November 13, 2009

Hon. Denise Moreno Ducheny, Chair  
Joint Legislative Budget Committee  
State Capitol, Room 5035  
Sacramento, CA 95814

Mike Genest, Director  
Department of Finance  
State Capitol, Room 1145  
Sacramento, CA 95814

Diane Boyer-Vine  
Legislative Counsel  
State Capitol, Room 3021  
Sacramento, CA 95814

Mac Taylor  
Legislative Analyst  
925 L Street, #1000  
Sacramento, CA 95814

Gregory Schmidt  
Secretary of the Senate  
State Capitol, Room 400  
Sacramento, CA 95814

E. Dotson Wilson  
Chief Clerk of the Assembly  
State Capitol, Room 3196  
Sacramento, CA 95814

RE: Faculty Compensation

The California legislature requests that CSU report annually in November on the budgeted and actual allocation of funds for faculty salary increases for the current and prior three budget years. Specifically, the language adopted requested the following:

"The data shall include, at a minimum:

- The amount of state and university funds (in total and as a percentage of base expenditures) included in the budget for faculty salary and benefit increases for each major category of faculty (for example, tenured and non-tenured, full-time and part-time, and faculty and instructor). Funding shall be reported both as totals and as funding per full-time equivalent (FTE) faculty.

- The actual allocation of funds for salary and benefit increases in total and per FTE faculty by major category of faculty. To the extent that there are differences between budgeted and actual allocations, the university shall provide a detailed explanation of the differences."

Business and Finance, 401 Golden Shore, 5th Floor, Long Beach, CA 90802-4210 / www.calstate.edu
The following report provides the requested information on faculty compensation for fiscal years 2009/10, 2008/09, 2007/08, and 2006/07. Should you have any questions concerning CSU compensation adjustments, please contact Robert Turnage, Assistant Vice Chancellor for Budget at (562) 951-4560 or rturnage@calstate.edu.

**Budgeted Compensation versus Calculation of Implementation Costs based on Actual Payroll Changes**

Compensation increases included in annual budget appropriations for the California State University (CSU) are based on a specified increase in total aggregate employee salaries and related benefits without distinction to bargaining unit or employee classification. A calculation is made based on (1) the percentage increase specified in the annual appropriation and (2) the total aggregate salaries and related benefits for each of the CSU represented employee groups, to determine the compensation pool total used to negotiate collective bargaining agreements that include salary adjustments in accordance with the Higher Education Employer-Employee Relations Act (HEERA). Each bargaining unit can use the funds allocated for the salary and related benefits pool to negotiate a compensation package that can include adjustments to general salary increases, service-based increases, improved benefits, merit-pay, and similar adjustments within the total aggregate level of dollars identified.

The CSU has paid all salary and benefit increases negotiated for employee compensation adjustments and no employee scheduled to receive a compensation increase fails to receive one. The state has indicated its intent during the annual budget process that CSU compensation increases are provided in aggregate without specific regard to individual bargaining units. This action is taken to reiterate state support of HEERA and to preserve the integrity of the collective bargaining process.

The following table identifies the amount of state and university funds (in total and as a percentage of base budgets) included in the budget for faculty salary and benefit increases for each major category of faculty and the actual allocation of funds for salary and benefit increases in total and per FTE faculty by major category of faculty. Again, faculty collective bargaining does not identify specific amounts for each employee classification within a bargaining unit. Consequently, the amounts shown for tenure/tenure track, lecturer and other Unit 3 Faculty classifications are provided for display purposes only to comply with the supplemental report language request and do not represent a depiction of compensation increase amounts by employee classification that would have been used in collective bargaining negotiations.
Faculty Compensation 2006/07 through 2009/10

<table>
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<tr>
<th>Expense</th>
<th>2006/07</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
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<tr>
<td>GSI*</td>
<td>$40,590,000</td>
<td>$67,875,000</td>
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<tr>
<td>Tenure/Tenure-Track</td>
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<td>$46,820,200</td>
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<td>Lecturer</td>
<td>$10,168,000</td>
<td>$17,002,400</td>
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<td>Other</td>
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<td>$4,052,400</td>
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<tr>
<td>Equity</td>
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<tr>
<td>PPI (Merit)</td>
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<tr>
<td>SSI</td>
<td>13,297,000</td>
<td>14,414,000</td>
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<tr>
<td>Total</td>
<td>$53,887,000</td>
<td>$89,289,000</td>
<td>$37,590,000</td>
<td>$7,000,000</td>
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<tr>
<td>Compensation Increase Percentage</td>
<td>3.98%</td>
<td>6.21%</td>
<td>2.40%</td>
<td>0.43%</td>
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Revenue

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<th>Budget Plan Appropriation</th>
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<th>2008/09</th>
<th>2009/10</th>
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<td>$50,061,000</td>
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Unfunded Need (Revenue - Expense)

<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>($3,826,000)</td>
<td>($22,161,000)</td>
<td>($37,590,000)</td>
<td>($7,000,000)</td>
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</tbody>
</table>

Non-Faculty Unfunded Compensation Costs

| (Non-Faculty Unfunded Compensation Costs | ($6,762,000) | ($8,170,000) | $0 | $0 |

Total CSU Unfunded Compensation Costs

| (Total CSU Unfunded Compensation Costs) | ($10,588,000) | ($30,331,000) | ($37,590,000) | ($7,000,000) |

* 2008-09 GSI Negotiated as part of 2007-08 GSI but paid in 2008-09.

To satisfy unfunded need, CSU campuses must redirect base budget resources from previously funded operating expenses to cover faculty compensation costs.

Should you have any questions concerning information presented in the table above, please contact Rodney Rideau, Budget Director at (562) 951-4560 or rrideau@calstate.edu.

Sincerely,

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

BFQ: rr

c: Members, Joint Legislative Budget Committee (17 copies)
Charles B. Reed, CSU Chancellor
Garrett Ashley, Vice Chancellor, University Relations and Advancement
Robert Turnage, Assistant Vice Chancellor, Budget
Karen Y. Zamarripa, Assistant Vice Chancellor, Advocacy and State Relations