

AGENDA

COMMITTEE ON GOVERNMENTAL RELATIONS

Meeting: 2:30 p.m. Tuesday, March 14, 2006
Glenn S. Dumke Auditorium

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

Consent Items

Approval of Minutes of Meeting of January 31, 2006

Discussion Items

1. 2005-2006 Legislative Report No. 8, *Action*

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

January 31, 2006

Members Present

Jeffrey L. Bleich, Chair
Melinda Guzman Moore, Vice Chair
Roberta Achtenberg
Herbert L. Carter
Carol R. Chandler
William Hauck
Murray L. Galinson, Chair of the Board
Corey Jackson
A. Robert Linscheid
Charles B. Reed, Chancellor
Craig R. Smith

Approval of Minutes

The minutes of November 8, 2005 were approved.

2005-2006 Legislative Report 7

Trustee Bleich introduced the item containing the proposed initiatives recommended for the 2006 Trustees' Legislative program. He introduced Ms. Karen Zamarripa, Assistant Vice Chancellor, Advocacy and Institutional Relations, and asked her to present the report.

With the aid of a PowerPoint presentation, Ms. Zamarripa provided an in-depth review of the written agenda item. Ms. Zamarripa began her presentation with an update on the current political climate in Sacramento and addressed a number of other issues that were taken into consideration while developing the proposed Trustees' legislative programs including but not limited to the Trustees' legislative principles, budget issues, election year politics and overall objectives of the system.

Ms. Zamarripa described the process for the development of CSU-sponsored legislation including consultation with the Chancellor, campus presidents, vice presidents, and system executive officers. In addition, experts in the system office and campuses are asked to assist in the analysis and assessment of proposals.

The proposed Trustees' legislative program presented for 2006 included four bills. The areas addressed in the proposals include: Revenue Bonds, Personnel Processes, Financial Aid/Cal Grant Program Revisions, and the Efficiency and Productivity Omnibus bill.

Chair Galinson suggested that it would be helpful for the Board to receive the actual proposals before the meeting to allow committee members more time to consider the appropriateness of the issues.

Trustee Bleich thanked Ms. Zamarripa for the excellent work in preparing the legislative program for this year. He also suggested that he and Vice Chair Guzman would continue to work with Ms. Zamarripa on legislative matters in between regularly scheduled board meetings through conference calls to stay informed on the various legislative issues that may be of benefit or interest to CSU.

The committee recommended approval of the proposed resolution (RGR 01-06-01)

California State University Federal Agenda for 2006

Trustee Bleich introduced Mr. Jim Gelb, Assistant Vice Chancellor, Office of Federal Relations, and Mr. George Conant, Legislative Director, Office of Federal Relations.

Mr. Gelb explained that the item before the committee outlined the efforts of his office during the past year and contained a detailed overview of items proposed for inclusion in the 2006 CSU Federal Agenda. He indicated that the primary policy focus in 2005, as in the past several years, was the reauthorization of the Higher Education Act (HEA). Mr. Gelb informed the committee that Congress has yet to complete work on HEA reauthorization, and at the end of 2005, it extended provisions of the 1998 Act through March 31, 2006. Mr. Gelb added that the Congress had all but finalized work on a vast budget reconciliation measure that would cut roughly \$12 billion from student loan programs over the next five years. He stated that due to the overall budget cuts proposed for higher education funding, final passage of the reconciliation bill might have a significant impact on whether a serious reauthorization bill is actually pursued in 2006.

With respect to CSU projects, in 2005, the system garnered over \$25 million in federal funds earmarked for a wide range of CSU research and infrastructure initiatives, including systemwide priorities in agricultural and coastal research.

Mr. Gelb then summarized current activity on the policy and project fronts, noting that the proposals being set forth for 2006 followed a similar path to last year. On the policy side, proposed priorities continue to stress increasing federal aid for students, funding early intervention programs, and strengthening Hispanic Serving Institutions and math/science initiatives. Seven systemwide projects were also proposed, across core areas of CSU strength in applied research and workforce training. He assured the committee that he and his office would

continue to work to ensure that system views are communicated and considered in all areas of interest and impact to the CSU.

Trustee Holdsworth inquired if there was a method in place for tracking federal funds received by the system and how to best utilize those funds to be better prepared for dealing with current needs and trends. Mr. Conant replied some of that information would likely be included in data tracked by the Institutional Advancement division in the areas of contracts and grants and by the Systemwide financial aid office. Mr. West added the information requested by the trustee was available and would be provided to him.

Trustee Bleich thanked Mr. Gelb, Mr. Conant, and their staff for their excellent work in compiling a comprehensive presentation and analysis of this year's federal program.

Mr. Charles Goetzl, president, Academic Professionals of California (APC), addressed the committee to express the concerns of APC regarding the modification of the State Personnel Board procedure for disciplinary action appeals.

The committee recommended approval of the proposed resolution (RGR 01-06-02).

COMMITTEE ON GOVERNMENTAL RELATIONS

2005-2006 Legislative Report No. 8

Presentation By

Karen Y. Zamarripa
Assistant Vice Chancellor
Advocacy and Institutional Relations

Summary

This item contains a status report on the Trustees' legislative program, priority legislation identified to date, and an overview of the infrastructure bonds process.

Trustees' Legislative Program

The following proposals comprise the Trustees' legislative program for 2006.

Revenue Bonds

This technical proposal will enhance the CSU's ability to use its system-wide bonds for future projects, and potentially lower its interest costs. Specifically, this measure makes the five following changes: (1) Authorizes the CSU to loan or advance proceeds from its revenue bonds or revenue bond anticipation notes to third parties (e.g. auxiliary organizations) through a loan agreement, for projects approved by BOT; (2) authorizes the payment of interest on a basis other than semi-annual or annually to accommodate issuance of variable rate debt; (3) authorizes the BOT to issue commercial paper directly by including commercial paper within the statutory definition of notes and revenue bond anticipation notes; (4) authorizes the State Treasurer to appoint an agent to serve as trustee of CSU revenue bonds, and; (5) Authorizes investment of dormitory revenue, dormitory construction, dormitory interest and redemption and dormitory maintenance and repair accounts to be invested outside the State Treasurer's accounts, but maintaining BOT investment policy.

Status: This proposal will be authored by Assembly Member Fran Pavley (D-41, Agoura Hills). The bill expected to have its first hearing in April.

Personnel Processes

This proposal improves the personnel process in two ways: 1) Ensures that the CSU can recoup overpayments from employees in the same way other state agencies currently are allowed to do, and; 2) authorizes the CSU to amend disciplinary notices that have been filed with the State Personnel Board in the same way as other state agencies. Currently, the CSU must withdraw a notice if an amendment is necessary, which costs time and money, especially if compensation is involved.

Status: The CSU will be amending the overpayment provisions into Efficiency and Productivity Omnibus in late March. The provision regarding disciplinary notices is being discussed with employee groups before proceeding further.

Efficiency and Productivity Omnibus

This proposal would improve efficiency and reduce costs to the CSU and will include the following four items: (1) Victim Compensation Board: Authorize the CSU to handle tort claims directly rather than through the Victim Compensation Board, which costs the CSU up to 15% of each settlement amount; (2) Vehicle Purchase: Remove the CSU from the code sections requiring vehicle purchases be done under the supervision of the Department of General Services (DGS); (3) Disability Access Review: Remove the requirement that the State Architect confirm that CSU conforms to the access compliance chapter of the Building Code, and; (4) Retailer Sellers Permit: Exempt CSU from the statutory requirement to collect California retailers' seller's permits in order to contract for purchases.

Status: Senator George Runner (R-17, Antelope Valley) has agreed to author this bill for CSU.

Financial Aid: Cal Grant Program Revisions

This proposal revises the Cal Grant program in the following ways: 1) Provide all Cal Grant B high school entitlement award recipients who enroll at four-year institutions with funds to cover tuition and fees during the initial year of their award; 2) increase the number of Competitive Grants by 50% - from 22,500 to 45,000 in recognition of the five-fold demand for these limited grants, and; 3) modify the age cap limitation for Cal Grant Transfer Entitlement awards from 24 to 27 years to reflect the average age of students seeking a college degree in California.

Status: Assembly Member Hector De La Torre (D-50, South Gate) will carry this measure for the CSU and the California State Students Association (CSSA).

Priority Bills

In addition to our trustee-sponsored bills, the CSU will track legislative proposals consistent with the Board of Trustees legislative principles adopted in January 2005. To date the following have been identified as priority bills among the over 3,500 introductions to date:

Assembly Bill 546 (Garcia): State Computers Prohibited Use, Obscene Matter: This bill amends the Government Code to clarify that the use of a state computer to view obscene materials is a misuse of state resources punishable with a \$1,000 civil penalty. This measure would only allow for academic research in this matter with the approval of a state agency. For CSU, this would require approval of academic research, and impact instruction in certain subject areas.

CSU Position: Support if Amended
Status: AB 546 has been referred to the Senate Judiciary Committee and a date has yet to be set.

Assembly Bill 840 (Arambula): Student Financial Aid: California Community College Transfer Cal Grant Entitlement Program: This bill forgives those students who, between 2002 and 2005, were awarded California Community College Transfer Entitlement Program (CCCTEP) grants in error, by retroactively exempting these students from the statutory requirement to be California residents at the time of high school graduation.

CSU Position: Support
Status: AB 840 was referred to the Senate Committee on Education and a date has yet to be set.

Assembly Bill 958 (De La Torre): California State University: Nursing Education: Liability: This proposal would provide that when, as part of a nursing education program, a California State University student has a clinical placement at a hospital, the university is responsible for liability coverage for that student's activities, as well as the activities of any university faculty member, administrator, or staff person who participates in a university nursing education program.

CSU Position: Support
Status: AB 958 was referred to the Senate Committee on Education and a date has yet to be set.

Assembly Bill 1072 (Liu): Public Postsecondary Education, Student Fee Policy: This bill establishes a cap on the overall undergraduate student fees at California's public universities, specifically the CSU would have a cap of 30% of the cost of instruction. It also would limit the

annual increase of undergraduate student fees to less than 8% in any academic year. This measure also provides that annually, except in fiscal emergencies, the student fee amount should be adjusted by annual changes in the per capita personal income.

CSU Position: Oppose Unless Amended
Status: AB 1072 was referred to the Senate Committee on Education and a date has yet to be set.

Assembly Bill 1315 (Liu) Cal Grant B Awards: Access Costs: This bill increases the maximum award for Cal Grant B access costs for items such as books, supplies, living expenses, and transportation--and provides a phase-in of that maximum award.

CSU Position: Support
Status: AB 1315 was referred to the Senate Committee on Education and a date has yet to be set.

Assembly Bill 1561 (Umberg): State Boards and Commissions: Member Removal: Failure to Attend Meetings: This bill allows the appointing authority of a board or commission to remove and replace a termed appointed member should the member miss three out of four regularly scheduled meetings in row. The measure provides that an excused absence includes an absence for sickness, or for legitimate board, commission, or state work.

CSU Position: Pending
Status: AB 1561 is awaiting referral by the Senate Rules Committee to its appropriate policy committee.

Assembly Bill 1782 (Mullin): Lottery Act: Multistate Lottery: Distribution of Revenues: This proposal would authorize California's participation in the multi-state lottery, MegaMillions. This measure would also modify the distribution of MegaMillions revenue and redirect more dollars to specific k-12 programs.

CSU Position: Pending
Status: AB 1782 was double referred to the Assembly Government Organization Committee and the Assembly Education Committee.

Assembly Bill 1896 (Coto): High School Curriculum Requirements: This measure requires school districts to offer A-G and related curriculum that includes career technical education (CTE) to all students unless otherwise requested by the parent.

CSU Position: Pending
Status: AB 1896 was referred to the Assembly Education Committee.

Assembly Bill 2017 (Dymally) Postsecondary Education Accrediting Agencies: This bill changes accreditation standards for California postsecondary education.

CSU Position: Pending
Status: AB 2017 was double referred to the Assembly Higher Education Committee and the Assembly Government Organization Committee.

Senate Bill 1181 (Maldonado): Public Postsecondary Education: Supplemental Report on Academic and Executive Salaries: This bill requires the California Postsecondary Education Commission (CPEC) to produce a report on Academic and Executive Salaries on a biennial basis, commencing on December 1, 2007. CPEC would be authorized to collect data from the three public postsecondary segments and report to the chairpersons of both of the legislatures budget committee any instances of a lack of cooperation from the segments. Should CPEC report a lack of compliance, this bill states the intent of the legislature that that segment would not receive an appropriation either through the budget or by legislative measure.

CSU Position: Pending
Status: SB 1181 was been referred to the Senate Committee on Education and no date has been set.

Senate Bill ##### (Scott): College Opportunity Act of 2006: This measure seeks to improve access to California's colleges and universities by requiring the state to notify families of students 6th, 8th, and 10th grades about access to higher education and financial aid programs, requiring the development of a 10-year enrollment plan for the higher education system, directing all higher education segments to achieve greater efficiency through its efforts to improve student completion rates, and calls for a decade-long financing plan for higher education including enrollment and financial aid.

CSU Position: Pending
Status: This measure has yet to be introduced. It will have to wait 30 days from February 24th to have its first policy hearing.

Bond Overview

The Governor proposed a plan in January to invest in the state's infrastructure, including K-12 schools and colleges and universities, by placing before the voters infrastructure bonds worth \$68 billion over the next 5 election cycles starting in 2006 and concluding in 2014. The Governor structured his plan to ensure matching dollars from local and federal government as well as private investment so that his infrastructure proposal would ultimately be worth \$222

billion dollars over the next ten years. His plan invests money in transportation, water and flood control, public safety, courts and other public services, as well as education.

The Governor's proposal would direct \$38 billion of the bonds towards education, with K-12 receiving \$26.3 billion and the three higher education segments receiving \$11.7 billion for their facility needs. The three higher education segments would receive \$5.4 billion during the first five years, followed by \$6.1 million for the second five years. In addition, the proposal includes \$400 million for UC's telemedicine program.

\$234 million of the total proceeds from the proposed bonds for this budget year would go to the CSU for its construction and renovation of 15 buildings on CSU campuses. These buildings are needed for critical infrastructure deficiencies and to meet enrollment and facility renewal needs at CSU campuses.

Senate Leader President Pro Tem Don Perata has been working on infrastructure for the last year and believes that the State should only go as far as issuing \$13.125 billion in general obligation bonds for its infrastructure needs. Calling his plan "the Perata Plan," he has released a targeted statewide television campaign touting his more focused, smaller bond plan. His proposal focuses on flood protection, improving ports and trade corridors, various transportation improvements and retrofits, and money for affordable housing, something the Governor does not have as a part of his plan. His proposal as drafted would be placed on the June 6th ballot. Senator Perata has also stated that he expects Speaker Núñez to take the lead on the education segment of the bonds.

Senate Republican leaders have expressed some reluctance for more bonds unless various concessions are made. For example they have indicated that they would like to see changes made to environmental regulations, like the California Environmental Quality Act (CEQA), before bonds are advanced to the voters.

The Speaker of the State Assembly, Fabian Núñez, has introduced two infrastructure bond measures: AB 58—his education bond measure, and AB 1783 – a broader infrastructure measure. While AB 58 has died for this legislative session, it does provide some insight into where the Assembly may ultimately be going on education bonds. AB 1783 as introduced, is simply intent language and carries no monetary value to it. Núñez has indicated his support for a total bond package of \$30 billion, with \$9 billion of that being directed to K-12 and higher education.

Meanwhile, the Republican leader in the Assembly, Kevin McCarthy has proposed a "pay as you go" approach with an amendment to the Constitution that automatically sets aside a portion of California's general fund for infrastructure use each year. While not a bond, and not necessarily a replacement to a bond, the author asserts that his proposal would set aside \$35 billion over the next decade (70% for K-12 and 30% for higher education.)

Bond Time Line

January 26th was the deadline for an initiative to qualify for the primary election ballot. It was also the deadline for the legislature to adopt a constitutional bond measure, or other legislative measure in order for the proposed measure to appear on the primary election ballot.

Currently, there are only two propositions slated for the June election. This includes: 1) The California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2006, 2) a proposition that would create a voluntary public preschool education for four-year olds, which would be paid for by a tax increase on incomes over \$400,000 for individuals, and \$800,000 for couples.

Secretary of State Bruce McPherson has sent a letter to the Governor and the Legislature stating that a legislative measure approved by February 16 could qualify for the June 6th election ballot. The Legislature has in the past been able to extend the deadline for ballot measures to be placed before the voters by issuing a supplemental ballot. In that case, the Secretary of State has stated that March 10 would be the final deadline to make the June primary ballot. It has been indicated that that date could be moved as well by as many as 5-10 days.

The deadline for an initiative to qualify for the November general election ballot is June 29th. It is also the deadline for the legislature to adopt a Constitutional bond measure, or other legislative measure in order for the proposed measure to appear on the general election ballot.

Bond Committee

Assembly and Senate leadership have appointed a Conference Committee on Infrastructure Bonds. The Conferees from the Assembly are John Laird (D-27, Santa Cruz), who will serve as co-chair, Judy Chu (D-49, Monterey Park), Rick Keene (R-3, Chico). The Senate has named Senator Kevin Murray (D-26, Los Angeles) to be the co-chair, along with Wes Chesbro (D-2, Arcata), and Dennis Hollingsworth (R-36, Murrieta).

The committee will examine the Governor's proposed infrastructure bonds, addressing the state's needs in education, transportation, water, prisons, and other critical public services. The Committee will also compare the Senate and the Assembly's version of the bond proposals, and the various policy committee reports on the bond proposals as well. It will take into account the testimony of the Department of Finance and the Legislative Analyst's Office as well.

After the Committee has completed its review of all the proposals, it will in all likely-hood place the agreed upon language into a new measure or measures for action on the floor of both houses.

The Conference Committee has 5 Assembly budget bills and 5 Senate budget bills in its possession for possible action.

Education Bond Measures

The following proposals are the most prominent education bonds that have been introduced this legislative session.

Assembly Bill 58 (Núñez) Kindergarten-University Public Education Facilities Bond Act of 2006: This measure would have enacted the Kindergarten-University Public Education Facilities Bond Act of 2006, which would have authorized a two-year general obligation education bond in the amount of \$9.387 billion to be placed on the November 7, 2006 ballot; Providing \$6.5 billion for K-12; \$1.507 billion for the California Community College; \$690 million for the University of California, and \$690 million for the California State University.

CSU Position: Support if Amended
Status: This measure did not make it out of its house origin by the deadline, and died pursuant to Art. IV, Sec. 10(c) of the Californian Constitution.

Assembly Bill 1836 (Daucher): Education Facilities Bond Acts: This measure would place a bond measure for K-12 and higher education before the voters of California every election, from 2006 to 2014 for a total amount of \$38 billion, with higher education receiving \$11.7 billion. If approved by the voters this year, higher education would receive \$5.4 billion over 5 years for Capital outlay investments.

CSU Position: Pending
Status: This measure has yet to be referred to a policy committee.

Senate Bill 1164 (Runner): Education Facilities Bond Acts: This measure is identical to the Daucher bill.

CSU Position: Pending
Status: This bill has been referred to the Senate Education Committee

Infrastructure Financing Proposals

The following three proposals represent Senate Assembly's leadership priorities for this session:

Assembly Bill 1783 (Núñez): Infrastructure Financing: This proposal would enact the California Infrastructure, Improvement, Smart Growth, Economic Reinvestment, and Emergency Preparedness Financing Act of 2006, to finance infrastructure through various funding sources,

including bonds, fees, and assessments. This financing would be used to for transportation, flood control, safe water systems, environmental improvement, housing, hospital seismic safety repair, and emergency public safety communications equipment, among others.

CSU Position: Pending

Status: This measure was introduced January 4, 2006 and may be heard in Committee after February 4th.

Assembly Constitutional Amendment 27 (McCarthy) State Budget: Capital Outlay: This measure sets aside a portion of the state General Fund each year for infrastructure projects like highways, levees and water storage and delivery systems.

CSU Position: Pending

Status: This measure was introduced on January 26, 2006, and may be heard after February 25, 2006.

Senate Bill 1024 (Perata): Public Works and Improvements: Bond Measure: Implements the Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2006, that if approved by the voters of California on June 6th, 2006, would issue an unspecified amount of state general obligation bonds for various infrastructure purposes, including: transportation, flood control, port infrastructure, seismic upgrade projects, and housing.

CSU Position: No Official Position

Status: Held at the Assembly Desk

Adoption of the following resolution is recommended:

RESOLVED, By the Board of Trustees of the California State University, that the 2005-06 Legislative Report No. 8 is adopted.