

Business & Finance NEWS

Business and Finance Division

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

NEWS FROM THE DEPARTMENTS

JANUARY 2008

A MESSAGE FROM THE EXECUTIVE VICE CHANCELLOR

"In October 2007, several of the Business and Finance departments joined with the Office of General Counsel and systemwide Human Resources to solicit feedback on their performance. The results of that customer satisfaction survey have been compiled and you can view those results along with departmental action plans at <http://www.calstate.edu/bf/bsc/index.shtml>. Thank you for your time and participation."

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

CAPITAL PLANNING, DESIGN AND CONSTRUCTION

Elvyra F. San Juan, Assistant Vice Chancellor

EXECUTIVE

2008 CSU Facilities Management Institute Training Program: The 2008 systemwide training program has scheduled workshops for the first six months. In February, a two-day session on Energy Project Implementation will cover the CSU Energy Services Agreement (ESA) and Renewable Energy Projects. This training, now in its third year, will provide updated information and project opportunities for campuses. A workshop in March will bring the campus directors of Human Resources and Physical Plant Operations together for a day of interactive training on Human Resources and Labor Relations. This session will be presented by Systemwide Human Resources staff: Gail Brooks, Interim Vice Chancellor; Maria Santos, Senior Director of Campus Relations & Dispute Resolution; Bill Candella, Senior Director of Collective Bargaining; and Sharyn Abernatha, Senior Manager, Collective Bargaining.

For new campus staff working in design and construction as well as those who may need a refresher course, a four-day training focused on core

topics in this subject area will occur April 14-17, in Long Beach. The workshops will be: Effectively Administering the A/E Agreements and Plan Review; Construction Management Procedures; CM at Risk & Design/Build Methodologies; Change Orders/CSU Contract General Conditions; and Claims Avoidance, Analysis & Negotiations. Priority will be given to those who register for the entire four-day workshop, but registration will be available for individual trainings.

Information on additional trainings and registration can be found at: <http://www.calstate.edu/CPDC/Trg2008.shtml>.

Please contact Marlene Nang, Sustainability and Training Coordinator with any questions 562-951-4095 or mnang@calstate.edu.

Builders Risk Insurance Program: The CSU Builders Risk Insurance Program (BRIP) (through Alliant Insurance) went into effect in fiscal year 2005/06 for all projects with a construction value greater than \$400,000. To date the premiums have been paid by CSU Risk Management Authority (CSURMA). To reimburse CSURMA, CPDC has initiated the billing process to collect the BRIP premium for the projects as well as the construction seismic self-insurance premium. Payment for projects that are complete and closed out will not be sought. Premium adjustments will be made at the close of each project based upon actual duration (if applicable) for all projects, and total value of change orders for projects with an initial construction cost greater than \$5,000,000.

Moving forward, the BRIP premium and seismic fund assessment will be collected with the CPDC Administrative/State Fire Marshal/Labor Compliance (if applicable) fees when the project is awarded. The secondary billing will occur upon completion as noted above.

Program information (including enrollment rates and premium calculator) are available on the Construction Management website (<http://calstate.edu/cpdc/CM/BRIP.shtml>).

Campuses are reminded to include (elect) the optional coverage for loss of rent for housing projects.

For additional BRIP information please contact Barbara Nicholson, Principal Construction Program Manager 562-951-4117 or bnicholson@calstate.edu; for questions related to premium billing please contact Nancy Freeland-Paice (562-951-4087 or npaice@calstate.edu).

*Nancy Freeland-Paice
Executive Program and Fiscal Manager*

FACILITIES PLANNING

2008/09 Governor's Budget: The governor's 2008/09 state budget, published on January 10, 2008, included \$357.9 million for 24 CSU projects based on several adjustments to the proposed CSU 2008/09 Five-Year Capital Improvement Program 2008/09 through 2012/13. The trustees' initial budget request totaled \$452.6 million for 38 projects. The Department of Finance considered the first 25 projects totaling \$419.9 million based on the trustees' priority list and the CSU's share of a future capital outlay bond sale and funds remaining from prior bond sales, in agreement with the CSU compact with the governor. The trustees' proposed \$15 million project for the mitigation of off-campus impacts was not included in the governor's budget. The additional adjustments made to five projects in the governor's budget were to recognize the schedule impact of a November 2008 ballot initiative versus a June 2008 initiative, deferring phased funding to the 2009/10 budget year.

Trustees' priorities 3 and 26 through 38, totaling \$32.6 million, were not included in the governor's budget. They may be resubmitted for the Board of Trustees' consideration for the 2009/10 state funded capital outlay program pending the individual campus priority submittal for that budget year.

November 2008 Capital Bond Initiative: The Assembly Committee on Education held a hearing on January 9, 2008 to take public comment on Assembly Bill 100 (Mullin and Nuñez) which would enact the Kindergarten-University Capital Outlay Bond Fund of 2008 if approved by voters at the November 4, 2008 statewide general election. CSU testified that due to increased construction costs, energy conservation measures related to AB 32, and off-campus mitigation impact costs related to the Trustees of CSU v. City of Marina court decision, the CSU capital outlay bond allocation should be

increased from \$345 to \$400 million annually and the bond should cover a four-year period. The governor's 2008/09 budget recommends that the future Kindergarten-University Capital Outlay Bond Fund of 2008 be sized to provide \$395 million annually for CSU capital outlay projects, which is \$50 million above the previously approved compact amount.

Larry Piper, Chief of Facilities Planning

ARCHITECTURE AND ENGINEERING

Master Accessibility Plans for Campuses: Expanding on last year's successful approval by the State Architect of a Campus Master Access Plan at CSU Fullerton, CPDC is working to develop a systemwide plan to secure similar approvals for nine additional campuses. Approved master access plans will help reduce the oft-cited, lengthy review times by the Division of the State Architect (DSA) and allow campuses to deliver more rapidly those smaller projects that are always in demand.

As an example, a small remodel in an existing facility requires specification of all the direct improvements *as well as* additional requirements *outside* the immediate work area because the building code requires demonstration of an accessible route of travel to parking and to the public right of way from the building outwards. This is why improvements to outside sidewalks and curbs are seen as a part of the work to get an office remodel completed. In contrast, a master access plan provides a pre-approved accessible system once the remodel project plan demonstrates access to the front door.

The concept is simple, but it takes some perseverance and a fair amount of support to get these plans in place. CPDC is working with the campuses to issue a systemwide RFP/RFQ for Accessibility Master Plan development and coordinate reviews and approvals with the State Architect. The long-range goal is to have 23 master access plans in place thereby improving the time-to-complete for capital projects.

*Thomas Kennedy
Chief of Architecture and Engineering*

LAND USE PLANNING AND ENVIRONMENTAL REVIEW

Campus Master Plans Move Forward Despite Challenges: In July 2006, the California State

Supreme Court ruled that CSU must mitigate environmental impacts to off-campus property, such as local city streets and roadways. Under this new ruling, a number of CSU campuses have begun the process of updating their master plans with enrollment increases to meet the growing demand, especially for new first-time freshman. The court ruling in Trustees of CSU v. City of Marina has required CPDC, along with General Counsel and campus personnel, to rethink the complex and often contentious process of bringing a proposed master plan revision and the accompanying Environmental Impact Report (EIR) before the trustees. During this same period, global warming and the reduction of greenhouse gas emissions has become an additional challenging component of the environmental review process, with several court cases and new legislation already setting the stage.

Despite these potential obstacles that have suddenly and unexpectedly confronted CSU as it seeks to expand access and meet the growing demand for higher education, a number of campuses have proceeded with efforts to grow enrollments, update capital development programs, and bring an updated master plan to the Board of Trustees for approval. Funding by the Legislature for both impact mitigation costs and reduction of greenhouse gas emissions in building programs is the next challenge to confront CSU in the process of meeting new environmental mandates.

Since the beginning of 2007, three campuses (Bakersfield, San Diego and San Francisco) have added a total of 21,000 full-time equivalent students (FTE) capacity to their combined enrollment ceilings through trustee approved master plan revisions. For 2008, at least seven additional campuses are in the process of updating their master plans, and, in some but not all cases, adding additional FTE to their respective enrollment capacity, along with revamping physical facilities as diverse as student housing, classrooms, and student support.

Resolution of these high-profile environmental challenges has yet to be determined, so there may be significant policy decisions made by the trustees as the board addresses these issues.

David Rosso
Chief of Land Use Planning and Environmental Review

PLANT, ENERGY, AND UTILITIES

Federal Energy Bill: President Bush has signed the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007, which is a wide-ranging law that impacts CSU. The bill provides funding for Department of Energy higher education energy efficiency projects and ocean energy research. The bill also funds Department of Labor programs for energy worker training programs and workforce deployment. The California Public Utilities Commission (CPUC) is already studying energy efficiency workforce development in these areas and CSU is contributing to this process. CPDC is monitoring the law's implementation (specifics of which have not yet been issued), and will inform campuses of the opportunities as they arise.

Greenhouse Gas Emissions: The CSU's 2006 Greenhouse Gas Emissions (GHG) Inventory has been certified with the California Climate Action Registry (CCAR) in response to AB 32 Climate Change law. This is a commendable achievement. CSU's GHG ('carbon footprint') is approximately 427,000 metric tons (~1 ton/FTE). The full report can be accessed from <http://calstate.edu/cpdc/peu/sustainability.shtml>, where data for each campus can be viewed.

The 2006 certification process included five campus visits for onsite investigation and required auditing the Monthly Energy Reports (MER) to generate the report submitted to CCAR. It is also noteworthy that the certifier's opinion was within 0.63% of CSU's submitted inventory. Sincere thanks to campus staff for their diligence in maintaining accurate records. The next step required is to certify GHGs for each year from 1990-2005 to establish CSU's 1990 baseline. Comments/corrections on the draft summary emissions reports for that period are due from campuses by February 8, 2008.

Energy Project Funding: The 2009-2014 Energy Efficiency Program planning is underway and CPDC is working with the CPUC and the Investor-Owned-Utilities to build upon the success of the 2006-2008 Energy Efficiency Partnership. This program will include the Capital Outlay Program's providing funding for energy efficiency and GHG reduction initiatives. In addition, funding will be available for Monitoring Based Commissioning (MBCx) and Training and Education programs, including the Green Campus Program.

The 2006–2008 Energy Efficiency Program has a total of \$5,973,000 remaining for energy efficiency

projects. PG&E has \$4,032,000 available for campus projects; these funds must be used for projects which will be completed by December 31, 2008 or the funds will revert back to the utility. Please contact Aaron Klemm, Energy Program Manager, with any questions 562-951-4121 or aklemm@calstate.edu.

Phase II Solar Photovoltaic (PV) Projects: Eighteen campuses and the Chancellor's Office have joined California Department of General Services (DGS) for Phase II PV projects for a total of 10 megawatts of self-generated Renewable Energy (RE). This action will keep CSU on track to exceed its 50 megawatt energy independence goal for 2014, and all 23 campuses will have RE. Participating campuses will receive a detailed memo within the next week outlining the time table for project implementation. Please contact Len Pettis with any questions 562-951-4122 or lpettis@calstate.edu.

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

FINANCIAL SERVICES
Colleen Nickles, Assistant Vice Chancellor

FINANCING AND TREASURY

Financing and Treasury is pleased to announce that Colleen Coyne has joined our department as Financial Manager. Colleen brings significant financial experience to our team and most recently has been instrumental in the development of the CSU's cash management operations. In her new position, Colleen will have management responsibility for the CSU's commercial paper program, the CSU's investment programs, the special financings for the Channel Islands Site Authority and Financing Authority, and the financing of faculty/staff housing. As Colleen transitions into her new responsibilities, she can be reached at 562-951-4521 or ccooyne@calstate.edu. Please join me in welcoming Colleen and supporting her in her new role with the CSU.

Robert Eaton, Senior Director

OFFICE OF RISK MANAGEMENT

2007 Homeland Security Grant: a new homeland security grant for the CSU campuses in the amount of \$600,000 has been approved by the Governor's Office of Homeland Security for the period January 4, 2008 to March 31, 2010. Campuses are

encouraged to apply for funds in the area of **Systemwide Interoperability Communications**. For further information contact the Systemwide Risk Management office at 562-951-4580.

2007 Governor's Employee Safety Awards (GESA): The State of California is accepting nominations for the 28th Annual Governor's Employee Safety Awards. Each campus is encouraged to identify and nominate individual employees and groups for their outstanding achievements in improving job health and safety, responding to life threatening situations, and preventing and reducing the number of occupational injuries and vehicular accidents in calendar year 2007. To be considered, nominations from each campus must be submitted to the Systemwide Office of Risk Management by March 10, 2008.

Belfor USA - Disaster Recovery Contract: In the event of a disaster, campuses can take advantage of the Belfor USA contract to reign in the chaos and perform timely restoration procedures that will keep property damage and business interruption to a minimum. Belfor USA works closely with the CSURMA claims unit to respond immediately with experienced manpower and specialized equipment for a variety of disasters. For more information, visit the Systemwide Risk Management page http://www.calstate.edu/risk_management/em/ under Resources.

Transfer of Systemwide Police and Emergency Services: Risk Management has now assumed the responsibility of administrative oversight for the Systemwide Police Services. This change is an organizational alignment of risk, public safety and emergency management functions under the same department. Work is in progress to make the transition from Systemwide Human Resources. Visit the new Police Services web page located under the Systemwide Risk Management website at http://www.calstate.edu/risk_management/.

*Charlene Minnick, Chief Risk Officer
Systemwide Risk Management*

INFORMATION TECH. SERVICES (ITS)
David Ernst, Assistant Vice Chancellor

ACADEMIC TECHNOLOGY SERVICES

Transforming Course Design: After extensive consultation with CSU campuses and advisory bodies, CSU Executive Vice Chancellor Gary Reichard has selected *Developmental Math* and *General Chemistry* as the two target areas that will undergo cooperative redesign of activities and resources. Both disciplines have high enrollment courses that also have a history of poor student performance. For more detailed information see http://www.calstate.edu/ats/transforming_course_design/. The multi-campus collaborations will be supported by instructional and technology experts from the Chancellor's Office and the CSU Center for Distributed Learning.

MERLOT: MERLOT and McGraw-Hill Higher Education recently announced an alliance that will support MERLOT's Institutional Initiative, Accelerating Development of Online and Hybrid courses. The goals: are to explore and evaluate strategies for blending publisher and open education resources, improve learning outcomes, and reduce the costs of course materials for students. Instructional designers from McGraw-Hill Higher Education's Learning Solutions team and MERLOT will work closely together to: provide tools and processes that can be easily adopted and/or adapted for local use by individual colleges and universities; increase instructors' access to digital course content and allow faculty to more easily integrate content into their online curriculum. In addition McGraw-Hill will integrate their online course modules within a sponsored portal on the MERLOT website. In addition, MERLOT award winning online modules will be discoverable throughout McGraw-Hill's online course library.

SYSTEMWIDE ELECTRONIC INFORMATION RESOURCES (SEIR)

Library Initiatives, COLD, and Library Consortia: In October 2007 SEIR helped draft the ICOLC "*Statement Concerning the Decision by the American Association for the Advancement of Science to Discontinue its Relationship with JSTOR*". The statement objects to the American Association for the Advancement of Science (AAAS) decision to pull the flagship journal *Science* from the JSTOR online scholarly journal archive. The statement was endorsed by 75 consortia world-wide, including CSU-SEIR:

<http://www.library.yale.edu/consortia/ICOLC-AAAS-JSTOR-resolution.doc>.

Partly as a result of the ICOLC endorsements of the statement and other collaborative efforts by libraries, AAAS has reversed its decision. An announcement was released in January 2008 regarding JSTOR's agreement with AAAS under which *Science* will continue its participation in JSTOR.

JSTOR Collections are part of the CSU Electronic Core Collection and as such may be accessed by all students, faculty and staff of the 23 CSU campuses.

COMMON MANAGEMENT SYSTEMS

CMS Upgrades: Upgrades to the CMS PeopleSoft application are and will continue to be a critical CMS activity. One significant benefit of upgrading the CMS applications includes support from Oracle for timely updates on security, legislative, and governmental requirements. Another major benefit is the opportunity to introduce improvements to functionality and business process and address identified operational requirements. For example, as part of the Finance 9.0 upgrade, a pilot project is underway to provide improvements for the development and availability of campus and system-wide financial reporting. Initiated by the CMS Finance Users Group (FUG), this joint development effort between the campuses and CMS will be delivered with the Finance 9.0 upgrade.

The overall Finance 9.0 upgrade is already underway with development efforts at the Chancellor's Office and a pilot implementation at the San Luis Obispo campus. Finance 9.0 workshops are scheduled for February where presentations on functional enhancements and improvements will be shared with the campuses. The campus upgrades are scheduled to begin in March.

The Human Resources and Student Administration upgrade to PeopleSoft's HCM Version 8.9 is nearly complete with the remaining two campuses scheduled to be live on HCM 8.9 by April of 2008. This will successfully conclude the 2-year system-wide effort for campuses to upgrade and use the new functionality and improvements to the CMS Student Administration and Human Resources applications.

TECHNONLOGY INFRASTRUCTURE SERVICES

Identity and Access Management Initiative (IAM):

IAM's project work progresses on schedule, with significant developments on the following pilot project:

Federated Library Search Services for Moss Landing Marine Laboratories:

Through the coordinated efforts of the Identity and Access Management team, the Custom Application Support Services and Data Center Services groups of the Chancellor's Office, and staff at the Moss Landing Marine Laboratories (MLML), faculty, staff and students from MLML can now use their locally provided digital credentials to access Elsevier Science Direct electronic library resources from any internet connection on the planet. This successful pilot project represents the first time in the CSU that a local enterprise directory – the foundation of any identity management system – has been used to provide users access to restricted services available to a larger federation of institutions. The federation in this instance is Internet 2's ([InCommon](http://www.incommonfederation.org/)) <http://www.incommonfederation.org/> which MLML and the CO joined this past Fall.

Faculty, staff and students from Moss Landing can now enter the Elsevier Science Direct website, type in their *MLML user ID and password*, and gain access to the electronic resources available therein. This is possible because in the background, the Chancellor's Office is running the enabling authorization application ([Shibboleth](http://shibboleth.internet2.edu/)) <http://shibboleth.internet2.edu/>. When the user logs into the Elsevier website, Shibboleth transparently enables the Elsevier system to contact the user's parent campus – Moss Landing in this case – and allows the campus' enterprise directory to verify that the user is indeed a member in good standing of the campus community. Once authorized by the campus' enterprise directory, the user is granted access to the Elsevier resources just as they might if they were sitting on campus.

The benefit of this approach lies in the fact that neither the marine lab nor the user were required to provide any personal information to Elsevier, Elsevier did not need to build and maintain a database of MLML faculty, staff and students authorized to gain access, nor did Elsevier need to provide users with unique ID's and Passwords. Furthermore, the end users were not required to remember a new ID and Password just for Elsevier.

By virtue of the fact that Moss Landing and the Chancellor's Office adhere to the identity management requirements set forth by InCommon, Elsevier is assured that members of the MLML community are who they say they are when they log into the Elsevier site. However, the greater significance of this project is that the same federation model and Shibboleth can be used to support trusted transactions between campuses and other service providers (a growing number of vendor products are being "shibbolized"), between campuses in the System – a CSU federation – or between different systems on a given campus. Such an approach reduces campus and service provider support costs, provides the user with a much more satisfactory experience and reduces the potential for costly and embarrassing breaches of confidential data.

The Moss Landing pilot will move into production at the end of January when faculty and students will be introduced to the new service. For more information about the Identity and Access Management Initiative at <http://its.calstate.edu/iam/>.

INFORMATION SECURITY MANAGEMENT

Information Security Policies Project: In the fall of 2007, CH2M Hill was awarded a contract to help the CSU develop system-wide information security policies and standards. The intent of the policies and standards is to provide guiding principles to individuals and entities that deal with CSU information assets and position the CSU to be in compliance with privacy and information security regulations. A draft copy of the policy was distributed to campus Chief Information Officers (CIO) and Information Security Officers (ISO) on January 2, 2008. Campus CIOs and ISOs have been encouraged to review the draft policy with their campus community and submit comments on or before February 8, 2008.

INFORMATION TECHNOLOGY POLICY, PLANNING AND ADVICE

Accessible Technology Initiative (ATI): On January 14-16, the ATI co-hosted the annual California Web Accessibility Conference (CaWAC), with Cal State Long Beach and Knowbility, Inc. at CSU Long Beach. With over 200 participants, the conference was sold out. Over 100 participants came from the CSU system; the ATI provided tuition assistance to all participants from CSU. The CMS group from the CO was well represented, and the UC system also sent several participants.

Conference faculty came from across the country and included well-known national experts in the field of web accessibility. Most of the sessions were hands-on technical classes in the campus's computer labs.

ADVOCACY & INSTITUTIONAL RELATIONS

Karen Y. Zamarripa, Assistant Vice Chancellor

CSU Alumni Legislative Day: The CSU will be hosting the annual Alumni Legislative Day on April 28 at the Sacramento Convention Center.

Chancellor Reed, Board of Trustees, campus presidents, community and alumni leaders will once again join together in Sacramento to meet with policymakers and their staffs both to make CSU's case for the \$386.1 million necessary to preserve access and quality as well as address key legislative matters.

Legislative Day is a key opportunity for the CSU's 23 campuses to join forces in the State Capitol and collectively deliver the message that the CSU provides the quality education, research and innovative programs that are indispensable to the future of California.

The day will feature a morning briefing session for CSU representatives including Chancellor Charles B. Reed's "State of the CSU" address.

Legislative Day is one of the most important venues for the CSU to demonstrate the way in which it is working for California to the state's decision-makers.

Legislation to Provide Additional Fiscal Accountability: The California State University (CSU) will sponsor two measures in the 2008 legislative session. The first is known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and would enhance management and operations of CSU charitable foundations.

UPMIFA replaces and updates the 1972 Uniform Management of Institutional Funds Act (UMIFA). Its rules govern the management, investment, and expenditure of charitable funds. UPMIFA incorporates the experience gained in the last 35 years by providing even stronger guidance for investment management and a more exact set of rules for institutions to invest in a prudent manner.

To date, thirteen states have enacted UPMIFA and seven states along with the U.S. Virgin Islands introduced legislation in 2007.

The California State University has an endowment portfolio with a market value in excess of \$800 million that distributes over \$30 million per year in support of the CSU and its students. The major benefits of UPMIFA would include:

- Not limiting portfolio managers to the kinds of assets that may be sought for the portfolio (a more flexible rule than UMIFA).
- Requiring that investment expenses are managed prudently in relationship to the assets, the purposes of the institution and the skills available to the institution (not addressed in UMIFA).
- Authorizing the total return expenditure be under comprehensive prudence standards relating to the whole economic situation of the charitable institution (not addressed in UMIFA).

The CSU will be joining a coalition of supporters including the University of California and the Association of California Independent Colleges and Universities in sponsoring this legislation. Other organizations that are likely to be in support are the California State Bar Association, the California Association of Nonprofits, and major health associations.

The next step will be for the CSU to secure an author for this measure and have it formally introduced.

CSU Working to Provide More Faculty Nurses:

As the need for more nurses throughout the state continues to grow, the CSU is seeking to help curb this trend. This year the CSU is proposing legislation that would authorize it to offer doctor of nursing practice (DNP) degree programs. The programs will train future California State University and California Community College faculty, which will add significantly to the total of doctoral-qualified potential nursing faculty currently produced by the state. The legislation will call on CSU to seek non-state funds for program development with the expectation that implementation of new programs will be tied to future funding from the state.

Alleviating the current nursing faculty shortage is crucial, and if accompanied by sufficient revenue, additional faculty will permit increases in undergraduate nursing program capacity thereby meeting a critical state need. The Board of

Registered Nursing concluded in its 2005-2006 *Annual School Report*, "Without more faculty, RN programs will not be able to continue their expansion."

Additionally, through the proposed legislation, the CSU will train advanced practice nurses (for example, nurse practitioners, nurse anesthetists, or midwives) to the doctoral level. This is becoming the standard for these much-needed medical professionals, and has been called for by the American Association of Colleges of Nursing.

Presently, all eighteen CSU "generic" (pre-licensure) nursing programs are impacted and unable to admit more students. This is, in part, caused by the fact that there are not enough faculty members available to meet the necessary low student-to-faculty ratios required by accreditors and licensing boards for these programs. For example, the Board of Registered Nursing reported that in the 2005-2006 academic year, California nursing programs turned away 61.3 percent of qualified applicants because of insufficient capacity to teach them.

The University of California has indicated its support for this proposed legislation, and CSU hopes that Senator Jack Scott will be author the bill

Host of Initiatives Facing Voters on Super Tuesday: In an attempt to make California more of a player in nationwide politics, the California State Legislature enacted a bill last year that allows California to participate in Super Tuesday, along with 23 other states. California will still keep its June and November election dates, in which the state typically choose representatives for Congress, and state elected office. However, due to the additional general election in February, voters will be allowed to weigh in on propositions that have qualified for the ballot now, rather than waiting for June.

This year there are numerous measures before the voters, including four gaming compacts, the community college funding guarantee initiative and changes in the state's term limits. All six initiatives will have a direct and/or indirect impact on the CSU. The CSU Board of Trustees has voted to oppose Proposition 92, given the immediate fiscal impact and long-term implications of this initiative. Below is a report on all of these initiatives.

Proposition 92: Community College Funding Initiative: This proposition makes several changes to the funding and governance structure for the community colleges including the expansion of their

constitutionally guarantee funding levels and effectively reduces and caps student fee increases at the colleges from \$22 per unit to \$15.

The measure would set a new minimum funding level for community colleges and would guarantee enrollment funding based on unemployment rates and the greater of the population change in Californians between the ages of 17 and 21, or between the ages of 22 and 25. These factors guarantee significant increases in community college funding regardless of actual enrollment, even in years when actual community college enrollment may decline. The calculations will result in nearly \$1 billion dollars being redirected away from other areas of the budget—such as CSU, UC, social services, and medical care—to the community colleges, even in a year of fiscal constraint. Due to the budget deficit, CSU is already facing significant reductions and may be unable to serve all qualified students. This proposition will only exacerbate that situation.

Community college fees, already the lowest in the nation, would be reduced even further, and could only be increased with a two-thirds vote of the Legislature, in legislation separate from the budget. This would place the same voting requirement on fees as on a tax increase. Poor students that have trouble paying higher fees gain nothing from this initiative because they already receive a fee waiver. Further, the Legislature could only raise fees if the increase in per capita personal income grows by more than 6.7 percent (per the Legislative Analysts Office, this has happened only once in the past 20 years).

Lowering community college fees is not the right solution in CSU's view. Students' fees at the community colleges are only five percent of the total cost of attendance meaning that 95 percent of student costs are not addressed in this initiative. CSU and others believe that a better approach to address affordability for needy students is to increase financial aid that helps students cope with the high cost of textbooks, transportation, and child care and makes more sense from a state policy perspective.

The CSU strongly supports community colleges, it does not believe this is the right solution given the state's current budgetary constraints. Note that CSU's General Fund has increased by only 16 percent from 2003-04 to the Governor's proposed budget for 2008-09, which reflects his proposed reductions. However, the Community Colleges have

seen their General Fund increase by more than 83 percent in that same time period. The results of passing this type of budget restriction could be damaging to other critical programs currently funded by the state, including the CSU.

Proposition 93: Legislative Term Limits: This proposition proposes to reduce the overall time a member can serve in the State Legislature from 14 to 12 years, but would allow those 12 years to be served in one house. The initiative also “grandfathers” over 30 incumbents including Senate Pro Tempore Perata and Assembly Speaker Nunez.

According to the Field Poll published on December 27th, the proposition is enjoying the support of the public with 50 percent but the initiative is being fiercely debated as the campaign moves into the final weeks.

Speaker Nunez, Pro Tempore Perata, the California Teachers Association (CTA) and now Governor Arnold Schwarzenegger have endorsed Proposition 93. The initiative is also receiving its share of opposition including from Insurance Commissioner Steve Poizner, former Governor Pete Wilson and the California Chamber of Commerce. Former Governor Wilson and the Chamber’s opposition arise from the fact that this proposal is not linked to a proposal to reform redistricting in California.

While Proposition 93 does not directly impact the CSU it will be significant as it relates to influencing the policy and budget process in Sacramento. If Proposition 93 fails 34 members will be termed out after this session including the Senate Majority Leader, Dick Ackerman; Senate President Pro Tempore, Don Perata; and Speaker of the Assembly, Fabian Nunez. If the voters approve this initiative the state could see some stabilization in the process giving current incumbents from four to six more years of service in the legislature.

The leadership of both houses will also be in play immediately after this election, should the measure fail. Decisions on the budget, legislative leadership, committees, and legislative direction will all be in flux. Some of the most important decisions the state will be making this year will likely take place after this election and will depend on its results.

Propositions 94-97: Tribal Gaming: The California Constitution allows the Governor to negotiate compacts with Indian tribes in California to operate casinos, with certain numbers of slot machines and card games, with the Legislature’s

approval. In 1999, Governor Davis negotiated compacts with 58 tribes, and the Legislature ratified those compacts, which provide limits on the numbers of machines, require payment by the tribes to two state funds, and other conditions related to employee organizations and environmental reports. Currently, the revenues sent to the State are allocated to non-gaming tribes, used to support the agency that regulates gaming, and also granted to local governments to mitigate some of the costs associated with the existence of the casinos. No funds currently go into the State General Fund.

Agreements negotiated last year with four tribes by Governor Schwarzenegger would significantly expand the number of slot machines for four of California’s tribes, all in the Riverside and San Diego areas. In exchange, the tribes would for the first time provide revenue directly to the State General Fund. The tribes would be authorized to increase the number of slot machines from the current total of 8,000 to a total of 25,000. The LAO estimates that the State would receive just under \$200 million in revenues over the next several years, if the casinos expand to the fully authorized level.

After the Legislature ratified the compacts, a referendum on the laws was circulated and placed on the ballot. Thus, the laws and compacts cannot take effect unless further ratified by a vote of the people. Further complicating this issue is the early action by the Federal Government to also approve the compacts, despite their being placed in limbo by the referendum. It is unclear how the Federal Government approval will operate if the initiatives are defeated.

SYSTEMWIDE BUDGET OFFICE

On January 10, 2008, Governor Schwarzenegger submitted his 2008-09 state budget to the legislature. The budget recognized California’s current \$14.5 billion fiscal deficit and proposed to balance the state budget with alternative financing mechanisms and “across-the-board” reductions of 10 percent to all state budgets including the California State University (CSU). The Governor’s proposed budget for the CSU consists of a \$312.9 million unallocated reduction and rejecting the Board of Trustees request for \$73.2 million to avoid a 10 percent increase in student fees in the 2008-09 academic year.

The Governor’s proposes to address the \$14.5 billion budget deficit with \$3.3 billion in additional

deficit financing bonds; \$1.5 billion by postponing a schedule deficit bond prepayment; \$2 billion by accruing tax revenues from one fiscal year to the previous fiscal year; \$4.4 billion in Proposition 98 reductions; and \$4 billion in “across-the-board” state agency and program reductions, including the CSU. This approach to balancing the budget would be accomplished with no general tax increases and allows the state to retain a budget reserve of \$2.8 billion. State lawmakers have been critical of the Governor’s approach to balancing the state budget and the Legislative Analyst’s Office (LAO) has suggested a “more balanced approach” should be considered including reducing tax expenditures and considering additional tax revenue as options to addressing the deficit.

In the case of the CSU, the \$386.1 million reduction from the Board of Trustees recommended 2008-09 CSU budget has a significant impact on student access, compensation, student fees, and CSU mandatory costs. The lack of state General Fund support will preclude the CSU from admitting an additional 10,000 students in the 2008-09 academic year when overall demand by entering freshman is up 11.5 percent or 42,000 application for fall 2008. It also comes at a time when CSU is already 13,000 students over its state funded enrollment target that should have generated an additional \$77 million to the CSU in the 2007-08 academic year. The Governor’s budget also included significant “mid-year reductions” to many state agency and K-14 funding for the 2007-08 fiscal year. Fortunately at this point, the CSU has not been subject to any proposed 2007-08 budget reductions.

CSU has supported student access, completed extensive compensation agreements, and has experienced rising mandatory costs such as health benefits and energy costs. The \$386.1 million reduction in state General Fund support will not allow the CSU to meet the needs for student access, compensation obligations, health benefits, or other growing mandatory costs. The Governor’s budget also assumes a 10 percent increase in student fees generating \$109.7 million in revenue of which one-third would be set-aside for state university grants. Finally, resources for academic technology, libraries, and deferred maintenance that have long been under funded in the CSU budget will not receive the \$43 million in state General Fund support that was recommended by the CSU Trustees when they approved the 2008-09 budget last fall.

There is some good news on the capital outlay budget where the Governor proposed to provide an

additional \$50 million annually to boost the CSU facilities budget to \$395 million annually. CSU hopes the legislature will support this additional funding in their efforts to place a capital outlay bond measure on the November 2008 statewide ballot. However, any restoration of the \$386.1 million in state General Fund support to the CSU budget will require a unified advocacy effort and recognition of CSU’s critical role in the growth and fiscal health of the California economy.

Copies of CSU budget reports and other budget information pertaining to the CSU are available on the Budget Office website at: <http://www.calstate.edu/budget/>.

The Business and Finance Newsletter is accessible at: www.calstate.edu/BF/Newsletters/NewsLet.shtml

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