AGENDA

COMMITTEE ON FINANCE

Meeting: **9:00 a.m., Tuesday, May 10, 2011**
Glenn S. Dumke Auditorium

William Hauck, Chair
Linda A. Lang, Vice Chair
Roberta Achtenberg
Nicole M. Anderson
Kenneth Fong
Margaret Fortune
Hsing Kung
A. Robert Linscheid
Henry Mendoza
Glen O. Toney

Consent Items

Approval of Minutes of Meeting of March 22, 2011

Discussion Items

1. Report on the 2011-2012 Support Budget, *Information*
2. California State University Doctorate of Nursing Practice Tuition Fee, *Information*
3. California State University Doctorate of Physical Therapy Tuition Fee, *Information*
4. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for a Project, *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

March 22, 2011

Members Present

William Hauck, Chair
Roberta Achtenberg
Nicole M. Anderson
Herbert L. Carter, Chair of the Board
Kenneth Fong
Margaret Fortune
Raymond W. Holdsworth
A. Robert Linscheid
Henry Mendoza
Charles B. Reed, Chancellor
Glen O. Toney

Approval of Minutes

The minutes for the March 22, 2011 meeting were approved as submitted.

Report on the 2011-2012 Support Budget

Dr. Benjamin F. Quillian, executive vice chancellor and chief financial officer, gave a summary of the 2011-2012 state budget passed by the legislature that confirmed a $500 million reduction to the CSU budget. Dr. Quillian continued, stating that the governor's plan called for budget cuts as well as increasing revenue through extensions of the sales, auto license and income taxes. In conclusion, Dr. Quillian noted that getting the tax extensions before the public for a vote requires a two-thirds majority vote in the legislature and it's not clear at this time if the issue will get before the public or if they will support it.

Chancellor Reed discussed the magnitude of the $500 million cut and its impact on the CSU system. The cut reduces the CSU budget from $2.7 billion to $2.2 billion, the level of funding in 2000, a time where the CSU had 70,000 fewer students on its campuses. The chancellor also pointed out that a failure by Governor Brown to secure his proposed tax extensions could result in additional cuts to the CSU of another $500 million, for a potential total of $1 billion.

Chancellor Reed went on to state that the cut represents an 18 percent reduction in revenue from state appropriation. In addition to the $500 million cut, increasing mandatory costs comprising healthcare, new space and energy costs add a $50 million shortfall that needs to be covered.

During the 2009-2010 year when the CSU had a budget shortfall of $625 million, cuts were made by negotiating with labor for a 10 percent pay cut to employees implemented through furloughs that saved $330 million and by raising tuition by 32 percent. Increased efficiencies meant that many vacant positions were not filled. In addition, each campus was assigned a dollar amount to reduce.

Last November, the board approved a 5 percent tuition fee increase for January 2011 and another 10 percent for July 2011 which partially addresses the 2011-2012 gap by about $142 million, after backing out one-third for financial aid provided to the state university grant program.

The chancellor further stated that furloughs are not under consideration this time around as they were very inefficient and weren't helpful to students in the previous year. While the board does not currently have any plans to increase tuition again, if the second $500 million cut occurs, then everything will be back on the table.

The legislature and governor have already agreed to a reduction in overall enrollment of 2.4 percent or approximately 10,000 students by head count which represents $60 million in reduced spending. The CSU Chancellor's Office will see a 14 to 15 percent reduction in operating budget translating to $11 million.

With 84 percent of the CSU budget being in personnel and 16 percent in operating expenses, personnel is one of the only places to make cuts. Out of the $550 million shortfall, $250 million is expected to be made up through reductions in spending on personnel. Budget bill language requires a report to the trustees in May and June on how the university is accomplishing the reductions. This report will be shared with the Department of Finance and the legislature in anticipation of implementing a reduced budget in July 2011.

Chair Carter inquired from the chancellor as to whether the reductions to campuses were in line with the tier guidelines to which the chancellor responded in the affirmative. Chair Carter opined that those guidelines be followed going forward.

From fall 2008 to fall 2010 the CSU has 24,000 fewer students (headcount), 792 fewer full-time faculty, 1,861 fewer part-time faculty and 1,492 fewer staff (including 251 MPPs).

Report from the Auxiliary Review Committee

Chancellor Reed introduced the summary of the Auxiliary Review Committee report, which did not contain any findings of impropriety within the auxiliaries. The report provides 20 recommendations to be implemented. These recommendations have been prioritized and between now and September will be implemented. The policy determining the proper placement of funds is the first priority as it was a troublesome issue. The chancellor will continue to report to the board on implementation of these policies.

Trustee Hauck added that the report was a good piece of work in an area that has been consistently questioned over a period of time. Trustee Chandler spoke to the importance of training auxiliary board members so that they are knowledgeable on expectations for them. Hauck concurred and asked that the campus presidents pay particular attention to this issue for anyone they bring on to an auxiliary board. Trustee Mendoza added that the small CPA firms that conduct audits for the auxiliaries should be brought in on an annual basis to ensure all parties are aware of current rules and regulations. George Ashkar, assistant vice chancellor, added that existing training programs will intensify as the university moves forward.

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

Mr. Ashkar summarized the proposal to issue a bond for the San Marcos student union project in the amount $36,000,395. The total project cost of $43,980,000 includes contributions of $13,755,000. The campus overall net debt service coverage for the first full year of operations is projected to be 1.34 just slightly below our benchmark of 1.35 with interest at 6.26 percent. Staff requests approval of the financing project.

The committee recommended approval of the proposed resolution.

Trustee Hauck adjourned the Committee on Finance.

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

The 2011-12 governor's budget identifies a $26.4 billion state budget shortfall. In January, the governor proposed to resolve this 18-month 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 $14 billion of the problem, primarily through spending cuts. The legislature has kept the budget bill in "enrollment" status, but did send the trailer bills to the governor, which he signed into law. The Department of Finance now estimates that a $13.6 billion problem remains to be resolved, including providing for the governor's proposal to build a $1 billion reserve.

The budget reduces state support for the CSU by $500 million (18 percent), bringing state support for the CSU to below $2.3 billion, a level not seen since 1999. 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 vote passed without the legislature being able to secure enough necessary Republican support to achieve two-thirds support necessary. The governor has not formally specified the consequences of failure to secure these revenues. *However, the governor, as well as members of the legislature, have repeatedly mentioned the possibility that an "all cuts" state budget could include doubling the General Fund cut to the CSU.*

At the time of this analysis, the governor was engaged in raising public awareness of the consequences of an "all cuts" budget, which he sees as the only viable alternative for the state in the absence of the proposed extensions on taxes. The Senate Budget and Fiscal Review Committee was holding a series of hearings—in the Capitol and around the state—regarding the implications of an all-cuts budget, with a particular focus on K-12 and higher education.

Governor Brown continues to believe that a two-thirds vote can be secured by late June that would extend the taxes for a brief period until the voters can be asked to ratify a longer extension, perhaps in an election in September. In the meantime, everyone is waiting for possible changes to the governor's budget proposal, including the possibility of a somewhat improved state revenue picture, as part of the May Revision that is due to the legislature by May 14, 2011.

Trailer Bill/Plan to Implement $500 Million Cut

The education budget trailer bill, SB 70, was signed by the governor on March 24, 2011. It specifies a General Fund reduction of $500 million to the CSU and outlines related parameters and reporting requirements. The first required report is due to the governor, legislature and various "stakeholders" by June 1. The bill requires the university to submit this report outlining recommended options for implementing the $500 million budget cut, for review and comment by interested parties, prior to final adoption of a budget reduction implementation plan for 2011-12. The trailer legislation directs the CSU to "minimize fee and enrollment impacts by targeting actions that lower the cost of instruction and administration." The legislation, however, (1) explicitly recognizes the board's actions last November to increase tuition fee revenues for the 2011-12 fiscal year and (2) sets a lower target for annualized full-time equivalent student (FTES) enrollment, as a means of addressing part of the state funding reduction. These actions, respectively, address an estimated $145.3 million (tuition fees) and $60 million (lower FTES) of the overall problem.

The trailer legislation calls for consideration of input received from "stakeholders." At the governor's direction, the Department of Finance convened two meetings of university stakeholders, including representatives of unions, the statewide academic senate, the California State Student Association, and chancellor's office staff (with similar representation from the University of California). In addition, the department gathered written input and compiled a list of options presented by one or more groups. A copy of that list is shown in Attachment A.

Recommended Approach to the $500 Million Cut

From the outset, it should be understood that the overall fiscal problem faced by the CSU under SB 70 adds to an estimated $549 million, due to a year-to-year increase in mandatory costs of $49 million. These are costs over which the university has little, if any, control (at least in the short run), and which must be accommodated in the 2011-12 fiscal year. In practice, this "accommodation" takes the form of reducing program spending elsewhere in the university's annual operations. The largest component of these estimated costs is an expected $36.4 million increase in employer payments for health care plans for faculty and staff.

Table 1 summarizes the recommended approach to solving the $500 million reduction in state General Fund monies.

Table 1

CSU Recommended Approach to $500 Million State Reduction
(dollars in millions)

Tuition fee revenues (Nov. 2010 action)		$145.8
Reduced FTES target		59.6
Campus operations		280.5
Chancellor's office operations		10.8
Technical adjustments		3.3
	Total	$500.0

First, as mentioned, an estimated $145.8 million of the problem will be addressed by increased tuition fee revenues (net of financial aid) resulting from the board's tuition fee actions last November.

The legislature's action to lower the state target for FTES from 339,873 to 331,716 (a 2.4 percent drop) will enable campuses to reduce spending compared to what otherwise would have been necessary. This would address approximately $60 million of the state funding reduction, based on the state share of the marginal cost formula for enrollment.

The recommended plan allocates a $10.8 million reduction to the operations of the chancellor's office. Because campuses receive tuition fees and other fee revenues while the chancellor's office does not, the recommended cut to the chancellor's office is proportionately higher than the reductions recommended for campus budgets. This 14 percent reduction will necessitate strict priority-setting, more creativity in accomplishing necessary tasks, and could pose challenges to the office's ability to fully serve the system. It is felt, however, that the fiscal circumstances demand this recommended reduction.

Accounting for the three items discussed above, and various technical adjustments that will have a net budget reduction effect of about $3 million, leaves a remaining amount of $280.5 million to reach the $500 million reduction in state support. This amount has been allocated to the campuses, with provisions taken to protect the smallest campuses that face particular constraints due to unfavorable economies of scale. (It should be noted that nearly all of the $49 million increase in mandatory costs will constitute an additional burden on the campuses, barring a breakthrough at the system level that mitigates the expected increases in health care benefit costs and/or energy costs.)

Campus presidents will be given wide discretion in implementing their share of budget reductions, in recognition of the fact that the 23 campuses have widely varying circumstances—

in terms of student demographics, program mix, and opportunities for reducing spending, including opportunities for efficient “synergies” with other campuses. Campuses will be expected to meet FTES enrollment targets and, consistent with legislative direction, to “minimize fee and enrollment impacts by targeting actions that lower the cost of instruction and administration.” Campuses will be expected to identify and implement specific reductions with appropriate input pursuant to their shared governance processes, and campuses will be required to follow the provisions of the university’s collective bargaining agreements with appropriate oversight from the chancellor’s office.

With the greater part of the budget devoted to personnel costs, addressing a budget reduction of this magnitude will require reductions in personnel costs. For the most part, this is expected to involve reducing faculty and staff numbers. To the extent possible, campuses will do this through attrition and through non-renewal of temporary appointments. As in 2009-10, we expect that campuses will make significant reductions in expenditures for travel, equipment, and library acquisitions, among many other items. Synergy projects are under way across the system, including such things as data center consolidations, emergency dispatch call center consolidations, elimination of excess servers and utilization of “cloud computing” options.

Summary

At the May meeting, the board will be provided with a detailed update of developments regarding the 2011-12 support budget, as well as further discussion of the contingencies faced by the CSU under a possible “all cuts” state budget.

University of California and California State University
Stakeholder Meeting - Budget Options
February 11, 2011

Option	Savings Estimate	Directly Reduces Instruction Cost Per Student	Admin. Savings (Indirectly Reduces Instruction Cost Per Student)	Improves Accountability and Incentives	Increases Revenue for Instruction	Reduces Students Served
Options Applicable to Both UC and CSU						
• Increase class sizes in the short-term.	Undetermined 1/	yes				
• Offer more distance and on-line instruction.	Undetermined 2/	?				
• Identify low-enrolled programs and consolidate through multi-campus regional approaches — this would not provide budgetary savings in the near future, but would create efficiencies and cost savings in the out years.	Undetermined 2/	yes				
• Manage faculty release time to prioritize faculty time in the classroom, or increase faculty workload — teach one extra course per quarter/semester, and increase number of summer courses taught by faculty.	Undetermined 1/	yes				
• Limit or delay faculty sabbaticals to the highest priority proposals.	Undetermined 2/	yes				
• Distribute any cuts that impact employees equitably across different employee groups.		yes	yes			
• Reduce employee salaries and benefits; eliminate all raises not tied to promotions; implement employee furloughs.	Undetermined 1/	yes	yes			
• Reduce personnel costs by 3 percent.	$81M UC/ $82M CSU 1/	yes	yes			
• Reduce segmental costs of providing health and retirement benefits to employees, and redirect these funds to core instructional needs.	Undetermined 1/	yes	yes			
• Eliminate all car and housing allowances.	Undetermined 1/	yes	yes			
• Impose a hiring freeze — hire for essential positions only.	Undetermined 1/		yes			
• Streamline administrative/organizational functions — eliminate administrative positions.	Undetermined 1/		yes			
• Combine/synchronize some services among campuses and across the segments; for example, consolidate emergency dispatch services.	Undetermined 1/		yes			
• Eliminate duplicative labor and government relations offices at each campus — retain one person in each capacity per campus, thus eliminating 55 positions.	Up to $22M 1/		yes			
• Review information technology strategies, equipment and costs, for efficiency savings.	Undetermined 1/		yes			
• Reduce surplus equipment, including vehicles and cell phones.	Undetermined 1/		yes			
• Eliminate non-essential travel.	Undetermined 1/		yes			

Option	Savings Estimate	Directly Reduces Instruction Cost Per Student	Admin. Savings (Indirectly Reduces Instruction Cost Per Student)	Improves Accountability and Incentives	Increases Revenue for Instruction	Reduces Students Served
• Reduce use of external consultants.	Conflicting savings estimates [1/]		yes			
• Reduce utility costs, including schedule changes and building closures.	Undetermined [1/]		yes			
• Specify cuts as an unallocated reduction, with a reporting requirement from segments as to how they will implement the cuts before the UC Regents and CSU Trustees take action on the reductions.	None			yes		likely
• Redirect a portion of net profits generated by campus auxiliary enterprises and foundations toward core instructional needs (a return of 5% was suggested).	Conflicting savings estimates [1/]				yes	
• Redirect a portion of profits from athletic programs to supplement campus general fund allocations; also reduce all academic subsidies to athletic programs — require Intercollegiate Athletic programs to be self supporting enterprises (i.e. eliminate use of university funds to help finance these programs and new stadiums).	Conflicting savings estimates [1/]				yes	?
• Reduce amount of student fee revenue directed toward institutional financial aid — i.e. reduce the current 33% return-to-aid ratio of fee revenue. (UC has estimated potential savings of $60M in 2012-13.)	Undetermined [1/]				yes	
• Reduce institutional financial aid by 3 percent in 2011-12.	$45M UC/ $29M CSU [1/]				yes	
• Eliminate or reduce fee waivers, to reduce the loss in fee revenue.	Undetermined [1/]				yes	
• Eliminate fee waivers for dependents of CA Veterans and Public Safety Personnel (who are also eligible for federal benefits).	$12M UC/ $14M CSU [1/]				yes	
• Use unrestricted gift revenues to supplement instructional programs or salaries.	Undetermined [1/]				yes	
• Reduce funding for public service activities by 20 percent.	$22M UC/ $1M CSU [1/]				yes	
• Minimize cuts that affect currently enrolled students, but additional enrollment cuts must be considered.	Undetermined [1/]					yes
• Prioritize state support for undergraduate education.	None					?
• Ask the Governor to outline how much UC and CSU budgets will be further reduced if the tax extension proposals do not pass in June — this information would help the public understand the need for these tax extensions.	None					
• Set up voluntary committees on each campus to solicit and evaluate suggestions, and send to DOF.	None					

Option	Savings Estimate	Directly Reduces Instruction Cost Per Student	Admin. Savings (Indirectly Reduces Instruction Cost Per Student)	Improves Accountability and Incentives	Increases Revenue for Instruction	Reduces Students Served
• It was noted that SB 1440 (Padilla, 2010), intended to provide efficiencies and improvements for students transferring from the CCCs to UC and CSU, will not reduce campus expenditures per se, but once implemented will lead to larger number of students being served and who will graduate each year, for a given level of FTES enrollment. It will provide major benefits to these students in terms of shorter time to degree and consequent savings on tuition and fees.	Undetermined [2/]					
Options for UC						
• Focus on reducing administrative costs, without reducing enrollments, laying off workers, or eliminating undergraduate classes.	Undetermined [1/]		yes			
• Administrative efficiencies.	$100M [1/]		yes			
• Eliminate executive bonus and incentive payments.	Undetermined [1/]		yes			
• Reduce UC's systemwide management ratio — i.e. reduce size of UC management; eliminate the Senior Management Supplemental Benefit Program, and the 415(m) Restoration Plan, which supplements annual retirement income for high-income faculty and senior managers; prioritize reduction of costs, salaries, and pensions for UC's senior management group.	Undetermined, conflicting information provided [1/]		yes			
• Eliminate increase for employee health benefits.	$23M [1/]		yes			
• Eliminate supplemental funding for UC Merced.	$5M [1/]		yes			?
• Eliminate General Fund support for Drew University.	$9M [1/]		yes			
• UC should calculate and report annually on the direct instructional cost per student; claim was made that undergraduates are subsidizing research, graduate students, and administrators at UC — increase undergraduate enrollments and retain more lecturers vs. tenure-line faculty.	None			yes		
• Require UC to report on how the salaries of employees making over $200,000 are funded — many are supposedly supported by "self-sustaining" sources of income, but state funds and student fees appear to also support these positions.	None			yes		
• The state should offer an IOU for its share of UCRP employer retirement costs — UC should report on the exact number and cost of state-funded employees, for determining retirement contributions.	Future cost			yes		
• Change the mix of resident/nonresident undergraduate students — increase nonresident enrollment by 500 FTES.	$12M [1/]				yes	yes
• Eliminate earmarked and state special interest programs.	$50M [1/]				yes	
• Reduce SAPEP funding by 25 percent.	$7.5M [1/]				yes	
• Reduce GF support for Agriculture and Natural Resource programs.	$6M [1/]				yes	

Option	Savings Estimate	Directly Reduces Instruction Cost Per Student	Admin. Savings (Indirectly Reduces Instruction Cost Per Student)	Improves Accountability and Incentives	Increases Revenue for Instruction	Reduces Students Served
• Hospital and medical center revenues could be 'loaned' to supplement regular campus budgets — at one time, campus budgets were loaned to support the early years of the medical centers; return excess profit (such as profits over 5%) to the University general fund.	Undetermined [1/]				yes	
• Charge full and accurate indirect costs for all grants UC receives —claim that President Yudof estimated that the university is undercharging roughly $300 million per year.	Undetermined [1/]				yes	
• Eliminate state cash deferrals of UC General Fund appropriations.	$15M [1/]				yes	
• Reduce General Fund support for organized research by 20 percent.	$53M [1/]				yes	
Ongoing UC efforts to achieve administrative and operating efficiencies (the 'Working Smarter Initiative', created in 2009 as part of UC's Commission on the Future):						
• Implemented the systemwide UC Graduate Student Health Insurance Plan (GSHIP), to allow campuses (and UC Hastings Law School) to collectively purchase health insurance, which is expected to save UC $6 million in 2010-11, and reduce student costs. A similar effort to pool undergraduate student health insurance programs is underway.	Undetermined [1/]	yes	yes			
• Implemented a university-wide travel program, Connexxus, which has saved UC $3 million in 2009-10, and is eventually expected to achieve savings of $15 million annually. CSU and several other organizations have requested to participate in Connexxus as a result of its cost-savings success.	Undetermined [1/]		yes			
• Consolidated procurement practices (the Strategic Sourcing Initiative); the goal of the e-Sourcing and Contract Management Initiative is to develop a cost-effective and comprehensive procurement program across all campuses and the UCOP.	Undetermined [1/]		yes			
• Developed UC Tracker, part of the Enterprise Risk Management solutions created to lower the costs of covering the university's wide range of liabilities.	Undetermined [1/]		yes			
• Currently developing a university-wide system to standardize payroll and human resources policies and practices.	Undetermined [1/]		yes			
• Established a new internal investment mechanism that has increased the return UC earns on its working capital (the Total Return Investment Pool).	Undetermined [1/]				yes	
Options for CSU						
• Eliminate duplicative audits conducted by both CSU campuses and the Chancellor's Office.	$2M [1/]		yes			

Option	Savings Estimate	Directly Reduces Instruction Cost Per Student	Admin. Savings (Indirectly Reduces Instruction Cost Per Student)	Improves Accountability and Incentives	Increases Revenue for Instruction	Reduces Students Served
• Conduct collective bargaining sessions at the systemwide level, rather than at each campus, for systemwide issues such as background checks, IT security, and cell phone use. It was estimated that a typical two-day session costs CSU $11,000.	Undetermined 1/		yes			
• Implement shared travel procurement with UC's new Connexxus program (see above).	Undetermined 1/		yes			
• The CSU General Fund allocation for the Chancellor's Office shall not exceed the amount allocated to the smallest CSU campus in 2009-10.	Undetermined 1/		yes			
• Relocate the Chancellor's Office to one of the 23 campuses.	Undetermined 2/		yes			
• CSU should not contract with private vendors for admin. services that are duplicative of services performed by state or auxiliary supported functions.	Undetermined 1/		?			
• Realign the enrollment target specified in the 2010-11 Budget Act (339,873 FTES) to reflect a 2.4 percent reduction for 2011-12, to 331,716 FTES, which would allow for a slight increase from the 2010-11 projected enrollment of around 329,000 FTES.	$60M 1/					yes
• CSU is projected to have current-year savings of about $75 million, related to current year enrollment projections. Credit this amount toward the $500 million reduction in the budget year.	None					yes
• Use auxiliary funds in place of bond funds to support critical (i.e. seismic and public safety-related) construction for 2011-16, and suspend all non-critical construction projects.	Undetermined 1/					
• Prioritize the protection of CSU's instructional and library budgets and student services.	None					

1. Budget Year and ongoing savings
2. Long-term savings

COMMITTEE ON FINANCE

California State University Doctorate of Nursing Practice Tuition Fee

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

This information item is presented to the Board of Trustees to recommend 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, which are to be operated without diminishing the quality of program support for CSU undergraduate programs.

Background

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 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 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 (equivalent to $910 per unit) 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.

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 fees will be 20 percent of the academic year tuition fee rate. After need-based aid has been provided to qualifying students, remaining funds will be used 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. An agenda item will be presented at the July meeting to take action to establish this recommended tuition fee.

COMMITTEE ON FINANCE

California State University Doctorate of Physical Therapy Tuition Fee

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Summary

This information item is presented to the CSU Board of Trustees to recommend 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

The board has the authority to establish, adjust, and abolish systemwide fees, including those for the newly authorized Doctor of Physical Therapy 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 Doctor of Physical Therapy programs in joint partnership with the University of California or with California's private institutions of higher education. CSU Doctor of Physical Therapy 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 (DPT) 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 academic year fee rate. After need-based aid has been distributed to qualifying

students, remaining funds from the set-aside will be used 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. An agenda item will be presented at the July meeting to take action to establish this recommended tuition fee.

COMMITTEE ON FINANCE

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

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 (BANS) to support interim financing under the commercial paper program of the California State University in an aggregate not-to-exceed amount of $11,575,000 to provide financing for the Chico Parking Structure 2. The Board is being asked to approve resolutions related to the 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.

In January 2011, the Board approved the amendment of the non-state capital outlay program. Concurrent with this request for financing approval at the May 2011 meeting, the Board, during its Committee on Campus Planning, Buildings and Grounds will be requested to approve the schematics for this project.

Chico Parking Structure 2

The parking structure will be located on the southern edge of the main campus at the corner of West Second Street and Normal Avenue, replacing existing parking lot T. The structure will accommodate 359 parking spaces to address parking deficiencies, the increasing demand for parking, and future campus growth. Approximately 8,300 gross square feet of office space will be included in the project to house (1) the university police department; and (2) the emergency operations center, the environmental health and safety department and an information center.

The not-to-exceed par value of the proposed bonds is $11,575,000 and is based on an estimated total project cost of $14,400,000 with campus contribution/other funds of $3.9 million. The primary source of the campus contributions will be $2,000,000 from parking reserves. Additional net financing costs (estimated at $1,075,000) are to be funded from the bond proceeds. The president has approved an increase in parking fees across all campus parking users to fund the project, which results in an average increase for students of roughly 15-20 percent per year. The campus received good construction bids in March 2011 for this project, and anticipates a construction start in November 2011 with a completion in November 2012.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	$11,575,000
Amortization	Approximately level over 25 years
Projected maximum annual debt service	$891,940
Projected debt service coverage including the new project: Net revenue – All Chico pledged revenue programs: [1] Net revenue – Projected for the campus parking program:	 1.34 1.12

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

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 6.01 percent, reflective of 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 1.12 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 1.34, which is slightly below the CSU benchmark of 1.35. The campus anticipates that it will meet the 1.35 campus benchmark in the subsequent year, with improving coverages thereafter.

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 $11,575,000 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 project as described in this Agenda Item 4 of the Committee on Finance at the May 9-10, 2011, meeting of the CSU Board of Trustees is recommended for Chico Parking Structure 2.