



The California State University
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

EAST BAY

FRESNO

FULLERTON

HUMBOLDT

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

May 4, 2010

The Honorable Arnold Schwarzenegger
Governor of the State of California
State Capitol
Sacramento, CA 95814

The Honorable Darrell Steinberg
Senate pro Tempore
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Martin Garrick
Assembly Minority Floor Leader
State Capitol, Room 3104
Sacramento, CA 95814

The Honorable John A. Perez
Speaker of the Assembly
State Capitol, Room 219
Sacramento, CA 95814

The Honorable Dennis Hollingsworth
Senate Minority Floor Leader
State Capitol, Room 305
Sacramento, CA 95814

Benjamin F. Quillian
*Executive Vice Chancellor and
Chief Financial Officer*

Tel 562-951-4600
Fax 562-951-4971
bquillian@calstate.edu

RE: Fiscal Year 2008-09 Lottery Revenue Fund Receipts and Expenditures Report

Attached is a copy of the **CSU 2008-09 Lottery Revenue Fund Receipts and Expenditures Report** that is in accordance with lottery policies adopted by the Board of Trustees and as required by Section 24.60 of the 2009-10 Budget Act. This report displays the actual 2008-09 receipts and expenditures and planned 2009-10 receipts and expenditures.

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

Sincerely,

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Enclosure

BFQ: hm



The California State University
OFFICE OF THE CHANCELLOR

2008-09 Lottery Revenue Fund Receipts
and Expenditures Report
May 4, 2010
Page 2

c: Gregory Schmidt, Secretary of the Senate
E. Dotson Wilson, Chief Clerk
Bonnie Reiss, Secretary of Education
Senator Denise Moreno Ducheny, Chair, Committee on Budget and Fiscal Review
Senator Bob Dutton, Vice Chair, Committee on Budget and Fiscal Review
Assembly Member Bob Blumenfield, Chair, Budget Committee
Assembly Member Jim Nielsen, Vice Chair, Budget Committee
Senator Gloria Romero, Education Committee
Senator Bob Huff, Education Committee
Assembly Member Marty Block, Chair, Higher Education Committee
Assembly Member Chris Norby, Vice Chair, Higher Education Committee
Assembly Member Wilmer Amina Carter, Chair, Budget Subcommittee on Education Finance
Mac Taylor, Legislative Analyst
Ana J. Matosantos, Director, Department of Finance
Diane Boyer-Vine, Legislative Counsel
Charles B. Reed, Chancellor, California State University
Jeri Echeverria, Executive Vice Chancellor and Chief Academic Officer
Garrett Ashley, Vice Chancellor, University Relations and Advancement
Robert Turnage, Assistant Vice Chancellor for Budget
Karen Yelverton-Zamarripa, Assistant Vice Chancellor, Advocacy and State Relations

2008-09 Lottery Revenue Fund Receipts and Expenditure Report

INTRODUCTION

Pursuant to Section 24.60 of the 2009-10 Budget Act, the following represents the California State University's (CSU) Lottery Report to the Governor and the Legislature. This report is divided into two sections. The first section contains information regarding budgeted and actual revenues and program expenditures for fiscal year 2008-09. The second section contains the 2009-10 fiscal year projected revenue and proposed program expenditures.

SECTION I – 2008-09 REVENUES AND EXPENDITURES

Each year the CSU Board of Trustees adopts a Lottery Revenue Budget. For the 2008-09 fiscal year, the Board adopted a budget totaling \$44.0 million as shown on Table 1. The 2008-09 lottery budget was based on an estimated beginning balance of \$5 million and estimated receipts of \$39 million. As the CSU maintains a systemwide reserve of \$5 million, the total budget approved for allocation was \$39.0 million.

The CSU conservatively budgeted lottery revenue due to the uncertain nature of this revenue source. CSU's lottery receipts increased during the past five years, except for fiscal years 2005-06 and 2008-09 in which there was a decline. The CSU will continue to budget conservatively for lottery revenue projections and will monitor the actual receipts received while making necessary adjustments as needed.

The actual lottery revenue available for fiscal year 2008-09 was \$47.1 million, which includes the beginning balance of \$5 million, a carryforward balance of \$2.0 million, and total receipts of \$40.1 million in new lottery generated revenue as transferred to the CSU by the State Controller's Office (SCO). The actual amount available for expenditure was \$42.1 million after maintaining a reserve of \$5 million.

Table 1. Revenue - Fiscal Year 2008-09

	Budgeted	Actual
Beginning Balance	\$5,000,000	\$5,000,000
Lottery Reserve	-	2,032,000
Receipts	39,000,000	40,068,000
Total Revenue	\$44,000,000	\$47,100,000
Less: Systemwide Reserve	(5,000,000)	(5,000,000)
Allocations/Expenditures	\$39,000,000	\$42,100,000

CSU 2008-09 Lottery Revenue Fund Receipts and Expenditure Report

Page 2 of 4

Table 2 displays the amounts budgeted and allocated for expenditure by lottery program. The reported expenditure allocations include associated administrative costs.

Table 2. Expenditure - Fiscal Year 2008-09	2008-09 Original Budget	2008-09 Expenditure Allocation
Forgivable Loan/Doctoral Incentive Program	\$2,000,000	\$2,000,000
California Pre-Doctoral Program	714,000	714,000
CSU Summer Arts Program	1,200,000	1,200,000
Systemwide Implementation Costs	491,000	491,000
Campus-Based Programs and Other Costs	34,595,000	35,663,000
2007-08 Lottery Program Expenditure Allocation	\$39,000,000	\$40,068,000
Lottery Reserve	-	2,032,000
Total Lottery Budget and Expenditure Allocation	\$39,000,000	\$42,100,000

In 2008-09, the CSU allocated \$3.9 million for three system program costs: the Forgivable Loan/Doctoral Incentive Program, the California Pre-Doctoral Program, and the CSU Summer Arts Program. CSU also allocated \$35.7 million for campus-based program expenditures. The funding increase for Lottery campus-based programs reflects the use of additional receipts to support instructional costs associated with enrollment demand above funded levels in 2008-09. The following provides detailed descriptions of these program costs.

Forgivable Loan/ Doctoral Incentive Program

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

California Pre-Doctoral Program

Beginning in 1989-90, the California Pre-Doctoral Program was developed cooperatively by the CSU and the University of California. It is designed to increase the pool of potential faculty by supporting the

CSU 2008-09 Lottery Revenue Fund Receipts and Expenditure Report

Page 3 of 4

doctoral aspirations of CSU students who have experienced economic and educational disadvantages. The plan is to be tailored to the specific goals and career objectives of the student. Students are motivated to enter the profession through mentoring by faculty, involvement in formal and informal scholarly and research opportunities, interaction with doctoral-granting institutions, membership in professional associations, and attendance at professional conferences. Each of the applicants selected is designated a Sally Casanova Pre-Doctoral Scholar and works closely with a California State University faculty sponsor to develop an overall plan which leads ultimately to enrollment in a doctoral program. Students are supported to attend events designed to interest them in graduate study and scholarly careers. A major component of the program is the Summer Research Internship wherein scholars have the opportunity to participate in a structured 8-10 week fully funded research project under the supervision of a professor at a prominent doctoral granting institution.

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

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

CSU Summer Arts Program

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

Campus-Based Programs and Other Costs

Campus-Based Programs represent a significant source of funds that permits 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 are increased. The use of Campus-Based Program funds allows campuses maximum flexibility in meeting unique campus needs. In keeping with past lottery revenue budgets, such funds are allocated to achieve maximum impact in enhancing instruction. In 2008-09, \$35.7 million was used for Campus-Based Programs for support of student instructional and academic programs.

CSU 2008-09 Lottery Revenue Fund Receipts and Expenditure Report

Page 4 of 4

SECTION II – 2009-10 PROJECTED REVENUES AND EXPENDITURES /ALLOCATIONS

The Board of Trustees approved a 2009-10 lottery Budget that included projected revenue comprised of an estimated beginning system reserve balance of \$5 million and new receipts projected to be \$39 million. CSU will maintain a \$5 million reserve of 2009-10 projected Lottery revenue to serve as a reserve for economic uncertainties and cash flow variations resulting from fluctuations in lottery receipts, as well as to provide funds for special instructional and academic support projects the Chancellor may determine are necessary during the fiscal year.

Table 3 identifies the projected revenues for 2009-10 and the funds approved for allocation.

Table 3. 2009-10 Projected Revenues	
Beginning Reserve	\$5,000,000
Receipts	39,000,000
Total Revenues	\$44,000,000
Less Systemwide Reserve	(5,000,000)
Total Approved for Allocation	\$39,000,000

Table 4 identifies the 2009-10 planned program expenditures and allocations of \$39 million, which match the funds approved for allocation in Table 3.

Table 4. 2009-10 Planned Expenditure	
Lottery Program	Fiscal Year 2009-10
Forgivable Loan/Doctoral Incentive Program	\$2,000,000
California Pre-Doctoral Program	714,000
CSU Summer Arts Program	1,200,000
System Lottery Fund Administrative Costs	491,000
Campus-Based Programs	34,595,000
Total Planned Expenditures	\$39,000,000