

# Business & Finance NEWS

Business and Finance Division

Richard P. West, Executive Vice Chancellor and Chief Financial Officer

## NEWS FROM THE DEPARTMENTS

May 2006

### A MESSAGE FROM THE EXECUTIVE VICE CHANCELLOR

Last fall several departments from Business and Finance (BF) were joined by the Office of General Counsel (OGC) in asking both campus and Chancellor's Office colleagues to comment on the quality of customer service provided. In addition to OGC, the departments that participated in the survey were: Advocacy and Institutional Relations; Budget; Capital Planning, Design and Construction; Contract Services and Procurement; Financial Services – Accounting; Financing and Treasury; Information Technology Services; and Sponsored Research.

The results of the survey and the department response have been posted to the web for your review. The BF results are located at [www.calstate.edu/BF/bsc/](http://www.calstate.edu/BF/bsc/) and the OGC results are at [http://www.calstate.edu/GC/survey/2005\\_survey.shtml](http://www.calstate.edu/GC/survey/2005_survey.shtml).

The Business and Finance division began implementation of a Balanced Scorecard approach to continuous quality improvement in 2002-03. Periodic solicitation of feedback from customers is a key component of the scorecard. The Office of General Counsel has done two previous customer surveys, and was pleased to coordinate its efforts with Business and Finance.

The feedback was thoughtful and constructive, and will be helpful in ensuring these Chancellor's Office departments are giving attention to the activities or issues that benefit the campuses and the University as a whole. For those who participated in the survey, thank you very much.

*Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer*

### BUDGET DEVELOPMENT

*Patrick Lenz, Assistant Vice Chancellor*

#### CSU 2006-07 Budget

The Governor's January budget and May Revise proposes \$219,346,000 in state General Fund support and student fee revenue to fund the 2006-07 CSU budget. Overall funding is proposed to support:

- Enrollment Growth (8,490 FTES): \$70.8 million
- Employee Compensation Pool (3.46%): \$94.0 million
- Mandatory Costs: \$36.2 million
- Long Term Need: \$10.0 million
- Student Financial Aid Grants: \$6.2 million
- K-12 Math/Science Teacher Recruitment: \$1.1 million
- Recruitment of Nursing Faculty (May Revise) \$1.0 million

The Senate and Assembly budget subcommittees have yet to take final actions on the operations budget, however, both houses have approved the CSU request for capital facilities projects in 2006-07. The remaining issues for the budget subcommittee include:

- Marginal Cost funding per Full-Time Equivalent Student (FTES)
- Enrollment Growth – Approving the 2.5% in the Governor's budget and supporting budget bill language that would provide some flexibility to achieving the annual enrollment target.
- Nursing Programs – Consideration of budget bill language for Masters Level Nursing Programs, approval of May Revise funding for Nursing Faculty Recruitment, and possible budget augmentation to increase nursing programs at the Baccalaureate Level.
- Academic Preparation – Restoration of \$7 million for academic preparation and student services programs.

- K-12 Math/Science Teacher Recruitment programs

Once the budget subcommittees complete their actions, the full budget committees from each house will hear the budgets and the recommendations to be considered. Both houses will send their respective budget bills to a two-house conference committee that should begin on or about June 1<sup>st</sup>, in an effort to meet the July 15<sup>th</sup> constitutional deadline to have a budget back to the Governor for his review and approval.

## **CAPITAL PLANNING, DESIGN AND CONSTRUCTION**

*Elvyra F. San Juan, Assistant Vice Chancellor*

### **EXECUTIVE**

**Capital Training Program 2006:** There are five training programs remaining for calendar year 2006. On July 26, there will be a course on Property Development with Auxiliaries, California Environmental Quality Act (CEQA) Procedures, and Off-Site Mitigation. This program is designed for campus planners, facility administrators, and auxiliary staff responsible for implementation of real estate development projects through the CEQA process and approval by the Board of Trustees. It will be presented by Land Use Planning and Environmental Review (LUPER) and General Counsel staff. Following that session, A Crash Course in the Review of Plans and Specifications will be offered by Architecture and Engineering staff on July 27. This class is geared to provide project managers, building coordinators, and other responsible campus parties with a framework to review plans and specifications effectively at each phase of project development. These programs are both being presented for the first time and will be held at the Chancellor's Office.

The complete training calendar, session details, and online registration are available at <http://www.calstate.edu/CPDC/Trg2006.shtml>.

*Nancy Frelander-Paice, Executive Program and Fiscal Manager*

### **FACILITIES PLANNING**

Proposition 1D (Kindergarten-University Public Education Facilities Bond Act) will be on the November 2006 ballot. It seeks voter support for general obligation bond funds of \$10.4 billion. CSU's proposed share is \$690 million, or \$345 million per year to fund the 2006/07 and 2007/08 programs.

The Senate Budget and Fiscal Review Subcommittee No. 1 approved all 19 CSU projects included in the 2006/07 governor's budget as reflected in the April Finance Letter, and a new appropriation for the Chico Student Services Center per an amendment to the governor's budget bill (total program \$331.6 million). The Assembly Budget Subcommittee No. 2 on Education Finance likewise approved all CSU projects with the exception of \$50 million for the Capital Renewal Program. The Assembly is expected to consider the Capital Renewal Program as part of the CSU support budget funding request.

The CSU Draft Five-Year Capital Improvement program for 2007/08 through 2011/2012 was presented at the March 2006 Board of Trustees' meeting. State funded projects for the five-year program total \$5.6 billion, while non-state funded projects for this budget period total \$3.6 billion. In keeping with the Department of finance (DOF) cost guidelines, the project cost estimates include a five percent year to year cost increase, plus escalation in materials costs from project start to the midpoint of construction. This increase is expected to bring projects budgeted for the 2007/08 Capital Outlay Program in line with current market conditions at the time of bid.

The draft 2007/08 CSU capital budget request of \$429 million for state funded projects prioritizes completion and equipment for ongoing projects; new projects addressing life safety problems and promoting code compliance in existing facilities; and renovation projects that increase capacity and modernize existing facilities or projects that construct new replacement buildings in response to academic, support program needs and enrollment demand. The CSU 2007/08 Capital Outlay Budget Change Proposals will be submitted to DOF on June 2, 2006. The 2007/08 through 2011/12 Final Five-Year Capital Improvement Program will be presented to the Board of Trustees for approval by at the September 2006 meeting.

*Larry Piper, Chief of Facilities Planning*

### **LAND USE PLANNING & ENVIRONMENTAL REVIEW (LUPER)**

LUPER staff is preparing a white paper on the current state of Faculty and Staff Housing initiatives around the CSU campuses. Campus executives have requested this information in order to assess the progress of the various housing programs that

are in place. These projects range from those completed and occupied, some from direct purchase, and others from design to construction, to some campuses that are still trying to determine what might be the most effective and cost efficient concept with which to proceed for their particular circumstance. The search to provide reasonable cost housing for incoming faculty and staff has shown that one size or type program does not fit all campuses. The report will survey all existing and proposed housing programs across the system, and will also evaluate the perceived benefits and challenges posed by the different approaches in the difficult financial and construction delivery environment of today's housing market.

One important aspect under review for the long term is the operational challenges and opportunities that come with having a residential "neighborhood" of your own faculty and staff, perhaps with other partners included, within the university proper. CSU campus student housing operations are well established; the same is not true with faculty and staff housing. There is much to learn and evaluate from our current range of experience.

*David Rosso, Chief of Land Use Planning & Environmental Review*

## **ARCHITECTURE & ENGINEERING**

Current law requires CSU to obtain State Fire Marshal approval on fire life safety elements and Department of State Architect (DSA) approval for access compliance elements of capital projects. CSU has long administered and self-certified the balance of the California Building Code items including seismic and mechanical reviews.

For several years CSU has worked to engage DSA in various strategies to streamline access compliance reviews and approvals. For a couple of years the university benefited from a memorandum of understanding with DSA that allowed CSU to effectively self-certify for access compliance. In 2003 DSA, feeling that they needed a more direct role in the review, retracted this agreement. Ensuing project review delays by DSA prompted the CSU to seek legislative authority to self-certify for access compliance. Despite projected time-related cost savings approaching \$2 million a year, access compliance advocates have derailed CSU's legislative proposals. For the second year language allowing the CSU to self-certify has been pulled from the higher education omnibus bill. In an effort to address the advocates concerns CPDC met with the

head of DSA, to gauge their opinions and understand possible objections. Key points from this meeting are:

- DSA acknowledges that it has a continuing backlog in plan review.
- DSA acknowledges 65 plan reviewer staff vacancies.
- DSA acknowledges its strategy is to outsource most access compliance reviews.
- DSA offered to take steps to provide an expedited determination/approval for projects that do not pose accessibility issues such as re-roofing and other maintenance projects.
- DSA continues to insist that it is the most appropriate body to review all state projects for access compliance.

Until legislation efforts are restarted, CPDC will renew the current agreement with DSA to secure their expedited certification of submitted plans. This will require campus diligence to ensure that plans submitted to DSA are code complaint. CPDC is confident that the combination of the skilled private sector architects commissioned for CSU design work, the plan review firms engaged, and the efforts of CSU staff provides an effective framework to ensure access compliance. Whether this year or in the future, CPDC hopes to be able to demonstrate this convincingly to the legislature. This would allow DSA the opportunity to concentrate on it's the pressing backlog of K-12 and Community College reviews for which it is primarily charged.

*Thomas Kennedy, Chief of Architecture and Engineering*

## **PLANT, ENERGY, & UTILITIES**

**Physical Plant:** The Pacific Partners Facilities Renewal Resource Model (FRRM) database is a systemwide tool that assists in Capital Renewal and Deferred Maintenance forecasting and budgeting. It is updated annually to reflect changes in the physical campus profile such as major capital renovations and capital renewal projects. Training by Pacific Partners for campus staff is scheduled June 20 at San Diego State University and June 22 at Cal Maritime. All campuses will need to update their campus data in the model. This information along with the square footage reported in the Space and Facility Database (SFDB), is used by campus planning departments to justify capital programs. The campuses should contact Mr. Jon Scheffler in CPDC at (562) 951-4634 or [jscheffler@calstate.edu](mailto:jscheffler@calstate.edu) with any questions.

**Progress Towards Trustees' Energy Goal:** Many campuses have taken steps toward achieving the trustees' energy efficiency goal by implementing a variety of renewable energy and infrastructure projects. Three campuses (Chico, Dominguez Hills, San Luis Obispo) are implementing photovoltaic projects, using power purchase agreements and third party financing. CSU San Bernardino is using the new energy services agreement to expand the central plant, adding thermal energy storage capacity to meet the needs of the new College of Business building and future campus growth. The central plant expansion at the CSU Northridge campus will employ a one (1) Megawatt fuel cell to augment campus electrical capacity. The fuel cell uses hydrogen fuel cell technology, the first of its kind in the CSU and the largest on a university campus. These projects will result in two Megawatts of electricity being generated on campus, or 12% of the targeted goal of adding 16 Megawatt goal to current production.

**Electricity Purchase:** A new energy contract was awarded for the period June 1 through December 31, 2006 at the excellent strike price of \$74.24 per MWH, which includes 17% renewable energy.

**Energy Efficiency Partnership:** CSU review committees have approved projects for the first year of funding from the 2006-2008 Energy Efficiency Partnership. Additional project applications have been sent to the campuses for final review and completion. Campuses should note that there is keen competition for the \$17 million available incentives over the next two and half years and project applications should be submitted as they are developed.

*Len Pettis, Chief of Plant, Energy & Utilities*

## **CONSTRUCTION MANAGEMENT**

**CSU Builders Risk Insurance Program:** The CSU Builders Risk Insurance Program is in effect for all projects with a construction value greater than \$400,000. Procedures, forms and contract language for this program are available on the Construction Management web site <http://www.calstate.edu/cpdc/CM/>. Note that the requirement for builders risk insurance coverage on minor capital outlay projects and job order contracts has been removed. The campuses should contact Barbara Nicholson in CPDC at (562) 951-4117 with any questions.

*Jim Corsar, Chief of Construction Management*

## **FINANCIAL SERVICES**

*Dennis Hordyk, Assistant Vice Chancellor*

## **CONTRACT SERVICES AND PROCUREMENT**

One of the responsibilities of Contract Services and Procurement (CS&P) at the Chancellor's Office is to develop system wide agreements by leveraging the buying power of the CSU campuses, including campus auxiliaries and foundations. There are many agreements that are available for use by the organizations within the CSU. These agreements range from office supplies to technology equipment to consulting services. A complete list of the agreements is located at: <http://www.calstate.edu/CSP/Store/store.shtml>

CS&P is continuously developing more agreements as university needs are identified; some of the agreements that are currently being negotiated are:

- Long distance phone and web teleconferencing services
- Maintenance repair and operations supplies
- Carpet

Input regarding the agreements or ideas for future agreements are always welcome. Please contact Tom Roberts at [troberts@calstate.edu](mailto:troberts@calstate.edu) or Eddie Choy at [echoy@calstate.edu](mailto:echoy@calstate.edu).

**DVBE Incentive Program:** A new Disabled Veteran Business Enterprise (DVBE) incentive program, mandated by Senate Bill 115, is now in effect. It helps the CSU, and all state agencies, better meet annual DVBE contracting participation goals of at least 3%. Bidders for construction, goods and services (IT and otherwise) may be given a financial incentive to meet the goal: the more DVBE participation a bidder offers, the higher the incentive a bidder might receive on a bid. This incentive may be in the form of points in an evaluation or a percentage of price. The CSU will have the flexibility to determine both the form of the DVBE incentive and the level of incentive in solicitations. CS&P has already implemented/tested the incentive program in a variety of bids and successfully achieved additional DVBE participation as a result. The Chancellor's Office will issue a new policy, very shortly, to guide campuses on implementation of the incentive program.

Please direct questions to Darryl Dearborn, Contract Specialist, SB/DVBE Advocate. Information on

Chancellor's Office and system wide bids can be found at the web site: <http://www.planetbids.com/csuco/bidframe.cfm>

Further information can be obtained at: <http://www.calstate.edu/csp/> or by contacting Tom Roberts at [troberts@calstate.edu](mailto:troberts@calstate.edu) or (562) 951-4583.

*Tom Roberts, Director*

## **FINANCING AND TREASURY**

Financing and Treasury is making the first loans to campuses for CMS financing beginning June 1 2006 from its new tax-exempt commercial paper program. Seven campuses will be participating in this first round of loans. Regular equipment and additional CMS financing amounts will be available with the second commercial paper issuance of September 1, 2006, and quarterly thereafter. The rate that has been set for these loans for fiscal 2006/07 is 4.40%. This rate will be reset annually.

Financing and Treasury is pleased to announce that Syrus En has joined our staff as Financial Manager. Syrus replaces Walter Marquez as the day-to-day representative to the auxiliary organizations for issues involving financing and debt, as well as acting as the Chancellor's Office and campus contact on equipment financing. Syrus holds an MBA from CSULB, and a bachelor's degree in Business Administration/Finance from CSULA. For the past two years he has been working as a consultant to Nextstudent, a student loan processor. Additionally, he has worked in a variety of banking and financial analyst positions at Hawthorne Savings, Student Education Loan Marketing, State Street Bank International, and Fuji Bank. He was also an associate at Seidler-Fitzgerald Public Finance, an investment banking and financial advisory firm. Syrus brings to F&T some very strong analytical and financial skills and we are delighted he has joined our office.

*Colleen Nickles, Senior Director*

## **OFFICE OF RISK MANAGEMENT (OMR)**

**Insurance Update:** The CSU is pursuing a systemwide professional liability policy for students participating in nursing, allied health, and education credentialing programs. Recent meetings with the underwriters have been productive and the CSU is finalizing a methodology to have "certainty of contract" before committing to this important placement. Efforts are also underway to address

administrative details, and plans to expand the coverage to include service learning are in development.

**iVOS 4.0 Database Update:** The CSU successfully upgraded the iVOS (claims software) Claims Management System for General Liability. ORM sponsored web-based training for campus risk managers on the new iVOS Claims Management System for General Liability and included basic functionalities such as system access; viewing claims data, and using the reporter function. Additional training will be provided to the campus risk managers during the year and at the Fitting Pieces Conference in November 2006.

**"Fitting the Pieces Together":** The 2006 Conference will be held at the Hilton Arden West in Sacramento on November 6-8, and will include exciting keynote speakers and breakout sessions. Additional details on the conference will be forthcoming.

**New Website:** The ORM website was launched this month and includes information on the CSU's risk management programs and campus contacts, upcoming training opportunities, and links to relevant policies and procedures. The website can be viewed at [http://www.calstate.edu/risk\\_management/](http://www.calstate.edu/risk_management/).

*Charlene Minnick, Senior Director*

## **INFORMATION TECH. SERVICES (ITS)**

*David Ernst, Assistant Vice Chancellor*

## **TECHNOLOGY INFRASTRUCTURE SERVICES**

### **Infrastructure Build-Out Project - Stage 1 and Stage 2:**

**Stage 1:** Thirteen of the fourteen Phase 1 and Phase 2 campuses are completed. The one remaining campus is now reporting significant success in renewing construction after a major hiatus resulting from contractor and capital funding problems. Two Phase 3 sites have already completed their Stage 1 retrofits, and the remaining six campuses in that final program phase are all pursuing active construction schedules. In summary, fifteen of the twenty-two campus projects in the build-out program have been completed.

**Stage 2:** All campuses have now either completed or are actively engaged in their Stage 2 activities. Five campuses are in the design phase, three campuses are currently implementing their new

networks and fifteen are completed or in the final close-out phase.

*(As a reminder, the 'phases' group campuses in the order that they undertake the TII project. 'Stage 1' refers to the physical construction of pathways, spaces and media on campuses; 'Stage 2' represents the installation of the necessary electronic components.)*

**Infrastructure Terminal Resources Project - Refresh (ITRP 2):** ITRP 2 is the first refresh cycle for the network electronics installed as a part of Stage 2 of the Technology Infrastructure Build-Out Project. The refresh will enable campus networks to stay current with network technology and address evolving requirements. ITRP 2 will include the following technology areas of focus:

1. Routing and switching (providing network connectivity and data transfer)
2. Wireless networking (providing users with connectivity without having to 'plug in' to a jack)
3. Network security (preventing unauthorized network access)
4. Network management (providing software to allow efficient operation and management of the network)

ITRP 2 planning is well underway in these areas, with a primary focus on network security. The network security working group of the Network Technology Alliance (NTA) issued a Request for Information (RFI) to network security device manufacturers in late January. The working group is currently analyzing the testing and evaluation results. In late May, the group will recommend which equipment manufacturer best meets the CSU's needs. It is intended that network security equipment will be installed on all campuses by June 2007.

**Network Management System (NMS):** NMS, a set of software tools that allows campuses to monitor and measure their network performance and quickly identify points of failure when problems arise, has been installed on all 23 campuses.

On March 30, an 'NMS Summit' was held at Sonoma State University; eleven campuses participated. The purpose of the summit was to evaluate CSU's NMS strategy, and provide campuses the opportunity to discuss NMS usage and value. Participants recommended investigating the use of Regional Network Centers. In this model,

the hardware and application would be hosted on a few campuses that would provide operating system and application support. Other campuses would continue using these resources as they do today. TIS staff will work with the newly formed CSU Systems Technology Alliance, as well as the CSU Network Technology Alliance, to begin defining the requirements for this service.

**Network Infrastructure Asset Management System (NIAMS):** The Network Infrastructure Asset Management tool is a software application that allows campuses to maintain records of their network infrastructure by keeping track of where cables and equipment are located on the campus in both a graphical and database format. Campus users at beginner and advanced levels were recently trained on the software tool by TIS centralized application and database support center personnel. Los Angeles and San Luis Obispo implementations are expected to begin in June. The next campuses to begin implementations will be Monterey Bay and San Jose in July.

**Campus Access Infrastructure Initiative (CAI):** The Campus Access Infrastructure Initiative (CAI), the system-wide program that will install and maintain the infrastructure required to connect each campus local area network (LAN) to the CENIC wide-area network backbone (WAN), is well underway. The Enhanced GigaMAN circuits for Chico and San Jose State were installed and put into production in May. Circuits for Bakersfield, Long Beach, and San Diego should be put into production in early June. The Chancellors Office, Channel Islands, Maritime Academy installations are scheduled in late summer.

**Identity and Access Management Initiative (IAM):** The Information Technology Advisory Committee (ITAC), in cooperation with the Chancellor's Office, has defined the objectives of the Identity and Access Management Initiative (IAM), a system-wide program chartered with developing and defining the architecture for secure access and data management at the campus level. The mission of IAM is to enable users to access and exchange information from campus-to-campus, campus to other institutions (e.g., K-14), and campus to business (e.g., on-line library materials), while maintaining security standards and user accessibility permissions.

Interim director, Beverly Thornton, completed recruitment of campus representatives to serve on the Identity and Access Management Initiative Technical Architecture Group. The kick-off meeting

occurred in March. The group will develop a high-level technical plan, with an emphasis on finding the best ways of addressing common campus identity management needs. A similar group will focus on the business process and policy needs of the functional areas across campuses. A charter of the initiative's governance structure is in development and will be presented to the CSU Technology Steering Committee for final endorsement in the near future.

Candidate screening for the Identity and Access Management Technical Architect position is underway.

**Enterprise Architecture (EA):** The Enterprise Architecture (EA) program will provide a more comprehensive technology planning and guidance mechanism, which will help ensure that the CSU is aligned to meet the challenges of expanding needs for data and services, increased requirements for maintenance and support, and emerging technology changes.

Representatives from a variety of CSU IT initiatives and the Information Technology Advisory Committee (ITAC) attended an initial exploratory meeting in early February. Participants identified a need for greater campus participation and a more precise definition of the program's scope. In response, the EA program will implement a rolling strategic technology plan that includes campus and systemwide IT initiatives, facilitate the development of specific segment or initiative architectures (such as Identity and Access Management, Security, Information Management), and formulate a plan for the long-range initiation of an Enterprise Architecture process across the CSU.

The CSU EA Steering committee includes four campus CIOs [Bill Post (Chico), Wayne Veres (San Marcos), Tim Kearns (Cal Poly SLO), and Maureen McQuestion (Channel Islands)], and the senior directors of major systemwide IT initiatives [Mark Crase (Technology Infrastructure Services and Identity and Access Management), Janice Lim (Security), Gerry Hanley (Academic Technology-Digital Marketplace), Cheryl Kwiatkowski (Enterprise Information Management), and Mike McLean (Enterprise Systems Development)].

### **COMMON MANAGEMENT SYSTEMS (CMS)**

**Finance Update:** In May, the CMS Executive Committee approved a change to the upgrade project by deferring current activities on the Finance 8.9 and replacing it with Finance 9.0. This decision

was based on feedback from the campuses, and analysis of other systemwide projects in progress that would impact Finance baseline. Activities are underway to develop the scope and project plan for the upgrade to Finance 9.0 and will be completed by December 2006. The Finance team will continue to provide production support in preparation of the campuses completing their year-end close.

**Student Administration Update:** The Student Administration (SA) go-live activity remains on schedule for the campuses. East Bay and Sacramento are on schedule for their Human Capital Management (HCM) 8.9 go-live for May 2006. CSU Sacramento, CSU San Bernardino and CSU East Bay are on schedule for their 8.9 Student Administration implementations. San Luis Obispo is currently live for their Financial Aid and continuing a phased rollout through the year with additional functionality. Student Administration baseline 8.9 workshop was held on May 23, 24 and 25 at the LAX Crowne Plaza Hotel.

### **ACADEMIC TECHNOLOGY SERVICES (ATS)**

**Assumption Program of Loans for Education (APLE) Website Launched:** In a effort to help CSU Schools of Education publicize an important financial aid opportunity for students, ATS partnered with the Chancellor's Office Teacher Education team to develop the APLE website. (<http://www.csusuccess.org/scholarship>). APLE is a teacher education incentive program designed to encourage students to become California teachers in subject areas and in schools that have critical shortages. The program assumes up to \$19,000 in outstanding educational loan balances in return for four consecutive years of qualifying teaching service. In the last two weeks since the website launched, it has helped over 900 students apply for an APLE loan forgiveness grant.

### **TECHNOLOGY POLICY, PLANNING AND ADVICE**

**ITS Report at Board of Trustees:** On the occasion of the 10<sup>th</sup> anniversary of Board of Trustees approval of The Integrated Technology Strategy (ITS), Chancellor Reed and Presidents Welty and Rosser presented an overview of how investment in ITS has benefited CSU students, faculty and staff. Please visit <http://breeze.calstate.edu/p44695359> to hear the presentation and view the accompanying slides.

**Measures of Success:** The annual Campus Technology Survey was released to the campuses in early April. Responses are due on August 1, 2006.

## **ADVOCACY & INSTITUTIONAL RELATIONS**

*Karen Y. Zamarripa, Assistant Vice Chancellor*

**Bond Package Placed on November Ballot:** The Legislature has introduced a series of bonds for the November ballot that will address many of the state's infrastructure needs. Propositions 1-A through 1-F each propose a bond that will address a specific issue.

Prop 1-D, dubbed "the Education bond" will fund the CSU's capital facilities projects for the next two years at \$345 million each year. Assembly Bill 127 (Nunez) authorizes the Kindergarten-University Public Education Facilities Bond Act of 2006 in the amount of \$10.4 billion. \$7.3 billion is for K-12 facilities including new construction, modernization, charter schools and career and vocational education programs. \$3.087 billion is for higher education facilities. Community colleges will receive 50 percent of these funds or \$1.507 billion. The University of California will receive \$890 million of which \$200 million is for medical education programs with an emphasis on telemedicine. The CSU will receive \$690 million or 25 percent of the bond funds for fiscal years 2006-07 and 2007-08 for its capital outlay program.

In addition, lawmakers voted to authorize five other bond measures to relieve highway congestion, provide affordable housing, emergency preparedness and shore up the state's deteriorating levees. The entire bond package is just over \$35.3 billion including: \$19.2 billion for transportation; 10.4 billion for schools and universities; \$ 3.1 billion for flood protection and \$2.6 billion for housing.

Six measures in all have been placed on the ballot:

- First is an amendment to Prop 42 making it more difficult for transportation dollars to be diverted for other government uses as Prop 1-A;
- Second is the transportation bond as Prop 1-B;
- Third is the Emergency Housing, Community Planning and Farmland Preservation Act of 2006 as Prop 1-C;
- Fourth is education as Prop 1-D;
- Fifth is flood protection as Prop 1-E; and
- Sixth is the "Safe Drinking Water, Water Quality and Supply, Flood Control, River and

Coastal Protection Bond," currently being certified for placement on the November 2006 ballot. It would become Proposition 1-F. That bond is \$5.388 billion bringing the total bond amount to \$40.7 billion.

## **Capital Facilities Fee Bill Meeting Some**

**Resistance:** The CSU in conjunction with coalition partners from public schools, community colleges, universities and state agency have been working diligently to defeat Assembly Bill 2951 (Goldberg), legislation which would fundamentally change current law regarding the imposition of capital facilities fees on public agencies.

This legislation would increase the CSU's facilities-related charges by up to 35 percent, a cost to the CSU almost \$4 million each year. It significantly impacts the already strained budget that has yet to recover from over \$500 million in cuts imposed in prior years. Further, this legislation runs contrary to CSU's understanding of an eighteen year-old statute governing the imposition of capital facilities fees that grew out of a court case, *San Marcos Water District v. San Marcos Unified School District*, which was a compromise between public utilities services and public school districts, community colleges districts, CSU, UC, and state agencies.

As expected, Assembly Member Goldberg got AB 2951 out of Assembly Local Government Committee, but only after extensive discussion and only then on a 5-0-2 vote.

Although opposed to the bill, CSU offered two concepts that it is willing to accept: 1) some type of "government" class rate that has the capital facilities fee component removed from the rate (it must have the transparency to allow CSU to determine that the fee is NOT part of the rate class) or 2) some regulatory scheme much like the PUC where the municipals need to justify their rate development to an independent body that can protest CSU concerns and issues before the rate is approved. The utilities are not likely to entertain either one of those ideas.

AB 2951 will be referred to Assembly Appropriations, which is a first for the Assembly because the prior measures have always been keyed "non fiscal" and have never been referred to Appropriations. It will be heard Wednesday, May 24<sup>th</sup> but will most likely be placed on suspense given the \$4 million estimated costs to CSU as well as another \$6.7 million and \$8.5 million for the California Community Colleges and the University of California, respectively.

AB 2951 makes no sense given the State's limited fiscal resources. The CSU would need to increase facility-related charges by up to 35 percent that would cost the CSU an additional \$4 million annually. This is equivalent to funding more than 5,570 students, 480 new tenure-track faculty, or 3,840 courses over the next ten years. Schools and universities should NOT be asked to subsidize the costs of utility district capital improvements, especially when these utilities continue to amass billions of dollars in excess reserves

The CSU continues to oppose AB 2951 since it:

- takes money away from schools;
- requires CSU and other publicly entities to pay for facilities that don't serve us;
- circumvents the state and local budget processes; and
- creates a lack of accountability and oversight of publicly-owned utilities.

Copies of CSU Legislative Reports and other legislative information pertaining to the CSU are available on the AIR website at: <http://www.calstate.edu/GA/>

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