

AGENDA

JOINT COMMITTEE ON GOVERNMENTAL RELATIONS AND FINANCE

Meeting: 11:00 a.m., Tuesday, July 21, 2015
Glenn S. Dumke Auditorium

Governmental Relations

Douglas Faigin, Chair
Kelsey M. Brewer, Vice Chair
Silas H. Abrego
Adam Day
Debra S. Farar
Lupe C. Garcia
Steven G. Stepanek

Finance

Adam Day
Silas H. Abrego
Kelsey M. Brewer
Douglas Faigin
Debra S. Farar
Margaret Fortune
Lupe C. Garcia
Lillian Kimbell

Discussion Items

1. Legislative Update, *Information*
2. Report on the 2015-2016 Support Budget, *Information*

JOINT COMMITTEE ON GOVERNMENTAL RELATIONS AND FINANCE

Legislative Update

Presentation By

Garrett Ashley
Vice Chancellor
University Relations and Advancement

Karen Y. Zamarripa
Assistant Vice Chancellor
Advocacy and State Relations

Summary

This item contains an updated review of bills introduced this year that may impact or be of interest to the California State University (CSU).

Background

At the conclusion of the 2015-16 budget negotiations between Governor Brown, Assembly Speaker Atkins and Senate President pro Tempore de León, the CSU was provided an additional \$217 million over the previous year in ongoing budget support. In great part, the success in Sacramento can be attributed to the 18-month *Stand with CSU* campaign. Thanks to the work of the campuses and their teams, the CSU secured 83 signatures of the 120 legislators for our support letter, urging the state's leadership to prioritize the trustees' full budget request for the CSU.

Since the release of the letter, the following has taken place:

- Campuses educated their local legislative delegations on the need and benefits of investment in the CSU.
- Legislative capitol offices received information sheets three times a week on key messages such as enrollment, student success and capital infrastructure.
- All 120 legislators received red #standwithCSU socks and were asked to demonstrate their support for the system by wearing them during Floor session on June 4.
- Daily "tweets" went out via Twitter with the #standwithCSU hashtag. This resulted in over 1.3 million impressions. In Sacramento, the CSU was the top trending hashtag for over eight hours during our CSU Sock Day.

In addition to our budget activities, the CSU has been managing many bills. We are now over halfway through the legislative process, with the second house policy committees having completed their work on bills in their house. At this juncture, the legislature is on their annual summer recess, returning in mid-August to complete their work for the year by September 11.

Board of Trustees' Sponsored Legislation

AB 819 (Irwin) - California State University and University of California Alumni Affinity Programs

This measure seeks permanent authority for the CSU and the University of California (UC) to participate in affinity programs, which benefit the campuses and their alumni associations. The current statutory authority for affinity programs sunsets in January 2016.

Status: The measure has passed the Senate Floor and is headed to the Governor.

SB 462 (Wolk) - Sonoma State Green Music Center Ad/Sponsorship Allowances

This measure would allow local wineries and beer manufacturers to purchase ad space, donate products for sale, or provide sponsorship for events at the Sonoma State University Donald and Maureen Green Music Center.

Status: The measure passed out of the Senate and will be heard next in the Assembly Governmental Organization Committee on July 8, 2015.

SB 634 (Block) - State Authorization Reciprocity Agreement (SARA)

Federal regulations require every campus that offers online programs to be authorized to do so in every state where enrolled students reside. In response to the new federal regulations, accrediting agencies throughout the country have developed a collaborative, known as SARA, to facilitate common standards and access for students and universities. This measure provides the statutory authorization necessary for California to enter into SARA through the Western Interstate Commission for Higher Education.

Status: The measure was scheduled to be heard in the Senate Education Committee on April 22. However, opposition has emerged from consumer advocates who want the state to regulate out-of-state, for-profit institutions in the same way they regulate those institutions physically located in California. This is a major issue that has been highly controversial for decades. The measure is now a two-year bill.

CSU Investment Authority

This proposal would increase the system's investment earnings on its funds through a broader range of investments to support campus infrastructure and capital outlay.

Status: The CSU is continuing conversations with the Department of Finance, the State Treasurer's office and the legislature about addressing this matter before adjournment this summer.

Initial Review of Key Measures for the CSU

AB 38 (Eggman) - California State University: New Campuses

This measure would request the Legislative Analyst's Office (LAO) to conduct a study to assess the need for new CSU campuses.

CSU Position: NO OFFICIAL POSITION

Status: The measure passed out of the Assembly and is in the Senate Rules Committee waiting to be assigned to a policy committee. Budget bill language was included in the final budget to have LAO do this study. This is in response to continued interest in campuses in Chula Vista, Antelope Valley and the Stockton Center at CSU Stanislaus.

AB 42 (Kim) - Postsecondary Education Mandatory Fee Freeze

This measure would prohibit the CSU, California Community Colleges (CCC) and the UC from increasing mandatory tuition and fees until fiscal year 2018-19, when the temporary taxes established by Proposition 30 expire. It would also require new student fees be approved by a majority of the student body on or after January 1, 2016, and within the preceding 48 months, potentially impacting several campuses that enacted student fees in the last four years.

CSU Position: OPPOSE UNLESS AMENDED

Status: The measure is now a two-year bill.

AB 147 (Dababneh) - Animal Research

This measure would require California's higher education institutions that conduct scientific research on domestic dogs or cats to offer the animals to animal rescue operations after they are no longer needed.

CSU Position: NO OFFICIAL POSITION

Status: The measure passed out of the Senate Education Committee and was referred to the Senate Appropriations Committee. The UC and private institutions are impacted much more significantly than the CSU.

AB 340 (Weber) - Campus Climate Report

This measure would require the CSU, CCC and the UC, beginning in 2017-18, to provide once every biennium a report to the legislature on new developments and efforts being undertaken

around campus climate. The report would be submitted to the legislature, governor and attorney general.

CSU Position: SUPPORT
Status: The measure passed out of the Assembly. The Senate Rules Committee has not assigned the bill to a policy committee due to house procedures that discourages legislation that merely calls for a study.

AB 716 (Low) - California State University Special Sessions

This measure would place into the Education Code the definition of “supplanting” included in the CSU executive order on this subject; specifically, that supplanting results when the number of state-supported course offerings decreases while the number of self-supporting versions of that course increases. The measure would also require, to the extent possible, that any course offered as a condition of completing an undergraduate degree should be offered as a state-supported course.

CSU Position: NO OFFICIAL POSITION
Status: The measure passed out of the Senate Education Committee and will be heard in the Senate Appropriations Committee on July 6.

AB 967 (Williams) - Postsecondary Education: Sexual Assault

This measure would mandate institutions that receive state financial aid establish a uniform process for sexual assault disciplinary proceedings that treats all students in the same manner regardless of their major or their participation with an athletic program. It also would specify forms of discipline for violations including expulsion, suspension and loss of aid and housing privileges, effectively creating determinant sentencing for student code of conduct violations. The measure would also require annual reporting on sexual assault cases, including the number of cases each year and resulting outcomes.

CSU Position: SUPPORT IF AMENDED
Status: The measure passed out of the Assembly, and will be heard in the Senate Education Committee in July. CSU’s Advocacy and State Relations (ASR) office is working with the author’s staff to remove the minimum sanction of two years for violations of campus conduct ensuring that campuses are allowed to respond to each individual circumstance in the appropriate manner.

AB 968 (Williams) - Postsecondary Education: Transcripts

This measure would mandate that a student's suspension or expulsion be included on their transcript for as long as the prohibition is in place. This is consistent with current CSU policy.

CSU Position: SUPPORT
Status: The measure passed out of the Assembly and is in the Senate waiting to be assigned to a policy committee.

AB 970 (Nazarian) – Labor Commissioner: Enforcement of employee claims

This measure expands the role of the state's Labor Commissioner to cite an employer for violations of state and local minimum wage laws. Current law charges the commissioner with overseeing the state minimum wage.

CSU Position: OPPOSE UNLESS AMENDED
Status: The measure is pending final action on the Senate Floor. CSU has submitted amendments to make clear that state agencies, departments and universities are not subject to local ordinances but remain subject to state minimum wage laws. If the bill does in fact subject CSU and others to local ordinances, this would be a significant shift in policy and increased unfunded mandates for the campuses are estimated in the millions.

AB 1000 (Weber) - California State University: Student Success Fees

This measure would codify the recently adopted Board of Trustees' policy on Category II Student Success Fees. It would also require a report from the Chancellor on all fees adopted and rescinded in each academic year to the Department of Finance and the legislature.

CSU Position: OPPOSE
Status: The measure passed out of the Assembly and will be heard next in the Senate Education Committee. The CSU has requested amendments that balance governance and accountability in a manner that recognizes the role of the Board in setting policy but also our commitment to transparency in decision making.

AB 1317 (Salas) - Executive Officer Compensation

This measure would request the UC to adopt policies prohibiting a salary increase for executive officers if systemwide mandatory fees were increased within the last two years.

CSU Position: WATCH
Status: The measure originally applied to the CSU and the UC, but it was passed out of the Assembly Appropriations Committee with amendments deleting

all reference to the CSU. The measure is now in the Senate Education Committee and will likely be heard on July 15.

AB 1349 (Weber) - California First Act

This measure would require the university to guarantee undergraduate admissions to a CSU campus, though not necessarily at a campus or in a major of the applicant's choice, to all California residents who apply on time and satisfy the undergraduate admissions eligibility requirements of the university, regardless of state funding levels.

CSU Position: WATCH

Status: The measure was held in the Assembly Appropriations Committee and is dead for the session. In early discussions with the author's staff, it seemed the author wanted the CSU to create a formal redirection policy for students not accepted to their first-choice campus, similar to the UC.

AB 1366 (Lopez) - Dream Resource Centers

This measure would require the CCC and CSU to establish Dream Resource Centers on their campuses or ensure that a designated staff person knowledgeable in financial aid, services, and academic opportunities for all students meeting specific requirements is available. While mandating the centers, it would authorize the acceptance of private funds to establish and operate the centers. UC would be requested to comply with this measure as well.

CSU Position: NO OFFICIAL POSITION

Status: The measure passed out of the Assembly and will be heard in the Senate Education Committee, likely on July 15.

SB 3 (Leno) – Minimum Wage

This measure would increase the state minimum wage to \$13 an hour by July 1, 2017, and put in place an annual increase yearly thereafter tied to the California Consumer Price Index (CCPI).

CSU Position: NO OFFICIAL POSITION

Status: The bill has been approved by the Senate on a partisan vote and will be considered by the Assembly Labor Committee on July 8. The measure is opposed by private sector employers and has been included on the annual "job killer" list of bills identified by the California Chamber of Commerce. SB 3 is supported by employee organizations. Estimated cost for the CSU in 2017 is \$41 million.

SB 8 (Hertzberg) - The Upward Mobility Act

Presently, this measure is only legislative intent language that would extend sales tax on service-based industries. It would also examine the impact of lowering and simplifying the personal

income tax California currently uses. The bill intends to generate an estimated \$10 billion in new revenues that would be directed as follows: \$3 billion for K-14 education; \$3 billion for local government services; \$2 billion for low-income tax credits; and \$1 billion each for the UC and the CSU.

CSU Position: WATCH
Status: The measure is a two-year bill.

SB 15 (Block) - Postsecondary Education Financial Aid

This measure is Senate Pro Tem de León's higher education proposal to allocate more funds to higher education and state financial aid programs. One component, a new completion incentive program to encourage CSU students to complete at least 30 units a year towards their degree, remains a keen interest of Pro Tem de León and will be an issue in 2016.

CSU Position: SUPPORT
Status: The measure passed out of the Senate and will not move further until next year given the budget agreement between the Senate and Assembly.

SB 42 (Liu) - California Commission on Higher Education Performance and Accountability

This measure would recast and revise the currently unfunded California Postsecondary Education Commission (CPEC) as the Commission on Higher Education Performance and Accountability. This new commission would serve many of the same purposes as CPEC, but would not include representation from the higher education segments on the governing board.

CSU Position: PENDING
Status: The measure passed out of the Senate and will be heard in the Assembly Higher Education Committee on July 7. The author submitted amendments to the committee on July 2 removing all prior language and replacing with a proposal to establish a higher education entity within the governor's office. Further analysis is required to determine the impact and value of such a proposal to the state and CSU.

SB 247 (Lara) - Dream Centers

This measure would allow high schools, CCC, CSU and UC campuses to establish on-campus "Dream Centers" to assist undocumented students with student support services, including financial aid.

CSU Position: NO OFFICIAL POSITION
Status: The measure was held on the suspense file in the Appropriations Committee and is dead for the year.

SB 668 (Leyva) - Sexual Assault: Counselor-Victim Privilege

This measure would require all campuses to contract out with a sexual assault center, like the California Coalition Against Sexual Assault (CALCASA), to provide sexual assault counseling to our students on campus.

CSU Position: WATCH

Status: The author has deferred action on this bill until 2016 given concerns expressed by the CSU and others.

SB 669 (Pan) - California State University Personal Service Contracts

This measure would restrict the CSU's authority to manage its employees and subject the campuses to the same contracting out restrictions and constraints imposed on state civil service.

CSU Position: OPPOSE

Status: This measure is very similar to last year's SB 943, which died in its first policy committee. It was referred to the Senate Education Committee and was scheduled to be heard on April 22, but was pulled by the author and is now a two-year bill.

SB 707 (Wolk) - Gun-Free School Zone

This measure would prohibit a person with a concealed weapon permit from bringing a firearm onto K-12 school grounds or higher education campuses, including the CSU.

CSU Position: SUPPORT

Status: The measure passed out of the Senate and is in the Assembly waiting to be assigned to a policy committee. The measure is sponsored by the California College and University Police Chiefs Association.

JOINT COMMITTEE ON GOVERNMENTAL RELATIONS AND FINANCE

Report on the 2015-2016 Support Budget

Presentation By

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

The purpose of this agenda item is to inform the California State University Board of Trustees of final budget-related decisions made by the state of California affecting the CSU support budget.

Background

At its November 2014 meeting, the Board of Trustees approved the CSU 2015-2016 Support Budget Request. That budget request called for an increase of \$269.0 million, including \$216.6 million from state funds and \$52.4 million of net student fee revenues tied to funded enrollment growth. The approved uses of the increase included funding for:

2% Compensation Pool Increase	\$65.5 million
3% Enrollment Demand (10,400 FTES)	103.2 million
Student Success and Completion Initiatives	38.0 million
Academic Facilities Maintenance & Infrastructure Needs	25.0 million
Information Technology Infrastructure Upgrade & Renewal	14.0 million
Mandatory Costs	23.1 million
Center for California Studies—Cost Increases	0.2 million
TOTAL REQUEST	\$269.0 million

Consistent with the governor’s multi-year funding plan, first proposed and adopted in 2013-2014, the governor’s 2015-2016 January budget provided a \$119.5 million state general fund increase for the CSU support budget.

By the end of May 2015, the governor and legislature estimated higher state revenues and possible priorities for those funds. The governor proposed an additional \$38 million for the CSU above his January 2015 budget commitment, raising the governor’s total commitment to \$157.5

million. The Assembly and the Senate jointly proposed an additional \$108 million for the CSU above the governor's January 2015 proposal, or \$70 million above the May Revision.

The final budget agreement presumes the lower of two statewide revenue estimates and, holding all things constant, the enacted budget could have aligned with the governor's May Revision proposal for the CSU. However, the state made changes to the Middle Class Scholarship program and used the resulting programmatic savings for other higher education purposes. The most significant portion of that funding was provided to the CSU. As a result, the final Budget Act provides a programmatic increase totaling \$216.5 million from the state General Fund, bringing state support for the CSU to \$3.0 billion.

The Budget Act fully funded the budget requested by the Board of Trustees and, as a result, there is no need to fundamentally re-prioritize or re-size what were already reasonable and necessary new expenditure levels in the CSU 2015-2016 Support Budget Request.

Proposed Expenditure Plan

Funded Student Enrollment

Many CSU campuses are experiencing record levels of applications for Fall 2015. Over 800,000 undergraduate applications were submitted to CSU campuses for Fall 2015, an increase of over 29,000, or four percent, from the prior year. In spite of this, state budget cuts during the recession continue to have repercussions today that constrain the ability of the CSU to admit and enroll new eligible applicants.

This budget attempts to achieve a balance between various critical program needs and the budget augmentation from the state. The budget plan will allow growth in state-assisted enrollment in the CSU system by approximately 12,300 students (approximately 10,400 full-time equivalent students) by the 2016 fall term.

Student Success and Completion Initiatives

An allocation of \$38 million will be used for approaches that improve student access and success such as reducing time to degree, closing the achievement gap, and improving graduation rates. Systemwide objectives will guide campus-level decisions to hire more tenure-track faculty and staff, scale up existing best practices, or implement new and innovative strategies to enhance academic advising, improve student services focused on retention and shortened time to degree, and close the achievement gap through targeted academic and student support, specifically to underserved and under-prepared first-time freshman.

Employee Compensation Pool

The proposed pool will provide resources that build upon the 1.34 percent increase provided in 2013-2014 and the 3 percent increase provided in 2014-2015 to continue to address the need to compensate employees for the work they perform and to enhance the CSU's ability to recruit and retain top-quality faculty and staff. An allocation of approximately \$65.5 million amounts to approximately a 2 percent increase in the total CSU compensation pool to employees. However, the distribution of the pool to various groups will depend on market conditions, the collective bargaining process, and other factors.

Infrastructure Needs

There are numerous examples on every CSU campus of academic and plant facilities that are in need of repair or replacement. The systemwide deferred maintenance backlog cost is approximately \$1.8 billion and grows by approximately \$100 million per year. With \$25 million annually dedicated to pay-as-you-go projects or annual debt service on longer-term bond-financed projects, as much as \$300 million of the university's most pressing facility repairs and infrastructure needs could be accomplished, depending upon market interest rates. Without this commitment, very limited financial resources are available for the CSU to make a marked improvement in existing campus facilities.

Mandatory Costs

Approximately \$23.1 million of the augmentation will be used to meet anticipated mandatory costs. Mandatory costs are the expenditures the university must pay regardless of the level appropriated by the state. These costs include recent increases to employee benefits and operations and maintenance of newly-constructed space. Without funding for the mandatory cost increases, campuses would have to redirect resources from other program areas to meet their obligations. Funding mandatory costs helps preserve the integrity of CSU programs.

Other State Budget Changes

Deferred Maintenance

The CSU will receive \$25 million of one-time funding to address the CSU's most urgent facility maintenance and utility infrastructure needs. Many other state program areas will receive one-time funding for similar purposes.

California Dream Loan Program

Included in the final state budget is an expectation that the CSU implement the California Dream Loan Program. The program would offer loans to undocumented CSU students to support their ability to afford and complete their college degrees. These students lack access to federal student loans. The 2014 law intended a match of state and CSU funds to support the program.

Basic Skills Partnership Pilot Program

The final budget provides \$10 million Proposition 98 General Fund to the California Community Colleges Chancellor's Office for a pilot program to provide incentives to community college districts, the CSU, and high schools to coordinate their efforts on college preparatory instruction to prospective and enrolled CSU students.

Summary

The governor signed the 2015-2016 Budget Act and the higher education budget trailer bill on June 24, 2015. In terms of appropriations for the CSU, the enacted budget is consistent with the Board of Trustees' 2015-2016 Support Budget Request. It provides a programmatic increase of \$216.5 million from the state General Fund for support of the CSU, bringing state support for the CSU to \$3.0 billion out of a \$115.4 billion state General Fund budget.

The enacted budget is consistent with the spending plan tied to the amount approved at the November 2014 meeting of the Board of Trustees. This new funding will continue the process that began in 2013-2014 of reinvestment in the students, faculty, staff, and campuses of the CSU.

The enacted budget also contains other adjustments, the most significant being one-time funding for deferred maintenance.