



THE CALIFORNIA STATE UNIVERSITY

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RICHARD P. WEST
EXECUTIVE VICE CHANCELLOR
CHIEF FINANCIAL OFFICER

MEMORANDUM

DATE: May 15, 2006

TO: Members of the Board of Trustees

FROM: Richard P. West
Executive Vice Chancellor
Chief Financial Officer

SUBJECT: 2004/05 Lottery Revenue Budget Receipts and Expenditures Report

In accordance with lottery policies adopted by the Board of Trustees and as required by Section 24.60 of the 2004/05 Budget Act, attached is a copy of the *CSU 2004/05 Lottery Revenue Fund Receipts and Expenditures Report*. This report displays the actual 2004/05 receipts and expenditures and planned 2005/06 receipts and expenditures.

Enclosure

AL:al

cc: CSU Presidents



THE CALIFORNIA STATE UNIVERSITY

2004/05 Lottery Revenue Fund

Receipts and Expenditure Report

INTRODUCTION

Pursuant to Section 24.60 of the 2004/05 Budget Act, the following represents the California State University's (CSU) Lottery Report to the Legislature. This report is divided into three sections. The first section contains information regarding budgeted and actual revenues and program expenditures for fiscal year 2004/05. The second section contains the 2005/06 projected revenue and proposed program expenditures. The last section includes 2004/05 lottery program descriptions.

SECTION I - 2004/05 REVENUES AND EXPENDITURES

Each year the CSU Board of Trustees' adopts and Lottery Revenue Budget. For the 2004/05 fiscal year, the Board adopted a budget totaling \$42.5 million as shown on Table 1. The 2004/05 lottery budget was based on an estimated beginning balance of \$5 million, estimated receipts of \$36.0 million, interest of \$1.5 million and a systemwide reserve of \$5.0 million

	Budgeted	Actual
Beginning Balance	\$5,000,000	\$17,613,567
Receipts	36,081,000	38,834,966
Interest Income	1,500,000	417,717
Total Available Revenue	42,581,000	56,866,250
Less: Systemwide Reserve	-5,000,000	-5,000,000
Available for Allocations	37,581,000	51,866,250

The CSU conservatively budgeted lottery revenue due to the uncertain nature of this revenue source. While the past five years have shown an increase in lottery receipts, the CSU will continue to budget conservatively for lottery revenue projections and will monitor the actual receipts received and make necessary adjustments as needed.

CSU 2004/05 Lottery Revenue Fund Receipts and Expenditure Report

For 2004/05 the total lottery revenue available including the beginning balance was \$56,866,250. The CSU received over \$38 million in new lottery generated revenue. This includes both actual lottery revenue (\$38,834,966) as transferred to the CSU by the State Controller's Office (SCO) and the State's Surplus Money Investment Fund Interest Earnings (\$414,717). Actual receipts and interest earnings in 2004/05 are as follows:

Quarter Earned Ending	Date Received	Amount Received
Beginning Balance		\$17,613,567
June 30, 2004	October 5, 2004	4,702,912
September 30, 2004	December 31, 2004	12,050,292
December 31, 2004	March 30, 2005	10,991,192
March 21, 2005	June 29, 2005	11,090,570
Total Beginning Balance and New Receipts		\$56,448,533
SMIF Interest Earnings		
Amount Earned 4/1/04 through 6/30/04		\$77,924
Amount Earned 7/1/04 through 9/30/04		89,136
Amount Earned 10/1/04 through 12/31/04		108,962
Amount Earned 1/1/05 through 3/31/05		141,695
Total SMIF Interest		417,717
Total Lottery Revenue Available		\$56,866,250
Less: Systemwide Reserve		-5,000,000
Total Lottery Revenue Available for Allocation		\$51,866,250

Table 3 below displays the amounts budgeted and expended per lottery program. The reported expenditure amounts include any associated administrative costs.

Lottery Program	2004/05 Original Budget	2004/05 Expenditures including One Time Allocation
Forgivable Loan/Doctoral Incentive Program	\$3,000,000	\$79,000
California Pre-Doctoral Program	714,000	493,000
Summer Arts	1,200,000	1,535,000
Campus-Based Programs	32,326,000	36,442,000
Systemwide Implementation	341,000	325,000
Future Year Commitment (enrollment, libraries, etc)*		12,992,000
Total	\$37,581,000	\$51,866,000

*One time allocation

SECTION II .2005/06 PROJECTED REVENUES AND EXPENDITURES /ALLOCATIONS

The Board of Trustees approved the 2005/06 Lottery Budget based on prior experience. Projected revenue was comprised of an estimated beginning balance of \$5 million, new receipts projected to be \$36 million and system interest earnings of \$0.5 million. A \$5 million reserve prior to approve allocation serves as a cushion for economic uncertainties and cash flow variations due to fluctuations in lottery receipts, and to provide funds for projects to be determined by the Chancellor.

Table 4 illustrates the projected revenues for 2005/06 and funds available for allocation.

Beginning Balance, Estimated	\$ 5,000,000
Receipts	36,000,000
Interest Earnings	500,000
Total Available Revenue	\$ 41,500,000
Less Systemwide Reserve	-5,000,000
Available for Allocation	\$36,500,000

Planned program expenditures and allocations for 2005/06 total \$36.5 million as indicated in Table 5, below. The planned expenditures of \$36.5 million match the funds available for allocation in Table 4.

Lottery Program	Fiscal Year 2005/06
Forgivable Loan/Doctoral Incentive	\$3,000,000
California Pre-Doctoral	714,000
CSU Summer Arts	1,200,000
Campus-Based Programs	31,095,000
Implementation	491,000
Total	\$36,500,000

SECTION III — 2004/05 LOTTERY PROGRAM DESCRIPTIONS

Forgivable Loan/Doctoral Incentive Program

The CSU Forgivable Loan/Doctoral Incentive Program (FLP) is designed to increase the pool of individuals with the qualifications, motivation, and skills to teach the diverse student body in the CSU. This competitive program provides loans to graduate students who are pursuing full-time doctoral study.

Doctoral students in the program are sponsored by CSU full time tenure-track faculty. CSU faculty sponsorship is intended to establish early relationships between CSU academic departments and program participants, to encourage the students during their doctoral studies, and to provide experience that will stimulate interest in a teaching career in the CSU.

A major incentive for loan recipients to seek teaching positions in the CSU is that loans are forgiven at a rate of 20 percent for each year of full-time teaching in the CSU subsequent to completing the doctorate and successfully competing for a faculty position.

California Pre-Doctoral Program

The California Pre-Doctoral Program, initiated in the 1989/90 academic year, was developed cooperatively by the CSU and the University of California. It is designed to increase the pool of potential faculty by supporting the doctoral aspirations of CSU students who have experienced economic and educational disadvantages. Inculcation of students in the profession is stressed through mentoring by faculty, involvement in formal and informal scholarly and research opportunities, interaction with doctoral-granting institutions, membership in professional associations, and attendance at professional conferences. Students are supported to attend events designed to interest students in graduate study and scholarly careers. A major component of the program is the Summer Research Internship wherein scholars have the opportunity to participate in a structured 8-10 week fully funded research project under the supervision of a professor at prominent doctoral granting institutions throughout the U.S.

A portion of the funding will support the California Graduate Education Forum. The Forum, held for the first time in 1991, brings together promising juniors, seniors, and master's degree students for a series of workshops covering all aspects of doctoral work.

The California Pre-Doctoral Program promotes efforts to improve coordination of CSU master's degree programs with the doctoral programs of other institutions, so a better pipeline will develop. As in prior years, a modest amount of faculty travel will be supported so CSU faculty can accompany the selected students visiting Ph.D. granting institutions. This enables the students to learn more about opportunities for doctoral study and to establish ongoing faculty-to-faculty relationships with faculty at the doctoral granting institutions. Support for attendance at professional conferences may

be provided for students and their faculty sponsors. Each CSU campus receives a modest amount of funds for supplies and services so that the campus designated Pre-Doctoral Advisor can collect and disseminate information on doctoral study. A systemwide Pre-Doctoral Program Coordinator will coordinate these activities and will participate in and provide leadership for related programs, such as the California Graduate Education Forum.

CSU Summer Arts Program

The CSU Summer Arts program is a multidisciplinary systemwide program offering academic credit, plus a festival in the visual, performing and literary arts. The academic component offers two-to-four-week residency workshops in arts education, creative writing, dance, music, film/video, theater, performance, visual arts, and new technology.

Campus-Based Programs

Funds used for Campus-Based Programs represent a significant source of funds that permit campuses and the CSU in general to fund instructional activities that lead to the enhancement of the quality of campus life. By using these funds, campus authority and managerial discretion is increased. The use of Campus-Based Program funds allows campuses maximum flexibility in meeting unique campus needs. In keeping with past lottery revenue budgets, such funds are allocated to achieve maximum impact in enhancing instruction. Expenditures included new instructional equipment, instructional equipment replacement, curriculum development, scholarships, and the acquisition of new library materials including periodicals, serials, monographs, and other items directly related to the instructional program.

In fiscal year 2000/01, campus budgets previously designated for Access and Academic Development, CSU Scholarship Program for Future Scholars, and Teacher Recruitment were consolidated as part of Campus-Based Program allocations. This change was made in order to give campuses more flexibility and control while maintaining the CSU's efforts to increase outreach and teacher recruitment. It is expected the campuses will continue funding these important activities. The following are programs consolidated into Campus-Based programs:

1. **Access & Academic Development**

Campuses have the discretion to determine how these funds are distributed among the educational equity functions of: outreach and access, transfer, basic skills and development, and retention and graduation.

Educational equity efforts and activities are defined as those conceived, designed, and established to increase college participation, retention, and graduation of students from educationally and economically disadvantaged backgrounds.

Although these efforts and activities may provide services and information that promote access and retention of all students, a substantial portion of resources must be devoted to educationally and economically disadvantaged students.

2. **CSU Scholarship Program for Future Scholars**

The CSU Scholarship Program for Future Scholars increases the college participation rates of disadvantaged students. The program provides scholarships for CSU students who meet regular CSU admission requirements and who are disadvantaged because of their economic or educational background. Indicators of educational disadvantages include little or no education in the family beyond elementary or secondary school, first in the family to attend college, lack of parental encouragement to attend college, low socioeconomic level of school population, low ranking of school on statewide tests, absence of counseling toward higher education, or graduation from a high school with a low college participation rate. Economic disadvantages may include low income, migrant family pattern and rural isolation, residence in a poverty area, or a high percentage of the community receives public assistance.

Awards are made to first-time freshman and transfer students on the basis of their potential to succeed in university study. Scholarship funds are awarded at an average of \$1,000 per student and are included as part of the student's financial aid package.

3. Teacher Recruitment (Teacher Diversity)

The CSU Teacher Recruitment Projects seek to make the teaching workforce serving in California's schools more inclusive. The goal of these projects is to attract teacher aides from K-12 schools who are interested in pursuing a teaching career, as well as secondary students and community college students from environments in which teaching has not been a common career goal, and help them succeed in qualifying for entrance to the teaching profession. This program provides funding to the campuses. Teacher Recruitment projects designed by each campus correspond to unique regional characteristics, target multiple audiences, and include strategies which have proven successful in recruiting students to teaching. Strategies employed range from the provision of academic support and academic advisement to career counseling and exposure to teaching. These projects are intersegmental and involve local districts and community colleges.