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December 22, 2016

Daniel Alvarez
Secretary of the Senate
State Capitol, Room 3044
Sacramento, CA 95814

Michael Cohen, Director
Department of Finance
State Capitol, Room 1145
Sacramento, CA 95814

Diane Boyer-Vine
Legislative Counsel
State Capitol, Room 3021
Sacramento, CA 95814

E. Dotson Wilson
Chief Clerk of the Assembly
State Capitol, Room 3196
Sacramento, CA 95814

RE: California State University Report

As required by the Budget Act of 2016 (Senate Bill 826), the following report includes a summary of the changes to the California State University policies and procedures governing outside employment by university executives and senior management.

Should you have any questions about this report, please contact Carrie Rieth at crieth@calstate.edu or (562) 951-4500. For your convenience, all CSU legislative reports are posted to www.calstate.edu/budget/fybudget/legislative-reports/.

Sincerely,



G. Andrew Jones
Interim Vice Chancellor, Human Resources

GAJ/chr/sr

Attachments

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

cc: Members, California State Legislature
Timothy P. White, Chancellor, California State University
Kathleen Chavira, Assistant Vice Chancellor, Advocacy and State Relations

**Report to the Legislature
and Department of Finance
December 1, 2016**

**California State University Report:
Changes to Policies and Procedures Governing Outside
Employment by University Executives and Senior Management**
as reported for the 2016-17 Academic Year

Background

On June 27, 2016, Senate Bill 826, the “Budget Act of 2016”, was signed into law by the Governor. Among other items, Senate Bill 826 requires that the California State University (CSU) Board of Trustees review the policies and procedures governing outside employment by university executives and senior management no later than January 1, 2017 to achieve the following:

- (1) Require that outside employment does not create conflicts of interest or conflicts of commitment, whether those are actual or perceived.
- (2) Require that outside employment is properly approved.
- (3) Require that outside employment is consistent with, and furthers, the public mission of the university.
- (4) Specify appropriate consequences for violations of policies and procedures.
- (5) Report outside employment publicly on an annual basis.
- (6) In cases of outside employment for executives, require annual public discussion and approval.

CSU has always been committed to ensuring that our employees serve CSU and our students free from both conflicts of commitment and interest. CSU has three main policies in place to address conflicts of commitment and interest:

- Outside Employment Disclosure Requirements for Management Personnel Plan (MPP) and Executive Employees;
- Limits on executives serving on corporate boards; and
- Form 700 disclosures.

All three policies have been revised and updated to improve transparency to not only comply, but exceed the requirements of Senate Bill 826.

In revising its policies, CSU sought to strengthen its commitment to improving and ensuring the public trust through clear policy objectives, stronger monitoring requirements, and increased transparency. These improvements are designed to ensure that both CSU and members of the public are accurately informed of the outside employment of all senior management employees and better positioned to prevent conflicts of commitment and interest with respect to all employees in its Management Personnel Plan.

Summary of Revisions to Policies

Outside employment activities, while often mutually beneficial to the CSU and the employees themselves, must not pose a conflict of interest or conflict with an employee's ability to meet his/her responsibilities to the CSU. Therefore, it is the policy of the CSU to provide a transparent system of disclosure, approval, and documentation of the outside employment activities performed by CSU MPP and executive employees to identify any potential conflicts of commitment and/or conflicts of interest.

Consistent with these goals, CSU revised its policies as follows.

1. Outside Employment Disclosure Requirements for Management Personnel Plan (MPP) and Executive Employees

On November 15, 2016, the Board of Trustees of California State University formally adopted the revised policy for Outside Employment Disclosure Requirements for Management Personnel Plan (MPP) and Executive Employees. (Attachment A). The updated policy continues to require that all members of the MPP, nearly 4,000 employees, including executives, disclose any outside employment at several intervals: at the time of hire, annually, within 30 days of accepting outside employment, and within 10 days of request by a supervisor. As revised, all MPPs must complete an outside employment disclosure form annually (even if the employee has nothing to report) to confirm the outside employment does not pose a conflict of commitment or interest. All MPP employees are expected to reduce or eliminate outside employment if any perceived or actual conflicts of commitment or interest are found. Outside employment

disclosures will be reviewed for any perceived or actual conflicts of commitment or interest by an appropriate administrator.

Additionally, the policy was substantially revised as it applies to **senior management employees** which includes executives (Chancellor, Executive Vice Chancellors, Vice Chancellors, and Presidents) and Vice Presidents. In addition to disclosing the nature of outside employment, the time commitment, and the expected duration, members of senior management are required to disclose the organization's name, total compensation received, whether the business has had dealings with the CSU, and whether the employee was involved in making any decisions that affect CSU's dealings with the outside employer. Disclosures by Vice Presidents will be reviewed by the campus President or his/her designee. Disclosures by executives will be reviewed by the Chancellor or his/her designee. If the outside employment requires a second level of review for approval, an independent review committee appointed by the Chancellor (or the Board of Trustees for the Chancellor) or his/her designee and the Vice Chancellor of Human Resources, in consultation with the Office of General Counsel, shall review the outside employment disclosure.

The Board of Trustees shall annually review, provide the opportunity for public discussion, and approve the outside employment endeavors of all senior management employees. To increase transparency, protect public interest, and ensure public trust, the CSU will publicly post the outside employment activities of senior management employees on its website.

2. Limitations on Executives Serving on Corporate Boards

As reported to the Legislature, since becoming Chancellor of the CSU, Dr. Timothy White has added language to the appointment letter of every Executive Vice Chancellor, Vice Chancellor and President that limits their service to two corporate boards and requires that they obtain his approval before accepting a position on a board. Chancellor White has extended this requirement to all executives (Executive Vice Chancellors, Vice Chancellors and Presidents) and not only those he appointed. This is to make sure that board service does not pose a conflict of commitment or interest. Additionally, executive service on corporate boards will be publicly reported in the annual outside employment report noted above.

Form 700 Disclosures

CSU fully complies with the Political Reform Act and has been working diligently with the Fair Political Practices Commission to update its Conflict of Interest Code since 2007. We are happy to report that the CSU Board of Trustees amended the CSU Conflict of Interest Code in Article 20 of Subchapter 7, Chapter 1, Division 5 of Title 5 of the California Code of Regulations. (Attachment B) The amended Code has been

submitted to the FPPC for final approval and we expect to receive this approval before the close of the year.

The revised Code includes a streamlined list of disclosure categories. The disclosure categories were re-written so that they are easier to understand and cover broader reporting interests. Additionally, the Code was revised to develop greater consistency in how the disclosure categories are assigned to designated positions across the system.

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