

AMENDED IN SENATE APRIL 11, 2002

**SENATE BILL**

**No. 1450**

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**Introduced by Senator Romero**

*(Coauthors: Assembly Members Chavez, Diaz, Koretz, Pavley, and Washington)*

February 15, 2002

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An act to add Section ~~89003~~ 89753.5 to the Education Code, relating to the California State University.

LEGISLATIVE COUNSEL'S DIGEST

SB 1450, as amended, Romero. California State University: ~~general purpose funds~~ *instructional funding*.

Existing law establishes the California State University and its various campuses under the administration of the Trustees of the California State University. Existing law, including, but not necessarily limited to, the annual Budget Act, provides for the funding of the instruction program of the university.

This bill would require the expenditure, for each fiscal year, of ~~at least a minimum of 50% of the general purpose funds~~ *current expense of education*, as defined, ~~provided for the university and its ancillary programs, as defined, for the instruction program of the university, as defined, for that fiscal year, including general purpose funds provided for the benefits and salaries of any officer or employee of the university for payment of instructional costs, as defined, by the California State University and each campus thereof.~~

*The bill would require the trustees, and the president of each campus, to achieve the 50% minimum level for instructional costs by January 1, 2006, and would require the trustees and each campus president to*

utilize existing audit procedures, including the use of independent auditors, to determine compliance with this requirement.

The bill would also require the trustees and each campus president to provide annual reports by January 1 of each year to the Department of Finance, the Legislative Analyst’s Office, and the appropriate legislative budget and policy committees, that document certain fiscal matters, subject to review and approval by the California State University’s independent auditor using uniform accounting standards.

This bill would provide that failure to meet the 50% instructional program funding level in any given fiscal year is to result in corrective action by the trustees including requiring the redirection of funds from the budget year immediately following the fiscal year when the funding deficiency occurred, and the use of the redirected funds to adjust for the previous fiscal year’s deficiency as well as achieve compliance in the current fiscal year.

The bill would require the trustees, in consultation with faculty, student and classified employee representatives, to develop regulations to assist in meeting the bill’s requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     ~~SECTION 1.~~ ~~Section 89003 is added to the Education Code,~~
- 2     SECTION 1. *The Legislature finds and declares all of the*
- 3     *following:*
- 4     (a) *In accordance with Section 66010.4 of the Education Code,*
- 5     *the mission of the California State University is the offering of*
- 6     *undergraduate and graduate instruction through the master’s*
- 7     *degree.*
- 8     (b) *Despite state law, funding for the California State*
- 9     *University instructional budget has fallen from a level of 54.5*
- 10    *percent in the 1990–91 fiscal year to a low of 42.7 percent in the*
- 11    *2001–02 fiscal year.*
- 12    (c) *The California State University instructional expenditures*
- 13    *per full-time equivalent student, adjusted for inflation, also fell by*
- 14    *over 18 percent or one thousand fourteen dollars (\$1,014) during*
- 15    *the same time period.*
- 16    (d) *The California State University increased administrative*
- 17    *positions by 33 percent between 1995 and 2001 when student*



1 enrollment increased by only 18 percent and tenured faculty  
2 positions increased by less than 1 percent.

3 (e) Based on a legislative study, the Legislature and Governor  
4 enacted a 1961 law requiring grades K-12 and community  
5 colleges to allocate at least 50 percent of their districts' budgets  
6 for instructional compensation in order to reduce class sizes, and  
7 curb increases in administrative positions.

8 (f) By enacting Section 89753.5 of the Education Code by the  
9 act that added this section, the Legislature reaffirms its  
10 commitment to strengthen the instructional program of the  
11 California State University, reduce the student to faculty ratio,  
12 curb administrative growth, and fulfill the California State  
13 University mission as recognized in state law.

14 SEC. 2. Section 89753.5 is added to the Education Code, to  
15 read:

16 89753.5. Notwithstanding any other provision of law, this  
17 section shall govern the expenditure of funds during each fiscal year  
18 for instructional compensation.

19 (a) The following definitions set forth in this subdivision shall  
20 govern the construction of this section:

21 (1) (A) "Administrative costs" means the costs of any  
22 non-faculty employee in a position having significant  
23 responsibilities for formulating California State University  
24 campus or systemwide policies or administering California State  
25 University campus or systemwide programs.

26 (B) "Administrative costs" also means the costs of any  
27 non-faculty employee having authority, on behalf of the California  
28 State University campus or systemwide office, to hire, transfer,  
29 suspend, lay off, recall, promote, discharge, assign, reward,  
30 discipline, adjust grievances, or effectively recommend personnel  
31 action, or otherwise directly have the authority to impact the  
32 working conditions of California State University or contractual  
33 employees, or both, if the exercise of that authority is not of a  
34 merely routine or clerical nature.

35 (C) "Administrative costs" shall include any overhead costs  
36 incurred to support administrative functions or administrative  
37 positions.

38 (2) (A) "Current expense of education" means the total  
39 general purpose funds allocated to the California State University  
40 and any campus thereof.



1 (B) “Current expense of education” includes all general  
2 purpose funds used to support ancillary programs, including, but  
3 not limited to, extension programs, community services,  
4 foundations, and auxiliaries.

5 (C) No personnel or consulting costs, all or in part, incurred by  
6 the California State University, or any campus thereof, shall be  
7 excluded from the “current expense of education” calculation,  
8 unless those costs are funded from a non-general purpose funds  
9 source.

10 (D) “Current expense of education,” does not include  
11 expenditures for library materials, including books and  
12 periodicals, and does not include any lease agreement, of one year  
13 or more in duration, for facilities and instructional equipment.

14 (E) At the end of each fiscal year, any unexpended general  
15 purpose funds shall be included, for accounting purpose, as a  
16 “current expense of education.”

17 (3) “General purpose funds” means all unrestricted,  
18 non-categorical funds included in the final budget of the  
19 California State University. “General purpose funds” may not be  
20 reduced by estimated income or estimated federal and state  
21 allocations.

22 (4) (A) “Instructional costs” means the costs of instructional  
23 faculty, teaching assistants, and classified instructional support  
24 staff of the California State University engaged in general  
25 academic instruction, prepatory or remedial instruction, or both,  
26 special session instruction, community education instruction, or  
27 vocational or technical instruction, or both.

28 (B) In those instances where an employee of the California  
29 State University, other than those listed in subparagraph (A), is  
30 compensated for both classroom instruction and other  
31 non-instructional duties, the employee’s compensation for  
32 classroom instruction shall be included under “instructional  
33 costs,” and compensation for non-instructional duties shall be  
34 excluded from “instructional costs.”

35 (C) “Instructional costs” do not include expenditures from  
36 categorical or restricted funds.

37 (b) There shall be expended during each fiscal year for  
38 payment of instructional costs by the California State University,  
39 and each campus thereof, a minimum of 50 percent of the current  
40 expense of education.



1 (1) Compliance with the 50 percent standard set forth in this  
2 subdivision shall be primarily achieved by hiring additional  
3 instructional faculty, reducing administrative costs, and  
4 improving the student to faculty ratio.

5 (2) Compliance with this subdivision shall not negatively  
6 impact non-administrative costs relative to counseling and career  
7 guidance programs; drug and alcohol awareness programs;  
8 student service programs for students of color, disabled students,  
9 low-income students, and veterans; student cultural programs;  
10 student newspapers; student health services; library services; and  
11 public safety.

12 (3) The trustees, and the president of each campus of the  
13 California State University, shall achieve the 50 percent minimum  
14 level for instructional costs set forth in subdivision (b) by January  
15 1, 2006.

16 (c) California State University, and each campus thereof, shall  
17 utilize existing audit procedures, including the use of independent  
18 auditors, to determine compliance with subdivision (b).

19 (d) The trustees, and the president of each campus of the  
20 California State University, shall provide annual reports by  
21 January 1 of each year to the Department of Finance, the  
22 Legislative Analyst's Office, and the appropriate legislative  
23 budget and policy committees, that document the current expense  
24 of education; instructional costs; percentage of the current  
25 expense of education expended on instructional costs; total  
26 general purpose fund expenditures; and total general purpose  
27 fund budget incurred in the previous fiscal year. The report shall  
28 be reviewed and approved by the California State University's  
29 independent auditor using uniform accounting standards.

30 (e) Failure to meet the 50 percent instructional program  
31 funding level in any given fiscal year by the California State  
32 University, and each campus thereof, shall result in corrective  
33 action by the trustees. When a deficiency occurs in the 50 percent  
34 funding level of instruction during any fiscal year, the trustees shall  
35 redirect funds from the budget year immediately following that  
36 fiscal year, and use the redirected funds to adjust for the previous  
37 fiscal year's deficiency as well as achieve compliance in the then  
38 current fiscal year.



1 (f) *The trustees, in consultation with faculty, student, and*  
2 *classified employee representatives, shall develop regulations to*  
3 *assist in meeting this section’s requirements.*

4 ~~to read:~~

5 ~~89003.—Notwithstanding any other provision of law:~~

6 ~~(a) For each fiscal year, in order to fulfill the primary~~  
7 ~~educational mission of the California State University, there shall~~  
8 ~~be expended, for the instruction program of the university, at least~~  
9 ~~50 percent of the general purpose funds provided for that fiscal~~  
10 ~~year for the university and its ancillary programs, including~~  
11 ~~general purpose funds provided for the benefits and salaries of any~~  
12 ~~officer or employee of the university.~~

13 ~~(b) As used in this section:~~

14 ~~(1) “Ancillary programs” include, but are not necessarily~~  
15 ~~limited to, the student body organizations within the meaning of~~  
16 ~~Chapter 3 (commencing with Section 89300) and auxiliary~~  
17 ~~organizations within the meaning of Chapter 7 (commencing with~~  
18 ~~Section 89900).~~

19 ~~(2) “General purpose funds” means funds provided, from any~~  
20 ~~source, for support of the operations of the university the~~  
21 ~~allocation of which is within the unrestricted discretion of the~~  
22 ~~trustees.~~

23 ~~(3) “Instruction program of the university” means general~~  
24 ~~academic instruction, preparatory or remedial instruction, special~~  
25 ~~session instruction, community education instructional services,~~  
26 ~~and nonbaccalaureate vocational or technical instruction.~~

