

## Support and Capital Budget Process

Funds for the California State University system are derived from state and non-state sources. State funds and student tuition fees support faculty and staff positions related to the system's instructional mission, as well as administrative operations and the maintenance of classroom and laboratory facilities. Non-state funds support residence halls, parking facilities, and student unions. State funds are provided in two categories: support and capital outlay.

The support budget recommended to the Board of Trustees is the result of extensive consultation involving all campuses and various systemwide groups. The process for developing this annual budget was revised in 1994. After adoption by the Board, the budget is submitted to the Department of Finance, which reviews it and, with consideration of state revenues, program alternatives, and the CSU's mission, recommends a budget to the Governor for submission to the Legislature. Legislative committees review this budget and, after action by both houses, the Senate and Assembly versions are passed. A joint conference committee resolves any differences between the two versions and submits a single version to the Governor for signature. After exercising line-item vetoes, the Governor signs the Budget Act.

After the final budget for the system is approved, changes to budget provisions can be made. Certain provisions are allocated to the entities (e.g., campuses) that will use the funds. Additional funding may become available (e.g., student tuition fees exceeding expectations, additional state funding for emergency needs). Funds may be transferred among campuses, among programs, within a program's subprograms, or between object categories (e.g., personal services, operating expenses, and equipment). Some budget actions are subject to certain guidelines.

By resolution, the Board of Trustees has required each campus to develop a Campus Physical Master Plan based on its academic programs, both existing and projected. The Campus Physical Master Plan serves as a guide for the physical development of the campus to accommodate enrollment at a target date in accordance with the approved academic plan and adopted educational policies and objectives. All state agencies, including the California State University, must submit projected capital outlay needs, by project, for five years beyond the current year. The Capital Outlay Budget includes both facility projects and equipment.

New capital financing authorities have been granted to the CSU by state statute in June 2014. The new authority enables CSU to pledge, in addition to any of its other revenues, its annual general fund support budget appropriation, less the amount of that appropriation required by the state to meet State General Obligation and State Public Works Board debt service, to secure CSU debt issued pursuant to the State University Revenue Bond Act of 1947 (Bond Act). The Bond Act provides the Board of Trustees with the ability to acquire, construct, finance, or refine projects funded with debt instruments repaid from various revenue sources. The new authority further provides that the state will not restrict or impair the CSU's ability to pledge its annual general fund support budget appropriation, as long as any debt supported by the pledge remains outstanding. Under this provision, CSU has the flexibility to utilize its existing Systemwide Revenue Bond (SRB) program in support of all forms of capital improvements and to refinance State Public Works Board bond debt with CSU debt. The prioritization of campus projects eligible for financing under the new authorities will remain a centrally managed function of the CSU Office of the Chancellor, which will evaluate campus needs and provide recommendations to the board on project priorities.

Salary and benefit increases are determined through the collective bargaining process under the Higher Education Employer-Employee Relations Act.

Since 1985-86, CSU has had an additional source of funds generated by the operation of the California Lottery. State law explicitly restricts the use of lottery revenue to support instruction; the use of these funds for research, capital outlay, or non-instructional activities is explicitly prohibited. In principle, lottery revenues are to supplement, not supplant, state funding. The lottery revenue budget is approved annually by the Board of Trustees. It includes a few systemwide programs (e.g., the California Pre-Doctoral Program), but most of the funds are allocated to campuses to spend as needed to enhance instruction.