1. Welcome and Call to Order: Praveen Soni, Chair 11:03AM.

2. Agenda Approval: An amended order of the agenda was approved.

3. Approval of Minutes: Minutes from the FGA meeting of October 12, 2012 were approved without changes.

4. Chair’s Report: Praveen Soni

   - The ASCSU senators will meet at 4:30 pm to craft a resolution for chancellor Reed’s retirement.
   - The three top items from the ASCSU Executive Committee are 1) publication of ASCSU brochure 2) discussion of Cal State Online 3) Chancellor White will attend the January Plenary.

5. Executive Committee Liaison: Steven Filling:

   - Steven reported that three fee increases will come before the BOT next week A) increased fee for students that have more than 150 units B) increased fee of repeating a class C) third tier of fees for students taking 18 or more units. Barry Pasternack from AA committee discussed these fees.
   - Will double majors have to pay more fees?
   - Steve Filling was asked to discuss with the executive committee to reconsider the duties of an ASCSU budget specialist/analyst; a position that would work for the ASCSU with the FGA Committee and conduct an independent budget analysis and
not just reroute information; Steve sent the committee the official description of this position, which the committee discussed later in the meeting.

6. Ben Quillian, EVC & CFO; Questions and Answers:

1. How have the unrestricted net assets increased from about $965m to $1.8b from 2007 to 2011? Is it due to receipts being significantly higher than associated expenses or due to higher returns? Could not a reduction in rates in the various enterprise activities have eased the burden on the students and the fees they pay for those enterprise activities?

The increase is from the selling of System Revenue Bonds. The CSU has already applied for lower interest rate bonds.

2. What is the difference between unrestricted and designated? Unrestricted implies free usage, whereas designated implies set aside for some purpose which could be changed since it is designated and not restricted.

“Unrestricted Funds” does not mean that the funds are unrestricted. These funds are divided between designated and undesignated funds. Designated funds are used for construction projects such as parking and housing. Undesignated funds can be used for augmentation (maintenance) and operating expenses. There is no way to know how much money the CSU should have in reserve. This is money to be spent on unforeseen expenses such as earthquakes or unexpected loss of funds from the legislature.

3. Who designates the funds in the designated funds category for activities that you have listed in footnote 1? Why have the designated funds not been utilized during this period? Cannot the designated funds be utilized or redesignated to the operating budget side just as it seems that continuing education funds are being utilized this year? A listing of the activities in footnote 1 seems to suggest that it is possible. Would it be illegal to do so?

The BOT and the By-Laws define the designation of these funds.

4. Why is there a need to designate funds (58%) for supporting enterprise activities when the unrestricted net assets themselves are the net of the sources and uses of funds in each designated category?

This is the source of “one time” funding for the campuses.
5. In the undesignated funds category why are retiree health and benefit costs of $129m and financial aid obligations of $20m being included? Are these not already accounted for in the operating budget? If not, why not? Is double counting occurring?

These categories may be future costs and this is just a guess in predicting future costs. There has been a onetime $65 m transfer of funds from Continuing Education to operating funds.

6. For what university needs have $329m been earmarked? It is a large sum.

This money will be distributed to the campuses. Each campus will decide where they need to spend this money.

7. With $4.5b in long term debt, what is the debt service cost of the CSU? Are the debt service rates fixed or variable? If the CSU were to obtain new bonds would not the rates be even lower than the current CSU debt because interest rates are at historic lows?

The interest rate for this debt is fixed. There is a cost associated to refinance and if it is financially sound the CSU will refinance its debt.

8. Since liquidity is a key component in credit ratings, what is the minimum amount of liquidity required to maintain and protect CSU’s credit ratings?

This is a subjective amount of money. The UC system for example has several billion dollars of cash on hand. The CSU has constraints such as the tuition freeze as a result of the passage of proposition 30 and the expected expense that will be associated with the launch of Cal State Online, thus affecting the amount of cash that the system will have on hand.

9. Can you explain how cash balances have avoided massive layoffs, maintained quality, avoided greater increases in tuition, and steeper reductions in enrollment? If cash balances have actually accomplished these actions, then why have the unrestricted net assets increased and not declined during the period?

The campuses have used “onetime” money to avoid massive layoffs.

10. You state that it is important to build cash balances in the current fiscal environment to mitigate the impact of budget cuts and unforeseen demands from the state. How much cash balance do you consider to be prudent, safe and reasonable?

Five to six times of the amount of money that the system currently has on hand would be a safe and reasonable.
11. When will the financial statements for June 30, 2012 be available?

Financial statements will be available for the January BOT meeting.

Other issues discussed were: A) Eileen Klink; there is a backlog of students at the CCC that cannot find appropriate classes to enroll in and that California students are encouraged to go out of state; she wanted to know what will happen to tuition in the next couple of years B) Martin Linder suggested that CSUSF has a very transparent budget report available to the campus and he has suggested that the CO’s office do the same C) Cezar Ornatowski questioned the system’s ‘chargeback’ policy for campuses D) Thomas Krabacher is concerned that the CSU will see more cuts from the state in the near future E) the effects of proposition 30 were discussed including a) there is no money earmarked for higher education b) the system most likely will not be able to raise tuition in the near future c) the CSU will be $132 million short this year and $7 million short the next year.


- Karen reported that her office’s report to the BOT is available online.
- Karen reported that no legislation went to the Governor’s office that the CSU requested a veto for.
- Legislation discussion included: SB 1103, Cal Grant Program was passed and signed by the Governor; SB 70 restricts Cal Grant Program at for profit institutions; AB 1434 & SB 1264, Adds employees of a public or private institution of higher education, as to child abuse or neglect occurring on that institution’s premises, to the list of individuals who are mandated reporters; education code 8970 requires a 90 day notice to raise fees
- Karen noted that the Middle Income Scholarship legislation did not pass.
- There was a long discussion on the “legislative scorecard.” Karen defended this as a necessary tool to inform parents, alumni, and students which legislators were supporting the CSU. Karen said that this effort was a success and produced a 90% positive outcome of legislation supported by the CSU. She acknowledged that the scorecard made the legislators uncomfortable but “begging for support” from them was ineffective. The committee felt that the letter grades should be eliminated and just the percentage values should be presented.
- Speaking on the future legislators it was noted that there may be a 2/3 super majority that will allow for tax increase and it was pointed out that the Governor said he would veto any new taxes. It was also acknowledged that the vetoes could be overridden.
- Karen reminded the committee that the effects of going over the Federal fiscal cliff would have major consequences for the CSU. It was noted that our students are the recipients of Pell grants. It was also noted that research grants could be curtailed.

8. Implementation of Fall Advocacy: Issues, concerns questions and comments:
Committee members were given a list of their local assemblymen and senators so that they can call their offices and make an appointment for a face to face visit. It was decided that we should inform them that the ASCSU is the venue that faculty have for shared governance within the CSU. We should point out that we are the official voice of the entire faculty and it is the faculty that owns the curriculum. We should offer to help them write or understand any legislation concerning education in order to prevent unintended consequence that may arise from legislation. We should point out that the CSU has had its budget cut $1 billion since 2007 and that tuition increase have not totally replaced the money and we should point out the effects of these cuts on A) the 1/3 set aside (State University Grants) B) the unintended consequence of enrolling out of state students on campus where that is possible C) the unintended consequence of enrolling large numbers of International Students, such as the need for special services that this would require.

9. **Report on Legislative Activity:** Tom Krabacher

   Tom Krabacher sent a comprehensive report: Summary of 2011-2012 Legislative Actions.

10. **2011-2012 FGA Resolutions and their dispensation:**

    As per the request of the Executive Committee to follow up on ASCSU resolutions, Chair Soni provided a list of the FGA 2011-2012 resolutions and September 2012 resolutions with the response from the Chancellor’s Office: each resolution is color coded: green for resolutions which require no more action, yellow for resolutions that need to be watched, and red for resolutions that require further action for completion.

11. **Budget Process: Robert Turnage**

    - The passage of proposition 30 has prevented a $250 million cut.
    - With the passage of proposition 30 the BOT will request that the legislators restore funding to the CSU in the 2013-2014 budget.
    - Robert Turnage said the CSU will begin to lobby the Governor’s office and the legislative budget committee to restore funding to the CSU.
• The students will be refunded their tuition increase for the fall semester. This is a complicated process because each student’s record must be evaluated to determine what they actually paid in tuition. The tuition refund will cost the CSU $132 million this year. A transfer of $63 million from Continued Education will be transferred to the state side of the budget; a onetime transfer to pay for half of the refund. The other half will come from delayed hiring, deferred maintenance and “other stuff.”

• As a result of proposition 30 there will be a structural deficit of $7 million because in 2013-14, the state will compensate the CSU $125m, not $132m.

• When asked how the ASCSU can help with the budget restoration Robert Turnage replied A) argue that investing in higher education is an investment in the state that gives a high rate of return on its money B) the CSU produces ½ of all BS/BA degrees in California C) the future of the state is dependent on having an educated work force D) there will be a demand for 100,000 K-12 teachers in the next decade. It was noted by Jim LoCascio that the Governor was no friend of the CSU and that until three weeks before the election he had not set foot on any CSU campus.

FGA charge and responsibility on fiscal and legislative matters and issues, vis-à-vis other committees and specialists:

• The committee discussed the position of Budget Specialist A) we may have to rewrite the job description to make the position more of a independent ASCSU budget analyst B) will the budget specialist add anything to the FGA committee that we do not already know, or can easily find out from the Chancellor’s office staff and other public sources? C) Does the specialist have access to raw budget numbers? If so, can this information be organized and analyzed that is readily understandable and then disseminated to the campuses?

• Modify the ASCSU by laws with regards to appointment of the specialists; the appropriate committee should recommend the need for a specialist and the name of the person.

• Open a dialog with ASCSU chair Diana Guerin

FGA Resolutions:

California State University Board of Trustees Proposed 2013-14 Support Budget: AS-3097-12 Second Reading: The committee discussed this resolution and will proceed as written.
Academic Senate of the California State University
Minutes: Committee on Fiscal & Governmental Affairs
November 7, 2012; 11:00 AM – 4:30 PM
Coronado Room

14 Possible Resolutions: First Reading at plenary

A. On the CSU Legislative Scorecard: After extensive discussion it was decided that the scorecard was a legitimate expression of the interests of the CSU funding and other issues by the legislature. The Committee agreed not proceed with a resolution.

B. On the State University Grants (SUGS): This issue is continuous. There is no question that as the tuition becomes the major support for the campuses that the one third set aside diminishes the amount of money available for operating expenses. The problem with the set aside is that the burden of the cost of the CSU is being transferred from the general population of California, 38 million, to families of the 200,000 students that attend the university who do not qualify for SUG. If the university only provided an education this may be justified, but the university sponsors many programs available to the community at large including but not limited to lecture series, film series, music performances, sports, and theater to name a few. The question is what would be a fair replacement. Jim LoCascio has suggested that the legislators have separate funding for the State University Grant Program (SUGS). This would then make the legislator accountable to their constituents for their failure to fund this program. There was some opposition to the idea that graduate students may not be eligible for this program. The question of what is the mission of the university; access at the undergraduate level or also at the graduate level. If it is to provide an educational opportunity for students to move into the middle class jobs, then further advancement such as graduate studies should be borne by the student. Eileen Klink and Cezar Ornatowski were opposed to the elimination of graduate SUGS. Eileen claimed that it would kill graduate education in the liberal arts. Jim LoCascio has suggested that the Campus Graduate Program should have a plan to fund its own students and notes that SDSU has $127 million in research grants. The committee decided to move ahead as a first reading item so that the resolution could be sent to the campuses for feedback prior to a second reading.

C. On Unrestricted Net Assets: After Dr. Quillian’s presentation it was decided not to proceed with any resolution.

15. In District and In Sacramento Advocacy in spring 2013:

- District advocacy may be more effective than going to Sacramento because all ASCSU senators can participate at low cost, but non FGA senators already have work in other committees, so maybe the FGA senators should take on the responsibility.
- Sacramento advocacy is also effective since it is concentrated in one day at the Capitol and senators can meet a lot of legislators in a short time period.
- An advocacy plan should be formulated at the December meeting and if necessary, rolled out in January.
• Bring a legislator to campus to address the ASI and/or your class when appropriate.
• Take a small group of senators, ASI students and administrators to Sacramento.
• Mention the roll students played during the election not only did they vote for proposition 30, but they were instrumental in electing state senators and assemblymen.
• Lobby the Governor’s Office and the LAO office.
• Point out the benefits of a State supported higher education system over for profit private universities.

Meeting minutes submitted by Jim G. LoCascio, FGA vice Chair.