

AGENDA

COMMITTEE ON FINANCE

Meeting: 11:00 a.m., Tuesday, July 12, 2011
Glenn S. Dumke Auditorium

William Hauck, Chair
Lou Monville, Vice Chair
Roberta Achtenberg
Steven Dixon
Kenneth Fong
Margaret Fortune
Steven M. Glazer
Hsing Kung
Linda A. Lang
Bob Linscheid
Henry Mendoza
Glen O. Toney

Consent Items

Approval of Minutes of Meeting of May 10, 2011

Discussion Items

1. Report on the 2011-2012 Support Budget, *Information*
2. Revised 2011-2012 Resident Tuition Fee Increase, *Action*
3. California State University Doctor of Nursing Practice Tuition Fee, *Action*
4. California State University Doctor of Physical Therapy Tuition Fee, *Action*
5. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Two Projects, *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**

May 10, 2011

Members Present

William Hauck, Chair
Linda A. Lang, Vice Chair
Roberta Achtenberg
Nicole M. Anderson
Hsing Kung
Bob Linscheid, Acting Chair of the Board
Henry Mendoza
Glen O. Toney
Charles B. Reed, Chancellor

Approval of Minutes

The minutes of March 22, 2011, were approved by consent as submitted.

Report on the 2011-2012 Support Budget

Executive Vice Chancellor Benjamin F. Quillian noted that it was difficult for the campus business vice presidents to plan for the number of students they were going to serve and how many faculty they need in such an uncertain budget environment. To address the funding shortfall either additional state revenues are needed or the CSU faces a \$1 billion cut, which could not be bridged through efficiencies alone.

Assistant Vice Chancellor for Budget Robert Turnage stated that the budget bill that has already been passed but has not been submitted to the governor. The education budget trailer bill has been sent to the governor, and it requires the CSU to report to the governor and legislature by June 1, 2011, on what actions will be taken to implement the first cut of \$500 million. These recommended actions are summarized in the agenda item. The CSU will follow the guiding principle of reducing both administrative and instructional costs so as to minimize fee and enrollment impacts to students.

Mr. Turnage also stated that CSU campuses vary greatly in terms of student demographics and their mix of academic programs, and thus opportunities to reduce costs will differ. The degree of

campus budget cuts is tiered by campus size and a decentralized approach puts much of the authority at the campus level to determine how cuts are implemented. The recent uptick in state revenues will not change the fundamental picture of the budget, and the May budget revise should not be expected to dramatically reduce projected cuts.

CSU Fresno President John D. Welty outlined his campus plans to deal with the initial \$500 million cut through staff reductions, reducing the number of courses and increasing class size. Six to eight hundred fewer class sections are expected to be offered next year, with the campus working with other Central Valley campuses to identify areas to share staff by either position or function.

San Francisco State University President Robert Corrigan added that his campus has taken the view that cuts in addition to the first \$500 million are inevitable so they are working on short-term and long term budget solutions. The campus had never fully recovered from the large budget cuts in the 1990s, with the number of course sections offered decreasing from 4,100 to about 3,200, and those have never gone above 3,800 since. In the recent past, 20 percent of the cost of instruction came from student fees. Currently, that number stood at 50 percent. To come up with savings that would not affect the classroom, a proposal to eliminate two colleges, two dean positions, and support staff, was put forward to deal with the first budget cut. Another impact of reduced funding is the loss of faculty to other employment offers—in the 2009-2010 school year the number of tenure-track faculty is down to 764, a loss of 103. In the last year, the College of Education has lost 21 percent of its faculty.

CSU Long Beach President F. King Alexander presented national data that demonstrates the CSU is not inefficient, as is often claimed. 2008 data showed that if the 103 universities in the country that have 15,000 or more students were ranked from highest to lowest in terms of per-student spending, 10 CSU campuses are among the lowest 20 institutions. Comparatively, the CSU spends less on students, even though it should spend more considering the high proportion of our students who are Pell eligible. The \$500 million cut puts the CSU student expense level somewhere between a large public university and a community college. A \$1 billion reduction puts student expense level at par with community colleges nationwide.

Chancellor Charles B. Reed noted that a centralized strategy was undertaken in 2009-10 to reduce spending through enrollment reductions, higher tuition fees and employee furloughs. This time the situation is flipped, with more emphasis on actions taken at the campus level. The tuition increases approved last November represent about \$140 million, net of financial aid. The 23 campuses were asked to reduce spending by a total amount of about \$280 million. Options to solve the current budget shortfall have proven elusive to the governor and campus presidents, and chief financial officers should be commended for the difficult decisions they have made and will continue to make.

An all-cuts budget will represent a \$1 billion cut to the CSU which represents 36 percent of total operating costs in one year. While not many businesses can take that kind of reduction in one

year, the CSU has to be prepared for it and plan accordingly. To understand the magnitude of the second \$500 million, consider the following scenarios that would save that exact amount of money:

- 1) Close the CSU's 10 smallest campuses
- 2) Turn away 85,000 students
- 3) Take away university grant financial aid from 100,000 students
- 4) Have all faculty and staff work for two months with no pay

While none of these are workable options, the Chancellor continued, they should give an idea of how painful the decisions that are made will be, even with consideration going toward laying off as few staff and faculty as possible and maintaining quality and access, which are important CSU values.

The chancellor added that one of the contingencies is to accept applications but let applicants know that before they receive an official letter of admission, the university will have to evaluate the budget situation. Admissions will have to be reduced if the second \$500 million cut becomes a reality. The second option is probably the worst and would involve raising tuition in July by up to 32 percent, bringing it up to \$1,600 for the year. This would raise \$400 million, leaving another \$100 million to be addressed by the 23 campuses. Last year, a budget wasn't approved until October 8, and with CSU payroll being about \$320 million a month, there might be the need to cut twice as much in order to get the savings needed for the fiscal year.

Trustee Linscheid asked the chancellor if his counterpart at the UC was approaching the budget situation similarly, to which the chancellor responded yes. In addition, UC President Marc Yudof was putting together a longer range plan that would increase tuition 10 percent a year for the next five years, a 50 percent increase on base tuition that is currently almost \$12,000.

Trustee Monville asked the chancellor to explain how the timing will work, particularly with Pell Grants and other sources of financial aid. Mr. Turnage responded on behalf of the chancellor, stating that the calculations for financial aid need to be done no later than October to be ready in time for students returning in January. With the budget approval timeline being speculative, one option is that a budget is passed before the next board meeting in July that includes the tax extension through the fiscal year and thus no disruptions as far as mid-year cuts. However, if an election is held in September and voters do not agree to a tax extension, then the CSU will need to adjust accordingly with very little time, and it would be too late to implement a tuition fee increase for the fall semester. This could require that the full \$1,600 annualized increase be imposed in spring semester, a sort of "double whammy."

Trustee Fong asked Dr. Quillian if there were any campuses that would have trouble dealing with the \$280 million total reduction, to which Dr. Quillian responded that, yes, there would be some campuses that would have great difficulty especially the smaller campuses. The chancellor added

that California Maritime Academy will need help, as it currently costs the campus \$3 million in gas for the *Golden Bear* to sail to Asia and back.

Trustee Anderson inquired from the chancellor if the worst case scenario would be an initial 32 percent tuition increase plus another 10 percent for a total of 42 percent going into fall depending on the timing of a budget deal. The chancellor responded that it would actually be going into spring 2012 at which point the 10 percent would be compounded to the 32 percent increase.

Chair Hauck added that cuts could be a blend of the different options outlined by the chancellor so that the cuts were equitable as possible and so the tuition increase numbers might not end up being as exactly stated.

California State University Doctorate of Nursing Practice Tuition Fee

Dr. Quillian informed the board of a recommendation to establish a tuition fee for the Doctorate of Nursing Practice program. Based on a program cost analysis conducted by Academic Affairs, the proposed fee is \$6,552 per term (equivalent to \$910 per unit) or \$32,760 for the five-term program. There will be a 20 percent fee set aside, and the board will be requested to take appropriate action during the July meeting.

California State University Doctorate of Physical Therapy Tuition Fee

Dr. Quillian presented a recommendation to establish a tuition fee for the Doctorate of Physical Therapy program in the amount of \$24,222 per college year with a 33.3 percent fee set aside.

Christine Mallon, dean for academic policy, explained that the physical therapy degree is entry level and begins directly following the bachelor's program, so students haven't developed a career and thus don't have the income that nursing practice students have. This is the primary reason for the difference in fee set aside.

The board will be requested to take action during the July meeting.

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

Assistant Vice Chancellor for Financial Services George Ashkar introduced a revenue bond approval request for a parking structure at CSU Chico, in the amount of \$11,575,000, including \$1,075,000 in financing costs to be funded from the bond proceeds. The total project with campus contributions is \$14,400,000. The campus has raised parking fees to cover the debt, and as such, the program is self-supporting.

CSU Chico President Paul Zingg added that the parking structure was within the master plan approved by the board in 2004 and that the building was a mixed-use facility that will house university police. The project is also Silver LEED-certified, which is unusual for a parking structure. It will have solar capacity of up to 100 kilowatts and will accommodate about 10 e-cars and 220 additional bike racks.

Chair Hauck called for the motion. Resolution, (RFIN 05-11-06) was approved.

Chair Hauck adjourned the committee meeting.

COMMITTEE ON FINANCE

Report on the 2011-2012 Support Budget

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Update on Budget Developments

In January, the governor proposed to resolve a \$26.4 billion budget shortfall with \$12.5 billion of spending cuts, \$12 billion of new revenues and \$1.9 billion derived from various other steps. By mid-March, the legislature had passed a 2011-12 budget bill, as well as various budget-related “trailer” bills, that together solved \$13.4 billion of the problem, primarily through spending cuts. The governor’s overall plan was predicated on holding a special election in June and persuading state voters to approve five-year extensions of temporary tax increases that are scheduled to expire on or before June 30, 2011. The deadline to authorize a June election with a two-thirds vote, however, passed without needed Republican support.

The governor’s May Revision maintained the proposed level of cut for the CSU at \$500 million (18 percent), which would bring state support for the CSU to below \$2.3 billion, a low level not seen since 1999. The governor continued to warn that, without the tax extensions, an “all cuts” state budget would be needed. Specifically with regard to the CSU and the UC, his May Revision included the following statement: “The University of California and the California State University have already each been cut by \$500 million. An ‘all cuts’ budget would require another cut of \$500 million for each university system.” Recent improvements in state revenues have helped narrow—but not close—the state’s fiscal gap.

In the last week of June, the governor concluded that a two-thirds vote was not possible. Having vetoed a majority-vote package sent to him on June 15, the governor reached agreement with Democratic leadership on a revised budget package that relies on additional cuts, improved state revenue projections and further cuts that would be “triggered” if revenues fall short of projections.

On June 30, Governor Brown signed the 2011-12 budget act, which further reduced state support for the CSU by \$150 million. This means the total reduction in state support is \$650 million, or nearly one-fourth of state support in 2010-11, and brings state support to approximately \$2.1 billion. In addition, the enacted budget package includes the possibility of an additional cut of \$100 million, to be determined by the Director of the Department of Finance in December 2011 based on whether, and to what extent, state revenues fall short of budget act assumptions. If this further reduction takes place, the one-year loss of state support would be 27 percent, and total state support to the CSU would be at its lowest point since 1997, despite inflation and despite the fact that the CSU is serving about 90,000 more students.

Summary

At the July meeting, the board will be provided with a detailed update of developments regarding the 2011-12 support budget.

COMMITTEE ON FINANCE

Revised 2011-2012 Tuition Fee 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 need for an adjustment in tuition fee rates for the 2011-12 academic year, given the fact that the \$500 million reduction in state support for the CSU authorized last March has grown by at least \$150 million in the 2011-12 budget act signed by the governor. In order to avert devastating and lasting damage to student access, student services and program quality, an additional tuition fee increase of 12 percent is recommended, effective Fall term.

Background

In January, the governor's budget for support of the CSU proposed a \$500 million (18 percent) reduction in state funding for the 2011-12 fiscal year. This proposal would bring state support for the CSU to below \$2.3 billion, or the lowest level of state support since 1999. The legislature approved this proposal in March with enactment of a budget "trailer" bill (Senate Bill 70, signed by the governor on March 24). The enacted legislation explicitly recognized the board's action last November to raise tuition fee rates for 2011-12 as offsetting an estimated \$147 million of the funding loss, leaving a net reduction in programmatic funding for the CSU of \$353 million. In addition, the CSU must reduce expenditures by almost \$50 million in order to accommodate various mandatory cost increases that the state will no longer fund.

On June 30, Governor Brown signed the 2011-12 budget act, which further reduced state support for the CSU by \$150 million. This means the total reduction in state support is \$650 million, or nearly one-fourth of state support in 2010-11, and brings state support to approximately \$2.1 billion. In addition, the enacted budget package includes the possibility of an additional cut of \$100 million, to be determined by the Director of the Department of Finance in December 2011 based on whether, and to what extent, state revenues fall short of budget act assumptions. If this

further reduction takes place, the one-year loss of state support would be 27 percent, and total state support to the CSU would be at its lowest point since 1997, despite inflation and despite the fact that the CSU is serving about 90,000 more students.

Analysis

As discussed at length at the May board meeting, the chancellor's office and the 23 campuses are implementing a wide range of measures to lower administrative and instructional costs in response to the initial \$500 million state cut authorized by the legislature and governor last March. As also discussed, given the comparatively "lean" starting point of the CSU relative to other colleges and universities, the university is already running up against practical limits in terms of reducing expenditures while maintaining program quality and student access. The \$500 million budget reduction plan already depends on a 2.4 percent reduction in enrollment targets, denying access to approximately 10,000 students who otherwise could be admitted and educated. The board was informed that additional cuts in state support would require revisiting tuition fee rates for 2011-12 in order to avert devastating and lasting damage to student access, student services and program quality. Since January, the chancellor and his staff have been clear with the legislature and administration on this same point.

As discussed at the May meeting of the board, the uncertainties surrounding when the university might know its budget outcome and the amount of any final reduction—combined with the tight timing considerations involved in revising tuition fees—pointed toward an approach that maximizes the university's ability to respond timely to the final budget outcome. The May discussion centered on the concept of the board authorizing a contingent tuition fee increase of up to 32 percent, with the chancellor delegated authority to scale and implement the increase as soon as the final budget outcome was known. Any adjustment would have been based on the extent of any additional funding cut. If the final budget were known by July 12, the board would have the option of a specific tuition fee action that could take effect Fall term and without contingency.

The signed budget act means a further drop in state support for the CSU of a definite \$150 million. It also holds the possibility of an additional \$100 million cut, to be determined by the Department of Finance by mid-December. Our analysis focuses first on the definite \$150 million. We estimate that an additional tuition fee increase of 12 percent—above the 10 percent increase approved last November—effective Fall term would generate net revenue of approximately \$150 million, after providing for a one-third set-aside for financial aid.

For a full-time undergraduate, this would mean an additional \$294 per semester over the currently-authorized semester rate of \$2,442. For a full academic year, the added amount would be \$588, bringing the academic year tuition fee for full-time undergraduates to \$5,472. With

campus-based fees averaging \$950 for the just-completed 2010-11 academic year, total fees would average at least \$6,422.

An estimated 170,000 undergraduate students (over 45 percent) would be fully covered for the revised tuition fee adjustment by increases either in tuition fee waivers, State University Grants or Cal Grants. In addition, there are a variety of other financial aid programs that can help students and families offset their educational expenses, while other CSU students would be helped on tuition fee increases by expanded federal tax credits, which are available for family incomes of up to \$180,000. Since 2007-08, total annual financial aid to CSU students has increased nearly \$800 million, with grants, scholarships and waivers making up \$475 million (60 percent) of this total. For those students paying the adjusted charges, the rates would still be among the lowest of CSU's public comparison institutions and substantially lower than the comparison average of \$8,682 for the 2010-11 academic year (including campus-based fees).

With respect to the contingency of an additional \$100 million reduction mid-year, we believe there is time for further review of options by the chancellor and board and that a specific action at the July meeting is not indicated.

Recommendation

In view of the above analysis, we recommend that the board adopt an additional increase of 12 percent in the 2011-12 approved tuition fee rates, effective Fall term. For a full-time undergraduate, this would mean an additional \$294 per semester.

The Graduate Business Professional Fee and the Education Doctorate Program tuition fee, that have already been approved for 2011-12, are not affected by this recommended action.

2011-12 Revised Tuition Fee Levels

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

Tuition Fees—2011-12 Academic Year

<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	\$5,472	\$6,348	\$6,738
0 to 6.0	\$3,174	\$3,684	\$3,906

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

COMMITTEE ON FINANCE

California State University Doctor of Nursing Practice Tuition Fee

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Summary

This item recommends authorization of a CSU Doctor of Nursing Practice (DNP) Tuition Fee. The new tuition fee is recommended in order to implement the provisions of AB 867 (Nava), which authorized the CSU to offer three pilot Doctor of Nursing Practice degree programs. These programs are to be operated without diminishing the quality of support for CSU undergraduate programs.

Background

Pursuant to Education Code section 89700, the board has the authority to establish, adjust, and abolish systemwide fees. This tuition fee recommendation applies to new nursing degree programs that will be developed in response to recent changes to the Education Code. On September 28, 2010, Governor Schwarzenegger signed into law AB 867 (Nava), which expanded the degree-granting authority of the California State University to include DNP degree programs. The university was authorized to operate three DNP degree programs on a pilot basis until July 1, 2018. These programs will focus on the preparation of nurses for advanced practice, leadership, and to teach in postsecondary nursing education programs.

Chaptered in the Statutes of 2010, the new law (Education Code 89280) stipulates that state funding for DNP degree programs shall be provided on a per full-time equivalent student (FTES) basis at the marginal cost calculation authorized by the annual budget act, and shall be within the CSU enrollment growth levels agreed to in the annual budget act. Funding of DNP programs shall not result in reduced undergraduate enrollments and shall not diminish the quality of program support offered to CSU undergraduate programs.

The law does not limit the tuition fees that may be assessed for CSU DNP programs and does not tie DNP fees to University of California (UC) fees for doctoral nursing programs. In fact, the UC offers Ph.D. Nursing programs exclusively and does not offer DNP programs. Therefore, the recommended CSU DNP Tuition Fee is based on the projected costs to offer this program, and the tuition fee will be financially competitive with private DNP-degree granting institutions in California, currently the only providers of DNP programs in the state.

The recommended DNP tuition fee supports curriculum development and delivery, faculty resources, highly specialized faculty, doctoral advising and mentoring, program administration, facilities, library resources, provisions to carry out professional mandates and national professional accreditation, and the creation of a WASC-required “doctoral culture,” typified by academic rigor, intellectual exchange, and a research-and-scholarship environment appropriate to a doctoral-granting institution.

Analysis of 2010-2011 DNP program tuition has identified a range between \$31,690 and \$45,000 to complete these doctoral programs at California’s private institutions. Based on program-cost analysis conducted in consultation among the chancellor’s office and CSU’s DNP campuses, the CSU Doctor of Nursing Practice Tuition Fee for 2012-13 is recommended to be assessed at \$6,552 per term for the 5-term program. At that scheduled rate, the total tuition fee to complete a CSU DNP program would be \$32,760. As CSU DNP curricula include preparation for faculty roles, the proposed CSU programs would require slightly more units than exclusively practice-based DNP programs offered by other institutions. Campuses are planning for fall 2012 initiation.

The tuition fee recommendation includes the following:

- 1) The tuition fee will be established as the CSU Doctor of Nursing Practice Tuition Fee for students enrolled in CSU DNP degree programs.
- 2) Students enrolled in DNP degree programs also shall be subject to campus-based mandatory fees. Students will be assessed the DNP tuition fee rate each term, irrespective of the number of units taken.
- 3) Proposals to the board to recommend increases in the CSU Doctor of Nursing Practice Tuition Fee will be based on increased costs of the programs.
- 4) DNP degree programs are full-time study programs, planned for working, post-master’s students who are established in their careers, and it is anticipated that some employers may offer tuition reimbursement. Based on these considerations, the financial aid set-aside from student DNP tuition fees will be 20 percent of the tuition fee rate. After need-based aid has been provided to qualifying students, remaining funds will be used primarily for general operating support of the DNP program.

The tuition fee recommended will generate sufficient revenue to fund total program cost while keeping CSU nursing doctoral programs more affordably priced than most DNP programs in California.

The following resolution is recommended for adoption:

CSU Doctor of Nursing Practice Tuition Fee

RESOLVED, By the Board of Trustees of the California State University, that the CSU Doctor of Nursing Practice Tuition Fee is hereby established; and, be it further

RESOLVED, That the tuition fee rate approved for the 2012-13 academic year and Summer 2013 shall be \$6,552 per semester campus term. Students will be assessed the DNP tuition fee rate each term, irrespective of the number of units taken. Students enrolled in DNP degree programs also shall be subject to campus-based mandatory fees; and, be it further

RESOLVED, That recommend increases in the CSU Doctor of Nursing Practice Tuition Fee will be based on increased costs of the programs, and be it further

RESOLVED, That the chancellor is delegated authority to further adopt, amend, or repeal the CSU Doctor of Nursing Practice Tuition Fee rate if such action is required by the budget act, and that such changes made by the chancellor are communicated promptly to the trustees.

COMMITTEE ON FINANCE

California State University Doctor of Physical Therapy Tuition Fee

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Summary

This item recommends authorization of a CSU Doctor of Physical Therapy Tuition Fee. The tuition fee rate is recommended in order to implement the provisions of AB 2382 (Blumenfield), which authorized the CSU to award Doctor of Physical Therapy (DPT) degrees. Chaptered in the Statutes of 2010, the law authorizes the CSU to charge fees for its physical therapy doctoral programs no higher than the University of California's fee for doctoral programs in physical therapy. It is anticipated that DPT degree programs will be implemented as early as summer term 2012.

Background

Pursuant to Education Code section 89700, the board has the authority to establish, adjust, and abolish systemwide fees, including those for the newly authorized DPT degree programs. On September 28, 2010, Governor Schwarzenegger signed into law AB 2382 (Blumenfield), which allowed the California State University to offer independently a doctoral degree in physical therapy. Prior to the passage of AB 2382, the CSU could only offer DPT programs in joint partnership with the University of California or with California's private institutions of higher education. CSU DPT degree programs were authorized to focus on preparing physical therapists to provide health care services. As specified in Education Code, CSU DPT programs shall be consistent with the requirements of the Commission on Accreditation in Physical Therapy Education and shall charge tuition fees no higher than those assessed for students in state-supported programs in physical therapy at the University of California (UC).

The recommended DPT tuition fee supports curriculum development and delivery, highly specialized faculty resources, doctoral advising and mentoring, required low-faculty-to-student ratios in supervised clinical settings, program administration, facilities, library resources, provisions for carrying out professional mandates and national professional accreditation, and the creation of a WASC-required "doctoral culture," typified by academic rigor, intellectual exchange, and a research-and-scholarship environment appropriate to a doctoral-granting institution.

The DPT law (Education Code 66042) stipulates that state funding for DPT degree programs shall be provided on a per full-time equivalent student (FTES) basis at the marginal cost calculation authorized by the annual budget act and that they shall be within the CSU enrollment growth agreed

to in the annual budget act. The law specifies that funding of DPT programs shall not result in reduced undergraduate enrollments and shall not diminish the quality of program support offered to CSU undergraduate programs.

Education Code 66042.1 stipulates that each student enrolled in CSU DPT programs shall be charged fees no higher than the rate charged for students in state-supported University of California doctoral degree programs in physical therapy, including DPT programs offered jointly by the California State University and the University of California. Currently the UC offers physical therapy doctoral programs only through joint partnerships with CSU campuses. The UC San Francisco-CSU Fresno DPT program has obtained the chancellor's approval to begin planning discontinuation, and CSU Fresno is preparing a proposal for an independent DPT program. For fee-comparison purposes, the only remaining UC DPT program will be the one offered jointly by UC San Francisco and San Francisco State University. The 2011-12 annualized tuition fees for that joint program are \$24,588, an average of \$8,196 per term. This fee rate includes tuition only and does not include campus-based mandatory student fees, which are not addressed in legislation.

Based on program-cost analysis conducted in consultation among the chancellor's office and DPT campuses, the CSU Doctor of Physical Therapy Tuition Fee is recommended to be set at \$8,074 per term (\$24,222 per college year).

The tuition fee recommendation includes the following:

- 1) The tuition fee will be established as the CSU Doctor of Physical Therapy Tuition Fee for students enrolled in CSU Doctor of Physical Therapy degree programs.
- 2) The tuition fee will not exceed the fees charged to students enrolled in UC physical therapy doctoral programs.
- 3) Students enrolled in CSU Doctor of Physical Therapy programs shall also be subject to campus-based mandatory fees.
- 4) Proposals to the board to recommend increases in the CSU Doctor of Physical Therapy Tuition Fee will be based on increased costs of the programs but will not exceed UC tuition.
- 5) As the DPT is a postbaccalaureate-entry degree program and students will not enter from established professional careers, the financial aid set-aside from student fees will be 33.3 percent of the fee rate. After need-based aid has been distributed to qualifying students, remaining funds from the set-aside will be used primarily for general operating support of the DPT program.

The tuition fee model recommended will generate sufficient revenue to fund total program cost while holding the CSU firmly within the legislative guidelines established in statute.

The following resolution is recommended for adoption:

CSU Doctor of Physical Therapy Tuition Fee

RESOLVED, By the Board of Trustees of the California State University, that the CSU Doctor of Physical Therapy (DPT) Tuition Fee is hereby established; and, be it further

RESOLVED, That the fee rate approved for Summer 2012, if applicable, shall be \$8,074 per semester campus term; and, be it further

RESOLVED, That the fee rate approved for the 2012-13 academic year and Summer 2013 shall be \$8,074 per semester campus term. Students will be assessed the DPT tuition fee rate each term, irrespective of the number of units taken. Students enrolled in DPT degree programs also shall be subject to campus-based mandatory fees; and, be it further

RESOLVED, That recommended increases in the CSU Doctor of Physical Therapy Tuition Fee will be based on increased costs of the programs, and be it further

RESOLVED, That the chancellor is delegated authority to further adopt, amend, or repeal the CSU Doctor of Physical Therapy Tuition Fee rate if such action is required by the budget act, and that such changes made by the chancellor are communicated promptly to the trustees.

COMMITTEE ON FINANCE

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

Presentation By

George V. Ashkar
Assistant Vice Chancellor
Financial Services

Summary

This item requests the board to authorize the issuance of systemwide revenue bonds and the issuance of Bond Anticipation Notes to support interim financing under the commercial paper program of the California State University in an aggregate not-to-exceed amount of \$111,950,000 to provide financing for one campus project and for one auxiliary refunding. The board is being asked to approve resolutions related to these projects. 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.

The projects are as follows:

1. San Diego Aztec Center Student Union

In May 2010, the board approved the amendment of the non-state capital outlay program and schematics for the San Diego Aztec Center student union project. The project will be located on the site of the existing student union, which will be demolished as part of this project. The existing facility was completed in the 1960's and in early 2008 was found to have a number of seismic and accessibility deficiencies. The campus determined that the best strategy was to demolish and construct a new facility. The new facility will provide space for student organization offices, meeting facilities, and expanded multipurpose conference facilities. Student study space, food services, a 300-seat theater, satellite recreation center, and related support space will also be included. Students voted in favor of a fee increase to pay for the construction of the facility.

The not-to-exceed par value of the proposed bonds is \$105,125,000 and is based on an estimated total project cost of \$102,404,000 with a student union reserve contribution of \$9.9 million. Additional net financing costs (estimated at \$12,621,000) are to be funded from the bond proceeds. The campus received good construction bids in May 2011. The campus started site

preparation work in June 2011 and anticipates a construction start of August 1, 2011 with construction completion in July 2013.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$105,125,000
Amortization	Approximately level over 30 years
Projected maximum annual debt service	\$7,441,730
Projected debt service coverage including the new project:	
Net revenue – All San Diego pledged revenue programs: ¹	1.54
Net revenue – Projected for the campus union program:	1.14

1. Combines 2009-10 information for all campus pledged revenue programs and projected 2013-14 operations of the project with expected full debt service.

The not-to-exceed amount for the project, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 6.04%, reflective of adjusted market conditions plus 100 basis points as a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is the CSU program standard. The campus financial plan projects a program net revenue debt service coverage of 1.14 in the first full year of operations in 2013-14, which exceeds the CSU benchmark of 1.10. With the new project, the campus' overall net revenue debt service coverage for the first full year of operations is projected to be 1.54, which exceeds the CSU benchmark of 1.35.

2. California State University, Fresno Association, Inc. – Student Housing Refunding

California State University, Fresno Association, Inc. (the "Corporation"), a recognized auxiliary organization in good standing at California State University, Fresno, seeks Board of Trustees approval for the refunding of an existing stand-alone auxiliary organization bond issue. At the time of this writing, the Corporation's board of directors is expected to adopt a resolution authorizing the refunding at a special meeting to be held during the week of July 4, 2011.

The project will be the current refunding of \$7,325,000 in outstanding principal on the Corporation's Auxiliary Organization Refunding Revenue Bonds, Series 2001, which were originally issued in 1995 and subsequently advance-refunded in 2001 at a par amount of \$10,350,000. Proceeds from the original issuance were used to fund the construction and renovation of student housing facilities, commonly known as University Courtyard. The size of the proposed refunding is at a not-to-exceed par amount of \$6,825,000, and is estimated to generate a net present value savings of approximately \$545,000, or 7.40% of the refunded bonds.

The not-to-exceed amount and the net present value savings are based on a current all-in true interest cost of 3.70%, which is reflective of market conditions as of June 2011, and an average remaining bond maturity of slightly over 7 years.

The loan agreement for the refunding of the stand-alone 2001 bonds will be secured by a general obligation pledge of the Corporation's unrestricted revenues. This refunding will have a minimal impact on systemwide debt capacity, as this auxiliary debt is already included in overall CSU debt capacity calculations.

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 projects 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 \$111,950,000 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 Senior 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 this Agenda Item 5 of the Committee on Finance at the July 12, 2011, meeting of the CSU Board of Trustees is recommended for:

San Diego Aztec Center Student Union

California State University, Fresno Association, Inc. – Student Housing Refunding