

AGENDA

COMMITTEE ON FINANCE

Meeting: 2:45 p.m., Tuesday, November 9, 2010
Glenn S. Dumke Auditorium

William Hauck, Chair
Linda A. Lang, Vice Chair
Roberta Achtenberg
Nicole M. Anderson
Kenneth Fong
Margaret Fortune
Raymond W. Holdsworth
A. Robert Linscheid
Henry Mendoza
Glen O. Toney
C. C. Yin

Consent Item

Approval of Minutes of Meetings of September 21, 2010

Discussion Items

1. Systemwide Student Charges – Change in Terminology: Fees to Tuition, *Information*
2. 2010-2011 Student Fee Report, *Information*
3. Report on the 2010-2011 Support Budget, *Information*
4. Mid-year Tuition Increase, *Action*
5. Approval of the 2011-2012 Support Budget, *Action*
6. Tuition Increase – 2011-2012 Academic Year, *Action*
7. 2011-2012 Lottery Revenue Budget, *Action*
8. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for an Auxiliary Project, *Action*
9. Proposed Title 5 Revision: Management of Claims for Damages Filed Against the Board of Trustees, *Information*
10. Proposed Title 5 Revision: Lost, Unclaimed or Abandoned Property, *Information*
11. California State University Sacramento, University Enterprises Development Group – Auxiliary Organization Dissolution Approval, *Action*

**MINUTES OF THE 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**

September 21, 2010

Members Present

William Hauck, Chair
Linda A. Lang, Vice Chair
Roberta Achtenberg
Nicole Anderson
Kenneth Fong
Margaret Fortune
Raymond W. Holdsworth
A. Robert Linscheid
Henry Mendoza
Glen O. Toney
C. C. Yin

Approval of Minutes

The minutes of July 13, 2010, were approved by consent as submitted.

Report on the 2010-2011 Support Budget

Assistant Vice Chancellor for Budget Robert Turnage presented this information item noting that despite being nearly one-fourth of the way through the fiscal year, a state spending plan still is not in place. Mr. Turnage noted that this new record presents many complications for the CSU including the inability to plan for upcoming winter and spring terms. For California, the budget impasse has resulted in unpaid vendors; a loss of Cal-grant money for recipients at smaller, private colleges; and closures of child-care centers due to the lack of state money.

Mr. Turnage highlighted an additional reimbursement (an appropriation to the CSU of \$106 million) by the federal Department of Education from the State Fiscal Stabilization Fund established by Congress in the 2009 American Recovery and Reinvestment Act (ARRA). Funds will be distributed to campuses on an expedited basis when they become available.

Mr. Turnage explained that since the CSU was up against some pressing operational deadlines, the unorthodox step of raising full-time equivalent student targets for 2010-11 (using one-time money) was necessary. Most of the CSU spring applications are still on hold pending the budget outcome.

The committee heard from Teven Laxer, senior labor relations representative for the California State University Employees Union (CSUEU), regarding Cal Poly Pomona's Disability Resource Center and, in particular, services provided by four bargaining employees. There were no questions.

Planning for the 2011-2012 Support Budget

In his presentation for information, Mr. Turnage expressed difficulty in trying to fashion a budget for a fiscal year, when the preceding fiscal year still lacks an approved budget. However, because the state constitution requires the submittal of the governor's budget proposal by January 10 each year, and in order to meet the consequent deadlines for the submittal of budget requests to the Department of Finance, it is necessary to initiate planning at this time.

In planning for 2011-12, Mr. Turnage stressed the state's dire fiscal situation. National and state economic recovery remains weak, and many economists are warning of a "double dip" recession. Even if economic recovery continues, the projected improvement in "baseline" general fund revenues will be impacted by the impending expiration (under current state law) of three temporary tax increases approved in February 2009 (income and sales taxes and vehicle license fees).

Mr. Turnage explained how the CSU should identify critical needs and have a spending plan that lays out the system's compelling needs tempered by the reality of the state's situation. The recommended planning framework, of just over \$400 million, includes replacing one-time federal funds and requires new ongoing revenues; anticipating new costs (health and dental benefits, new space, energy); increasing compensation (3 percent "pool"); building a focus around the graduation initiative; anticipating enrollment growth; and addressing "long-term needs" (technology, libraries, facility maintenance). In the course of preparing the budget for the board's review and approval in November, estimated budget framework based on these items may be revised, based on updated information.

2011-2012 Lottery Revenue Budget

As an information item, Robert Turnage presented the lottery revenue budget proposal for fiscal year 2011-12, stating that the revised agenda item proposes a spending plan for 2011-12 in the same amounts and for the same purposes as in 2010-11. He explained that after setting aside \$3 million for the CSU's systemwide reserve (used to assist with cash flow variations due to fluctuations in quarterly lottery receipts and other economic uncertainties), \$41 million is available for allocations. Chair Hauck commented that proposing to reduce the reserve in order to place as much money into programs and services was good. There were no further questions or comments.

California State University Annual Investment Report

George V. Ashkar, assistant vice chancellor, financial services provided for information the annual investment report for funds managed under the California State University investment policy for fiscal year 2009-10. He explained how the bulk of CSU funds are invested through the CSU Systemwide Investment Fund-Trust (SWIFT), established in 2007 for the purpose of enhancing centralized cash and investment management.

The CSU ended fiscal year 2009-10 with approximately \$2.06 billion in investments in SWIFT. Because a bulk of the CSU funds, invested through SWIFT, is divided equally between two investment management firms, representatives from FAF Advisors and Wells Capital Management were on hand to provide an overview of the financial markets, including falling interest rates, improved credit conditions in Europe, and soft economic data signaling the potential for a “double-dip” recession.

The committee referred to the year-end results for the Surplus Money Investment Fund (SMIF) and the Local Agency Investment Fund (LAIF) located in Attachment A as well as the board’s investment policy in Attachment B. In light of current conditions, the committee briefly discussed adjusting current benchmarks going forward. Executive Vice Chancellor Benjamin F. Quillian pointed out that he and his staff have been exploring various opportunities including moving some of the portfolio to longer term investments.

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects

Mr. Ashkar presented this action item requesting that the board authorize the issuance of Systemwide Revenue Bond Anticipation Notes and the related sale and issuance of Systemwide Revenue Bonds for two campus projects in the aggregate not-to-exceed amount of \$98,885,000. The projects, San Jose Student Union Expansion and Renovation and East Bay Parking Structure I, meet the debt service coverage for both program- and campus-based established best benchmarks. The Board gave approval to issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects (RFIN 09-10-08).

Trustee Hauck adjourned the Committee on Finance.

COMMITTEE ON FINANCE

Systemwide Student Charges – Change in Terminology: Fees to Tuition

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Summary

This agenda item is to inform the board of the chancellor's intention to change the terminology used to refer to certain charges assessed to students.

Background

Much of the state's history is grounded in recognition of the value of education for society and the state's economic health. When the University of California (UC) was established in 1867-68, the principle of tuition-free education for residents of the state was established as a standard. The notion that higher education in California should be essentially free was part of the original Donahue Higher Education Act enacted by the legislature in 1960. The concept of free higher education was a guiding principle when the Master Plan Survey Team issued its study of the organization and costs of postsecondary education in California in 1972. The Master Plan, which established the California State University, assumed "the proportion of costs borne by the student will remain fairly constant" and would be "tuition-free."

The Master Plan distinguishes fees from tuition with the following definitions:

Tuition is defined generally as student charges for teaching expenses, whereas fees are charges to students, either collectively or individually for services not directly related to instruction, such as health, special clinical services, job placement, housing, recreation.

From the very beginning, however, the concept of a tuition-free education was honored more in the breach as various "fees" were adopted. As time passed, the fees became increasingly more significant and began to resemble what would otherwise be labeled "tuition." Nevertheless, the UC and the CSU continued to call the charges "fees" to distinguish them from the "tuition" the Education Code permits the universities to charge to nonresident students.

In 1993, a task force undertook a review of the State University Fee that included a review of "policies regarding tuition." The review took place following several years of severe budget

reductions, quite similar to what happened to the CSU again in the late 1990s, the early 2000s and during the last couple of years. It was clear the state had made a fundamental change in its approach to budgeting for higher education. A new framework for looking at student fees was adopted by the Board of Trustees in 1993. That new framework recognized that students and their families were paying a “tuitional” share of their educational costs.

Prior to 1995, none of the revenue received in the CSU from the State University Fee was allowed to fund instruction or academic support program costs because of the Master Plan definitions. Specifically the Master Plan enshrined in the Education Code the following limitation:

Except as otherwise provided, the total tuition fees charged to any student in the California State University shall not exceed twenty-five dollars (\$25) per year or twelve dollars and fifty cents (\$12.50) per term.

In 1995, the Education Code prohibition on tuition in excess of \$25 was repealed, at the request of the CSU, because General Fund support was diminishing, and the State University Fee needed to be used for instructional costs. At that point, the nomenclature became more relaxed and informally references to tuition, tuition-related expenses, and student fees became essentially synonymous. Officially, however, CSU has used the term “tuition” only as it applies to non-residents.

Because that section of the Education Code limiting tuition has been repealed, no further legislative action is required to enable the CSU to refer to its charges to students as tuition. In fact, during the 1972 review of the Master Plan, it was noted that there have long been legal grounds for UC and CSU to charge tuition.

At the time the Master Plan recommendations were made (1960), and since that time, there have been legal grounds for tuition in the University of California and the California State University and Colleges, despite widespread impressions to the contrary. ... if “tuition” is defined to mean payment of salaries of teachers, neither segment charges tuitions. The real issues are the mandatory cost of education to the student ... the original purpose and justification of the no-tuition principle was to assure student access. By gradually adding fees for many purposes of expenditure, other than salaries of teachers (tuition), student charges may indeed become restrictive to the point of making the no-tuition principle irrelevant.

Rationale

Much for the same reasons, both the UC and the CSU are planning to change the terminology used for various student charges--calling certain student charges “tuition” as opposed to “fees.” It

is no longer meaningful or accurately descriptive to claim the universities are “tuition-free.” The use of the term “fees” can be misleading and imply that fees pay for specialized or optional services. In the CSU it will be appropriate to continue to use the term “fee” for those special charges that support student government or student unions, for example. The term “tuition” more accurately describes the use of revenue, which supports the basic needs of the academic programs, student services, student financial aid, libraries and technology, and other areas of institutional support and maintenance of instructional facilities.

Using the “fee” label is inconsistent with how other institutions of postsecondary education report student charges. The inconsistency can be confusing to students and their families when trying to compare the attendance costs at the CSU to other institutions. The confusion can extend to other academic institutions when they attempt to compare their costs to those of the CSU. Moreover, entities outside of academia can be confused when comparing the costs of various institutions. Using the “fee” label has also caused significant problems regarding federal financial assistance problems that are based on the amount of “tuition” charged to resident students. Because the CSU does not charge “tuition,” in 2009 GI Bill payments to CSU student veterans were threatened due to this terminology problem.

This change is only a change in terminology. There will be no impact on students. The change has been explained to the leadership of the Academic Senate of the CSU, the California State Student Association and various external constituencies. The chancellor will issue an Executive Order to implement this change in nomenclature.

COMMITTEE ON FINANCE

2010-2011 Student Fee Report

Presentation By

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

As required by the California State University student fee policy, the Board of Trustees is presented with an annual campus student fee report to enable consideration of the fee level and range charged to CSU students. Summary tables in this report include the 2010-11 academic year, resident, undergraduate student fees required to enroll in or attend the university, by campus, and a comparison of 2009-10 to 2010-11 summary fee levels by campus. As indicated in agenda item #1, both the University of California and the CSU are planning to change the terminology used for various student charges--calling certain student charges "tuition" as opposed to "fees." In the 2011-12 fiscal year, the board will be presented a report entitled Student Charges at the CSU, which will include the new terminology for systemwide mandatory charges previously identified as "fees" that have been referenced in agenda item #1.

Also, included are tables with fee levels at the CSU's 15 public comparison institutions. The California Postsecondary Education Commission has historically referenced these 15 public institutions for faculty compensation and student fee comparisons. Comparison of 2010-11 academic year resident, undergraduate, graduate, and nonresident student fee levels are presented.

2010-2011 Student Fee Report

CSU 2010-11 academic year resident, undergraduate student fees include the systemwide State University Fee (SUF) and mandatory campus-based fees. Systemwide and campus-based fees average \$5,180. This is comprised of \$4,230 for undergraduate SUF (6.1 units or more) and \$950 for average campus based fees that must be paid to enroll in, or attend the university. The 2010-11 systemwide State University Fee increased \$204 (5%) from the 2009-10 fee rate. The average campus-based fees of \$950 are mandatory to enroll in, or attend the university and represent an \$83 (9.6%) increase from the prior year.

Executive Order 1034, issued in May 2008, re-aligned fees into five fee categories. Category I fees are systemwide mandatory fees charged at the same rate on all campuses, and are under the

authority of the Board of Trustees. Category II fees are campus-based mandatory fees charged to all students in order to enroll at a particular university campus. Category III fees include all miscellaneous course fees charged for state-support courses in order to add materials or experiences to enhance the basic concert of academic course offerings at a particular campus. Category IV fees are charged by a campus in exchange for materials, services, or the use of facilities provided by the university, or as fines or deposits for various university programs. Category V includes all fees charged by campus self-support programs, including parking, housing and extended education. All fee rates are reported to the chancellor annually by each campus.

The per-unit Graduate Business Professional fee was charged for the first time in 2009-10, and was increased at the same rate as other fees in 2010-11. The fee is charged for all courses required for graduation in an approved master's degree program in business. The rate for 2010-11 increased 5 percent to \$220/semester unit and \$147/quarter unit (an increase of \$10 and \$7 respectively). This fee will be adjusted in proportion to future increases in the graduate SUF.

Credential program and graduate/other post baccalaureate systemwide SUF rates are greater than the undergraduate SUF. In 2010-11 credential program participant SUF rates increased 5 percent to \$4,908 for 6.1 units or more per academic year. Graduate and other post baccalaureate SUF rates also increased by 5 percent to \$5,214 for 6.1 units or more per academic year. Nonresident students pay tuition in addition to applicable SUF. The nonresident tuition rate did not increase in 2010-11, and remains at the rate set in 2009-10; \$372 per semester unit and \$248 per quarter unit. However, the board eliminated the maximum academic year total at its June, 2010 meeting, and all units taken by nonresident students will be charged the nonresident tuition rate.

Following are 2010-11 academic year resident, undergraduate student fees by campus, and 2009-10 versus 2010-11 summary fee levels by CSU campus:

2010/11 California State University Fee Rates										
	State University Fee									
	Up to 6 units	Above 6 units	Health Facilities	Health Services	Instructionally Related Activities	Materials Services & Facilities	Student Body Association	Student Body Center	SUF + Campu s Fees	
Bakersfield	\$2,454	\$4,230	\$6	\$237	\$64	\$12	\$333	\$432	\$5,314	
Channel Islands	\$2,454	\$4,230	\$6	\$120	\$200	\$70	\$124	\$320	\$5,070	
Chico	\$2,454	\$4,230	\$6	\$246	\$254	\$50	\$120	\$714	\$5,620	
Dominguez Hills	\$2,454	\$4,230	\$6	\$150	\$10	\$0	\$135	\$318	\$4,849	
East Bay	\$2,454	\$4,230	\$6	\$225	\$153	\$183	\$129	\$165	\$5,091	
Fresno	\$2,454	\$4,230	\$6	\$186	\$124	\$46	\$69	\$218	\$4,879	
Fullerton	\$2,454	\$4,230	\$6	\$90	\$52	\$64	\$148	\$268	\$4,858	
Humboldt	\$2,454	\$4,230	\$6	\$384	\$556	\$288	\$101	\$185	\$5,750	
Long Beach	\$2,454	\$4,230	\$6	\$90	\$50	\$10	\$88	\$336	\$4,810	
Los Angeles	\$2,454	\$4,230	\$6	\$165	\$118	\$0	\$54	\$275	\$4,848	
Maritime Academy	\$2,454	\$4,230	\$14	\$680	\$130	\$30	\$210	\$0	\$5,294	
Monterey Bay	\$2,454	\$4,230	\$0	\$0	\$60	\$291	\$96	\$44	\$4,721	
Northridge	\$2,454	\$4,230	\$6	\$110	\$30	\$190	\$160	\$350	\$5,076	
Pomona	\$2,454	\$4,230	\$6	\$180	\$40	\$0	\$100	\$251	\$4,807	
Sacramento	\$2,454	\$4,230	\$30	\$150	\$253	\$20	\$119	\$393	\$5,195	
San Bernardino	\$2,454	\$4,230	\$39	\$167	\$146	\$15	\$81	\$372	\$5,049	
San Diego	\$2,454	\$4,230	\$50	\$170	\$350	\$50	\$70	\$286	\$5,206	
San Francisco	\$2,454	\$4,230	\$6	\$222	\$234	\$4	\$84	\$234	\$5,014	
San Jose	\$2,454	\$4,230	\$86	\$187	\$198	\$30	\$147	\$492	\$5,370	
San Luis Obispo	\$2,454	\$4,230	\$9	\$272	\$271	\$1,013	\$278	\$399	\$6,472	
San Marcos	\$2,454	\$4,230	\$50	\$140	\$80	\$164	\$100	\$280	\$5,044	
Sonoma	\$2,454	\$4,230	\$28	\$242	\$410	\$28	\$182	\$388	\$5,508	
Stanislaus	\$2,454	\$4,230	\$12	\$313	\$226	\$267	\$110	\$144	\$5,302	
Average	\$2,454	\$4,230	\$17	\$205	\$174	\$123	\$132	\$298	\$5,180	
					Average Campus Mandatory Fees				\$950	
Credential SUF*	\$2,850	\$4,908								
Graduate SUF*	\$3,024	\$5,214								
Education Doctorate SUF*		\$9,546								
Graduate Business Professional Fee*	\$147/quarter unit, \$220/semester unit in addition to graduate SUF and non-resident tuition if applicable.									
Non Resident Tuition*	\$248/quarter unit or \$372/semester unit. These rates are paid in addition to applicable SUF rates.									
*The above fees are paid in addition to campus mandatory fees.										

Increases in campus mandatory fees in 2010-11, after the \$204 increase in SUF, were primarily the result of fees for construction of new student recreation centers or student union buildings, or the consolidation of Category III miscellaneous course fees into a Category II mandatory fee. Some campuses have authorized annual incremental fee increases tied to the California Consumer Price Index.

2009-10 and 2010-11 Academic Year, Resident, Undergraduate Fee Rates			
Campus	2009-10	2010-11	Increase
Bakersfield	\$5,091	\$5,314	\$223
Channel Islands	\$4,866	\$5,070	\$204
Chico	\$5,336	\$5,620	\$284
Dominguez Hills	\$4,645	\$4,849	\$204
East Bay	\$4,692	\$5,091	\$399
Fresno	\$4,673	\$4,879	\$206
Fullerton	\$4,662	\$4,858	\$196
Humboldt	\$5,166	\$5,750	\$584
Long Beach	\$4,370	\$4,810	\$440
Los Angeles	\$4,640	\$4,848	\$208
Maritime Academy	\$5,090	\$5,294	\$204
Monterey Bay	\$4,517	\$4,721	\$204
Northridge	\$4,801	\$5,076	\$275
Pomona	\$4,542	\$4,807	\$265
Sacramento	\$4,901	\$5,195	\$294
San Bernardino	\$4,839	\$5,049	\$210
San Diego	\$4,947	\$5,206	\$259
San Francisco	\$4,740	\$5,014	\$274
San Jose	\$5,054	\$5,370	\$316
San Luis Obispo	\$6,198	\$6,472	\$274
San Marcos	\$4,628	\$5,044	\$416
Sonoma	\$5,290	\$5,508	\$218
Stanislaus	\$4,840	\$5,302	\$462
Average	\$4,893	\$5,180	\$287
Systemwide SUF	\$4,026	\$4,230	\$204
Ave. Campus Fees	\$867	\$950	\$83
Total	\$4,893	\$5,180	\$287

The 2010-11 CSU comparison institution academic year resident, *undergraduate*, student fees are provided below. CSU continues to maintain the lowest undergraduate fees among the 15 comparison public institutions. The 2010-11 comparison institution student fee average is \$8,682, and the CSU student fee average is \$5,180, or 40 percent below the comparison average. The following table lists the 2010-11 fee rates and a comparison to 2009-10 fee rates:

Comparison Institution Academic Year - Undergraduate Resident Fees				
Campus	2009-10	2010-11	Increase	
Rutgers University (Newark, NJ)	\$11,886	\$12,560	\$674	5.7%
Illinois State University (Normal, IL)	\$10,531	\$11,399	\$868	8.2%
University of Connecticut (Storrs, CT)	\$9,886	\$10,416	\$530	5.4%
Wayne State University (Detroit, MI)	\$9,272	\$9,733	\$461	5.0%
University of Maryland, Baltimore County	\$8,872	\$9,171	\$299	3.4%
University of Wisconsin at Milwaukee	\$8,522	\$9,032	\$510	6.0%
George Mason University (Fairfax, VA)	\$8,024	\$8,684	\$660	8.2%
Comparison Average	\$8,081	\$8,682	\$600	7.4%
University of Texas at Arlington	\$8,186	\$8,500	\$314	3.8%
Cleveland State University	\$7,920	\$8,466	\$546	6.9%
Arizona State University at Tempe	\$6,846	\$8,134	\$1,288	18.8%
Georgia State University at Atlanta	\$7,298	\$7,884	\$586	8.0%
University of Colorado at Denver	\$6,542	\$7,327	\$785	12.0%
State University of New York at Albany	\$6,698	\$6,830	\$132	2.0%
North Carolina State University	\$5,474	\$6,529	\$1,055	19.3%
University of Nevada at Reno	\$5,262	\$5,561	\$299	5.7%
California State University	\$4,893	\$5,180	\$287	5.9%

The 2010-11 CSU comparison institution *graduate and nonresident* undergraduate students fees are listed with prior-year fee levels in the tables that follow. The CSU has the lowest *graduate* fees among comparison institutions. The 2010-11 comparison institutions graduate student fee average is \$11,519, and the CSU's graduate student fee average is \$6,164.

Comparison Institution Academic Year - Graduate Resident Fees				
Campus	2009-10	2010-11	Increase	
University of Maryland, Baltimore County	\$16,470	\$17,250	\$780	4.7%
Rutgers University (Newark, NJ)	\$15,429	\$16,294	\$865	5.6%
Wayne State University (Detroit, MI)	\$15,078	\$15,813	\$735	4.9%
George Mason University (Fairfax, VA)	\$13,440	\$13,667	\$227	1.7%
Cleveland State University	\$11,420	\$12,201	\$781	6.8%
University of Connecticut (Storrs, CT)	\$11,226	\$11,828	\$602	5.4%
Comparison Average	\$10,787	\$11,519	\$732	6.8%
University of Wisconsin at Milwaukee	\$10,818	\$11,329	\$511	4.7%
University of Colorado at Denver	\$9,491	\$11,103	\$1,612	17.0%
Georgia State University at Atlanta	\$9,340	\$10,198	\$858	9.2%
Illinois State University (Normal, IL)	\$8,851	\$9,967	\$1,116	12.6%
University of Texas at Arlington	\$9,200	\$9,800	\$600	6.5%
State University of New York at Albany	\$9,542	\$9,543	\$1	0.0%
Arizona State University at Tempe	\$7,976	\$8,850	\$874	11.0%
University of Nevada at Reno	\$7,577	\$7,898	\$321	4.2%
North Carolina State University	\$5,940	\$7,045	\$1,105	18.6%
California State University	\$5,829	\$6,164	\$335	5.7%

California State University nonresident undergraduate tuition plus State University Fee at \$16,340 is in the bottom one-fifth when compared to our public comparison institutions.

Comparison Institution Academic Year - Undergraduate Non-Resident Fees				
Campus	2009-10	2010-11	Increase	
University of Connecticut (Storrs, CT)	\$25,486	\$26,880	\$1,394	5.5%
Georgia State University at Atlanta	\$25,508	\$26,094	\$586	2.3%
George Mason University (Fairfax, VA)	\$24,008	\$25,448	\$1,440	6.0%
Rutgers University (Newark, NJ)	\$22,796	\$24,316	\$1,520	6.7%
Wayne State University (Detroit, MI)	\$20,003	\$20,887	\$884	4.4%
Arizona State University at Tempe	\$19,630	\$20,598	\$968	4.9%
Comparison Average	\$19,324	\$20,306	\$982	5.1%
University of Colorado at Denver	\$19,574	\$20,011	\$437	2.2%
University of Maryland, Baltimore County	\$18,213	\$19,108	\$895	4.9%
North Carolina State University	\$17,959	\$19,064	\$1,105	6.2%
University of Wisconsin at Milwaukee	\$18,251	\$18,762	\$511	2.8%
University of Nevada at Reno	\$17,602	\$18,851	\$1,249	7.1%
Illinois State University (Normal, IL)	\$16,561	\$17,957	\$1,396	8.4%
University of Texas at Arlington	\$16,496	\$17,800	\$1,304	7.9%
California State University	\$16,053	\$16,340	\$287	1.8%
State University of New York at Albany	\$14,598	\$15,240	\$642	4.4%
Cleveland State University	\$13,178	\$13,577	\$399	3.0%

COMMITTEE ON FINANCE

Report on the 2010-2011 Support Budget

Presentation By

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

On October 8, after a record 100-plus days into the fiscal year for which the spending plan was intended, the 2010-11 budget bill was passed by the legislature and signed by the governor. The 2010-11 budget act addressed a shortfall—estimated at \$19.3 billion by the Department of Finance—with a combination of spending cuts, assumed new federal dollars, borrowing and various other steps. Given the state’s fiscal circumstances, the CSU benefits from a budget that allows substantial recovery of enrollments and jobs, but nevertheless, still falls short of fundamental needs. The overall balance of the state budget remains extremely precarious, and a newly elected governor and legislature may need to rebalance the 2010-11 budget with mid-year cuts.

Analysis

Despite the state’s fiscal condition, the governor made higher education a central priority of his 2010-11 budget. The governor’s budget included similar proposals for the CSU and the University of California (UC). For each system, the budget proposed (1) restoring \$305 million of one-time cuts made in 2009-10 and (2) providing 2.5 percent enrollment growth. The budget act adopted these proposals with one change: the substitution of \$106 million of one-time federal funds as part of the \$305 million restoration. Despite the one-time nature of these federal funds, the budget act treats the federal monies as helping the CSU to serve a state-set target of 339,873 full-time equivalent students (FTES) in the 2010-11 fiscal year. The enacted budget permits the university to admit large numbers of eligible students for winter and spring terms following a two-year period of sharply restrained access to the system. This, not only means a surge in enrollments in the winter and spring, but even higher enrollment levels in the 2011-12 fiscal year. Therefore, it is essential that the expiring federal funds be replaced in 2011-12 with recurring funds. Securing new funds for enrollment growth will also be critical.

As a recovery budget, the 2010-11 budget for the CSU provides a basic restoration of funds that allows for partial recovery of enrollment levels and jobs, with essentially no margin for little

else. The amount of state funding provided to the university—\$2.6 billion—is no higher than the amount provided five years ago, when costs were lower and there were fewer students to serve.

Due to legislative actions, the amount of student tuition revenue needed to fulfill the governor’s restoration plan falls short of the governor’s budget by over \$50 million. In order to restore funding to the CSU, the governor’s plan includes a 10 percent tuition increase assumption. Subsequently, the Assembly proposed to limit this year’s increase to 5 percent by providing compensating funds to the CSU. In June, the Board of Trustees approved a 5 percent tuition increase, consistent with the Assembly proposal, with the understanding that, in November, the board would review actions taken by the state on the 2010-11 budget and any consequent need for additional revenues. In August, the legislature’s budget conference committee eliminated the Assembly proposal. This issue is the subject of Finance Committee agenda item 4.

The table below shows the progression of the Board of Trustees budget plan for 2010-11 through the governor’s budget and the final budget act.

	BOT Budget Plan	January Budget	Final Budget
2009/10 CSU General Fund Appropriation	\$2,337,952,000	\$2,337,952,000	\$2,337,952,000
2010/11 GF Base Adjustments	19,931,000	19,931,000	19,931,000
Budget Restoration	305,000,000	305,000,000	199,000,000
Student Access / 2.5 Percent Enrollment Growth	56,036,000	60,552,000	60,552,000
Budget Augmentations	122,068,000	0	0
2010/11 CSU General Fund Appropriation	\$2,840,987,000	\$2,723,435,000	\$2,617,435,000
Budget Restoration from One-Time Federal Funds	0	0	106,000,000
2010/11 CSU GF wth One-Time Federal Funds	\$2,840,987,000	\$2,723,435,000	\$2,723,435,000

Conclusion

Given the state’s fiscal circumstances, the CSU is fortunate to receive a budget that allows partial recovery of enrollments and jobs. However, the budget still falls short of funding fundamental needs. Since the overall balance of the state budget is extremely precarious, a newly elected governor and legislature may need to rebalance the 2010-11 budget with mid-year cuts. In this environment, the CSU will need to demonstrate the fundamental connection between recently restored funding and the ability to accommodate newly admitted students.

COMMITTEE ON FINANCE

Mid-year Tuition Increase

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

The board is presented with background and analysis on the 2010-11 support budget and the need for a mid-year adjustment in tuition. In June, the board adopted a 5 percent tuition increase in recognition of a State Assembly proposal to provide additional state funds in order to make it possible for the university to limit its 2010-11 tuition increase to 5 percent rather than 10 percent. In August, the legislature's budget conference committee rejected the Assembly proposal and the final enacted state budget lacks the replacement state funds, leaving CSU resources short of the governor's budget plan for 2010-11. The analysis contained in this agenda item indicates that a mid-year adjustment of an additional 5 percent is needed in order to fulfill the budget's promise to restore access to students in a meaningful sense—that is, to restore access to courses and the range of services students need to succeed and graduate.

Background

As explained in agenda item #1 for this meeting, the chancellor believes that the term "tuition" should be used in the future rather than "fee." Not only is the word "tuition" more accurate—given that the so-called fee provides resources for the basic instructional programs for students—it is the term used in virtually all other universities in the nation and would alleviate problems that arise from time to time when federal legislation uses the word "tuition" rather than "fee." Thus, in this agenda item we use the term "tuition" in place of "State University Fee."

The CSU Board of Trustees has the authority to establish, adjust, and abolish systemwide tuition and fees. Last January, the governor's budget for 2010-11 proposed nearly \$366 million as a partial restoration of \$625 million of previous cuts to annual CSU funding. Recognizing that this restoration did not make the CSU budget whole, and further recognizing that new mandatory cost increases were further eroding the CSU's fiscal capacity, the governor's budget assumed

that the board would increase tuition by 10 percent for the 2010-11 academic year in order to generate additional revenue of over \$100 million (net of financial aid). During the spring budget hearings, the Assembly proposed to provide over \$50 million of additional state General Fund as a partial replacement of tuition revenues, in order to make it possible for the university to limit its 2010-11 tuition increase to 5 percent rather than 10 percent.

In recognition of the Assembly proposal, the board, at its June meeting, adopted a 5 percent tuition increase for the Fall 2010 term. At the June meeting the board was advised that the Assembly proposal would provide a workable budget plan for the CSU only if it augmented the full amount proposed by the governor's budget. Understanding the contingent nature of the Assembly proposal, the board stated its intent to review the possible need for a mid-year adjustment at its November meeting.

Analysis

During the summer, the legislature's budget conference committee met periodically to resolve differences between the budget plans advanced by the Assembly and the Senate. In this process, the conference committee rejected the Assembly proposal to provide additional state funds to buy down a tuition increase to 5 percent. At the August 4 hearing at which this action was taken, the committee stated its understanding that rejection of the Assembly proposal meant that a 10 percent tuition increase for the CSU would be necessary for the 2010-11 fiscal year.

In our analysis, a mid-year adjustment of an additional 5 percent is needed in order to fulfill the budget's promise to restore access to students in a meaningful sense—that is, to restore access to courses and the range of services students need to succeed and graduate. To explain more fully, since 2007-08 the CSU not only endured a \$625 million drop in annual state support, but had to “absorb” \$135 million in mandatory cost increases. Absorbing these cost increases has meant reducing spending elsewhere at CSU campuses—and with tuition increases, furloughs and enrollment reductions only partially filling the gap—these spending reductions fell hard across student services and the broader range of support services at the campuses. When all these factors are considered, an increase of \$480 million above 2009-10 resources would be required to restore resources to the effective level that existed in 2007-08. The enacted state budget for 2010-11, combined with the 5 percent tuition increase approved by the board in June, adds about \$416 million. Of this amount, \$106 million is one-time federal money, which adds significant risk to CSU resources going forward into 2011-12 and beyond. Thus, under the current enacted budget, the university's resources fall short of the effective level of 2007-08 by about \$64 million, with risk that this gap could grow substantially in 2011-12.

A mid-year adjustment of 5 percent, taking effect for spring term at semester campuses and winter term at quarter campuses, would restore approximately \$27 million (net of financial aid) to the university's resources for the 2010-11 fiscal year and would aid campuses in offering

course sections and student services for those terms. This would still leave the CSU about \$27 million short of the governor's budget plan for 2010-11. This is because the mid-year adjustment would not retroactively affect tuition rates for the fall 2010 term. This also means the full-year effect of this mid-year adjustment—which would be felt in 2011-12 and each year beyond—would be approximately \$54 million. For winter/spring of 2011, the mid-year adjustment would allow the 23 campuses to offer a total of approximately 3,000 additional course sections, reduce class sizes, and further expand services for the substantially increased number of students expected on our campuses this winter and spring. The magnitude of these additional course offerings and services for students would be doubled in 2011-12.

An estimated 180,000 undergraduate students (over 45 percent) will be fully covered for the mid-year tuition adjustment by increases either in tuition waivers, State University Grants or Cal Grants. In addition, in 2009 Congress approved historic expansions in tax credits for university tuition, in Pell Grant awards, and in funding for work/study. Pell Grants for full-time students increased by \$550 to \$5,350 per academic year. (Because CSU Pell Grant recipients also receive waivers or state grants that fully cover the tuition, these Pell Grant increases had the effect of offsetting non-tuition costs for the estimated 120,000 CSU Pell recipients.) Many other CSU students would be helped on tuition increases by the newly expanded federal tax credits, which are available for family incomes of up to \$180,000.

For those students paying the adjusted charges, the rates would continue to be less than any of CSU's public comparison institutions and significantly lower than the comparison average.

Recommendation

In view of the above analysis, we recommend that the board adopt a 5 percent tuition increase, as a mid-year adjustment, effective spring 2011 at semester campuses and winter 2011 at quarter campuses.

The education doctorate program tuition established by the board at the November 2006 meeting, which by law is linked to the University of California graduate student tuition rate, is not affected by this recommended action.

2010-2011 Tuition Level—Mid-year Adjustment

RESOLVED, By the Board of Trustees of the California State University, that the following schedule of tuition is approved effective winter/spring terms 2011 and until further amended:

Tuition—Spring 2011 Semester

<u>Units Per Term</u>	<u>Undergraduate</u>	<u>Credential Program Participants</u>	<u>Graduate and Other Post-Bac Students</u>
6.1 or more	\$2,220	\$2,577	\$2,736
0 to 6.0	\$1,287	\$1,494	\$1,587

The applicable per term tuition schedules consistent with this resolution for campuses on semester, quarter and other calendars, for regular students (6.1 units or more per term) and part-time students (up to 6.0 units per term), and for summer terms are provided on the Budget Office website:

<http://www.calstate.edu/budget/student-fees/fee-rates/>

And, be it further

RESOLVED, that the supplemental Graduate Business Professional Fee be set at rates of \$231 per semester unit and \$154 per quarter unit effective winter/spring terms 2011 and until further amended; and be it further

RESOLVED, that the chancellor may approve individual campus tuition rates that do not exceed the maximum tuition rates established by this tuition schedule.

COMMITTEE ON FINANCE

Approval of the 2011-2012 Support Budget

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

At the September meeting, the board was provided with an overview of the state's fiscal condition and budget challenges for 2011-12. The board also was presented with preliminary revenue and expenditure assumptions for purposes of crafting a CSU support budget request. This item presents for the board's review and approval a recommended CSU support budget request for 2011-12.

2011-12 State Budget Overview

The governor and the legislature only recently resolved a \$19.3 billion budget shortfall for the 2010-11 fiscal year and the condition of the state's General Fund remains precarious for the remainder of the fiscal year. If anything, the state's fiscal challenges will become more severe in 2011-12. National and state economic recovery remain remarkably weak. Moreover, even if economic recovery continues, the projected improvement in "baseline" General Fund revenues will be overwhelmed by the impending expiration (under current state law) of three temporary tax increases approved in February 2009 (income, property and sales tax). The Legislative Analyst's Office estimates the General Fund revenue loss from this effect to be close to \$9 billion in 2011-12. Therefore, in all likelihood, total General Fund revenues for California in 2011-12 will be less than total revenues in 2010-11.

2011-12 CSU Support Budget

Despite the state's fiscal condition, the CSU has legitimate funding needs in order to carry out its critically important missions for California. In this agenda item we ask for the board's approval of a recommended CSU support budget request for 2011-12. This recommended plan has received input from campus and system leaders, including the Systemwide Budget Advisory

Committee, which has broad representation from campus presidents, academic senate, alumni, labor, and students. The planning approach is tempered by a recognition of the state's ongoing fiscal challenge, yet represents a credible statement of the university's key funding needs.

Expenditure Plan. The recommended expenditure plan, shown as increases to current spending from state funds and systemwide tuition, is summarized below. These recommended items will require new ongoing revenues, either from the state or from student tuition and fee revenues.

• Sustain student access and services (replace one-time federal funds)	\$106,000,000
• Mandatory costs (health and dental benefits, new space, energy)	\$48,965,000
• Compensation increase (3 percent "pool")	\$96,180,000
• Graduation Initiative/Early Start/Student Success	\$58,000,000
• 2.5 % Enrollment Growth (includes state funds and tuition)	\$83,126,000
• "Long-term needs" (technology, libraries, facility maintenance)	\$47,000,000
• Center for California Studies	\$563,000
 Total ongoing expenditure change	 \$439,834,000

This expenditure plan would bring annual spending for support of the CSU to more than \$4.7 billion. Although this is nearly \$440 million above current spending *from state funds, tuition and systemwide fee revenue*, it is only \$334 million (7.6 percent) above *total* current spending of about \$4.3 billion. This is due to the fact that the planned replacement of \$106 million of federal funds results simply in the continuation of that amount of current spending.

Revenue Plan. The following plan for increased revenue would provide the resources needed to meet the expenditure plan.

State General Fund Increase:

• Replace one-time federal funds	\$106,000,000
• 2.5 % enrollment growth (8,497 FTES)	64,781,000
• Graduation Initiative/Early Start/Student Success	58,000,000
• Buy out tuition increase (base FTES)	121,500,000
• Tuition increase buy out related to enrollment growth	2,970,000
• General operations	24,901,000
• Center for California Studies	563,000
Total State General Fund Increase	\$378,715,000

Tuition Revenue Increase:

• Net tuition from enrollment growth	\$35,370,000
• Change in enrollment patterns	(1,389,000)
• Full-year effect of 2010-11 mid-year tuition adjustment	27,138,000
Total Tuition Revenue Increase	\$61,119,000

Total Revenue Increase (including replacement of one-time federal funds) \$439,834,000.

This revenue plan strikes a balance in meeting the increased expenditure needs of the CSU between an amount that can be requested from the state with credibility and an amount that can be reasonably provided through tuition, given the severe fiscal challenges still faced by the state. This 2011-12 budget request provides the incoming governor and legislature with an achievable plan for reinvestment in the CSU for the sake of California's economic and social future. It also provides the governor and legislature the opportunity to mitigate the amount that otherwise is needed from a tuition increase by proposing a state "buy out" of the tuition increase.

The following resolution is recommended for adoption.

RESOLVED, by the Board of Trustees of the California State University, that the 2011-2012 Support Budget is approved as submitted by the chancellor; and be it further

RESOLVED, that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that such changes made by the chancellor be communicated promptly to the Trustees; and be it further

RESOLVED, that the chancellor is authorized to comply with requests of the Department of Finance and the legislature regarding establishment of priorities within this budget; and be it further

RESOLVED, that copies of this resolution be transmitted to the California Postsecondary Education Commission, to the governor, to the Director of Finance and to the legislature.

COMMITTEE ON FINANCE

Tuition Increase – 2011-2012 Academic Year

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

The board is presented with background and analysis on the 2011-12 support budget and the need for an increase in tuition for the 2011-12 academic year. The analysis indicates that increased revenues of at least \$115 million are needed from an increase in tuition rates (net of financial aid) in order to assure sustaining current levels of enrollment, instruction and student services, given the likelihood of late, and possibly unfavorable, decisions by the state in the 2011-12 budget process. Of this amount, \$106 million is tied to the absolute need to replace \$106 million of one-time federal funds and the remaining \$9 million is due to mandatory costs associated with energy costs and the operation of newly constructed facilities. Assurance of these revenues is needed now, rather than at the end of the state's budget process, because the 23 campuses must make their admission and enrollment commitments now.

Background

The CSU Board of Trustees has the authority to establish, adjust, and abolish systemwide tuition and fees. At its June meeting, the board adopted a 5 percent increase in tuition rates, in recognition of a State Assembly proposal to provide funds equivalent to an additional 5 percent net increase in tuition (in order to make it possible for the university to limit its 2010-11 tuition increase to five percent rather than 10 percent). In agenda item #4 for this November meeting we have asked the board to make a mid-year adjustment to the rates approved in June effective with the fall 2010 term, given that the enacted state budget for 2010-11 did not include the tuition buy-down funds that had been proposed by the Assembly. Approval of the recommended mid-year adjustment is necessary to align with the resources assumed in the governor's 2010-11 restoration plan for the CSU and to assure that our 23 campuses have the full resources needed to meet the instruction and support services needs of sharply increased student enrollments. If the board approves the mid-year adjustment, the semester rate for a full-time undergraduate would

be \$2,220 for spring 2011, or 5 percent higher than fall 2010. Without further changes, this would translate into an academic year amount of \$4,440. Including the average of campus-specific mandatory fees, total tuition and fees would be \$5,390 for an academic year. This amount is lower than all 15 public institutions selected by the California Postsecondary Education Commission for comparison and 38 percent below the comparison average of \$8,682.

As explained in agenda item #1 for this meeting, the chancellor believes that the term “tuition” should be used in the future rather than “fee”. Not only is the word “tuition” more accurate—given that the so-called fee provides resources for the basic instructional programs for students—it is the term used in virtually all other universities in the nation and would alleviate problems that arise from time to time when federal legislation uses the word “tuition” rather than “fee.” Thus, in this agenda item we use the term “tuition” in place of “State University Fee.”

Analysis

The governor and legislature have just enacted a state budget for 2010-11 that provides partial restoration of about \$260 million in state General Fund support for the CSU. In addition, the enacted budget provides \$106 million from the State Fiscal Stabilization Fund established by Congress as part of the 2009 stimulus legislation. The governor and legislature have made the assumption that these one-time funds allow the CSU to serve a sharply increased level of enrollment. Thus, the 2010-11 budget act sets an enrollment target of 339,873 full-time equivalent students (FTES). To meet this target, our campuses must act now in an effort to admit and enroll large numbers of eligible students for the winter and spring 2011 terms. From the standpoint of the CSU’s educational mission, this is a very positive development. However, from the standpoint of planning and operating programs with the assurance of adequate resources, the use of the \$106 million of one-time federal funds introduces an element of great risk. The funds are “one-time,” but our students are not. When our campuses enroll students this winter and spring they are making multi-year commitments. Specifically, they are making decisions now that will virtually dictate that the CSU will be serving more than 339,873 FTES in 2011-12. Moreover, campuses must soon make admission decisions for fall 2011, far in advance of any possible decisions by the legislature regarding state funding of the CSU in 2011-12.

Our analysis indicates that a tuition increase of 10 percent is needed for the 2011-12 academic year and that this decision should be made now rather than wait upon a prolonged and uncertain state budget process. A 10 percent increase would yield an estimated increase in revenue (net of financial aid) of \$121.5 million. This would assure in advance that adequate resources will be available to replace the \$106 million of one-time federal funds and at least a minimum portion of mandatory costs and would enable campuses to make the decisions that are needed now to restore access, course sections and student services for the next fiscal year.

The 2011-12 CSU support budget includes a specific proposal for the incoming governor and legislature to provide state funds to “buy out” the 10 percent tuition increase. If the state is

unable to prioritize funds for a “buy out,” a 10 percent increase would be consistent with increases enacted by the board in three of the last four academic years and consistent with compacts with current and former governors.

Significant amounts of available financial aid—including the continued practice of setting aside at least one-third of any increase for State University Grants—would assure that the tuition increase would not affect those students with most financial need. In fact, we estimate that roughly 45 percent of CSU undergraduate students would not pay the tuition increase, either due to State University Grants, Cal Grants or tuition waivers. For those students who would be subject to the increased tuition, the CSU rate would continue to be among the lowest of any university in the country. In addition, for many students other forms of financial aid from scholastic achievement programs, federal grant and fellowship programs, institutional grant and scholarship programs, and low-interest student loans would be available.

Recommendation

In view of the above analysis, we recommend that the board adopt the following resolution regarding tuition for the 2011-12 academic year. The charge for the Education Doctorate program established by the Board at the November 2006 meeting, which by law is linked to the University of California graduate student tuition rate, is not affected by this recommended action.

2011-12 Tuition Level

RESOLVED, By the Board of Trustees of the California State University, that the following academic year schedule of tuition is approved effective fall term 2011 and until further amended:

Tuition

<u>Units Per Term</u>	<u>Undergraduate</u>	<u>Credential Program Participants</u>	<u>Graduate and Other Post-Bac Students</u>
6.1 or more	\$4,884	\$5,670	\$6,018
0 to 6.0	\$2,832	\$3,288	\$3,492

The tuitions provided in the above table are for an academic year. The applicable per term tuition schedules consistent with these academic year tuitions for campuses on semester, quarter and other calendars, for regular students (6.1 units or more per term) and part-time students (up to 6.0 units per term), and for the academic year and summer terms are provided on the Budget Office website:

<http://www.calstate.edu/budget/student-fees/fee-rates/>

And, be it further

RESOLVED, that the supplemental Graduate Business Professional Fee be set at rates of \$254 per semester unit and \$169 per quarter unit effective fall term 2011; and be it further

RESOLVED, that the chancellor may approve individual campus tuition rates that do not exceed the maximum tuition rates established by this tuition schedule.

COMMITTEE ON FINANCE

2011-2012 Lottery Revenue Budget

Presentation By

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

This is an action item regarding the lottery revenue budget proposal for fiscal year 2011-12. The lottery revenue projection for 2011-12 is \$44 million. After setting aside \$3 million for the CSU's systemwide reserve, \$41 million is available for allocation. AB 142 was enacted April 8, 2010, with the intent to keep state lottery allocations to higher education constant or higher with each subsequent year. However, because lottery revenue allotted to CSU is based on enrollment actuals from the prior year and because enrollment has declined, the actual amount of lottery revenue allotted to the CSU is uncertain. Therefore, the CSU's lottery revenue reflects no increase in projected support from fiscal year 2010-11.

Beginning CSU lottery reserves are \$5 million, which includes \$2 million carryover from 2010-11 and campuses' interest earnings from lottery allocations that are incorporated into total revenue earnings achieved under the CSU Revenue Management Program. The CSU does not anticipate any additional carry forward funds in 2011-12 above the planned \$3 million budget reserve. The \$3 million reserve is used to assist with cash-flow variations due to fluctuations in quarterly lottery receipts and other economic uncertainties.

2011-12 Lottery Budget Proposal

The \$41 million lottery budget plan proposal will continue to be designated to campus-based programs, Board of Trustees continuing support of \$2 million for improvement in campus academic programs, and the three system-designated programs that have traditionally received annual lottery funding support: Chancellor's Doctoral Incentive Program, California Pre-Doctoral Program, and CSU Summer Arts Program. The Chancellor's Doctoral Incentive Program will receive \$2 million for financial assistance to graduate students to complete doctoral study in selected disciplines of particular interest and relevance to the CSU. The California Pre-Doctoral Program will receive \$714,000 to support CSU students who aspire to earn doctoral degrees and who have experienced economic and educational disadvantages. The CSU Summer Arts Program will receive \$1.2 million for academic credit courses in the visual, performing, and literary arts.

The remaining \$35.1 million in 2011-12 lottery funds will continue to be used for system program administration and campus-based programs. The campus-based programs represent a significant source of funds that allow presidents maximum flexibility in meeting unique campus needs. Traditionally, projects receiving campus-based funds have included the purchase of new instructional equipment, equipment replacement, curriculum development, and scholarships.

Ninety-eight percent of lottery allocations are spent on supplemental programs and services for students and faculty. The following table summarizes how lottery funds allocated for the 2009-10 fiscal year were expended.

2009-10 Lottery Expenditure Report

Program Support Area	Expense	Percent of Total
Academic	\$ 24,459,112	58%
Library Services	\$ 9,723,739	23%
Student Services	\$ 4,729,780	11%
Financial Aid	\$ 1,408,545	3%
Administration	\$ 1,237,815	3%
Community Relations	\$ 463,323	1%
University Maintenance	\$ 423,959	1%
	\$ 42,446,273	100%

The CSU lottery revenue budget proposed for 2011-12 is as follows:

2011-12 Proposed Lottery Revenue Budget

	2010-11 Adopted Budget	2011-12 Proposed Budget
Sources of Funds		
Beginning Reserve	\$ 5,000,000	\$ 5,000,000 *
Receipts	39,000,000	39,000,000
Total Revenues	\$ 44,000,000	\$ 44,000,000
<i>Less Systemwide Reserve</i>	<i>(3,000,000)</i>	<i>(3,000,000)</i>
Total Available for Allocation	\$ 41,000,000	\$ 41,000,000

Uses of Funds

System Programs

Academic Program Support	\$ 2,000,000	\$ 2,000,000
Chancellor's Doctoral Incentive Program	2,000,000	2,000,000
California Pre-Doctoral Program	714,000	714,000
CSU Summer Arts Program	1,200,000	1,200,000
Program Administration	491,000	491,000
	\$ 6,405,000	\$ 6,405,000

Campus-Based Programs

Campus/CO Programs	\$ 34,595,000	\$ 34,595,000
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Total Uses of Funds	\$ 41,000,000	\$ 41,000,000
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* Includes \$2 million year-end carry-over receipts from 2010-11.

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the 2011-12 lottery revenue budget totaling \$44 million be approved for implementation by the chancellor, with the authorization to make transfers between components of the lottery revenue budget and to phase expenditures in accordance with receipt of lottery funds; and be it further

RESOLVED, that the chancellor is hereby granted authority to adjust the 2011-12 lottery revenue budget approved by the Board of Trustees to the extent that receipts are greater or lesser than budgeted revenue to respond to opportunities or exigencies; and be it further

RESOLVED, that a report of the 2011-12 lottery revenue budget receipts and expenditures be made to the Board of Trustees.

COMMITTEE ON FINANCE

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for an Auxiliary Project

Presentation By

George V. Ashkar
Assistant Vice Chancellor/Controller
Financial Services

Summary

This item requests the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of Bond Anticipation Notes (BANS) to support interim financing under the commercial paper program of the California State University in an aggregate not-to-exceed amount of \$29,285,000 to provide financing for one auxiliary project. The board is asked to approve resolutions related to the financing of this project. The long-term bonds will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide Revenue Bonds.

Sacramento University Enterprises, Inc.—Folsom Hall Refinancing Project

In May 2007, the board granted approval for University Enterprises, Inc. (UEI), a recognized auxiliary organization in good standing at California State University, Sacramento, to borrow up to \$37,000,000 from a commercial bank for the purpose of acquiring an office building from the California State Teachers' Retirement System (CalSTRS). The acquisition plan called for UEI to lease the building to CalSTRS for two years, while CalSTRS awaited the completion of a new facility, after which UEI would use the building for its own programs, lease space to the Sacramento campus for academic use, and/or lease space to third-party tenants. At that point in time, the bank loan would be refinanced with long-term debt, most likely through the Systemwide Revenue Bond program.

In July 2007, UEI borrowed \$35,300,000 from a commercial bank for two years, consisting of a \$27,760,000 secured loan and a \$7,540,000 unsecured loan. However, because of a severe downturn in the commercial real estate market shortly after the acquisition, UEI was unable to replace CalSTRS and lease up the building at levels to support the long-term refinancing of the bank loans prior to their maturity in July 2009. Furthermore, because a significant level of UEI's other operations were tied to real estate, UEI's overall financial position deteriorated, preventing a long-term refinancing on the basis of UEI's overall operations.

Beginning in mid-2009, UEI entered into a series of extensions with the bank, culminating in an extension in April 2010, whereby the bank agreed to an extension of the maturity to April 2011, in exchange for the full payment of the \$7,540,000 unsecured loan. In June 2009, in order to secure space for academic programs and to mitigate any leasing and vacancy risks associated with the property, now known as Folsom Hall, the Sacramento campus entered into a master lease agreement with UEI, whereupon the university has agreed to lease 100 percent of the total rentable space from UEI for a period of 32 years. On the basis of this master lease, long-term financing under the Systemwide Revenue Bond program is viable. Without long-term refinancing through the Systemwide Revenue Bond program, UEI will have significant difficulty in repaying, extending, or refinancing the remaining bank debt when it comes due in April 2011.

Folsom Hall is a 188,100 rentable square-foot, three-story office building located on 7.7 acres within close proximity to the southeastern portion of the Sacramento campus. The master lease is consistent with the long-term plan to utilize the property for university purposes, as well as other self-supporting university affiliated programs. However, because of current budget pressures, Folsom Hall is not expected to be fully occupied until at least 2011-12, with the first phase of occupancy beginning with the nursing program in early January 2011, followed by the speech pathology, audiology, and physical therapy programs.

Financing Plan

UEI is seeking board approval to issue Systemwide Revenue Bonds and/or commercial paper to refinance the remaining \$27,760,000 outstanding bank loan. The proposed bonds will be issued as tax-exempt debt at a not-to-exceed par amount of \$29,285,000, and amortized over 30 years based on level debt service repayments, with a maximum annual debt service of \$1,996,415. The proposed bonds par amount and maximum annual debt service is based on an all-in interest cost of 5.77 percent reflective of September 2010 market conditions plus 100 basis points as a cushion to account for any market fluctuations that could occur before the permanent financing bonds are sold. The bond proceeds will be delivered to UEI via a loan agreement that will be on parity with UEI's existing standalone revenue bonds issued in 2005 and secured by UEI's general obligation pledge of gross revenues, including those derived from Folsom Hall's master lease.

Based on the financial plan, debt service coverages for the project and UEI are projected at 1.99 and 1.31, respectively, for fiscal 2011-2012, the first year when the proposed bond debt service will become due. Debt service coverages on both levels are projected to meet the CSU benchmark of 1.25 throughout the life of the bonds, although the coverages will trend downward. For the project, this is because the master lease does not include any escalation provisions on the lease payments. For UEI, the coverage will trend downward for several years and then rise

thereafter, as certain property lease obligations expire. With the addition of this financing, the overall campus debt service coverage will remain essentially unchanged.

Due diligence costs and tenant improvements for the initial phase of occupancy will be covered by internal loans from the campus housing and parking programs, and repaid over five years at 2.0 percent from campus operating funds in support of the academic programs that will occupy the space.

In September 2010, UEI's board of directors adopted a resolution approving the refinancing plan as described herein.

Trustee Resolutions and Recommended Action

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing a set of resolutions to be presented at this meeting for the project described in this agenda item that authorize interim and permanent financing. The proposed resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes and the related sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in a not-to-exceed amount of \$29,285,000 and certain actions relating thereto.
2. Provide a delegation to the Chancellor; the Executive Vice Chancellor and Chief Financial Officer; the Assistant Vice Chancellor, Financial Services; and the Director, Financing and Treasury; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

Approval of the financing resolutions for the projects as described in Agenda Item 8 of the Committee on Finance at the November 9-10, 2010, meeting of the CSU Board of Trustees is recommended for:

Sacramento University Enterprises, Inc.—Folsom Hall Refinancing Project

COMMITTEE ON FINANCE

Proposed Title 5 Revision: Management of Claims for Damages Filed Against the Board of Trustees

Presentation By

Charlene Minnick
Assistant Vice Chancellor
Risk Management and Public Safety

Summary

Existing law bars a suit for money or damages against a public entity on a cause of action for which a claim is required to be presented, until a written claim therefore has been presented to the public entity and acted upon by the Victim Compensation and Government Claims Board, the governing body of a local public entity, or the Judicial Council, as applicable, or has been deemed to have been rejected, except as specified.

SB 1046 requires, instead, in the case of a claim against the California State University for money or damages based upon an express contract or for an injury for which the Trustees of the California State University is alleged to be liable, that the claim be presented to the Trustees of the California State University. The bill requires the trustees to act on the claim in accordance with the procedure that the trustees provide by rule. The bill specifies certain means of presentation and service of a claim against the California State University, and requires the Victim Compensation and Government Claims Board (VCGCB) to immediately notify a claimant who mistakenly presents a claim against the California State University to the Victim Compensation and Government Claims Board, as specified. The bill authorizes the Trustees, through their designee, to adjust and pay any accepted claim arising out of the activities of the California State University, and would make other conforming changes.

The trustees can accomplish the SB1046 requirement to provide by rule the authority to act on the claim in accordance with the following prescribed procedure.

Background

The Office of the Chancellor recognized an opportunity to eliminate the unnecessary expense and additional administrative steps of the VCGCB by having claims filed directly with the CSU.

The tort claims act establishes procedures for filing a claim against a public agency. Currently, CSU claims are filed with the VCGCB, then transmitted to CSU's Risk Management Department

for investigation and determination of whether to settle the claim or allow the claim to go to litigation. If the CSU decides to settle a claim, this action must be approved by VCGCB, which collects an administrative surcharge from the CSU equal to 15 percent of the amount of the claim. If a claim is denied, the VCGCB notifies the claimant that he or she has six months to initiate court action against the CSU; VCGCB is then no longer involved.

By eliminating the need to process claims through the VCGCB, the CSU has the opportunity to provide claims handling in a more efficient and timely manner than what was afforded by the VCGCB.

Following is the text of the proposed amendment to Title 5:

Title 5, California Code of Regulations
Division 5— Board of Trustees of the California State Universities
Chapter 1 — California State University
Subchapter 5 — Administration
Article 16 — Claims Filing Process

(a) Claims for money damages against the California State University or a CSU employee shall be presented to the Office of the Chancellor, Risk Management & Public Safety at the following address in accord with the requirements of Government Code section 900 et seq:

The California State University
Office of the Chancellor, Risk Management & Public Safety
401 Golden Shore, 5th Floor
Long Beach, CA 90802-4210

(b) The Office of the Chancellor, Risk Management & Public Safety shall impose a \$25 administrative fee for each claimant. The administrative fee may be waived if the claimant demonstrates a sufficient showing of financial hardship. This administrative fee shall be refunded, if the claim is allowed in whole or in part.

(c) The Office of the Chancellor, Risk Management & Public Safety shall maintain and make available on its website claim forms and applications for administrative fee waivers. Claimants are not required to use the CSU claim form so long as they provide the following information:

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- (1) The name and address of the claimant.
 - (2) The address to which the claimant desires notices to be sent.
 - (3) The date, place and other circumstances which gave rise to the claim asserted.
 - (4) A general description of the loss incurred.
 - (5) The name or names of the CSU employee or employees causing the loss, if known.
 - (6) The amount claimed, including any estimated amount of prospective loss, together with

the basis of computation for those amounts. If the amount claimed and/or the prospective loss is unknown, the claimant shall state whether those amounts are believed to exceed \$25,000.

The claim shall be signed by the claimant or by some person on his/her behalf.

(d) The Office of the Chancellor, Risk Management & Public Safety shall be responsible for acting on any claim presented to the CSU. Any action on a claim shall be consistent with the provisions of the Government Claims Act.

(e) For purposes of determining whether a claim was commenced within the period provided under the Government Code, the date the claim was presented to the CSU is:

(1) The date the claim is postmarked and the twenty-five dollar (\$25) administrative fee is paid, whichever occurred later.

(2) If a fee waiver is granted, the date the claim was presented with the application requesting the fee waiver.

(3) If a fee waiver is denied, the date the claim was presented with the application requesting the fee waiver, provided the filing fee is paid to the CSU within 10 calendar days of the mailing of the notice of the denial of the fee waiver.

A resolution proposing this amendment will be presented for action at the January 2011 Trustee meeting.

COMMITTEE ON FINANCE

Proposed Title 5 Revision: Lost, Unclaimed or Abandoned Property

Presentation By

George Ashkar
Assistant Vice Chancellor
Financial Services

Summary

Assembly Bill 1890, filed with the Secretary of State on August 27, 2010, amended California Civil Code Section 2080.8 and repealed Section 2080.9 regarding the disposition of lost, unclaimed or abandoned property. This change in law requires modifications to Title 5 to implement these revised provisions.

Background

When lost, unclaimed or abandoned property was in the possession of a CSU campus, the campus was obligated to hold all such property, regardless of value, for a period of six months, at which point the campus was allowed to sell the property at a public auction.

The University of California (Civil Code 2080.8); public agencies (Civil Code 2080.6) (such as the Department of General Services, the Department of Parks and Recreation, any city, county, city and county and public safety (Civil Code 2080.3) are all required to keep property for a minimum of three months. The change in law allows the CSU to mirror existing law for other entities regarding the length of time property is required to be held. It further limits the storage, inventory and auction requirements to property valued at \$300 or more.

Following is the text of the proposed amendment to Title 5:

Title 5. Education
Division 5. Board of Trustees of the California State Universities
Chapter 1. California State University
Subchapter 5. Administration
Article 10. Disposition of Lost Property
§ 42375. Care, Restitution, Sale or Destruction of Lost Property

The Chancellor or his designee may provide for the care, restitution, sale or destruction of unclaimed, lost or abandoned property in the possession of any campus in accordance with California Civil Code Section ~~2080.9~~ 2080.8. Unclaimed, lost, or abandoned property valued at or above three hundred dollars (\$300) shall be held by the campus for a period of at least three months. After such time, and after a notice of such sale has been published once for a minimum of five days in a newspaper of general circulation in the county in which the property is held, the property shall be sold at public auction to the highest bidder. The campus may dispose of any of that property upon which no bid is made at any sale.

A resolution proposing this amendment will be presented for action at the January 2011 meeting of the CSU Trustees.

COMMITTEE ON FINANCE

California State University Sacramento, University Enterprises Development Group – Auxiliary Organization Dissolution Approval

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Alexander Gonzalez
President
California State University, Sacramento

Formation and History

University Enterprises Development Group (UEDG) was incorporated on July 18, 2005, as an auxiliary organization of California State University, Sacramento. Its purpose, as authorized in the Operating Agreement between the Trustees and UEDG, is to perform the functions of:

1. Purchase, sell, lease and operate housing for students, faculty and staff.
2. Acquire, develop, sell, manage and transfer real and personal property including financing transactions related to these activities.

In 2005, UEDG financed CSU Sacramento's acquisition of the property located at 3001 Ramona Avenue, approximately one-half mile from campus. The property was purchased from the California Youth Authority by the university instead of the auxiliary due to preferred terms available when property is transferred between state entities. UEDG then leased the property from the university and planned to develop faculty and staff housing on the site. The severe downturn in the housing market eliminated the need for new faculty and staff housing. Alternate uses are being explored for the site, which benefits from being within a Property and Business Improvement District and a "Clean Technology Zone" designate by the City of Sacramento.

In 2007, UEDG entered into a 15-year sublease with 65th & Folsom, a California limited partnership, for the Upper Eastside Lofts, a 140-unit housing complex and 10,000 square feet of retail space. University Enterprises, Inc. (UEI), a recognized auxiliary organization, guaranteed UEDG's obligations under the sublease. The complex is in its third year of operation with 93 percent occupancy. A professional management company with expertise in student housing handles the day-to-day management and leasing.

Reason for Dissolution

The costs of operating UEDG include an annual audit and tax return, dues, insurance, and a variety of administrative costs such as quarterly board meetings. UEDG has no employees, so the personnel costs for its administration, management, accounting, and financing are incurred by UEI. It is estimated that the dissolution of UEDG will reduce expenses by over \$100,000 annually.

Assignment of UEDG's Assets and Liabilities

At UEDG's September 24, 2010 Board of Directors meeting, a resolution was passed "Authorizing and Directing the Winding Up and Dissolution of University Enterprises Development Group and the Transfer of its Assets and Liabilities to University Enterprises, Inc." As of June 30, 2010, UEDG had total assets of \$3,956,463 and total liabilities of \$10,269,074. The net assets (deficit) is (\$6,312,611).

UEI is the commercial services auxiliary serving CSU Sacramento and was incorporated in 1951. One of UEI's authorized functions under a 2006 amendment to its Operating Agreement with the Trustees is the "acquisition, development, sale, management and transfer of real and personal property including financing transactions related to these activities." This enables UEI to accept the assignment of UEDG's leases for the Ramona Avenue and the Upper Eastside Lofts properties and manage any future development.

UEI is the only major creditor of UEDG, and UEI has the fiscal resources to properly assume and perform UEDG's functions. In light of the difficult fiscal environment and opportunity to reduce costs, it is requested that the Board of Trustees of the California State University approve the dissolution of University Enterprises Development Group and the transfer of its assets and liabilities to University Enterprises, Inc.

RESOLVED, that the Board of Trustees of the California State University approve the dissolution of the auxiliary organization known as the University Enterprises Development Group at California State University, Sacramento and the transfer of all assets to the auxiliary organization known as the University Enterprises, Inc. at California State University, Sacramento.