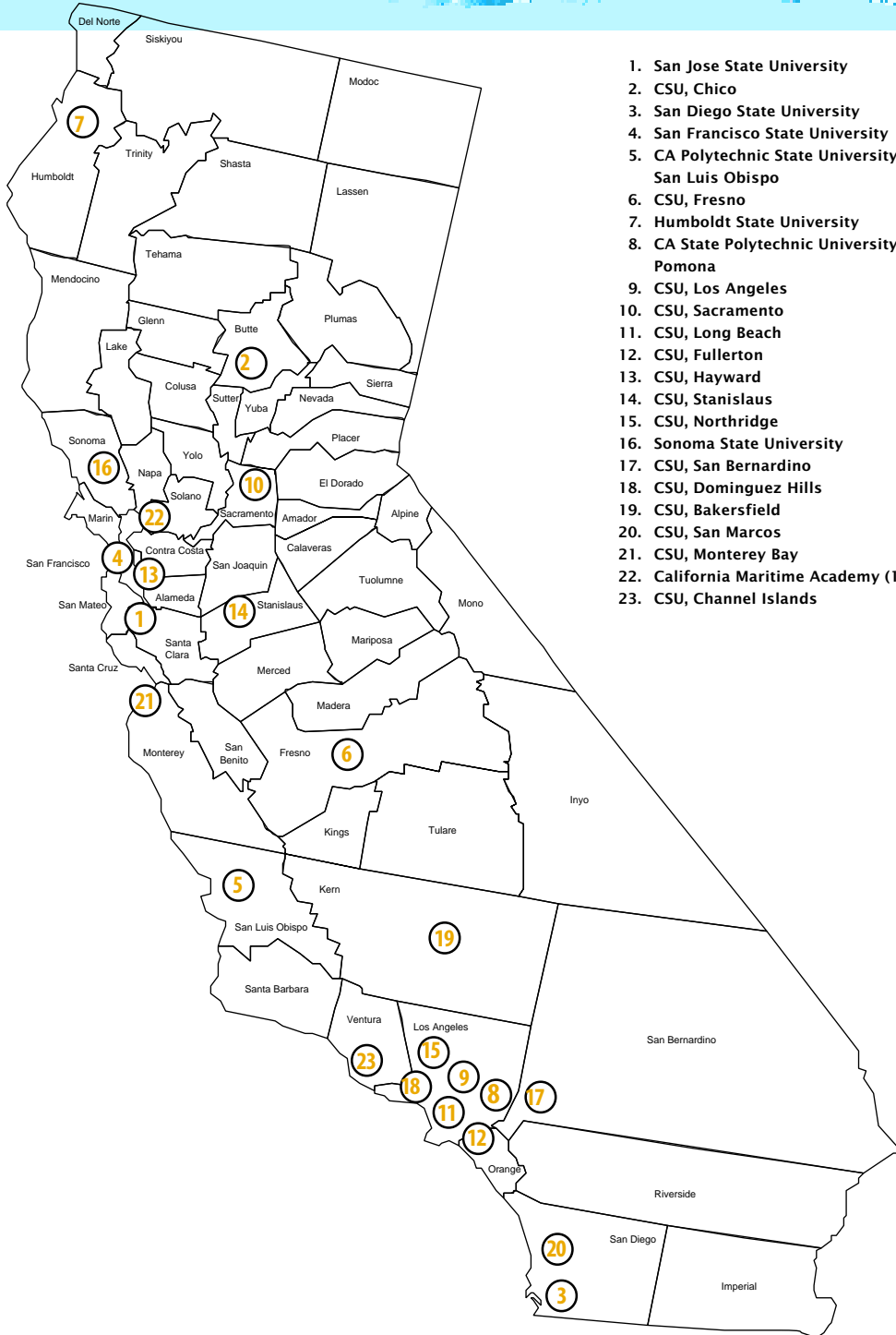
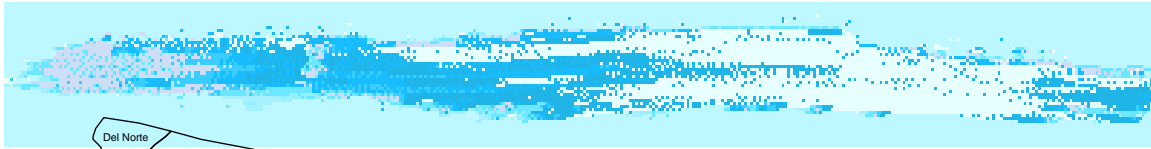


2001/02 Support Budget Documentation




1. San Jose State University	1857
2. CSU, Chico	1887
3. San Diego State University	1897
4. San Francisco State University	1899
5. CA Polytechnic State University, San Luis Obispo	1901
6. CSU, Fresno	1911
7. Humboldt State University	1913
8. CA State Polytechnic University, Pomona	1938
9. CSU, Los Angeles	1947
10. CSU, Sacramento	1947
11. CSU, Long Beach	1949
12. CSU, Fullerton	1957
13. CSU, Hayward	1957
14. CSU, Stanislaus	1957
15. CSU, Northridge	1958
16. Sonoma State University	1960
17. CSU, San Bernardino	1960
18. CSU, Dominguez Hills	1960
19. CSU, Bakersfield	1965
20. CSU, San Marcos	1989
21. CSU, Monterey Bay	1994
22. California Maritime Academy (1929)	1995
23. CSU, Channel Islands	1996

Documentation of 2001/02 CSU Support Budget Calculations based on the Governor's Higher Education Partnership Agreement and CSU Budget Priorities
January 2001

BRANCHING OUT IN NEW DIRECTIONS

John R. Richards
Director of the Budget



The 2001/02 Support Budget Documentation provides the technical details required to understand General Fund and student fee revenue calculations that support the Board of Trustees' budget proposal approved in October 2000. This information is required for analysis of the CSU budget request by the Department of Finance, Legislative Analyst, and campus financial managers and budget officers. Budget information presented in this document may also be used to assist CSU campus planning for the 2001/02 fiscal year. It is written so that all Californians can understand how public funds and student fee revenue are appropriated and used for the delivery of instruction and other CSU educational services.

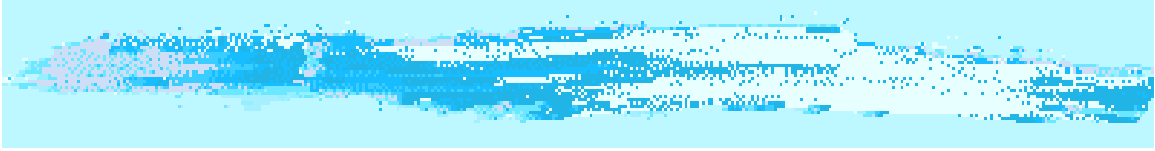
We are branching out in new directions with the technical details provided in the Support Budget Documentation. We have organized the budget information so that all details related to a specific use of funds are in one area. For the first time we are including budget information on the Center for California Studies, a fellowship program administered by CSU that offers legislative, executive and judicial internships to students interested in state public service. We have also created a section for budget information specifically required by the state to prepare the governor's January 2001 budget proposal.

By branching out in these new directions, all CSU constituencies should have a clearer understanding of the information that will be presented and discussed during the state budget process.

CONTENTS

EXECUTIVE SUMMARY	5 - 16
3 -Year Budget Detail by Program	
Partnership Revenue Calculations	
General Fund Operating Support	
State University Fee Revenue Projections	
Marginal Cost Funding for New Enrollment Growth	
Full Marginal Cost for Year Round Operation	
2001/02 SUPPORT BUDGET PROPOSAL	17 - 19
CSU OPERATING SUPPORT	20 -34
New Space	
Compensation and Benefits	
Long-Term Budget Need: Technology, Libraries, Deferred Maintenance	
Property Insurance	
Student Academic Preparation	
Strategic Academic Programs	
ENROLLMENT	35 - 40
New Enrollment Growth	
Year-Round Operations	
State University Grants/Mandated Fee Waivers	
CSU EDUCATION PRIORITIES	41 - 60
CSU Channel Islands	
Governor's K-12 Initiatives	
Graduate FTE Conversion	
Applied Research	
Central Valley Research Center	
Diagnostic Writing Service	
Student Services Improvement	
Investment in Faculty and Staff Housing	
Joint Use Intersegmental Programs	
CENTER FOR CALIFORNIA STUDIES	
SPECIAL FUNDS	61 - 69
Auxiliary Programs	
Parking Program	
Extended and Continuing Education	
STATE BUDGET INFORMATION REQUIREMENTS	71 - 77
Amended CSU Support Budget Request	
2001/02 Enrollment Targets	
Retirement Reduction	

2001/02 Support Budget Proposal



EXECUTIVE SUMMARY

Goals of the Higher Education Partnership (1999/2000 through 2002/03)

Within the framework of the Four-Year Partnership for Higher Education negotiated and finalized with Governor Davis in May 2000, CSU and the governor agreed on a set of service and financial commitments anchored by specified benchmarks of accountability.

CSU's Commitment	State's Commitment
<p>Improve Institutional Productivity and Efficiency</p> <p>Satisfy the core mission within the Master Plan guidelines</p> <ul style="list-style-type: none"> • Satisfy ongoing maintenance needs using identified standards • Increase technology access, training and support linked to the CSU Technology Plan for improvements in instructional delivery and student academic achievement <p>Increase program efficiency</p> <p>Provide competitive faculty salaries that are increased based on merit, subject to collective bargaining</p> <p>Increase emphasis on merit-based pay</p>	<p>4 percent annual increase to the CSU General Fund base</p> <p>Funds for annuitant benefits</p>
<p>Improve access and the transition from High School to College</p> <p>Ensure access under the Master Plan for all Californians</p> <p>Assume greater responsibility in working with K-12 schools toward improving student performance</p> <p>Improve transfer and articulation</p> <p>Accommodate all CCC transfers who are fully qualified and seek access to CSU</p> <p>Expand course transferability</p> <p>Improve Institutional Productivity and Efficiency</p> <p>Enroll all eligible students who wish to attend the CSU on an ongoing basis</p>	<p>Funding for enrollment growth, consistent with access under the Master Plan at the agreed upon marginal rate adjusted annually</p> <p>Revenue equivalent to that which would be generated from annual increases in mandatory systemwide fees and in fees for selected professional school students of no more than the increase in CA per capita personal income</p>

CSU has been committed to public accountability throughout its history. The Cornerstones report, the culmination of a two-year, systemwide strategic planning effort, reemphasized the commitment of the CSU to account for its performance through periodic reports to the public. From the Cornerstones effort, the university developed the CSU Accountability Process in which each campus and the Chancellor's Office report annually on their progress in meeting specific goals and objectives.

<i>CSU's Commitment</i>	<i>State's Commitment</i>
<p>Improve the quality of teacher preparation and meet teacher demand</p> <p>Increase the number of qualified teachers that the CSU graduates</p> <p>Improve the quality of CSU teacher education</p> <p>Improve the ability of K-12 teachers to use technology</p> <p>Improve the Academic Experience</p> <p>Provide opportunities for all students to participate in community service or service learning</p>	<p>Funding for new or expanded special initiatives or programs such as the development of off-campus centers or the opening of new campuses, special research initiatives, outreach and public service programs to improve K-12 schools, the transition to year-round operations, as well as the costs of legislation approved by the state</p>
<p>Improve Institutional Productivity and Efficiency</p> <p>Make more effective use of existing facilities to accommodate enrollment demands during the academic year</p>	<p>\$210 million minimum for each segment, consistent with Prop 1A, annually to support capital outlay needs. Support for state general obligation bond measure and/or lease revenue bonds that would provide additional support for capital outlay needs beginning in 2002/03</p> <p>An additional 1 percent to the CSU General Fund base to phase in full funding to progress toward the elimination of the annual budgetary shortfalls for ongoing building maintenance, instructional equipment, instructional technology, and libraries between 1999/2000 and 2002/03</p> <p>One-time funding, contingent upon the state's financial position, for high priority needs such as deferred maintenance, libraries, equipment, instructional technology, and capital outlay</p> <p>Funds for debt service related to capital outlay</p>

3-Year Budget Detail by Program

CSU budget information is summarized over three years to provide information on reported expenditures for the fiscal year ending June 30, 2000, budgeted expenditures for the fiscal year beginning July 1, 2000 and new expenditure requests for fiscal year 2001/02. Program details are used for marginal cost calculations that fund CSU enrollment growth and for national higher education reporting requirements.

Approximately 55 percent of budgeted and reported expenditures are used for instruction and academic support. Academic support includes computing, library, educational media, and course and curriculum development services and activities that support the delivery of instruction. CSU student services represent roughly 10 percent of budgeted and reported expenditures and include counseling, health, admission and financial aid services important to student enrollment and persistence to degree. Combined, these three program activities represent two-thirds of total CSU expenditures each year.

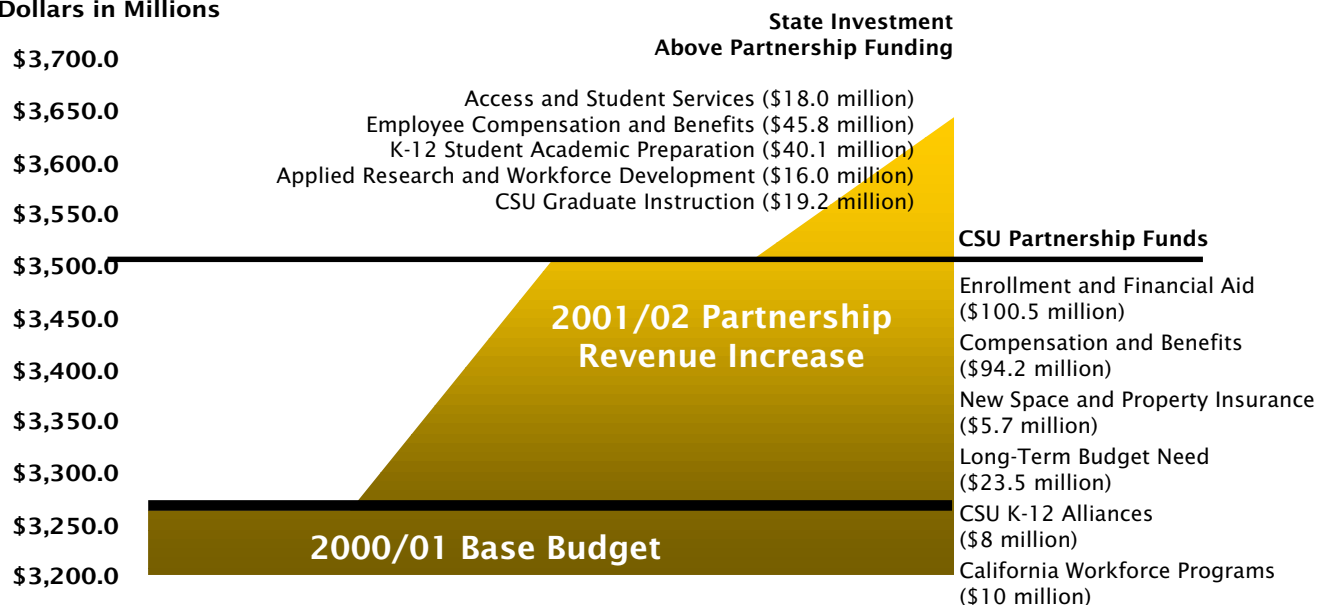
New expenditure increases requested for 2001/02 will be used to enroll 10,220 new full-time equivalent students (FTES), as well as state-supported enrollment growth of 4,116 summer term FTES at campuses converting to year round operations. (The Amended Trustees Budget shown at the end of this document revised enrollment growth

	1999/00 Reported	2000/01 Final Budget	2001/02 Trustees' Budget
Program			
Instruction	\$1,250,838,000	\$1,338,835,000	\$1,338,835,000
Research	2,176,000	293,000	293,000
Public Service	9,429,000	10,405,000	10,405,000
Academic Support	370,216,000	431,354,000	431,354,000
Student Service	284,897,000	307,022,000	307,022,000
Institutional Support	428,312,000	471,611,000	471,611,000
Plant Operation and Maintenance	343,171,000	358,247,000	358,247,000
Student Financial Aid	120,941,000	137,320,000	137,320,000
Reimbursed Activities	147,448,000	145,114,000	145,114,000
Provisions for Allocation		62,882,000	62,882,000
New Space			5,100,000
Enrollment			100,449,000
Compensation and Benefits			94,155,000
Long-Term Budget Core Needs			23,500,000
CSU Partnership Investments			18,615,000
State Investments			139,083,000
Total Gross Budget	\$2,957,428,000	\$3,263,083,000	\$3,643,985,000
Fund Source			
General Fund	\$2,175,380,000	\$2,473,014,000	\$2,827,443,000
Higher Education Fees & Income	634,600,000	644,955,000	671,428,000
Reimbursements	<u>147,448,000</u>	<u>145,114,000</u>	<u>145,114,000</u>
Total Sources of Funds	\$2,957,428,000	\$3,263,083,000	\$3,643,985,000

targets to 8,760 FTES new enrollment and 3,138 summer term FTES at campuses converting to year-round operations based on campus fall census data.) Expenditure increases are also requested to provide a 6 percent pool of funds for faculty and staff compensation increases, cover the increased cost of employee health benefits premiums, and maintain approximately 800,000 square feet of new custodial facility space. The 2001/02 budget request prioritizes funding for long-term need on continuing reductions in the deferred maintenance backlog, completing the CSU technology infrastructure buildout, and restoring base budget support for campus permanent library collections. Three specific areas of CSU investment of higher education partnership revenue in 2001/02 include doubling the number of CSU alliances in California high schools; permanently funding enhanced equipment and educational services for academic programs in nursing, agriculture, engineering, computer sciences and certain biochemistry and biotechnology fields; and a systemwide contribution toward comprehensive property insurance coverage of all CSU state and nonstate funded buildings. These investments, which represent \$18.6 million of partnership revenue, are important to the maintenance of academic programs that support CSU long-range goals for the continuing quality of instruction and educational services.

CSU is also requesting \$139.1 million above partnership funding for priority state investments that complete programs initiated last year to improve K-12 student academic preparation, reduce the CSU faculty salary lag with public comparison institutions and address labor market conditions for other staff, and complete fixed cost requirements for the CSU Channel Islands campus. Additional funds are also sought from the state to standardize and recognize instructional cost differences for graduate students; improve CSU student services; explore new intersegmental partnerships with UC and the community colleges; and match federal funding initiatives for applied research in agriculture, biotechnology and marine studies.

Dollars in Millions



Partnership Revenue Calculations

Partnership Revenue Calculations for General Operating Support

General Fund Increase		
2000/01 Budget Act Appropriations	\$2,473,014,000	
Base Budget Adjustments		
One-time Funds	-31,710,000	
Lease Revenue Bond Payments	-72,135,000	
CSU Retirement Rate Reduction	<u>-26,297,000</u>	
2001/02 Partnership General Fund Appropriations Base	\$2,342,872,000	
One Percent of Partnership General Fund Base	\$23,428,720	
General Operating Budget Increase (4 x \$23,428,720)		\$93,715,000
Long Term Budget Core Needs (1 x \$23,428,720)		\$23,429,000

The following partnership funding commitments comprise the 2001/02 CSU budget request:

1. Four (4) percent annual increase to the state General Fund base, plus 1 percent annual increase to the State General Fund base for long-term budget need such as deferred maintenance, libraries, equipment and instructional technology that must be addressed over several fiscal years.

Revenue from an annual 4 percent increase in state General Fund support is used to sustain the quality of CSU educational programs. It is used to address ongoing cost requirements that occur each budget year for employee compensation, CSU contractual obligations, scheduled plant maintenance and the expendable and operating costs of opening new space.

Long-term budget need is comprised of expenses that cannot be financed in a single budget year. The costs of deferred maintenance, instructional equipment replacement, maintaining relevant library inventory, and keeping technology current require a multimillion dollar annual commitment. The state has previously provided one-time funding or special budget allocations as resources permitted to address these long-term needs. The 1 percent partnership commitment provides a sustained resource for long-term need to reduce pressure on campus operating budgets and preserve quality.

To determine the General Fund increase, the \$2,473,014,000 Budget Act appropriation for 2000/01 is reduced to remove \$31.7 million in one-time funds, a \$26.3 million reduction in CSU retirement costs, and \$72.1 million in lease bond payments. Retirement and lease bond payments are removed from the calculation because the state makes adjustments in these costs as separation appropriations under the partnership agreement. The adjusted base is then used to determine the 1 percent General Fund increase for support budget operations and long-term need.

(During preparation of the Governor's Budget, it was noted that debt-service payments for CSU deferred maintenance financing should also be removed from the 2000/01 Budget Act appropriation for this calculation and this adjustment is reflected in the Amended Trustees Request at the end of this document.)

- Mandatory systemwide fees will go up annually by no more than the increase in California per capita personal income. The legislature and the governor may, in any year, choose to buy out these fee increases.

Revenue from increases in mandatory systemwide fee rates are combined with the 4 percent General Fund increase for operating support to sustain, improve and expand CSU educational programs. There has not been an increase in CSU fees since 1995; the state has supported General Fund subsidies in lieu of fee rate increases.

To determine the fee revenue buyout in lieu of a State University Fee rate increase, current fee rates of \$1,428 for undergraduates and \$1,506 for graduates are increased by the change in California Personal Per Capita Income. The fee rates are adjusted so that they can be equally applied across terms at either a semester or quarter campus. The adjusted rates are applied to projected CSU enrollment for the budget year at the same ratios of undergraduate, graduate and postbaccalaureate student headcount by fee paying status reported for the most recent past year. The total revenue projected for budget year enrollment at the new fee rate is reduced by the estimate of revenue for the budget year enrollment at current fee rates to determine the revenue increase. The projected revenue increase is reduced by the one-third set-aside of fee revenue that would have been used to cover the rate increase for financial aid recipients to determine the state General Fund cost to buy out the rate increase.

Estimated Fee Revenue from CA-PCI Rate Increase \$25,457,844
 Financial Aid Set-Aside (8,485,948)
 General Fund Fee Revenue Buyout \$16,971,896

Student Headcount	Current Rates	Rate Increase @ 4.91%	Revenue (Less Waivers)*		
			Current Rates	Increased Rates	Difference
Undergraduate	\$1,428/\$828	\$1,500/\$870			
Regular	274,187	274,187	\$384,681,000	\$404,080,000	\$19,399,000
Limited	37,006	37,006	28,367,000	29,806,000	1,439,000
Graduate, Postbacc.	\$1,506/\$878	\$1,578/\$930			
Regular	42,903	42,903	63,481,000	66,517,000	3,036,000
Limited	39,910	39,910	32,541,000	34,102,000	1,561,000
<i>Stanislaus Winter Term</i>	<i>4,420</i>	<i>4,420</i>	<i>540,000</i>	<i>563,000</i>	<i>23,000</i>
Total College Year Heads	394,006	394,006	\$509,610,000	\$535,068,000	\$25,458,000

3. Funding for enrollment growth consistent with access under the Master Plan at the marginal rate for enrollment growth, as adjusted annually.

For each additional student CSU enrolls, the state provides funding at marginal cost to support instruction and student educational support services. The current marginal cost rate is based on budget methodology negotiated among CSU, the University of California, the Department of Finance, and the Legislative Analyst's Office at the request of the legislature. The negotiated marginal cost rate is a reflection of previous budget allocations to the institution and does not reflect a needs-based calculation of the marginal cost of instruction. This negotiated rate is expected to provide a sufficient base to sustain enrollment growth at comparable levels of service received by students in the previous fiscal year. The program cost factors included in the marginal cost calculation are presented below.

Marginal Cost Program Detail

Program	Final Budget	Less Retirement Reduction	Marginal Cost Factor
Instruction	\$1,338,835,000	\$15,152,000	1,323,683,000
<i>Instructional Faculty</i>	<i>(1,029,474,000)</i>	<i>(13,383,000)</i>	<i>(1,016,091,000)</i>
<i>Instructional Support</i>	<i>(309,361,000)</i>	<i>(1,769,000)</i>	<i>(307,592,000)</i>
Research	293,000	0	
Public Service	10,405,000	31,000	
Academic Support	431,354,000	3,706,000	427,648,000
Student Services	317,439,000	2,902,000	314,537,000
Institutional Support	471,611,000	2,803,000	468,808,000
Operation and Maintenance of Plant	358,247,000	1,703,000	356,544,000
Scholarships & Fellowships	137,320,000		
Reimbursed Activities	145,114,000		
Provisions for Allocation	62,882,000		
Gross Expenditures	<u>\$3,273,500,000</u>	\$26,297,000	

To calculate the marginal cost of enrollment growth, current year CSU program budgets for Instructional Support, Academic Support, Student Services and Institutional Support are averaged against current enrollments and then discounted by negotiated deflators. (Student Services also reflects expenditures funded from Health Services fees held in trust accounts). The deflators are designed to adjust for fixed-costs funding included in the average cost per student that typically are not affected by the annual change in CSU enrollment levels. The percentages used for CSU average cost deflators were negotiated for each budget program in 1996; they are not based on any industry-recognized fixed-cost standards.

Faculty costs are based on a negotiated student/faculty ratio of 18.9 to 1. The faculty salary rate reflects the budgeted position previously used in CSU formula-based budgets prior to 1993/94 for new faculty positions. This position, Assistant

Professor, Step III, is supposed to reflect the average cost for hiring a new faculty member. However, the actual new hire rate at CSU is significantly larger than the cost represented by the Assistant Professor, Step III position and CSU supports a reevaluation of the marginal cost funding methodology to accurately reflect the average new faculty hire rate. This reevaluation does not require a change in the marginal cost methodology nor does it require any changes in the underlying principles approved by the legislature and governor in 1996 for funding new enrollment growth at California's public universities.

The marginal cost calculation also includes a component for instructional equipment that is based on the actual depreciation of equipment at campuses. The instructional equipment depreciation model uses the criteria established by the state for CSU and the University of California. Depreciation on CSU equipment carries an annual cost of over \$37 million. The marginal cost component recognizes the portion of these costs associated with equipment replacements necessitated by the annual

Marginal Cost of Instruction Calculation Methodology

2000/01 Components		Average Cost Per Student	Discount	Marginal Cost Per Student
Faculty Salary (Step III) (Per Student FTE @ 18.9:1)	\$44,940	\$2,378		\$2,378
Faculty Benefits (Per Student FTE @ 18.9:1)	12,358	654		654
Teaching Assistants Annual Salary (48.37% of faculty)	27,715	259		259
Instructional Equipment Total FTE Students Per Student	37,794,000 291,980	129		129
Instructional Support Total FTE Students Per Student	307,592,000 291,980	1,053	10%	948
Academic Support Total FTE Students Per Student	427,648,000 291,980	1,465	15%	1,245
Student Services Total FTE Students Per Student	314,537,000 291,980	1,077	20%	862
Institutional Support Total FTE Students Per Student	468,808,000 291,980	1,606	35%	1,044
Total Marginal Cost		\$8,621		\$7,519
Less: Fee Revenue				-1,159
General Fund Support				\$6,360

increase in new students.

The state's share of CSU marginal cost is determined by discounting the gross marginal cost per FTES by the percentage share of State University Fee revenue to the gross General Fund operating budget (not including self-support programs) as appropriated in the Budget Act.

State's Share of Marginal Cost

2000/01 Gross CSU Operating Budget	\$3,263,083,000
Less: Reimbursed Activities (as shown on page 8)	<u>145,114,000</u>
Gross General Fund Operating Budget	\$3,117,969,000
2000/01 Campus State University Fee Revenue	\$480,538,000
State University Fee as percentage share of Gross Operating Budget	15.4%
2001/02 Marginal Cost Rate	\$7,519
Less 15.4 percent share of State University Fee Revenue (7,519 x 15.4%)	<u>-1,159</u>
State's Share of Marginal Cost	\$6,360

CSU Projected Revenue from 3.5 Percent Increase Growth

The 2001/02 budget plan includes total revenue generated by new enrollments. Revenue from enrollment growth that is not used in the marginal cost calculation is set aside under the partnership agreement to support additional non-enrollment growth related cost increases. CSU uses this revenue in combination with all other funds received under the partnership agreement to support planned expenditure increases. (Based on the Amended Trustees' Budget enrollment changes, this revenue projection for new enrollment growth will be revised.)

2000/01 FTES-Estimated Revenue

	Fee	Headcount	Waivers	
Undergraduate				\$393,640,000
Regular	\$1,428	261,019	5,090	
Limited	\$ 828	37,135	2,937	
Graduate/Postbaccalaureate				<u>\$ 89,498,000</u>
Regular	\$1,506	39,799	761	
Limited	\$ 876	38,110	2,880	

Total Estimated Revenue \$483,138,000

2001/02 FTES-Estimated Revenue

	Fee	Headcount	Waivers	
Undergraduate				\$407,984,000
Regular	\$1,428	270,518	4,442	
Limited	\$ 828	36,633	2,500	
Graduate/Post Baccalaureate				<u>\$ 94,811,000</u>
Regular	\$1,506	42,318	689	
Limited	\$ 876	39,431	2,643	

Total Estimated Revenue \$502,795,000

Revenue Increase for Enrollment Growth \$19,657,000

NOTES

State University Fee; Academic Year fee levels:

Regular-Greater than 6 units

Limited - 6 units or fewer

Regular/Limited Academic Year fee rates for Stanislaus are reduced \$128 for undergraduate and \$136 for graduate students to reflect Winter Term revenue.

The budget plan for 2001/02 also includes revenue associated with 4,116 FTES who are currently taking self-support courses in summer session programs. These students are currently matriculated during the state-supported academic terms but are not counted in CSU college-year enrollment totals. The state appropriated \$19.9 million in 2000/01 to buy down self-support fees during the summer session to the State University Fee rate that would be paid to enroll in for-credit courses in the regular academic term. As campuses move these students into state-supported programs under year-round operations, CSU will receive supplemental funding equivalent to full marginal cost for the additional enrollment. (Based on the Amended Trustees' Budget enrollment changes, the state marginal cost requirement will be revised.)

Marginal Cost Funding for Year-Round Operations Summer Enrollment

Full Marginal Cost Funding Requirement (4,116 FTES x \$6,360)	\$26,180,000
Less one-half of \$19.9 million currently funded	<u>-9,950,000</u>
2001/02 Marginal Cost Funding Requirement	\$16,230,000

The revenue associated with year-round operations enrollment growth is calculated on the same basis as the revenue increase for the new 10,220 FTES enrollment projection for 2001/02. The revenue estimate for year-round operations enrollment growth is \$6,816,000, as reflected on the summary revenue table that follows. (Based on the Amended Trustees' Budget enrollment changes, this revenue projection will be revised.)

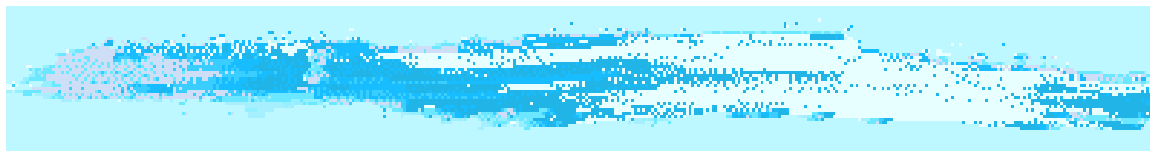
Summary of CSU State University Fee Revenue Estimates for 2001/02

	(A)	(B)	(C)	(D)	(E)
	2000/01 State Univ. Fee Revenue Base (291,980 FTES)	2001/02 SUF Revenue w/o YRO FTES (302,200 FTES)	2001/02 SUF Revenue with YRO FTES (306,316 FTES)	2001/02 SUF Revenue w/YRO and 4.91% CPCI (306,316 FTES)	2001/02 Fee Buyout w/YRO (D)-(C)
CSU Revenue Estimates					
Campuses	\$481,975,053	\$501,648,074	\$504,743,144	\$529,957,490	\$25,214,346
International Programs	516,870	572,682	572,682	601,482	28,800
CalStateTEACH	497,000	515,484	515,484	541,404	25,920
Summer Arts	148,925	58,284	58,284	61,182	2,898
Systemwide YRO	0	0	3,720,666	3,906,546	185,880
Grand Total	\$483,137,848	\$502,794,524	\$509,610,260	\$535,068,104	\$25,457,844
<i>Projected Revenue Increase</i>		<i>19,656,676</i>	<i>6,815,736</i>		

Funding Above the Partnership

The four-year Partnership Agreement approved by the governor for fiscal years 1999/2000 through 2002/03 provides "funding for new or expanded special initiatives or programs, ...as well as the costs of legislation approved by the state." CSU has identified \$139.1 million for continued state investment in programs and initiatives previously recognized as important priorities. These investments are requested as direct General Fund commitments or matching-fund incentives for nonstate grants and resource pledges.

2001/02 Support Budget Proposal

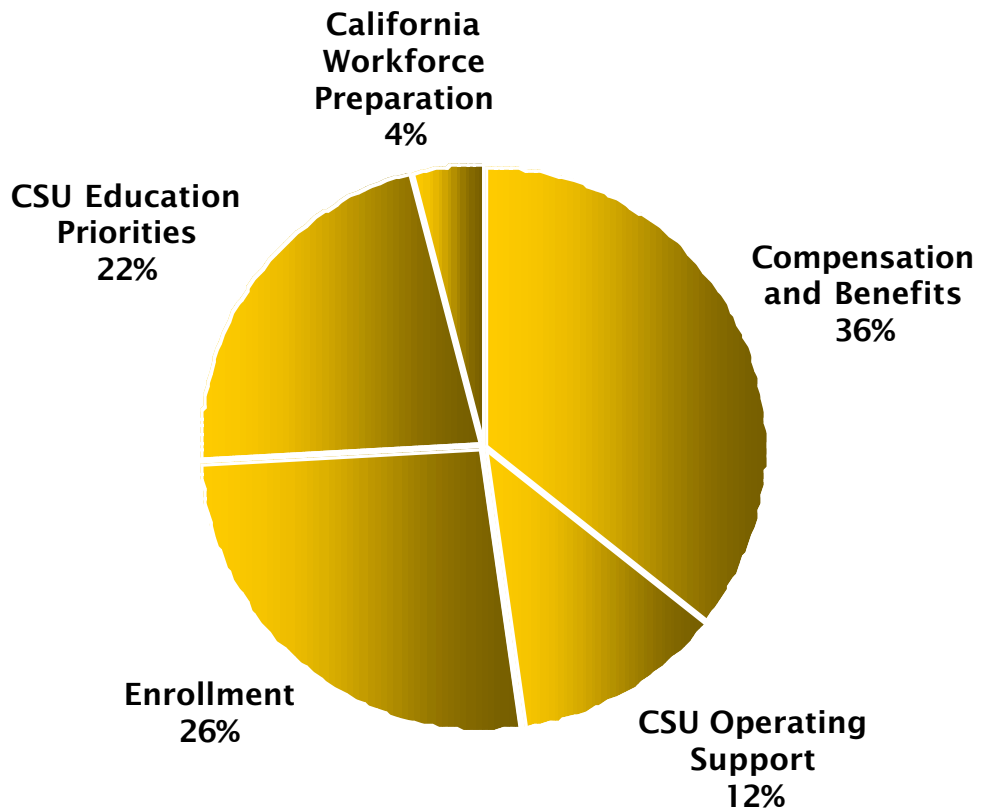


CSU OPERATING SUPPORT
ENROLLMENT
CSU EDUCATION PRIORITIES
CALIFORNIA WORKFORCE PREPARATION
SPECIAL FUNDS
STATE BUDGET INFORMATION REQUIREMENTS

2001/02 CSU Support Budget Request

Use of Funds	Budget Resources
CSU Operating Support	\$141,370,000
New Space	5,100,000
Compensation and Benefits	94,155,000
2000/01 Full-Year Service-based Compensation	1,487,000
Health Benefits Premium Rate Increases	11,148,000
General Compensation Increase (4% pool; all employees)	81,520,000
Long-Term Budget Need	23,500,000
Technology - Buildout Equipment	10,000,000
Technology - Increased Network Capacity	5,000,000
Libraries	4,250,000
Deferred Plant Maintenance	4,250,000
Property Insurance	615,000
Student Academic Preparation	8,000,000
Strategic Academic Programs	10,000,000
Enrollment	100,449,000
CSU Projected Enrollment Growth (3.5%)	72,899,000
YRO Implementation Enrollment Funding (4,116 FTES)	20,998,000
State University Grants/Mandated Fee Waivers	6,552,000
Subtotal, 2000/01 Proposed Use of Partnership Increase	\$241,819,000
CSU Operating Support	40,760,000
2% Compensation Supplement for Faculty and Staff	40,760,000
CSU Education Priorities	82,323,000
Channel Islands	3,000,000
Governor's K-12 Technology Training Initiative	18,500,000
Governor's K-12 Teaching Fellowship Program	17,500,000
Student Services Improvement	12,000,000
Investment in Faculty and Staff Housing	5,000,000
Joint Use Intersegmental Programs	3,000,000
Graduate FTE Conversion	19,205,000
Diagnostic Writing Service (Intersegmental Program)	4,118,000
California Workforce Preparation and Economic Development	16,000,000
Applied Research	11,000,000
Agriculture Technology Institute	5,000,000
CSUPERB	3,000,000
Marine Studies	3,000,000
Central Valley Research Center	5,000,000
Total, 2000/01 Proposed Expenditure Increase	\$380,902,000

2001/02 CSU Budget Plan: Distribution of Funds



Compensation and Benefits	\$134,915,000
CSU Operating Support	47,215,000
Enrollment	100,449,000
CSU Education Priorities	82,323,000
California Workforce Preparation	<u>16,000,000</u>
Total Budget Plan Resources	\$380,902,000

CSU Operating Support

New Space (\$5,100,300)

In fiscal year 2001/02, CSU will open 790,745 square feet of custodial space in new facilities at 14 campuses. The budget plan includes \$5.1 million to fund this new space at a rate of \$6.45 per square foot. Funding for new space covers the additional cost of routine maintenance items such as utilities and building maintenance.

The following chart displays specific facilities that will be coming on line in fiscal year 2001/02 by campus. All facilities that had completion dates scheduled in 2001/02 are funded at the full-year rate standard.

2001/02 New Space

Campus	Building Number	Building Name	Completion Date	Square Feet	Amount @ \$6.45 per Sq. Ft.
Fullerton	30	Health Center	May-2001	8,355	\$53,900
Hayward	96	Science Trailers (5)	July-1999	4,700	\$30,300
Maritime Academy	43	Career Center	January-2002	1,776	\$11,500
Monterey Bay	47A	Siva Student Svc Center	June-2000	10,800	\$69,700
Northridge	1	Arts, Media/Comm	December-2001	86,873	\$560,300
	5	Administration	December-2001	84,000	\$541,800
	25	Corp Yard Addition	December-2001	14,789	\$95,400
	30	HHD/Technology	December-2001	83,850	\$540,800
Total, Northridge				269,512	\$1,738,300
Pomona	91	Public Safety	December-1999	4,300	\$27,700
	193	Central Plant Chiller	April-2000	1,000	\$6,500
	279	Collins Center	September-2001	11,960	\$77,100
Total, Pomona				17,260	\$111,300
San Bernardino	300	Coachella Valley-Initial Buildings	July-01	34,900	\$225,100
San Diego	110	Growth Chamber	March-1998	3,500	\$22,600
San Jose	53A	10th Street Garage	July-2000	98,000	\$632,100
	1	Moss Landing-Main Lab	December-1998	55,333	\$356,900
	2	Moss Landing-Shop/Research	December-1998	3,687	\$23,800
	3	Moss Landing-Seawater Pump	December-1998	990	\$6,400
Total, San Jose				158,010	\$1,019,200
San Luis Obispo	7	Advanced Tech Labs	September-1999	16,779	\$108,200
San Marcos	26/27	Academic II	March-2002	58,839	\$379,500
	37	Academic II	March-2001	71,879	\$463,600
Total, San Marcos				130,718	\$843,100
Stanislaus	27	Rogers Educational Services Bldg	August-2001	131,072	\$845,400
	308	Stockton-Utility Plant	December-1999	3,125	\$20,200
	309	Stockton-Utility Plant	December-1999	238	\$1,500
Total, Stanislaus				134,435	\$867,100
Grand Total, Campuses				790,745	\$5,100,300

Compensation and Benefits (\$134,915,000)

Attracting and retaining quality employees remains a high priority for CSU. At a time when enrollment demand is growing, compensation increases help preserve the quality of CSU instructional offerings. Renewal and development programs, as well as reward structures that acknowledge excellence in teaching and staff support, are crucial to CSU's efforts to provide access to a world-class university system.

Since the 1995/96 fiscal year, CSU has operated within a state financial partnership that guaranteed a 4 percent increase in state general fund revenue. This commitment permitted CSU to address the critical issue of salaries, with a focus on rewarding employees for their contributions to the quality and effective delivery of instruction. The funding partnership allowed CSU to make progress on reducing salary lags and to address market conditions affecting its employees. As the table below illustrates, CSU has dedicated \$470 million to faculty and staff compensation over the past five years.

Compensation Pool History			
Fiscal Year	Employee Group	Compensation Pool	Cost
1995/96	All	2.5 Percent	\$37.5 Million
1996/97	All	4.0 Percent	63.4 Million
1997/98	All	4.0 Percent	<u>67.1 Million</u>
3-Year Percent Average		3.5 Percent	\$168.0 Million
1998/99	Faculty	5.7 Percent	\$54.6 Million
1998/99	Staff	5.0 Percent	40.9 Million
1999/2000	Faculty	6.0 Percent	58.9 Million
1999/2000	Staff	4.0 Percent	34.4 Million
2000/01	All	6.0 Percent	<u>113.2 Million</u>
1998/99 - 2000/01 Compensation			\$302.0 Million
6-Year Percent Average		4.5 Percent	\$470.0 Million
2001/02	All	6.0 Percent	<u>\$122.3 Million</u>

Dedicating a majority of state partnership funds to faculty and staff compensation attests to the priority placed on retaining quality employees. During each of the past several years, compensation increases have included a general "across-the-board" increase, increases based on length of service, and increases based on merit. The distribution of funds among these three categories is and has been subject to collective bargaining.

Prior Year Compensation Obligations - \$12.7 million

Full-year compensation costs must be funded in 2001/02 to cover service-based salary increases (SSIs) that are partially funded in fiscal year 2000/01. All SSIs are effective on the employee's anniversary date. CSU funds only that portion of the SSI expended in the budget year, which, for example, would be 10 months of funding for an employee with an anniversary date on September 1. The remaining two months are funded as a full-year compensation cost in the subsequent fiscal year. The full-year cost included in the 2001/02 budget plan totals approximately \$1.5 million. Only two CSU bargaining units have service-based increases in existing contracts.

CSU has experienced higher health and dental benefit costs for the past several years, as have other public agencies. This trend is expected to continue over the next several years. CSU uses partnership funding to support this mandatory cost increase. Health premium rates, as provided by the Government Code, will rise 10 percent in January 2001. The full-year cost implication for 2001/02 is projected to total \$11.2 million. CSU cost increases are based on the difference between the old premium rates and the new rates multiplied by the number of health benefit enrollees. The unfunded cost of the health premium increase between January 1 and June 30, 2000 will total approximately \$6 million.

Fiscal Year 2001/02 Compensation Proposal - \$122.3 million

CSU has proposed a compensation package for 2001/02 consisting of a 4 percent pooled increase for faculty and staff at a cost of \$81.5 million and a 2 percent compensation supplement of \$40.8 million above the partnership commitment to address salary lag and labor market conditions. The 2 percent compensation supplement above partnership resources is consistent with the request funded for similar purposes last year.

The planned compensation increase for 2001/02 is based upon salaries and wages budgeted by the campuses in their 2000/01 final budget submissions, adjusted for the full-year costs of service-based salary increases and a \$26.3 million reduction in retirement costs. These three components comprise the 2001/02 Adjusted Base from which the compensation pools for 2001/02 are calculated. The last column on the chart below reflects the cost of a 1 percent salary increase. Based on the 1 percent salary increase cost calculation, the 4 percent compensation pool for all employees equals \$81.5 million (\$20,380,000 times 4).

	2001/02 Base	2000/01 SBSI Full- Year Costs	2000/01 Retirement Reduction	2000/01 Adjusted Base	Cost of 1% Salary Increase
Faculty					
Salaries	\$996,131,100	\$1,318,000		\$997,449,100	\$9,974,000
Retirement	14,446,700	0	(14,446,700)	0	0
Social Security	68,865,000	101,400		68,966,400	690,000
Total	\$1,079,442,800	\$1,419,400	(\$14,446,700)	\$1,066,415,500	10,664,000
Non-Faculty					
Salaries	\$907,579,000	\$61,400		\$907,640,400	\$9,076,000
Retirement	13,161,300	1,700	(11,850,300)	1,312,700	13,000
Social Security	62,740,400	4,700		62,745,100	627,000
Total	\$983,480,700	\$67,800	(\$11,850,300)	\$971,698,200	\$9,716,000
Grand Total	\$2,062,923,500	\$1,487,200	(\$26,297,000)	\$2,038,113,700	\$20,380,000

The 2 percent supplement totaling \$40.8 million (\$20,380,000 times 2) would be used in part to address the faculty salary lag based on projections by the California Postsecondary Education Commission (CPEC).

In 1999/2000, the faculty salary lag according to the CPEC was 11.1 percent. CSU is expected to fund all but 2.9 percent of this lag in the current year (2000/01), assuming the implementation of a 6 percent salary increase package as proposed by the trustees for CSU faculty and that salaries at comparison institutions rise by the 3.6 percent anticipated by CPEC. Going into fiscal year 2001/02, the lag is estimated to be 7.9 percent assuming another salary increase will occur at the CSU comparison institutions. A 6 percent increase in CSU faculty salaries in 2001/02 would fund all but 1.9 percent of the 7.9 percent projected lag. New estimates of the 2001/02 CPEC-projected faculty salary lag were made in December 2000 after data was received from the comparison institutions.

Amended CSU Faculty Salary Lag Funding History*

	CPEC Reported Projected LAG	CSU Compensation Increase	Unfunded LAG
1996/97	9.5%	4.0%	5.5%
1997/98	10.8%	4.0%	6.8%
1998/99	11.2%	5.7%	5.5%
1999/00	11.1%	6.0%	5.1%
2000/01	8.9%	6.0%	2.9%
2001/02	7.9%	6.0%	1.9%

* *The amended history shows the CSU compensation increase required to eliminate the CPEC projected salary lag as reported for the fiscal year. The original display showed the CPEC lag as known at time of the Board of Trustees' October budget requests. CPEC normally reports its projected salary lag in December.*

The collection of faculty salary information at comparison institutions is conducted by CPEC. CPEC is responsible for advising the governor and legislature regarding faculty salaries at the CSU and University of California. The institutions include both public and private universities. These comparison institutions are:

Public Institutions

- Arizona State University
- Cleveland State University
- George Mason University
- Georgia State University
- Illinois State University
- North Carolina State University
- Rutgers, State University of NJ, Newark
- State University of New York, Albany
- University of Colorado, Denver
- University of Connecticut
- University of Maryland, Baltimore Co.

- University of Nevada, Reno
- University of Texas, Arlington
- University of Wisconsin, Milwaukee
- Wayne State University

Private Institutions

- Bucknell University
- Loyola University
- Reed College
- Tufts University
- University of Southern California

The remainder of the 2 percent compensation supplement will assist CSU in the continued development and maintenance of competitive salary structures that ensure the university is able to attract and retain a highly qualified and productive workforce. In addition to the proposed compensation pool of 4 percent for staff, CSU continues to implement four key goals adopted in 1994 related to staff compensation:

- Create broader classifications to reflect the changing nature of work and provide more comparable work opportunities with the outside market.
- Create more flexible and competitive salary structures to support the broader classifications.
- Implement pay for performance programs to recognize and reward employee performance and development.
- Promote employee career development through broader classifications and pay ranges, which recognize a wider spectrum of responsibilities and skills.

Long-Term Budget Need (\$23,500,000)

There is long-term budget core need comprised of expenses that are too costly, or have had historically unfunded deficits that are too large to finance in a single budget year. The cost of deferred maintenance, instructional equipment replacement, maintaining relevant library collections and keeping technology current are examples of these types of core needs that require a multimillion-dollar annual commitment. The governor agreed that these multi-year commitments should be funded as a separate component of the higher education partnership agreement. The total budget investment necessary to address long-term budget core needs is determined by the annualized cost of historical budget deficits such as deferred maintenance and the yearly cost of ongoing needs such as replacement of fully depreciated instructional equipment. For 2001/02, the total investment required for long-term need would be over \$130 million if financed in one year. A portion of this required investment is reflected in the 1-percent financial component funded within the partnership for sustained multi-year budget commitments. The 1-percent commitment for 2001/02 will provide funding to invest in the following obligations.

Technology - \$15 million

In 1994, the California State University launched the Integrated Technology Strategy (ITS), which is a systemwide initiative to maximize the power of technology in support of the academic mission. The overall goal of the ITS is to enable CSU students, faculty and staff to communicate, teach and learn to conduct research, to use information resources, and to conduct the business of the university at any time, with anyone and in any place. The ITS, developed through broad consultation with internal and external constituencies, focused on supporting four main areas of success: excellence in learning and teaching, the quality of the student experience, administrative productivity and quality, and personal productivity. Each of these areas rests on a network that consists of a technical infrastructure of hardware, software and communication lines, content, services, support and management. For the last six years CSU has been planning and building the network to provide the academic community increasingly robust services in support of the educational mission.

The funding goal of the CSU technology plan is to have sufficient funds in both the capital and support budgets to:

1. Build out the intra-campus telecommunications infrastructure on all campuses to minimum baseline standards;
2. Renew and maintain the inter- and intra-campus infrastructure;
3. Ensure quality operations and support of the network infrastructure and services — voice, video and data — across all campuses; and
4. Provide quality support services and training so all the students, faculty and staff may effectively access and utilize the growing amount of information resources required to advance the learning and teaching mission of the CSU.

CSU has previously identified the following costs to accomplish ITS goals:

Telecommunications Infrastructure Build Out	\$255.2 million
Annual Support Budget Operating Need	\$50.0 million

The Telecommunications Infrastructure Buildout includes the following components: physical plant pathways and intra-campus media, engineering, electronics, and asbestos removal. Since 1992, telecommunications infrastructure has been recognized as a utility eligible for capital funding. CSU and the state legislature approved allocations of \$66.5 million for capital outlay funding during the first two years of the buildout including \$4.1 million for asbestos removal. An additional \$132.9 million is required for the third and fourth year capital costs in 2001/02 and 2002/03. Of this amount, \$59.8 million is being requested from Proposition 1A bond funds in 2001/02. Since infrastructure electronics must be refreshed and maintained on a three-year cycle, the infrastructure buildout costs of \$89.6 million for electronics, media, and equipment will come from the Support Budget and will be financed with \$20 million from long-term resources (\$10 million in 2001/02 and \$10 million in 2002/03). After the cost of equipment purchases are paid, the \$20 million identified to finance the buildout equipment costs would be used annually to renew and maintain the electronics and infrastructure based on a three-year life cycle.

The program cost information provided above includes a revised cost estimate for the telecommunications infrastructure buildout from \$255.2 million to \$289 million. This cost increase reflects a revised estimate of network costs and inflationary increases. The capital budget costs increased from \$185.5 million to \$199.4 million with the support budget increasing from \$69.7 million to \$89.6 million. The \$20 million increase reflects the change in the estimated costs for equipment. The total funding required for annual operating costs has not changed, although CSU has adjusted expenditures to reflect revised program need. These changes are reflected on the table that follows.

Revised CSU Technology Phase-In Plan

Telecommunications Infrastructure Build Out	Incremental Budget Allocations				Total
	1999/00	2000/01	2001/02	2002/03	
Capital Outlay					
Infrastructure	\$1.8	\$60.6	\$55.9	\$69.9	\$188.2
Asbestos		4.1	3.9	3.2	11.2
Support Budget					
Engineering	0.6	1.0	1.1		2.7
Infrastructure Electronics and Media		24.0	29.4	33.5	86.9
	\$2.4	\$89.7	\$90.3	\$106.6	\$289.0
Annual Operating Costs					
Electronics and Interbuilding Media			\$10.0	\$10.0	\$20.0
Applications Access, Training and Support	4.5	9.0			13.5
Core Software and Training Programs	2.5				2.5
Campus Networks, 4CNet	3.0	6.0	5.0		14.0
	\$10.0	\$15.0	\$15.0	\$10.0	\$50.0
Student PIRK (if required)			\$17.2	\$17.2	\$34.4

4CNet

CSU will also allocate \$5 million of long-term resources in 2001/02 to increase the capacity of the intercampus network — 4CNet — and its Internet access capacity to meet the steadily growing demand that is amplified by the campus infrastructure buildout, and to maintain the CSU's connection to Internet-2.

Specifically, from 1999/2000 through 2003/04, CSU will complete the Telecommunications Infrastructure project, one of the largest infrastructure development projects in its history. CSU will be investing \$289 million in capital and support budget funds to build out the network/telecommunications infrastructure on the 23 CSU campuses. This effort will significantly increase access to networked services for students, faculty, and staff. This greater access will serve to amplify the steadily increasing "traffic" on the campus networks and on the intercampus network, 4CNet. The Telecommunications Infrastructure project is intended to address many of these campus-related traffic demands, and this augmentation is intended to support the continued expansion of 4CNet services in three important ways.

The first is to provide additional bandwidth – or larger "pipes" between the campuses so that off-campus traffic can be handled more quickly and reliably. The second is to improve Internet access. Much of the traffic generated on the campuses traverses 4CNet on its way to the Internet. An increase in traffic destined for the public Internet requires an increase in the size of 4CNet's connections to the Internet.

Finally, 4CNet and four of CSU campuses are active participants in Internet-2, the national effort to develop the next generation Internet. CSU's primary access to Abilene, the national

Internet-2 network, is through the CalREN-2 network. To date, CalREN-2 connectivity has been partially funded through a grant from the National Science Foundation. With the expiration of that grant in 2000/01, it will be necessary to provide additional funding to maintain the high-speed connections to CalREN-2.

Intercampus Network: \$2,750,000

A variety of factors contribute to substantially higher use of 4CNet. These factors include systemwide strategic initiatives such as Pharos, MERLOT, and the Common Management System (CMS); an increase in the usage of video conferencing for distance education; and the continual increase in use of the Internet by students, faculty, and staff. The telecommunications infrastructure buildout from 1999/2000 to 2003/04 will significantly amplify increases in each area. Since these sources of network traffic are carried on the 4CNet backbone, utilization of the backbone is increasing at a very high rate. Utilization growth is projected to continue and will outstrip available bandwidth on certain segments of the network backbone during the 2000/01 academic year requiring addition of bandwidth to those segments.

Since its inception in 1985, the 4CNet backbone has grown steadily as technology has grown in importance to education:

Period	Applications	Campus Connection Bandwidth (Kbps)	Backbone Bandwidth (Kbps)
1985-1987	Terminal to host and limited host-to-host transfer	9.6	56
1988-1989	Full file transfer capability; e-mail; the Internet	56	56
1990-1993	Two-way video conferencing; multiple connections to the Internet	1,544	1,544
1994-1997	The Web	45,000	45,000
1999-2000	Streaming multimedia, e-commerce	155,000	155,000
2001	CSU-wide enterprise applications; Internet-2	155,000	622,000 (proposed)

This funding will ensure the 4CNet backbone's ability to meet current and anticipated demand through expansion to the next level. This expansion will not only support the demand for technology services but will also allow the CSU to maintain its status as a higher education technology leader.

Internet Access: \$1,850,000

Rapid and seamless access to the information resources of the Internet has become an expected part of any higher educational experience. This access is an integral component of a quality teaching and learning environment. With the growing use of the Internet as a tool for teaching and learning, and with the Internet's increasing ubiquity in all areas of society, CSU's demand for access to the Internet has skyrocketed and will be amplified further by the increased access created by the telecommunications infrastructure buildout. During the 1999/2000 academic year alone, the increase in Internet utilization has averaged 332 percent, ranging from CSU Monterey Bay at 67 percent to San Diego State University at 878 percent.

4CNet has been steadily adding Internet capacity in meeting this growing demand, both by traditional purchasing of capacity and by nontraditional means such as collaborations with the University of California and with California commercial Internet Service Providers (ISPs):

Date	Capacity Added (Mbps)	Location	Type
1999/2000			
September 1999	15	San Diego	Collaboration with commercial ISPs
October 1999	55	Los Angeles	Purchase
April 2000	55	Sunnyvale	Purchase in collaboration with UC
2000/01			
August 2000	25	Los Angeles	Collaboration with commercial ISPs
September 2000	25	Palo Alto	Collaboration with commercial ISPs
October 2000	100	Stockton	Purchase in collaboration with UC

In addition, by collaborating with other institutions such as the University of California, 4CNet has been able to leverage joint purchasing powers to obtain lower pricing on these capacity increases than either institution would have been able to obtain on its own. Working together, 4CNet and UC were able to renegotiate downward the costs of existing Internet services, which in turn allowed additional capacity to be obtained. However, these continued increases in Internet capacity have barely kept pace with growing demand for Internet access. The additional funding provided in 2001/02 will support the continuation of prior increases supported from one-time funds and will provide an additional 155 Mbps of Internet capacity to support demand.

Internet-2 Networking: \$400,000

In 1998, three CSU campuses (San Diego, Pomona, and San Bernardino) were awarded a grant from the National Science Foundation for research activities in conjunction with the CalREN-2 network, the California portion of the national Internet-2 network. CSU Hayward also received an NSF grant for CalREN-2 network access. These grants provide funding to allow the connectivity to CalREN-2. These four campuses, as well as other CSU campuses, have taken advantage of the CalREN-2 network connection for instructional and research purposes. The connectivity to CalREN-2 has been further leveraged to bring about the collaborations with the University of California and with commercial ISPs, thus increasing the amount of Internet capacity available to CSU. This funding request is intended to support continued connectivity to the CalREN-2 network in support of campus and systemwide networking efforts.

Libraries - \$4,250,000

	<i>Projected Expenditure 2000/01</i>	<i>Funding Addition 2001/02</i>	<i>Projected Expenditure 2001/02</i>
<i>Systemwide Electronic Core Collection</i> <i>Includes full funding and anticipated growth for the Electronic Core Collection</i>	\$1,725,000	765,000	\$2,490,000
<i>Pharos Resource Sharing/Document Delivery</i> <i>Supports the CSU-wide electronic Resources Sharing System component of Pharos services</i>	\$650,000	65,000	\$715,000
<i>Pharos Systemwide Maintenance</i> <i>Supports system-level hardware and software maintenance costs for Pharos including the union catalog of all the holdings of CSU libraries.</i>	\$290,000	110,000	\$400,000
<i>Information Access Development</i> <i>Supports implementation of systemwide strategic initiatives.</i>	\$335,000	60,000	\$395,000
<i>Subtotal, Library Electronic Information Resources</i>	\$3,000,000	\$1,000,000	\$4,000,000
<i>Library Acquisitions</i>		3,250,000	3,250,000
Recognizing Long-Term Budget Core Need for Library Collections	\$3,000,000	\$4,250,000	\$7,250,000

The collection development budgets of the CSU libraries were among the hardest hit by budget cuts in the early 1990s. Very few have recovered their original budgets and none has stayed current with the purchasing power those original budgets would represent today. The annual projected shortfall of CSU core budget need in Libraries is \$12 million. This shortfall reflects funds required to keep current the collections of books, periodicals and serial subscriptions. This budget deficiency is considered a long-term core need by the CSU and the state.

The CSU has included \$4.25 million in the 2001/02 budget to address the acquisitions shortfall. A portion of this funding, \$3.25 million, will be used at campuses to expand and update collections of books, periodicals, and serial subscriptions as well as acquire other non-print resources such as sound recordings required to support academic programs. CSU will also allocate \$1 million in 2001/02 for systemwide electronic information resources. This funding will provide for further expansion of the Electronic Core Collection of bibliographic and full-text resources, for continued growth and enhancement of systemwide information access through the *Pharos* system of Web-based unified information access, and for other projects designed to increase effective use of information resources. The Electronic Core Collection, made available through *Pharos*, provides students and faculty “anytime, anywhere” access to academic information resources. When combined with \$3 million provided in the 2000/01 budget for the electronic core collection, CSU will have committed \$7.25 million toward the annual long-term budget requirement.

Recognizing Long-Term Budget Core Need for Library Collections

As previously stated, the collection development budgets of the CSU libraries were among the hardest hit by budget cuts in the early 1990s. Very few have recovered their original budgets and none has stayed current with the purchasing power those original budgets would represent today. The deficiency is well documented in the *Report of the CSU Task Force on Library Collections* published in 1998. Full text of this report is available at http://www.calstate.edu/tier3/SLI/Lib_Coll_Rpt.pdf.

Cumulatively, the shortfall in core need in Libraries has been estimated at \$258 million over the 1990 through 2000 fiscal years. In addition, inflation and budget reductions since the 1990/91 fiscal year have eroded the Libraries’ ability to purchase the full range of resources including sound recordings and other media required to support individual campus academic programs. The Libraries deficiency requires a \$12 million annual funding commitment to stop the cumulative growth in need. CSU will allocate to campuses a total of \$3.25 million of the General Fund increase for long-term core needs in 2001/02 to address the shortfall in permanent campus acquisitions. An additional \$1 million will be added to the \$3 million allocated in 2000/01 for the systemwide electronic core collection. Supplemental funds to offset the remainder of the structural budget deficiency for library acquisitions is requested as one-time or permanent funding contingent on the availability of state funds.

Developing Electronic Information Resources

In 1994, the CSU Council of Library Directors adopted a five-year strategic plan, “Transforming Libraries in the 21st Century,” to guide the CSU Libraries’ systemwide planning efforts. The plan, recently updated for 2000-2005 and available at http://www.calstate.edu/tier3/SLI/2000-Lib_Strategic_Plan.pdf, identifies a number of initiatives that enable CSU Libraries to benefit from collective efforts. Initiatives are organized into six areas of library services and operations: Information Resources, Instruction, Human Resources, Infrastructure, Fiscal Resources, and Outreach and Collaboration.

A key initiative of the strategic plan involves collaborative purchasing of electronic information resources. For several years, the Libraries have offered a common set of

databases called the Electronic Core Collection (ECC). The ECC program is intended to define and develop a centrally licensed “virtual core collection” of bibliographic and full-text information resources that support the common core of CSU curricula and allow for greater cost-efficient access to information resources. Currently available to all CSU campuses, the ECC consists of several databases including Dow Jones, ABI/INFORM, ProQuest Newstand, LEXIS/NEXIS (the world’s largest online resource of full-text information), STAT-USA (an online service of the Department of Commerce), CARL UnCover (a current-awareness service), JSTOR (electronic backfiles of scholarly journals), the Journal Access Core Collection (JACC) featuring full-text access to journals widely held by CSU Libraries, and the Wiley and Elsevier full-text databases that provide electronic access to over 1,200 journals, some of which are currently held in print but many of which will add increased depth to the collection, particularly in the areas of science and technology. All of these database resources are readily and equally available to all CSU students, faculty and staff.

Another major initiative of the Libraries’ strategic plan, the Unified Information Access System, was introduced in fall 1999. Called *Pharos*, this system offers CSU students a common Web-based searching interface incorporating a union catalog of the resources of all CSU Libraries and a resource sharing system that features an easy-to-use tool for students to request materials from other CSU libraries. *Pharos* also incorporates instruction in information competence and interactive assistance in navigating the ever-expanding information universe. Through *Pharos* and the Electronic Core Collection, all of the funding that has been provided centrally for CSU Libraries is highly leveraged for the benefit of all 390,000 students, faculty and staff throughout CSU. The Libraries could not provide this same high level of intellectual resources if they had to act individually. Furthermore, the central funding of the electronic resources and *Pharos* allows the Libraries to tailor campus resources in support of local collecting needs more efficiently and cost effectively.

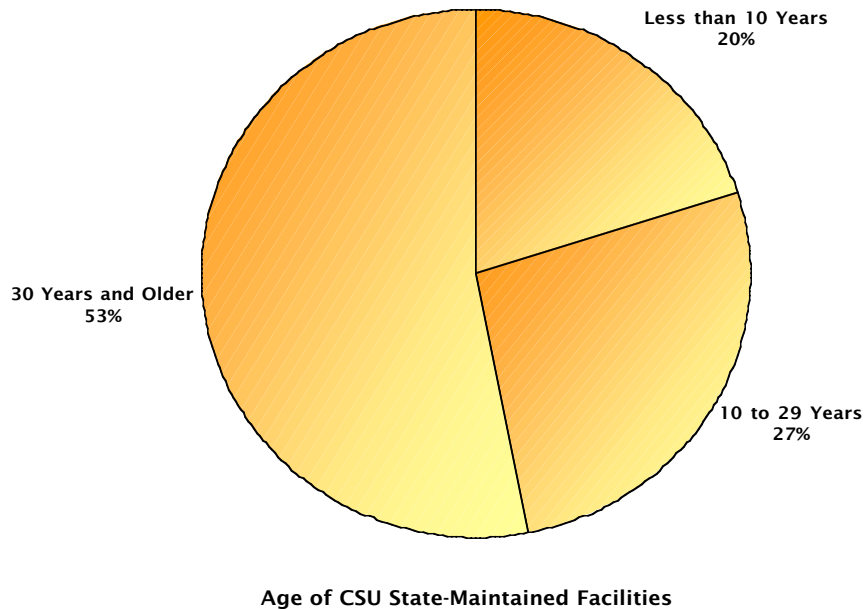
These programs relate directly to CSU systemwide priorities such as student-centered learning, teacher preparation, diversity and Tidal Wave II. For example, instructional techniques and approaches now emphasize greater utilization of technology to enhance instructional delivery. Resources of the ECC available through *Pharos* serve these approaches well as students use technology to research and prepare their assignments and create their own Web pages as alternatives to writing traditional term papers. As another example, students in teacher training programs must learn to use technology to improve their pedagogy for teaching at the K-12 level. They must understand the concepts of information competence they learn from librarians so these future teachers can in turn teach their students how to use electronic resources available in libraries. Electronic resources available through *Pharos* and other Web-based programs broaden the literature base and research tools available to students. In support of diversity, campuses can offer multicultural perspectives through the wide range of viewpoints and interests represented in databases offered through systemwide discounted programs. Examples include *Ethnic NewsWatch*, indexing newspapers and magazines of the ethnic, minority and native press in America, and *Bibliography of native North Americans*. Offering more electronic resources enables CSU Libraries to serve more students at the same cost by offering multiple simultaneous users access to the same core resources, which are always “on the shelf” and never mutilated with missing pages or chapters. These resources also support the goal of “anytime, anywhere” access for students 24 hours a day, 7 days a week.

While continuing funding begun in 2000/01 (\$3 million permanent allocation for Libraries) has supported the CSU Libraries' ability to leverage the university's investment in technology and to continue to make the transition to an electronic information environment, there is a continuing need for additional funding to further develop Electronic Core Collection content and access. CSU will retain \$1 million of the General Fund increase for long-term core needs centrally to increase the Electronic Core Collection and to support the dissemination and use of electronic information resources. This will bring the total 2001/02 Library allocation for electronic collections and access to \$4 million.

CSU will use \$765,000 of the \$1 million allocation to electronic resources to expand the current ECC through addition of more full-text periodicals and an "e-book" project to acquire online electronically published books. The remaining \$235,000 of the \$1 million allocation will be used to support projected growth and enhancement of systemwide information access. \$65,000 will support expected growth in *Pharos* resource sharing/document delivery activity, and \$110,000 will support the full annual *Pharos* software and maintenance costs beyond the system's warranty period. CSU will also allocate \$60,000 to library technology projects of the Library Strategic Plan designed to further enhance the *Pharos* system and the use of information resources.

Deferred Maintenance - \$4,250,000

Reducing and eliminating the existing deferred maintenance backlog continues to be a long-term commitment for CSU. The higher education partnership agreement includes a commitment from the state for an annual increase in General Fund support equivalent to one percent of the prior year's appropriation for long-term core needs. Deferred maintenance is considered one of the long-term core needs, and as such, the 2001/02 budget plan includes \$4.3 million for deferred maintenance.



Absent a formal accounting of the deferred maintenance inventory, CSU has calculated its deferred backlog over the years based on accepted industry standards adjusted for annual inflation based on the change in the California Consumer Price Index. The table below shows the backlog calculated for each of the past six years and the projected lag for 2000/01 and 2001/02 based on CSU budget plan funding. The calculation takes the prior year backlog, adjusts it for inflation, and subtracts any state funding CSU received for deferred maintenance in the budget year.

2001/02 Calculation of Deferred Maintenance Backlog

Budget Year	Prior Year CA - CPI % Change	Budget Increase	Backlog
1993/94 Base			\$ 351,000,000
1994/95	1.018	\$ 17,000,000	\$ 340,318,000
1995/96	1.017	\$ 24,000,000	\$ 322,103,000
1996/97	1.014		\$ 326,612,000
1997/98	1.023		\$ 334,124,000
1998/99	1.020		\$ 340,806,000
1999/2000	1.028	\$ 20,000,000	\$ 330,349,000
2000/01	1.028	\$ 2,813,000	\$ 336,786,000
2001/02	1.028	\$ 7,063,000	\$ 339,153,000

CPI % change information from 1999 CPEC Fiscal Profiles, Display 66

A private firm continues to work with the CSU in developing a facilities renewal model. Once the model has been finalized, reviewed and tested by the CSU, it is hoped the CSU will be able to better predict its annual funding requirements for facilities renewal and document the existing backlog of deferred maintenance in a consistent way for all campuses. Until the new facilities model is finalized, the deferred maintenance backlog continues to be calculated based upon an accepted industry formula, adjusted for inflation and any funding provided for backlog reduction.

Property Insurance (\$615,000)

CSU purchases property insurance for bond-financed facilities that provides “all risk” coverage excluding damages associated with earthquakes. Covered perils include fire, windstorm, hail, vandalism and flood. All other CSU property damage is addressed through redirection of current operating revenue. However, the more effective financial management approach is to identify funds to insure all CSU property, state and nonstate, in the same manner as bond-financed facilities. In 2000/01, CSU used one-time carryforward funds to extend property insurance coverage to all CSU facilities at a deductible of \$1 million for each covered incident. The 2001/02 budget plan identifies \$615,000 of partnership resources as permanent funding to assist in the purchase of systemwide premiums that carry a \$100,000 deductible for each covered incident. The total premium cost will be \$2 million and campuses are expected to provide the additional funding required.

Student Academic Preparation (\$8,000,000)

CSU will use partnership resources to build on its successful High School Collaborative-Student Academic Preparation Initiatives (CAPI) program to expand its faculty-to-faculty alliances and learning assistance programs. To date, over 75,340 high school students have been served under the CAPI program. Eighteen CSU campuses have established faculty-to-faculty partnerships with 124 of the 233 targeted high schools that send the most students to CSU in need of additional academic preparation. A total of 231 CSU English and math faculty members are working with 1,211 English and math high school faculty members through in-service programs, special work groups and other partnership forums. CSU's Learning Assistance Program recruits and trains CSU students to tutor high school students in English and mathematics. In 2000/01, 315 CSU students from 19 campuses are tutoring high school students.

The faculty-to-faculty alliances and the learning assistance programs are designed to achieve the following outcomes:

- (1) Increase the basic English and mathematics proficiency skills of high school juniors and seniors;
- (2) Increase the number of graduating high school seniors who are able to pass the English and mathematics sections of the high school exit examination under development;
- (3) Increase the high school college participation rate;
- (4) Reduce the number of first-time regularly admitted students entering CSU who require remediation; and
- (5) Increase the academic performance of first-time entering freshmen during their first year of enrollment at a CSU campus.

Strategic Academic Programs (\$10,000,000)

CSU will use partnership resources to make a permanent commitment to improve the curriculum, enrollment and equipment in the fields of agriculture, computer science, engineering, nursing and certain biochemistry and biotechnology fields. These areas of study are strategic academic programs that support California's workforce and economy. These critical areas of study were recognized by the legislature and governor in the 2000/01 budget process and received a one-time state funding commitment in July, 2000.

Permanent funds are provided to increase the number of CSU graduates who will fill California's projected workforce need in these areas and to address funding shortfalls that occur due to the higher level of equipment costs and smaller class sizes that these programs require.

Enrollment

New Enrollment Growth (\$72,899,000)

The budget approved by the Board of Trustees projects that CSU will serve an additional 10,220 full-time equivalent students (FTES) in 2001/02. (This projection was reviewed after campus fall 2000 census data was reported and the 2001/02 enrollment projection was adjusted to 8,760 FTES in the Amended Trustees' Budget.) This estimate is based on preliminary review of campus enrollment data and projections of enrollment demand by the Department of Finance and the California Postsecondary Education Commission (CPEC). CSU funds enrollment growth at the marginal level developed in agreement with the Department of Finance, Legislative Analyst and the University of California in 1996. Based on the marginal cost methodology (identified on pages 12 and 13), the marginal cost of enrollment growth for 2001/02 is \$7,519 per FTES. After adjusting for the one-third revenue set-aside for financial aid, the total marginal level of support available for student enrollment growth is \$7,133 per FTES.

\$7,133 times 10,220 FTES equals \$72,899,260

Year Round Operations Enrollment (\$20,998,000)

In response to Supplemental Report Language to the 1999 Budget Act requested by the legislature, CSU identified 8,232 annualized FTES matriculated during the regular academic term that enrolled in summer self-support programs for degree credit. The state provided \$19.9 million in the Budget Act of 2000 to buy down the fees paid by these students to the State University Fee rates charged for an equivalent unit load during the state-supported academic term. As CSU established year round state-support summer instruction for these students, the \$19.9 million would also be used to offset state marginal cost funding requirements for the associated enrollment growth.

CSU has requested that marginal cost enrollment funding for the entire 8,232 FTES conversion to state support-programs occur over a two-year phase in. Half of the total, 4,116 FTES would be funded in 2001/02 and the remainder in 2002/03. Based on this funding strategy year round enrollment growth would be funded as follows:

\$7,519 times 4,116 FTES	\$30,948,204
Less: Half of the \$19.9 million provided in 2000/01 for fee buydowns	<u>- 9,950,000</u>
Total, 2001/02 funding increase for year round summer enrollment	\$20,998,204

CSU is continuing discussions with the Department of Finance on funding enrollment growth for summer year round operations at the marginal cost rate and may adjust this funding request. (CSU also reviewed campus plans for year round operations conversions and revised the enrollment funding requirement in the Amended Trustees' Budget to 3,138 FTES.)

CSU Student Fees

The CSU systemwide State University Fee has remained unchanged from the 1999/2000 academic year. The full-time academic year State University Fee remains at \$1,428 for undergraduate students and \$1,506 for graduate students. The state has been requested to buy out a 4.91 percent inflationary increase in State University Fee rates for 2001/02, which would leave this fee at the current level. CSU's history of State University Fee levels under higher education partnership agreements is provided below for informational purposes.

History of State University Fee Rates 1995/96 through 2001/02 Academic Years

Year	State University Fee	Amount of Change	Annual Percentage Change
1995/96	\$1,584		
1996/97	\$1,584	\$0	0%
1997/98	\$1,584	\$0	0%
1998/99			
Undergrad	\$1,506	-\$78	-5%
Graduate	\$1,584	\$0	0%
1999/00			
Undergrad	\$1,428	-\$78	-5%
Graduate	\$1,506	-\$78	-5%
2000/01			
Undergrad	\$1,428	\$0	0%
Graduate	\$1,506	\$0	0%
2001/02			
Undergrad	\$1,428	\$0	0%
Graduate	\$1,506	\$0	0%

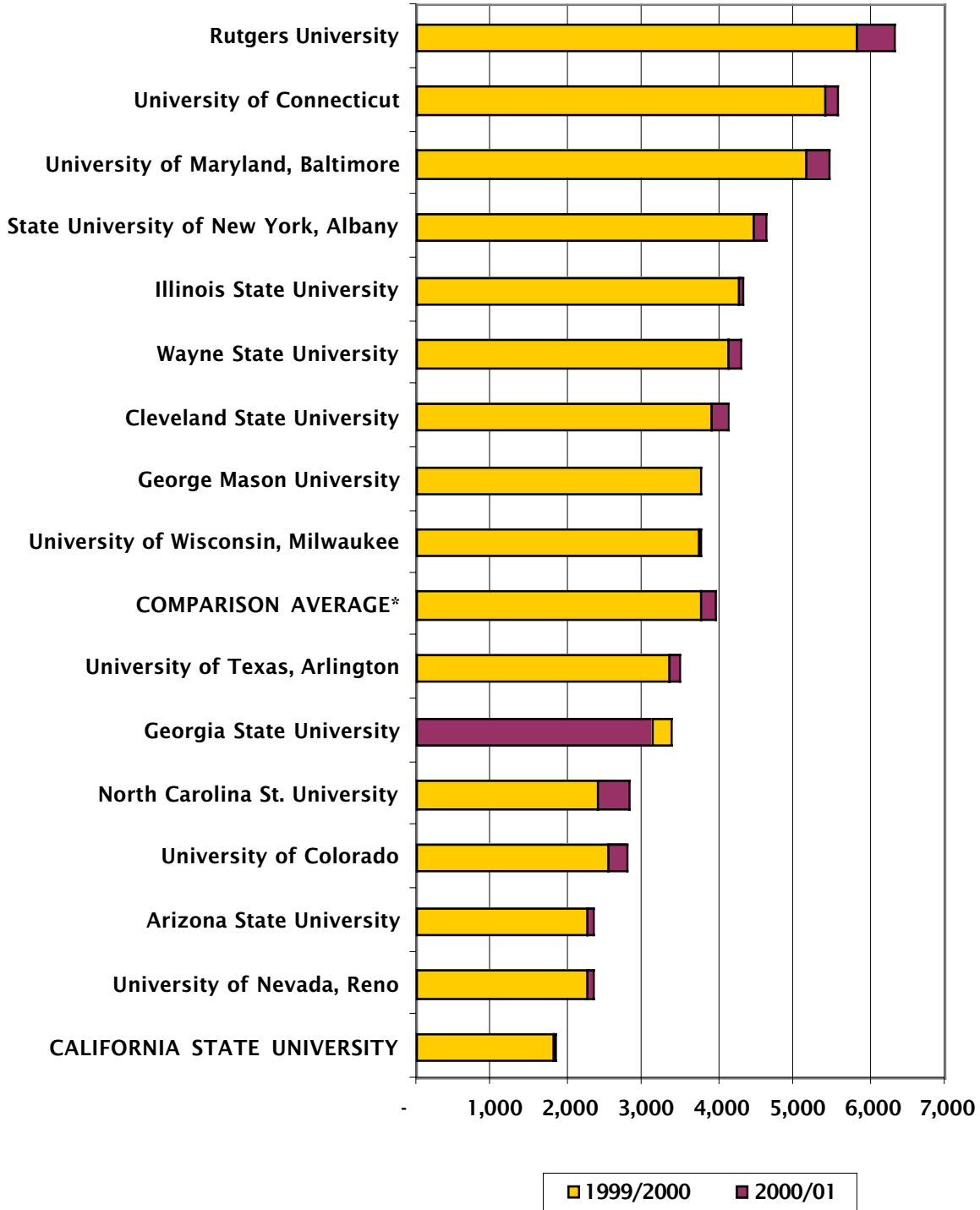
CSU fees are the lowest in the nation among public comparison institutions used by CPEC for faculty salary comparisons. CSU fees for resident undergraduate students average \$1,839 for the 2000/01 academic year and include the systemwide State University Fee and campus annual fees that must be paid to apply to, enroll in, or attend the university. This represents an increase of only \$9 over the 1999/2000 academic year average fees. The 2000/01 average resident, undergraduate student fees at comparison institutions (\$3,946) is more than double CSU's average.

**California State University
2000/01 Comparison Institution Fee Data**

University	1998/99	1999/00	2000/01
Rutgers University (Newark, NJ)	\$5,551	\$5,833	\$6,333
University of Connecticut (Storrs, CT)	\$5,330	\$5,404	\$5,596
University of Maryland, at Baltimore	\$4,846	\$5,160	\$5,490
State University of New York, at Albany	\$4,338	\$4,453	\$4,625
Illinois State University	\$4,085	\$4,285	\$4,339
Wayne State University (Detroit, MI)	\$4,008	\$4,127	\$4,291
Cleveland State University	\$3,671	\$3,894	\$4,110
George Mason University (Fairfax, VA)	\$4,344	\$3,756	\$3,768
University of Wisconsin, at Milwaukee	\$3,482	\$3,743	\$3,763
COMPARISON AVERAGE*	\$3,373	\$3,789	\$3,946
University of Texas, at Arlington	\$2,883	\$3,336	\$3,470
Georgia State University, at Atlanta	\$2,778	\$3,358	\$3,132
North Carolina State University	\$2,364	\$2,414	\$2,814
University of Colorado, at Denver	\$2,230	\$2,548	\$2,769
Arizona State University, at Tempe	\$2,160	\$2,262	\$2,346
University of Nevada, at Reno	\$2,184	\$2,259	\$2,340
CALIFORNIA STATE UNIVERSITY	\$1,889	\$1,830	\$1,839

**Average does not include CSU*

2000/01 Academic Year Resident, Undergraduate, Student Fee Levels at CSU Public Comparison Institutions



State University Grants/Mandated Fee Waivers (\$6,552,000)

CSU fee policy requires that one-third of all incremental revenue from State University Fees collected each fiscal year from new enrollment growth and/or rate increases be set aside for student financial aid. CSU uses this revenue to increase the pool of funds available for its State University Grants program and to fund state-mandated fee waivers for dependents of California veterans and public safety and fire suppression personnel killed in the line of duty. One-third of projected revenue associated with the 3.5 percent planned enrollment growth in 2001/02, \$6,552,000, has been earmarked for these purposes.

CSU State University Grant Program

The State University Grant program is unique to CSU and in recent years has increased in prominence as a source of grant assistance for CSU students who can least afford the cost of attending college. Since its inception in 1982/83, the State University Grant program has provided financial support to offset the impact of fee increases for eligible students. Student eligibility is determined on the basis of need in accordance with the federal need analysis methodology. Each year campuses supply the Chancellor's Office with a financial aid database report that is used to determine and justify the need for State University Grant funding increases and how available funds are allocated among the CSU campuses.

General Fund support leveled off at \$33.7 million in 1992/93. Since then CSU has increased the level of State University Grant support to \$114.2 million by setting aside a portion of incremental State University Fee revenue specifically for financial aid. In 1998/99 and 1999/2000, the state adjusted its reported level of State University Grant support to reflect the General Fund offsets provided to CSU when undergraduate and graduate fee rates were reduced by 10 percent and 5 percent, respectively. However, this accounting adjustment in reported General Fund support for the State University Grant program (from \$33.7 million and \$48.3 million) did not increase the total amount of funds available for the CSU grant program.

CSU sets aside one-third of incremental State University Fee revenue from enrollment growth and fee increases to address a continuing shortfall in student financial aid. In 1994/95 the State University Grant awarding criteria were revised to ensure the neediest students received the largest grant awards. This goal was accomplished by reducing the maximum expected family contribution from \$5,000 to \$4,000 or less. The sliding scale for awards was modified to reflect awards as a percentage of the fee in increments of \$800 family contributions. The preference to first-time freshmen and upper division community college transfer students was eliminated in order to target funds to the neediest students on the basis of the family's financial strength.

Even with the more stringent awarding criteria for State University Grant funds, the available funding is not sufficient to enable campuses to make awards to all eligible students. Based on a preliminary assessment of the 1999/2000 financial aid eligibility of CSU students, providing State University Grant awards to all eligible students with an expected contribution of \$4,000 or less would require an additional \$25 million in funding. It is anticipated that this figure will be reduced as a result of increased funding for the Cal Grant programs; however, no estimate of that impact is currently available.

CSU will increase the pool of funds available for its State University Grant program by \$3,945,000 in 2001/02. This allocation will increase the total amount of funds available for student grants to \$118,117,000.

State Mandated Fee Waivers

For the past three fiscal years, CSU has used a portion of its fee revenue financial aid set-aside to address chronic underfunding of State University Fee waivers required for dependents of California veterans and public safety and fire suppression employees killed in the line of duty. Prior to the 1992/93 fiscal year, the state funded these statutory waivers during the annual budget process. However, after the economic downturn and the implementation of CSU budget redesign, the state no longer provides General Fund resources to finance these mandatory waivers.

In the 2000/01 fiscal year, CSU will have eliminated a mandatory waiver funding deficit of 3,412 Regular waivers (waivers for full-time students taking 6.1 units or more each term) and 214 Limited waivers (waivers for students taking 6.0 units or fewer each term) that accumulated during the 1992/93 through 1997/98 fiscal years. A portion of the fee revenue set-aside for 2001/02 will be used to address mandatory waivers funding increases based on 1998/99 and 1999/2000 campus reported waivers.

CSU Funded Mandatory Campus Waivers						
	1992/93		1997/98		Need	
	Regular	Limited	Regular	Limited	Regular	Limited
Bakersfield	7	1	60	11	53	10
Chico	64	4	203	6	139	2
Dominguez Hills	2	10	29	3	27	(7)
Fresno	0	0	155	4	155	4
Fullerton	8	1	96	5	88	4
Hayward	0	2	88	7	88	5
Humboldt	1	0	119	3	118	3
Long Beach	25	3	261	32	236	29
Los Angeles	0	0	0	0	0	0
Maritime Academy	0	0	14	0	14	0
Monterey Bay	0	0	12	0	12	0
Northridge	9	0	104	6	95	6
Pomona	15	2	148	15	133	13
Sacramento	74	5	353	26	279	21
San Bernardino	6	0	149	5	143	5
San Diego	50	10	998	78	948	68
San Francisco	32	6	219	16	187	10
San Jose	2	0	186	13	184	13
San Luis Obispo	21	1	259	12	238	11
San Marcos	7	0	83	10	76	10
Sonoma	16	2	91	2	75	0
Stanislaus	0	0	124	7	124	7
Total Waivers	339	47	3,751	261	3,412	214

CSU Education Priorities

CSU Channel Islands (\$3,000,000)

This request, above partnership general funding commitments, completes the final phase-in of fixed-cost start-up funding identified for the conversion of the former Camarillo State Hospital into the twenty-third CSU campus, CSU Channel Islands. With this appropriation, the state will have provided \$20.2 million for facility operations, course and curriculum development, and institutional planning and administration to serve a core enrollment of approximately 2,300 students in Fall 2002. The CSU Channel Island facility currently operates as an off-campus center for CSU Northridge and will continue to serve this upper division, postbaccalaureate and graduate core of continuing students at the new campus.

CSU Channel Islands Fixed-Cost Funding History

	Prior-Year Funding		2000/01		2001/02		Total Fixed Cost Request	
	Pos.	Dollars	Pos.	Dollars	Pos.	Dollars	Positions	Dollars
Plant Operations and Maintenance	37	\$5,200,000					37	\$5,200,000
Police/Fire Safety	14	1,165,000					14	1,165,000
Executive Planning Staff	6	835,000					6	835,000
Planning Faculty			20	\$2,045,000	11	\$1,100,000	31	3,145,000
Library and Media Services			7	2,931,000	3	1,600,000	10	4,531,000
Student Services			0	368,000	11	300,000	11	668,000
Administrative Support (\$3,511,000)								
Academic Administration			8	1,539,000			8	1,539,000
Academic Administration Support			31	1,972,000			31	1,972,000
Academic Computing			9	1,145,000			9	1,145,000
	57	\$7,200,000	75	\$10,000,000	25	\$3,000,000	157	\$20,200,000

Governor's K-12 Initiatives (\$36,000,000)

Two initiatives partially funded in the 2000/01 budget provides incentives for increased use of technology in K-12 classrooms and highly qualified credentialed teachers to teach in California schools where students are underperforming academically. CSU is requesting that the state provide complete funding for these programs in 2001/02 so that it may comprehensively plan, implement and administer these programs as intended.

Governor's K-12 Technology Training Initiative (\$18.5 million)

The 2000/01 Governor's Budget proposed a \$25 million appropriation for CSU to offer staff development to teachers on the use of technology in the classroom. This initiative was one component of a \$433 million comprehensive plan the governor proposed to increase the use of technology in education. The initiative was increased to \$50 million in the governor's May revision of the 2000/01 budget.

CSU, working with the Office of the Secretary for Education, committed to serving just over 5,000 teachers in the 2000/01 academic year through the Educational Technology Professional Development Project (ETPDP). The budget for this number of teachers totals \$10 million, including the amount for the teacher stipends. Of the \$10 million required to operate this project, \$3.5 million is contracted out to the 28 district and university sites that are conducting this project in local areas. An additional \$5 million is committed as stipend payments to the 5,008 teachers who have already begun the 120 hours of professional development in technology that this project provides. Following the model used by UC and CSU, funds are allocated as follows: \$700 per participant to project sites; \$1000 stipend per participant; and \$300 per participant for statewide administration, evaluation, participant assessment, and recruitment. The \$700 per participant to project sites funds covers curriculum development and delivery, operating materials, local administration, staff support, phone service, and copying. Most of these costs involve the faculty and K-12 personnel that deliver the initial 40 hours of training and then do the follow-up 80 hours of training at the participants' school site. The \$1,000 stipend per participant provides salary for time used to participate in this professional activity; participants are not on salary during this time.

The final budget approved for 2000/01 only appropriated \$6.5 million of the \$10 million needed for the education technology project. CSU will fund the current year shortfall in program costs with one-time carryforward funds.

CSU is requesting \$18.5 million above the partnership commitment to fund the full-year costs of the current program and to implement fully the governor's original \$25 million proposal for increasing the use of education technology in K-12 classrooms and schools. This level of funding support will enable CSU to serve 12,500 teachers when the program is fully implemented.

Governor's K-12 Teaching Fellowship Program Initiative (\$17.5 million)

Full funding for 1,000 fellowships under the Governor's Teaching Fellowship Program is requested for 2001/02. The funding will be distributed as follows:

1,000 Fellowships @ \$20,000 per year	=	\$20,000,000
CSU Administration for entire program	=	<u>1,000,000</u>
Total, Teaching Fellowship Program		\$21,000,000

Funding:

2000/01 Budget Base	=	\$3,500,000
2001/02 Appropriations Increase	=	\$17,500,000

CSU was appropriated \$2,500,000 in 2000/01 to cover the half-year cost of 250 fellowships at \$10,000 . The full-year cost for 250 fellowships in 2001/02 at \$20,000 totals \$5,000,000. An additional 750 Fellowships will be funded in 2001/02 at a cost of \$15,000,000, bringing total program costs for 1,000 fellowships to \$20,000,000.

Graduate FTE Conversion (\$19,205,000)

To conform to national reporting standards for graduate enrollment and more accurately reflect the cost of graduate instruction, CSU should change the unit load for determining a full-time equivalent graduate student from 15 units per term to 12 units per term. At the University of California and universities nationwide, it is generally accepted that a full-time graduate student enrolls in 12 units per term. The unit threshold is traditionally lower for students in graduate programs because graduate level course work is considered more rigorous. Graduate students require lower student/faculty ratios, which increases the marginal cost of instruction. Graduate students are also expected to engage in scholarly activities outside of their course work (e.g., theses, internships, research and/or other teaching activities).

Graduate students place greater demand on university resources such as libraries, research facilities, academic advising and computing facilities than their undergraduate counterparts. Furthermore, instruction at the graduate level is more specialized and often requires that faculty engage in more one-on-one advising than traditionally occurs with undergraduate students. Graduate level education is generally more costly for the university to provide.

The enrollment adjustments required for the 12 unit graduate enrollment conversion are displayed on the following table:

2000/01 Enrollment Target	2000/01 FTES @1999/00 Ratio	FTES @ Current 15 Units per Term	FTES w/12 Units Graduate Adjustment
Undergraduate	247,262	3,708,930	247,262
Graduate	23,316	349,740	29,145
Postbaccalaureate	21,072	316,080	26,340
CalStateTeach	<u>330</u>	4,950	<u>413</u>
	291,980		303,160
2001/02 Projected Enrollment			
Undergraduate	255,927	3,838,905	255,927
Graduate	24,133	361,995	30,166
Postbaccalaureate	21,810	327,150	27,263
CalStateTeach	<u>330</u>	4,950	<u>413</u>
	302,200		313,769

At one time, higher fees were contemplated to address the higher cost of graduate education in addition to revising the definition of a graduate FTES. The state did not support higher fees at CSU, although fee increases for graduate-level instruction were approved for the University of California.

The current marginal cost rate does not recognize the increased cost of graduate instruction. However, CSU is not recommending any change in the current methodology reached in agreement with the Department of Finance, Legislative Analyst and the University of California. CSU has demonstrated that the current marginal cost calculation for CSU can be corrected to address the graduate funding oversight without diminishing the level of funding CSU receives for its undergraduate enrollment growth. The legislature addressed these funding modifications during 1999/2000 state funding discussions and CSU is in a continuing dialogue with Department of Finance staff to accommodate graduate enrollment funding changes within existing marginal cost budget procedures.

CSU is requesting \$19.2 million in funding above the general partnership commitments to address both the structural shortfall in existing enrollment funding and the 2001/02 budget adjustments required to implement the change for projected enrollment growth. The basic calculation for adjusting the 2001/02 enrollment funding request is displayed below. The funding request reflects recalculation of the marginal cost funding requirement to incorporate the larger FTES enrollment base that results from the 12 unit conversion of current CSU graduate and postbaccalaureate enrollments. The recalculation results in a lower state marginal cost rate per FTES of \$6,230 instead of the \$6,360 currently used for 2001/02 CSU enrollment growth. Applying this lower rate to the revised graduate/

Proposed Enrollment Growth Adjustments

Current 15 Unit Marginal Cost Funding

	2000/01 Funded Enrollment	2001/02 Projected Enrollment	2001/02 Enrollment Growth	Marginal Cost Funding Increase
CSU Enrollment*				
Undergraduate	247,262	255,927	8,665	\$55,110,000
Graduate	23,316	24,133	817	5,196,000
Postbaccalaureate	21,072	21,810	738	4,694,000
CalStateTeach	330	330	0	0
	291,980	302,200	10,220	\$65,000,000

12 Unit FTES Adjustment Costs

	2000/01 Funded Enrollment	2001/02 Projected Enrollment	2001/02 Enrollment Growth	Marginal Cost Funding Increase		
				15 Units	12 Units	Increased Graduate Unit Costs
CSU Enrollment*						
Undergraduate	247,262	255,927	8,665			
Graduate	29,145	30,166	1,021	\$5,196,000	\$6,360,000	\$1,164,000
Postbaccalaureate	26,340	27,263	923	4,694,000	5,749,000	1,055,000
CalStateTeach	413	413	0			
	303,160	313,769	10,609	\$9,890,000	\$12,109,000	\$2,219,000

* CSU enrollment distribution by level reflects the proportional distribution of CSU enrollment by level reported for 1999/2000. The actual distribution of enrollment by student level will vary from this calculated distribution.

postbaccalaureate enrollment totals results in a net funding increase of \$2.2 million, assuming no change in CSU undergraduate enrollment funding.

To reflect the increased cost of graduate/postbaccalaureate instruction at CSU, the university is also requesting that the actual average faculty hire rate be used in the marginal cost calculation. Simply stated, CSU is requesting that the portion of the currently approved marginal cost methodology that is supposed to reflect CSU faculty average hire rates be revised from the fixed Assistant Professor, Step III level to the actual average new hire rate at CSU. The Assistant Professor, Step III is a carryover from state budgeting procedures that were previously used to establish and fund positions at CSU. This faculty rate was retained in the marginal cost formula as a placeholder for the new hire faculty salary rate. However, because the marginal cost methodology is supposed to reflect the average hire rate for new faculty, CSU is requesting that the position used for that calculation be modified to reflect what actually occurs at CSU. This change does not affect the marginal cost methodology and is not a change in the marginal cost formula.

CSU Marginal Cost Rate for New Faculty

Actual Average Faculty Salary Cost per FTES	\$3,599
Currently Funded Faculty Salary Cost per FTES	<u>3,032</u>
Unfunded Faculty Costs	(\$567)

CSU Enrollment Growth Funding Need

Cost for Adjusted Graduate FTES Units & Average Hire Salary	
Budget Plan - 10,220 FTES x \$6,360	\$65,000,000
Adjusted Budget - 10,609 FTES x \$6,749	<u>71,600,000</u>
Increased State Support	\$6,600,000
Cost of Adjusted Graduate FTES Base Enrollment	
Estimated Funded Growth - 9,718 FTES x \$5,762	\$55,995,000
Revised Growth Funding Need - 12,148 FTES x \$5,647	<u>68,600,000</u>
Increased State Base Budget Support	\$12,605,000

Total Graduate FTES Conversion Funding Request \$19,205,000

Using the actual average hire rate, CSU state marginal cost funding would increase to \$6,749 per FTES. Based on revised enrollment totals that incorporate the 12-unit graduate enrollment conversion, the increased cost to recognize both the conversion and the higher instructional costs would be \$6.6 million. CSU has also calculated that the funding deficiency for graduate enrollment growth under partnership agreements from 1995/96 through 2000/01, using the state share of 2000/01 campus marginal cost funding as the budgeted level of enrollment support, totals \$12.6 million. Combined, CSU is requesting \$19.2 million in additional state support to fully implement graduate enrollment 12-unit conversion in 2001/02.

Other CSU Education Priorities (\$40,118,000)

California Workforce Preparation
Applied Research
Central Valley Research Center

Diagnostic Writing Service

Student Services Improvement
Investment in Faculty and Staff Housing
Joint Use Intersegmental Programs

CSU is requesting state investments in the areas noted above to improve its educational services, provide a proactive incentive for recruiting and retaining high quality staff, and enrich academic programs that benefit the state's workforce and economy.

Applied Research (\$11,000,000)

CSU is engaged in a number of applied research activities important to California and the nation. Applied research provides a systemwide resource for CSU faculty to engage in research and a practical teaching experience for students pursuing bachelor's and master's level instruction at the university. It also provides an arena for corporate research services (on a fee-for-service basis) and industry-focused, continuing education, and hands-on laboratory-based training for graduates who play a principal role in the development of California's economically and socially vital commercial workforce. CSU has identified three areas of applied research that would benefit from increased state investment in 2001/02.

Agriculture Research Institute (ARI)

California agriculture is undergoing a metamorphosis rivaling that of the Industrial Revolution. Diminishing operating margins, growing global competitiveness, and intense competition for the state's limited natural resources have motivated the industry to aggressively adopt advanced technology and best available management practices developed through university-industry co-funded applied research. The CSU Agricultural Research Initiative (ARI) focuses the collaborative expertise of CSU faculty and research staff on finding immediate and practical solutions for high priority problems in collaboration with industry and other university researchers. Its projects and programs improve the efficiency, productivity, profitability and sustainability of California agriculture; foster public confidence in food safety; and lead to consumer-sensitive and environmentally sound food and agricultural systems.

The CSU colleges of agriculture have noted a distinct and increasing demand for CSU applied agriculture and natural resources research, which they have been unable to co-finance despite industry and agency willingness to provide matching funds. The 1999/2000 requests for ARI research funding were nearly three times the initiative's \$5 million capability. Over 183 research proposals totaling \$14.3 million were submitted. The total value of these proposals, including external matching support, was \$25.7 million. In addition, these proposals also had the potential to receive additional external support of \$9.8 million. The CSU was able to fund only \$5 million of the total ARI requests. The 97

projects ultimately funded had a total value, including document external matching support, of \$11.3 million, with additional pending support of \$4.2 million.

In 2000/01, the ARI again received requests totaling three times its funding capability. Ninety-eight new research proposals were submitted, requesting nearly \$9.7 million in ARI funding. The total value of these proposals, including documented external matching support, was \$18.5 million. These proposals also had an additional \$7.1 million in pending external support. After setting aside \$2 million of its \$5 million annual budget to cover second year funding commitments for multiple year projects approved in 1999-2000, the ARI was able to fund only 66 new research proposals. The total value of these funded proposals, including documented external matching support, was \$10.6 million. In addition, these proposals also have outstanding external pending support of \$1.9 million.

Due to the continuing gap between applied research need and the available CSU funding support, CSU is requesting a \$5 million General Fund augmentation above its partnership funding commitment, to support the Agricultural Research Initiative. This funding increase will enable CSU to respond to growing demand from California's agricultural and natural resources industries and support the need for applied research and technical assistance in both traditional and nontraditional agricultural environments.

The tables below illustrate the following:

- (1) amount and category of external support utilized to match ARI funding.
- (2) amount and category of available unutilized external support resulting from ARI funding shortfalls.

Funded Proposals

	<u>1999/2000</u>	<u>2000/01</u>
ARI Budget Support	5,000,000	5,000,000
External Cash Match	3,957,825	4,358,658
External In-Kind Match	2,354,601	1,307,775
<u>External Pending Match</u>	<u>4,241,843</u>	<u>1,866,181</u>
Total Project Funding	\$15,554,269	\$12,532,614

Unfunded Proposals

Available ARI Budget Support	0	0
Available External Cash Match	2,581,522	1,906,336
Available External In-Kind Match	2,588,592	1,228,361
<u>Available External Pending Match</u>	<u>5,583,325</u>	<u>5,249,834</u>
Total Unutilized Available Match Funding	\$10,753,439	\$8,384,531

CSU Program for Education and Research in Biotechnology (CSUPERB)

Simply defined, biotechnology is the application of biological and chemical concepts and techniques to the solution of problems of critical importance to commerce, medicine, agriculture and the environment. Recent dramatic advances in biochemistry, genetics and molecular biology — in the ability to manipulate genetic material of living organisms, proteins, other cellular components, and tissues — have provided new tools to enhance health, reduce and eliminate human and animal disease, improve crops, control pests, and heal the environment. The uniform public, private and governmental acceptance of the extraordinary potential of biotechnology has made it a major industry. Conservative estimates show that thousands of new products will be created over the next few decades that will revolutionize the industry and energize the economies of the communities in which they are created. This process is already apparent in San Diego, the San Francisco Bay Area and in the Los Angeles/Orange/Ventura County area.

The CSU Program for Education and Research in Biotechnology (CSUPERB) was established in 1987 to facilitate biotechnology development on a systemwide level. CSUPERB was designed as a broad-based, multi-campus program designed to promote interdisciplinary and inter-campus endeavors between the departments of biology and chemistry on all campuses. It also facilitates interaction among faculty from a number of allied academic and research units such as agricultural biotechnology, bioengineering, environmental and natural resources, molecular ecology, and marine biotechnology. Though it started in the sciences, CSUPERB now also embraces faculty from the Colleges of Engineering and Business Administration.

Over the past twelve years, CSUPERB has been supported by CSU campuses which have contributed, in proportion to their enrollment allocations, funding for operating expenses and matching funds for grants sought by the program. In 1999/2000, the state invested \$1 million in CSUPERB for CSU to use as a base for obtaining nonstate matching funds for applied research and training. The increased state support provided incentive for 128 funding proposals. CSU was able to fund 60 of these proposals and generate a three-to-one nonstate funding match. If all 128 proposals had been funded, CSUPERB would have been able to double the funding available for biotechnology research and training through its nonstate matching funds. Given the continued need and benefits of biotechnology research, CSU has requested that the state invest an additional \$3 million above its partnership commitment to CSUPERB to use for obtaining nonstate matching funds. The following table shows the value of the current \$1 million state investment in CSUPERB and the potential funding support that would be generated with a \$3 million increase to the state's investment in 2001/02.

	1999/2000 Budget	Projected 2000/01 Budget	<i>Requested Budget Increase</i>	Proposed 2001/02 Budget
Funded Proposals				
State CSUPERB Investment	\$1,000,000	\$1,000,000	\$3,000,000	\$4,000,000
Match from Non-State Sources	<u>2,984,200</u>	<u>2,984,200</u>		<u>5,984,200</u>
Total Funds	\$3,984,200	\$3,984,200		\$9,984,200

Marine Studies

CSU has established an excellent reputation in the field of marine studies through the Moss Landing Marine Laboratories (MLML). MLML currently serves as a marine science campus for each of seven consortium universities. In addition, MLML has ongoing relationships with all of the major research entities in northern California. MLML enables CSU to assume a leadership role in addressing many of the marine research priorities important to state and federal interests.

Currently, only \$1.7 million is available principally from CSU campus resources to fund MLML applied research activities. CSU has been able to achieve a five-to-one match of these funds through external funding from contracts and grants. With an additional \$3 million investment above its partnership commitment from the state, CSU envisions that it would match these funds at a rate comparable to its current program. The table below shows an external match that is comparable to current MLML funding that might be achieved if the \$3 million CSU marine studies funding request is approved.

	1999/2000 Budget	Projected 2000/01 Budget	<i>Requested Budget Increase</i>	Proposed 2001/02 Budget
Funded Proposals				
MLML Budget Support	\$1,743,700	\$1,743,700	\$3,000,000	\$4,743,700
External Funding from Contracts and Grants	<u>8,764,300</u>	<u>8,764,300</u>		<u>23,843,100</u>
Total Available Project Funding	\$10,508,000	\$10,508,000		\$28,586,800

CSU also envisions using these funds to help establish a California Center for Integrative Coastal Research that would focus on the coastal and estuarine marine environments of the northern California region. The north and central coast of California is one of the richest areas of marine resources in California and the world. Scientists associated with the center would address research questions that have direct applicability to the economy, environment, and people of northern and central California. CSU would use funds to address \$18 million in estimated infrastructure and analytical facility needs associated with applied research at the center.

Research Center and Engineering Incubator for California's Central Valley (\$5,000,000)

CSU proposes to respond to one of the critical needs in California's Central Valley through the establishment of a research center that builds on the \$10 million investment that has already been made in strategic workforce preparation and the \$11 million identified for expanding existing applied research activities. Graduate education and research will be an important component of any effort to broaden the economic viability in the San Joaquin Valley. CSU is requesting \$5 million above partnership resources to develop a high-technology industry base in the region through the delivery of engineering and computer science instruction.

The research center and engineering incubator would focus on (1) applied research in support of San Joaquin Valley industry and on (2) serving as an incubator for startup high technology firms having engineering and computer science discipline needs. The research center would be an important vehicle for job creation and economic growth, which is desperately needed to combat high rates of unemployment and dependence on public assistance. Funding provided by the state for the research center would be supplemented with private and other public funds with the expectation that the project would be primarily self-supporting after initial startup.

The center will be based at the CSU Fresno campus, which currently has graduate programs in civil engineering and computer sciences. The proposed graduate engineering program would make degree options in electrical engineering and mechanical engineering currently offered at CSU Fresno stand-alone master's degree programs within the next five years. To make the program most effective for industry needs in the Valley, distance learning would be an important instructional delivery instrument. Fully implemented, expanded engineering and computer science education in the San Joaquin Valley is projected to cost \$60 million. CSU is requesting that the state contribute \$5 million for the graduate-level research center that anchors this ambitious and much-needed effort.

Diagnostic Writing Service (DWS) — \$4,118,000*Intersegmental Budget Request on behalf of The California Education Round Table*

The competency of students in writing has been a principal concern of educators from the secondary school level through postgraduate training. Strengthening student skills and the competence of teachers in this area are essential if student academic achievement is to improve significantly because writing is a primary skill that transcends all disciplines. CSU is requesting \$4.118 million to enable two-thirds of all high school juniors to use the Diagnostic Writing Service (DWS). The DWS will help students and their teachers identify students' writing and reading deficiencies allowing the teacher to develop a program to help students strengthen the skills necessary to enroll in baccalaureate level work.

This intersegmental budget request is carried in CSU's budget on behalf of the California Education Round Table. In like manner, the University of California will carry the intersegmental ASSIST budget request with its budget, and the California Department of Education will carry the intersegmental regional partnership request with its budget. This request supports the Round Table's initiatives to achieve the following goals:

- To Promote the Alignment of the Newly Adopted State Board of Education Standards and the Expectations for Freshmen in Higher Education with Appropriate Assessment Instruments;

- To Expand the Collaborative Administrative Applications of Technology and Accessibility to Technology for All Students; and

- To Intensify the Delivery of Services Designed to Prepare Students Academically and Inform Them about College.

The legislature and governor have allocated funds annually to support the Mathematics Diagnostic Testing Project (MDTP) for more than twenty years. Building on the success of MDTP, higher education is attempting to provide a similar program to help students improve their writing skills using the Diagnostic Writing Service (DWS). The DWS requires that faculty readers assess student writing. Therefore, the DWS costs more to administer than the MDTP, which is machine scored. Like the MDTP, the Diagnostic Writing Service is a curriculum-based assessment tool to help students and their teachers identify writing and reading skills that need to be improved.

Background of the DWS

To address long-standing efforts to support secondary school faculty in teaching writing effectively, the California State University and the University of California, in conjunction with the Educational Testing Service, developed the Diagnostic Writing Service to provide high school students with information on their progress in learning to read and write at the level required in college classes. There are two primary purposes for this service:

- Students receive diagnostic information while they are still in high school about their writing skills in order to obtain assistance from their teachers to improve those skills, if necessary; and

Teachers learn about the strengths and weaknesses of their instructional strategies for developing the writing skills of students as they compare them to the standards expected of college freshmen.

In fall 1998, a prototype Diagnostic Writing Service was tested at six California high schools. Eleventh grade students responded to writing assignments previously used for the English Placement Test (California State University) and the Subject A examination (University of California) either in a Web-based format or a pencil-and-paper version. Based on the assessment from these schools a number of enhancements were made, and the updated DWS was piloted at 24 schools throughout the state in spring 1999. Evaluation of these pilot administrations indicated a high level of satisfaction on the part of participating schools. Teachers and students were equally eager to receive assessments by university faculty of students' writing skills, and teachers regarded the feedback as beneficial to improving their teaching.

1999-2000 Administration

Subsequent to the pilot phase, the California State University implemented the Diagnostic Writing Service for students at the 223 high schools sending to the system the largest number of freshmen who require remediation in English/Language Arts and mathematics. Administration of the DWS is an integral part of the Collaborative Academic Preparation Initiatives funded by CSU during 1999-2000. At the participating schools, more than 7,700 high school juniors took the DWS through mid-June 2000. Not only has DWS been part of these collaborative programs, CSU released the DWS on the World Wide Web in fall 1999. It is available to any student seeking diagnostic assistance in writing.

An additional 74 high schools served by the University of California's Early Academic Outreach Program and School/University Partnership programs, as well as schools that piloted the Diagnostic Writing Service in 1998-99, were invited to administer the DWS in eleventh grade classes. The service was offered both to teachers for use in their classrooms and to individual students from these schools. Over 5,500 student essays were submitted for evaluation and returned along with readers' diagnostic feedback.

Outcomes of the DWS

Improved academic preparation will benefit all students. Writing skills are important for all high school graduates, not just college bound students. For many students, improved writing skills will increase their overall academic preparation, improve performance on high school exit examinations currently under development, and increase eligibility for admission to the California State University and the University of California. The DWS can support development of writing skills by English Language Learners as they prepare for college-level study. Improved writing skills for those students enrolling in the university should result in a reduction in the need for enrollment in courses for additional skills development at UC, CSU or community colleges. Improved writing skills also will support student success in college-level general education courses.

The Diagnostic Writing Service can help enhance student performance and school effectiveness, yet there will be no financial burden placed on schools or students for use of this service. Because teachers and students report that the DWS has been effective in improving student writing skills, this proposal will enable two-thirds of all eleventh graders in the state to take the DWS. This will provide students an opportunity to be informed about their writing skills during their high school career when they can receive support in improving those skills. Moreover, teachers throughout the state will be able to collaborate with their university colleagues on common approaches to supporting students in meeting college-level writing standards.

The Diagnostic Writing Service will serve to communicate further the expectations of university faculty about the skills expected of entering freshmen. One of the outcomes of the post-pilot evaluation indicated that teachers viewed the DWS as being beneficial for teachers themselves. Teachers observed that the diagnostic feedback provided them with an opportunity for greater understanding and familiarity with university expectations, curriculum, and writing standards. Based on the apparent need for further exchange between faculty and teachers, UC and CSU have contracted with the California Writing Project to develop a Web-based resource site for teachers. The site will provide teachers with approaches to teaching and learning academic writing, including strategies for addressing some of the diagnostic feedback received by students.

DWS Topics

With the implementation of California's K-12 content standards and graduation assessment, the need for alignment between testing for graduation from high school and placement for college courses is emerging as a critical area. The Diagnostic Writing Service is well positioned to bridge the divide. As a diagnostic instrument (rather than exit or placement test), the service provides teachers and students an opportunity for more rigorous academic preparation. The DWS additionally provides teachers an opportunity to integrate college-level expectations in their high school classroom instruction.

The DWS is intended to help students develop good writing skills while still in high school. Regardless of whether the student writes an EPT or a Subject A topic, there is an assessment of the student's ability to demonstrate skill in the following areas of writing:

- Response to the topic

- Understanding and use of the text

- Organization

- Development of ideas

- Facility with word choice and sentence structure

- Grammar, usage, and mechanics

Both the University of California and the California State University require for admission as a freshman the successful completion of four years of college preparatory courses in English reading and composition. Student achievement varies among students. Thus, each institution uses English proficiency assessment tools that emphasize different aspects of such proficiency. While both the UC and CSU expect entering freshmen to have the skills to write effectively, the University of California places more emphasis on critical analysis and synthesis of more complex reading passages. The CSU also assesses reading and analysis skills, but does so in its two English Placement Test (EPT) multiple-choice sections that assess reading and composing skills. The essay is only one section of CSU's three-part EPT. The UC's Subject A examination integrates the assessment of these skills into one instrument. Regardless of these apparent differences, taken together the two examinations provide through DWS a comprehensive and multi-faceted assessment service to students and schools.

Teachers or students will be able to select from eight essay topics available in the Diagnostic Writing Service. There are five essay topics from previous California State University English Placement Tests (EPT) and three topics from previous Subject A examinations developed by the University of California. Teachers can advise students to respond to Subject A and/or EPT essay topics based upon the current level of student skills. The EPT essay assesses entry-level writing skills expected of entering college freshmen, whereas the Subject A requirement is intended to satisfy UC's graduation requirement. In some cases a student may be served better by completing the EPT version of the DWS in the fall, improving writing skills over the year, and completing the Subject A version of the DWS in the spring.

The DWS provides teachers and students the flexibility necessary to administer the prompts or essay topics as part of in-class exercises, as homework, or under simulated test conditions. If the DWS is administered in class, the DWS essays may be written during a single, forty-five minute class session. The multiple-choice sections addressing reading and composing skills can be completed in a separate session. On the other hand, students writing in response to Subject A topics are required to read substantial passages that represent the level of reading difficulty that students encounter in freshman courses. As a result, the DWS administration that responds to a Subject A essay requires two hours to read the passage then draft, write, and review the essay.

Other possibilities teachers might use to incorporate the Subject A prompts in their classes include:

- have students read and write in a specially arranged two-hour block, possibly in a school library or computer lab;
- have students read and write in two or three consecutive class periods;
- allow students to read and discuss the passage in class, then write without time limits at home; or
- distribute the passage to be read as homework, then have students read the essay topic and write in class the next day or two.

Proposed Budget

This proposal would expand the participation in the Diagnostic Writing Service to eleventh grade students in California's public schools. Because the development phase of this service is complete, the primary cost in this proposal is for assessment of the actual writing sample by university faculty.

The permanent funding request is \$4,118,000. Cost estimates include the following:

<u>DWS essay costs</u>		\$3,691,000
(1) DWS essays submitted (318,300)	\$3,183,000	
(2) Training for additional readers (400)	268,000	
(3) DWS system annual maintenance	240,000	
<u>Project administration costs</u>		\$427,000
(4) Staff, supplies, project administration	\$332,000	
(5) Teachers' Web site maintenance	50,000	
(6) CA Writing Project Teacher Institutes	15,000	
(7) Student database and evaluation	30,000	

Total Project		\$ 4,118,000

- (1) There were 482,270 ninth grade students enrolled in 1999-2000.

Cost estimates are based on an expectation that 66 percent of eleventh grade students will submit a DWS essay in 2001/02. This represents the percentage of high school seniors who enroll annually in a California Community College, California State University, and University of California. Students who attend a community college have been included because of the state's expectation that they need to be proficient in English and because approximately 70,000 community college students transfer annually to a four-year university where it is expected that they will enter with the requisite English skills.

Cost estimates are based on an expectation that half of the DWS essays will be submitted in response to a (UC) Subject A exam topic and half will be submitted in response to a (CSU) English Placement Test (EPT) exam topics.

- (2) CSU and UC will need to train additional faculty readers to support the service during the expansion. It is estimated that UC and CSU each will need to train 200 additional faculty readers to support the volume.
- (3) CSU and UC each have agreements with ETS to provide annual maintenance for fixed system cost.

- (4) Project administration costs include expenses for staff, operating expenses, and support for an intersegmental advisory board.

CSU will serve as fiscal agent for the project to deliver DWS to eleventh graders at no cost to students or schools. Because of the scope of the project it is the intent of CSU to hire a full-time administrator for the project. Project staff include one administrator, one support staff, and one FTE faculty consultant at an estimated cost of \$247,000, including benefits. O&E costs include office rental and communication, equipment, travel, printing, postage, etc. and are estimated at \$50,000. Intersegmental advisory board and implementation committee meetings will be supported by the project with estimated costs of \$20,000. UC support includes staff, printing, and supplies at an estimated cost of \$85,000.

- (5) UC maintains the Web site and server that houses the Teacher-to-Teacher Web site. This will support updating and revising content material, teachers' honoraria, California Writing Project support, and maintenance of the UCOP server and software.
- (6) This will provide teacher honoraria to support teachers who use the DWS to attend California Writing Project Institutes.
- (7) Includes UC costs associated with evaluating the effectiveness of the DWS.

If this request is funded and high school juniors improve their basic writing skills as a result of the DWS, the State may wish to consider making the DWS available in subsequent years at an earlier grade level.

Student Services Improvement (\$12 million)

CSU is requesting funding above partnership support to improve student services. CSU presidents have identified a need to augment current activities that provide academic counseling and encourage students to stay on course towards degree objectives.

Improving the Administration of Student Services

An important mission of the CSU's administrative functions is to provide efficient, effective, high quality service to students, faculty, and staff. CSU established the Common Management System (CMS) project in 1998 to assist in the achievement of a "target administrative environment" by the year 2005 that will:

- (1) Perform administrative functions in concert with a common set of administrative "best practices" approaches.
- (2) Support administrative functions (initially including human resources, financials, and student services) with a shared, common suite of PeopleSoft applications software.
- (3) Operate the administrative software suite at a shared data center.

CMS is a seven-year project to implement state-of-the-art, integrated information systems throughout the university. The objective is to improve the quality and efficiency of operations and provide for improved services to students, faculty and staff. These systems will support the human resources, financial management and student services functions on the campuses and in the Chancellor's Office. The software for human resources and financial management is being implemented beginning in 2000/01, while the student services component will begin development and implementation in the 2001/02.

A \$5 million investment is requested to begin implementation of the administrative system costs for the CMS Student Services module. Specific benefits that will accrue to students once implementation is completed include:

- (1) Improved and student-centric interfaces with the institution for critical activities. Examples include:
 - (a) More timely information on admission requirements
 - (b) Online admission and online checking of admission status
 - (c) Electronic grade reporting
 - (d) Electronic access to financial aid information and status
 - (e) Timely verification of degree course requirements
 - (f) Web-based access to information about course prerequisites, required reading, texts and other materials along with links to vendors that can accommodate electronic purchase
- (2) Better tools and more timely information for faculty to use in advising students

Funds set aside for the student services component of CMS in 2001/02 will support the implementation, operation, and training required to deliver the benefits of the software to students and the staff who provide services to them. Combined with the \$7 million investment in direct student services, this \$12 million request for 2001/02 offers a significant improvement in meeting the services needs of CSU students.

Student Services Improvement and Expansion

CSU is requesting funding to improve and expand student services. CSU presidents have identified the need to augment academic counseling, encourage students to stay on course toward degree objectives, and create options for continuity of services from one academic term to another. Seven million dollars will be used to improve and expand student services that focus on strengthening student academic preparation and academic achievements (\$6.4 million) and to permanently fund CSU's award-winning CSUMentor (\$600,000) program.

CSUMentor

A total of \$600,000 will be used to permanently fund CSUMentor. CSUMentor is an Internet-based outreach, pre-admission, financial aid, and admission information and application system implemented in November 1996. CSUMentor captures CSU's vision for a student-centered information system available to prospective students, their families, and counselors at no charge. CSUMentor is accessible twenty-four hours a day, seven days a week, from computers located anywhere, e.g., at home, schools, libraries, etc. It simplifies the college exploration, admission, and financial aid process for prospective students, improves CSU's ability to respond quickly to applicants, and allows applicants to select a campus that most closely fits their academic needs and interests.

The student planner is a distinctive feature of CSUMentor. This feature permits K-14 students to create an electronic academic portfolio, maintained on the CSUMentor server, in which they can enter the specific course work completed and grades earned at the California high school or community college. All information in the portfolio is confidential. The student owns his or her data and can view, update, or delete it with a user identification and password. By completing an electronic worksheet in the portfolio, students can compare courses they have taken, or plan to take, against an approved list of high school courses that meet CSU course requirements. Based upon this information, CSUMentor identifies requirements the student has met and those still to be completed. The student planner also addresses the unique need of California Community College transfer students by providing guidance on lower-division general education courses and other requirements that must be completed to satisfy CSU admission requirements. Transfer students who use the student planner are better prepared to enter the CSU as upper division students.

When students apply to a CSU campus electronically, the information they have entered into CSUMentor's student planner is automatically transferred to a CSUMentor electronic application for admission. For students applying for financial aid via the Web, CSUMentor automatically transfers applicable CSU data elements into an electronic Free Application for Federal Student Aid (FAFSA) application.

CSUMentor has enjoyed tremendous success as measured by the dramatic increases in usage. Web site visits during the period of November 1999 through October 2000 will number 3.2 million, an increase of 71 percent from the comparable period in 1998/99. More than 235,000 student academic planning accounts will be created, up over 50 percent from 1998/99. Online submission of admission applications will exceed 135,000, up nearly 180 percent from last year and more than 50 percent of all admission applications filed.

Academic Advising Programs

A total of \$6.4 million will be allocated to campuses to enable them to implement academic advising programs that have been identified as successful in increasing the number of students who complete the baccalaureate degree and in reducing the time required to complete the degree. To achieve these outcomes, campuses will develop and implement new programs as well as expand existing programs that support the academic preparation of students.

All campuses provide some type of academic advising to students both for general education course work and for major preparation. Typically, general education course work advising is provided by professional academic advisors while major preparation academic advising is provided by faculty members. The requested funding will be used to expand the number of professional academic advisors at each CSU campus. As a result of this expansion, all first-time freshmen and upper division transfer students at CSU campuses will be required to meet with their academic advisors at the beginning of each academic term to develop, review, and revise as necessary their academic plans which will detail the student's preliminary schedule of classes from matriculation to graduation. Progress toward meeting the provisions of the academic plan will be reviewed each term.

Mandatory academic advising programs will be developed for all students who are on academic probation. These intervention programs will ensure that students are provided appropriate services to improve their academic standing. Data have shown that these services and programs are effective in improving the grade point average and retention of students at greatest risk of failing.

Funding will enable campuses to expand the hours academic advising is available. The goal will be to ensure that academic advisors are available to meet with students at least five days a week for twelve hours a day, i.e., into the evenings.

Summary

These academic advising and support programs affirm research findings that actively engaging students at the beginning of their studies improves retention, student satisfaction, and ultimate progress toward the degree. The funding requested to expand and improve student services will create a comprehensive support model designed to help the maximum number of students achieve academic success. When designed and implemented in an integrated manner on each campus, these activities and retention programs will result in greater student satisfaction with their educational process, retention, and graduation.

Investment in Faculty and Staff Housing (\$5,000,000)

Affordable housing at many campuses of the CSU is crucial to the recruitment and retention of faculty and staff. The pressure for growth from rising enrollments as well as the accelerating rate of retirement of senior faculty and staff creates a strong need to hire and retain well-qualified employees. Housing assistance will enable CSU to preserve and expand a community of scholars and skilled analysts and technicians who live and work together and are accessible to one another in ways that they cannot be if they are commuting (particularly over long distances) to a campus.

The relative high cost of housing in California means that faculty and staff may pay much more for housing at a CSU campus than at a competing institution. Although CSU could negotiate 100 percent financing at attractive rates, employees often require additional arrangements in the early years of their employment to establish permanent ties to a community. The housing assistance programs CSU is currently exploring are designed to make the university more attractive in a tight labor market so that it can create a synergistic workforce community to fulfill its educational mission. CSU is exploring several alternatives to promote incentives for attracting and retaining employees. These include the use of available land to build subsidized housing, negotiating with banks for favorable loan rates and minimizing down payments and closing costs, and coordinating housing incentives in conjunction with local, state and federal housing assistance programs.

For 2001/02, CSU is requesting \$5 million in supplemental state support above the partnership to establish a CSU Affordable Housing Revolving Fund that will be used to provide incentives targeted toward selected faculty and staff recruitment and retention.

Joint Use Intersegmental Programs (\$3,000,000)

The \$3 million planning effort requested for 2001/02 will focus on joint intersegmental programs between CSU, the community colleges, and the University of California. It will address planning issues surrounding several different forms of joint use intersegmental cooperation ranging from CSU offering courses at underutilized community college facilities (San Francisco State-Cañada College); CSU, UC, and CCC jointly offering specialized courses and programs at surplus federal or state facilities (San Jose State-UC Santa Cruz-De Anza at Moffitt Field); CSU offering courses in leased permanent or temporary facilities located on community college land (CSU Bakersfield-Antelope Valley CC); to CSU and community colleges jointly owning and operating facilities through a joint powers authority (San Diego State-Southwestern CC). The successful development of intersegmental cooperative models such as these would presage other projects that could further expand access in underserved regions of the state without the costs associated with the construction of new full-service campuses.

2001/02 Support Budget Proposal



CENTER FOR **C**ALIFORNIA STUDIES
SPECIAL FUNDS

Center for California Studies Special Funds

This section identifies the program budget for the Center for California Studies and those programs supported by special fees assessed to students, faculty and staff receiving the benefits of the programs. Although Auxiliary, Parking, Housing, and Extended and Continuing Education programs are not supported explicitly by state appropriations, the funds are classified as public service enterprise funds and are subject to state regulation. All Special Funds programs are controlled by financial and program policies of the Board of Trustees. The purpose of this presentation is to complete the report of proposed financial activity for the 2001/02 fiscal year.

The Center for California Studies

The Center for California Studies is a state-supported program administered at the CSU Sacramento campus.

The primary objective of the Center is to promote understanding of and effective participation in the political and policy processes that govern the State of California. Central to this mission is the development of programs that illuminate the policy-making processes of the state Assembly, Senate, Executive, and Judiciary to 64 fellows studying California government issues at CSU Sacramento. The Fellows also provide valuable services to the legislative, executive, and judicial branches of state government while completing their studies.

The Center's LegiSchool project provides high school students a "hands-on" opportunity to participate in legislative debates on issues that directly impact them. The mission of LegiSchool is to promote citizenship in schools by creating opportunities for high school students to participate in debates with state leaders concerning the problems affecting California citizens.

The Sacramento Semester Program is an undergraduate internship program at CSU Sacramento that places students in a variety of state government and legislative internship positions in Sacramento each spring semester. The internship allows participants to integrate their practical internship experience with academic work.

Funding increases for the Center for California Studies typically occur during state budget discussions independent of the CSU support budget request. CSU is providing the Center's budget information for 2001/02 in its Support Budget Documentation as part of the financial data required for the governor's budget. The Center is not requesting any increase in state funding for the 2001/02 fiscal year. Funding identified in the budget act for the Center is adjusted each year to reflect current year general compensation and operating costs included in the CSU Sacramento campus budget.

2001/02 Center for California Studies Budget

	2000/01 Budget	2001/02 Budget Bill
Center-Fellows Program	\$548,000	\$546,300
Center-Other	25,000	40,700
<u>Fellows Programs:</u>		
Assembly Fellows	562,500	562,500
Senate Fellows	562,500	562,500
Executive Fellows	562,500	562,500
Judicial Fellows	292,500	292,500
Total, Fellows Programs	\$1,980,000	\$1,980,000
LegiSchool Project	125,000	125,000
Sacramento Semester Internship	62,000	62,000
Total	\$2,740,000	\$2,754,000

The Center for California Studies 2001/02 budget display reflects the following costs:

- (a) Administrative personnel costs of \$546,300 to run the Center and its four Fellows programs shown as Center-Fellows Program;
- (b) Administrative operating expenses and equipment, including outreach activities, of \$40,700 for the Center and its four Fellows programs shown as Center-Other;
- (c) Program costs of \$1,980,000 for stipends, benefits, university fees and expenses for 64 fellows participating in the four Fellows programs shown individually as Assembly Fellows, Senate Fellows, Executive Fellows and Judicial Fellows; and
- (d) Direct and administrative costs of \$125,000 for the LegiSchool Project.
- (e) Direct and administrative costs of \$62,000 for the Sacramento Semester Internship Program.

2001-2002 Estimated Costs for the California Studies Programs

Program Component:	2000/01 Estimated Cost	2001/02 Estimated Cost
<u>Assembly Fellowship Program</u>		
Stipends (\$1882/mo. x 11 months x 18 fellows)	\$372,636	\$372,636
Benefits @ 18% of Stipends	\$67,633	\$67,633
Graduate Student Fees @ \$974.50/fellow x 18 fellows)	\$17,541	\$17,541
Direct Costs Subtotal (Stipends, benefits, & fees)	\$457,810	\$457,810
Operating Expenditures Budget (15% of Direct Costs)	\$68,672	\$68,672
Faculty Fellowship Program (direct costs & o.e.)	\$36,000	\$36,000
Total, Assembly Fellowship Program:	\$562,482	\$562,482
<u>Senate Fellows Program</u>		
Stipends (\$1882/mo. x 11 months x 18 fellows)	\$372,636	\$372,636
Benefits @ 18% of Stipends	\$67,633	\$67,633
Graduate Student Fees @ \$974.50/fellow x 18 fellows)	\$17,541	\$17,541
Direct Costs Subtotal (Stipends, benefits, & fees)	\$457,810	\$457,810
Operating Expenditures Budget (15% of Direct Costs)	\$68,672	\$68,672
Faculty Fellowship Program (direct costs & o.e.)	\$36,000	\$36,000
Total, Senate Fellows Program:	\$562,482	\$562,482
<u>Executive Fellowship Program</u>		
Stipends (\$1882/mo. x 11 months x 18 fellows)	\$372,636	\$372,636
Benefits @ 18% of Stipends	\$67,633	\$67,633
Graduate Student Fees @ \$974.50/fellow x 18 fellows)	\$17,541	\$17,541
Direct Costs Subtotal (Stipends, benefits, & fees)	\$457,810	\$457,810
Operating Expenditures Budget (15% of Direct Costs)	\$68,672	\$68,672
Faculty Fellowship Program (direct costs & o.e.)	\$36,000	\$36,000
Total, Executive Fellowship Program:	\$562,482	\$562,482
<u>Judicial Administration Fellowship Program</u>		
Stipends (\$1882/mo. x 11 months x 10 fellows)	\$207,020	\$207,020
Benefits @ 18% of Stipends	\$37,574	\$37,574
Graduate Student Fees @ \$974.50/fellow x 10 fellows)	\$9,745	\$9,745
Direct Costs Subtotal (Stipends, benefits, & fees)	\$254,339	\$254,339
Operating Expenditures Budget (15% of Direct Costs)	\$38,151	\$38,151
Total, Judicial Administration Fellowship Program:	\$292,490	\$292,490
Total, All Programs	\$1,979,936	\$1,979,936
Center-Fellows Program	\$548,064	\$546,320
Center-Other	\$25,000	\$40,671
LegiSchool Project	\$125,000	\$125,000
Sacramento Semester Internship Program	\$62,000	\$62,000
Grand Total	\$2,740,000	\$2,753,927

Auxiliary Programs

Auxiliary organizations are separate legal entities authorized in the Education Code to provide essential services to students and employees. They operate in association with campuses pursuant to special written agreements, and are authorized to perform specific functions that contribute to the educational mission of the campus.

CSU auxiliary organizations have been in existence for many decades as a necessary supplement to state-supported instructional and administrative activities. The first organization, the Fresno State College Association, was established in 1922. Student associations have operated at San Jose, San Diego, San Luis Obispo, Chico, Fresno, and other campuses since the early 1920s. The growth of auxiliary organizations has paralleled the growth in size and complexity of CSU.

These organizations are subject to applicable state and federal laws and regulations. In addition, they operate within the policies established by the Board of Trustees, the chancellor, and campuses. As of the beginning of the 2000 fall term, there were 80 auxiliary organizations, with one to five per campus, and three systemwide auxiliary organizations. Most of these organizations can be grouped into five major functional categories:

1. **Associated Student Body Organizations:** These are student-run organizations that operate such extracurricular activities as student government, student newspapers, athletics, cultural programs, and many other student activities related to the overall educational mission of the campus.
2. **Special Educational Projects:** These organizations administer projects that have a direct relationship to the educational process of the campuses and are funded by numerous sources. Major sources of support come from federal, state and private grants and contracts. Projects are designed to meet the needs of the program sponsor and campus programs.
3. **Student Union Operations:** Student union fees collected by the campus are deposited in the Dormitory Revenue Fund Union Account to pay for the principal, interest, and other costs of the building. Any surpluses remaining from the student union fees after the bond and other costs are met may become available to the student union auxiliary organization to pay operating expenses.
4. **Commercial Activities:** These activities consist mostly of the operation of bookstores, food service, and agricultural projects. Agrarian activities are particularly important to campuses offering instruction involving direct experience with farms, cattle, poultry, etc.
5. **Development Activities:** These organizations primarily administer programs related to the management of gifts, bequests, devices, endowments, trusts, and similar funds, as well as programs related to public relations, fund-raising, fund management, and similar development programs.

The auxiliary organizations must be self-supporting. They do not receive funding from General Fund sources. They derive revenue from various nonstate sources such as contractual arrangements (e.g., federal government), general assessments (e.g., student body fees), and commercial operations (e.g., bookstores). Pursuant to existing laws and policies, the materials, facilities, and services provided by the campus to these separate entities are paid for by the auxiliary organization. Revenue in excess of expenditures for a given period is used to establish working capital and reserves, and to pay for capital expenditures or special campus programs.

All auxiliary organization financial activity is reported yearly. Financial reports are audited annually and later incorporated in the systemwide CSU audited financial statements.

Parking Program

The Parking Program provides campus parking facilities as authorized under the provisions of Section 89701 of the Education Code. The program is self-supporting and derives most of its revenues from parking fees paid by students, faculty, staff and visitors. Additional income is available from interest on retained earnings.

Consistent with CSU objectives for increased accountability at the campus levels, management of all operations of the parking program is decentralized to the campus level. Parking fee revenue is deposited by campuses to a campus specific parking fund, and campuses have the authority to expend those funds directly. Campus spending of the parking fee revenue is restricted to the acquisition, construction and maintenance of campus parking facilities. Revenues for 2001/02 are projected to be \$44.4 million. The projected revenue will be sufficient to cover operating expenditures as well as transfers for debt service payments of bond principal and interest.

To facilitate the trustees' policy of providing adequate parking throughout the system at the lowest possible fee, every effort is made to minimize operating costs. The 2000/01 proposed budget incorporates reimbursements to the General Fund for supervising and dispatching services provided by the campuses. Expenditures relating to utilities, communications, and support services provided by the General Fund are reflected as direct or indirect costs, as appropriate.

The California State University had a total of 127,162 temporary and permanent spaces as of July 1, 2000. By the end of 2001/02, usable parking spaces are projected to total 128,658.

Parking Spaces By Location

Campus	Actual <u>1997/98</u>	Actual <u>1999/2000</u>	Budgeted <u>2000/01</u>	Projected <u>2001/02</u>
Bakersfield	2,359	2,704	2,786	2,786
Channel Islands		967	967	967
Chico	2,138	1,758	1,758	1,758
Dominguez Hills	3,682	4,058	3,895	3,895
Fresno	7,097	6,609	7,305	7,305
Fullerton	8,957	8,725	8,725	8,725
Hayward	5,166	5,179	5,179	5,179
Contra Costa	906	910	910	910
Humboldt	2,306	2,295	2,295	2,295
Long Beach	12,421	12,427	12,427	12,427
Los Angeles	7,365	7,176	7,080	7,080
Maritime Academy	498	570	585	585
Monterey Bay	2,402	2,723	2,723	2,723
Northridge	11,220	9,222	9,484	9,484
Pomona	8,684	8,678	9,478	9,478
Sacramento	9,459	10,165	9,621	9,621
San Bernardino	5,145	5,052	5,052	5,052
San Diego	12,041	12,668	11,598	11,598
Imperial Valley	102	103	103	103
San Francisco	3,333	2,996	2,996	2,996
San Jose	7,332	7,616	7,616	7,616
San Luis Obispo	5,948	5,551	6,482	6,482
San Marcos	2,035	2,467	2,576	2,576
Sonoma	3,827	3,663	4,137	4,137
Stanislaus	2,512	2,448	2,448	2,448
Chancellor's Office	29	432	432	432
TOTAL	126,964	127,162	128,658	128,658

Housing Program

The Housing Program at CSU provides residential facilities for students.

The State Dormitory Construction Fund was established under the State Revenue Bond Act of 1947 and bonds were initially sold to support the construction of campus housing facilities. In 1957, the legislature approved a residence hall program which was financed by both state and federal funds. Today the Housing Program is a self-supporting program deriving its revenues primarily from fees collected for the use of the residence facilities. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. After payment of all authorized charges, the balances in any of these funds remain available for future program expenses.

The 2000/01 Dormitory Revenue Fund system housing design capacity at CSU is projected to total 24,619 spaces.

The total projected revenue for fiscal year 2000/2001 provides approximately \$98 million for housing operations. From this amount, approximately \$22 million is used for debt service for payments of principal and interest on revenue bonds issued to finance constructions of student housing and major renovations.

Dormitory Revenue Fund - Housing Program Design Spaces By Campus

Campus*	Actual 1998/99	Budgeted 1999/2000	Projected 2000/01
Bakersfield	354	354	354
Chico	1,505	1,745	1,745
Dominguez Hills	712	712	712
Fullerton	396	396	396
Hayward	404	404	404
Humboldt	1,325	1,325	1,325
Long Beach	1,836	1,836	1,836
Los Angeles	1,006	1,006	1,006
Northridge	2,927	2,927	2,927
Pomona	1,182	1,182	1,182
Sacramento	1,289	1,289	1,289
San Bernardino	406	406	406
San Diego	3,033	3,033	3,033
San Francisco	1,451	1,451	1,451
San Jose	2,080	2,080	2,080
San Luis Obispo	2,795	2,795	2,795
Sonoma	911	911	1,515
Stanislaus	163	163	163
TOTAL	23,775	24,015	24,619

**California Maritime Academy, Fresno, Monterey Bay, and San Marcos campuses are not part of the Dormitory Revenue Fund (DRF) program*

Extended and Continuing Education

The Continuing Education Revenue Fund (CERF) is authorized by Education Code Section 89704 that was added by special legislation (Chapter 878, Statutes of 1970).

CSU has maintained continuing education outreach efforts for over a century. Originally comprised of in-service instruction for school teachers, extended and continuing education, continuing education now provides an increasingly broad spectrum of academic services to public and private agencies as well as to individuals who wish to advance personally and professionally or prepare for career transitions.

Courses and programs administered through the Continuing Education Revenue Fund, or campus trust accounts, include credit and noncredit instruction. Extended and continuing education courses are delivered both on and off the campus, via the distance learning technologies, and at national and international venues. Credit instruction, particularly course work as part of the Special Sessions, applies readily to graduate and undergraduate degree programs. Academic policies modified in 1997/98 now permit students to apply up to 24 units of special session credit earned in the concurrent enrollment program (Open University) to baccalaureate degrees. All CERF and campus trust programs are supported by student tuition and other fees.

The extended/continuing education program involves a variety of instructional components. The following programs are illustrated:

Regular Extension Program

Regular extension course work responds to a variety of corporate, institutional and individual needs. This instructional category includes seminars, workshops, and in-service contracting and conference-based activities. Instruction involves both credit and noncredit applications, and in many cases, credentials, certificates, or other activities that demand validated outcomes.

Regular extension instruction, for the most part, is conveyed at the upper division and graduate levels to avoid competition with community college efforts.

Special Session Programs

Special Session programs are designed to assist professionally employed persons, non-traditional learners, and regularly matriculated students. In many instances, special session programs make use of campus classrooms and facilities that are otherwise unavailable during the regular academic year. Special Session programs have proven to be especially useful for persons who are seeking licensure, relicensure, or professional upgrading.

Campus CERF and trust ledgers had cumulative balances of nearly \$56 million at close of operations on June 30, 2000.

2001/02 Support Budget Proposal STATE BUDGET INFORMATION



Amended CSU Budget Request State Budget Requirements

Amended CSU 2001/02 Support Budget Request

Based on a preliminary review of campus census enrollment data for fall 2000, the Support Budget request approved by the Board of Trustees in October 2000 was amended to reduce the targeted level of enrollment growth from 10,220 full-time equivalent students (FTES) to 8,760 FTES, a 3 percent enrollment increase. In addition, the planned conversion of summer enrollment associated with state-support year-round operations was reduced from 4,116 FTES to 3,138 FTES at four CSU campuses. These adjustments resulted in a \$13.1 million reduction in General Fund support required for enrollment growth and lowered the expectation of new State University Fee revenue from \$26.5 million to \$23.6 million.

In addition, an adjustment was made in the CSU base budget appropriation used to calculate the partnership General Fund revenue growth to reflect funding used to finance deferred maintenance debt service. The table on the following page shows CSU's amended 2001/02 budget plan request.

AMENDED 2001/02 CSU Budget Plan (3% enrollment growth & 3,138 YRO FTES)

Sources of Funds	Budget Resources
Operations and Enrollment Growth	
Higher Education Partnership Agreement	\$133,512,000
4% General Operating Increase	93,547,000
1% Long-Term Budget Costs	23,387,000
General Fund Fee Increase Buyout	16,578,000
Enrollment Growth	<u>91,736,000</u>
CSU Projected Enrollment Growth (3.0%/8,760 FTES) - General Fund	55,714,000
New Enrollment Growth Revenue	18,165,000
YRO Implementation Enrollment Funding (3,138 FTES)	12,376,000
YRO Enrollment Revenue	5,481,000
Subtotal, Operations and Enrollment Growth Revenue	\$225,248,000
Revenue Above Partnership Agreement	
Access	18,000,000
Quality	45,760,000
K-12 Academic Preparation	40,118,000
Workforce Preparation and Economic Development	<u>35,205,000</u>
Total, Sources of Funds	\$364,331,000
Use of Funds	
Access	
CSU Projected Enrollment Growth (3.0%)	62,310,000
YRO Implementation Enrollment Funding (3,138 FTES)	16,013,000
State University Grants/Mandated Fee Waivers (3% growth)	6,055,000
Quality	
Mandatory Costs	18,350,000
2000/01 Full-Year Service-based Compensation	1,487,000
Employee Benefits	11,148,000
New Space	5,100,000
Property Insurance	615,000
General Compensation Increase (4% pool; all employees)	81,520,000
Long-Term Budget Need	23,000,000
Technology - Buildout Equipment	10,000,000
Technology - Increased Network Capacity	5,000,000
Libraries	4,000,000
Deferred Plant Maintenance	4,000,000
K-12 Academic Preparation	8,000,000
Workforce Preparation and Economic Development	<u>10,000,000</u>
Subtotal, CSU Operations and Enrollment Growth	\$225,248,000
State Investments:	
Access	
Channel Islands	3,000,000
Student Services Improvement	12,000,000
Joint Use Intersegmental Programs	3,000,000
Quality	
2% Compensation Supplement for Faculty and Staff	40,760,000
Investment in Faculty and Staff Housing	5,000,000
K-12 Academic Preparation	40,118,000
Governor's K-12 Technology Training Initiative	18,500,000
Governor's K-12 Teaching Fellowship Program	17,500,000
Diagnostic Writing Service (Intersegmental Program)	4,118,000
Workforce Preparation and Economic Development	
Applied Research	11,000,000
Agriculture Technology Institute	5,000,000
CSUPERB	3,000,000
Marine Studies	3,000,000
Central Valley Research Center	5,000,000
Graduate FTE Conversion	19,205,000
Subtotal, State Investments	\$139,083,000
Total, 2001/02 Proposed Expenditure Increase	\$364,331,000

2001/02 Enrollment Targets

The state requires CSU to display actual and projected enrollment by level of student. For state display purposes, CSU distributes enrollment targets for the current and budget fiscal years in proportion to actual enrollments achieved for the immediate past year.

The table below shows 2001/02 and 2001/02 enrollment targets distributed in proportion to actual enrollment achieved at CSU for 1999/2000. The distributed targets for 2001/02 and 2001/02 do not reflect what CSU might actually achieve in either fiscal year, nor are these enrollments by level used for any CSU budget calculation.

Average Term Enrollment and Annual Full-Time Equivalent Students	1999/00		2000/01		2001/02	
	Headcount	FTEs	Headcount	FTEs	Headcount	FTEs
Undergraduate						
Lower Division	90,255	78,222	93,521	81,053	96,327	83,485
Upper Division	<u>196,435</u>	<u>160,519</u>	<u>203,544</u>	<u>166,328</u>	<u>209,651</u>	<u>171,319</u>
Totals, Undergraduate	286,690	238,741	297,065	247,381	305,978	254,804
Postbaccalaureate	33,658	20,346	34,876	21,082	35,923	21,714
Graduate	<u>42,984</u>	<u>22,513</u>	<u>44,540</u>	<u>23,328</u>	<u>45,877</u>	<u>24,028</u>
Subtotal	363,332	281,600	376,481	291,791	387,778	300,546
Distance Learning FTE	<u>303</u>	<u>182</u>	<u>314</u>	<u>189</u>	<u>323</u>	<u>194</u>
Summer YRO Conversion					<u>4,047</u>	<u>3,138</u>
Grand Total	363,635	281,782	376,795	291,980	392,148	303,878

The table on the following page shows targeted enrollment growth by campus for the 2001/02 fiscal year.

2001/02 Campus Enrollment Targets

Campus	2000/01 FTES Target	2001/02 Projected FTES Growth		2001/02 FTES Target
		3% New Growth	YRO Conversion	
Bakersfield	5,555	300		5,855
Chico	14,080	170		14,250
Dominguez Hills	8,075	275		8,350
Fresno	15,655	395		16,050
Fullerton	20,770	940	678	22,388
Hayward	11,475	0		11,475
Humboldt	7,450	0		7,450
Long Beach	22,825	1,175	1,145	25,145
Los Angeles	15,375	360		15,735
Maritime Academy	745	80		825
Monterey Bay	2,565	445		3,010
Northridge	20,820	650		21,470
Pomona	16,100	300		16,400
Sacramento	19,370	1,135		20,505
San Bernardino	11,485	530		12,015
San Diego	25,240	435	579	26,254
San Francisco	21,200	0	736	21,936
San Jose	19,920	0		19,920
San Luis Obispo	16,010	195		16,205
San Marcos	4,700	460		5,160
Sonoma	6,145	305		6,450
Stanislaus	5,500	300		5,800
Campus Total	291,060	8,450	3,138	302,648
International Prog.	535	24		559
Summer Arts	55	0		55
CalStateTEACH	330	286		616
Grand Total	291,980	8,760	3,138	303,878

2001/02 Retirement Rate Reduction

The adjustments made to 2000/01 appropriations include estimated savings from a reduction in employer retirement contributions that will revert to the state. The estimate of savings is based on PERS retirement contribution proposals and has been calculated in accordance with instruction from the Department of Finance for the Governor's Budget. Retirement savings are returned to the state and cannot be used for other CSU budget purposes during the fiscal year.

The table on the following page shows the CSU retirement reduction calculation for the 2000/01 fiscal year. The 2000/01 salary base reflects salaries and wages only for all budgeted positions identified in the state 2001/02 Salaries and Wages Supplement and includes all funds.

**2001-02 BUDGET DEVELOPMENT
EMPLOYER RETIREMENT RATE CONTRIBUTION ADJUSTMENT**

PERS MEMBERSHIP CATEGORY	2000-01 SALARY BASE ^a	SALARY SAVINGS	2000-01 ADJUSTED BASE	- B - RETIREMENT CONTRIBUTION AMOUNT (A x C)	- C - 1999-2000 RETIREMENT CONTRIBUTION RATES	- D - 2000-01 RETIREMENT CONTRIBUTION RATES	- E - PERCENT CHANGE FROM 1999-00 CONTRIBUTION RATES	- F - RETIREMENT CONTRIBUTION ADJUSTMENT (B x E)
Miscellaneous, Tier 1	2,020,636,091	-	2,020,636,091	30,127,684	1.491%	0.000%	-100.000%	(30,127,684)
Miscellaneous, Tier 2				-	0.000%	0.000%	0.000%	-
Industrial				-	0.026%	0.000%	0.000%	-
Safety				-	7.487%	6.808%	-9.069%	-
Highway Patrol				-	13.345%	13.711%	2.743%	-
Peace Officer/Firefighter	12,214,502	-	12,214,502	-	0.000%	2.729%	2.729%	333,334
TOTAL:	2,032,850,593	-	2,032,850,593	30,127,684				(29,794,350)

Fund Split e/ 2000-01 Total/By Fund Class:	General Fund	Special Fund	Non-Govt Cost Fund	Reimburse- ments	Total Funds
	26,297,000	2,444,350		1,053,000	29,794,350

a/ Departments must use the 2000-01 revised salary base from the reconciled 2001-02 Salaries and Wages Supplement -- Schedule 7A to calculate the liability for each retirement category.