

AGENDA

COMMITTEE ON GOVERNMENTAL RELATIONS

Meeting: 4:25 p.m. Tuesday, January 31, 2006
Glenn S. Dumke Auditorium

Jeffrey L. Bleich, Chair
Melinda Guzman Moore, Vice Chair
Roberta Achtenberg
Herbert L. Carter
Carol R. Chandler
Moctesuma Esparza
Debra S. Farar
William Hauck
Ricardo F. Icaza
Corey Jackson
A. Robert Linscheid
Craig R. Smith

Consent Items

Approval of Minutes of Meeting of November 8, 2005

Discussion Items

1. 2005-2006 Legislative Report No. 7, *Action*
2. California State University Federal Agenda for 2006, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON GOVERNMENTAL RELATIONS
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

November 8, 2005

Members Present

Melinda Guzman Moore, Vice Chair
Roberta Achtenberg
Carol R. Chandler
Debra S. Farar
Murray L. Galinson, Chair of the Board
Corey Jackson
Charles B. Reed, Chancellor
Craig R. Smith

Approval of Minutes

The minutes of September 20, 2005 were approved.

2005/2006 Legislative Report No. 6

Trustee Guzman called the session to order and asked Ms. Karen Zamarripa, Assistant Vice Chancellor, Advocacy and Institutional Relations, to present the item.

Ms. Zamarripa referred to the written item in the agenda book noting that it contained a status report on the trustee's legislative program, as well as additional updates on notable CSU and higher education related legislation introduced this year.

Ms. Zamarripa explained CSU had seven priority bills that were sent to the Governor's desk; five of which we requested be signed into law, and two that we requested the Governor veto. All seven bills were acted upon as requested. In addition, she acknowledged the tireless efforts of Chancellor Reed in achieving the authority on the education doctorate. Another noteworthy achievement this year was the approval of the affinity card program that will provide alumni associations and others, the ability to enter into affinity partnerships in order to leverage the power of our alumni members and graduates and supporters in the future.

Ms. Zamarripa credited the outstanding teamwork among the board, students, faculty, staff, and others, as the reason for this year's tremendously successful legislative program.

Ms. Zamarripa called attention to a handout provided in the trustees' materials packet providing extensive information on all legislation followed by CSU in the 2005/2006 legislative session, including bills known as two-year bills. She updated the committee on a number of noteworthy

bills that were signed into law including: observation of the Veterans Day holiday (AB 720, Villines); scholarships for student athletes (SB 661, Migden); creation of a grant program to encourage Community College and CSU campuses to establish baccalaureate degree completion projects in rural counties (AB 1280, Maze). She also provided an update on AB 593, (Frommer). The bill sought to establish an endowment fund for higher education using state real property investments. CSU and its properties were subsequently deleted from use by the endowment. The Governor ultimately vetoed the bill citing concerns that it was inconsistent with Proposition 60A, approved by voters last year, which requires revenues from the sale of surplus property be used to retire debt.

Ms. Zamarripa also mentioned other bills of some interest to CSU including AB 1088 (Oropeza), Public Postsecondary Education: Mandatory Orientation for Incoming Students; and the minimum wage increase bill, (AB 48, Lieber), that was vetoed by the governor.

As it relates to bills in the coming year, Ms. Zamarripa indicated CSU would need to continue to work on issues related to financial aid in order to ensure that the Cal-Grant program and other sources of aid continue to be available to our students. Other areas of anticipated interest and action include infrastructure financing, accountability, and additional education bond initiatives. Nursing will continue to be an issue for the governor and the state, and math, science, and special education teachers will also be an ongoing focus under the 'No Child Left Behind' initiative.

Chair Galinson thanked Ms. Zamarripa for the thorough report. He encouraged committee members to become more proactive in working with Ms. Zamarripa, and to get more involved in the legislative bill process outside of the committee meeting. Trustee Holdsworth added he would also encourage students, faculty, and alumni to become more involved in the process.

The committee recommended approval of the proposed resolution (RGR 11-05-08).

COMMITTEE ON GOVERNMENTAL RELATIONS

2005-2006 Legislative Report No. 7

Presentation By

Karen Y. Zamarripa
Assistant Vice Chancellor
Advocacy and Institutional Relations

Summary

This item contains a presentation of proposals for inclusion in the Trustees' 2006 Legislative Program.

Background

The Legislature reconvened on January 4, 2006 to begin the final year of the 2005-2006 Regular Session.

The following dates correspond with the key milestones in the first year of session:

January 27	Last day for bill requests to be submitted to Legislative Counsel
February 24	Last day to introduce bills
April 28	Last day for policy committees to hear bills for referral to fiscal committees
May 26	Last day for fiscal committees to report bills to the floor in the house of origin
June 2	Last day for bills to be approved on the floor in house of origin
July 7	Last day for policy committees to hear and report bills in their second house.
July 7	Summer Recess begins, provided Budget Bill has been enacted
August 7	Legislature reconvenes
August 18	Last day for fiscal committees to report bills to the floor in the second house
August 31	Last day for any bill to be passed; Final Recess begins upon adjournment

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Proposals

The following initiatives are recommended for sponsorship in the new legislative session. Campuses and/or Chancellor's Office professionals submitted legislative proposals at the request of the Chancellor and the Advocacy and Institutional Relations team. Staff has conducted research as to the need for each proposal, programmatic and fiscal implications, as well as both internal and external political issues. In addition, campus presidents and vice presidents as well as the Chancellor's leadership team have reviewed all of these proposals and concur with our recommendations.

Revenue Bonds

This is a largely technical proposal to enhance our ability to use our systemwide bonds for future projects, and to potentially lower our interest costs.

- 1) Authorize the CSU to loan or advance proceeds from its revenue bonds or revenue bond anticipation notes to third parties (e.g. auxiliary organizations) through a loan agreement, for projects approved by Board.

This change would enhance the cash flow for projects that are being undertaken by foundations or a JPA with local government, by using the CSU funds, which reduces total project cost.

- 2) Authorize the payment of interest on a basis other than semi-annual or annually to accommodate issuance of variable rate debt.

This change would give the CSU the flexibility for today's bond market to use variable rates and avoid some of the higher interest rates, again reducing costs.

- 3) Authorize the Trustees to issue commercial paper directly by including commercial paper within the statutory definition of notes and revenue bond anticipation notes.

This change would save time, by eliminating the current step of having the CSU Institute issue commercial paper for cash flow needs.

- 4) State Treasurer's Office-related changes: a) changes to the same Education Code sections to authorize the State Treasurer to appoint an agent to serve as trustee of CSU revenue bonds; and b) authorize investment of dormitory revenue, dormitory construction, dormitory interest and redemption and dormitory maintenance and repair accounts to be invested outside the State Treasurer's accounts, but maintaining Trustee investment policy.

These changes are designed to save costs, or enhance interest earnings. The first change is needed because of the potential workload to the State Treasurer's Office (STO) once the CSU begins directly issuing commercial paper. Both changes have been reviewed by the STO and there are no objections.

Personnel Processes

This proposal addresses two issues that are missing from the statutes regarding the CSU that Human Resources and General Counsel recommend to ensure that we can recoup overpayments from employees as well as provide complete evidence with regard to disciplinary actions before the State Personnel Board (SPB).

- 1) Authorize process for the CSU to recoup overpayments from employees.

A court decision in 1988 determined that the existing process for collecting overpayments from state employees was in conflict with the Government Code, and a more specific statute must be enacted. State law was amended, with the Department of Personnel Administration (DPA) the agency charged with adopting a legal process. The statutory amendments are contained within the civil service section of the Government Code, and likely do not apply to the CSU. This proposal would simply parallel the same process for state employees in the CSU.

- 2) Authorize the CSU to amend disciplinary notices that have been filed with the State Personnel Board (SPB).

Like the above issue, the process authorizing amendments to disciplinary notices is contained in the civil service section of the Government Code. By authorizing a parallel process for CSU employees, the discipline process and appeals will be more efficient. Currently, CSU must withdraw a notice if an amendment is necessary, which costs time and money, especially if compensation is involved.

Efficiency and Productivity Omnibus

These proposals will improve efficiency and reduce costs to the CSU and will be pursued as an omnibus bill if approved by the Trustees.

- 1) Victim Compensation Board: Authorize the CSU to handle tort claims directly rather than through the Victim Compensation Board, which costs the CSU up to 15% of each settlement amount.

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The General Government Budget Trailer Bill of 2004 inadvertently captured the CSU in a provision dealing with the handling of tort claims by the Victim Compensation and Government Claims Board (Board) that resulted in a requirement that all claims be filed through the Board rather than directly with CSU Risk Management. The Board does not handle any of the claims, but forwards them to the CSU, thus the statute allowing the Board to collect an administrative fee results in the CSU paying for nothing more than the assignment of a number in a tracking system.

- 2) Vehicle Purchase: Remove the CSU from the code sections requiring vehicle purchases be done under the supervision of the Department of General Services (DGS).

In 1993, the Legislature approved AB 1191 (Aguiar), which authorized CSU to conduct all procurements without having to obtain approval from DGS. At that time, the Legislature and the Governor agreed that the CSU's policies and procedures to obtain best value for procurements were effective and that the duplicative layer of approval at DGS did not result in any added value to the procurement process. Senate Bill 1757 (Denham), Chapter 929, Statutes of 2004, required that all contracts for acquisition of motor vehicles or general use mobile equipment for an executive branch officer or agency (including the CSU) be made by or under the supervision of the Department of General Services (DGS) and permitted DGS to collect a fee to offset the cost of the services provided. This proposal would reverse that change.

- 3) Disability Access Review: Remove the requirement that the State Architect confirm that CSU conforms to the access compliance chapter of the Building Code.

The CSU currently reviews and approves its own building construction contract documents for seismic safety, constructability and adherence to the California Building Code. Under current law, however, the CSU is required to secure confirmation that its plans are in conformance with the *access compliance* chapter of the California Building Code from the Department of General Services, Division of the State Architect (DSA) prior to undertaking any construction project over \$25,000. This proposal would conform this certification process to the remainder of the building code certification process.

- 4) Retailer Sellers Permit: Exempt CSU from the statutory requirement to collect California retailers' seller's permits in order to contract for purchases.

Legislation was enacted in 2003 (Alpert SB 1009), requiring state agencies, including the CSU to collect retailers' seller's permits from any vendor doing business with the CSU. In 2005 the law was amended to allow an exemption for a credit card purchase of \$2,500, not to exceed \$7,500 annually. The process of tracking each purchase and maintaining copies of permits will be very expensive to implement. The CSU already complies with all requirements related to sales tax from out-of-state vendors. This change will eliminate future costs.

Financial Aid: Cal Grant Program Revisions

This proposal would: 1) provide all Cal Grant B high school entitlement award recipients who enroll at four-year institutions with funds to cover tuition and fees during the initial year of their award, 2) increase the number of Competitive Grants by 50% - from 22,500 to 45,000 in recognition of the five-fold demand for these limited grants, and; 3) modify the age cap limitation for Cal Grant Transfer Entitlement awards from 24 to 27 years to reflect the average age of students seeking a college degree in California. We worked closely with the California State Student Association (CSSA) and they are interested in jointly sponsoring this measure with the Trustees.

The current Cal Grant A and B Entitlement and Competitive Grant programs provide financially needy students with funds to cover designated costs at eligible postsecondary institutions, including proprietary institutions, community colleges, public four-year institutions, and private colleges and universities. The reforms of SB 1644 in 2000 provided that California high school graduates who pursue college immediately after graduating from high school with a 3.0 and 2.0 grade point average (GPA), Cal Grant Entitlement A or B awards, respectively. California high school graduates who did not receive an entitlement award from high school may be eligible for a transfer entitlement award when transferring from a community college to a four-year institution with at least a 2.4 grade point average. Other eligible students seeking postsecondary education can compete for 22,500 new Competitive Grants each year – with applicants for those grants exceeding 100,000 per year. Long-standing policy has dictated that all but 2 percent of Cal Grant B recipients do not have their tuition and fees covered the initial year of their award based on historical assumptions about the role of this program in fostering community college enrollment.

The California State University (CSU) estimates that over 155,000 students will receive a State University Grant (SUG) award and 39,800 will receive Cal Grants in 2006-07. Currently the CSU sets aside \$265 million for the SUG program and in the proposed 2006-07 will set aside one third of all new fee revenues for financial aid. The investment by the CSU (and its students) in the SUG program is critical to our goal of ensuring access and affordability for students – whether first time freshmen or transfer, over the age of 24, attending part-time or full-time, or from underserved communities. At the same time, SUG funding is not sufficient to address the needs of all students, nor should the system and its students be expected to do so. It remains a responsibility of the state and its policymakers to ensure that resources are available to help students succeed.

Adoption of the following resolution is recommended:

RESOLVED, By the Board of Trustees of the California State University, that the 2005-2006 Legislative Report No. 7 is adopted.

COMMITTEE ON GOVERNMENTAL RELATIONS

California State University Federal Agenda for 2006

Presentation By

James M. Gelb
Assistant Vice Chancellor
Federal Relations

Summary

This item contains a presentation of items for inclusion in the 2006 CSU Federal Agenda.

Background

In January 2005, the Board of Trustees adopted the 2005 CSU Federal Agenda, a federal legislative program for the system that included both policy and project priorities for the first session of the 109th Congress. Over the past year, the CSU's Office of Federal Relations ("OFR") and system leaders worked in Washington to advance those priorities. With regard to the system's policy priorities, the CSU had a significant impact on their primary focus, the still developing reauthorization of the Higher Education Act ("HEA"), which was last reauthorized for five years in 1998 and has been extended several times since. For example, on June 24, 2005, CSU Chancellor Charles B. Reed submitted a detailed letter to the Chair and Ranking member of the Senate Health, Education, Labor and Pensions (HELP) committee, detailing system views on reauthorization and proposing specific language changes to the HEA; this document updated and supplemented earlier communications sent to Congressional and Administration leaders during this multi-year process. In addition, on May 19, 2005, as part of Senate preparations on an HEA bill, Chancellor Reed was among a select group invited by the HELP committee to address its roundtable session on "Higher Education and Corporate Leaders: Working Together to Strengthen America's Workforce." Chancellor Reed was similarly asked to testify before the House Education and Workforce Committee's 2004 major reauthorization hearing. (The Chancellor's letter and testimony may be found on the OFR website: [www.calstate.edu/FederalRelations/.](http://www.calstate.edu/FederalRelations/))

The Congress has yet to complete work on HEA reauthorization, and at the end of 2005 it extended provisions of the 1998 Act through March 31, 2006. Meanwhile, the House (HR 609) and the Senate (S 1614) passed, through committee but not the floor, their respective and significantly different proposals for HEA reauthorization. The OFR worked to ensure system views were communicated and considered throughout the process, including through significant behind the scenes efforts. Despite the differences in the bills, a number of items on the CSU's

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system priority list can be found in either or both measures. On a related front, during 2005 both the House and the Senate all but finalized work on a broad budget reconciliation measure (S 1932) that would cut nearly \$40 billion from federal entitlement programs such as Medicare and Medicaid over the next five years. Included are \$12.7 billion in net savings from federal student loan programs, achieved in large part by reducing lender subsidies and increasing interest rates currently paid by students and parents. While it contained some provisions supported by universities, the overall bill was generally opposed by the higher education community. S 1932 would set a fixed interest rate (6.8%) for student loan repayment and consolidation, and fix rates on parent loan repayments at 8.5%. The bill increases subsidized loan limits and would ultimately reduce student loan origination fees. The bill also allocates roughly \$4 billion over five years to establish two new grant programs targeted toward encouraging low-income students to pursue math, science and foreign language degrees. Because its revisions to student loan programs obviate the actual need to reauthorize the HEA, and due to its overall cuts to higher education funding, final passage of S 1932 may have a significant impact on whether a serious reauthorization bill is pursued in 2006, and what shape such legislation might take. It currently appears likely that the House will give final approval to S 1932 in February.

With regard to CSU project priorities, during 2005 the system garnered over \$25 million in federal earmarks for a variety of CSU research and infrastructure initiatives, including both systemwide priorities and system-supported campus priorities. For example, the FY 2006 Agriculture appropriations bill contained brand new funding for one of the system's top priorities: \$1 million for the CSU's Agricultural Research Initiative (ARI), which will supplement ongoing state and industry funding, plus be matched by California agricultural industry dollars to enhance applied research being done at the system's four agriculture colleges and other institutions. In addition, the FY 2006 Science, State, Justice, Commerce appropriations bill contained \$2.5 million to continue funding the system's signature coastal research initiative, CICORE, which leverages the strengths of eight CSU campuses along the entire California coastline. Earmarks were also obtained in the areas of defense, small business development, strategic language training, environmental research, and space sciences, among others.

This past fall the OFR, in coordination with the Chancellor's Office, again set in motion the annual process designed to produce a well-honed federal agenda. In September, Chancellor Reed sent a memo to all 23 CSU presidents and the Executive Staff soliciting recommendations and outlining criteria for the systemwide 2006 Federal Agenda. As in the past, the Chancellor's memo solicited proposals in two distinct areas: (1) federal legislative and regulatory policy; and (2) CSU projects for which direct federal funding will be sought. With respect to both project and policy recommendations, the solicitation emphasized that the federal agenda must be consistent with the CSU system's core objectives, as described in the state's Master Plan, *The Mission of the California State University*, and with the 1998 *Cornerstones Report*, and they must contribute to system goals of preserving access, providing quality instruction, and preparing

students for the workforce. While these principles have their own relevance in the federal arena, it was stressed that the federal agenda should also complement and be consistent with our state program in Sacramento.

The items proposed below for inclusion in the 2006 Federal Agenda are based upon submissions received in response to the Chancellor's solicitation, and have advanced through several levels of review, including the Executive Council, and the Chancellor and his executive leadership staff.

Recommendations for the 2006 Federal Agenda

Federal Policy Proposals for 2006

In its second session, the 109th Congress will continue work on reauthorizing the Higher Education Act of 1965 ("HEA"), many aspects of which significantly impact the CSU and its students. For example, in 2003-04, CSU students and their families benefited from \$1.15 billion in federal financial assistance. Accordingly, the OFR will continue to work to ensure that the system's interests are advanced during the reauthorization process. While the CSU will frequently be called upon to respond to HEA proposals made by others, including members of Congress and the U.S. Department of Education, the following items will continue to be the subject of proactive pursuit:

Pell Grants: The CSU will advocate for overall funding increases for the Pell Grant program, as well as an increase to the maximum award. The CSU will also advocate for the availability of a second Pell award for students to pursue year-round study.

Campus-Based Aid Programs Allocation Formula: The CSU will advocate altering the current formula, which affects the Supplemental Educational Opportunity Grants, Work-Study, and Perkins Loans programs, to assure allocation of these funds on a fair-share basis to institutions with growing populations of students with need and to newer campuses, which have been most disadvantaged by the current formula.

Community Service Provisions in Work Study Program: The CSU will advocate increasing incentives for campus participation in community service activities, including reallocation of campus-based funds to give a larger share to schools that spend a greater percentage of their Federal Work Study funds for community service placements.

Perkins Loans: The CSU will advocate for the reinstatement of a federal capital contribution for schools that participate in the Perkins Loan program, thereby enhancing available resources for needy students.

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Early Intervention Programs: The CSU will advocate expanding GEAR UP and TRIO, vital to preparing underrepresented students for college and decreasing the need for remediation. GEAR UP and TRIO, which serve different cohorts of students in distinct ways, should remain as separate programs.

International Education Programs: The CSU will advocate expansion of HEA programs that promote global awareness and understanding in the post 9/11 world, including providing incentives for development of international education programs, and creating opportunities for students and faculty to study abroad and for campuses to host those from abroad.

Science, Technology, Engineering and Mathematics (STEM) fields: The CSU will advocate programs promoting the participation and success of diverse California students in STEM fields.

Developing and Hispanic Serving Institutions: The CSU will work to assure that its campuses receive a fair share of the benefits of programs in Title III and Title V of the HEA that are designed to strengthen developing and Hispanic Serving institutions, and will advocate for a graduate program within Title V designed specifically to strengthen graduate programs at Hispanic Serving Institutions.

Federally supported research: The CSU will advocate broadening the federally supported applied research base to include more support for comprehensive universities and authorization of programs to fund the vital workforce preparation conducted by the CSU system.

Federal Project Proposals for 2006 (FY 2007)

More than 50 projects, including both campus and multi-campus proposals, were submitted by the campuses in response to this year's solicitation. It is recommended that, as in recent years, the system's project priorities for 2006 be broken in two categories. The first category would encompass seven broad-based, multi-campus initiatives consistent with ongoing system collaborative efforts in core areas of CSU strength:

- **Agricultural Research Initiative (ARI):** a multi-campus initiative supporting high impact applied agricultural and related environmental research, development, and technology transfer, as well as public and industry education and outreach.
- **California's Regional Intersegmental, Multi-Use Biotechnology Training Facilities:** a proposed multi-campus initiative, led by the California State University Program for Education and Research in Biotechnology (CSUPERB), to create three biotechnology workforce training centers to address this vital industry's documented need for innovative, applied training of its specialized workforce.

- **California Center for Integrative Coastal Research (CICORE):** a multi-campus coastal research initiative to provide real-time access to extensive near shore environmental data to regulatory agencies responsible for the development and enforcement of relevant management policies.
- **Multidisciplinary Perspectives on Civic Programs (MPCP) project:** a proposed multi-campus project that would utilize CSU service learning students to perform outreach to targeted populations to enhance access to existing disaster preparation, food security, health care, and small business development programs and develop related service learning curricula.
- **Strategic Language Initiative:** a multi-campus collaborative to create programs that will integrate language learning with professional majors and career opportunities and serve as a national model for training modules in critical world languages, helping our nation meet the need for strategic and diplomatic expertise in major world languages, global business, and trade and transportation, plus develop the domestic capability to communicate in response to emergency situations.
- **Next Generation Media Project:** an innovative workforce and product development program in new digital media technologies and applications linking at least nine system campuses with established strengths in these areas who will partner with industry and provide a test bed for new technologies as well as be an incubator of creative ideas leveraging existing infrastructure.
- **Pacific Area Port Security Center Consortium (PAPSCON):** a multi-campus consortium to conduct pilot projects involving port security in Pacific region seaports and related facilities in cooperation with port authorities and local, state and federal agencies.

The OFR will work to achieve the broadest possible support for these proposals from members of the California Congressional delegation.

The second category would include campus-oriented projects, provided they are endorsed and prioritized by the campus president, and meet the following criteria:

- The project significantly impacts a major need or priority of the campus or the system, including:
 - The extent to which the project will benefit a university's students, its programs, the local community, the State of California and/or the nation
 - The extent to which the project is well-tailored to the particular competencies and strengths of the university or universities

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- The project is well developed including:
 - How clearly articulated and detailed it is
 - Whether the project has additional supporters and advocates among business, alumni, non-profit or political entities
 - Whether the project has partners that are able to assist with the project's success and/or are willing to invest in the project (cash or in-kind) so as to provide a "match" for federal funds being sought

- The project is well suited to the federal appropriations process, including:
 - The past history of federal funding for the project, if relevant
 - The manner in which federal funds will be used
 - The likely availability of the federal dollars from the account/source proposed
 - The extent of known Congressional sponsorship and support

- The project fits within a balanced program of requests for the CSU for reasonable amounts across different areas of funding

Because the Congress only recently completed its work on most FY 2006 appropriations, and in light of the inherently shifting nature of campus, state and national priorities, project requests may change from time to time. The OFR will continue to work with the campuses to refine and develop project proposals, and to assist them in working productively with their representatives in Congress as they seek support in the relevant appropriations venues for federal funding in FY 2007.

Adoption of the following resolution is recommended:

RESOLVED, By the Board of Trustees of the California State University, that the federal legislative program described in item 2 in the January 31—February 1, 2006 agenda of the Governmental Relations Committee is adopted as the 2006 CSU Federal Agenda.