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September 9, 2011

Honorable Mark Leno, Chair  
Senate Budget and Fiscal Review Committee  
State Capitol, Room 5100  
Sacramento, CA 95814

Honorable Robert Huff, Vice Chair  
Senate Budget and Fiscal Review Committee  
State Capitol, Room 5097  
Sacramento, CA 95814

Assembly Member Bob Blumenfield, Chair  
Assembly Committee on Budget  
State Capitol  
PO BOX 942849

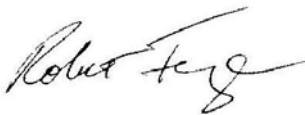
Assembly Member Jim Nielsen, Vice Chair  
Assembly Committee on Budget  
State Capitol Room 6031  
Sacramento, CA 95814

**RE: California State University Report on Use of General Fund Restoration in 2010-11**

Enclosed is the California State University report on the use of General Fund restoration for fiscal year 2010-11, as required by the Supplemental Report of the 2010-11 Budget Package, Item 6610-001-0001.

Should you have any questions about this report, please contact me at (562) 951-4560 or [rturnage@calstate.edu](mailto:rturnage@calstate.edu).

Sincerely,



Robert Turnage  
Assistant Vice Chancellor for Budget

Enclosure

c: Members, Senate Budget and Fiscal Review Committee  
Members, Assembly Committee on Budget  
Ana Matosantos, Director, Department of Finance  
Gregory Schmidt, Secretary of the Senate  
Diane Boyer-Vine, Legislative Counsel, Office of Legislative Counsel

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**CSU Campuses**  
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Chico  
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East Bay

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San Luis Obispo  
San Marcos  
Sonoma  
Stanislaus

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E. Dotson Wilson, Chief Clerk of the Assembly, California State Assembly  
Charles B. Reed, CSU Chancellor  
Benjamin F. Quillian, Executive Vice Chancellor and Chief Financial Officer  
Ephraim Smith, Executive Vice Chancellor and Chief Academic Officer  
Garrett Ashley, Vice Chancellor, University Relations and Advancement  
Karen Y. Zamarripa, Assistant Vice Chancellor, Advocacy and State Relations

## California State University Report on Use of General Fund Restoration in 2010-11

In the *Supplemental Report of the 2010-11 Budget Package*, the legislature directed the CSU to provide a report, by September 1, 2011, describing use of the General Fund restoration received by the university in fiscal year 2010-11. Specifically, the report is to include, but not be limited to, (a) the amount of General Fund restoration provided for classes, student services, libraries, and executive administration; and (b) the number of additional students enrolled and number of additional courses offered with the restoration relative to the 2009-10 level.

Table 1 below provides a summary overview of CSU year-to-year changes in State funding support and CSU budget allocations and expenditures for the 2009-10 and 2010-11 fiscal years.

**TABLE 1**

### **CSU 2010-11 Budget Restoration and Use of Funds**

	<i>\$ in Millions</i>
<b>CSU 2009-10 General Fund Budget Cut</b>	(\$557.0)
<b>CSU 2010-11 Budget Restoration</b>	
State General Fund	\$185.1
Federal ARRA Funds	106.6
	<u>\$291.7</u>
<b>CSU 2010-11 Allocation of Budget Restoration</b>	
Enrollment	\$147.7
Mandatory Costs	23.6
General Operating Support Restoration	120.4
	<u>\$291.7</u>
<b>CSU 2010-11 Change in Expenditure Programs from 2009-10</b>	
Instruction	\$86.2
Academic Support	36.4
Research/Public Service	-3.4
Student Services	30.6
Institutional Support	41.0
Operations and Maintenance of Plant	27.6
Student Grants and Scholarships	37.1
System Encumbrance for Campus 2011-12 Ongoing Enrollment	36.2
	<u>\$291.7</u>
<b>CSU Year-to-Year Expenditure Change by Selected Program Categories</b>	
Marginal Cost Enrollment Growth	
Classes, Student Services, and Instructionally-related Services	\$116.8
System Encumbrance for Campus 2011-12 Ongoing Enrollment	36.2
Libraries	5.9
Executive Management	7.9
General Operating Support Restoration and Mandatory Cost Increases	124.9
	<u>\$291.7</u>

### **Program Definitions**

**Academic Support.** Includes libraries, museums and galleries, educational media services, support information technology, course and curriculum development, academic administration, and faculty and other academic personnel development.

**Student Services.** Includes activities that contribute to students' emotional and physical well-being, and their intellectual, cultural and social development outside the formal instruction program. These activities include student newspapers, intramural athletics, student organizations, counseling and career guidance, student financial aid administration, and student health services.

**Institutional Support.** Includes management and long-range planning activities that maintain the university's effectiveness and continuity and ensure the university's operations are consistent with the state's public higher education policy. Activities include executive management, fiscal operations, financial and treasury operations, audits, general administration, public relations, and administrative information technology.

**Operation and Maintenance of Plant.** Includes physical plant administration, building maintenance, ground maintenance, utilities, major repairs, security and safety, logistics, debt service payments, operations and maintenance information technology, and insurance costs.

The 2009-10 Budget Act, enacted in July 2009, reduced state General Fund support of the CSU by \$557 million from the approximately \$2.9 billion approved in the 2008-09 Budget Act (as revised in February 2009). Following other reductions in the prior year, the 2009-10 Budget Act reduced state support for the CSU to a level that was \$625 million less than the peak experienced in 2007-08.

The 2010-11 Budget Act, enacted in October 2010, restored approximately \$366 million of the prior cuts. This amount included \$106.6 million of one-time federal funds from the State Fiscal Stabilization Fund authorized in the American Reinvestment and Recovery Act of 2009 (ARRA). In March 2011, the legislature reverted \$75 million of state General Fund, reducing the total 2010-11 restoration (state General Fund and ARRA) to approximately \$291.7 million.

### **Changes in CSU Enrollment Affecting Course Offerings and Faculty**

The state's fiscal cycle does not align well with the calendars of academic institutions or their advance planning needs in terms of admissions, enrollment, course scheduling and faculty hiring. These challenges are at least workable during periods of relative stability in state funding. Over the last few years, however, unprecedented volatility in state funding levels and uncertainties as to timing and content of state funding decisions have greatly complicated planning and operations at the 23 CSU campuses. Because uncertainty over the level of state funding for 2010-11 was not resolved until 100 days into the fiscal year (October 8<sup>th</sup>), CSU campuses were "locked in" to fiscally conservative levels of enrollments, courses, faculty hires and spending for the summer, fall and winter (at quarter-calendar

campuses) terms. This left only the spring term for campuses to respond to the funding restoration. For this reason, much of the data in this report focuses on the spring 2011 term.

**Spring 2011 Admissions and Enrollment.** In view of the severe state funding reductions of 2009-10, and the prospect that state funding constraints might endure for multiple years, the CSU embarked on a two-year plan beginning in 2009-10 to reduce annual FTES (full-time equivalent student) enrollment. Changing enrollment trajectories takes time, due to the lead times necessary for the admissions process and due to the “momentum” of continuing students. A large incoming freshman class one year carries forward to large numbers of continuing students for several subsequent years. The funding reduction of 2009-10 resulted in the closing of most admissions at CSU campuses for spring 2010 and constrained admissions for Fall 2010. Similar constraints were planned for Spring 2011 admissions due to budget uncertainty, but the chancellor directed campuses to open spring 2011 admissions and enroll as many transfer students as possible, given the funding restoration enacted in October 2010.

This effort is reflected in the following data. New student enrollments in Spring 2011 totaled 24,735 (headcount). This nearly equaled the number of two years prior (25,043 new students in Spring 2009) and was dramatically higher than Spring 2010, when campuses could enroll only 3,649 new students. Spring 2011 undergraduate transfers totaled 18,635, a Spring number exceeded only once in the last 20 years (20,031 undergraduate transfers in Spring 2005). To some extent, this reflected pent-up demand for transfers. But it also reflected the genuine effort made by campuses to accommodate students, once the state provided a degree of funding restoration.

As mentioned, campuses had already “locked in” to lower numbers of students in the summer, fall and winter terms. Therefore, in spite of the upturn in Spring admissions, *annual* FTES numbers for the CSU were lower in 2010-11 than in 2009-10. Specifically, California-resident FTES declined 3.6 percent from 340,302 in 2009-10 to 328,155 in 2010-11. By contrast, Spring Term FTES increased year to year by 4.1 percent. Because this large Spring influx will boost the continuing student number in 2011-12, and because the CSU has chosen to keep admissions open for Spring 2012—despite the most recent budget cuts—we expect to serve more students in 2011-12 than in 2010-11.

The influx of students in Spring 2011 is also reflected in data on course sections, average class size and faculty numbers.

**Course Sections and Average Section Size.** Systemwide, the number of course sections taught in Spring 2011 exceeded the prior Spring by 5.9 percent, rising from 54,429 sections to 57,650 sections. Section enrollments (essentially, the number of filled seats) increased from 1,715,670 to 1,795,608, or 4.7 percent. Average course section size declined from 31.5 to 31.1, returning to the level seen in Spring 2009.

**Faculty Numbers.** Tenured/tenure-track faculty numbers declined by 5.4 percent from 10,533 in Spring 2010 to 9,962 in Spring 2011, reflecting a trend of retirements, combined with sharply curtailed faculty searches necessitated by the ongoing fiscal crisis. However, the temporary funding restoration from the state enabled the hiring of more lecturers for the Spring term. Spring 2011 lecturers (headcount) totaled 11,964, a 16 percent increase over the prior Spring. Many lecturer appointments are part-time,

so lecturer FTE (full-time equivalent) is lower than headcount. Lecturer FTE was 5,936 in Spring 2011, a 17 percent increase. Total instructional FTE (tenured, tenure-track, lecturer and teaching associates) was 16,293 in Spring 2011, a 2 percent increase over Spring 2010, and only 0.7 percent below Fall 2009.

**Spending by Program Category.** As mentioned, the late budget enactment effectively constrained expenditure increases made possible by the funding restoration to the Spring 2011 term. Moreover, three months after the enactment of the 2010-11 Budget Act, Governor Brown proposed a 2011-12 budget that reduced state support for the CSU by \$500 million. Both of these factors had limiting effects on expenditures in the 2010-11 fiscal year. CSU Operating Fund expenditures increased by almost \$256 million, or 6.0 percent, year to year. In addition, as identified in table 1, CSU also reserved for encumbrance approximately \$36 million of budget restoration to fund the continuing cost of spring 2011 enrollment growth on a permanent basis.

Of the major program categories, “instruction” is the category where expenditures track most closely with fluctuating enrollment levels. Therefore, the fact that annual FTES enrollment was 3.6 percent lower in 2010-11 than in 2009-10 (for reasons discussed above) had a restraining effect on total instruction expenditures in 2010-11.

In addition, the expiration of furloughs had differential effects on spending in the various categories. In most program categories, staff furloughs were in effect for almost the entire 2009-10 fiscal year and terminated with the end of the fiscal year. With the entire 2010-11 fiscal year being “furlough free,” salary expenditures for these employees would be about 10 percent higher in 2010-11. Faculty furloughs, however, began later in the 2009-10 fiscal year (September) and continued part-way into the 2010-11 fiscal year. This timing difference affects the year-to-year percentage change in salary expenditure, reducing the year-to-year increase to about 6.7 percent for faculty rather than the 10 percent for most staff.

The supplemental report language specifically calls for expenditures for “libraries” and “executive management.” These are sub-categories of “academic support” and “institutional support,” respectively. Library expenditures increased by \$5.9 million, or 5.1 percent. “Executive management” consists of a broad set of activity and personnel, including support staff, that is not limited to specific programs, but serves broad institutional needs. Expenditure in this sub-category increased by \$7.9 million, or 8.6 percent. This reflected a partial restoration, since the CSU reduced executive management expenditures by \$14.6 million (13.7 percent) in the prior fiscal year.