VI. FUNDING STRATEGY

This section summarizes the ITS-TII Funding Strategy as developed by the Funding Team[1], a task group established by the Systemwide Internal Partnership.

SCOPE AND GOAL

The funding goal of the ITS-TII is to have sufficient funds, both capital and support budgets, to:

- Build-out the intra-campus telecommunications infrastructure on all 23 campuses to minimum baseline standards;
- Renew and maintain the inter- and intra-campus infrastructure;
- Implement and renew, on a three-year cycle, the workstation environment for the faculty and staff and the student computing laboratories;
- Ensure quality operations and support of the network infrastructure and services--voice, video and data-- across the 23 campuses; and,
- Provide quality support services and training so all the students, faculty and staff may effectively access and utilize the growing amount of information resources required to advance the learning and teaching mission of the CSU.

CURRENT ENVIRONMENT

For most of this decade state revenues for higher education, as a percentage of the state budget, have been static or declining. Public resources to support the needs of colleges and universities (from buildings, supplies, and equipment, to faculty and staff salaries, and technology) are in competition with other priorities such as K-12, corrections, transportation, and health care. Although recent state support has improved, the support budget losses of the early 1990s have not been fully restored. Nor is it likely that with projected enrollment growth combined with increased competition for state financial support, will the CSU receive all of the funds required to finance the educational needs of the CSU. However, many of the funding gaps are currently being addressed, at least in part, as the state economy has improved.

The gap between the resource needs of the CSU and the funds provided by the State was the primary reason why the CSU pursued a relationship with corporations to form a technology infrastructure partnership. Using entrepreneurial means, including participation in third-party sales of technology goods and services, the CSU had hoped to narrow the funding gap in technology and alleviate at least some of the pressure on the State of California. A report of the California Postsecondary Education Commission (CPEC) indicated that CSU's efforts to develop a partnership with the private sector as a positive approach for helping to close the funding gaps.

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Unfortunately, the venture to form a partnership did not materialize. Fortunately, the state economic picture has brightened considerably, along with a growing acknowledgement during the course of the attempted partnership formation that the cost of the infrastructure build-out ought to be considered a state responsibility. Additionally, the cost of the entire TII -- infrastructure build-out, workstation provisioning and operational and service support -- might be advanced through a number of possible funding sources, including: capital outlay; support budget augmentations; operational efficiencies; new revenues through commercial alliances; and, other revenue programs.

TARGET ENVIRONMENT

Campus Telecommunication Infrastructure Build-Out Costs. A series of studies has identified $243.6 million, as the amount required to build-out the intra-campus infrastructure on the 23 campuses, completing a network to serve all students, faculty, and staff. The following chart depicts the breakdown of the costs.

CAMPUS TELECOMMUNICATIONS INFRASTRUCTURE BUILD-OUT COST COMPONENTS (IN MILLIONS)

Physical plant (e.g., pathways), intra-campus media	$135.4
Engineering, overhead	38.6
Electronics, media	59.8
Asbestos Containment	9.8
Total	$243.6

Given the size and nature of the project, it is evident that a combination of capital outlay, support, and special repairs budget will be needed to fund the build-out. Of the total costs, $167.6 million will come from the capital budget and $9.8 million from special repairs for asbestos containment. Since the infrastructure electronics must be refreshed and maintained on a three-year cycle, the initial build-out costs of $66.2 million for electronics, media and some engineering will come from the support budget. The ongoing annual support budget funding requirements will be $18.8 million per year to renew and maintain the electronics and infrastructure.

TII Annual Operating Costs. Based on SIP's planning the projected annual operating costs for TII fall into four cost centers:

- Campus Telecommunications Infrastructure – build-out of the 23 campuses to baseline and maintain and refresh it on an on-going basis.

- User Workstation Environment - provide faculty, staff and student laboratories with computers, software, training and user support services.

- Network Operations and Support Services – operate and support an integrated seamless voice, data and video network within and among the 23 campuses that provides connectivity from anyplace to anyplace at anytime.

- Student Personal Information Resource Kit* – provide CSU students with access to value added resources and services – software, training programs, internet services and help desk support - from anywhere, at anytime. In essence, equip CSU students with a Personal Information Resources Kit (PIRK).

Currently, the CSU spends about $177.8 million annually on technology and support services related to the initiative. An additional $83.4 million will be needed annually by FY 2002/03 to renew the technology as well as fund operations and support services.

ANNUAL OPERATING COST REQUIREMENTS (IN MILLIONS)

	NEED (2002/03)	CURRENT	UNMET
Campus Telecommunications Infrastructure	$18.8	$0.0	$18.8
User Workstation Environment	$137.9	$121.9	$16.0
Network Operations & Support	$62.2	$52.3	9.9
Student - Personal Information Resources Kit - PIRK	$42.3	$3.6	$38.7
TOTAL	**$261.2**	**$177.8**	**$83.4**

Campus Telecommunications Infrastructure --- As the CSU builds out the telecommunications infrastructure on the 23 campuses, it must refresh and maintain that infrastructure. Currently, the refresh and maintenance program is not systemically funded. The plan calls for the electronics to be systemically refreshed on an on-going three-year cycle, at an annual cost of $13.1 million. Another $5.7 million is required, annually, to maintain and warranty this infrastructure to ensure its availability to the students, faculty and staff.

User Workstation Environment --- CSU currently spends $121.9 million annually to provide workstation computers, related software, training and support services to faculty and staff and to students for use in campus computer laboratories. Direct information technology support and services provided by colleges, departments, media centers and libraries are also included in these costs. To attain the goal of providing a technically current user workstation environment and to provide quality core support services, SIP has projected the need for $137.9 million, annually.

Network Operations and Support Services --- CSU currently spends $52.3 million annually operating campus data, video and telephone services and 4CNet. The CSU has projected a need for $62.2 million annually. The $9.9 million deficit includes $5.7 million to upgrade the capacity of 4CNet. In addition, to facilitate effective communications and to guarantee proper authorization and security in using the

network CSU plans to implement a Unified Messaging System at a cost of $4.2 million per year. Currently, there are no funds budgeted for the UMS.

Student-Personal Information Resource Kit (PIRK) --- CSU currently spends $3.6 million to provide limited dial-in network connections so students can have access, from anywhere, to on-campus information resources and services that are vital to their educational experience. Only some campuses provide such service. Working with the California State Student Association (CSSA) and other student leaders, the University has made a preliminary estimate that $42.3 million will be needed annually to provide a minimum PIRK.

The Student PIRK program is still under development. With the help of a team of students a plan of action has been laid out for FY 1998/99 to determine student needs and requirements. This plan of action calls for a random sample survey to be conducted with CSU students from all 22 campuses this fall. Follow-up focus groups sessions will be held in the winter. Throughout the academic year education forums will be offered to students on all campuses.

By late spring a Student PIRK program will be finalized for implementation starting in FY 2000/01. As part of this plan, the University believes that all CSU students should be provided with value added resources and services – software, training programs, internet services and help desk support – so they can have access from anywhere, at anytime. Based on this work we propose implementation in the second year of our funding plan, FY2000-01.

FUNDING SOURCES and STRATEGY

CSU leadership has concluded that at least two categories of funding sources should be considered for ITS-TII: state support (bonds and general fund) and institutional support (redirection, productivity improvements and revenue programs). The Chancellor and the Presidents, after receiving input from various groups, have formulated a long range funding strategy for ITS-TII as depicted in the following.

NEW FUNDING REQUIREMENTS SOURCES (IN MILLIONS)

FUND SOURCE	FY 99/00	FY 00/01	FY 01/02	FY 02/03	FY 03/04
STATE GENERAL FUND					
• User Hardware / Software, Training & Support	$15.1	$15.1	$15.1	$15.1	$15.1
• Core Software & Training Programs Acquisition	$0.0	$0.0	$0.0	$0.0	$0.0
• Network Operations & Support (4CNet @ $5.7M & UMS @ $4.2M)	$9.9	$9.9	$9.9	$9.9	$9.9
GF SUB-TOTAL	**$25.0**	**$25.0**	**$25.0**	**$25.0**	**$25.0**
CSU RESOURCES					
• Campus Infrastructure Electronics and Interbuilding Media (Lease / Purchase – Initial Build-Out & 3-yr. Renew Cycle)	$3.5	$13.4	$18.7	$18.8	$18.8
• User Hardware / Software, Training and Support	$5.2	$5.2	$5.2	$5.2	$5.2
CSU SUB-TOTAL	**$8.7**	**$18.6**	**$23.9**	**$24.0**	**$24.0**
TO BE DETERMINED					
• Student Personal Information Resource Kit	$0.0	$34.4	$34.4	$34.4	$34.4
TOTAL	**$33.7**	**$78.0**	**$83.3**	**$83.4**	**$83.4**
CAPITAL OUTLAY BUDGET					
• Campus Infrastructure Build-Out to Baseline	$1.5	$48.7	$63.8	$53.6	$0.0

STATE

General Obligation Bonds. One major source is capital outlay funding which has been used primarily for land, buildings and equipment. Since 1992, telecommunications infrastructure has been recognized as a utility eligible for capital funding. Assuming the passage of a new bond issue, Proposition 1A, this again becomes a viable source of funding source for ITS-TII. CSU will allocate $114 million from Proposition 1A-bond funds for the first three years of the infrastructure build-out.

General Fund Support Budget. After several years of slow economic growth, State revenues are robust. As a consequence, the FY 1998/99 CSU budget contains $25.0 million of one-time funds for the ITS-TII. The CSU is proposing these funds be made

permanent starting in FY 1999/2000. These funds will be used to cover $15.1 million for the User Workstation Environment costs and $9.9 million for the Network Operations and Support costs.

CSU RESOURCES

CSU Redirection, Campus Productivity Improvements or Revenue Programs. In line with a range of operational models and organizational experiences, the CSU must consider whether a portion of the ITS-TII projected funding requirements can be met by changing the way that ITS-TII support services are structured and managed. The various operations and services models being considered for ITS-TII give the CSU an opportunity to consider a variety of ways to gain efficiencies.

CSU is considering several types of industry relationships as we contemplate new ways of doing business. There relationships could range from various types of partnerships for goods and services to relationships which garner external revenue that would come from selling technology products and services to individuals and groups affiliated with the CSU. Among the products might be personal computers, cellular phones and software. Services might include Internet services, long distance calling, maintenance of equipment and help desk support.

The CSU plans to use $24.0 million from its existing base budget to help cover the needs for the TII. To cover the costs of renewing and maintaining the new campus infrastructure, the CSU plans to redirect $18.8 million from its base support budget. An additional $5.2 million per year will be needed from revenue programs to cover a portion of the unmet costs for user hardware, software, training and support.

As noted earlier, the CSU is planning for a Student PIRK program. Preliminary estimates are the minimum cost for the program will be $42.3 million. Sources for funding the PIRK are to be determined.

CONCLUSION

The funding strategy is based on a shared responsibility for closing the financial gap of $83.4 million for annual operating expenses. It also depends upon the passage of Proposition 1A, a bond issue that will provide capital funds to build out the telecommunications infrastructure on all 23 campuses. CSU believes that it has developed a TII plan worthy of support through this funding strategy.