



2010/11

THE CALIFORNIA STATE UNIVERSITY

SUPPORT BUDGET

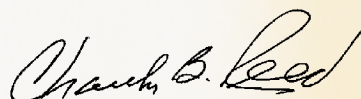


CHANCELLOR'S MESSAGE




The California State University and California are presently going through the most difficult budget year that any of us has seen. Last February, the governor and the legislature resolved a massive budget deficit, only to perform the same difficult exercise in July as state revenues continued to decline. As a consequence of state reductions to the CSU, all of us have been working together to address a \$564 million funding reduction. Combined with earlier cuts, state funding support for the CSU is now \$625 million less than it was two years ago. Everyone has sacrificed. In the midst of these challenges our efforts are focused on maintaining the quality of instruction and services to students.

The state will continue to face great fiscal challenges in 2010/11. California's economic recovery and its longer-term economic and social future depend on the state making adequate investment in its people through higher education. This Support Budget request for 2010/11—which I call a "recovery budget" for the California State University—is an important statement by the CSU Trustees of what the university needs to once again fulfill its mission to the people of California. The California State University graduated over 93,600 students last year to address the workforce needs in California, especially in critical industries such as agriculture, engineering, business, technology, media, and computer science. There is a pressing demand for student access to the CSU, yet for the first time in CSU history our admissions are "impacted" systemwide by the severity of the state funding cuts. All of this—access to education and the preparation of the state's future workforce—are at risk unless the state begins as soon as possible to reinvest in this great "university of the people." This budget request is the first necessary step in this process of recovery and reinvestment.




Charles B. Reed
Chancellor
The California State University



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2010/11 CSU COMPACT BUDGET PLAN SUMMARY

THREE-YEAR BUDGET SUMMARY

	2008/09 Actuals ¹	2009/10 Final Budget (Adjusted ³)	2010/11 Request
General Fund Appropriations	\$2,870,760,000	\$2,345,963,000	\$2,947,155,000
Student Fee Revenue	1,598,221,000	1,891,638,000	1,747,781,000
Reimbursements	4,573,000	2,126,000	2,126,000
TOTALS²	\$4,473,554,000	\$4,239,727,000	\$4,697,062,000
		Budget Restoration	\$305,000,000
		4% Compact General Fund Increase for General Operations	103,216,000
		1% for Core Academic Support Needs	25,804,000
		Access to Student Services and Instruction	56,036,000
		General Fund Augmentation in Lieu of 10% Fee Increase	111,136,000
		Total General Fund Increase	601,192,000
		Revenue Adjustment from 9.5% Resident FTES Decline⁴ / Change in Enrollment Patterns	(143,857,000)

¹The amounts are based on the 2008/09 Budget Act as revised in February 2009. The General Fund appropriation excludes a one-time "retroactive" reduction of \$715.5 million approved in July 2009.

²The totals do not include one-time Education Stimulus Fund, American Recovery and Reinvestment Act (ARRA) monies received in 2008/09 (\$268.5 million) and 2009/10 (\$448 million). These one-time amounts are essentially offset by the one-time "retroactive" reduction of \$715.5 million.

³The enacted CSU 2009/10 GF Final Budget appropriation was \$2,337,952,000 before adjustment. The adjusted GF appropriation includes a post-final budget employer-paid retirement adjustment of \$7,446,000 and an increase in lease purchase bonds of \$565,000.

⁴A \$25.8 million financial-aid set-aside adjustment will partially offset the estimated SUF revenue reduction due to the enrollment decline.

HIGHLIGHTS—USES OF THE 2010/11 CSU SUPPORT BUDGET INCREASE

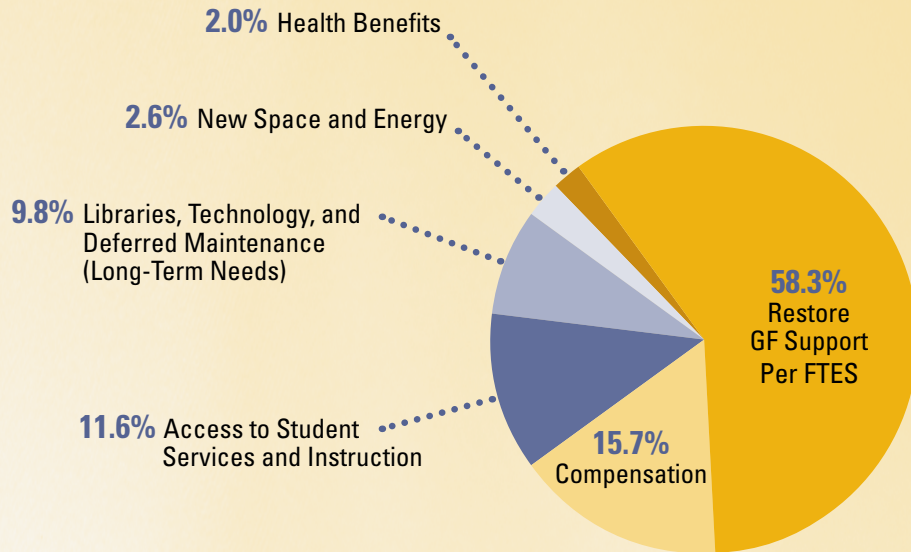
- \$281.8 million to restore General Fund support per FTES to February revised 2008/09 level
- \$75.9 million for a 2.5 percent compensation increase pool
- \$56 million for access to student services and instruction
- \$22.3 million for mandatory cost increases (health benefits, new space, and energy)
- \$25 million for academic technology
- \$19 million to reduce the backlog of deferred maintenance
- \$3 million to address long-term shortfalls in funding for library acquisitions

THREE-YEAR BUDGET SUMMARY BY PROGRAM

	2008/09 Actuals	2009/10 Final Budget (Adjusted)	2010/11 Request
Instruction	\$1,984,610,000	1,810,200,000	1,810,200,000
Research	5,833,000	3,397,000	3,397,000
Public Service	11,741,000	9,107,000	9,107,000
Academic Support	530,228,000	470,852,000	470,852,000
Student Services	493,908,000	413,233,000	413,233,000
Institutional Support	683,485,000	555,359,000	555,359,000
Operation and Maintenance of Plant	528,557,000	521,442,000	521,442,000
Student Grants and Scholarships	230,619,000 ¹	454,011,000	454,011,000
Reimbursed Activities	4,573,000	2,126,000	2,126,000
Provisions for Allocation	0	0	457,335,000
Gross Expenditures	\$4,473,554,000	\$4,239,727,000	\$4,697,062,000

¹Student Grants and Scholarships totaled \$325,450,000 before \$104,831,000 was transferred to grant funds.

DISTRIBUTION OF EXPENDITURE INCREASES



CSU SUPPORT BUDGET PLAN

SOURCES OF FUNDS

General Fund Increase		\$601,192,000
Budget Restoration	305,000,000	
General Operations	103,216,000	
Core Academic Support Needs	25,804,000	
Access to Student Services and Instruction	56,036,000	
General Fund Augmentation in Lieu of 10% Fee Increase	111,136,000	
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State University Fee Revenue Adjustments		(\$118,088,000)
Change in Enrollment Patterns	(14,504,000)	
9.5% Resident FTES Decline	(129,353,000)	
Financial Aid Set-Aside Adjustment due to 9.5% FTES Decline	25,769,000	
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Total Revenue Increase		\$483,104,000

BUDGET PLAN EXPENDITURE AUGMENTATIONS

Restore General Fund Support per FTES to February Revised 2008/09 Level		\$281,768,000
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Mandatory Cost Increases		\$22,303,000
Health Benefits	9,700,000	
New Space	5,375,000	
Energy	7,228,000	
Access to Student Services and Instruction		\$56,036,000
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Compensation—2.5% Compensation Increase Pool		\$75,875,000
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Long-Term Needs		\$47,000,000
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Center for California Studies		\$122,000
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Total Compact Expenditure Increase		\$483,104,000

OTHER NEEDS

Core Compact Recovery		\$283,000,000
2008/09 and 2009/10 Budget Plan Compensation Increases Not Implemented		

TOTAL EXPENDITURE INCREASE		\$766,104,000
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SOURCES OF REVENUE

The governor and legislature only recently resolved a \$26.3 billion state budget deficit, which included severe reductions in support at the California State University. In 2007/08, state General Fund support for the CSU totaled \$2.971 billion. The 2009/10 Budget Act, as revised in July, provides \$2.346 billion—a drop of \$625 million. This 2010/11 California State University Trustees' Support Budget starts from an assumption that the state will provide at least this amount of support in 2010/11 in order to be minimally consistent with maintenance of effort requirements for state spending on higher education imposed by the American Recovery and Reinvestment Act of 2009 (ARRA). This budget assumes further that the following one-time reductions totaling \$305 million will be restored:

- A \$255 million line-item veto. The governor's veto message specifically describes this reduction as one-time in nature.
- A \$50 million reduction by the legislature in the 2009/10 Budget Act as originally enacted in February 2009. The legislature included budget act language stating its intent to restore these funds.

Restoration of the \$305 million one-time reduction would result in a "restored base" of \$2.651 billion for General Fund support of the CSU. This 2010/11 Support Budget builds upon this restored base utilizing the revenue framework of the Higher Education Compact, the six-year agreement signed in May 2004 with the governor and the public university systems. For three fiscal years—2005/06 through 2007/08—the Higher Education Compact provided revenue increases that permitted the CSU to address mandatory cost increases, enrollment growth, faculty and staff compensation increases, and other key priorities. This budget calls for the resumption of that revenue framework, which would result in an estimated further increase in state funding for the CSU of approximately \$296 million (beyond the \$305 million restoration) as broken out below:

- 4% for General Operations (\$103,216,000)
- 1% for Core Academic Support Needs (\$25,804,000)
- Access to Student Services and Instruction (\$56,035,000)
- General Fund Augmentation in Lieu of 10% Fee Increase (\$111,136,000)

The final necessary element of the revenue framework is recognition of the loss of student fee revenues associated with the current two-year effort to manage enrollments. Campus enrollment

“targets” are being reduced by an average of 9.5 percent systemwide as a critically necessary response to severe state budget reductions as well as the high probability that reduced state funding levels could continue into 2010/11. Given the long lead times needed to plan campus operations and to manage admission cycles, reduced enrollment levels will be the reality in 2010/11. Each year, changes in enrollment patterns (between graduate, undergraduate, full-time, part-time, etc.) also affect estimated revenues. Thus, the CSU will realize an overall decline in State University Fee (SUF) revenue due to 9.5 percent decline in full-time equivalent students (FTES) and changes in student enrollment patterns that totals approximately \$118 million net of financial aid adjustment.

- SUF Revenue Adjustment from Change in Enrollment Patterns (-\$14,504,000)
- SUF Revenue Adjustment from 9.5 percent Enrollment Decline (32,576 FTES) (-\$129,353,000)
- Financial Aid Set-Aside Adjustment due to 9.5% FTES Decline (\$25,769,000)

To summarize, the 2010/11 support budget plan net sources of funds increase is \$483.1 million.

- State General Fund Base Restoration (\$305,000,000)
- State General Fund Increase (\$296,192,000)
- SUF Revenue Adjustments (-\$118,088,000)

GENERAL OPERATIONS INCREASE

In 2010/11, the CSU budget is based on a 4 percent increase for general operations in accordance with the Compact agreement. Each year, the increase for general operating support is calculated using the prior-year General Fund appropriation adjusted for scheduled lease revenue bond payments.

For 2010/11, the 4 percent increase for general operations is calculated as follows:

2009/10 Final General Fund Budget	\$2,337,952,000¹
Budget Restoration	\$305,000,000
Lease Revenue Bond Payment	\$(62,510,000) ¹
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Total, CSU 2009/10 General Fund Base Budget	\$2,580,442,000
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2010/11 General Fund Increase for Core Academic Support Needs (2009/10 Base Budget x 1%)	\$25,804,000
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2010/11 General Fund Increase for General Operations (2009/10 Base Budget x 4%)	\$103,216,000

¹Does not include post-final budget adjustments.



Funded within the 4 percent 2010/11 general operations increase is \$122,000 for the Center for California Studies. The Center's General Fund appropriation—a "stand-alone" appropriation in the state's annual budget bill (currently \$3 million)—funds direct costs and administrative expenses for the Assembly, Senate, Executive, and Judicial Fellows programs and Center operations. The Center for California Studies is a state-funded program within the CSU that promotes understanding of and effective participation in the political and policy processes that govern California.

CORE ACADEMIC SUPPORT NEEDS

For 2010/11, the Compact includes an additional 1 percent increase to the prior year's base to address budgetary shortfalls in core areas critical to maintain the quality of the CSU educational program. These areas include instructional equipment, instructional technology, and libraries, as well as recognition of ongoing deferred maintenance needs. The funding was not available in 2008/09 or 2009/10 and is more necessary than ever in the 2010/11 budget to address structural deficiencies and strategic improvements in these critical areas.

For 2010/11, the 1 percent increase for core academic support needs is \$25,804,000.



ACCESS TO STUDENT SERVICES AND INSTRUCTION

The 2010/11 budget plan includes a General Fund augmentation of \$56 million to enhance student services and instruction at the CSU. The intent is to improve student progress toward a degree and increase the number of initial matriculates who, in fact, graduate. The CSU, through its accountability process, has designated this a high-priority long-term goal and reports progress to the CSU Board of Trustees, state policy makers, and the public.

The CSU is in the midst of a two-year effort to manage enrollments as a critically necessary response to severe budget reductions and the high probability that state funding could continue into 2010/11 at its current depressed level. Given the long lead times needed to plan campus operations and to manage admission cycles, reduced enrollment levels at the CSU will be the reality in 2010/11. For these reasons, this budget plan does not propose enrollment growth.

Although the 2010/11 CSU budget plan does not include the 2.5 percent enrollment growth outlined in the Higher Education Compact, the CSU has designated an equivalent General Fund increase in order to begin to restore and enhance CSU student services and instruction after incurring severe General Fund budget reductions in 2008/09 and 2009/10. The 2010/11 marginal cost General Fund support (\$7,223) for an equivalent 2.5 percent enrollment growth (7,758 FTES) is \$56 million.

In accordance with the Department of Finance's marginal cost methodology, the 2010/11 gross marginal cost rate of instruction is \$10,164. The General Fund share of this rate is \$7,223 per FTES. The fee revenue share of this rate is \$2,941, which would include one-third (\$980 per FTES) financial aid set-aside if the CSU had enrollment growth.

2010/11 Total Marginal Cost of Instruction	\$10,164
.....
Less: Fee Revenue	(2,941)
.....
General Fund Support	\$7,223

While beneficial marginal cost components were added in 2006/07, the state Department of Finance (DOF), the Legislative Analyst’s Office (LAO), the University of California (UC), and the California State University have yet to agree on a methodology that results in consistent marginal cost funding rates. The CSU will continue to participate in the review of the marginal cost calculation methodology with the DOF, LAO, and UC and strive for a consistent annual methodology that will adequately cover the cost of enrollment growth.

GENERAL FUND AUGMENTATION IN LIEU OF FEE INCREASE

The 2010/11 budget plan includes a General Fund revenue augmentation of \$111.1 million to support CSU budget plan expenditures in lieu of a 10 percent increase in the State University Fee (SUF). With no change in CSU fee rates included in the 2010/11 budget request, additional state funding is needed to address critical needs associated with mandatory cost obligations and market-driven competitive salary requirements for the recruitment and retention of professionally trained and highly skilled employees.

Following are the 2010/11 CSU SUF rates, with no change from 2009/10 and what the rates would be if there was a 10 percent fee increase:

Student Level	2010/11 SUF Rate*	Rates with 10% Increase
Undergraduate		
Regular	4,026	4,428
Limited	2,334	2,568
Credential Program Participants		
Regular	4,674	5,142
Limited	2,712	2,982
Graduate/Postbaccalaureate		
Regular	4,962	5,460
Limited	2,880	3,168

*Rates with no change from 2009/10

Undergraduate fees at the CSU continue to be among the lowest when compared to fees at the California Postsecondary Education Commission’s (CPEC) 15 public higher-education comparison institutions. (The 15 comparison institutions have historically been referenced for faculty compensation and student fee comparisons.) The average 2009/10 academic year resident, undergraduate student fees at the CSU are \$4,893 (including campus-based fees) and at comparison institutions are \$8,054. The total CSU 2009/10 systemwide and campus fees average is comprised of \$4,026 in SUF (6.1 units or more) and \$867 in average campus-based fees that must be paid to enroll in or attend the university.



STATE UNIVERSITY FEE REVENUE ADJUSTMENTS

Due to severe General Fund budget reductions in 2008/09 and 2009/10, the CSU 2010/11 resident full-time equivalent student (FTES) target is reduced 9.5 percent (32,576 FTES). This results in an estimated State University Fee revenue adjustment of -\$129.4 million. Declining enrollment and fee revenue also would result in an adjustment (-\$25.8 million) in the amount set aside for financial aid equivalent to one-third set-aside (\$791 per FTES) of the student fee portion of the 2009/10 marginal cost of instruction.

Current-year SUF revenue adjustments due to changes in student enrollment patterns total -\$14.5 million. This combines changes in resident student enrollment patterns from 2007/08 to 2008/09 and nonresident student enrollment changes during the same period.

The 2010/11 SUF revenue adjustment from the 9.5 percent enrollment decline and change in enrollment patterns is -\$143.9 million. A \$25.8 million adjustment in fee-funded financial aid will be made due to the 9.5 percent FTES decline. The net fiscal impact of the 2010/11 SUF revenue loss will be -\$118.1 million.

9.5% Resident FTES Decline SUF Revenue Adjustment	(\$129,353,000)
SUF Revenue Adjustment from Change in Enrollment Patterns	(14,504,000)
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2010/11 SUF Revenue Adjustment	(143,857,000)
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Financial Aid Set-Aside Adjustment due to 9.5% FTES Decline	25,769,000
	<hr/>
SUF Revenue Adjustment Net of Financial Aid Set-Aside	(118,088,000)



USES OF REVENUE

The 2010/11 California State University Trustees' Support Budget recommends an expenditure plan based on estimated revenue from the Compact agreement and restoration of General Fund support. The expenditures outlined below address the university's minimum needs for the 2010/11 fiscal year and, in addition to General Fund restoration, include mandatory costs, access to student services and instruction, compensation, long-term needs, and the Center for California Studies.

RESTORE GENERAL FUND SUPPORT, \$281,768,000

As noted in the discussion under the "Sources of Funds" section, the 2009/10 Budget Act included two reductions in state General Fund support that were intended by the governor and legislature to be one-time in nature. Restoration of these funds would allow state funding per FTES to return at least to the level that existed when the governor signed the first revised budget act of 2008/09 (in February 2009). This amount was \$8,466 per California resident FTES. Without the restoration, state funding support for the CSU in 2010/11 would be only \$7,558 per FTES—or \$908 less. This budget proposes restoring this \$908 per FTES times the 2010/11 target enrollment level of 310,317 FTES—an allocation of \$281.8 million. This allocation will allow restoration of prior levels of service to CSU students. The remaining \$23.2 million (\$305 million less \$281.8 million) is used for mandatory cost increases and long-term need.

MANDATORY COSTS, \$22,303,000

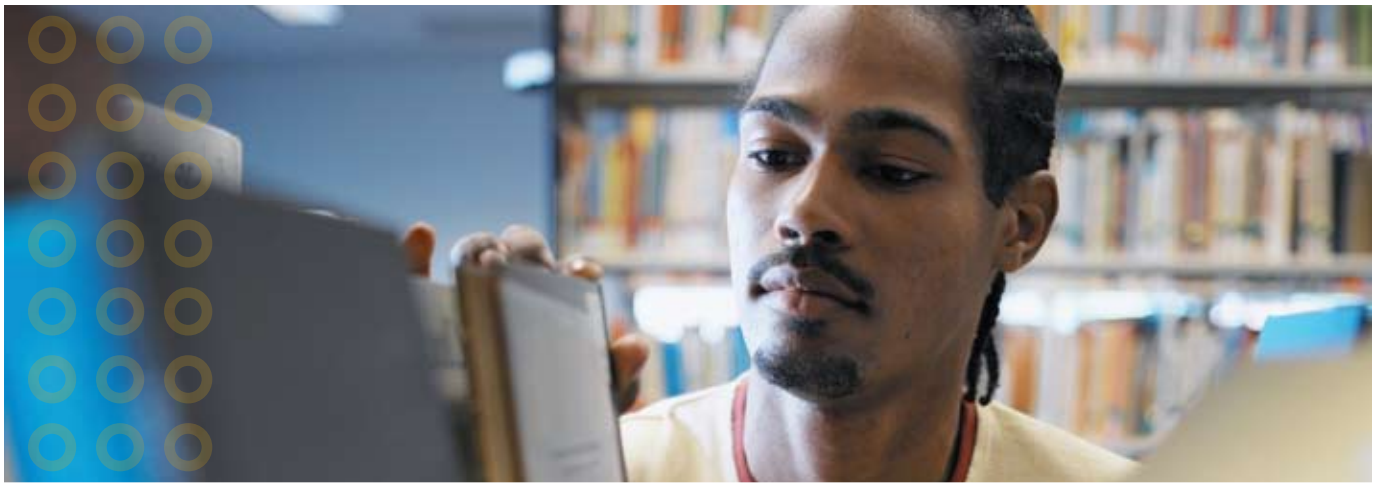
Mandatory costs are expenditures the university must pay regardless of the level of funding appropriated by the state. These costs include increases for health benefits, new space, and energy. Without funding for mandatory costs increases, campuses would be required to redirect existing resources from other program areas to meet these obligations. In order to preserve the integrity of CSU programs, the 2010/11 support budget plan provides for the following increases in mandatory cost obligations:

Health Benefits	\$9,700,000
.....	
New Space	\$5,375,000
.....	
Energy	\$7,228,000
.....	
Total	\$22,303,000

ACCESS TO STUDENT SERVICES AND INSTRUCTION, \$56,036,000

In the early part of this decade the recession in California resulted in state budget cuts and unfunded mandatory costs to the CSU that cumulatively came to more than \$500 million. These cuts were accompanied by budget control language that instructed the CSU to absorb them “away from the classroom.” The Student Services division took some of the largest cuts in the university during this time. These cuts meant that many student services programs to aid successful progress toward bachelor’s degrees could not be implemented. This request seeks support for projects that will facilitate student success in achieving the baccalaureate degree in an efficient and timely fashion. California will prosper only with a well-educated population to sustain its economic, social, and civic well-being. This funding included in this request will help the CSU bring the reality of a high-quality university education to more students, especially those from underrepresented communities, and will then provide these students with the support necessary for successful completion of the baccalaureate degree.

Of all the first-time freshmen in the California State University in fall 2008/09, 54 percent were from traditionally underrepresented groups. Many of these students are the first in their families to aspire to and attend college. The CSU has made their success a systemwide priority by offering support at key times in their academic careers that are known to be vulnerable to discouragement and dropout. This funding will be used to improve “success” by improving and expanding advising opportunities for students, hiring more tutors, strengthening student orientation programs, providing additional staff at learning centers, and improving articulation efforts with community colleges. The “access” initiatives are proposed to support outreach and authentic access efforts to California’s lowest income families and disabled students, as well as enhance online access to degree programs for underserved populations and those without



direct access to a CSU campus. In addition, this funding will allow for a broader sweep of improved services, such as increased access to psychological counseling or financial aid assistance, and would also encompass various quality enhancements for instruction.

STUDENT SERVICES FOR SUCCESS

In the Student Services for Success initiative, nearly \$20 million is sought for improved services for undergraduates in the CSU. Enhanced undergraduate degree major advising, strengthened programs for new student orientation, staff for tutoring and study skills help centers and for articulation efforts, and funding for mental health counseling centers are the main focuses of this funding.

STUDENT SERVICES FOR AUTHENTIC ACCESS TO THE CSU

Just over \$36 million is requested to support outreach and authentic access. A portion of the requested funds will enhance the CSU's ability to show students that college is a real possibility, and then educate them about the reality of what it takes to enter college fully prepared. Another piece of this funding will help to create increased access for students from California's lowest income families, including additional Education Opportunity Program grants for 4,770 students, and will seek to provide more authentic access for students with learning disabilities. Online access to degree programs for underserved populations and those without direct access to a CSU campus is another priority of this initiative.

2.5 PERCENT COMPENSATION INCREASE, \$75,875,000

The CSU Board of Trustees recognizes compensation for faculty, staff, and management as a key element of the university's success. The ability to offer a competitive compensation package is critical to the CSU's ability to recruit and retain faculty, staff, and management employees who contribute to the CSU's mission of excellence. The CSU plans to use \$75.9 million of the Higher Education Compact to fund a 2.5 percent compensation pool, subject to collective bargaining, for all employee groups, effective July 1, 2010. The 2010/11 cost of a 1 percent compensation increase is based on adjusted campuses' 2009/10 final budget salaries and salary-related benefits (OASDI, Medicare, and retirement) and is summarized in the following table:

ESTIMATED 2010/11 COST OF 1 PERCENT COMPENSATION INCREASE

	2009/10 Final Budget Compensation (Adjusted ¹)	2010/11 Cost of 1% Increase
Faculty	\$1,550,965,000	\$15,510,000
Staff	1,484,012,000	14,840,000
Total	\$3,034,977,000	\$30,350,000
Cost of 2.5% Increase		\$75,875,000

¹Adjusted for \$7.5 million 2009/10 employer-paid retirement rate increase and to add back \$273 million compensation reductions from 2009/10 employee furloughs.

LONG-TERM NEEDS, \$47,000,000

The 2010/11 budget plan includes greater funding to address at least a portion of the CSU's long-term budget needs. Long-term budget needs have accumulated in key areas in which historical deficits prohibit full funding within a single budget year. These areas of need are recognized in the Compact. In 2010/11, the Compact includes an additional 1 percent increase to the prior year's base to address the annual budgetary shortfalls in state funding for core areas of the budget critical to maintaining the quality of the academic program, including instructional equipment, instructional technology, libraries, and deferred maintenance.

In 2010/11, \$25 million will be used to fund improvements in academic technology across the CSU. A study completed in summer 2005 found that there has been chronic underfunding of academic technology. Major cost areas were identified by campus representatives as falling below minimum baseline targets under even the most conservative assumptions and definitions, which address existing and emerging baseline needs, core academic technology needs, and systemwide academic technology initiatives. Budget reductions in 2008/09 and 2009/10 limited expenditures on necessary infrastructure to support the needed academic technology. To



effectively implement and maintain these improvements in academic technology, some of the \$25 million will need to be expended to refresh and improve existing technology infrastructure.

This study identified the need to increase academic technology funding by \$116.5 million over a five-year period. The CSU began to address this need through a permanent allocation of \$5 million in fiscal year 2007/08. Expenditures in 2007/08 were focused on the development of the necessary structural foundation to address these needs and to begin development of the digital marketplace initiative. Expenditures also served to strengthen investments in learning management systems and enhance faculty development in academic technology. The CSU continued its focus on improving student success by providing online information, testing tools, and learning modules to allow students to be “college-ready” in mathematics and English. Because anticipated funding was not available to advance these efforts in 2008/09 or 2009/10, gains achieved are at risk.

The funding included for fiscal year 2010/11 will significantly broaden academic technology support across the CSU through expansion of efforts in the target areas of existing and emerging baseline needs, core academic technology needs, and systemwide academic technology initiatives begun in 2007/08. In addition to funding necessary supporting technology infrastructure, expenditures will also support related human resource costs required to achieve initiatives left in abeyance during 2008/09 and 2009/10.

The remaining \$22 million of the \$47 million requested will be directed toward backlogs in library volumes and electronic information resources (\$3 million) and deferred facility maintenance projects (\$19 million). Some of the \$3 million targeted for library and information resources will serve to replace expenditure reductions made in the 2008/09 and 2009/10 fiscal year. The funds allocated to deferred maintenance will enable the CSU to ensure that required maintenance projects can continue and that progress made toward library and academic technology initiatives to date is sustained.

The current estimated backlog of funds needed to address deficiencies in CSU purchases for library volumes, serials, periodicals, and electronic resources exceeds \$6 million. This backlog principally affects the CSU’s ability to maintain and grow its core collection of materials needed for student academic research. Although the CSU is investigating alternative approaches to address deficiencies in its permanent collections, core funding support is needed to pursue these efforts.

The CSU's defined backlog of deferred maintenance based on health and safety facility requirements would still total over \$427 million even after the \$19 million allocated in this budget. The annualized cost to fund the defined backlog over a 10-year period would be \$42.7 million. The deferred maintenance backlog is compounded by annual inflationary cost increases for completing repairs and insufficient budget support that restricts the CSU's ability to adequately fund special repairs as buildings age.





ADDITIONAL BUDGET CHALLENGE

CORE COMPACT RECOVERY—COMPENSATION, \$283,000,000

Ongoing restoration of a portion of the Compact funding foregone in 2008/09 and 2009/10 related to employee compensation is requested for the 2010/11 fiscal year. The CSU regards this portion as “core Compact recovery” under the Higher Education Compact with the governor.

The 2007/08 Budget Act provided the CSU with the full complement of funding promised by the Compact, including the basic budget support and core academic support needs components. On the basis of this funding commitment, the CSU entered into multiyear collective bargaining agreements with the California Faculty Association and other employee bargaining groups that provided multiyear incremental salary increases. These increases were agreed to not only to keep employee salaries ahead of changes in the cost of living, but also to close long-standing and documented salary “gaps” with similar employee groups at comparable institutions, in order to keep the CSU competitive in the recruitment and retention of highly qualified faculty and staff.

Based on the California Postsecondary Education Commission’s (CPEC) 20 higher-education comparison institutions, the 2008/09 projected faculty salary lag was 18.5 percent, and the 2008/09 projected CSU presidents’ salary lag was 46.7 percent. Also, CSU Human Resources 2008/09 staff market analyses indicate that many classifications including physicians, health care support, and various technical and administrative support groups have double-digit salary lags.

The 2008/09 CSU support budget plan approved by the CSU Trustees included Compact-level funding, with a total of \$154.3 million (5.08 percent) for employee compensation increases consistent with collective bargaining agreements. The 2008/09 Budget Act, however, did not provide any increase in state funding for the CSU and, in fact, included mid-year reductions. The collective bargaining agreements included clauses that led to reopening of negotiations on salary and benefit increases because the state did not provide the annual increase in funding called for by the Compact. The lack of a funding increase in the 2008/09 Budget Act denied the budgeted resources for the CSU to provide salary increases previously negotiated and scheduled to take effect in 2008/09. Of the \$154.3 million, there is an ongoing need for \$116.7 million after implementation of obligatory provisions in the California Faculty Association bargaining agreement of \$37.6 million.

The CSU 2009/10 support budget plan assumed a resumption of the state’s funding commitments under the Compact and included \$173.3 million (5.5 percent) funding for employee compensation increases. Again, more severe budget reductions in the 2009/10 Budget Act denied the budgeted resources for the CSU to provide salary increases previously negotiated and scheduled to take effect in 2009/10. Of the \$173.3 million, there is an ongoing need for \$166.3 million after \$7 million was implemented for an obligatory provision in the California Faculty Association bargaining agreement.

The CSU support budget plan for the 2010/11 fiscal year assumes a resumption of the state’s funding commitments for 2010/11 under the Compact, and the budget plan includes \$75.9 million (2.5 percent) within Compact funding for employee general compensation increases in 2010/11. This necessary augmentation, however, cannot by itself keep employee compensation on pace to reach competitive levels. The CSU needs the additional \$283 million augmentation requested here in order to avoid losing ground in its efforts to close salary lags and reach competitive levels.

CORE COMPACT RECOVERY—COMPENSATION (in millions)

	Budget Plan	Implemented	Recovery Balance
2008/09	\$154.3	\$37.6	\$116.7
2009/10	\$173.3	\$7.0	\$166.3
Total			\$283.0

CSU The California State University

401 Golden Shore • Long Beach, CA 90802-421

For additional 2010/11 Support Budget supplemental documentation, reference

www.calstate.edu/budget