

AGENDA

COMMITTEE ON FINANCE

Meeting: 1:30 p.m., Wednesday, July 7, 1999
Glenn S. Dumke Conference Center

Anthony M. Vitti, Chair
Laurence K. Gould, Jr., Vice Chair
Bob Foster
Harold Goldwhite
Eric C. Mitchell
Frederick W. Pierce IV
Ali C. Razi
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of May 11, 1999

1. Proposed Merger of Two Auxiliary Organizations at Humboldt State University, *action*

Discussion Items

1. Status Report on the 1999/2000 Support Budget, *Information*
2. 1999/2000 State University Fee Scheduled (revised), *action*

**MINUTES OF MEETING OF
COMMITTEE ON FINANCE**

**Trustees of The California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

May 11, 1999

Members Present

Laurence K. Gould, Vice Chair
William D. Campbell
Martha C. Fallgatter
Harold Goldwhite
William Hauck, Chairman of the Board, ex officio
Eric C. Mitchell
Joan Otomo-Corgel
Frederick W. Pierce IV
Ali C. Razi
Charles B. Reed, Chancellor, ex officio
Michael D. Stennis
Stanley T. Wang

Members Absent

Anthony M. Vitti, Chair

Other Trustees Present

Ralph R. Pesqueira

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor and Chief Academic Officer
Richard P. West, Executive Vice Chancellor and Chief Financial Officer
Douglas X. Patiño, Vice Chancellor, University Advancement
Christine Helwick, General Counsel

Presidential Liaisons

Ruben Armiñana, President, Sonoma State University, present
Albert K. Karnig, President, California State University, San Bernardino, present

Mr. Laurence K. Gould, Jr., vice chair, called the meeting to order at 2:45 p.m.

The minutes of March 16, 1999, were approved.

Status Report on the 1999/2000 Support Budget

Mr. Laurence K. Gould, vice chair, asked Mr. Richard P. West, executive vice chancellor and chief financial officer, to present the report.

Mr. West reported that the Governor's Office is expected to announce the May Revise on Friday, May 14. He said the governor has made it clear that his priorities for the excess/surplus funds are: (1) to establish a reserve of approximately \$1 billion; (2) K-12 education funding; and (3) state employee salaries.

Mr. West noted that positive discussions with the Department of Finance and the Secretary of Education are continuing regarding Compact II. However, it is not likely that a compact will be announced as part of the May Revise. Mr. West referred to the agenda item chart which compares where we stand at the moment between the Trustees' Budget Request submitted in October 1998 and the Governor's Budget, published in January 1999. CSU's priorities are compensation and technology. In addition, augmentation is being sought for high cost programs (engineering, agriculture, architecture, nursing) to preserve the quality of those programs, and for a proposed outreach program to better prepare K-12 students for college level work. Other initiatives involving smaller amounts have been submitted for consideration as well.

Trustee Wang asked about long-term strategies for technology programs. Mr. West replied that such strategies are in place based on an overall planning process initiated approximately two to three years ago. Trustee Wang then asked what could be done to cover the \$23 million differential in the technology line. Mr. West responded that he was optimistic about receiving some, if not all, of that funding because the revenue is clearly there. He reiterated that it was a matter of what the governor's priorities are. One possibility would be to establish a deal over a three- to four-year period during the compact, where we could strike a bargain with the DOF and the governor to receive a \$6 or \$7 million increase per year until we reach that amount if not received in one lump sum.

Trustee Goldwhite asked for clarification of how the \$15 million for additional need was arrived at, and what it would be spent for. Mr. West explained that the amount was derived through a combination of discussions with the State Senate Budget Committees and analysis done at the Cal Poly San Luis Obispo campus. This analysis showed what level of funding we received prior to the recession in the early 1990s, and what we are now receiving for these programs.

Executive Vice Chancellor West explained that the next four agenda items were all public/private partnership proposals dealing with the use of university land for various types of initiatives. He explained they are all in varying stages of conceptualization and were being presented to the board for communication purposes and preliminary approval to move forward.

Private Sector Participation in the Development of a 10-Acre Parcel at California State University, Monterey Bay

Mr. West introduced the item which would involve relocation of the Chartwell School to a 10-acre parcel on the Monterey Bay campus. The Chartwell School is a regionally well-respected special education facility that, if placed on the campus, would provide a number of opportunities for the campus, students, and the surrounding community.

Dr. Peter P. Smith, president, CSU Monterey Bay, presented a brief overview of the history and purpose of the proposed resolution. He explained there has been a delay in conveyance of the property targeted specifically for the school; however, he did not see the delay as being a threat to moving forward with the project. President Smith noted that the item was being presented to the board for preliminary approval and would be brought back at a later date with a more detailed and thorough proposal.

Chairman Hauck inquired whether the project could go forward without conveyance of the additional acres. President Smith responded that it was necessary to adhere to the overall campus master plan to avoid problems down the road, therefore it was important to obtain the additional land required for this project.

Trustee Pierce expressed his support for this type of project and said it was one of the best ways in which CSU could move toward adding value to our campuses in a resource constrained environment. He stressed the importance of attempting to better understand the underlying economic value of CSU land in order to apply appropriate decisions on land use in the future.

The committee recommended approval of the proposed resolution (RFIN 05-99-03).

Public Sector Participation in the Development of a California Regional Forensic Science Facility at California State University, Los Angeles

Executive Vice Chancellor West introduced the item and explained that the trustees are being asked to review and approve the concept of establishment of a forensic science facility on the CSU Los Angeles campus.

Dr. James M. Rosser, president, California State University, Los Angeles, presented a synopsis of the project and discussed the multiple opportunities a project of this nature could provide to students, faculty, the community, and numerous law enforcement entities. It is an exciting project that would provide for a world-class forensic science facility and allow for collaboration with the Fresno and Sacramento campuses, and with the UC in pursuing a joint doctoral program.

Trustee Razi inquired how this project might affect the campus master plan. President Rosser answered that there would be some loss of parking space, but looking within the overall concept of the campus physical plan, the long-term benefits that will accrue to the campus appear to far outweigh the consequences of the loss of parking capacity.

Trustee Razi asked whether the campus had ever considered acquiring additional property. President Rosser replied that this possibility had been explored in the past and is just not feasible given the complicated economic and urban relocation considerations involved in purchasing additional land.

The committee recommended approval of the proposed resolution (RFIN 05-99-04).

Public Sector Participation in the Development of a Department of Justice Crime Laboratory at California State University, Fresno

Vice Chair Gould asked Dr. John D. Welty, president, California State University, Fresno, to present the action item.

President Welty explained the details of the proposal and said that it was part of a larger project involving the Fresno campus' Science Center. Approval to move forward with the resolution will allow the campus to pursue development of a two-acre, 36,000 gross square foot crime laboratory on campus-owned land.

The committee recommended approval of the proposed resolution (RFIN 05-99-05).

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Private Sector Participation in the Development of a 150-Acre Vineyard at California Polytechnic State University, San Luis Obispo

Executive Vice Chancellor West noted that the board had previously reviewed this item in March. Mr. West asked Dr. Warren J. Baker, president, California Polytechnic State University, San Luis Obispo, to present an update on the project.

President Baker recapped the intent and purpose of the proposed vineyard partnership. He reassured the board that all investment and management requirements would be handled by the partner, the E&J Gallo Company. Other components of the project would involve provision of internships and adjunct faculty as well as an annual donation to the university based on the size and sale price of the crop.

President Baker clarified one of the questions asked at the March meeting regarding how the lease of the land was to be handled. The amount of land involved is approximately 2.5 percent of the total campus acreage. The land will be leased to the Cal Poly Foundation. The Foundation will then enter into an agreement with the E&J Gallo Company to operate the facility and provide access to the university for research and instruction.

Trustee Pierce inquired whether the campus had been able to determine the commercial value of the property involved. President Baker said it was difficult to determine the fair commercial value of agriculture land; however for its current use, adding up all the resources that will be provided to the university (cash, adjunct faculty, internships, etc.), analysis indicates that the value would be significantly better than what could be obtained commercially.

In closing, President Baker stressed the importance of the laboratory aspect of the project and the substantial benefits and valuable resources this project would provide to students in multiple disciplines within the campus community.

The committee recommended approval of the proposed resolution (RFIN 05-99-06).

Adjournment

The meeting adjourned at 3:22 p.m.

BRIEF

Action Item

Agenda Item 1
July 7-8, 1999

COMMITTEE ON FINANCE

Proposed Merger of Two Auxiliary Organizations at Humboldt State University

Presentation By

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

Summary

This item requests Board of Trustees' approval for one recognized auxiliary organization at Humboldt State University to become successor to the net assets of another recognized auxiliary organization upon its scheduled dissolution. Approving this transfer of assets will allow the campus to merge the two organizations' operations and functions. The merger would provide better services to students through realizing economies of scale and other organizational efficiencies.

This request is consistent with Section 42600 of Title 5 of the California Code of Regulations which requires that articles of incorporation or bylaws of auxiliary organizations provide that upon dissolution of the organization, net assets, other than trust funds, be distributed to a successor organization approved by the president of the campus and by the Board of Trustees.

Recommended Action

Approval of the resolution.

ITEM

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Agenda Item 1
July 7-8, 1999

COMMITTEE ON FINANCE

Proposed Merger of Two Auxiliary Organizations at Humboldt State University

Background

Humboldt State University is requesting Board of Trustees' approval for Humboldt State University Center Board of Directors (HSUCBD), a recognized auxiliary organization, as the successor to the net assets of Lumberjack Enterprises (LJE), also a recognized auxiliary organization, upon its scheduled dissolution. This merger will eliminate administrative and operational duplication while enhancing program quality and service delivery.

The proposed merger combines LJE's dining services and other activities with functions of HSUCBD, which include campus bookstore management, university ticket office operations, a center arts program, center activities, and university union building management. No employee layoffs are anticipated to result from the merger: current LJE employees will become HSUCBD employees.

Planning

In September 1998 the campus asked both HSUCBD's and LJE's governing boards to review their roles on campus. The boards were also asked to consider consolidating their operations as a way to eliminate duplication of effort and enhance service efficiency. Responding to the request, each of the governing boards asked its management staff to consider the merits of a possible merger. The respective governing boards concluded at their December 1998 meetings, after review of management findings and recommendations, that a merger of their organizations would yield administrative and economic efficiencies and provide the university with high quality services and programs.

Subsequently, the executive committee of both governing boards met to develop recommendations on legal matters, governance, cost analysis, and a merger timeline. In March 1999 HSUCBD and LJE held separate board meetings and unanimously adopted a resolution to merge their operations.

Benefits

The governing boards and their management staff strongly believe that the proposed merger of the two Humboldt State University auxiliary organizations will create new value for university stakeholders through better use of existing assets, increased productivity, reduced costs, improved service delivery, and increased flexibility.

Proposed Merger

The merger resolution incorporates an agreement between HSUCBD and LJE detailing each of their responsibilities. Some key components of this agreement include:

- The agreement to merge is subject to (1) approval by the campus president and (2) approval by the Board of Trustees of HSUCBD's being the successor to LJE's net assets.
- The merger target date is July 1, 1999, or as soon thereafter as possible to obtain any approvals required by law, by the articles of incorporation or by the two organizations' bylaws.

- The corporate identity, existence, purposes, powers, rights, and immunities of LJE will be merged into and vested in HSUCBD.
- HSUCBD will be subject to all of LJE's debts, liabilities, and trust obligations in the same manner as if HSUCBD had incurred them.
- The bylaws of HSUCBD will be amended to reflect a total of fourteen board members. There will be a total of seven student and seven non-student board members.

Approvals

The campus president has endorsed the merger of the two auxiliary organizations and approved the HSUCBD as the successor to the net assets of LJE upon its scheduled dissolution. The campus is now requesting that the Board of Trustees also approve HSUCBD as the successor to the net assets of LJE as part of the implementation of the merger.

Proposed Resolution

The following resolution is recommended for adoption:

RESOLVED, By the Board of Trustees of The California State University, that the board approve, pursuant to Section 42600 of Title 5 of the California Code of Regulations, Humboldt State University Center Board of Directors as the successor to the net assets, other than trust funds, of Lumberjack Enterprises, upon its scheduled dissolution.

BRIEF

Information Item

Agenda Item 2
July 7-8, 1999

COMMITTEE ON FINANCE

Status Report on the 1999/2000 Support Budget

Presentation By

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

Summary

The Governor's May Revise reflects an increase in CSU General Fund support of \$68.9 million. The CSU would plan to apply \$25 million of additional funding to compensation. The Governor's May Revise specifies uses of additional CSU General Fund support to agricultural research, \$4 million; campus planning at Channel Islands, \$835,000; and outreach programs to improve student access for higher education, \$9 million. The May Revise also includes funding to support 5 percent reductions in the State University Fee for undergraduate students, \$20 million, and graduate students, \$4.2 million.

The joint legislative conference committee is in the process of resolving differences between Assembly and Senate versions of the 1999/2000 state budget, and it is anticipated that agreement will be reached on schedule. Both the Assembly and Senate versions of the 1999/2000 state budgets include CSU General Fund support above the May Revise in technology, compensation, and Coachella Valley. However, issues of concern to CSU remain under consideration.

ITEM

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Agenda Item 2
July 7-8, 1999

COMMITTEE ON FINANCE

Status Report on the 1999/2000 Support Budget

The California State University proposed 1999/2000 Support Budget was presented at the October 1998 meeting of the Board of Trustees. The budget request for 1999/2000 totaled \$2.4 billion in General Fund support and \$768.3 million to be collected as revenue and reimbursements. The General Fund request was calculated in accordance with the higher education funding compact used to develop the last four CSU budget requests and reflected the elimination of one-time funds provided in 1998/99 for state-recognized CSU budget deficiencies. In addition, funding above compact levels were requested for special state investments in higher education that included funding for CSU's technology initiative, a supplemental salary increase for faculty, continuance of funding provided for teacher recruitment, and special campus initiatives for Channel Islands, Coachella Valley and applied agricultural research. CSU further requested that the state continue to recognize structural budget deficiencies in funding for deferred maintenance, instructional equipment, and libraries if resources were available.

The governor's proposed 1999/2000 budget, issued in January, included appropriations that supported just over half of the total CSU funding request. The total governor's budget proposal provided a \$110.9 million increase in General Fund support and \$6 million in nonresident tuition revenue. The governor's action was taken in part to respond to estimates that state revenues were going to fall as much as \$1 billion short of estimates.

Prior to the Governor's May Revise, state revenues estimates were revised to reflect a \$4 billion increase in available state resources. The Governor's May Revise provides an increase in CSU General Fund support of \$68.9 million. The May Revise no longer includes \$6 million in revenue that would result from an increase in the nonresident tuition fee. The CSU would target \$25 million of additional CSU General Fund support for compensation. The compensation pool would increase from 2.45 percent as provided in the January governor's budget to 3.8 percent, which remains short of trustees' 4 percent budget request. Also, the additional 2 percent faculty compensation supplement has not been included in the May Revise. The Governor's May Revise specifies uses of additional CSU General Fund support to agricultural research, \$4 million; campus planning at Channel Islands, \$835,000; and outreach programs to improve student access for higher education, \$9 million. The May Revise also includes funding to support a reduction of 5 percent in the State University Fee for undergraduate students (\$20 million) and graduate students (\$4.2 million). The May Revise also falls short of the trustees' budget request in areas of technology, Coachella Valley, and state-recognized deficiencies.

The joint legislative conference committee is in the process of resolving differences between Assembly and Senate versions of the 1999/2000 state budget, and it is anticipated that agreement will be reached on schedule. Both the Assembly's and Senate's 1999/2000 draft budgets include General Fund support above the May Revise for technology, compensation (including additional 2 percent for faculty supplement), and Coachella Valley. The Senate version also includes some General Fund support for CSU's state-recognized deficiencies. The Assembly and Senate versions of the 1999/2000 state budgets remain short of the trustees' budget request in areas of technology and state-recognized deficiencies.

The following table compares the 1999/2000 trustees' budget request to the Governor's January Budget, May Revise, and current conference action.

1999/2000 CSU Support Budget - Current Actions

	Revised October Request	Governor's January Budget	May Revise	Conference Action
Dental Annuitants Benefits	\$1,356,000	\$1,356,000 *	\$1,356,000
Mandatory Costs				
Full-Year Compensation	\$2,500,000	2,500,000	2,500,000	2,500,000
Benefits Rate Increase	7,400,000	9,216,000	9,216,000	9,216,000
New Space	2,057,000	2,057,000	2,057,000	2,057,000
State University Grants	3,277,000	3,277,000	3,277,000 *	3,277,000
Compensation	73,440,000	44,982,000	69,852,000	73,440,000
3% Enrollment	52,516,000	52,516,000	52,516,000 *	52,516,000
Enrollment	0	0	0	0
Summer Session Preparation	2,429,000	2,200,000	2,200,000	2,200,000
Plant Maintenance	4,000,000	4,000,000	4,000,000 *	4,000,000
Monterey Bay Start Up Supplement	2,833,000	2,833,000	2,833,000	2,833,000
Technology	25,000,000	2,000,000	2,000,000	10,000,000
2% Faculty Compensation Supplement	19,512,000	0	0	19,512,000
Coachella Valley	380,000	0	0	380,000
Channel Islands	2,000,000	1,165,000	2,000,000 *	2,000,000
Applied Agricultural Research	5,000,000	1,000,000	5,000,000 *	5,000,000
State-recognized Deficiencies	45,000,000	0	0	13,000,000 ⁽¹⁾
Outreach				
Faculty-to-Faculty K-12/University Alliances	0	0	5,000,000 *	5,000,000
K-12 Student Learning Assistance Programs	0	0	4,000,000 *	4,000,000
Precollegiate Academic Development	0	0	0	1,000,000
EOP Grants	0	0	0	3,400,000
California Academic Partnership Program	0	0	0	2,000,000
High Cost Programs	0	0	0	15,000,000
Full-Year Faculty Compensation	0	0	0	6,800,000
Skilled Trades Compensation Supplement	0	0	0	889,000
CSEA Compensation Supplement	0	0	0	8,400,000
Stockton	0	0	0	1,300,000
Verducci Hall	0	0	0	2,400,000 ⁽²⁾
Biotechnology	0	0	0	2,000,000
Hepatitis B Immunization - Peace	0	0	0	50,000
Judicial Fellows Expansion	0	0	0	153,000
Member Requests - Not sponsored by CSU				
Water Research Initiative - San Bernardino	0	0	0	100,000 ⁽³⁾
San Diego State International Training Center	0	0	0	350,000
Spanish Book Collection - San Marcos	0	0	0	250,000
Cal Poly Pomona Engineering	0	0	0	360,000
Total Increased Budget Support⁽⁴⁾	\$247,344,000	\$129,102,000	\$167,807,000	\$256,739,000
Sources of Funds				
General Fund	\$235,103,000	\$110,861,000	\$179,766,000	\$268,698,000
Student Fee Income - Nonresident Tuition	0	6,000,000	0	0
Net Student Fee Income - State University Fee	12,241,000	12,241,000	12,241,000	12,241,000
5% Undergraduate Fee Reduction - State University Fee	0	0	(20,000,000)	(20,000,000)
5% Graduate Fee Reduction - State University Fee	0	0	(4,200,000)	(4,200,000)
	\$247,344,000	\$129,102,000	\$167,807,000	\$256,739,000

NOTES

* Specified in Governor's Budget

(1) Senate action provides one-time funding for deferred maintenance.

(2) Fund source is still under consideration.

(3) One-time Funding in 1999/2000 only.

(4) Conference committee is considering YRO supplemental report language with no budget action.

\$270,000 compensation augmentation for SUPA pending in Conference Committee as a Member's request.

BRIEF

Action Item

Agenda Item 3
July 7-8, 1999

COMMITTEE ON FINANCE

1999/2000 State University Fee Schedule (revised)

Presentation By

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

Summary

The 1999/2000 May Revise and budgets approved by Assembly, Senate, and Legislative Conference Committees included funding to support a 5 percent reduction in California State University's State University Fee for both undergraduate and graduate students. In anticipation of final budget approval that will include funding to support fee reductions, a revised fee schedule has been developed for approval by the Board of Trustees.

Recommended Action

Adoption of the proposed resolution.

ITEM

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Agenda Item 3
July 7-8, 1999

COMMITTEE ON FINANCE

1999/2000 State University Fee Schedule (revised)

In anticipation of final state budget approval that will provide funds in support of a 5 percent reduction in undergraduate and graduate State University Fees, a revised fee schedule has been developed for approval by the Board of Trustees.

1999/2000 State University Fee Schedule (revised)

RESOLVED, By the Board of Trustees of The California State University, that if the state budget as enacted provides funds in support of a 5 percent reduction in undergraduate and graduate State University Fees, the following schedule for the State University Fee is approved for the 1999/2000 academic year effective the fall term 1999 and until further amended:

1999/2000 State University Fee Schedule (Effective fall term 1999)

All campuses, except California State University, Stanislaus:

<u>Units</u>	<u>Per Semester</u>	<u>Per Quarter</u>	<u>Per Academic Year</u>
Undergraduate			
6.1 or more	\$714	\$476	\$1,428
0 to 6.0	\$414	\$276	\$ 828
Graduate			
6.1 or more	\$753	\$502	\$1,506
0 to 6.0	\$438	\$292	\$ 876

California State University, Stanislaus:

<u>Units</u>	<u>Per Semester</u>	<u>Winter Term</u>	<u>Per Academic Year</u>
Undergraduate			
6.1 or more	\$650	\$128	\$1,428
0 to 6.0	\$350	\$128	\$ 828
Graduate			
6.1 or more	\$685	\$136	\$1,506
0 to 6.0	\$370	\$136	\$ 876

And, be it further

RESOLVED, That the chancellor may approve individual campus State University Fee rates that do not exceed the maximum fee rates established by this fee schedule for the 1999/2000 fiscal year.