Opportunity Program Grants. Campuses will receive funding to increase the number of grants provided under the CSU Equal Opportunity Program by \$3.4 million. When received, these funds must be budgeted as EOP grant expenditures. Permanent allocation in the amount campuses receive in 1999/2000 will be allocated for EOP grants in the 2000/01 budget process.
- Enrollment Growth and Instructional Equipment. Campus expenditure increases for enrollment growth and instructional equipment are based on the 1999/2000 marginal cost funding level of \$6,692 per FTES less \$402 that has been used to increase State University Grant funding. This \$6,290 per FTES expenditure allocation provides \$6,160 per FTES for general enrollment related costs and \$130 per FTES for instructional equipment to support targeted enrollment growth. In addition, General Fund support of \$5,487 per FTES is allocated to CalstateTeach for 230 FTES participating in CSU's teacher preparation initiative.
- Campus Technology Allocation. Campuses will receive a proportional share of \$3.5 million that is included in the CSU Integrated Technology Strategy based on fall 1998 student headcount. Campuses are to use these funds in support of the comprehensive technology strategy that combines capital and operating support to build out the intra-campus telecommunications infrastructure, renew and maintain the inter and intra-campus infrastructure, implement and renew workstation environments on a 3-year cycle, and provide quality support and training services.
- Compensation. Compensation allocations are based on each campus' percentage share of total salaries and wages expended in 1997/98. These allocations provide a pool of funds to finance all compensation increases for the 1999/2000 fiscal year. Specifically, the 1999/2000 compensation allocation provides \$2.3 million for the full-year cost of 1998/99 employee service-based salary increases, 3.8 percent or \$69.8 million for faculty and staff increases, and a supplemental compensation allocation of \$19.5 million for an additional 2 percent salary increase for faculty. CSU will provide \$3.6 million to support the full 4 percent general compensation increase for all employees in 1999/2000 on a one-time basis. Permanent funds will be requested in 2000/01.

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The full-year cost of the compensation agreement for Unit 3 - Faculty will require an additional \$6.8 million in 1999/2000. Campuses will fund this cost from one-time available resources in 1999/2000. CSU will request permanent funding for this cost in 2000/01.

- Plant Maintenance. Expenditure increases to support ongoing maintenance is derived from a CSU calculated funding standard of \$7.38 per custodial square foot and allocated to campuses based on their percentage share of 1999/2000 custodial facility space. Campus budget submissions are reviewed for expected growth in total CSU plant maintenance expenditures, and campuses have been previously required to report on the utilization of plant expenditure increases for funding maintenance projects to Capital Planning, Design and Construction.

- Special Initiatives. The final budget includes funding for several special initiatives in 1999/2000. Funding of \$5 million is provided for applied agricultural research coordinated through the California Agricultural Technology Institute at CSU, Fresno. Also funded is \$2.8 million in supplemental appropriations to CSU, Monterey Bay, in conjunction with enrollment funding the campus receives for budgeted enrollment growth, to assist in enrollment and campus development. The final budget also includes \$2 million to support campus planning and police and fire services at the CSU, Channel Island off-campus center. The state has also funded expansion of the Center for California Fellows program at CSU, Sacramento by \$13,000 for Judicial Fellows and \$125,000 for the Legis School Project. State matching funds for FEMA-financed earthquake renovation of Verducci Hall at CSU, San Francisco (\$2.4 million) are provided in the final budget, as is \$2.2 million to support summer session preparation at CSU campuses. California legislators requested and received funding for specific campus projects within their districts: San Diego (\$350,000 for the International Training Center); San Marcos (\$250,000 for the Spanish Book Collection); Los Angeles (\$360,000 for the Roybal Institute); and, San Bernardino (\$200,000 for a water study project). The Los Angeles and San Bernardino allocations are held in systemwide provisions because they are one-time appropriations. All other special initiatives funding provided in the final budget will be held at the Chancellor's Office pending final decisions on allocation methodology. These initiatives include the following:
 - 1) \$6.5 million for technology, which will fund systemwide components of CSU's integrated technology strategy supported by the build-out of the university's telecommunications infrastructure included in the 1999/2000 Capital Budget.
 - 2) \$1 million for applied research, which will fund biotechnology research through the California State University Program for Education and Research in Biotechnology to facilitate biotechnology development at CSU on a systemwide level.
 - 3) \$11 million for outreach, which provides \$9 million to support new CSU outreach initiatives for student learning assistance and faculty alliances between university professors and high school teachers. In addition, this funding supports the Precollegiate Academic Program by \$1 million and the California Academic Partnership Program by \$1 million.
 - 4) \$50,000 to fund administrative costs associated with determining the for Hepatitis B immunization status of entering freshmen.

Non-Permanent Planned General Fund Adjustments (see [Attachment D](#))

Campus allocations will be provided by special allocation order for collective bargaining supplements associated with contract agreements, the revenue required to fund a 4% compensation pool, and 1998/99 Teacher Preparation enrollment. In addition, one-time funding will be provided by special allocation order for the Roybal Institute at CSU, Los Angeles and the water study project at CSU, San Bernardino. Campuses will receive these special allocation orders in conjunction with Final Budget allocations. Attachment D also shows campuses' share of full-year costs for Unit 3 - Faculty compensation increases that will be permanently allocated if funding is provided in the 2000/01 final budget. Campuses will fund full-year costs on a one-time basis in the 1999/2000 fiscal year.

State University Fee Revenue and Mandatory Fee Waivers (see [Attachment E](#))

CSU calculations for State University fee rate reductions, enrollment growth revenue increase and mandatory waiver offsets for Allan Pattee and Cal Vet eligible students are provided for your information. The revenue loss for 5% rate reductions in undergraduate and graduate student fees is determined by the difference between revenue calculated for CSU enrollment at current fee rates and revenue calculated at the reduced fee levels. Campuses are allocated General Fund increases to offset this revenue reduction based on their percentage share of CSU adjusted revenue at reduced fee rates. The state provided \$24.2 million to offset the fee rate reduction for CSU enrollment.

State University Fee revenue for enrollment growth is based on the difference between CSU revenue calculations for 1998/99 enrollment and 1999/2000 projected campus enrollments. This calculation does not include 1998/99 Teacher Preparation enrollment targets that have not been permanently allocated to campuses. The 1999/2000 revenue calculation is based on 1997/98 FTES to headcount campus ratios. The revenue increase of \$15,061,000 is used to offset campus expenditure increases and is distributed in three components.

- a) Campuses have been allocated \$1.6 million to offset the expenditure increase for Economic Improvement Initiative (EII) teacher preparation enrollments that have been permanently allocated in 1999/2000. The \$1.6 million revenue increase is calculated on the basis of 1996/97 campus FTES to headcount student ratios to reflect 1998/99 academic year funding expectations and is allocated to the campuses without a Chancellor's Office set-aside for student financial aid. It is assumed that campuses provided financial assistance as necessary to meet EII enrollment targets and the ongoing costs of this assistance must be retained at the campus to maintain enrollment levels.
- b) The campuses are further allocated \$1.2 million to increase waivers for students eligible to receive Allan Pattee and Cal Veteran State University Fee waivers. This revenue offset funds an additional 788 regular and 25 limited academic year fee waivers.
- c) The remaining \$12.2 million was used to fund 1999/2000 CSU budget plan expenditure increases based on total new expenditure growth allocated to each campus. These revenue offsets determined the amount of General Fund support campuses required for new expenditures in 1999/2000.

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1999/2000 Enrollment Targets (see [Attachment F](#))

Campus enrollment targets for 1999/2000 are provided for your information and reflect agreements reached with campus presidents. Funding for 1998/99 Teacher Preparation enrollment will be provided as a one-time allocation in 1999/2000.

The Board of Trustees adopted the following fee rates for the 1999/2000 Academic Year at their July meeting:

RESOLVED, By the Board of Trustees of The California State University, that if the state budget as enacted provides funds in support of a 5 percent reduction in the undergraduate and graduate State University Fees, the following schedule for the State University Fee is approved for the 1999/2000 academic year effective the fall term 1999 and until further amended:

1999/2000 State University Fee Schedule (Effective fall term 1999)

All campuses, except California State University, Stanislaus:

<u>Units</u>	<u>Per Semester</u>	<u>Per Quarter</u>	<u>Per Academic Year</u>
Undergraduate			
6.1 or more:	\$714	\$476	\$1,428
0 to 6.0:	\$414	\$276	\$ 828
Graduate			
6.1 or more:	\$753	\$502	\$1,506
0 to 6.0:	\$438	\$292	\$ 876

California State University, Stanislaus:

<u>Units</u>	<u>Per Semester</u>	<u>Winter Term</u>	<u>Per Academic Year</u>
Undergraduate			
6.1 or more:	\$650	\$128	\$1,428
0 to 6.0:	\$350	\$128	\$ 828
Graduate			
6.1 or more:	\$685	\$136	\$1,506
0 to 6.0:	\$370	\$136	\$ 876

And, be it further

RESOLVED, That the chancellor may approve individual campus State University Fee rates that do not exceed the maximum fee rates established by this fee schedule for the 1999/2000 fiscal year.