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May 17, 2011

Benjamin F. Quillian
*Executive Vice Chancellor and
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The Honorable Jerry Brown
Governor of the State of California
State Capitol
Sacramento, CA 95814

RE: Fiscal Year 2009-10 Lottery Revenue Fund Receipts and Expenditures Report

Attached is a copy of the **CSU 2009-10 Lottery Revenue Fund Receipts and Expenditures Report** that is in accordance with lottery policies adopted by the Board of Trustees and as required by Section 24.60 of the 2010-11 Budget Act. This report displays the actual 2009-10 receipts and expenditures and planned 2010-11 receipts and expenditures.

Should you have any questions about this report please contact Robert Turnage, Assistant Vice Chancellor for Budget, at (562) 951-4560 or rturnage@calstate.edu.

Sincerely,

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Enclosure

BFQ: lm

c: Members, California State Legislature
Ana Matosantos, Director, Department of Finance
Gregory Schmidt, Secretary of the Senate
Diane Boyer-Vine, Legislative Counsel, Office of Legislative Counsel
E. Dotson Wilson, Chief Clerk of the Assembly, California State Assembly
Charles B. Reed, CSU Chancellor
Ephraim Smith, Executive Vice Chancellor and Chief Academic Office
Garrett Ashley, Vice Chancellor, University Relations and Advancement
Karen Y. Zamarripa, Assistant Vice Chancellor, Advocacy and State Relations
Robert Turnage, Assistant Vice Chancellor for Budget

2009-10 Lottery Revenue Fund Receipts and Expenditure Report

May 2011

INTRODUCTION

Pursuant to Section 24.60 of the 2010-11 Budget Act, the following represents the California State University's (CSU) Lottery Report to the Governor and the Legislature. This report is divided into two sections. The first section contains information regarding budgeted and actual revenues and program expenditures for fiscal year 2009-10. The second section contains the 2010-11 fiscal year projected revenue and proposed program expenditures.

SECTION I – 2009-10 REVENUES AND EXPENDITURES

Each year the CSU Board of Trustees adopts a Lottery Revenue Budget. For the 2009-10 fiscal year, the Board adopted a budget totaling \$44.0 million as shown on Table 1. The 2009-10 lottery budget was based on an estimated beginning balance of \$5 million and estimated receipts of \$39 million. As the CSU maintains a systemwide reserve of \$5 million, the total budget approved for allocation was \$39.0 million.

The CSU conservatively budgeted lottery revenue due to the uncertain nature of this revenue source. CSU's lottery receipts increased during the past five years, except for fiscal year 2008-09 in which there was a decline. The CSU will continue to budget conservatively for lottery revenue projections and will monitor the actual receipts received while making necessary adjustments as needed.

The actual lottery revenue available for fiscal year 2009-10 was \$47.6 million, which includes the beginning balance of \$5 million and total receipts of \$42.6 million in new lottery generated revenue as transferred to the CSU by the State Controller's Office (SCO).

Table 1. Revenue - Fiscal Year 2009-10

	Budgeted	Actual
Beginning Balance	\$5,000,000	\$5,000,000
Receipts	39,000,000	42,580,000
Total Revenue	\$44,000,000	\$47,580,000
Systemwide Reserve	5,000,000	5,000,000
Carry-forward	-	134,000
Allocations/Expenditures	39,000,000	42,446,000
Total Allocations/Expenditures, Reserves and Carry-forward	\$44,000,000	\$47,580,000

Table 2 displays the amounts budgeted and allocated for expenditure by lottery program.

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Table 2. Expenditure - Fiscal Year 2009-10	2009-10 Original Budget	2009-10 Expenditure Allocation
Forgivable Loan/Doctoral Incentive Program	\$2,000,000	\$2,000,000
California Pre-Doctoral Program	714,000	714,000
CSU Summer Arts Program	1,200,000	1,200,000
Systemwide Administrative Costs	491,000	491,000
Campus-Based Programs	34,595,000	38,041,000
Total Program Budget/Expenditure Allocation	\$39,000,000	\$42,446,000
Lottery Reserves	5,000,000	5,000,000
Carry-forward	-	134,000
Total Program Budget/Expenditure Allocation, Reserves and Carry-forward	\$44,000,000	\$47,580,000

In 2009-10, the CSU allocated \$3.9 million for three system programs: the Forgivable Loan/ Doctoral Incentive Program, the California Pre-Doctoral Program, and the CSU Summer Arts Program. CSU also allocated \$38.0 million for campus-based programs. The funding increase for lottery campus-based programs reflects the use of additional receipts to support instructional costs. The following provides detailed descriptions of these program costs.

Forgivable Loan/ Doctoral Incentive Program

The Forgivable Loan/Doctoral Incentive Program provides financial assistance to graduate students and is designed to increase the pool of individuals who show promise of becoming strong candidates for CSU instructional faculty positions. The specific purpose of the program is to increase the pool of individuals with the qualifications, motivation, and skills to teach the diverse student body in the California State University. It is a highly competitive program directed by the CSU, but is open to applicants who will be new or continuing full-time students in doctoral programs at accredited universities anywhere in the United States. Individuals in the program, however, must be sponsored by CSU full time tenure-track faculty to: Establish early relationships between doctoral students and CSU academic departments, encourage them during their doctoral studies, and provide experience that will stimulate interest in a teaching career in the CSU. A major incentive for participants in the program is the opportunity to pursue full-time doctoral studies underwritten by loans that can be forgiven at a rate of 20 percent for each year of full-time teaching at the CSU after completing their doctorate studies.

California Pre-Doctoral Program

Beginning in 1989-90, the California Pre-Doctoral Program was developed cooperatively by the CSU and the University of California. It is designed to increase the pool of potential faculty by supporting the doctoral aspirations of CSU students who have experienced economic and educational disadvantages. The plan is to be tailored to the specific goals and career objectives of the student. Students are motivated to enter the profession through mentoring by faculty, involvement in formal and informal scholarly and research opportunities, interaction with doctoral-granting institutions, membership in professional associations, and attendance at professional conferences. Each of the applicants selected is designated a

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Sally Casanova Pre-Doctoral Scholar and works closely with a California State University faculty sponsor to develop an overall plan which leads ultimately to enrollment in a doctoral program. Students are supported to attend events designed to interest them in graduate study and scholarly careers. A major component of the program is the Summer Research Internship wherein scholars have the opportunity to participate in a structured 8-10 week fully funded research project under the supervision of a professor at a prominent doctoral granting institution.

The California Pre-Doctoral Program is designed to improve coordination between CSU master's degree programs and participating doctoral institutions, so that a better pipeline will develop. As in prior years, a modest amount of faculty travel was supported so that CSU faculty could accompany the selected students visiting Ph.D. granting institutions. This enables the students to learn more about opportunities for doctoral study and to establish ongoing faculty-to-faculty relationships with faculty at the doctoral granting institutions.

A portion of the funding supports the California Graduate Education Forum. The Forum brings together promising juniors, seniors, and master's degree students for a series of workshops covering all aspects of doctoral work. In addition, each CSU campus receives a modest amount of funds for supplies and services so that the campus designated Pre-Doctoral Advisor can collect and disseminate information on doctoral study. A systemwide Pre-Doctoral Program Coordinator coordinates these activities and participates in and provides leadership for related programs such as the California Graduate Education Forum.

CSU Summer Arts Program

CSU Summer Arts began in 1986 as a dance program housed on the campus of CSU Long Beach. The Summer Arts Program has developed into a multidisciplinary systemwide program offering academic credit, plus a festival in the visual, performing and literary arts. The academic component offers two-to-four-week residency workshops in arts education, creative writing, dance, music, film/video, theater, performance, visual arts, and new technology. Students from throughout the California State University system, as well as from other colleges and universities throughout the nation, are encouraged to apply, as are practicing teachers, arts professionals, and serious amateurs in various arts areas. Scholarships are available to those who qualify. All courses are coordinated by members of the CSU faculty and are taught by guest artists at the top of their fields. The CSU Summer Arts Program gives students the opportunity to come together and share what they have in common; creative expression.

Campus-Based Programs

Campus-Based Programs represent a significant source of funds that permits campuses to fund instructional activities that lead to the enhancement of the quality of campus life. By using these funds, campus authority and managerial discretion are increased. The use of Campus-Based Program funds allows campuses maximum flexibility in meeting unique campus needs. In keeping with past lottery revenue budgets, such funds are allocated to achieve maximum impact in enhancing instruction. In 2009-10, a total of \$38.0 million was used for Campus-Based Programs for support of student instructional and academic programs.

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SECTION II – 2010-11 PROJECTED REVENUES AND EXPENDITURES /ALLOCATIONS

The Board of Trustees approved a 2010-11 lottery budget that included projected revenue comprised of an estimated beginning system reserve balance of \$5 million and new receipts projected to be \$39 million. Per Board of Trustees resolution dated November 18, 2009, CSU will maintain \$3 million of 2010-11 projected lottery revenue to serve as a reserve for economic uncertainties and cash flow variations resulting from fluctuations in lottery receipts, as well as to provide funds for special instructional and academic support projects the Chancellor may determine are necessary during the fiscal year. The previously reserved additional \$2 million will be allocated for Academic Program Support in accordance with the Board’s direction.

Table 3 identifies the projected revenues for 2010-11 and the funds approved for allocation.

Table 3. 2010-11 Projected Revenues	
Beginning Reserve	\$5,000,000
Receipts	39,000,000
Total Revenues	\$44,000,000
Less Systemwide Reserve	(3,000,000)
Total Approved for Allocation	\$41,000,000

Table 4 identifies the 2010-11 planned program expenditures and allocations of \$41 million, which match the funds approved for allocation in Table 3.

Table 4. 2010-11 Planned Expenditure	
Lottery Program	Fiscal Year 2010-11
Academic Program Support	\$2,000,000
Forgivable Loan/Doctoral Incentive Program	2,000,000
California Pre-Doctoral Program	714,000
CSU Summer Arts Program	1,200,000
System Lottery Fund Administrative Costs	491,000
Campus-Based Programs	34,595,000
Total Planned Expenditures	\$41,000,000