



THE CALIFORNIA STATE UNIVERSITY

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Report of the Meeting of the Board of Trustees October 28, 2004 Kathleen Kaiser, Faculty Trustee

The full Board of Trustees (BOT) met in Long Beach at the Chancellor's Headquarters.

I want to remind Senate Chairs, Statewide Senators and other campus leadership to make sure that BOT members, especially the new trustees, are invited to campuses. From the new trustees who have been able to arrange some campus visits, I am hearing great enthusiasm about the time they spent meeting students, faculty and staff and learning about some of the issues facing our campuses at the ground floor. I also remind you that while some of your campuses have contacted David McNeil, Chair of the Academic Senate CSU and me about our shared visits to campuses; we hope to visit the remaining nine campuses during the eight months in which most of our campuses will be in full operation. Given the crowding of our separate and shared travel schedules, the earlier you contact us and the more dates that you can offer us, the greater the opportunity for a satisfactory date for the campus visit. So far CSU San Bernardino and CSU San Marcos have given us firm dates and I hope that we can begin to settle some others. Please contact David or Ann Peacock about possible dates for your campus visit.

The overriding issue which consumed the BOT at the last meeting ("Principles Governing a State Funding and Student Fee Policy") was removed from the agenda. This one-day meeting originally scheduled only for the presentation of the 2005/06 Budget Proposal, had two other committees (University and Faculty Personnel and Collective Bargaining) added to the agenda. It should be noted that a Student Fee Increase was part of the 2005-06 Budget Proposal and generated almost all of the attention of speakers before the BOT.

10 A.M.--**Committee on University and Faculty Personnel** met on a single action item, *Executive Compensation: San José State University Interim President*. Don W. Kassing shall receive an annual salary of \$230,004 effective August 1, 2004. His interim appointment is not expected to exceed two years and he must live in the university-approved residence at 130 East San Fernando. The action item was approved.

10:10 AM--**Closed Session on Collective Bargaining** was followed by Open session. Minutes from the September 14, 2004 meeting were approved. Jackie McClain, Vice Chancellor for Human Resources, followed up the United Auto Workers (UAW) Voluntary Recognition Settlement passed by the BOT in September by informing the BOT of the initial proposals by the California State University (CSU) and the UAW for bargaining the first contract with the UAW. These initial proposals were adopted by the BOT for beginning the bargaining process.

11:15 A.M **Finance**--Three related resolutions were presented to the BOT as one set of resolutions for their consideration, first of the Committee and then by the BOT as a whole:

1. State Appropriated 2005/2006 Support Budget
2. 2005/2006 State University Fee Level
3. 2005/2006 Lottery Revenue Budget

Virtually all of the presentations to members of the Board and the vast majority of questions from the Board focused concern on the number two item - Student Fees. While both Executive Vice Chancellor Richard West and Assistant Vice Chancellor Patrick Lenz gave an extensive review of the economic and historical forces that have influenced the budget of the CSU over the last fifteen years, some of the most critical factors resided in a few telling factors. Currently the estimate of the State's Structural Budget Gap is \$6 Billion for Fiscal Year (FY) 05/06 and \$9 Billion for FY 06/07 with only about \$3.7 billion left over in the Economic Recovery Bonds. Simply stated the State of California is not in better, but projected to be in worse, fiscal straits than our current situation in FY 04/05.

The opportunity for the State to cut spending is confined to the following areas: 43.3% is Constitutionally protected via Prop 98 to K-12; 32.4 % is Health & Human Services, protected by Federal Matching dollars and maintenance of effort; 8.1% is for Corrections under protection of the courts; 4.3% is all other-tax relief, FTB, BOE, BTH, etc.; finally 11.9% is University and Other Higher Education. We are the only segment that does not have a mandated protection, only a legislative intent in the Master Plan. California has an enormously unstable tax base and its highs and lows have played out in the funding for the CSU. If we look at the CSU funding deficiency 2002-2005 at \$-522.30 Million and then at the state funding and student fee revenue per full-time equivalent student (FTES) from 2001 to 2007, a chilling effect is clearly evident.

Year	FTES	Student Fees
2001/2002	\$8,519	\$2,240
2002/2003	\$8,077	\$2,299
2003/2004	\$7,052	\$3,015
2004/2005	\$6,781	\$3,429

As the above table illustrates, in 2004/05 the state funding is down by -\$1,738 (only 79.5% at \$6,781) and student fees are up by \$1189 (153%) to \$3,429. While clearly the reduction in state funding is anticipating the 'fill-in' effect of the increase in student fees, it ignores the Unfunded Mandatory Costs of \$- 57.5 Million and that the total net budget reductions were \$-562.6 Million over this same time period. The State has continually cut its Marginal Cost for FTES each year, while in fact all costs related to higher education rose in the same funding cycle.

- Moving to the Budget figures for 2005/06 and the Compact, the total budget request was to be \$3.711 Billion. We still have the State underfunding FTES with the State Marginal Cost for 2.5% enrollment growth only projected at \$6,270 (8,103 FTES)=\$50,806,000 and a 3% increase for general operations at \$72,791,000 for a general fund partnership of \$123,597,000.
- The Partnership Fee Revenue was to be divided between 2.8% growth (\$25,334,000) and fee increases-- 8% undergraduate & teaching credential students/10% graduate (\$75,914,000) for a total of \$101,248,000 (45%) out of the final total projected increased funds of \$224,845,000. Thus 2005/06 would have us returning to a very slight increase for the first time since 2001/02 in state general funding per FTES to \$6,987 and with the student fee revenue also increasing to \$3,650 per FTES.
- It is clear that the state is still putting greater pressure on the student fee revenue side, but according to the compact, 2005/06 would start a six year cycle of adjustments to the base budget of 3% annually for 2005/06-2006/07 (\$73 Million) and of 4% annually for 2007/08-2010/11 (plus an additional 1% for core academic needs).

The Board heard that about 45% of our students do not apply for financial aid, 45% apply for needs-based financial aid and the remainder are eligible for some type of grant based aid. Those who are dependent on their parents have average family incomes about \$36,500 and those who are independent have average incomes (may

include spouse) about \$16,800. The Compact assumes 20-33% of State University Fees (SUF) will go to financial aid. In the budget presented, 25% goes to State University Grants (SUG) for an increase of 2,700 or about 27% in grants at an additional \$23.3 million. If we look at SUF over a ten-year cycle (1995/96-2005/06) we see an increase of nearly \$1,000 (\$1,584 to \$2,520). If we examine the SUF from a time period before the fiscal crisis of the 1990's to the current year (1981/82-2004/05) and look at the actual SUF changes vs. what a ten percent incremental increase would have produced, we would be virtually at almost the same SUF. While we are at the bottom of our comparison Universities on SUF for 2004/05, on a cost of attendance comparison, the CSU moves up to the bottom of the top two-thirds at \$14,001 vs. the CPEC average of \$15,096 for on-campus students.

The 2005/06 CSU budget augmentation based on the Compact was split the following ways: Mandatory costs \$41.8 Million, Enrollment Growth (8,103 FTES) \$63.8 Million, Financial Aid (25% of new fee revenue) \$23.3 Million, Compensation \$88.1 Million, and Long Term Needs (libraries, technology, deferred maintenance) \$7.9 Million for a total of \$224.9 Million. Mandatory costs include health benefits, dental benefits, new space, insurance costs and energy costs. Compensation over a ten-year cycle from 1996/97 shows a significant break between 2000/01 and 2001/02, with the median amount of increase being 4% and the average (including the proposed 3.5%) at 3.65%. Compensation does not indicate an overall salary increase per se, but also reflects SSI and promotional steps. During this same time period, the California Postsecondary Education Commission (CPEC) actual faculty salary lag was averaging -7.4% but in descending order so that the largest projected lag is in 2004/05 at 12.7%. The compensation increase for non-faculty averaged 3.02% (including proposed) with the median 4% but again the significant break was noted in the same year as faculty with an even more severe decline for non-faculty.

The final budget item was the 2005/06 Recommended Lottery Revenue, which is an estimate and assumed decreased funds of \$41,500,000 with a \$5 Million reserve, \$3 Million to the Forgivable Loan/Doctoral Incentive Program, \$714,000 to the CA Pre-Doctoral Program, \$1.2 Million to the CSU Summer Arts Program and Systemwide Implementation Costs of \$491,000 with the remainder going to campus based programs of \$31,095,000. The three Systemwide programs would be funded at last year's levels.

With the understanding achieved with all presenters before the BOT, the speakers spoke only once and they chose to speak to the Finance Committee before the vote. I cannot note all the speakers but only the representatives of major organizations as a unit. Manolo Platin, chair of the California State Student Association (CSSA), powerfully presented, both in writing and as an oral statement; the opposition of the CSSA to continued increases in student fees and urged the BOT to work with them in seeking greater funding for the CSU. Many individual students from several campuses, including CSU Dominguez Hills and Cal Poly University, Pomona gave personal stories of the hardships that they were suffering with continued fee increases and the hardships of getting necessary classes. The CSSA also included a resolution urging the BOT and the CSU to assess academic advising in the CSU and to seek greater resources and set a strategic plan to improve academic advising. Finally a letter to the Chancellor and the BOT reminded all that the Revised Policy on Energy Conservation, Sustainable Building Practices and Physical Plant Management in May 2004 was a first step and urge us to make greater progress towards the goals of clean energy, green buildings, and energy efficiency.

David McNeil, Chair of the Academic Senate CSU (ASCSU), noted that a letter to the BOT had been sent, citing the purpose of the ASCSU, and including a copy of the *CSU at the Beginning of the 21st Century: Meeting the Needs of the People of California*. The letter further directed the BOT's attention to two other reports. Faculty workload was examined in 2002/03 in comparison to faculty at other institutions and Faculty Flow notes the patterns of recruitment, retention, and retirement of tenured and tt faculty in the CSU. Included with the letter were updates to all three of these reports: CPEC "parity figure" and CSU faculty salaries; workload; and long-term increases in the student-faculty ratio. The implication of these in budget planning was

given as... "The CSU adjusted to the reduced levels of state support since 1990 in part by increasing faculty workloads and reducing faculty pay." John Travis, President of California Faculty Association (CFA), earlier in a letter and then in person, urged the CSU and the BOT to not regard the Compact as a ceiling but a floor. Several CFA representatives urged the BOT to not increase student fees but instead to work together politically towards gaining greater funding from the State for the critical contribution that the CSU makes towards California's economy, in particular for ACR 73. Pat Gantt, Director of California State Employees Association (CSEA) also spoke about seeking greater funding for the CSU.

The adoption of the three sets of resolutions by the Finance Committee was then followed by BOT adoption:

1. State Appropriated 2005/06 Support Budget
2. 2005/06 State University Fee Level, with Trustees Guerra and Icaza and Lieutenant Governor Bustamante voting no. There was the stipulation that if any changes to the rate increase are required by the Budget Act approved for 2005/06, the Chancellor would alert the BOT and call a meeting as soon as feasible given the 10 day minimum public notice time period.
3. 2005/06 Lottery Revenue Budget was approved. This concluded a difficult set of choices for the BOT, faced with the need to set a 2005/06 budget in time for new student admissions, which may close, based on the campus, on the last day of November. This deadline is coupled with the need to communicate to students and their families a realistic sense of the proposed fees, early enough for families to engage in fiscal planning. As was stated at prior BOT meetings, the assumption is clear that this is a floor, rather than the ceiling, for the 2005/06 CSU Support Budget.

1:30 PM Meeting of the Whole was called to order--As noted all presenters spoke directly at the Committee on Finance meeting. The only other information, besides the resolutions noted above, was the notification to the BOT by the Chair of the Trustee's Selection Committee for President of CSU Stanislaus that they met in open session on Oct. 26, 2004 on the campus.