

**TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY**  
**California State University**  
**Office of the Chancellor**  
**401 Golden Shore**  
**Long Beach, CA 90802**

**AGENDA**  
**January 28-29, 2014**  
**Long Beach, CA 90802**

<b>Time*</b>	<b>Committee</b>	<b>Place</b>
<b><u>Tuesday, January 28, 2014</u></b>		
<b>8:00 a.m.</b>	<b>Board of Trustees – Closed Session</b> Executive Personnel Matters Government Code §11126(a)(1)	<b>Long Beach Hilton</b>
<b>1:15 p.m.</b>	<b>Committee on Educational Policy</b> <b>Subcommittee on Honorary Degrees—Closed Session</b> Government Code §11126(c)(5)	<b>Munitz Conference Room</b>
<b>2:00 p.m.</b>	<b>Board of Trustees – Closed Session</b> Executive Personnel Matters Government Code §11126(a)(1)  Litigation Matters <i>Donselman et al. v. CSU</i> Government Code §11126(e)(1)	<b>Munitz Conference Room</b>
<b>3:30 p.m.</b>	<b>Committee on Educational Policy and</b> <b>Board of Trustees—Closed Session</b> 1. Honorary Degree Nominations and Subcommittee Recommendations, <i>Action</i> Government Code §11126(c)(5)	<b>Munitz Conference Room</b>
<b>3:45 p.m.</b>	<b>Committee on Collective Bargaining—Closed Session</b> Government Code §3596(d)	<b>Munitz Conference Room</b>

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- 4:30 p.m. Committee on Collective Bargaining—Open Session Dumke Auditorium**
1. Ratification of Tentative Agreement with Bargaining Unit 6 (State Employees' Trades Council), *Action*
  2. Ratification of Tentative Agreement with Bargaining Unit 8 (Statewide University Police Association), *Action*
  3. Ratification of Tentative Agreement with Bargaining Unit (Union of American Physicians and Dentists), *Action*
  4. Adoption of Initial Proposals for Successor Contract Negotiations with Bargaining Units 2, 5, 7 & 9 (California State University Employees Union), *Action*
  5. Adoption of Initial Proposals for Successor Contract Negotiations with Bargaining Unit 8 (Statewide University Police Association), *Action*
  6. Adoption of Initial Proposals for Successor Contract Negotiations with Bargaining Unit 10 (International Union of Operating Engineers), *Action*

**Wednesday, January 29, 2014**

- 8:00 a.m. Committee on Governmental Relations Dumke Auditorium**
1. Board of Trustees Legislative Program, 2014, *Action*
  2. California State University 2014 Federal Agenda, *Action*
- 8:30 a.m. Committee on Audit Dumke Auditorium**
1. Audit Committee Charter, *Action*
  2. Office of the University Auditor Charter, *Action*
  3. Status Report on Current and Follow-Up Internal Audit Assignments, *Information*
  4. Assignment of Functions to be Reviewed by the Office of the University Auditor For Calendar Year 2014, *Action*
  5. Report of the Systemwide Audit in Accordance With Generally Accepted Accounting Principles Including the Report to Management, *Information*
  6. Single Audit Reports of Federal Funds, *Information*
  7. National Collegiate Athletic Association Agreed-Upon Procedures, *Information*
- 9:30 a.m. Committee on Organization and Rules Dumke Auditorium**
1. Rules Governing the Board of Trustees, *Information*
- 9:45 a.m. Committee on Finance Dumke Auditorium**
1. Report on the 2014-2015 Support Budget, *Information*

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- 10:00 a.m. Committee on Institutional Advancement Dumke Auditorium**
1. Naming of a Facility – San Diego State University, *Action*
  2. Naming of a Facility – San Diego State University, *Action*
  3. Naming of a Facility – Sonoma State University, *Action*
  4. Approval of the 2012-2013 Annual Report on Philanthropic Support to the California State University, *Action*
- 11:00 a.m. State of the California State University Address and Luncheon**
- 1:30 p.m. Committee on Educational Policy Dumke Auditorium**
2. The California State University Graduation Initiative, *Information*
  3. Update on Reducing Bottlenecks and Improving Student Success, *Information*
  4. California State University Admission Promise Programs, *Information*
  5. The Sony Electronics Faculty Award for Innovative Instruction with Technology, *Information*
- 3:00 p.m. Committee on Campus Planning, Buildings and Grounds Dumke Auditorium**
1. Amend the 2013-2014 Capital Outlay Program, Non-State Funded, *Action*
  2. Amend the 2013-2014 Capital Outlay Program, State Funded *Action*
  3. Status Report on the 2014-2015 State Funded Capital Outlay Program-Governor’s Budget, *Information*
  4. Approval of Schematic Plans, *Action*
- 3:15 p.m. Committee on University and Faculty Personnel Dumke Auditorium**
1. Executive Compensation: Individual Transition Program, *Information*
- 4:00 p.m. Board of Trustees Dumke Auditorium**
- Call to Order and Roll Call**
- Public Comment**
- Chair’s Report**
- Chancellor’s Report**
- Report of the Academic Senate CSU: *Chair—Diana Guerin***
- Report of the California State University Alumni Council: *President— Kristin Crellin***

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**Report of the California State Student Association: *President—Sarah Couch***

**Approval of Minutes of Board of Trustees' Meeting of November 6, 2013**

**Board of Trustees**

1. Posthumous Conferral of Title of Trustee Emeritus: Peter G. Mehas
2. Conferral of Title of Trustee Emeritus: Bernadette Cheyne
3. Conferral of Title of Chancellor Emeritus: Barry Munitz

**Committee Reports**

**Committee on Collective Bargaining: *Chair—Lou Monville***

**Committee on Governmental Relations: *Chair—Steven Glazer***

1. Board of Trustees Legislative Program, 2014
2. California State University 2014 Federal Agenda

**Committee on Audit: *Chair—Lupe C. Garcia***

**Committee on Organization and Rules: *Chair—J. Lawrence Norton***

- ~~1. Rules Governing the Board of Trustees~~

**Committee on Finance: *Chair—Bill Hauck***

**Committee on Institutional Advancement: *Chair—Hugo N. Morales***

1. Naming of a Facility – San Diego State University
2. Naming of a Facility – San Diego State University
3. Naming of a Facility – Sonoma State University
4. Approval of the 2012-2013 Annual Report on Philanthropic Support to the California State University

**Committee of Educational Policy: *Chair—Roberta Achtenberg***

**Committee on Campus Planning, Buildings and Grounds: *Chair—Rebecca D. Eisen***

1. Amend the 2013-2014 Capital Outlay Program, Non-State Funded, *Action*
2. Amend the 2013-2014 Capital Outlay Program, State Funded *Action*
4. Approval of Schematic Plans, *Action*

**Committee on University and Faculty Personnel: *Chair—Lou Monville***

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## **Addressing the Board of Trustees**

Members of the public are welcome to address agenda items that come before standing and special meetings of the board, and the board meeting. Comments should pertain to the agenda or university-related matters and not to specific issues that are the subject of collective bargaining, individual grievances or appeals, or litigation. Written comments are also welcome and will be distributed to the members of the board. The purpose of public comments is to provide information to the board, and not to evoke an exchange with board members. Questions that board members may have resulting from public comments will be referred to appropriate staff for response.

Members of the public wishing to speak must provide written or electronic notice to the Trustee Secretariat two working days before the committee or board meeting at which they desire to speak. The notice should state the subject of the intended presentation. An opportunity to speak before the board on items that are on a committee agenda will only be provided where an opportunity was not available at that committee, or where the item was substantively changed by the committee.

In fairness to all speakers who wish to speak, and to allow the committees and Board to hear from as many speakers as possible, while at the same time conducting the public business of their meetings within the time available, the committee or board chair will determine and announce reasonable restrictions upon the time for each speaker, and may ask multiple speakers on the same topic to limit their presentations. In most instances, speakers will be limited to no more than three minutes. The totality of time allotted for public comment at the board meeting will be 30 minutes, and speakers will be scheduled for appropriate time in accord with the numbers that sign up. Speakers are requested to make the best use of the public comment opportunity and to follow the rules established.

**Note:** Anyone wishing to address the Board of Trustees, who needs any special accommodation, should contact the Trustee Secretariat at least 48 hours in advance of the meeting so appropriate arrangements can be made.

Trustee Secretariat  
Office of the Chancellor  
401 Golden Shore, Suite 620  
Long Beach, CA 90802  
Phone: 562-951-4022  
Fax: 562-951-4949  
E-mail: lhernandez@calstate.edu

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## AGENDA

### COMMITTEE ON COLLECTIVE BARGAINING

**Meeting: 3:45 p.m., Tuesday, January 28, 2014**  
**Munitz Conference Room—Closed Session**

**4:30 p.m., Tuesday, January 28, 2014**  
**Glenn S. Dumke Auditorium—Open Session**

Lou Monville, Chair  
Roberta Achtenberg, Vice Chair  
Debra S. Farar  
William Hauck

**Closed Session – Munitz Conference Room**  
Government Code §35969(d)

**Open Session – Glenn S. Dumke Auditorium**

#### **Consent Items**

Approval of Minutes of Meeting of November 5, 2013

#### **Discussion Items**

1. Ratification of Tentative Agreement with Bargaining Unit 6 (State Employees' Trades Council), *Action*
2. Ratification of Tentative Agreement with Bargaining Unit 8 (Statewide University Police Association), *Action*
3. Ratification of Tentative Agreement with Bargaining Unit (Union of American Physicians and Dentists), *Action*
4. Adoption of Initial Proposals for Successor Contract Negotiations with Bargaining Units 2, 5, 7 & 9 (California State University Employees Union), *Action*
5. Adoption of Initial Proposals for Successor Contract Negotiations with Bargaining Unit 8 (Statewide University Police Association), *Action*
6. Adoption of Initial Proposals for Successor Contract Negotiations with Bargaining Unit 10 (International Union of Operating Engineers), *Action*

**MINUTES OF MEETING OF  
COMMITTEE ON COLLECTIVE BARGAINING**

**Trustees of The California State University  
Office of the Chancellor  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**November 5, 2013**

**Members Present**

Lou Monville, Chair  
Roberta Achtenberg, Vice Chair  
Debra Farar  
Bob Linscheid, Chair of the Board  
Timothy White, Chancellor

Trustee Monville called the Committee on Collective Bargaining to order.

**Approval of Minutes**

The minutes of the September 24, 2013 meeting were approved as submitted.

**Action Items**

The committee ratified agreements with Bargaining Unit 11, the United Auto Workers (UAW), and with Bargaining Unit 13, English Language Program Instructors, and CSU Los Angeles, California State University Employees' Union (CSUEU). The committee also adopted initial proposals for 2013-2014 Salary/Benefits re-opener negotiations with Bargaining Unit 6, the State Employee's Trade Council (SETC), and for a successor Collective Bargaining Agreement with Bargaining Unit 3, the California Faculty Association (CFA). Vice Chancellor Gail Brooks and Associate Vice Chancellor John Swarbrick presented the items.

**Public Speakers**

The Committee then heard from the public speakers.

CSUEU's Pat Gantt, Mike Geck, and John Orr spoke about CSUEU salary and salary structure issues. CSUEU's Sharon Cunningham and Susan Smith spoke about contracting out. Alisandra Brewer (CSUEU) spoke about the Unit 13 Collective Bargaining Agreement. CFA's Andy Merrifield, DD Wills, and Patricia Donze spoke about the upcoming contract negotiations, and Rich Anderson (UAW) spoke about the UAW Collective Bargaining Agreement.

Trustee Monville adjourned the meeting.

## AGENDA

### COMMITTEE ON GOVERNMENTAL RELATIONS

**Meeting: 8:00 a.m., Wednesday, January 29, 2014**  
**Glenn S. Dumke Auditorium**

Steven M. Glazer, Chair  
Douglas Faigin, Vice Chair  
Debra S. Farar  
Margaret Fortune  
Lupe C. Garcia  
J. Lawrence Norton  
Steven G. Stepanek  
Cipriano Vargas

#### **Consent Items**

Approval of Minutes of Meeting of November 5, 2013

#### **Discussion Items**

1. Board of Trustees Legislative Program, 2014, *Action*
2. California State University 2014 Federal Agenda, *Action*



**MINUTES OF THE MEETING OF  
COMMITTEE ON GOVERNMENTAL RELATIONS**

**Trustees of the California State University  
Office of the Chancellor  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**November 5, 2013**

**Members Present**

Steven M. Glazer, Chair  
Douglas Faigin, Vice Chair  
Debra Farar  
Lupe C. Garcia  
Bob Linscheid, Chair of the Board  
J. Lawrence Norton  
Cipriano Vargas  
Timothy P. White, Chancellor

Trustee Glazer called the meeting to order.

**Approval of Minutes**

The minutes of September 25, 2013, were approved as submitted.

**Legislative Update**

Garrett Ashley, vice chancellor for university relations and advancement, provided highlights from the legislative report. The legislative calendar was completed on October 13, 2013, when the governor took final action on remaining measures. More than 2,500 measures were introduced in the beginning of the year; of those, around 800 made it to the legislature and the governor vetoed 96.

Bills signed into law affect higher education and the California State University (CSU) in a variety of ways, including public accountability, student representation on the board of trustees, transfer pathways and online education.

**Veteran's Legislative Update**

Karen Y. Zamarripa, assistant vice chancellor for advocacy and state relations, provided an advocacy update. The goal of the advocacy plan is to educate and inform policymakers, develop and strengthen relationships, expand the base of support and leverage third-party advocates at the local and state level.

An advocacy strategy was developed around CSU efforts to serve student veterans and their families. A series of activities have been planned at the campuses and systemwide:

- Campuses were asked to invite state and local officials to their veterans' celebrations and communicate the CSU's commitment to those who served and those who continue to serve in the military.
- Nine posters will be displayed at the capitol outside the governor's office to celebrate the contributions and accomplishments of veterans in the CSU community.
- A capitol briefing will be held on November 13, 2013, for staff to learn more about the CSU student veteran programs, resources and policies.

Dr. Leslie E. Wong, president of San Francisco State University, and Dr. Donald J. Para, interim president of California State University, Long Beach, gave an overview of events on their respective campuses during the weeks surrounding Veterans Day as well as year-round programs that promote awareness and support veterans.

Taylor Herren, president of the Associated Students at California State University, Chico, shared the veterans' programs on campus and encouraged the trustees to support initiatives that promote student veteran success.

Chair Linscheid asked what programs are available to former service members that assist them with the transition to civilian life before they arrive on campus. Carolina Cardenas, director of outreach and early assessment, noted that there are transition programs both before and after arrival on campus, including special courses, orientations and integration with families. San Diego State University works with Camp Pendleton to assist with transitions. California State University, San Bernardino has a special orientation program and integrates veterans with ROTC officers to build a sense of belonging on campus.

Trustee Glazer adjourned the meeting.

## **COMMITTEE ON GOVERNMENTAL RELATIONS**

### **Board of Trustees Legislative Program, 2014**

#### **Presentation By**

Garrett Ashley  
Vice Chancellor  
University Relations and Advancement

Karen Y. Zamarripa  
Assistant Vice Chancellor  
Advocacy & State Relations

#### **Summary**

This item contains the proposed Board of Trustees Legislative Program for 2014.

#### **Background**

In August 2013, the chancellor requested that campus presidents and system administration submit proposals for the 2014 legislative session. Staff analyzed all proposals within the context of the state's fiscal condition, the political and policy environment, and overall relationship to California State University (CSU) initiatives and priorities.

After review and consultation with various constituencies, it is our recommendation that the Board of Trustees pursue two legislative proposals this year. The first makes modest modifications to three mandatory reports dealing with Early Start, gifts and donations, and our Doctorate of Nursing Practice (DNP) programs. The second responds to a request by the Academic Senate to ensure that our board benefits from an active faculty trustee at all times.

#### **Modification of Existing CSU Reporting Requirements**

This first proposal is a technical cleanup measure that would modify the submissions of three reports that the CSU provides to the legislature and the executive branch.

Legislation enacted in 2012 (Assembly Bill 2497, Assembly Member Jose Solorio) required the CSU to work with the Legislative Analyst's Office (LAO) on the completion of an ongoing series of reports showing the impact of the CSU's Early Start Program on students needing remediation. Currently, the law requires a report be submitted on January 1, 2014 and then every subsequent two years. Because of the nature of the review required to complete the report, the

CSU and the LAO are requesting the deadline be moved forward by six months, starting in 2016. Moving this deadline would ensure a thorough and complete analysis of the CSU's Early Start Program, including how the CSU has been successful in increasing student success.

The second deadline requiring modification concerns the annual report on gifts and donations to our system. This report is due to the legislature and executive branch annually on the fifth of January. The CSU has been consistently late in reporting this information. This tardiness is due to the required Board of Trustees approval needed prior to the report being released. The board does not meet at the end of December and the first meeting of the New Year takes place at the end of January, thus causing the report deadline to be missed. Moving the due date for this report to the spring would ensure the CSU submits it on time.

The last report that needs modification is the report related to the DNP degree authority given to the CSU in 2010 with the passage of Assembly Bill 867 by Assembly Member Pedro Nava. The final legislation required a report by the CSU in collaboration with the LAO and the Department of Finance (DOF) due January 1, 2017. The compromise on this authority came together in the last hours of session and the reporting language was essentially taken from prior legislation dealing with the Doctor of Education degree. As a result, the DNP report language requires specific consultation with K-12 schools that is unrelated to nursing. In order to ensure that the evaluation and subsequent report addresses the appropriate policy issues, the CSU requests modification of the language to eliminate the K-12 consultation requirement.

### **Faculty-Trustee Holdover Appointment**

This proposal allows the current faculty trustee to serve beyond their two-year term until a successor has been appointed by the Governor. This proposal was brought forward by the statewide Academic Senate and ensures that this trustee position is not left vacant for long periods of time. The faculty trustee speaks on behalf of the faculty on academic policies and curricular issues that come before the board. This voice is significantly reduced when this appointment remains vacant.

This trustee is appointed by the Governor from a list of faculty provided by the Academic Senate and serves a two-year term. The trustee is a regular member of the 25-member board with the exception that they may not serve on a committee dealing with collective bargaining issues.

The following resolution is recommended for approval:

**RESOLVED**, by the Board of Trustees of The California State University, that the legislative proposals described in this item are adopted as the Board of Trustees Legislative Program for 2014.

## **COMMITTEE ON GOVERNMENTAL RELATIONS**

### **California State University Federal Agenda for 2014**

#### **Presentation By**

Garrett P. Ashley  
Vice Chancellor  
University Relations and Advancement

James M. Gelb  
Assistant Vice Chancellor  
Federal Relations

#### **Summary**

This item contains a presentation of recommendations for the 2014 CSU Federal Agenda.

#### **Background**

In January 2013, the Board of Trustees adopted the 2013 CSU Federal Agenda, a legislative program for the system that included policy and fiscal priorities for the first session of the 113<sup>th</sup> Congress. CSU priorities encompassed a broad range of initiatives geared toward: ensuring access through aid to students; preparing students for college; fostering success for California's diverse population; training students for tomorrow's workforce; solving societal problems through applied research; and promoting state and private support for public universities. Over the past year, the CSU's Office of Federal Relations (OFR) and system leaders worked to advance those priorities. While the 2013 Congressional session was noted for dysfunction (including the sixteen-day government shutdown in October and flirting with default on the national debt) and lack of legislative output, the CSU had some preliminary success in key areas, and made important progress introducing CSU federal priorities to many new members and staff in the California congressional delegation.

With regard to fiscal year 2014 (FY 14), which began on October 1, 2013, the CSU fought in an austere environment to defend priority programs and promote targeted investments in higher education. Thus, the CSU advocated robust funding for priority programs housed in the Education Department, including aid programs like the Pell Grant, the Supplemental Educational Opportunity Grant (SEOG), and Work-Study. Among pipeline programs, CSU promoted Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and TRIO programs (e.g., Upward Bound). Aid for institutional development programs geared toward

minority-serving institutions, such as those for Hispanic-serving institutions, were also high priorities.

The system also supported FY 14 resources for a number of applied research and workforce training priorities outside of the Education Department. For example, in the US Department of Agriculture (USDA) spending bill, CSU sought funding for competitive capacity building grants for non land-grant colleges of agriculture (NLGCA), Hispanic-serving agricultural colleges and universities (HSACU), and the USDA's Hispanic-Serving Institutions Education Grants Program, which has benefited many CSU students over the years. In the National Science Foundation (NSF) budget, the CSU promoted support for several programs that help train students in science, technology, engineering and mathematics (STEM) fields, particularly to work in underserved communities, including the Robert Noyce Scholarship Program and the Louis Stokes Alliance for Minority Participation (LSAMP) program.

More broadly, the CSU worked individually and as part of several coalitions to demonstrate the importance of investing in these education-related priorities and urged Congress to undo significant across-the-board cuts to many research and education programs, including most of those mentioned above. These automatic cuts (called "sequestration") were passed in 2011 as part of the Budget Control Act (BCA). Designed to reduce federal debt by \$1.2 trillion over ten years (through 2021), the legislation made some immediate cuts (e.g., ending year-round Pell). Additionally, the intent was to force complex and difficult compromises about both entitlement reform and tax policy by putting into place strict annual spending caps and enacting a threat of additional automatic across-the-board cuts each year to discretionary defense and domestic spending if significant savings weren't negotiated elsewhere. Thus far, no grand compromise has emerged. Democrats have fiercely resisted any entitlement changes, while Republicans have similarly resisted increased tax revenues – accordingly, blunt cuts occurred in FY 12 and FY 13, primarily hurting discretionary spending. For example, FY 13 appropriations included cuts to TRIO, GEAR UP, minority-serving programs, and NSF programs. Pell Grants escaped further cuts through sequestration but remain vulnerable as long as the spending caps set by the BCA remain in place.

Partisan differences on how to proceed in FY 14 between the House, whose draft budget called for severe cuts to education programs, and the Senate, whose draft budget called for higher spending and the elimination of sequester cuts, all coupled with fights over health care reform, led to October's government shutdown. Finally, in December 2013, Congress reached a compromise budget agreement to remove the threat of additional automatic cuts in FY 14 and in FY 15, and to restore some of the sequester cuts made in the past. While the compromise set a new top line for FY 14 spending, final numbers for individual programs have not been settled upon. Nonetheless, the new higher overall budget totals for FY 14 and FY 15 represent a significant, albeit limited, victory for the CSU and other education funding advocates. Priority

programs cut in recent years are likely to see partial restoration to earlier levels; it appears likely that the maximum Pell Grant will increase this fall.

The CSU also worked productively with House and Senate offices on both sides of the aisle to advance language in a reauthorization of the Farm Bill that would better enable CSU institutions to compete for funds in key USDA programs. The reauthorization was ultimately postponed for action in 2014, but good ground work has been laid for CSU priorities. Similarly, the CSU continued to promote teacher preparation priorities in connection with the still unfinished revision of the Elementary and Secondary Education Act (ESEA), including improved clinical teacher preparation designs, targeted resources to high-need schools and shortage fields, and funded data-driven accountability measures.

Also during 2013, the new Congress and administration began taking a serious look at updating the Higher Education Act (HEA), which governs a vast array of student aid, pipeline, capacity building, and other priority programs. HEA programs like the Pell Grant, student loans and programs that benefit minority-serving institutions are coming under renewed scrutiny. Last spring, the House Committee on Education and the Workforce solicited input on HEA reauthorization. Particular focus was on ways to empower students as consumers; simplify and improve aid and loan programs; increase accessibility, affordability and completion; encourage institutions to reduce costs; promote innovation to improve access and delivery of higher education; and reduce the burden on institutions of federal requirements. In August, the CSU submitted extensive comments and suggestions in response to the solicitation. In addition, Chancellor White met with both the chair and the ranking member of the House committee to discuss HEA priorities. The Senate joined the House in beginning to hold a series of informational hearings on HEA reauthorization issues this past fall.

President Obama also set forth some broad ideas this summer that are at least in part relevant to HEA reauthorization. A key component is a new federal system that would rate colleges and universities on factors including access, affordability and student outcomes. His plan would make more federal student aid – such as Pell grants and student loans – available to students attending highly rated schools, and provide greater federal resources to institutions serving large numbers of students with need. It also would encourage state investment in public institutions and promote innovations in areas such as online learning. Chancellor White also met with top Education Department officials in September to discuss CSU efforts and ideas in these areas. The Education Department has begun working on the new ratings scheme and held its first public forum on the subject at CSU Dominguez Hills. However, most of his proposals, including those related to student aid, would require Congressional action and be incorporated into HEA.

One significant piece of higher education legislation did get enacted this year: The Student Loan Affordability Act of 2013. In recent years, student loan interest rates had been set at fixed rates by Congress. A series of declines was followed by an automatic permanent increase in 2013 to

6.8%. The newly enacted legislation moved all student loan interest rates (except for Perkins loans) to a market-based rate, with caps ranging from 8.25 percent to 10.5 percent. Interest rates for new loans issued in any given year will change annually, but remain fixed until the loan is repaid. While rates will fluctuate over time, in the short run, rates will be lower. For the current year, the interest rate for undergraduates is 3.86 percent (down from the prior rate of 6.8 percent), for graduate students the new rate is 5.41 percent (down from 6.8 percent), and for parents the new rate is 6.41 percent (down from 7.9 percent). Though it had considerable bi-partisan support, the bill was not entirely popular with some student groups and Democrats, who were concerned about the potential for higher rates down the road. But it did settle what had become a perennial issue in a way that did not require finding resources from elsewhere in the education budget.

### **Recommendations for the 2014 Federal Agenda**

In September 2013, Chancellor White sent a memo to all 23 CSU presidents and senior system leaders soliciting recommendations and outlining criteria for the system's 2014 Federal Agenda. The solicitation emphasized that the federal agenda must be consistent with the CSU system's core objectives that contribute to system goals of preserving access, providing quality instruction, and preparing students for the workforce.

Outlined below is a summary of the proposed CSU Federal Agenda for 2014. This agenda is based on recent priorities, input received from campuses, review by the Council of Presidents and Chancellor's Office executives, and the CSU Office of Federal Relations' assessment of the current political and fiscal landscape in Washington. The core principles (in bold lettering) are designed to provide a broad umbrella under which the CSU can react to the wide range of policy ideas that typically surface throughout a year; they also include bulleted illustrations of proactive priorities that are ripe for advocacy in 2014.

Overall, the agenda hews closely to the system's 2013 approach. The CSU can and should continue to promote federal investments in its students and institutions as efficient, productive targets of resources that will strengthen the American economy. Because the Pell program will come under significant scrutiny due to its cost and the austere fiscal environment that generally prevails, the CSU should continue to place Pell at the top of its priority list. While the CSU will frequently be called upon to respond to proposals made by others, such as members of Congress and the U.S. Department of Education, the following priority areas should be the subject of proactive pursuit:

**Improve College Access through Aid to Students:** *The CSU remains one of the nation's best bargains. Significant state and institutional grant aid helps our neediest students. Federal financial aid programs remain critical to CSU students from low-income families, including over*



*180,000 who rely upon need-based Pell Grants. More than 30,000 Pell recipients receive CSU bachelor's degrees each year.*

- Support cost of living increases in the maximum Pell grant and retain any program surplus for future years
- Invest in Supplemental Education Opportunity Grant (SEOG) and Work-Study with focus on need
- Prioritize federal resources for institutions serving the greatest number of students with need

**Prepare Students for College:** *The CSU is on the cutting edge of partnering with P-12 to improve student readiness and to measure the performance of CSU-trained teachers. The federal government is a vital partner.*

- Provide robust funding for effective pipeline programs like GEAR UP and TRIO and expand pre-K investments
- Maintain strong federal partnership with colleges and universities to transform the preparation of America's teachers and school leaders

**Foster Degree Completion for California's Diverse Population:** *The CSU provides more than half of all undergraduate degrees granted to California's Latino, African American and Native American students, and is a leader in transitioning veterans to the civilian workforce. Federal capacity building programs and targeted grants help bridge the completion gap.*

- Maintain strong support for Hispanic-serving and other minority-serving institutions
- Support the needs of America's veterans on campus and smooth their transition to the civilian workforce

**Educate Students for Tomorrow's Workforce:** *96,000 annual graduates drive California's economy in the information technology, life sciences, agriculture, business, education, public administration, entertainment and multimedia industries.*

- Support science, technology, engineering and mathematics (STEM) fields, including funding for NSF's Louis Stokes Alliances for Minority Participation and Robert Noyce Teacher Scholarship programs
- Invest in USDA Hispanic-serving Institutions National Program

**Solve Societal Problems through Applied Research:** *In laboratories, at field sites and through programs at the CSU, students, faculty and collaborating scientists advance California's capacity to address key issues of significance to our state and nation.*

- Maximize opportunities for comprehensive universities to compete for federal resources, including in STEM programs included in the America COMPETES Act
- Maintain strong NSF, NIH, Department of Energy and NIST funding
- Invest in Hispanic-serving agricultural colleges and universities (HSACU) and non-land-grant colleges of agriculture (NLGCA) programs

**Promote State and Private Support for Public Universities:** *State funding for public institutions of higher education is critical to keeping tuition affordable. Federal incentives can help boost state and private support for and partnerships with public universities.*

- Encourage state investment in public higher education through funding incentives and, wherever applicable, state “maintenance of effort” provisions
- Advocate policies that promote philanthropy and a positive climate for university advancement

Because of the inherently shifting nature of campus, state and national priorities, the CSU federal agenda process recognizes that priorities may evolve over time. The OFR will continue to work with the campuses and system leaders to refine and develop proposals, and to assist all in working productively with their representatives in Congress and with federal agencies in the year ahead.

The following resolution is recommended for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that the federal legislative program described in the Agenda Item 2 of the Committee on Governmental Relations on January 28-29, 2014 is adopted as the 2014 CSU Federal Agenda.

## AGENDA

### COMMITTEE ON AUDIT

**Meeting:** 8:30 a.m., Wednesday, January 29, 2014  
Glenn S. Dumke Auditorium

Lupe C. Garcia, Chair  
Steven M. Glazer, Vice Chair  
Rebecca D. Eisen  
William Hauck  
Hugo N. Morales

#### Consent Items

Approval of Minutes of Meeting of November 5, 2013

#### Discussion Items

1. Audit Committee Charter, *Action*
2. Office of the University Auditor Charter, *Action*
3. Status Report on Current and Follow-Up Internal Audit Assignments, *Information*
4. Assignment of Functions to be Reviewed by the Office of the University Auditor For Calendar Year 2014, *Action* (corrected)
5. Report of the Systemwide Audit in Accordance With Generally Accepted Accounting Principles Including the Report to Management, *Information*
6. Single Audit Reports of Federal Funds, *Information*
7. National Collegiate Athletic Association Agreed-Upon Procedures, *Information*

**MINUTES OF THE MEETING OF  
COMMITTEE ON AUDIT**

**Trustees of The California State University  
Office of the Chancellor  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**November 5, 2013**

**Members Present**

Lupe C. Garcia, Chair  
Rebecca D. Eisen  
Steven M. Glazer  
A. Robert Linscheid, Chair of the Board  
Timothy P. White, Chancellor

Chair Garcia called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of September 25, 2013, were approved as submitted.

**Status Report on Current and Follow-up Internal Audit Assignments**

Mr. Larry Mandel, university auditor, presented the Status Report on Current and Follow-up Internal Audit Assignments, Agenda Item 1 of the November 5-6, 2013, Board of Trustees agenda.

Mr. Mandel reminded everyone that updates to the status report are displayed in green numerals and indicate progress toward or completion of recommendations since the distribution of the agenda. He reported that the campuses are continuing to make good progress in completing the recommendations within a reasonable time period and noted that several long-outstanding recommendations had recently been completed. He indicated that as per discussions with management, long-outstanding recommendations pertaining to Data Center Operations and International Programs at California State University, Chico and the systemwide recommendations pertaining to Data Center Operations, Facilities Management, and Police Services would be completed by the January board meeting. In addition, Mr. Mandel stated that the 2013 audit assignments are on track to be completed by the January board meeting.

Chair Garcia thanked the campuses and chancellor's office management for their continued effort in making the commitment to ensure that outstanding recommendations are completed in a timely manner. She indicated that to the extent possible, recommendations should be implemented within six months.

### **Audit Committee Charter**

Mr. Mandel presented the updated Audit Committee Charter to the committee for approval. He explained that all state agencies with an internal audit function are required to follow the principles and guidelines of *The Institute of Internal Auditors*. He stated that the modifications mostly pertain to recognizing the importance of information systems controls and security; parity between the various areas on the charter itself; the approval of all major changes to the audit plan; and the assurance that the university auditor has the resources to help fulfill its fiduciary responsibilities to the board.

Trustee Faigin asked for clarification on the following statement included in the charter: “The Audit Committee shall concur in the appointment or dismissal of the University Auditor.” His interpretation is that the statement is a directive whereby the committee has no authority in making decisions regarding the appointment or dismissal of the university auditor.

Mr. Mandel responded that the Committee on Audit does have the authority to appoint or dismiss the university auditor and that the board does make the appointment. He added that the statement is incorrectly written and that the language could be amended to reflect this.

Trustee Glazer asked whether the language under Composition and Meetings regarding the statement that one member of the audit committee must have accounting or financial expertise could also be amended or whether it is a requirement under law. He indicated that the committee currently does not have a trustee with financial background and believes it would put a restriction on the trustees.

Mr. Mandel explained that the language in the Audit Committee Charter was adopted by the board in 2005 and has not been changed since that time, but that it could be amended.

Chair Garcia pointed out that Trustee William Hauck is currently a member of the audit committee and has the financial background. She commented that she would like to be sure that the committee is comfortable with not having someone with a financial background. She understands the concern of it being restrictive but it is her opinion that there is value to having a committee member with a financial background. She then asked Mr. Mandel for clarification as to whether there is a requirement from a best practices position.

Mr. Mandel stated that the language was taken from Sarbanes Oxley, which is a requirement in the outside world. He added that based on a review of Sarbanes Oxley by the National Association of Colleges and University Business Officers (NACUBO), it was advised that this language be applied to colleges and universities as part of audit committee charters.

Trustee Glazer asked whether the language pertaining to the requirement of financial background could be changed to read, “it is strongly recommended,” instead of “must.” He pointed out that it is the governor who selects the trustees, but added that the committee could certainly encourage the governor to select a trustee with this type of expertise.

Chair Garcia commented that she is comfortable with the wording change to “strongly recommend” and stated that the committee could offer encouragement to consider financial background in the selection of future trustees, in order to ensure that best practices are met.

Mr. Mandel then asked whether the sentence should be amended with the word “should,” instead of “must.”

Trustee Faigin stated that he would defer to counsel but stated his belief that “should” and “must” are very similar in meaning, and the point of making the change is to give the committee some discretion. He offered his preference for either “strongly recommend” or “prefer.”

Mr. Andrew Jones, interim general counsel, responded that “must” is more akin to “shall” in the legal world and “should” is a little more permissive, but that “strongly recommend” is acceptable.

Chair Garcia appreciated all the comments and stated that since there is no legal requirement, she would suggest that the word be amended to “should,” as “must” is definitely more affirmative.

Trustee Glazer then inquired as to the proposed amended language pertaining to the appointment and dismissal of the university auditor that was discussed earlier.

Chair Garcia suggested that the reference to “and concur” be stricken from the Audit Committee Charter and changed to “...and appoint or dismiss the University Auditor.”

Trustee Glazer called for a motion to approve the resolution as proposed with the following amendments: (1) “...at least one member must have accounting or financial expertise” changed to “...at least one member should have accounting or financial expertise” and (2) “...and concur in the appointment or dismissal of the University Auditor” changed to “...appoint and dismiss the University Auditor.” A motion was then made, and the resolution was passed unanimously to approve the amended version of the Audit Committee Charter.

### **Office of the University Auditor Charter**

Mr. Mandel presented the updated Office of the University Auditor Charter to the committee for approval. The charter was last updated in 2005.

Mr. Mandel stated that the most significant change to the charter incorporates the addition of advisory services and proposes that the department name be changed to the Office of Audit and Advisory Services to recognize this addition. He noted that the audit plan now includes consulting services at the request of campus management, as a proactive approach. He also indicated that the Scope of Work has been updated to be in alignment with the preferred practices of *The Institute of Internal Auditors* and to reflect current procedures and clarification on the university auditor’s responsibility and authority in determining whether the University’s network of risk management, control, and governance processes is adequate and functioning

effectively. The updated charter also proposed a change regarding the evaluation of the university auditor.

Chair Garcia stated her opinion that it is extremely valuable that the internal auditor's office provides these proactive consulting services to the campuses. She agreed that it is important work and should be reflected in terms of their overall scope of responsibility, definitely as a best practice when it comes to providing risk management to an organization of this size. In reference to the modification regarding the evaluation of the university auditor and based on discussions with Chancellor White, she proposed to the committee that it read as, "The Board of Trustees through the audit committee chair evaluates the university auditor with input from the chancellor."

Trustee Glazer asked Chair Garcia if she was suggesting that the evaluation of the university auditor would not be a function of the committee as a whole but instead would be conducted solely by the audit committee chair.

Chair Garcia clarified that the evaluation of the university auditor would be through the Committee on Audit as represented by the chair. She clarified that the evaluation process is not necessarily every member of the committee sitting down to conduct the evaluation. She added that it is more of a logistical clarification, but she is also fine with changing it to read, "...through the audit committee through its chair..."

Trustee Glazer asked whether the language pertaining to the dismissal of the university auditor would be changed to be in alignment with the proposed language in the Audit Committee Charter.

Chair Garcia responded that the language pertaining to the dismissal of the university auditor would be consistent within the University Auditor Charter and the Audit Committee Charter.

Trustee Glazer asked for another review of the proposed changes to the University Auditor Charter, even though it would be brought back to the full board tomorrow.

Mr. Mandel stated that it would not be brought back to the full board, as the audit committee takes action on behalf of the board.

Trustee Glazer asked whether the committee could meet prior to tomorrow's meeting with updated language.

Chancellor White suggested that instead of the entire committee meeting to update the proposed language, perhaps another member either from interest or expertise could participate and bring it back to the board tomorrow. He indicated that we want to be real clear in providing guidance so that several years from now when someone reads it, they will understand what we are trying to accomplish.

Chair Garcia agreed.

Trustee Glazer also concurred with the chancellor. He stated his belief that not all of the trustees understand fully the special role that the auditor plays in the system and with the board. He added that he was unaware that the audit committee acts on behalf of the board and believes there is a need to better understand the role of the university auditor.

Mr. Mandel deferred to Mr. Jones about bringing the agenda items back to the full board the next day.

Mr. Jones stated that the agenda items can be brought back to the full board, but indicated that this is an audit committee matter. He further stated his belief that there is enough latitude with all the disclaimers in the public notice to do so.

### **Intent to Reissue the Request for Proposal for External Auditor Contract**

Mr. George V. Ashkar, assistant vice chancellor and controller, stated that under the direction of the Committee on Audit, a new Request for Proposal (RFP) will be issued for the purpose of soliciting proposals from qualified independent audit firms with the intent of establishing a CSU master service contract for the performance of a variety of financial and other audits, beginning with the 2014-2015 fiscal year audit. He then requested the board's approval to extend the existing contract with KPMG for one additional year to perform the 2013-2014 fiscal year audit, given that the RFP process will not be concluded in sufficient time to allow for proper planning and preparation.

Chair Garcia called for a motion to approve the committee resolution (RAUD 11-13-02). A motion was then made, and the resolution was passed unanimously to approve the extension of the existing contract with KPMG for one additional year to perform the 2013-2014 fiscal year audit.

Chair Linscheid then recessed the Committee on Audit until the next day to allow for further discussion on the proposed changes to agenda items 2 and 3. He stated that it would also be important to further discuss how the audit committee is authorized to act on its own.

Mr. Jones responded that he could provide a full explanation when the committee reconvenes tomorrow.

Chair Linscheid also requested a briefing on the relationship between the University and the auxiliary organizations to help with the understanding for the new trustees.

Mr. Jones responded that it would be a very big discussion, but that he could provide that information.

Chair Linscheid stated his belief that it is important to understand the voluminous task that is involved with regard to the auxiliary organizations.



Chair Garcia reconvened the Committee on Audit on November 6, 2013. She reminded the trustees that yesterday, the committee deferred action on agenda item 3 regarding the Office of the University Auditor Charter. She stated that when that item was discussed yesterday, members of the committee proposed various amendments for the purpose of aligning the role and reporting relationship of the university auditor with the committee's vision for that office. She further stated that she had since been informed by General Counsel that agenda item 3, with the proposed amendments, conflicts with the Rules Governing the Board of Trustees. General Counsel suggested that this item be withdrawn and brought back to the January board meeting, along with the corresponding proposed changes to the board rules so that these key documents would be consistent.

She further reminded the trustees that at yesterday's meeting, the committee voted to approve an amended version of agenda item 2 regarding the Audit Committee Charter. She further stated that she had been informed by General Counsel that the charter, as amended, conflicts with the Rules Governing the Board of Trustees. General Counsel suggested that the committee vote to rescind yesterday's approval of the Audit Committee Charter so that the item can be brought back to the January board meeting and considered at that time along with proposed amendments to the board rules so that the charter and the rules can be consistent and aligned with the direction desired by the board.

Chair Garcia called for a motion to withdraw agenda item 3 and to rescind the approval of agenda item 2 that was passed yesterday.

Trustee Glazer asked for clarification as to whether it should be a motion to reconsider, as we are rescinding action taken yesterday. Then if it is on the affirmative side to reconsider and then the matter is reconsidered, appropriate action could be taken.

Mr. Jones responded that it is procedurally correct either way.

Trustee Glazer stated that since he was on the affirmative side in voting for it, he would be happy to make the motion to reconsider. A motion was then made and passed unanimously to reconsider agenda items 2 and 3.

Chair Garcia then called for a motion to table the committee resolutions regarding the Audit Committee Charter and the Office of the University Auditor Charter until the January 2014 board meeting. A motion was then made and passed unanimously.

The meeting adjourned.

## **COMMITTEE ON AUDIT**

### **Audit Committee Charter**

#### **Presentation By**

Larry Mandel  
University Auditor

#### **Summary**

In an effort to align the Board of Trustees Committee on Audit with the best practices taking place within governing boards, an Audit Committee Charter was adopted in January 2005. The *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors recognizes that the internal audit activity must be organizationally independent to carry out internal audit responsibilities in an unbiased manner. The IPPF states that organizational independence is effectively achieved when the chief audit executive reports functionally to the board and defines such reporting in its Practice Advisory 1110-1. In an effort to keep the Audit Committee Charter current and aligned with best practices an updated Audit Committee Charter is proposed.

**THE CALIFORNIA STATE UNIVERSITY**  
**AUDIT COMMITTEE CHARTER**

**RESOLVED**, By the Board of Trustees of the California State University, that the following updated Charter for the Committee on Audit is adopted.

**Purpose**

The purpose of the Committee on Audit is to assist the Trustees in fulfilling its oversight responsibilities for the financial reporting process, system of internal control over financial reporting, external and internal audit processes, and the university's process for monitoring compliance with laws and regulations.

**Composition and Meetings**

The Committee on Audit will consist of at least five members as determined by the Trustees through the Committee on Committees. Each committee member will be independent. Members will have access to financial expertise either collectively among committee members of from a financial expert appointed to advise them ~~and at least one member must have accounting or financial expertise~~. Regular meetings of the Committee on Audit will be held on the same dates and in the same locations as regular meetings of the Trustees. Other meetings may be called as provided for in the Rules ~~of Procedure~~ Governing the Board of Trustees.

**Responsibility and Authority**

The Committee on Audit functions under the Rules ~~of Procedure~~ Governing the Board of Trustees and is responsible for the overall audit function within the California State University. In this context, the Committee on Audit shall:

1. Approve the selection or discharge of the external auditor, review the external auditors' planned audit scope and approach, approve any non-audit services provided by the external auditor, and resolve disagreements between management and the external auditor regarding financial reporting.
2. Review the results of the annual financial audit with the external auditor and management, including any difficulties encountered, and monitor the completion of recommendations.
3. Monitor the university's system of internal controls, including computerized information system controls and security; ~~and~~ the adequacy of financial, accounting and operational

policies and practices related to financial reporting; and the process for monitoring compliance with laws and regulations.

4. Review the annual internal audit plan, discuss the extent to which it addresses high-risk areas with the University Auditor and management, and approve the final audit plan and all major changes to the plan.
5. Review internal audit reports and responses, and monitor the completion of recommendations.
6. Approve the internal audit mission statement, charter, and other governance documents related to internal audit activities in the University.
7. Assure the effectiveness of the internal audit function, including its organizational structure, the adequacy of its staffing and budget, and performance relative to its annual plan; the existence of and ensure there are no unjustified restrictions or limitations; and concurrence in the appointment or dismissal of the University Auditor.
8. Call for the review of the University Auditor, not less than once every three years, and provide input to the Board of Trustees on the University Auditor's performance. At its discretion, the Committee may retain outside consultants to assist with the review.
- 7.9. Make recommendations to the Board of Trustees for the appointment, dismissal and compensation of the University Auditor.

The following resolution is recommended for approval:

**RESOLVED,** By the Committee on Audit of the California State University Board of Trustees that the updated Charter for the Committee on Audit is adopted (subject to non-substantive changes), as detailed in Agenda Item 1 of the Committee on Audit at the January 28-29, 2014 meeting, be approved.

## **COMMITTEE ON AUDIT**

### **Office of the University Auditor Charter**

#### **Presentation By**

Larry Mandel  
University Auditor

#### **Summary**

The Office of the University Auditor currently operates under a University Auditor Charter that was last updated in March 2005. The *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors requires that the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter and that the chief audit executive periodically review the internal audit charter and present it to senior management and the board for approval. The IPPF is considered the auditing standard for agency audit departments within the state of California. In an effort to keep the University Auditor Charter current and aligned with best practices taking place within the audit industry, both within and outside higher education, an updated University Auditor Charter is proposed. The Charter has also been updated to bring it into alignment with the ~~BOT~~ Rules of Procedure Governing the Board of Trustees. The proposed update also incorporates the addition of advisory services and proposes that the department name be changed to the Office of Audit and Advisory Services to recognize this addition.

## THE CALIFORNIA STATE UNIVERSITY

### OFFICE OF ~~THE UNIVERSITY AUDITOR~~ AUDIT AND ADVISORY SERVICES CHARTER

**RESOLVED**, By the Board of Trustees of the California State University, that the following updated Office of Audit and Advisory Services ~~the University Auditor~~ Charter is adopted.

#### **Establishment**

Education Code Section 89045, enacted by Chapter 1406 of the Statutes of 1969, provides for the establishment of an internal auditing function reporting directly to the Trustees of the California State University.

#### **Nature**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve operations.

#### **Mission Statement**

The mission of the Office of ~~the University Auditor~~ Audit and Advisory Services is to assist university management and the Trustees in the effective discharge of their fiduciary and administrative responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This assistance is provided through a series of independent and objective operational and compliance audits, internal control reviews, investigations services, and consulting advisory services designed to add value and improve operations.

#### **Scope of Work**

The Office of ~~the University Auditor~~ Audit and Advisory Services provides university management and the Trustees with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. Major objectives include evaluating providing ongoing assurance that critical risks exposures relating to governance, operations, and information systems; monitoring are being mitigated to acceptable levels and the California State University is operating efficiently and effectively the effectiveness and efficiency of controls; and adding value by contributing to the improvement of governance, risk management, operations and control processes, and by promoting continuous improvement; and effective control at reasonable costs enhancing awareness and understanding of risk and control; and promoting appropriate ethics and values.

The scope of internal auditing work includes of the Office of Audit and Advisory Services is to determine whether the university's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning effectively to ensure:

- Risk management processes are effective and significant risks are appropriately identified, assessed, and managed.
- The potential for the occurrence of fraud is evaluated and fraud risk is managed.
- Reviewing the reliability and integrity of financial, and operating operational, and managerial information is and the means used to identify, measure, classify, and report such information accurate, reliable, and timely.
- Actions and decisions are in Reviewing the systems established to ensure compliance with those policies, plans, procedures, applicable laws, and regulations, policies, procedures, contracts, and standards which could have a significant impact on operations and reports, and determining whether the university is in compliance.
- Reviewing the means of safeguarding assets and verifying the existence of such assets, as appropriate Resources are acquired economically, used efficiently, accounted for accurately, and protected adequately.
- Appraising the economy and efficiency with which resources are employed Programs, plans, and objectives support and align with the university's mission and are achieved.
- Information technology governance and systems support achievement of the university's strategic goals and security practices adequately protect information assets.
- Reviewing operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned Quality and continuous improvement are fostered in the university's risk management and control processes.
- Reviewing the governance process with executive management to ensure effective organizational performance management accountability and promotion of promotes appropriate ethics and values and ensures effective organizational performance management and accountability.

- Communication of risk and control information to appropriate areas of the organization, and coordination of activities of and communication of information among various governance groups occur as needed.

### **Responsibility and Authority**

The Office of ~~the University Auditor~~Audit and Advisory Services functions under the policies established by the Trustees of the California State University and university management. Additionally, the Office of ~~the University Auditor~~Audit and Advisory Services serves the university in a manner that is consistent with the *International Standards for the Professional Practices of Internal Auditing*~~Framework~~ and the *Code of Ethics* as promulgated by the Institute of Internal Auditors. In this context, the University Auditor is responsible for:

- All administrative duties and requirements pertaining to the operation of the Office of ~~the University Auditor~~Audit and Advisory Services, including the establishment of policies for auditing and advisory services and direction of the ~~Office of the University Auditor's office's~~ technical and administrative functions, and represents the California State University system in all relationships with external audit agencies.
- Developing and executing a comprehensive risk-based audit program for the evaluation of management controls provided over all university and auxiliary organization activities, although the Board of Trustees reserves the right to assign the Office of ~~the University Auditor~~Audit and Advisory Services to review any area within its jurisdiction.
- Performing advisory services at the request of management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues.
- Examining the effectiveness of all levels of management in their stewardship of university and auxiliary organization resources and their compliance with established policies and procedures.
- Recommending improvement of management controls designed to safeguard university and auxiliary organization resources and to ensure compliance with government laws and regulations.
- Reviewing procedures and records for their adequacy to accomplish intended objectives, and appraising policies and plans relating to the activity or function under ~~audit~~ review.



- Conducting investigations of alleged incidences of fraud, waste and abuse, and improper governmental activities.
- Authorizing the publication of reports on the results of accepted audit examinations, including recommendations for improvement.
- Appraising the adequacy of the action taken by operating management to correct reported deficient conditions; accepting adequate corrective action.
- Conducting special examinations and providing consulting services at the request of management.

The Office of ~~the University Auditor~~Audit and Advisory Services is free from interference in determining the scope of auditing, performing work, and communicating results; and has full, free and unrestricted access to all records (manual and electronic), property, and personnel of the university and recognized auxiliary organizations. The Office of ~~the University Auditor~~Audit and Advisory Services is free to review and appraise all policies, plans, and procedures.

Internal auditing and advising is a staff function and, as such, has no authority to make operating decisions, to direct anyone in operations, or to take action or implement any of its recommendations. These tasks are the responsibility of the university and auxiliary management.

### **Independence**

To permit the rendering of impartial and unbiased judgments essential to the proper conduct of audits, internal auditors will be independent of the activities they audit.

### **Policies and Procedures**

The following general operating statement for direction of all activities of the Office of ~~the University Auditor~~Audit and Advisory Services is adopted consistent with the provisions of Government Code Sections 1236 and 13400 et seq., Education Code Sections 89045 and 89761.

#### Audit Planning, Direction, and Supervision

- Oversight of the audit function provided by the Office of ~~the University Auditor~~Audit and Advisory Services, including the priority of work assignments, shall be the responsibility of the Committee on Audit, which shall report on such matters to the Board of Trustees.

- An audit plan will be prepared annually by the University Auditor and ~~submitted to the Executive Audit Committee for review. Composition of the membership of the Executive Audit Committee shall be determined by the Chancellor. After review by the Executive Audit Committee, the audit plan shall be~~ submitted for approval by the Board through the Committee on Audit. Audit topics will be selected based upon: a detailed risk assessment that is performed annually; legislatively mandated reviews noted in Education Code §89045 and Government Code §13400 et seq.; and in the action taken by the Trustees' Committee on Audit in agenda item 2 at the January 1999 meeting requiring the review of auxiliary organizations (currently reflected in the Chancellor's Executive Order 698).
- Unscheduled audits/investigations of the Office of the Chancellor or of any campus can be requested by the Trustees or the Chancellor with the approval of the Chair of the Committee on Audit. Unscheduled audits/investigations of a campus can also be requested by the campus president but must be approved by the Chancellor and the Chair of the Committee on Audit.
- The University Auditor will be responsible for the sufficiency of audit resources; assignment of fieldwork to staff and contracted agencies; and the timely completion of, and reporting on, audits.
- Communication liaison and consultation with the Committee on Audit will be maintained by the University Auditor, through the Chair of the Committee.

#### Audit Reporting, Follow-Up Procedures, and Program Accountability

- Copies of all audit reports will be made available electronically on the Office of ~~the University Auditor's~~ Audit and Advisory Services' website. Notification letters providing a link to the audit reports are sent to the Board of Trustees, State Auditor, Committee on Higher Education, Joint Legislative Audit Committee, Joint Legislative Budget Committee, Department of Finance, and Legislative Analyst's Office. In addition, each of the campus presidents and the CSU Advocacy State Relations department receive emails with a link indicating that reports have been posted to the ~~OUA~~ Office of Audit and Advisory Services' website.
- The President or Chancellor, or their designees, will communicate to the University Auditor in writing the progress made towards implementing the plan of corrective action noted in the response to the audit. The University Auditor, or designee, will review the responsiveness of the corrective action taken and determine whether additional action may be required. In certain instances, it may be necessary to revisit the campus to ascertain whether the corrective action taken is achieving the desired results. All findings

will be tracked until corrective action is taken. Reports of follow-up activity will be made at each meeting of the Committee on Audit.

- At each meeting of the Committee on Audit, the University Auditor will report the assignment workload showing the status of audits in progress, workload backlog, and disposition taken on completed audit assignments.
- An external assessment, such as a quality assurance review, will be conducted at least once every five years by a qualified, independent reviewer or review team from outside the California State University. The independent reviewer or review team must be approved by the Chair of the Committee on Audit. Results of the review will be communicated to the Board through the Committee on Audit.

#### Coordination of Work

- The University Auditor is the point of contact for all entrance and exit conferences held with the Office of the Chancellor by external audit agencies.
- The University Auditor will coordinate all system responses to audits performed by external audit agencies.
- The University Auditor is the point of contact for questions concerning the reporting of fiscal improprieties to state agencies (currently reflected in the Chancellor's Executive Order 813).
- The University Auditor will coordinate internal audit effort with the external auditors to reduce the potential for duplication of audit effort.

#### Budget, Personnel and Operational Procedures for the Office of ~~the University Auditor~~ Audit and Advisory Services

- For purposes of general administration, staff personnel, budget and space, there shall ~~be~~ exist an administrative relationship between the University Auditor and the Chancellor.
- Except for certain personnel actions related to the position of University Auditor noted below, the Office of ~~the University Auditor~~ Audit and Advisory Services is subject to all the rules and procedures established by the ~~Chancellor's~~ Office of the Chancellor.

- ~~The Board of Trustees, upon recommendation by through the Committee on Audit and input from the Chancellor, and with input from the chancellor, appoints, employs, dismisses, -and sets the compensation salary for the position of University Auditor.~~
- ~~The Board of Trustees, upon recommendation by the Chancellor through the Committee on Audit, and with input from the Committee on Audit and the -Chancellor, evaluates the University Auditor not less than once every three years. An independent consultant may be appointed by the Committee on Audit will prepare triennial performance appraisals of the University Auditor to help with the evaluation. The consultant will solicit the opinions of Trustees, and system and campus personnel necessary to evaluate performance. The Committee on Audit will discuss performance expectations and the results of the appraisal with the University Auditor in closed session.~~
- ~~All matters concerning the employment, dismissal, and salary for the position of University Auditor will be initiated by the Chancellor and brought to the Board, through the Committee on Audit for approval.~~

The following resolution is recommended for approval:

**RESOLVED**, By the Committee on Audit of the California State University Board of Trustees that the updated Office of Audit and Advisory Services Charter is adopted (subject to non-substantive changes), as detailed in Agenda Item 32 of the Committee on Audit at the ~~November 5-6, 2013~~ January 28-29, 2014 meeting, be approved.

Status Report on Current and Follow-Up Internal Audit Assignments  
 (as of 1/24/2014)

2013 ASSIGNMENTS										FOLLOW-UP PAST/CURRENT ASSIGNMENTS									
Aux Orgs	Int'l Prog	Credit Cards	Sen Data Security/Protection	Ctrs and Insit	Haz Mat Mgmt	Spon Prog	Student Health Services	Special Investigations	Auxiliary Organizations	Data Center Operations	Facilities Management	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK		AC			AC				4	16/16						5/5			
CHI	AC					AC		7/8	4	25/25		12		2/2					
CI			AC		AC				3	15/15				7/7		4/4			
DH			AC		AI				3	19/19				4/4					
EB		AC		AC					3	21/21				6/6					
FRE		AC							6	25/25									
FUL						AC			4	28/28									
HUM	AI	AC							4										
LB	AC		AC				AI		3	27/27				8/8					
LA	AC			AC					4	18/18									
MA									2	4/4						6/6			
MB						AI			3	16/16									
NOR		AC		AC		AI			5	22/22									
POM	AC				AI				2	11/11				8/8		4/4			
SAC	AC						AI		5	36/36						4/4			
SB			AC	AC					4	28/28									
SD	RW	AC					AI		4										
SF		AC	AI		AC				5	19/19									
SJ	AC						AI		5	26/26						4/4			
SLO				AC		AI			3	12/12									
SM	AC			AC					4	22/22									
SON	AC				AC		RW		3	5/5									
STA	AC	AC					RW		4	0/14	3								
CO	AI		AI						2										
SYS	RW	AI		RW										7/8	9	0/2			11

\* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.  
 \*\* The number of months recommendations have been outstanding.  
 • The number of auxiliary organizations reviewed.  
**Numbers/letters in green are updates since the agenda mailout.**

FW = Field Work In Progress  
 RW = Report Writing in Progress  
 AI = Audit Incomplete (awaiting formal exit conference and/or campus response)  
 AC = Audit Complete

Status Report on Current and Follow-Up Internal Audit Assignments  
 (as of 1/24/2014)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS													
	Identity Mgmt/ Comm Access *Recs **Mo.	Police Services *Recs **Mo.	CSURMA *Recs **Mo.	International Programs *Recs **Mo.	Credit Cards *Recs **Mo.	Sen. Data Sec./Protect. *Recs **Mo.	Centers and Institutes *Recs **Mo.	Hazardous Mat. Mgmt. *Recs **Mo.	Sponsored Programs *Recs **Mo.				
BAK					5/6	7				1/7	4		
CHI				3/6								5/6	4
CI						8/8	-			2/5	5		
DH		7/7				2/9	4						
EB		12/12						6/8	6				
FRE		6/6			4/4	-							
FUL				4/4								0/10	2
HUM	1/1			0/7									
LB				4/8		1/6	4						
LA				4/4				0/4	3				
MA													
MB	1/1												
NOR				8/8		4/4	-	3/5	3				
POM	3/3												
SAC				4/5									
SB				13/13			14/14	3/7	4				
SD	2/2	9/9		1/1									
SF				8/8		4/4	-			1/9	5		
SJ													
SLO		5/5						5/7	7				
SM	0/0							3/7	4				
SON				3/3								5/6	4
STA				5/5		4/4	-						
CO													
SYS	1/3	7	0/3	9									

\* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.

\*\* The number of months recommendations have been outstanding.

• The number of auxiliary organizations reviewed.

Numbers/letters in green are updates since the agenda mailout.



## **COMMITTEE ON AUDIT**

### **Status Report on Current and Follow-up Internal Audit Assignments**

#### **Presentation By**

Larry Mandel  
University Auditor

#### **Summary**

This item includes both a status report on the 2013 audit plan and follow-up on past assignments. For the 2013 year, assignments were made to conduct reviews of Auxiliary Organizations, high-risk areas (International Programs, Sensitive Data Security, Centers and Institutes, Hazardous Materials Management, Student Health Services, and Conflict of Interest), high profile area (Sponsored Programs – Post Awards), core financial area (Credit Cards), and Construction. In addition, follow-up on current/past assignments (Special Investigations, Auxiliary Organizations, Data Center Operations, Facilities Management, Identity Management, International Programs, Police Services, CSURMA, Credit Cards, Sensitive Data Security, Centers and Institutes, Hazardous Materials Management, and Sponsored Programs) was being conducted on approximately 35 prior campus/auxiliary reviews. Attachment A summarizes the reviews in tabular form. An up-to-date Attachment A will be distributed at the committee meeting.

### **Status Report on Current and Follow-up Internal Audit Assignments**

#### *Auxiliary Organizations*

The initial audit plan indicated that approximately 305 staff weeks of activity (29.7 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/30 auxiliaries. Five campus/nineteen auxiliary reviews have been completed. Two campus/six auxiliaries are awaiting a response prior to finalization, and report writing is being completed for one campus/four auxiliaries.



### *High-Risk Areas*

#### International Programs

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of program approvals, fiscal administration and controls; risk management processes; curriculum and credit transfers; utilization of third-party providers; compliance with U.S. Department of State and other regulatory international travel requirements; and processes used to recruit international students, verify student credentials, and provide support on campus. Six campuses will be reviewed. Six reports have been completed.

#### Sensitive Data Security

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of policies and procedures for handling confidential information; communication and employee training; tracking and monitoring access to sensitive data; and retention practices of key records. Six campuses will be reviewed. Four reports have been completed, and two reports are awaiting a campus response prior to finalization.

#### Centers and Institutes

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of campus policies and procedures for establishing, operating, monitoring, reviewing, and discontinuing centers, institutes, and similar entities; fiscal administration and controls; faculty workload including the potential for conflicts of interest; policies and procedures for identifying and reporting allegations of misconduct in research and other related activities; and campus processes for reporting entity activities including the implementation status of campus policies and procedures to the CSU Chancellor's Office. Six campuses will be reviewed. Six reports have been completed.

#### Hazardous Materials Management

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of the systems and procedures for controlling the purchase, generation, storage, use and disposal of hazardous materials and wastes; employee training; emergency response plans; reporting requirements; and compliance with federal and state regulations. Six campuses will be reviewed. Four reports have been completed, while two are awaiting a campus response prior to finalization.

### Student Health Services

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of compliance with federal and state laws, Trustee policy, and CSU Chancellor's Office directives; establishment of a student health advisory committee; accreditation status; staffing, credentialing and re-credentialing procedures; safety and sanitation procedures, including staff training; budgeting procedures; fee authorization, cash receipt/disbursement controls and trust fund management; pharmacy operations, security and inventory controls; and the integrity and security of medical records. Six campuses will be reviewed. Four reports are awaiting a campus response prior to finalization, while report writing is being completed for two campuses.

### Conflict of Interest

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of the process for identification of designated positions; monitoring, tracking and review of disclosures relating to conflicts of interest, such as research disclosures; faculty and CSU designated officials reporting; employee/vendor relationships; ethics training; and patent and technology transfer. Resource restrictions will not allow for an audit of Conflict of Interest during 2013; it will be reviewed as part of the 2014 audit plan.

### *High Profile Area*

### Sponsored Programs – Post Awards

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of contract/grant budgeting and financial planning; indirect cost administration including cost allocation; cost sharing/matching and transfer processes; effort-reporting, fiscal reporting, and progress reporting; approval of project expenditures; sub-recipient monitoring; and management and security of information systems. Six campuses will be reviewed. Two reports have been completed, while three reports are awaiting a campus response prior to finalization.

*Core Financial Area*

Credit Cards

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of credit card administration; compliance with campus policies and procedures; approval to use credit cards; monitoring and review of credit card purchases; enforcement of sanctions for misuse; and processes to deactivate credit cards upon employee termination or transfer. Six campuses will be reviewed. Six reports have been completed.

*Construction*

The initial audit plan indicated that approximately 44 staff weeks of activity (4.3 percent of the plan) would be devoted to a review of design budgets and costs; the bid process; invoice processing and change orders; project management, architectural, and engineering services; contractor compliance; cost verification of major equipment and construction components; the closeout process and liquidated damages; and overall project accounting and reporting. Six projects will be reviewed. Three reports have been completed, while report writing is being completed for one campus. One review has been moved to 2014 to allow for the earlier completion of an advisory project.

*Advisory Services*

The initial audit plan indicated that approximately 171 staff weeks of activity (16.7 percent of the plan) would be devoted to partnering with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Reviews are ongoing.

*Information Systems*

The initial audit plan indicated that approximately 45 staff weeks of activity (4.4 percent of the plan) would be devoted to technology support for all high-risk and auxiliary audits. Reviews and training are ongoing.

### *Investigations*

The Office of the University Auditor is periodically called upon to provide investigative reviews, which are often the result of alleged defalcations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the State Auditor and directly from the CSU Chancellor's Office. Forty-three staff weeks have been set aside for this purpose, representing approximately 4.2 percent of the audit plan.

### *Committees*

The Office of the University Auditor is periodically called upon to provide consultation to the campuses and/or to perform special audit requests made by the chancellor. Seven staff weeks have been set aside for this purpose, representing approximately 0.7 percent of the audit plan.

### *Special Projects*

The Office of the University Auditor is periodically called upon to provide non-investigative support to the CSU Chancellor's Office/campuses. Fifty-five staff weeks have been set aside for this purpose, representing approximately 4.9 percent of the audit plan.

### *Follow-ups*

The audit plan indicated that approximately 11 staff weeks of activity (1.1 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 35 current/past assignments (Special Investigations, Auxiliary Organizations, Data Center Operations, Facilities Management, Identity Management, International Programs, Police Services, CSURMA, Credit Cards, Sensitive Data Security, Centers and Institutes, Hazardous Materials Management, and Sponsored Programs) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

### *Annual Risk Assessment*

The Office of the University Auditor annually conducts a risk assessment to determine the areas of highest risk to the system. Four staff weeks have been set aside for this purpose, representing approximately 0.4 percent of the audit plan.

## **COMMITTEE ON AUDIT**

### **Assignment of Functions to Be Reviewed by the Office of the University Auditor for Calendar Year 2014**

#### **Presentation By**

Larry Mandel  
University Auditor

#### **Summary**

At the first meeting of the new year, the Committee on Audit selects the audit assignments for the Office of the University Auditor. The following is an audit plan for calendar year 2014.

#### **HIGH RISK AREAS**

The Office of the University Auditor performed a risk assessment of the CSU in the last quarter of 2013. The results of that risk assessment indicated the following areas of highest risk to the system:

##### **Information Security**

Proposed audit scope would include review of the systems and managerial/technical measures for ongoing evaluation of data/information collected; identifying confidential, private or sensitive information; authorizing access; securing information; detecting security breaches; and security incident reporting and response.

##### **ADA Web Accessibility**

Proposed audit scope would include review of compliance with laws and regulations specific to the Americans with Disabilities Act of 1990 as it applies to accessible technology requirements and program access.

##### **Sponsored Programs – Post Award**

Proposed audit scope would include review of contract/grant budgeting and financial planning; indirect cost administration including cost allocation; cost sharing/matching and transfer

processes; effort-reporting, fiscal reporting, and progress reporting; approval of project expenditures; sub-recipient monitoring; and management and security of information systems.

Audits will be performed at those campuses where a greater degree of risk was perceived for each of these areas. This represents 154 staff weeks of audit effort, which is approximately 14.9 percent of the audit plan.

### HIGH PROFILE AREAS

Audits are periodically performed of high profile areas in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system. This year we will address the following areas:

#### **Continuing Education**

Proposed audit scope would include review of the processes for administration of continuing education and extended learning operations as self-supporting entities; budgeting procedures, fee authorizations, and selection and management of courses; faculty workloads and payments to faculty and other instructors; enrollment procedures and maintenance of student records; and reporting of continuing education activity and maintenance of CERF contingency reserves.

#### **Executive Travel**

Proposed audit scope would include review of campus travel policies and procedures to ensure alignment and compliance with CSU requirements; review of internal campus processes for monitoring, reviewing and approving travel expense claims; and examination of senior management travel and travel expense claims for proper approvals and compliance with campus and CSU travel policy.

Audits will be performed at those campuses where a greater degree of risk was perceived for each of these areas. This represents 101 staff weeks of audit effort, which is approximately 9.8 percent of the audit plan.

### CORE FINANCIAL AREAS

Audits are periodically performed of core financial areas in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system. This year we will address the following area:

## **Lottery Funds**

Proposed audit scope would include review of campus lottery fund allocation and expenditure policies and procedures to ensure compliance with CSU and state requirements; review of internal campus processes for monitoring, reviewing and approving campus discretionary allocations to specific programs; and examination of specific programs receiving lottery funding to confirm the expenditures are in conformance with state and CSU restrictions.

Audits will be performed at those campuses where a greater degree of risk was perceived for this area. This represents 51 staff weeks of audit effort, which is approximately 4.9 percent of the audit plan.

## **CARRY-FORWARD**

### **Conflict of Interest**

Due to resource constraints, we were unable to complete the audit plan for 2013. One area of review, Conflict of Interest, was postponed with the understanding that it would appear on the 2014 audit plan.

Proposed audit scope would include review of the process for identification of designated positions; monitoring, tracking and review of disclosures relating to conflicts of interest, such as research disclosures; faculty and CSU designated officials reporting; employee/vendor relationships; ethics training; and patent and technology transfer.

Audits will be performed at those campuses where a greater degree of risk was perceived for this area. This represents 53 staff weeks of audit effort, which is approximately 5.1 percent of the audit plan.

## **AUXILIARY ORGANIZATIONS**

In order to provide assurance to the Board of Trustees that adequate oversight is being maintained over auxiliaries, the Office of the University Auditor administers an audit program covering internal compliance/internal controls. It is estimated that 29 auxiliary reviews will take place during calendar year 2014. This represents 273 staff weeks of audit effort, which is approximately 26.6 percent of the audit plan.

## **ADVISORY SERVICES**

The Office of the University Auditor will partner with management to identify solutions for business issues, offers opportunities to improve the efficiency and effectiveness of operating

areas, and assists with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Two hundred nine staff weeks have been set aside for this purpose, representing approximately 20.3 percent of the audit plan.

### CONSTRUCTION

Areas under review include design budgets and costs; the bid process; invoice processing and change orders; project management, architectural, and engineering services; contractor compliance; cost verification of major equipment and construction components; the closeout process and liquidated damages; and overall project accounting and reporting. It is estimated that five construction projects will be reviewed during calendar year 2014. This represents 39 staff weeks of audit effort, which is approximately 3.8 percent of the audit plan.

### INFORMATION SYSTEMS

Technology support will be provided for both campus and auxiliary organization audits, in addition to advisory services reviews. Thirteen staff weeks are planned during calendar year 2014, which is approximately 1.3 percent of the audit plan.

### INVESTIGATIONS

The Office of the University Auditor is periodically called upon to provide investigative reviews which are often the result of alleged defalcations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor and directly from the chancellor's office. Forty-three staff weeks have been set aside for this purpose, representing approximately 4.2 percent of the audit plan.

### COMMITTEES/SPECIAL PROJECTS

The Office of the University Auditor is periodically called upon to provide consultation to the campuses and/or to participate on committees, and to perform special projects. Twenty-nine staff weeks have been set aside for this purpose, representing approximately 2.8 percent of the audit plan.

### FOLLOW-UPS

The purpose of this category is to follow-up on prior audit recommendations. The Office of the University Auditor reviews the responsiveness of the corrective action taken for each recommendation and determines whether additional action may be required. In certain instances,



it may be necessary to revisit the campus to ascertain whether the corrective action taken is achieving the desired results. All recommendations are tracked until each is satisfactorily addressed. Reports of follow-up activity are made at each meeting of the Committee on Audit. Sixteen staff weeks have been set aside for this purpose, representing approximately 1.6 percent of the audit plan.

#### ANNUAL RISK ASSESSMENT

The Office of the University Auditor annually conducts a risk assessment to determine the areas of highest risk to the system. Five staff weeks have been set aside for this purpose, representing approximately 0.5 percent of the audit plan.

#### ADMINISTRATION

Day to day administration of the Office of the University Auditor represents approximately 4.1 percent of the audit plan.

The following resolution is recommended for approval:

**RESOLVED**, By the Committee on Audit of the California State University Board of Trustees that the 2014 internal audit plan, as detailed in Agenda Item 4 of the Committee on Audit at the January 28-29, 2014 meeting, be approved.

## **COMMITTEE ON AUDIT**

### **Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management**

#### **Presentation by**

Sally Roush  
Interim Vice Chancellor for Business and Finance

George Ashkar  
Assistant Vice Chancellor/Controller  
Financial Services

#### **Summary**

State law and Federal regulations require the California State University (CSU) system be subject to financial statement audits. Annually, financial statement audits are performed for the CSU system as a whole, and also for discretely presented component units (i.e., auxiliary organizations) that separately issue their stand-alone financial statements. In addition, a separate audit is performed each year on the financial statements of the CSU Systemwide Revenue Bond (SRB) program. All of these financial statement audits covering the University and component units are performed by more than twenty Certified Public Accounting firms across the State of California.

The CSU systemwide financial statements for the 2012-2013 fiscal year were issued with an unmodified (i.e., clean) opinion in mid-October, two weeks earlier than the published schedule, as a result of continuous improvement in streamlining and of the audit procedures without diminishing audit quality. There were no audit findings relating to the CSU systemwide financial statements. Highlights of the financial statements will be presented including any significant changes from last year. There were audit findings relating to some of the separately issued financial statements of the auxiliary organizations. The Chancellor's Office is following up on those auxiliary organizations' audit findings to make sure appropriate corrective actions are taken and will report to the Board on their status until they are completed.

In summary, the fiscal year ending June 30, 2013 was a successful year from an audit perspective. All financial reports were completed on or before schedule and received clean opinions. Representatives from KPMG, the systemwide audit firm, will be present to answer questions.



**CALIFORNIA STATE UNIVERSITY**

**Financial Statements**

**June 30, 2013**

**(With Independent Auditors' Report Thereon)**

# CALIFORNIA STATE UNIVERSITY

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KPMG LLP  
Suite 700  
20 Pacifica  
Irvine, CA 92618-3391

## Independent Auditors' Report

The Board of Trustees  
California State University:

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 90 of the 92 aggregate discretely presented component units, which statements reflect total assets constituting 94% and total revenues constituting 94% of the aggregate discretely presented totals. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 90 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the California State University, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

***Emphasis of a Matter***

As discussed in Note 2 to the financial statements, California State University adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, as of June 30, 2013. The cumulative effect of the implementation of GASB Statement No. 61 resulted in the restatement of net position as of the beginning of the year for both California State University and the discretely presented component units in the amount of \$58,358,000.

***Other Matters***

***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of California State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the California State University's internal control over financial reporting and compliance.

**KPMG LLP**

October 15, 2013

# CALIFORNIA STATE UNIVERSITY

## Management's Discussion and Analysis

June 30, 2013

(Unaudited)

The following discussion and analysis provides an overview of the financial position and performance of the California State University as of and for the year ended June 30, 2013, including 23 campuses and the Chancellor's Office (together referred to as the University), and 92 discretely presented component units (primarily recognized auxiliary organizations). The discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The financial statements of the University for the year ended June 30, 2013 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the University is considered a special-purpose government engaged in business-type activities.

### Financial Statements

This discussion and analysis is intended to serve as an introduction to the University's financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. The financial statements are designed to provide readers with a broad overview of the University's finances from all sources of revenue, in a manner similar to the private sector. The University's discretely presented component units are presented in a separate column to enable the reader to distinguish between the University and these separate but related not-for-profit organizations.

The statement of net position is the University's balance sheet. It presents information on all of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four are reported as net position (equity). Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally reported at their book value, except investments, which are reported at their fair market value. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the University.

The University's net position is classified into three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

Changes from one year to the next in total net position as presented on the statement of net position are based on the activity presented on the statement of revenues, expenses, and changes in net position.

The statement of revenues, expenses, and changes in net position is the University's income statement. Revenues earned and expenses incurred during the year on an accrual basis are classified as either operating or nonoperating. This distinction results in operating deficits, as the GASB Statement No. 35 reporting model requires classification of state appropriations, a significant revenue stream to fund current operations, as nonoperating revenue.

## **CALIFORNIA STATE UNIVERSITY**

### **Management's Discussion and Analysis**

**June 30, 2013**

**(Unaudited)**

The statement of cash flows presents the changes in the University's cash and cash equivalents during the most recent fiscal year. This statement is prepared using the direct method of cash flows. The statement breaks out the sources and uses of the University's cash and cash equivalents into four categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The University's routine activities appear in the operating and noncapital financing categories. Capital and related financing sources include debt proceeds, state capital appropriations, capital grants and gifts, proceeds from sale of capital assets, principal and interest payments received on capital leases, and notes receivable. Within the capital and related financing activities, uses of funds consist of acquisition of capital assets, debt repayments, and issuance of notes receivable. Sales and purchases of investments are part of investing activities.

The statement of cash flows for the discretely presented component units is not included in the University's financial statements.

#### **Financial Highlights**

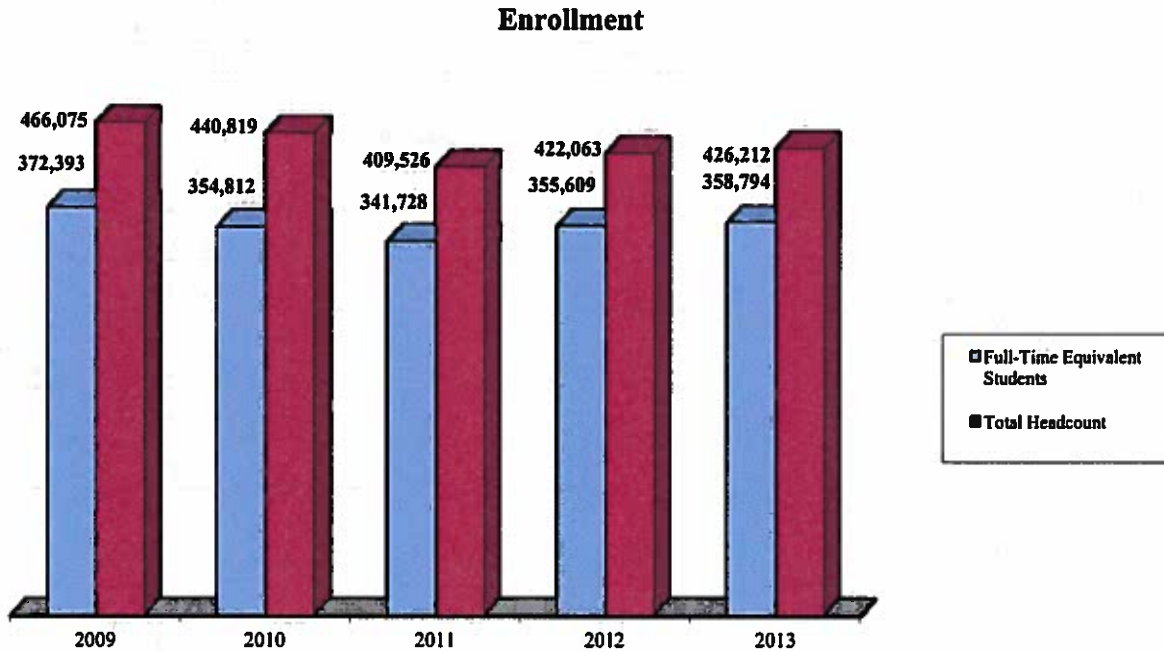
The noncapital state appropriation for the University in fiscal year 2013 was \$2.07 billion, \$72 million higher than in fiscal year 2012. The student tuition fee revenues increased by \$16.1 million in fiscal year 2013, mainly due to student enrollment growth. In fiscal year 2013, the University refunded \$126 million as a rollback of the tuition fee increase in the beginning of the fiscal year, of which \$125 million is expected to be recovered through the State Budget Act for fiscal year 2014.

Headcount enrollment increased from 422,063 in fiscal year 2012 to 426,212 in fiscal year 2013, as reflected in the chart on the following page. At the same time, Full-Time Equivalent Students increased from 355,609 in fiscal year 2012 to 358,794 in fiscal year 2013.



**CALIFORNIA STATE UNIVERSITY**  
**Management's Discussion and Analysis**  
**June 30, 2013**  
**(Unaudited)**

The following chart displays the University's historical enrollment data by fiscal year:



**Financial Analysis**

The following sections provide additional details on the University's financial position and activities for fiscal years 2013 and 2012 and a look ahead at economic conditions that are expected to affect the University in the future:

- I. Condensed Schedule of Net Position
- II. Condensed Schedule of Revenues, Expenses, and Changes in Net Position

In fiscal year 2013, the University implemented new GASB accounting pronouncements. As a result, the California State University Risk Management Authority (CSURMA) changed from a blended component unit into a discretely presented component unit in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The effects of the change to the University's financial statements are discussed throughout this analysis.

**CALIFORNIA STATE UNIVERSITY**

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

**I. Condensed Schedule of Net Position**

	University		Discretely Presented Component Units	
	2013	2012	2013	2012
	(In thousands)			
Current assets	\$ 2,862,724	2,824,645	1,065,568	997,310
Capital assets, net	7,689,116	7,623,133	796,835	794,460
Other noncurrent assets	1,568,821	1,730,841	1,869,282	1,636,020
<b>Total assets</b>	<b>12,120,661</b>	<b>12,178,619</b>	<b>3,731,685</b>	<b>3,427,790</b>
Deferred outflows of resources	32,020	—	5,071	—
Current liabilities	1,073,707	1,109,094	352,489	384,427
Noncurrent liabilities	5,395,972	5,250,748	1,059,656	992,523
<b>Total liabilities</b>	<b>6,469,679</b>	<b>6,359,842</b>	<b>1,412,145</b>	<b>1,376,950</b>
Deferred inflows of resources	—	—	2,481	—
Net position:				
Net investment in capital assets	3,693,066	3,809,170	182,928	198,606
Restricted:				
Nonexpendable	20,627	21,584	847,651	806,592
Expendable	87,510	74,967	759,064	642,054
Unrestricted	1,881,799	1,913,056	532,487	403,588
<b>Total net position</b>	<b>\$ 5,683,002</b>	<b>5,818,777</b>	<b>2,322,130</b>	<b>2,050,840</b>

**Current and Other Noncurrent Assets**

Current and other noncurrent assets are assets that are not capital assets and are used to meet the University's current and noncurrent obligations. These assets consist of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, leases receivable, student loans receivable, pledges receivable, prepaid expenses, and other assets. The total current and other noncurrent assets of \$4.4 billion for the University represent a decrease of \$123.9 million compared to \$4.6 billion in fiscal year 2012. The decrease is due mainly to GASB Statement No. 61 implementation in the current year which changed CSURMA from a blended component unit to a discretely presented component unit. CSURMA had \$155.5 million of current and noncurrent assets as part of University, of which \$139 million are investments, in 2012, whereas it has \$167.2 million of current and noncurrent assets as part of discretely presented component units, of which \$153.1 million are investments, in 2013. In addition, the University's state appropriation receivable decreased by \$84.8 million as a result of the continuing expenditures for capital projects, offset by current year state appropriations, and decline in leases receivable by \$10.7 million. These decreases are offset by the new note agreements with certain component units of \$48 million to finance existing or newly constructed facilities; reinvestment of \$41.5 million net investment income; and \$25 million net increase in prepaid expenses and other assets mainly due to an increase in capitalized interest and construction reserves on State Public Works Board (SPWB) capital lease obligations.

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**(Unaudited)**

Current and other noncurrent assets for the discretely presented component units increased by \$301.5 million mainly due to a \$350 million increase in investments offset by a \$57.3 million decrease in restricted cash and cash equivalents. As discussed on page 5, the implementation of GASB Statement No. 61 resulted to an increase of \$153.1 million in investments. The endowment investments also increased by \$134.5 million in 2013.

**Capital Assets, Net**

The University's capital assets, net of accumulated depreciation, as of June 30, 2013 and 2012, comprise the following:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Land and land improvements	\$ 256,976	256,993
Buildings and building improvements	5,823,857	5,916,053
Improvements other than buildings	166,195	144,383
Infrastructure	587,858	584,260
Equipment	202,809	208,148
Library books and materials	39,196	42,286
Works of art and historical treasures	28,697	25,423
Intangible assets	29,551	33,201
Construction work in progress	<u>553,977</u>	<u>412,386</u>
Total	<u>\$ 7,689,116</u>	<u>7,623,133</u>

Total capital assets, net of accumulated depreciation, increased by \$66 million during 2013 as a result of additions on various capital projects including the following:

- Construction in progress on the \$119 million San Luis Obispo Center for Science;
- Construction in progress on the \$102 million San Diego Aztec Center Student Union;
- Construction in progress on the \$89 million San Jose Student Union Expansion and Renovation;
- Construction in progress on the \$72 million San Diego Storm/Nasatir Halls Renovation;
- Construction in progress on the \$62 million Sonoma Student Center; and
- Construction in progress on the \$57 million Pomona Recreation Center

# CALIFORNIA STATE UNIVERSITY

## Management's Discussion and Analysis

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### Deferred Outflows of Resources

Deferred outflows of resources are consumption of net assets that is applicable to a future reporting period which has a positive effect on the net position. The University's deferred outflows of resources consist of unamortized loss on debt refunding (reported as net of long-term debt obligation in 2012) in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective as of June 30, 2013. The unamortized loss on debt refunding increased by \$5.6 million mainly due to the partial refunding of Systemwide Revenue Bonds series 2002A, 2003A, and 2004A through the issuance of Series 2012A and 2012B in August 2012 and offset by current year amortization.

### Current and Noncurrent Liabilities

Current liabilities (liabilities due within one year) and noncurrent liabilities (liabilities due in more than one year) include accounts payable, accrued salaries and benefits, accrued compensated absences, unearned revenues, grants refundable, capitalized lease obligations, long-term debt obligations, claims liability for losses and loss adjustment expenses, depository accounts, other postemployment benefit obligations, and other liabilities.

Current and noncurrent liabilities for the University increased by \$109.8 million, primarily due to a \$136.1 million increase in long-term debt obligations. Other major factors included an increase of \$46.4 million in other postemployment benefits (OPEB) obligations allocated from the State and a decrease of \$76.3 million in claims liability for losses and loss adjustment expenses (previously referred to as self-insurance claims liability) as a result of the implementation of GASB Statement No. 61.

### Long-Term Debt Obligations

The University's long-term debt obligations are summarized as follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Systemwide revenue bonds	\$ 3,604,708	3,542,648
Bond anticipation notes	27,055	38,542
Other	80,352	75,908
Total	<u>3,712,115</u>	<u>3,657,098</u>
Unamortized bond net premium	133,989	79,325
Unamortized loss on debt refunding	—	(26,443)
Total long-term debt obligations	3,846,104	3,709,980
Less current portion	<u>(98,747)</u>	<u>(110,097)</u>
Long-term debt obligations, net of current portion	<u>\$ 3,747,357</u>	<u>3,599,883</u>

The University's total long-term debt obligations (net of repayments) increased by \$136.1 million in 2013, mainly due to the issuance of Systemwide Revenue Bonds Series 2012A and Series 2012B and the partial refunding of Series 2002A, 2003A, and 2004A.

**CALIFORNIA STATE UNIVERSITY**

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**(Unaudited)**

The table does not include the University's capitalized lease obligations. Capitalized lease obligations for the University increased by \$155.9 million in 2013, consisting primarily of new capital lease obligations of \$167 million with the SPWB, offset by current year repayments.

In addition, the State General Obligation Bond program has provided capital funding for various projects of the University. The debt related to these projects is not allocated to the University by the State and thus is not recorded in the University's financial statements. The total General Obligation Bond debt carried by the State related to University projects at June 30, 2013 and 2012 is approximately \$2.6 billion.

No fundamental changes occurred in the revenues and expenditures of the revenue bond programs during fiscal year 2013. Repayment of specific programmatic revenue bonds is legally limited to the sources of revenue from operations of the projects including specific mandatory fees pledged to the revenue bond programs. For the Systemwide Revenue Bonds, revenues pledged generally include student housing fees, parking fees, student union fees, health center facilities fees, and continuing education fees, as well as other revenues designated by the Board of Trustees for inclusion in the Systemwide Revenue Bonds program.

Moody's Investors Service currently provides an intrinsic rating of Aa2, with a stable outlook, for the Systemwide Revenue Bonds. Standard & Poor's Ratings Services currently provides an intrinsic rating of A+, with a positive outlook, for the Systemwide Revenue Bonds. With the exception of certain maturities of Series 2005C, Series 2007A, Series 2008A, and Series 2009A, and all maturities of Series 2010A, Series 2010B, Series 2011A, Series 2012A, and Series 2012B, all Systemwide Revenue Bonds are insured. Since the middle of fiscal year 2008, some providers of insurance for Systemwide Revenue Bonds have been downgraded to ratings below Aaa/AAA. Those bonds that are uninsured bear the intrinsic ratings of the Systemwide Revenue Bonds, which are Aa2 from the Moody's Investors Service and A+ from the Standard & Poor's Ratings Services.

**CALIFORNIA STATE UNIVERSITY**

**Management's Discussion and Analysis**

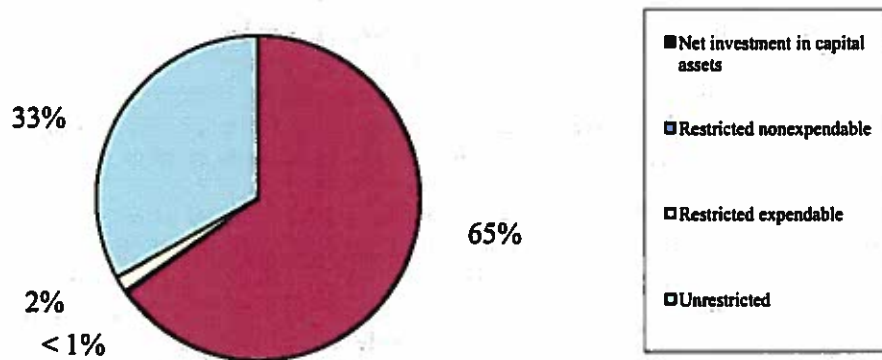
June 30, 2013

(Unaudited)

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of the University's financial position. As of June 30, 2013, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.7 billion for the University with no significant changes in total net position from prior year.

**University Net Position  
June 30, 2013**



**Total Net Position: \$5,683,002,000**

- **Net investment in capital assets**

The net position category "Net investment in capital assets" represents the University's capital assets, net of accumulated depreciation, and also net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources. The University uses these capital assets in its day-to-day operations. This category is the largest portion of the University's net position year-over-year. The net investment in capital assets decreased by \$116 million as a result of depreciation of capital assets at a faster rate than repayment of the long-term debt.

- **Restricted**

Restricted net position has constraints on its use that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for specific purposes. Such restrictions are primarily related to endowments, scholarships, capital projects, loans, and debt service funds. The restricted net position category consists of two subcategories: "Restricted nonexpendable" and "Restricted expendable."

# CALIFORNIA STATE UNIVERSITY

## Management's Discussion and Analysis

June 30, 2013

(Unaudited)

### *i. Restricted nonexpendable*

The restricted nonexpendable net position is made up of the permanent endowment funds, the corpus of which may not be expendable. Generally speaking, the University's foundations, which are recognized auxiliary organizations, hold the significant majority of the University-related endowments. In the current year, there was no significant change in the University's restricted nonexpendable net position.

### *ii. Restricted expendable*

Restricted expendable net position represents resources that are subject to external restrictions on how they may be used. Such restrictions are primarily related to scholarships, capital projects, loans, and debt service funds. In the current year, there was no significant change in the University's restricted expendable net position.

- **Unrestricted**

The unrestricted net position represents all other net resources available to the University for general and educational obligations. Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, the predominant portions of the unrestricted net position are designated for specific programs or projects related to certain revenue sources, as further explained in the following paragraphs. The unrestricted net position for the University decreased by \$31.3 million to \$1.9 billion as of June 30, 2013, which consists of \$1.26 billion designated resources from various funds and \$622 million undesignated resources mainly from the operating fund. The undesignated resources provide a prudent reserve for contingencies, such as the uncertain direction of future state appropriations, as well as the effects of an uncertain economic environment.

Within the unrestricted net position category, the designated resources are derived from fee collections and other activities that are designated for very specific purposes and are not to be repurposed and spent for other activities. For example, students pay fees including Housing and Parking fees, campus activities fees, all of which are to be used for specific designated purposes as described in the Education Code. The University also has certain designated resources that represent amounts pledged to support the Systemwide Revenue Bonds program.

Of the \$1.26 billion in designated unrestricted net position, approximately 62% was designated for supporting enterprise activities (i.e., Continuing Education, Housing, Parking, and Student Union), 13% was designated for campus-based projects or programs, and 12% was designated for special capital projects. The remaining 13% was designated for supporting activities related to education, financial aid, and other programs.

**CALIFORNIA STATE UNIVERSITY**

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

**II. Condensed Schedule of Revenues, Expenses, and Changes in Net Position**

	University		Discretely presented component units	
	2013	2012	2013	2012
	(In thousands)			
Operating revenues:				
Student tuition and fees, net	\$ 2,081,251	2,065,126	185,213	176,233
Grants and contracts, noncapital	91,361	92,915	476,416	511,981
Sales and services of educational activities	35,355	35,406	28,595	31,437
Sales and services of auxiliary enterprises, net	402,626	389,246	459,091	467,820
Other operating revenues	187,155	177,126	228,771	135,795
Total operating revenues	2,797,748	2,759,819	1,378,086	1,323,266
Operating expenses	6,208,408	6,040,493	1,490,919	1,429,991
Operating loss	(3,410,660)	(3,280,674)	(112,833)	(106,725)
Nonoperating revenues, net:				
State appropriations, noncapital	2,068,465	1,996,421	—	—
Federal financial aid grants, noncapital	810,838	795,097	1,541	1,414
State financial aid grants, noncapital	437,517	394,367	1,333	1,229
Local financial aid grants, noncapital	—	—	233	293
Nongovernmental and other financial aid grants, noncapital	30,831	20,356	172	555



**CALIFORNIA STATE UNIVERSITY**

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June 30, 2013

(Unaudited)

	University		Discretely presented component units	
	2013	2012	2013	2012
	(In thousands)			
Other federal nonoperating grants, noncapital	\$ 3,326	4,197	—	—
Gifts, noncapital	47,861	39,835	168,392	117,269
Investment income, net	41,522	59,067	59,102	8,224
Endowment income, net	129	85	85,241	(9,566)
Interest expense	(244,187)	(213,138)	(29,547)	(31,803)
Other nonoperating revenues (expenses)	<u>79,702</u>	<u>53,346</u>	<u>(26,420)</u>	<u>(7,931)</u>
Net nonoperating revenues	<u>3,276,004</u>	<u>3,149,633</u>	<u>260,047</u>	<u>79,684</u>
Income (loss) before other revenues and expenses	(134,656)	(131,041)	147,214	(27,041)
State appropriations, capital	16,983	7,021	—	—
Grants and gifts, capital	40,832	35,978	17,021	12,273
Additions (reductions) to permanent endowments	<u>(576)</u>	<u>(37)</u>	<u>56,211</u>	<u>35,173</u>
Change in net position	<u>(77,417)</u>	<u>(88,079)</u>	<u>220,446</u>	<u>20,405</u>
Net position – beginning of year, as previously reported	5,818,777	5,906,856	2,050,840	2,025,810
Restatements	<u>(58,358)</u>	<u>—</u>	<u>50,844</u>	<u>4,625</u>
Net position – beginning of year, as restated	<u>5,760,419</u>	<u>5,906,856</u>	<u>2,101,684</u>	<u>2,030,435</u>
Net position – end of year	<u>\$ 5,683,002</u>	<u>5,818,777</u>	<u>2,322,130</u>	<u>2,050,840</u>

**CALIFORNIA STATE UNIVERSITY**

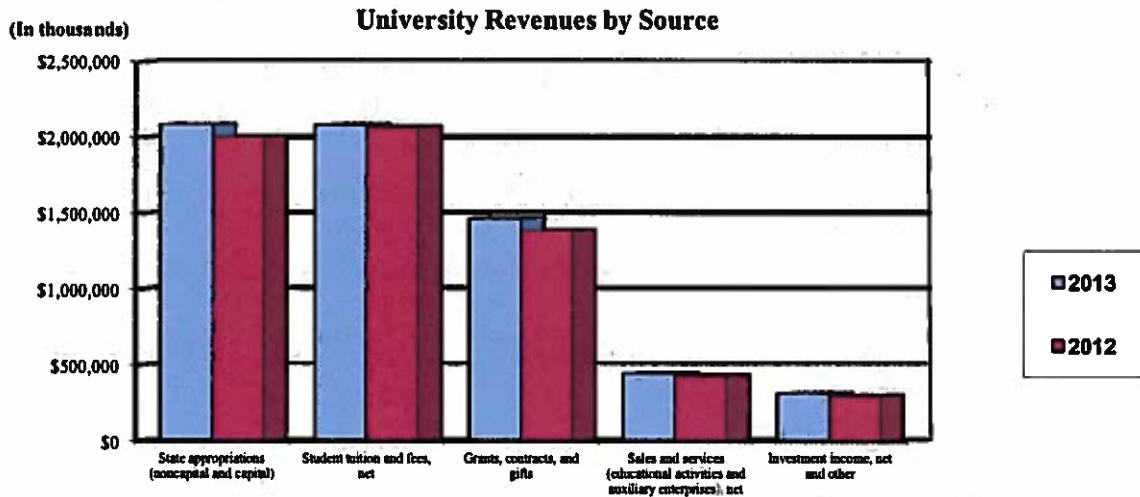
**Management's Discussion and Analysis**

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(Unaudited)

**Revenues (Operating and Nonoperating)**

The following chart displays the components of the University's revenues for fiscal years 2013 and 2012:



	<u>2013</u>	<u>Percentage of total</u>	<u>2012</u>	<u>Percentage of total</u>
	(In thousands)			
State appropriations (noncapital and capital)	\$ 2,085,448	32.7%	2,003,442	32.5%
Student tuition and fees, net	2,081,251	32.7%	2,065,126	33.5%
Grants, contracts, and gifts	1,461,990	22.9%	1,382,708	22.4%
Sales and services (educational activities and auxiliary enterprises, net)	437,981	6.9%	424,652	6.9%
Investment income, net and other	<u>308,508</u>	<u>4.8%</u>	<u>289,624</u>	<u>4.7%</u>
<b>Total revenues (operating and nonoperating)</b>	<b><u>\$ 6,375,178</u></b>	<b><u>100.0%</u></b>	<b><u>6,165,552</u></b>	<b><u>100.0%</u></b>

The two largest components of revenues are state appropriations and student tuition and fees, net, which accounted for a combined 65.4% of the University's revenues in fiscal year 2013. State appropriations are received for both noncapital and capital purposes. Noncapital appropriations increased by \$72.0 million, or 3.6%,

## **CALIFORNIA STATE UNIVERSITY**

### **Management's Discussion and Analysis**

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from \$2.0 billion to \$2.07 billion in the current year. Capital appropriations increased by \$10.0 million, or 141.9%, from \$7.0 million to \$17.0 million in the current year. The student tuition and fees net of scholarship and allowances, increased by \$16.1 million, or 0.8%, mainly due to increase in overall student enrollment.

A significant portion of the University's contracts and grants revenue is managed through its component units. Of the total reporting entity's contracts and grants revenue (\$1.8 billion), 26.1% is managed by these related entities. Contracts and grants revenue for the University has increased \$66.9 million or 5.1% in the current year.

Total gift income for the University and the discretely presented component units (which includes operating and capital gifts, as well as additions to permanent endowments) reached \$274.3 million, or 3.4% of the reporting entity's total revenues in fiscal year 2013. It increased \$74.8 million or 37.5% from \$199.5 million in 2012. Gifts are used to support a variety of projects, including capital improvements, scholarships, and endowments for various academic and research programs.

Auxiliary enterprise operations such as student housing may be run by the University or by component units depending on the campus, whereas student unions are run by component units. There was no significant change in sales and services of auxiliary enterprises revenue for the total reporting entity (either the University or component units) in the current year.

Investment income, net and other for the University, which consists of investment income, endowment income, other operating revenues, and other nonoperating revenues, increased by \$18.9 million to \$308.5 million in the current year. The increase was primarily due to an increase of \$26.4 million in other nonoperating revenues and \$10 million increase in other operating revenues, offset by a decrease of \$17.5 million in investment income, net, in the current year.

The University's investment portfolio consists primarily of investments held in the State of California Surplus Money Investment Fund (SMIF) and the California State University Consolidated Investment Pool. The University's strategy is to continue in investing in securities with low interest rates and short maturities.

**CALIFORNIA STATE UNIVERSITY**

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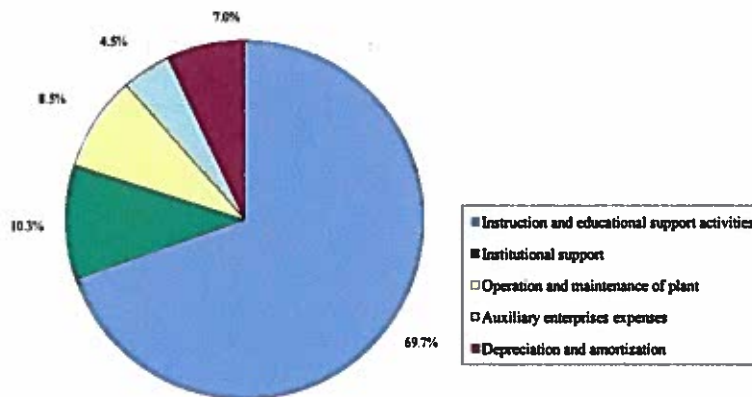
(Unaudited)

**Operating Expenses**

When the mission-critical educational support activities of student services, academic support, grants and scholarships, public service, and research are added to direct classroom instruction, total instruction and educational support activities account for 69.7% of the total operating expenses of the University as shown below:

(In thousands)

Instruction	\$ 2,133,286	34.4%
Research	42,503	0.7%
Public service	65,304	1.1%
Academic support	601,204	9.7%
Student services	653,141	10.5%
Student grants and scholarships	<u>826,933</u>	<u>13.3%</u>
<b>Total instruction and educational support activities</b>	<b>4,322,371</b>	<b>69.7%</b>
Institutional support	640,419	10.3%
Operation and maintenance of plant	528,776	8.5%
Auxiliary enterprises expenses	281,312	4.5%
Depreciation and amortization	<u>435,530</u>	<u>7.0%</u>
<b>Total operating expenses</b>	<b>\$ 6,208,408</b>	<b>100.0%</b>



# CALIFORNIA STATE UNIVERSITY

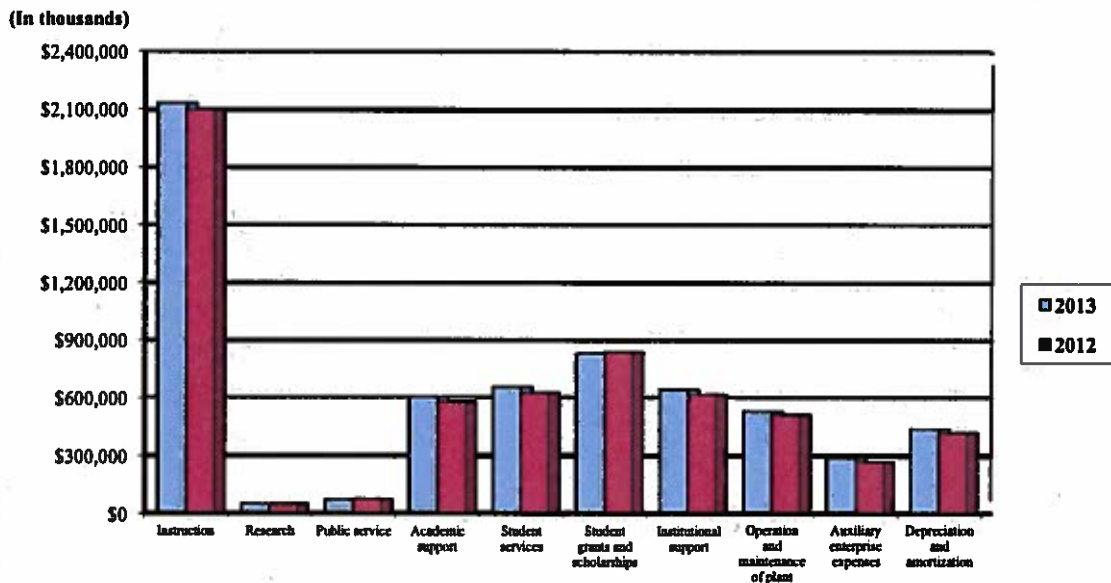
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Total operating expenses for the University increased by \$167.9 million in the current year. The increase was a result of primarily the increase in employees' and retirees' benefit costs, and insurance premiums resulting in an increase of \$35.9 million in instruction expenses, \$24.3 million in academic support, \$30.5 million in student services and \$27.9 million in institutional support. Other factors included increases in auxiliary enterprise expenses due to housing and parking lot improvements, depreciation and amortization, and maintenance and repair expenses. These increases were offset by overall cost reductions measures in various functional categories. The chart below displays the University's operating expenses by program for fiscal years 2013 and 2012.

### University Operating Expenses by Program



### Factors Impacting Future Periods

The State Budget Act for fiscal year 2014, approved by the Governor on June 27, 2013, resulted in noncapital state appropriation of \$2.34 billion, which represents an increase of \$267 million over the fiscal year 2013 enacted budget. This increase consists of \$125 million to restore the University's revenue loss from the fiscal year 2013 tuition fee rollback, another \$125 million increase in general noncapital operating budget support, and \$17 million for other items.

**CALIFORNIA STATE UNIVERSITY**  
Statement of Net Position  
June 30, 2013

Assets	University	Discretely presented component units	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 8,332,000	200,126,000	208,458,000
Short-term investments	2,626,675,000	553,474,000	3,180,149,000
Accounts receivable, net	151,697,000	227,629,000	379,326,000
Leases receivable, current portion	10,992,000	1,986,000	12,978,000
Notes receivable, current portion	11,453,000	4,421,000	15,874,000
Pledges receivable, net	413,000	38,110,000	38,523,000
Prepaid expenses and other assets	53,162,000	39,822,000	92,984,000
<b>Total current assets</b>	<b>2,862,724,000</b>	<b>1,065,568,000</b>	<b>3,928,292,000</b>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	43,000	34,218,000	34,261,000
Accounts receivable, net	362,254,000	64,894,000	427,148,000
Leases receivable, net of current portion	371,361,000	69,974,000	441,335,000
Notes receivable, net of current portion	266,234,000	37,778,000	304,012,000
Student loans receivable, net	87,171,000	1,167,000	88,338,000
Pledges receivable, net	456,000	96,660,000	97,116,000
Endowment investments	20,657,000	1,087,662,000	1,108,319,000
Other long-term investments	397,072,000	441,052,000	838,124,000
Capital assets, net	7,689,116,000	796,835,000	8,485,951,000
Other assets	63,573,000	35,877,000	99,450,000
<b>Total noncurrent assets</b>	<b>9,257,937,000</b>	<b>2,666,117,000</b>	<b>11,924,054,000</b>
<b>Total assets</b>	<b>12,120,661,000</b>	<b>3,731,685,000</b>	<b>15,852,346,000</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	32,020,000	5,071,000	37,091,000
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	183,918,000	80,300,000	264,218,000
Accrued salaries and benefits payable	278,947,000	22,521,000	301,468,000
Accrued compensated absences, current portion	116,287,000	14,001,000	130,288,000
Unearned revenue	244,712,000	59,420,000	304,132,000
Capitalized lease obligations, current portion	68,364,000	13,570,000	81,934,000
Long-term debt obligations, current portion	98,747,000	30,678,000	129,425,000
Claims liability for losses and loss adjustment expenses, current portion	—	28,928,000	28,928,000
Depository accounts, current portion	7,425,000	11,758,000	19,183,000
Other liabilities	75,307,000	91,313,000	166,620,000
<b>Total current liabilities</b>	<b>1,073,707,000</b>	<b>352,489,000</b>	<b>1,426,196,000</b>
<b>Noncurrent liabilities:</b>			
Accrued compensated absences, net of current portion	89,528,000	3,524,000	93,052,000
Unearned revenue	11,439,000	12,117,000	23,556,000
Grants refundable	93,818,000	4,542,000	98,360,000
Capitalized lease obligations, net of current portion	1,077,274,000	349,216,000	1,426,490,000
Long-term debt obligations, net of current portion	3,747,357,000	447,295,000	4,194,652,000
Claims liability for losses and loss adjustment expenses, net of current portion	—	59,229,000	59,229,000
Depository accounts	4,463,000	19,405,000	23,868,000
Other postemployment benefits obligation	219,018,000	105,018,000	324,036,000
Other liabilities	153,075,000	59,310,000	212,385,000
<b>Total noncurrent liabilities</b>	<b>5,395,972,000</b>	<b>1,059,656,000</b>	<b>6,455,628,000</b>
<b>Total liabilities</b>	<b>6,469,679,000</b>	<b>1,412,145,000</b>	<b>7,881,824,000</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	—	2,481,000	2,481,000
<b>Net Position</b>			
<b>Net position:</b>			
Net investment in capital assets	3,693,066,000	182,928,000	3,875,994,000
Restricted for:			
Nonexpendable – endowments	20,627,000	847,651,000	868,278,000
Expendable:			
Scholarships and fellowships	14,099,000	183,721,000	197,820,000
Research	420,000	28,675,000	29,095,000
Loans	14,403,000	1,788,000	16,191,000
Capital projects	39,557,000	38,021,000	77,578,000
Debt service	3,819,000	10,600,000	14,419,000
Other	15,212,000	496,259,000	511,471,000
Unrestricted	1,881,799,000	532,487,000	2,414,286,000
<b>Total net position</b>	<b>\$ 5,683,002,000</b>	<b>2,322,130,000</b>	<b>8,005,132,000</b>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year ended June 30, 2013**

	<u>University</u>	<u>Discretely presented component units</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Student tuition and fees (net of scholarship allowances of \$1,126,003,000)	\$ 2,081,251,000	185,213,000	(11,494,000)	2,254,970,000
<b>Grants and contracts, noncapital:</b>				
Federal	62,108,000	333,250,000	—	395,358,000
State	14,002,000	78,555,000	(3,368,000)	89,189,000
Local	6,667,000	14,028,000	—	20,695,000
Nongovernmental	8,584,000	50,583,000	(340,000)	58,827,000
Sales and services of educational activities	35,355,000	28,595,000	—	63,950,000
Sales and services of auxiliary enterprises (net of scholarship allowances of \$53,309,000)	402,626,000	459,091,000	(6,883,000)	854,834,000
Other operating revenues	187,155,000	228,771,000	(5,912,000)	410,014,000
<b>Total operating revenues</b>	<b>2,797,748,000</b>	<b>1,378,086,000</b>	<b>(27,997,000)</b>	<b>4,147,837,000</b>
<b>Expenses:</b>				
<b>Operating expenses:</b>				
Instruction	2,133,286,000	170,884,000	(2,709,000)	2,301,461,000
Research	42,503,000	202,892,000	(374,000)	245,021,000
Public service	65,304,000	155,446,000	(4,536,000)	216,214,000
Academic support	601,204,000	68,132,000	(1,697,000)	667,639,000
Student services	653,141,000	151,032,000	(29,152,000)	775,021,000
Institutional support	640,419,000	190,687,000	(12,876,000)	818,230,000
Operation and maintenance of plant	528,776,000	35,749,000	(6,002,000)	558,523,000
Student grants and scholarships	826,933,000	49,111,000	(24,186,000)	851,858,000
Auxiliary enterprise expenses	281,312,000	420,374,000	(12,223,000)	689,463,000
Depreciation and amortization	435,530,000	46,612,000	—	482,142,000
<b>Total operating expenses</b>	<b>6,208,408,000</b>	<b>1,490,919,000</b>	<b>(93,755,000)</b>	<b>7,605,572,000</b>
<b>Operating loss</b>	<b>(3,410,660,000)</b>	<b>(112,833,000)</b>	<b>65,758,000</b>	<b>(3,457,735,000)</b>
<b>Nonoperating revenues (expenses):</b>				
State appropriations, noncapital	2,068,465,000	—	—	2,068,465,000
Federal financial aid grants, noncapital	810,838,000	1,541,000	—	812,379,000
State financial aid grants, noncapital	437,517,000	1,333,000	—	438,850,000
Local financial aid grants, noncapital	—	233,000	—	233,000
Nongovernmental and other financial aid grants, noncapital	30,831,000	172,000	(16,529,000)	14,474,000
Other federal nonoperating grants, noncapital	3,326,000	—	—	3,326,000
Gifts, noncapital	47,861,000	168,392,000	(34,248,000)	182,005,000
Investment income, net	41,522,000	59,102,000	—	100,624,000
Endowment income	129,000	85,241,000	—	85,370,000
Interest expense	(244,187,000)	(29,547,000)	—	(273,734,000)
Other nonoperating revenues (expenses)	79,702,000	(26,420,000)	6,203,000	59,485,000
<b>Net nonoperating revenues</b>	<b>3,276,004,000</b>	<b>260,047,000</b>	<b>(44,574,000)</b>	<b>3,491,477,000</b>
<b>Income (loss) before other revenues and expenses</b>	<b>(134,656,000)</b>	<b>147,214,000</b>	<b>21,184,000</b>	<b>33,742,000</b>
State appropriations, capital	16,983,000	—	—	16,983,000
Grants and gifts, capital	40,832,000	17,021,000	(21,184,000)	36,669,000
Additions (reduction) to permanent endowments	(576,000)	56,211,000	—	55,635,000
<b>Increase (decrease) in net position</b>	<b>(77,417,000)</b>	<b>220,446,000</b>	<b>—</b>	<b>143,029,000</b>
<b>Net position:</b>				
Net position at beginning of year, as previously reported	5,818,777,000	2,050,840,000	—	7,869,617,000
Restatements	(58,358,000)	50,844,000	—	(7,514,000)
<b>Net position at beginning of year, as restated</b>	<b>5,760,419,000</b>	<b>2,101,684,000</b>	<b>—</b>	<b>7,862,103,000</b>
<b>Net position at end of year</b>	<b>\$ 5,683,002,000</b>	<b>2,322,130,000</b>	<b>—</b>	<b>8,005,132,000</b>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2013

	<u>University</u>
<b>Cash flows from operating activities:</b>	
Student tuition and fees	\$ 2,074,066,000
Federal grants and contracts	64,120,000
State grants and contracts	13,858,000
Local grants and contracts	6,335,000
Nongovernmental grants and contracts	8,488,000
Payments to suppliers	(1,101,879,000)
Payments to employees	(3,782,920,000)
Payments to students	(828,699,000)
Collections of student loans	3,643,000
Sales and services of educational activities	32,670,000
Sales and services of auxiliary enterprises	387,550,000
Other receipts	180,402,000
	<hr/>
Net cash used in operating activities	(2,942,366,000)
<b>Cash flows from noncapital financing activities:</b>	
State appropriations	2,063,387,000
Federal financial aid grants	808,400,000
State financial aid grants	436,751,000
Nongovernmental and other financial aid grants	30,866,000
Other federal nonoperating grants	3,326,000
Gifts and grants received for other than capital purposes	46,218,000
Federal loan program receipts	1,358,861,000
Federal loan program disbursements	(1,359,283,000)
Monies received on behalf of others	122,212,000
Monies disbursed on behalf of others	(117,187,000)
Other noncapital financing activities	83,623,000
	<hr/>
Net cash provided by noncapital financing activities	3,477,174,000
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from capital debt	577,152,000
State appropriations	109,162,000
Capital grants and gifts	17,398,000
Proceeds from sale of capital assets	236,000
Acquisition of capital assets	(469,878,000)
Issuance of notes receivable	(55,950,000)
Transfers to escrow agent	(327,827,000)
Principal paid on capital debt and leases	(188,900,000)
Interest paid on capital debt and leases	(210,648,000)
Principal payments received on capital leases receivable	7,882,000
Interest payments received on capital leases receivable	14,719,000
Principal payments received on notes receivable	5,272,000
Interest payments received on notes receivable	14,313,000
	<hr/>
Net cash used in capital and related financing activities	(507,069,000)



**CALIFORNIA STATE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2013

	<u>University</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sales and maturities of investments	\$ 12,211,512,000
Purchases of investments	(12,283,345,000)
Investment income proceeds	43,148,000
	<hr/>
Net cash used in investing activities	(28,685,000)
	<hr/>
Net decrease in cash and cash equivalents	(946,000)
	<hr/>
Cash and cash equivalents at beginning of year	9,321,000
	<hr/>
Cash and cash equivalents at end of year	\$ 8,375,000
	<hr/>
<b>Summary of cash and cash equivalents at end of year:</b>	
Cash and cash equivalents	\$ 8,332,000
Restricted cash and cash equivalents	43,000
	<hr/>
Total cash and cash equivalents at end of year	\$ 8,375,000
	<hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (3,410,660,000)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	435,530,000
Change in assets and liabilities:	
Accounts receivable, net	(2,289,000)
Student loans receivable, net	198,000
Prepaid expenses and other assets	(18,344,000)
Accounts payable	3,991,000
Accrued salaries and benefits	5,505,000
Accrued compensated absences	1,217,000
Unearned revenue	(16,202,000)
Depository accounts	762,000
Other postemployment benefits obligation	46,431,000
Other liabilities	11,495,000
	<hr/>
Net cash used in operating activities	\$ (2,942,366,000)
	<hr/>
<b>Supplemental schedule of noncash transactions:</b>	
Reclassification to capitalized lease obligations and related prepaid interest and construction reserves	\$ 182,466,000
Contributed capital assets	19,015,000
Amortization of prepaid interest related to SPWB capital lease obligation	18,926,000
Amortization of loss on debt refundings	10,594,000
Change in accrued capital asset purchases	4,665,000
Other miscellaneous noncash transactions related to discretely presented component units and capital assets	3,470,000
SPWB program appropriation for construction reserve funds	2,225,000
Acquisition of capital assets through capital lease	1,390,000
Operating expenses paid through long-term debt	1,789,000
Gifts in kind	502,000
Amortization of bond premium and discount	(9,800,000)

See accompanying notes to financial statements.

# **CALIFORNIA STATE UNIVERSITY**

## **Notes to Financial Statements**

**June 30, 2013**

### **(1) Organization**

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, the chief executive officer of the University, and the University Presidents, the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2013:

- California State University, Bakersfield
- California State University, Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, East Bay
- California State University, Fresno
- California State University, Fullerton
- Humboldt State University
- California State University, Long Beach
- California State University, Los Angeles
- California Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, Sacramento
- California State University, San Bernardino
- San Diego State University
- San Francisco State University
- San Jose State University
- California Polytechnic State University, San Luis Obispo
- California State University, San Marcos
- Sonoma State University
- California State University, Stanislaus

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

The University provides instruction for baccalaureate, masters', doctorate, and certificate programs, and operates various auxiliary enterprises, such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs that are funded primarily through state and federal programs.

### (2) Summary of Significant Accounting Policies

#### (a) *Financial Reporting Entity*

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of the 23 campuses and the Office of the Chancellor of the California State University.

In addition, the accompanying financial statements include the accounts of the 92 discretely presented component units which are primarily University-related recognized auxiliary organizations. There are four discretely presented component units that are not auxiliary organizations (identified by asterisk (\*) below). These discretely presented component units are legally separate entities that provide services primarily to the University and its students. Such organizations include foundations, associated students, student unions, food service entities, bookstores, and similar organizations. Foundations, whose net position comprises approximately 78% of the discretely presented component unit totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research, as well as soliciting and accepting donations, gifts, and bequests for University-related use. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The recognized discretely presented component units are as follows:

- California State University, Bakersfield, Foundation
- Associated Students, Inc., California State University, Bakersfield
- California State University, Bakersfield Student Union
- California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
- California State University Institute
- California State University Foundation
- California State University Risk Management Authority\*
- California State University, Channel Islands Foundation
- Associated Students of California State University, Channel Islands, Inc.
- CSUCI Financing Authority\*

## **CALIFORNIA STATE UNIVERSITY**

### **Notes to Financial Statements**

**June 30, 2013**

- **California State University, Channel Islands Site Authority\***
- **California State University Channel Islands University Glen Corporation**
- **The CSU, Chico Research Foundation**
- **The University Foundation, California State University, Chico**
- **Associated Students of California State University, Chico**
- **California State University Dominguez Hills Foundation**
- **Associated Students, Inc., California State University, Dominguez Hills**
- **The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills**
- **California State University, East Bay Foundation, Inc.**
- **Associated Students, Inc. of California State University, East Bay**
- **Cal State East Bay Educational Foundation, Inc.**
- **California State University, Fresno Foundation**
- **Associated Students, Inc. of California State University, Fresno**
- **California State University, Fresno Association, Inc.**
- **The Agricultural Foundation of California State University, Fresno**
- **California State University, Fresno Athletic Corporation**
- **The Bulldog Foundation (Fresno)\***
- **Fresno State Programs for Children, Inc.**
- **Cal State Fullerton Philanthropic Foundation**
- **Associated Students, California State University, Fullerton, Inc.**
- **Titan Student Centers Associated Students California State University, Fullerton, Inc.**
- **CSU Fullerton Housing Authority**
- **CSU Fullerton Auxiliary Services Corporation**
- **Humboldt State University Sponsored Programs Foundation**
- **Associated Students of Humboldt State University**
- **Humboldt State University Center Board of Directors**
- **Humboldt State University Advancement Foundation**
- **California State University, Long Beach Research Foundation**
- **California State University, Long Beach 49er Foundation**

# **CALIFORNIA STATE UNIVERSITY**

## **Notes to Financial Statements**

**June 30, 2013**

- **Associated Students, Inc., California State University, Long Beach**
- **Forty-Niner Shops, Inc. (Long Beach)**
- **Cal State L.A. University Auxiliary Services, Inc.**
- **California State University, Los Angeles Foundation**
- **Associated Students of California State University, Los Angeles, Inc.**
- **University – Student Union at California State University, Los Angeles**
- **California Maritime Academy Foundation, Inc.**
- **Associated Students of the California Maritime Academy**
- **University Corporation at Monterey Bay**
- **Foundation of California State University, Monterey Bay**
- **California State University, Northridge Foundation**
- **Associated Students, Inc., California State University, Northridge**
- **University Student Union, Inc., California State University, Northridge**
- **North Campus – University Park Development Corporation (Northridge)**
- **The University Corporation (Northridge)**
- **Cal Poly Pomona Foundation, Inc.**
- **Associated Students, Inc., California State Polytechnic University, Pomona**
- **The University Foundation at Sacramento State**
- **University Enterprises, Inc. (Sacramento)**
- **Associated Students, Inc. of California State University, Sacramento**
- **University Union Operation of California State University, Sacramento**
- **Capital Public Radio, Inc. (Sacramento)**
- **Santos Manuel Student Union of California State University, San Bernardino**
- **Associated Students, Incorporated, California State University, San Bernardino**
- **CSUSB Philanthropic Foundation**
- **University Enterprises Corporation at CSUSB**
- **San Diego State University Research Foundation**
- **The Campanile Foundation (San Diego)**
- **Associated Students of San Diego State University**

# **CALIFORNIA STATE UNIVERSITY**

## **Notes to Financial Statements**

**June 30, 2013**

- **Aztec Shops, Ltd. (San Diego)**
- **The University Corporation, San Francisco State**
- **Associated Students of San Francisco State University**
- **San Francisco State University Student Center**
- **San Francisco State University Foundation**
- **Associated Students of San Jose State University**
- **The Student Union of San Jose State University**
- **The Tower Foundation of San Jose State University**
- **San Jose State University Research Foundation**
- **Spartan Shops, Inc. (San Jose)**
- **California Polytechnic State University Foundation (San Luis Obispo)**
- **Cal Poly Corporation (San Luis Obispo)**
- **Associated Students, Inc., California Polytechnic State University, San Luis Obispo**
- **University Auxiliary and Research Services Corporation (San Marcos)**
- **Associated Students, Inc. of California State University, San Marcos**
- **San Marcos University Corporation**
- **California State University San Marcos Foundation**
- **Sonoma State University Academic Foundation, Inc.**
- **Associated Students of Sonoma State University**
- **Sonoma State Enterprises, Inc.**
- **California State University, Stanislaus Foundation**
- **Associated Students Incorporated of California State University, Stanislaus**
- **University Student Union of California State University, Stanislaus**
- **California State University, Stanislaus Auxiliary and Business Services**

These component units are presented in the accompanying financial statements as discretely presented component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to their close affiliation with the University. These organizations are discretely presented to allow the financial statement users to distinguish between the University and the component units. None of the component units are considered individually significant to the total discretely presented component units.

**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

All significant nonexchange transactions have been eliminated.

The accompanying financial statements also include the Stockton Center Site Authority, Fullerton Arboretum, and California State Student Association, which are included as blended component units. These organizations primarily provide services to the University in the areas of asset management and debt financing. The University is financially accountable for these organizations.

**(b) Basis of Presentation**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statement No. 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by aggregated financial information for the component units, as discussed above. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

**(c) Implementation of New Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the University's fiscal year beginning July 1, 2012. This Statement requires the University to report the activities for certain public-private partnerships as service concession arrangements in the financial statements. Service concession arrangements are recorded when the arrangements meet certain criteria which include building and operating a facility, obtaining the right to collect fees from third parties, and transferring ownership of the facility to the University at the end of the arrangement. Implementation of Statement No. 60 had no effect on the University's net position or changes in net position for the year ended June 30, 2013.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for the University's fiscal year beginning July 1, 2012. This Statement modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. The effect of the changes from the implementation of Statement No. 61 on the University's financial statements for the year ended June 30, 2013 was as follows:

Net position as of June 30, 2012, as previously reported	\$ 5,818,777,000
Change in reporting for CSU Risk Management Authority – Changing from a blended component unit to a discretely presented component unit	<u>(58,358,000)</u>
Net position at beginning of year, as restated	<u>\$ 5,760,419,000</u>

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

The beginning net position of the University has been restated primarily due to California State University Risk Management Authority (CSURMA), previously reported as a blended component unit, now being reported as a discretely presented component unit in accordance with GASB Statement No. 61.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, effective for the University's fiscal year beginning July 1, 2012. The objective of this statement is to incorporate into the GASBs authoritative literature certain accounting and financial reporting guidance that was previously included within the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the University's fiscal year beginning July 1, 2012. This Statement modifies the presentation of the deferred inflows and deferred outflows in the financial statements. The effect of the changes from the implementation of Statement No. 63 on the University's financial statements was the presentation of deferred outflows and inflows or resources in the statement of net position.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for the University's fiscal year beginning July 1, 2012. This Statement clarifies the existing requirements for the termination of hedge accounting. Implementation of Statement No. 64 had no effect on the University's net position or changes in net position for the year ended June 30, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the University's fiscal year beginning July 1, 2013; however, the University early adopted this Statement effective for the fiscal year beginning July 1, 2012. This Statement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of Statement No. 65 resulted to the (a) recognition of unamortized loss on debt refundings previously reported net of long-term debt obligations as deferred outflows of resources and (b) bond-issuance costs, except any portion related to prepaid insurance costs, being recognized as expense in the period incurred.



# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

**(d) Discretely Presented Component Units Restatements**

The beginning net position of the discretely presented component units has been restated primarily due to the implementation of GASB Statements No. 61 (refer to note 2(c)) and No. 65. A summary of the restatements to net position at the beginning of the year related to the discretely presented component units is as follows:

Net position as of June 30, 2012, as previously reported	\$ 2,050,840,000
Adjustment for implementation of GASB Statement No. 61	58,358,000
Adjustment for implementation of GASB Statement No. 65	(7,816,000)
Adjustment for overstatement of OPEB	1,156,000
Adjustment for overstatement of notes receivable	(754,000)
Adjustment for overstatement of unearned revenue	(100,000)
Net position at beginning of year, as restated	<u>\$ 2,101,684,000</u>

**(e) Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities**

The University considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal University business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered noncurrent. For classification of current and noncurrent investments, refer to note 2(g).

**(f) Cash Equivalents and Statement of Cash Flows**

The University considers highly liquid investments with an original maturity date of three months or less to be cash equivalents. The University considers amounts included in the CSU Consolidated Investment Pool to be investments. The statement of cash flows does not include the cash flows of the discretely presented component units.

**(g) Investments**

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, and restricted as to the liquidity of the investments are classified as other long-term investments.

**(h) Accounts Receivable**

The University maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable based on type of receivables and expectations of repayment. In establishing the required allowance, management considers one or more of the following: type of receivables, state

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

guidelines, historical losses adjusted to take into account current market conditions, the amount of receivables in dispute, the current receivables aging, and current payment patterns. The University reviews its allowance for doubtful accounts annually. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility.

**(i) Capital Assets**

Capital assets are stated at cost or estimated historical cost if purchased, or, if donated, at estimated fair value at date of donation. Capital assets, including infrastructure and intangible assets, with an original value of \$5,000 or more and with a useful life of one year or more, are capitalized. Such cost includes, where applicable, interest capitalized as part of the cost of constructed capital assets. Title to all University assets, whether purchased, constructed, or donated, is held by the State. Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets in the accompanying financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures, construction work in progress, and certain intangible assets, are depreciated or amortized on a straight-line basis over their estimated useful lives, which range from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost, if purchased, or the fair market value at the date of donation, if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation and amortization expense is shown separately in the statement of revenues, expenses, and changes in net position rather than being allocated among other categories of operating expenses.

**(j) Unearned Revenue**

Unearned revenue consists primarily of fees collected in advance for summer and fall terms and continuing education programs.

**(k) Compensated Absences**

Compensated absences are recognized when the right to receive the compensation is earned by the employees. Vacation is accrued on a monthly basis. The University uses an employee's current pay rate as of July 1, 2013 to calculate the liability for accrued compensated absences. The University employee's pay rates are based on length of service and job classifications.

**(l) Grants Refundable**

The University periodically receives contributions from the Federal government in support of its operation of the Federal Perkins and Nursing Loan programs, both Title IV Loan programs. The Federal government has the ability to terminate its support of these programs at any time and to request the University return those contributions on a cumulative basis. Accordingly, the Federal contributions received and retained by the University at year-end are considered liabilities of the University and are reflected as such in the accompanying statement of net position.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

**(m) *Claims Liability for Losses and Loss Adjustment Expenses***

The claims liability for losses and loss adjustment expenses included in the aggregate discretely presented component units column of the financial statements includes CSURMA's estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2013. The liability includes the estimated amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurance that is related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In the estimate of the unpaid losses and loss adjustment expenses, CSURMA and its consulting actuary have employed methods and assumptions they considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

**(n) *Net Position***

The University's net position is classified into the following categories:

- **Net Investment in Capital Assets:** Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources.

- **Restricted:**

**Nonexpendable:** Net position subject to externally imposed conditions that the University retains in perpetuity. Net position in this category consists of endowments held by the University or its related auxiliaries.

**Expendable:** Net position subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

- **Unrestricted:** All other categories of net position. In addition, unrestricted net position may have legislative or bond indenture requirements associated with their use or may be designated for use by management of the University. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

**(o) *Classification of Revenues and Expenses***

The University considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions and from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include the University's capital and noncapital appropriations from the State, financial aid, net investment income, noncapital gifts, interest expense, and capital grants and gifts.

The State appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue in general when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fee revenue, and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

**(p) *Other Postemployment Benefits***

The University's other postemployment benefit obligation included in the accompanying financial statements reflects the University's estimated funding liability of the State administered and sponsored plan as of the fiscal year ended. The State's actuary has employed methods and assumptions considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future amounts may deviate from those estimates.

**(q) *Grant Revenue and Expenses***

The University records grant revenue when all applicable grant eligibility requirements are met. Expenses are recorded as expenditures are incurred. Expenditure-driven grant revenue is recorded after the expenditures are incurred, in amounts equal to the expenditures.

**(r) *Internal Services Activities***

Certain institutional internal service providers offer goods and services to University departments, as well as to their external customers. These include activities such as copy centers, postal services, and telecommunications. All internal service activities to University departments have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the internal service sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

**(s) Income Taxes**

The University is an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded. If there is net income from any unrelated trade or business, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

**(t) Eliminations**

All significant nonexchange transactions between the University and the discretely presented component units have been eliminated from the total column and are separately presented in the eliminations column in the accompanying statement of revenues, expenses, and changes in net position.

**(u) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

**(3) Cash, Cash Equivalents, and Investments**

The University's cash, cash equivalents, and investments as of June 30, 2013 are classified in the accompanying statement of net position as follows:

Cash and cash equivalents	\$ 8,332,000
Restricted cash and cash equivalents	<u>43,000</u>
Total cash and cash equivalents	<u>8,375,000</u>
Short-term investments	2,626,675,000
Endowment investments	20,657,000
Other long-term investments	<u>397,072,000</u>
Total investments	<u>3,044,404,000</u>
Total cash, cash equivalents, and investments	<u>\$ 3,052,779,000</u>

**(a) Cash and Cash Equivalents**

At June 30, 2013, cash and cash equivalents consisted of demand deposits held at the State Treasury and commercial banks, and petty cash. Total cash and cash equivalents of \$8,375,000 had a corresponding carrying balance with the State Treasury and commercial banks of \$24,739,000 at June 30, 2013. The difference was primarily related to deposits in transit and outstanding checks.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

### **Custodial Credit Risk for Deposits**

Custodial credit risk for deposits is the risk that the University will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. This risk is mitigated in that the University's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

### **(b) Investments**

At June 30, 2013, the University's investment portfolio consists primarily of investments in the State of California Surplus Money Investment Fund (SMIF) and the CSU Consolidated Investment Pool. For the CSU Consolidated Investment Pool, separate accounting is maintained as to the amounts allocable to the various CSU funds and programs.

### **Investment Policy**

State law and regulations require that surplus monies of the University must be invested. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the University. The third objective is to return an acceptable yield. The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the Federal and California state governments, certificates of deposit, high grade corporate and fixed income securities, and certain other investment instruments.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University has formal duration guidelines to manage its interest rate risk. The duration guidelines include limits on the maximum maturity of any individual investment in the portfolio and average duration of the investment portfolio. One of the ways that the University manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The University identifies and manages the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity is based on the stated maturity date, assuming that the callable investments will not be called. The weighted average maturity of the University's investment portfolio for each investment type as of June 30, 2013 is presented in the table on the following page.

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the University's allocated share of the CSU Consolidated Investment Pool and the SMIF as of June 30, 2013:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end			
			AAA	AA	A	Not rated
Money market	\$ 44,846,000	0.08	\$ 7,755,000	—	32,000,000	5,091,000
Repurchase agreements	21,887,000	0.00	—	—	21,693,000	194,000
Certificates of deposit	259,655,000	0.38	—	8,276,000	251,379,000	—
Commercial paper	24,317,000	0.20	—	—	24,317,000	—
U.S. agency securities	777,803,000	1.69	—	777,803,000	—	—
State of California						
Local Agency						
Investment Fund	6,000	0.76	—	—	—	6,000
State of California						
Surplus Money						
Investment Fund	524,704,000	0.76	—	—	—	524,704,000
Corporate and fixed						
income securities	837,379,000	2.23	120,228,000	204,668,000	512,483,000	—
U.S. Treasury securities	511,834,000	1.61	—	—	—	511,834,000
Municipal securities	38,517,000	1.60	—	29,985,000	8,532,000	—
Mortgage-backed						
securities	3,456,000	8.03	—	3,456,000	—	—
<b>Total</b>	<b>\$ 3,044,404,000</b>		<b>\$ 127,983,000</b>	<b>1,024,188,000</b>	<b>850,404,000</b>	<b>1,041,829,000</b>

By law, the SMIF only invests in: U.S. government securities, securities of federally-sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit and loans to various bond funds.

**Concentration of Credit Risk**

The University's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2013, the following investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the University's investment portfolio: Federal National Mortgage Association notes (\$218,223,000 or 7.2%), Federal Home Loan Mortgage Corporation (\$199,935,000 or 6.6%), Federal Home Loan Banks Office of Finance (\$192,634,000 or 6.3%), and Federal Farm Credit Banks Consolidated Systemwide Bonds (\$159,879,000 or 5.3%).

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

**Risk and Uncertainties**

The University may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

The University, through the CSU Consolidated Investment Pool, invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

**Custodial Credit Risk for Investments**

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of the University's securities are registered in the University's name by the custodial bank as an agent for the University. As a result, custodial credit risk for such investments is remote.

**Discretely Presented Component Units' Investments**

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2013:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State of California Local Agency			
Investment Fund	\$ 162,270,000	9,178,000	171,448,000
U.S. Bank SWIFT pool	67,516,000	1,484,000	69,000,000
Common Fund	1,344,000	11,650,000	12,994,000
Debt securities	9,257,000	150,810,000	160,067,000
Equity securities	54,436,000	320,681,000	375,117,000
Fixed income securities	20,552,000	247,410,000	267,962,000
Real estate	1,161,000	36,292,000	37,453,000
Certificates of deposit	24,819,000	11,665,000	36,484,000
Notes receivable	—	7,158,000	7,158,000
Money market funds	56,224,000	11,664,000	67,888,000
Mutual funds	143,915,000	567,884,000	711,799,000
Partnership interests	5,563,000	9,487,000	15,050,000
Alternative investments	—	53,429,000	53,429,000
Hedge funds	834,000	17,936,000	18,770,000
Other	5,583,000	71,986,000	77,569,000
	<u>\$ 553,474,000</u>	<u>1,528,714,000</u>	<u>2,082,188,000</u>
Total			



**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

For additional information regarding the investments of the individual discretely presented component units, refer to their separately issued financial statements.

Approximately \$3.8 million of the investments reported by the University in the statement of net position at June 30, 2013 are invested under contractual agreements on behalf of the discretely presented component units of the University.

**(4) Accounts Receivable**

Accounts receivable of the University at June 30, 2013 consisted of the following:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State appropriations	\$ 5,163,000	356,780,000	361,943,000
Auxiliary organizations	34,630,000	3,221,000	37,851,000
Student accounts	59,334,000	—	59,334,000
Government grants and contracts	27,883,000	—	27,883,000
Other	46,973,000	2,253,000	49,226,000
	<u>173,983,000</u>	<u>362,254,000</u>	<u>536,237,000</u>
Less allowance for doubtful accounts	<u>(22,286,000)</u>	<u>—</u>	<u>(22,286,000)</u>
Total	<u>\$ 151,697,000</u>	<u>362,254,000</u>	<u>513,951,000</u>

**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

**(5) Leases Receivable**

The University has entered into capital lease agreements with certain auxiliary organizations to lease existing and newly constructed facilities to the auxiliary organizations. Lease payments are due twice a year on May 1 and November 1.

Under the lease agreements, lease payments are due to the University as follows:

Fiscal year ending:	
2014	\$ 29,402,000
2015	29,369,000
2016	26,753,000
2017	27,040,000
2018	27,122,000
2019 – 2023	141,276,000
2024 – 2028	148,792,000
2029 – 2033	131,503,000
2034 – 2038	42,746,000
2039 – 2043	23,190,000
2044 – 2048	8,986,000
	<hr/>
Total minimum lease payments to be received	636,179,000
Less amounts representing interest	(253,826,000)
	<hr/>
Present value of future minimum lease payments to be received	382,353,000
Less current portion	(10,992,000)
	<hr/>
Long-term lease receivable, net of current portion	\$ 371,361,000

**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

**(6) Notes Receivable**

The University has entered into note agreements with certain auxiliary organizations to finance existing and newly constructed facilities for the auxiliary organizations. Note payments are due twice a year, on May 1 and November 1.

Under the note agreements, note payments are due to the University as follows:

Fiscal year ending:	
2014	\$ 23,668,000
2015	19,172,000
2016	32,542,000
2017	19,074,000
2018	19,105,000
2019 – 2023	104,920,000
2024 – 2028	88,289,000
2029 – 2033	80,929,000
2034 – 2038	49,040,000
2039 – 2043	7,707,000
2044 – 2048	1,124,000
2049 – 2053	1,124,000
	<hr/>
Total minimum note payments to be received	446,694,000
Less amounts representing interest	<u>(169,007,000)</u>
Present value of future minimum note payments to be received	277,687,000
Less current portion	<u>(11,453,000)</u>
Long-term notes receivable, net of current portion	<u>\$ 266,234,000</u>

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

**(7) Capital Assets**

Capital assets activity for the University for the year ended June 30, 2013 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
<b>Nondepreciable/nonamortizable capital assets:</b>					
Land and land improvements \$	256,993,000	13,000	(30,000)	—	256,976,000
Works of art and historical treasures	25,423,000	3,302,000	(28,000)	—	28,697,000
Construction work in progress	412,386,000	385,658,000	(1,483,000)	(242,584,000)	553,977,000
Intangible assets	1,361,000	5,746,000	(46,000)	(370,000)	6,691,000
<b>Total nondepreciable/ nonamortizable capital assets</b>	<b>696,163,000</b>	<b>394,719,000</b>	<b>(1,587,000)</b>	<b>(242,954,000)</b>	<b>846,341,000</b>
<b>Depreciable/amortizable capital assets:</b>					
Buildings and building improvements	9,881,029,000	38,377,000	(14,256,000)	165,089,000	10,070,239,000
Improvements other than buildings	503,556,000	11,030,000	(1,829,000)	34,246,000	547,003,000
Infrastructure	923,991,000	12,858,000	(2,874,000)	40,666,000	974,641,000
Personal property:					
Equipment	708,310,000	44,190,000	(42,485,000)	2,180,000	712,195,000
Library books and materials	385,618,000	5,859,000	(3,639,000)	—	387,838,000
Intangible assets	309,745,000	3,902,000	(1,966,000)	773,000	312,454,000
<b>Total depreciable/ amortizable capital assets</b>	<b>12,712,249,000</b>	<b>116,216,000</b>	<b>(67,049,000)</b>	<b>242,954,000</b>	<b>13,004,370,000</b>
<b>Total cost</b>	<b>13,408,412,000</b>	<b>510,935,000</b>	<b>(68,636,000)</b>	<b>—</b>	<b>13,850,711,000</b>
<b>Less accumulated depreciation/ amortization:</b>					
Buildings and building improvements	(3,964,976,000)	(293,540,000)	12,134,000	—	(4,246,382,000)
Improvements other than buildings	(359,174,000)	(22,475,000)	841,000	—	(380,808,000)
Infrastructure	(339,731,000)	(49,769,000)	2,717,000	—	(386,783,000)
Personal property:					
Equipment	(500,162,000)	(47,338,000)	38,114,000	—	(509,386,000)
Library books and materials	(343,331,000)	(8,948,000)	3,637,000	—	(348,642,000)
Intangible assets	(277,905,000)	(13,460,000)	1,771,000	—	(289,594,000)
<b>Total accumulated depreciation/ amortization</b>	<b>(5,785,279,000)</b>	<b>(435,530,000)</b>	<b>59,214,000</b>	<b>—</b>	<b>(6,161,595,000)</b>
<b>Net capital assets</b>	<b>\$ 7,623,133,000</b>	<b>75,405,000</b>	<b>(9,422,000)</b>	<b>—</b>	<b>7,689,116,000</b>

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

Capital assets activity of the discretely presented component units of the University for the year ended June 30, 2013 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
<b>Nondepreciable/nonamortizable capital assets:</b>					
Land and land improvements	\$ 94,887,000	13,641,000	(3,022,000)	165,000	105,671,000
Works of art and historical treasures	7,718,000	546,000	—	—	8,264,000
Construction work in progress	11,162,000	18,003,000	(7,067,000)	(8,021,000)	14,077,000
Intangible assets	<u>5,082,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,082,000</u>
<b>Total nondepreciable/ nonamortizable capital assets</b>	<u>118,849,000</u>	<u>32,190,000</u>	<u>(10,089,000)</u>	<u>(7,856,000)</u>	<u>133,094,000</u>
<b>Depreciable/amortizable capital assets:</b>					
Buildings and building improvements	745,284,000	32,395,000	(26,092,000)	2,751,000	754,338,000
Improvements other than buildings	109,130,000	3,711,000	(1,825,000)	3,435,000	114,451,000
Infrastructure	67,470,000	106,000	(1,000)	—	67,575,000
Personal property:					
Equipment	187,810,000	7,790,000	(9,614,000)	1,650,000	187,636,000
Library books and materials	—	3,018,000	—	—	3,018,000
Intangible assets	<u>10,609,000</u>	<u>664,000</u>	<u>(503,000)</u>	<u>20,000</u>	<u>10,790,000</u>
<b>Total depreciable/ amortizable capital assets</b>	<u>1,120,303,000</u>	<u>47,684,000</u>	<u>(38,035,000)</u>	<u>7,856,000</u>	<u>1,137,808,000</u>
<b>Total cost</b>	<u>1,239,152,000</u>	<u>79,874,000</u>	<u>(48,124,000)</u>	<u>—</u>	<u>1,270,902,000</u>
<b>Less accumulated depreciation/ amortization:</b>					
Buildings and building improvements	(229,629,000)	(25,946,000)	7,149,000	—	(248,426,000)
Improvements other than buildings	(52,315,000)	(5,254,000)	1,496,000	—	(56,073,000)
Infrastructure	(12,372,000)	(1,695,000)	—	—	(14,067,000)
Personal property:					
Equipment	(143,352,000)	(12,707,000)	8,313,000	—	(147,746,000)
Intangible assets	<u>(7,024,000)</u>	<u>(917,000)</u>	<u>186,000</u>	<u>—</u>	<u>(7,755,000)</u>
<b>Total accumulated depreciation/ amortization</b>	<u>(444,692,000)</u>	<u>(46,519,000)</u>	<u>17,144,000</u>	<u>—</u>	<u>(474,067,000)</u>
<b>Net capital assets</b>	\$ <u>794,460,000</u>	<u>33,355,000</u>	<u>(30,980,000)</u>	<u>—</u>	<u>796,835,000</u>

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

For additional information regarding the capital assets of the individual discretely presented auxiliary organizations of the University, refer to their separately issued financial statements.

### **(8) Lease Obligations**

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals. A substantial amount of the capital leases is a result of the University's participation with the State in the State Public Works Board (SPWB) Lease Revenue Bond program. The University has participated in this program since 1986 in connection with the construction of campus facilities and related equipment. Current California law permits the SPWB to authorize the sale of bonds to construct certain state facilities if there is a revenue stream that can be pledged to repay the obligations. The process in general is described in brief as follows:

- The University and the State of California Department of Finance agree to the construction of one or more facilities to be funded by SPWB bonds. The projects are approved as part of the University's capital outlay budget.
- The SPWB approves the sale of bonds for the project(s) and the University agrees to execute certain legal documents in connection with the financing, including a site lease to the SPWB, a construction agreement to construct the facility for the SPWB, and a facility lease to lease the completed facility from the SPWB for annual rental payments.
- Prior to the execution of the facility lease, the University receives a short-term loan from the State of California Pooled Money Investment Board to provide working capital for initial phases of the construction and in some cases the entire construction.
- Generally, during the construction phase of the project, the bonds are sold by the SPWB, the construction loan is repaid, and site leases and facility leases are executed requiring semiannual lease payments, beginning upon completion of the facilities, by the Trustees that are used to pay principal and interest on the bonds.
- As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required lease payments.

The University also enters into capital leases with financial institutions and via commercial paper issued by the California State University Institute (the Institute), a discretely presented component unit of the University.

Overall capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency, and telecommunications equipment. Total assets related to capital leases have a carrying value of \$734,771,000 at June 30, 2013. The leases bear interest at rates ranging from 1.79% to 19.00% and have terms expiring in various years through 2041.

Operating leases consist primarily of leases for the use of real property. The University's operating leases expire in various fiscal years through 2099. The leases can be canceled if the State does not provide adequate funding. Some of these leases are with related auxiliary organizations for the rental of office space used in the operations of the University. Total operating lease expenditures for the year ended June 30, 2013 were \$23,990,000 of which \$12,696,000 was paid to related auxiliary organizations.

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2013 are as follows:

	<u>Capital leases</u>	<u>Operating leases</u>
Year ending June 30:		
2014	\$ 125,894,000	20,901,000
2015	124,283,000	14,521,000
2016	123,869,000	12,820,000
2017	117,377,000	11,835,000
2018	115,565,000	10,363,000
2019 – 2023	404,010,000	35,222,000
2024 – 2028	325,350,000	13,979,000
2029 – 2033	305,351,000	11,477,000
2034 – 2038	132,876,000	2,962,000
2039 – 2043	7,567,000	1,466,000
2044 – 2048	—	397,000
2049 – 2053	—	251,000
2054 – 2058	—	33,000
2059 – 2063	—	33,000
2064 – 2068	—	32,000
2069 – 2073	—	33,000
2074 – 2078	—	32,000
2079 – 2083	—	33,000
2084 – 2088	—	32,000
2089 – 2093	—	33,000
2094 – 2098	—	32,000
2099	—	3,000
	<u>1,782,142,000</u>	<u>\$ 136,490,000</u>
Total minimum lease payments	1,782,142,000	\$ 136,490,000
Less amount representing interest	<u>(660,716,000)</u>	
Present value of future minimum lease payments	1,121,426,000	
Unamortized net premium	<u>24,212,000</u>	
Total capital lease obligation	1,145,638,000	
Less current portion	<u>(68,364,000)</u>	
Capital lease obligation, net of current portion	<u>\$ 1,077,274,000</u>	

**(9) Long-Term Debt Obligations**

**(a) General Obligation Bond Program**

The General Obligation Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

the University, the University of California, and the Community Colleges. Financing provided to the University through State of California General Obligation Bonds is not allocated to the University by the State. This debt remains the obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements. The total General Obligation Bond debt carried by the State related to the University projects is approximately \$2,632,154,000 as of June 30, 2013.

**(b) Revenue Bond Programs**

The Revenue Bond Act of 1947 provides the Trustees with the ability to issue revenue bonds to fund specific self-supporting programs. The statute has enabled the Trustees to finance student housing, student unions, parking facilities, health facilities, continuing education facilities, and designated auxiliary organization facilities.

The Systemwide Revenue Bond program, formerly the Housing Revenue Bond program, was approved by the Board of Trustees in fiscal year 2003. This program provides funding for various construction projects, including student residence and dining halls facilities, continuing education buildings, student unions, parking facilities, health facilities, and auxiliary organization facilities at designated campuses within the system as specified by the individual bond documents. It is designed to provide lower cost debt and greater flexibility to finance revenue bond projects at the University. Rather than relying on specific pledged revenues to support specific debt obligations, this program pools several sources of revenue as the pledge for the revenue-producing projects. The University's total outstanding balance of revenue bond indebtedness under the Systemwide Revenue Bond program was \$3,604,708,000 at June 30, 2013.

The University has pledged future continuing education, healthcare facilities, housing, parking, and student union revenues plus designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay \$4,006,698,000 in Systemwide Revenue Bonds issued through fiscal year 2013.

**(c) Bond Anticipation Notes (BANs)**

The Trustees have authorized the issuance of BANs to provide short-term financing to the University System for certain projects. The BANs are purchased by the Institute with proceeds from the commercial paper issued by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. In fiscal year 2010, the Trustees authorized three projects for financing with maturities beyond three years and they will remain in BANs until the debt is retired. BAN interest is variable and changes based upon the cost of the Institute's commercial paper program. The maximum and minimum weighted average interest rates for the year ended June 30, 2013 were 0.19% and 0.15%, respectively. Amounts outstanding of the total University and discretely presented component units under the BANs totaled \$27,055,000 and \$10,316,000, respectively, at June 30, 2013. The not-to-exceed amounts related to the outstanding amounts totaled \$261,365,000 of which \$126,859,000 has not been issued and \$97,135,000 has been issued and paid back.



**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

Long-term debt obligations of the University as of June 30, 2013 consisted of the following:

<u>Description</u>	<u>Interest rate percentage</u>	<u>Final maturity date</u>	<u>Original issue amount</u>	<u>Amount outstanding</u>
Systemwide Revenue Bonds, Housing Series J – Y	3.00	2013/14 – 2021/22	\$ 18,913,000	6,498,000
Systemwide Revenue Bonds, Series 2004A	3.30 – 5.25	2013/14 – 2026/27	158,010,000	40,010,000
Systemwide Revenue Bonds, Series 2005A	3.63 – 5.00	2013/14 – 2037/38	667,105,000	583,935,000
Systemwide Revenue Bonds, Series 2005B	5.00	2015/16 – 2021/22	134,805,000	70,300,000
Systemwide Revenue Bonds, Series 2005C	4.00 – 5.25	2017/18 – 2038/39	540,900,000	499,195,000
Systemwide Revenue Bonds, Series 2007A	4.00 – 5.00	2024/25 – 2044/45	254,770,000	243,000,000
Systemwide Revenue Bonds, Series 2007B	5.27 – 5.55	2027/28 – 2037/38	13,165,000	11,715,000
Systemwide Revenue Bonds, Series 2007C	5.00	2020/21 – 2028/29	63,275,000	53,210,000
Systemwide Revenue Bonds, Series 2007D	4.00 – 5.00	2037/38	80,360,000	74,455,000
Systemwide Revenue Bonds, Series 2008A	3.50 – 5.00	2022/23 – 2039/40	375,160,000	350,475,000
Systemwide Revenue Bonds, Series 2009A	3.50 – 6.00	2015/16 – 2040/41	465,365,000	450,280,000
Systemwide Revenue Bonds, Series 2010A	3.00 – 5.00	2019/20 – 2031/32	146,950,000	134,555,000
Systemwide Revenue Bonds, Series 2010B	5.45 – 6.48	2035/36 – 2041/42	205,145,000	205,145,000
Systemwide Revenue Bonds, Series 2011A	0.55 – 5.25	2020/21 – 2042/43	429,855,000	429,015,000
Systemwide Revenue Bonds, Series 2012A	0.39 – 5.00	2021/22 – 2042/43	436,220,000	436,220,000
Systemwide Revenue Bonds, Series 2012B	2.79 – 4.17	2036/37	16,700,000	16,700,000
			<u>4,006,698,000</u>	<u>3,604,708,000</u>
Bond Anticipation Notes	Variable	2015/16 – 2019/20	28,760,000	27,055,000
Other	Variable	Various	<u>123,093,000</u>	<u>80,352,000</u>
<b>Total</b>			<b><u>\$ 4,158,551,000</u></b>	<b>3,712,115,000</b>

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

<u>Description</u>	<u>Interest rate percentage</u>	<u>Final maturity date</u>	<u>Original issue amount</u>	<u>Amount outstanding</u>
Unamortized bond net premium				\$ 133,989,000
Total long-term debt				3,846,104,000
Less current portion				<u>(98,747,000)</u>
Long-term debt, net of current portion				<u>\$ 3,747,357,000</u>

Long-term debt principal and interest are payable and mature in the following fiscal years:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 98,747,000	179,083,000
2015	107,968,000	175,298,000
2016	121,846,000	170,492,000
2017	114,958,000	165,081,000
2018	125,579,000	163,373,000
2019 – 2023	657,087,000	709,225,000
2024 – 2028	720,066,000	541,516,000
2029 – 2033	812,600,000	347,981,000
2034 – 2038	655,005,000	157,934,000
2039 – 2043	287,438,000	30,793,000
2044 – 2048	9,703,000	407,000
2049 – 2053	1,118,000	6,000
	<u>\$ 3,712,115,000</u>	<u>2,641,189,000</u>

Long-term debt obligations of the individual discretely presented component units have been issued to purchase or construct facilities for University-related uses. For additional information regarding long-term debt obligations of the individual discretely presented auxiliary organizations, refer to their separately issued financial statements.

**(10) Advanced Refundings**

**(a) Current Year Refundings**

In August 2012, the University partially defeased certain (Series 2002A, 2003A, and 2004A) Systemwide Revenue Bonds by placing a portion of the proceeds from the issuance of the Systemwide Revenue Bonds Series 2012A refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The proceeds from the Series 2012A refunding bonds were used to purchase U.S. federal, state, and local government securities that were placed in escrow accounts. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matured. These transactions will reduce the University's total financing cost by approximately \$80,511,000 over the life of the bonds. The

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

economic gain (difference between net present values of the debt service payments on the old debt and new debt) from these transactions was approximately \$52,685,000. Accordingly, the refunded bonds have been considered defeased and, therefore, removed as a liability from the accompanying financial statements. The amount of defeased bonds outstanding related to this refunding as of June 30, 2013 totaled \$352,500,000.

The accompanying financial statements include a total unamortized loss on the refundings of \$32,020,000. The loss represents the difference between the proceeds of the new bond issue, as adjusted for premium or discount, and the principal amounts of the bonds being defeased. The loss is being amortized over the life of the new bond issuance or the old bond issuance, whichever is shorter.

**(11) Long-Term Liabilities Activity**

Long-term liabilities activity of the University for the year ended June 30, 2013 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 202,812,000	132,954,000	(129,951,000)	205,815,000	116,287,000
Self-insurance claims liability (notes 2 and 13)	76,289,000	—	(76,289,000)	—	—
Capitalized lease obligations (note 8)	989,702,000	216,256,000	(60,320,000)	1,145,638,000	68,364,000
Long-term debt obligations (note 9):					
Systemwide revenue bonds	3,542,648,000	452,920,000	(390,860,000)	3,604,708,000	89,390,000
Bond anticipation notes	38,542,000	27,405,000	(38,892,000)	27,055,000	340,000
Other	75,908,000	29,563,000	(25,119,000)	80,352,000	9,017,000
	<u>3,657,098,000</u>	<u>509,888,000</u>	<u>(454,871,000)</u>	<u>3,712,115,000</u>	<u>98,747,000</u>
Unamortized bond premium	79,325,000	48,029,000	6,635,000	133,989,000	—
Unamortized loss on debt refundings	<u>(26,443,000)</u>	—	<u>26,443,000</u>	—	—
Total long-term debt obligations	<u>3,709,980,000</u>	<u>557,917,000</u>	<u>(421,793,000)</u>	<u>3,846,104,000</u>	<u>98,747,000</u>
Total long-term liabilities	<u>\$ 4,978,783,000</u>	<u>907,127,000</u>	<u>(688,353,000)</u>	<u>5,197,557,000</u>	<u>283,398,000</u>

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

Long-term liabilities activity of the combined discretely presented component units of the University for the year ended June 30, 2013 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 17,277,000	10,660,000	(10,412,000)	17,525,000	14,001,000
Self-insurance claims liability	2,948,000	—	(2,948,000)	—	—
Claims liability for losses and loss adjustment expenses	—	88,157,000	—	88,157,000	28,928,000
Capitalized lease obligations	363,265,000	6,535,000	(7,014,000)	362,786,000	13,570,000
Long-term debt obligations:					
Revenue bonds	282,920,000	34,480,000	(123,455,000)	193,945,000	5,865,000
Commercial paper	92,581,000	352,072,000	(361,477,000)	83,176,000	20,006,000
Notes payable	48,250,000	12,565,000	(1,365,000)	59,450,000	1,910,000
Other	112,416,000	21,728,000	(3,022,000)	131,122,000	2,897,000
	<u>536,167,000</u>	<u>420,845,000</u>	<u>(489,319,000)</u>	<u>467,693,000</u>	<u>30,678,000</u>
Unamortized bond premium	8,010,000	4,208,000	(1,938,000)	10,280,000	—
Unamortized loss on debt refundings	<u>(4,664,000)</u>	<u>4,464,000</u>	<u>200,000</u>	<u>—</u>	<u>—</u>
Total long-term debt obligations	<u>539,513,000</u>	<u>429,517,000</u>	<u>(491,057,000)</u>	<u>477,973,000</u>	<u>30,678,000</u>
Total long-term liabilities	\$ <u>923,003,000</u>	<u>534,869,000</u>	<u>(511,431,000)</u>	<u>946,441,000</u>	<u>87,177,000</u>

For additional information regarding the long-term liabilities of the individual discretely presented component units of the University, refer to their separately issued financial statements.

**(12) Pension Plan and Postretirement Benefits**

**(a) Pension Plan**

**Plan Description**

The University, as an agency of the State, contributes to the CalPERS. The State's plan with CalPERS is an agent multiple-employer defined benefit pension plan and CalPERS functions as an investment and administrative agent for its members. For the University, the plan acts as a cost-sharing multiple-employer defined benefit pension plan, which provides a defined benefit pension and postretirement program for substantially all eligible University employees. The plan also provides survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

**Funding Policy**

University personnel are required to contribute 5% of their annual earnings in excess of \$513 per month to CalPERS. Effective January 1, 2013 all new employees are required to contribute 6% of their annual earnings per month to CalPERS. The University is required to contribute at an actuarially determined rate; the current rate is approximately 21.2% of annual covered payroll. The contribution requirements of the plan members are established and may be amended by CalPERS. There is no contractual maximum contribution required for the University by CalPERS.

The University's contributions to CalPERS for the most recent three fiscal years were equal to the required contributions and were as follows:

2011	\$ 423,818,000
2012	411,926,000
2013	462,607,000

**(b) Postretirement Healthcare Plan**

In accordance with GASB pronouncements, the University is required to recognize the cost of other postemployment benefits (OPEB) on an accrual basis.

**Plan Description**

The State provides retiree healthcare benefits to statewide employees, including the University employees, through the programs administered by CalPERS. The State's substantive plan represents a substantive single-employer defined benefit OPEB Plan, which includes medical and prescription drug benefits (collectively, healthcare benefits) to the retired University employees. The University provides dental benefits to eligible University's retirees. Eligible retirees receive healthcare and dental benefits upon retirement at age 50 with 5 years of service credit.

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties); for dental benefits, a Dental Maintenance Organization (DMO) and dental indemnity plans to the University's retirees. Health plans offered, covered benefits, monthly rates, and copayments are determined by the CalPERS Board, which reviews health plan contracts annually.

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution toward the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

**Funding Policy**

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts.

**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University. The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts.

The University is responsible for paying the cost of dental benefits for all University retirees using funds provided by the State through general fund appropriations. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is paying these benefits on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the components of the total annual required contribution (ARC) for the University's allocated portion of the postretirement healthcare plan, the amount contributed to the plan by the University, and changes in the University's net OPEB obligation (NOO) for the fiscal year ended 2013:

Annual required contribution (ARC):	
Billable accounts	\$ 35,602,000
Nonbillable accounts (dental only)	<u>40,055,000</u>
Total ARC	<u>75,657,000</u>
Contributions:	
Billable accounts	(13,175,000)
Nonbillable accounts (dental only)	<u>(16,051,000)</u>
Total contributions	<u>(29,226,000)</u>
Increase in net OPEB obligation (NOO)	46,431,000
NOO – beginning of year	<u>172,587,000</u>
NOO – end of year:	
Billable accounts	102,950,000
Nonbillable accounts (dental only)	<u>116,068,000</u>
Total NOO	<u>\$ 219,018,000</u>
Percentage of annual OPEB cost contributed during the year ended June 30, 2013	39%

**Actuarial Methods and Assumptions and Plan Funding Information**

As an agency of the State, the University was included in the State's OPEB actuarial study. The analysis of the statewide ARC by accounts is performed by the State Controller's Office (SCO) and a portion related to billable accounts is allocated to the University. Since the ARC allocated by the

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2013

SCO does not provide a breakdown of the ARC for health and dental benefits separately, the ARC for the nonbillable accounts, which related only to dental benefits, was estimated based on dental contributions as a percentage of the total OPEB contributions.

Projections of benefits for financial statement reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the State and the plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective. In the June 30, 2012 actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.50% investment rate of return, 4.5% discount rate and an annual State healthcare cost trend rate of actual increases for 2013 and 9.00% in 2014, initially, reduced to an ultimate rate of 4.50% after seven years. Both rates included a 3.00% annual inflation assumption. Annual wage inflation is assumed to be 3.25%. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

Funding progress information specifically related to the University's portion of the statewide OPEB plan is not available. For more details about the actuarial methods and assumptions used by the State as well as the statewide plans' funding progress and status, refer to the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended 2013.

### **(13) Claims Liability for Losses and Loss Adjustment Expenses**

The University and certain auxiliary organizations have established the CSURMA, a discretely presented component unit of the University, to centrally manage workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The claims liability included in the discretely presented component unit column reflects the estimated ultimate cost of settling claims related to events that have occurred on or before June 30, 2013. The liability includes estimated amounts that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not yet been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is a reasonable estimate at June 30, 2013.

### **(14) Commitments and Contingencies**

The State is a defendant in multiple lawsuits involving University matters not covered by the CSURMA discussed in note 13. Management of the University is of the opinion that the liabilities, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2013

Authorized but unexpended expenditures for construction projects as of June 30, 2013 totaled \$213,819,000. These expenditures will be funded primarily by State appropriations and bond proceeds.

In order to secure access to natural gas and electricity used for normal operation, the University participates in forward purchase contracts of natural gas and electricity operated by the Department of General Service (DGS) and Shell Energy North America (Shell), respectively. The University's obligation under these special purchase arrangements requires it to purchase an estimated total of \$34,916,000 and \$25,743,000 of natural gas and electricity at fixed prices through June 2017 and March 2014, respectively. The University estimates that the special purchase contracts in place represent approximately 55.50% and 13.77% of its total annual natural gas and electricity expenses, respectively.

**(15) Classification of Operating Expenses**

The University has elected to report operating expenses by functional classification in the statement of revenues, expenses, and changes in net position, and to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2013, operating expenses by natural classification consisted of the following:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and amortization</u>	<u>Total</u>
Functional classification:						
Instruction	\$ 1,391,670,000	568,922,000	—	172,694,000	—	2,133,286,000
Research	20,782,000	6,669,000	—	15,052,000	—	42,503,000
Public service	31,595,000	10,524,000	—	23,185,000	—	65,304,000
Academic support	312,663,000	137,925,000	—	150,616,000	—	601,204,000
Student services	327,966,000	148,605,000	—	176,570,000	—	653,141,000
Institutional support	327,452,000	147,659,000	—	165,308,000	—	640,419,000
Operation and maintenance of plant	178,138,000	99,011,000	—	251,627,000	—	528,776,000
Student grants and scholarships	—	—	826,933,000	—	—	826,933,000
Auxiliary enterprise expenses	66,461,000	49,946,000	—	164,905,000	—	281,312,000
Depreciation and amortization	—	—	—	—	435,530,000	435,530,000
<b>Total</b>	<b>\$ 2,656,727,000</b>	<b>1,169,261,000</b>	<b>826,933,000</b>	<b>1,119,957,000</b>	<b>435,530,000</b>	<b>6,208,408,000</b>

**(16) Transactions with Related Entities**

The University is an agency of the State and receives about 32.7% of total revenues through state appropriations. State appropriations allocated to the University aggregated approximately \$2.1 billion for the year ended June 30, 2013. State appropriations receivable aggregated \$361,943,000 at June 30, 2013.

**(17) Subsequent Events**

In July 2013, a BAN of approximately \$25 million was issued for the Student Health & Counseling Center at the San Jose campus. In August 2013, BANs of approximately \$19.2 million was issued for Student Housing at the Bakersfield campus. In September 2013, a BAN of \$10 million and \$24.8 million was issued for Student Housing Phase II at Northridge and Granada Apartment Acquisition at San Diego campuses, respectively.



**CALIFORNIA STATE UNIVERSITY**

**Notes to Financial Statements**

**June 30, 2013**

**In August 2013, the University issued its Systemwide Revenue Bonds Series 2013A in the amount of \$308,855,000. Proceeds were used to refund certain maturities of Systemwide Revenue Bonds Series 2005A and 2005C, as well as refund outstanding bond indebtedness issued by an auxiliary organization.**

**Also in July 2013, Standard & Poor's Ratings Services upgraded the intrinsic rating for the Systemwide Revenue Bonds to AA- with a stable outlook.**

## **COMMITTEE ON AUDIT**

### **Single Audit Reports of Federal Funds**

#### **Presentation by**

Sally Roush  
Interim Vice Chancellor  
Business and Finance

George Ashkar  
Assistant Vice Chancellor/Controller  
Financial Services

#### **Summary**

Federal awards received by the California State University (CSU), including student financial aid, are subject to both compliance and internal control audit procedures as required by the Office of Management and Budget, Circular A-133.

The CSU A-133 Single Audit Reports were issued ahead of the schedule in October with an unmodified (i.e. clean) opinion. There was one finding (2013-01), which was not a material weakness, relating to internal control over the return of Title IV funds at three campuses. Corrective action is in progress and a status update will be provided at the Board meeting in March.

In summary, the fiscal year ending June 30, 2013 was a successful year from an audit perspective. Representatives from KPMG, the Systemwide audit firm, will be present to answer questions.



**CALIFORNIA STATE UNIVERSITY**

**Single Audit Reports**

**Year ended June 30, 2013**

# CALIFORNIA STATE UNIVERSITY

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KPMG LLP  
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**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
California State University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements, and have issued our report thereon dated October 15, 2013. Our report refers to other auditors who audited 90 of the 92 aggregate discretely presented component units, which statements reflect total assets constituting 94% and total revenues constituting 94% of the aggregate discretely presented totals. The reports of the other auditors have been furnished to us, and our opinions, insofar as they relate to the amounts included for the 90 aggregate discretely presented component units, are based solely on the reports of the other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters in accordance with *Government Auditing Standards* that are reported on separately by those auditors.

Our report also refers to the California State University's adoption of the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, as of June 30, 2013, which resulted in the restatement of net position as of the beginning of the year for both the California State University and the discretely presented component units in the amount of \$58,358,000.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered California State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California State University's internal control. Accordingly, we do not express an opinion on the effectiveness of California State University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether California State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the California State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

October 15, 2013



KPMG LLP  
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**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**

The Board of Trustees  
California State University:

**Report on Compliance for Each Major Federal Program**

We have audited the California State University's (the University), an agency of the State of California, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's basic financial statements include the operations of the University's related discretely presented component units, which received federal awards and which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of the component units because the component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

We did not audit the University's compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Compliance Supplement. Those requirements govern functions performed by Educational Computer System, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2013, was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of



compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item SA-2013-1. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Compliance Supplement are performed by ECSI. Internal control over compliance related to such functions for the year ended June 30, 2013, was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ECSI's internal control over compliance related to such functions.





A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item SA-2013-1, that we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements, and have issued our report thereon dated October 15, 2013, which contained an unmodified opinion on those financial statements. Our report refers to other auditors who audited 90 of the 92 aggregate discretely presented component units. The reports of the other auditors have been furnished to us, and our opinions, insofar as they relate to the amounts included for the 90 discretely presented component units, are based solely on the reports of the other auditors. Our report also refers to the University's adoption of the provisions of the Governmental Accounting Standards Board's Statement No. 61, *The Financial Reporting Entity: Omnibus*, as of June 30, 2013, which resulted in the restatement of net position as of the beginning of the year for both the California State University and the discretely presented component units in the amount of \$58,358,000. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial



statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**KPMG LLP**

October 15, 2013

**CALIFORNIA STATE UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/expenditures
<b>Student Financial Assistance Cluster:</b>			
U.S. Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grant Program	84.007		\$ 10,833,799
Federal Work-Study Program	84.033		14,513,404
Federal Perkins Loan Program	84.038		10,235,523
Federal Pell Grant Program	84.063		781,706,247
Federal Direct Student Loans	84.268		1,568,425,952
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		<u>1,354,929</u>
Total U.S. Department of Education			<u>2,387,069,854</u>
U.S. Department of Health and Human Services:			
Direct programs:			
Nurse Faculty Loan Program	93.264		6,720
Nursing Student Loan Program	93.364		<u>338,610</u>
Total U.S. Department of Health and Human Services			<u>345,330</u>
Total Student Financial Assistance Cluster			<u>2,387,415,184</u>
<b>Other program and clusters:</b>			
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
Passed through California Department of Education:			
Summer Food Service Program for Children	10.559	37-7806-8V	<u>13,521</u>
Total Child Nutrition Cluster			<u>13,521</u>
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	04346-CCSP-12-HU-CS 04347-CACFP-38- HU-SOIC	35,667
Child and Adult Care Food Program	10.558		<u>752,598</u>
Subtotal CFDA 10.558			<u>788,265</u>
Total U.S. Department of Agriculture			<u>801,786</u>
U.S. Department of Commerce:			
Passed through Consortium for Ocean Leadership: Congressionally Identified Awards and Projects			
	11.469	SA#13-17	<u>13,000</u>
Total U.S. Department of Commerce			<u>13,000</u>
U.S. Department of Defense:			
Passed through California State University, Long Beach:			
The Language Flagship Grants to Institutions of Higher Education	12.550	S07-373110-SFSUM	6,637
Passed through Institute of International Education Incorporated:			
The Language Flagship Grants to Institutions of Higher Education	12.550	NSEP-U631033- SFSU-CHN-09-D08	14,697
The Language Flagship Grants to Institutions of Higher Education	12.550	NSEP-U631063- SFSU-CHN-K12-AO	23,749
The Language Flagship Grants to Institutions of Higher Education	12.550	NSEP-U631073-SFSU-CHN	<u>471,459</u>
Subtotal CFDA 12.550			<u>516,542</u>
Passed through California State University, Office of the Chancellor:			
Congressionally Directed Assistance	12.599	S124910100SFMAN	25,635
Congressionally Directed Assistance	12.599	S124910100SFPER	27,537
Passed through California State University, Long Beach:			
Congressionally Directed Assistance	12.599	S07-373110-SFSUP	54,691
Subtotal CFDA 12.599			<u>107,863</u>
Direct program:			
Language Grant Program	12.900		<u>86,831</u>
Total U.S. Department of Defense			<u>711,236</u>

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures
<b>U.S. Department of the Interior:</b>			
Direct programs:			
Department of Interior (not classified elsewhere)	15.000		\$ 136,464
Cultural Resource Management	15.224		10,793
Fish and Wildlife Management Assistance	15.608		26,745
Passed through Office of Historic Preservation:			
Historic Preservation Fund Grants-in-Aid	15.904	C8953543	13,500
Historic Preservation Fund Grants-in-Aid	15.904	C8954518	17,607
Subtotal CFDA 15.904			<u>31,107</u>
Direct program:			
Native American Graves Protection and Repatriation Act	15.922		49,361
Total U.S. Department of the Interior			<u>254,470</u>
<b>U.S. Department of Labor:</b>			
Workforce Investment Act (WIA) Cluster:			
Passed through California Employment Development Department: WIA Adult Program	17.258	K078125	40,390
Total Workforce Investment Act (WIA) Cluster			<u>40,390</u>
Passed through Growth Sector:			
H-1B Job Training Grants	17.268	MOU	37,533
Passed through South Bay Workforce Investment Consortium, Incorporated:			
WIA National Emergency Grants	17.277	None	24,150
Total U.S. Department of Labor			<u>102,073</u>
<b>U.S. Department of Transportation:</b>			
Passed through California Department of Transportation:			
Department of Transportation (not classified elsewhere)	20.000	04A3889	3,302
Department of Transportation (not classified elsewhere)	20.000	04A3355	43,113
Department of Transportation (not classified elsewhere)	20.000	C C07E0014	89,235
Subtotal CFDA 20.000			<u>135,650</u>
Passed through County of San Diego:			
National Highway Traffic Safety Administration Discretionary Safety Grants	20.614	532636	9,623
Direct program:			
Capital Construction Fund	20.808		848,746
Total U.S. Department of Transportation			<u>994,019</u>
<b>National Aeronautics and Space Administration:</b>			
Direct program:			
Science	43.001		246,923
Passed through University of California, San Diego:			
Science	43.001	NNX10AT93H	15,222
Passed through Stanford University:			
Science	43.001	PY04430-22727-C	697,274
Passed through California Institute of Technology:			
Science	43.001	44A-1085525	135,046
Subtotal CFDA 43.001			<u>1,094,465</u>
Direct Program:			
Education	43.008		392,698
Passed through Alameda County Office of Education:			
Education	43.008	ACOE-X00300	137
Subtotal CFDA 43.008			<u>392,835</u>
Total National Aeronautics and Space Administration			<u>1,487,300</u>

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
Year ended June 30, 2013

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
<b>National Endowment for the Arts:</b>			
Direct program:			
Promotion of the Arts Grants to Organizations and Individuals	45.024		\$ <u>14,853</u>
Total National Endowment for the Arts			<u>14,853</u>
<b>National Endowment for the Humanities:</b>			
Passed through California Humanities:			
Promotion of the Humanities Federal/State Partnership	45.129	COS12-353	<u>7,587</u>
Total National Endowment for the Humanities			<u>7,587</u>
<b>Institute of Museum and Library Services:</b>			
Direct program:			
Grants to States	45.310		<u>2,827</u>
Total Institute of Museum and Library Services			<u>2,827</u>
<b>Small Business Administration:</b>			
Direct program:			
Small Business Administration	59.000		<u>7,106</u>
Total Small Business Administration			<u>7,106</u>
<b>U.S. Department of Energy:</b>			
Direct program:			
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		229,297
Passed through Zimtar, Incorporated:			
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-EE0005492	11,080
Passed through Sacramento Municipal Utility District:			
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis (SMART GRID)	81.122	DE-OE0000214	<u>979,147</u>
Total U.S. Department of Energy			<u>1,219,524</u>
<b>U.S. Department of Education, excluding Student Financial Assistance Cluster:</b>			
Title I, Part A Cluster			
Passed through California Department of Education: Title I Grants to Local Educational Agencies	84.010	CN110387	<u>15,045</u>
Total Title I, Part A Cluster			<u>15,045</u>
<b>TRIO Cluster:</b>			
Direct program:			
TRIO_Student Support Services	84.042		1,532,550
Passed through The California State University, Chico Research Foundation:			
TRIO_Student Support Services	84.042	P042A100854-12	30,989
Passed through San Diego State University Research Foundation:			
TRIO_Student Support Services	84.042	40085576	<u>20,000</u>
Subtotal CFDA 84.042			<u>1,583,539</u>
Direct programs:			
TRIO_Talent Search Program	84.044		458,462
TRIO_Upward Bound Program	84.047		1,540,560
TRIO_McNair Post-Baccalaureate Achievement Program	84.217		296,317
Passed through Regents of the University of California:			
TRIO_McNair Post-Baccalaureate Achievement Program	84.217	E103GPA097	<u>17,248</u>
Subtotal CFDA 84.217			<u>313,565</u>
Total TRIO Cluster			<u>3,896,126</u>

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Teacher Quality Partnership Grants Cluster:			
Passed through California State University Bakersfield Auxiliary for Sponsored Programs Administration:			
Teacher Quality Partnership Grants	84.336	SA GRA1677	\$ 33,394
Passed through The California State University, Chico Research Foundation:			
Teacher Quality Partnership Grants	84.336	12-012	20,126
Teacher Quality Partnership Grants	84.336	SUB 12-059	6,577
Subtotal CFDA 84.336			<u>60,097</u>
Total Teacher Quality Partnership Grants Cluster			<u>60,097</u>
Passed through California Department of Education:			
Migrant Education – State Grant Program	84.011	CN110387	16,652
Direct programs:			
International Research and Studies	84.017		120,496
Higher Education Institutional Aid	84.031		4,377,599
Higher Education Institutional Aid – Title V Computer Engineering	84.031		687,100
Higher Education Institutional Aid – Engineering Sciences	84.031		1,911,048
Passed through Bakersfield College:			
Higher Education Institutional Aid – Stem and Articulation Program	84.031	GRA 1994	307,516
Passed through California State University Fullerton Auxiliary Services Corporation:			
Higher Education Institutional Aid	84.031	S-5261-CSU	5,817
Passed through Ventura County Community College District:			
Higher Education Institutional Aid	84.031	P0083733	97,429
Passed through San Mateo County Community College District:			
Higher Education Institutional Aid	84.031	P031C110159	109,000
Subtotal CFDA 84.031			<u>7,495,509</u>
Direct programs:			
TRIO Staff Training Program	84.103		281,121
Fund for the Improvement of Postsecondary Education	84.116		297,098
Passed through LaGuardia Community College:			
Fund for the Improvement of Postsecondary Education	84.116	46355-M	5,030
Subtotal CFDA 84.116			<u>302,128</u>
Direct program:			
Minority Science and Engineering Improvement – Engineering Calculus and Outreach	84.120		220,590
Passed through California Department of Rehabilitation:			
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	27421	159,392
Direct programs:			
Rehabilitation Long-Term Training	84.129		264,157
National Institute on Disability and Rehabilitation Research	84.133		260,152
Javits Fellowships	84.170		50,712
English Language Acquisition National Professional Development Program	84.195		197,563
Passed through West Contra Costa County Unified School District:			
Fund for the Improvement of Education	84.215	C1230156	19,713
Fund for the Improvement of Education	84.215	C1330080	79,817
Passed through Mendocino County Office of Education:			
Fund for the Improvement of Education	84.215	TAHMENDO 090112_YR3	84,211
Subtotal CFDA 84.215			<u>183,741</u>
Passed through San Joaquin County Office of Education:			
Education Research, Development and Dissemination	84.305	MOU-EUSD/RISE	16,709
Direct program:			
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325		859,786

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Passed through Salus University: Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	83401	\$ 29,626
Passed through California State University, Los Angeles Auxiliary Services, Incorporated: Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	SFSU-Hannan 230545	<u>56,207</u>
Subtotal CFDA 84.325			<u>945,619</u>
Direct program: Special Education – Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		556,976
Passed through Stanislaus County Office of Education: Advanced Placement Program (Placement Test Fee, Incentive Program Grants)	84.330	PO 201039	4,264
Advanced Placement Program (Placement Test Fee, Incentive Program Grants)	84.330	PO 201376	4,353
Advanced Placement Program (Placement Test Fee, Incentive Program Grants)	84.330	PO 302715	<u>24,000</u>
Subtotal CFDA 84.330			<u>32,617</u>
Direct program: Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	84.333		38,468
Passed through San Francisco Unified School District: Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	SFUSD FY 2011-2012	2,829
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	SFSU FY 2012-2013	<u>80,704</u>
Subtotal CFDA 84.334			<u>83,533</u>
Direct program: Child Care Access Means Parents in School	84.335		310,938
Passed through California State University Dominguez Hills Foundation: Transition to Teaching	84.350	5630	30,122
Direct program: English Language Acquisition State Grants	84.365		142,614
Passed through California Department of Education: English Language Acquisition State Grants	84.365	CN110387	133,215
Passed through University of California, Santa Cruz: English Language Acquisition State Grants	84.365	S0183643	<u>70,260</u>
Subtotal CFDA 84.365			<u>346,089</u>
Passed through Bellevue School District: Mathematics and Science Partnerships	84.366	SSU101A1-POP12-00270	18,605
Mathematics and Science Partnerships	84.366	SSU-101 A2	<u>82,068</u>
Subtotal CFDA 84.366			<u>100,673</u>
Passed through The Regents of the University of California, Los Angeles: Improving Teacher Quality State Grants	84.367	1010 G HC099	42,782
Passed through The Regents of the University of California: Improving Teacher Quality State Grants	84.367	NCLB9-CMP-SONOMA	28,843
Improving Teacher Quality State Grants	84.367	NCLB9-CISP-SONOMA	31,766
Improving Teacher Quality State Grants	84.367	1010 G PB114	93,000
Improving Teacher Quality State Grants	84.367	1010 G PB108	51,703
Improving Teacher Quality State Grants	84.367	NCLB9-CMP-STANISLAUS	26,450
Improving Teacher Quality State Grants	84.367	NCLB9-CWP-TURLOCK	34,535

**CALIFORNIA STATE UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

Federal grantor/pass-through agency/program title	Catalog of federal assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures
Passed through California Postsecondary Education Commission: Improving Teacher Quality State Grants	84.367	ITQ-11-800	\$ 249,797
Passed through National Writing Project: Improving Teacher Quality State Grants	84.367	92-CA-10 SEED 2012	35,745
Subtotal CFDA 84.367			<u>594,621</u>
Total U.S. Department of Education, excluding Student Financial Assistance Cluster			<u>16,579,846</u>
U.S. Department of Health and Human Services:			
Child Care and Development Fund Cluster:			
Passed through California Department of Education: Child Care and Development Block Grant	93.575	CSPP-2099	15,790
Child Care and Development Block Grant	93.575	CCTR-2048	43,494
Subtotal CFDA 93.575			<u>59,284</u>
Passed through California Department of Education: Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-2099	28,636
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-2048	79,127
Subtotal CFDA 93.596			<u>107,763</u>
Total Child Care and Development Fund Cluster			<u>167,047</u>
Passed through University of California, San Francisco: Chronic Diseases: Research, Control, and Prevention	93.068	CHECK # CXCCJ465	1,507
Direct programs: Mental Health Research Grants	93.242		115,085
Mental Health National Research Service Awards for Research Training	93.282		214,069
Passed through Santa Rosa Community Health Center: Nurse Education, Practice Quality and Retention Grants	93.359	AGMT 101 AMT I 101	4,320
Nurse Education, Practice Quality and Retention Grants	93.359		19,373
Subtotal CFDA 93.359			<u>23,693</u>
Direct programs: National Center for Research Resources	93.389		194,579
Head Start (San Francisco State University)	93.600		12,818,941
Passed through Northcoast Children's Services: Head Start (Humboldt State University)	93.600	09CH0054	34,205
Subtotal CFDA 93.600			<u>12,853,146</u>
Passed through The Regents of the University of California, Berkeley: Foster Care Title IV-E	93.658	40878	1,110,081
Foster Care Title IV-E	93.658	7950	690,508
Passed through The Regents of the University of California: Foster Care Title IV-E	93.658	7808	1,153,238
Subtotal CFDA 93.658			<u>2,953,827</u>
Direct program: ARRA – Trans – National Institute of Health Recovery Act Research Support	93.701		2,697
Passed through University of California, Davis: ARRA – State Grants to Promote Health Information Technology	93.719	201225030-09	3,771
Passed through County of San Diego: ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	532636	59,363
Passed through Stanford University: Health Careers Opportunity Program	93.822	26676210-49878-A	242,440



**CALIFORNIA STATE UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Direct program:			
Biomedical Research and Research Training	93.859		\$ 1,958,772
Passed through American Society of Cell Biology:			
Biomedical Research and Research Training	93.859	PAR-08-118	5,947
Passed through University of California, San Francisco:			
Biomedical Research and Research Training	93.859	4862SC	15,497
Subtotal CFDA 93.859			<u>1,980,216</u>
Direct program:			
Specially Selected Health Projects	93.888		229,648
Passed through The Regents of the University of California, Los Angeles:			
Geriatric Education Centers	93.969	1558 G NA589	8,912
Total U.S. Department of Health and Human Services			<u>19,050,000</u>
Corporation for National and Community Service:			
Direct programs:			
Learn and Serve America Higher Education	94.005		251,520
AmeriCorps	94.006		61,105
Passed through Western Washington University:			
AmeriCorps	94.006	54570-A2011	1,680
Passed through Jumpstart for Young Children:			
AmeriCorps	94.006	100200	76,544
Subtotal CFDA 94.006			<u>139,329</u>
Total Corporation for National and Community Service			<u>390,849</u>
U.S. Department of Homeland Security:			
Passed through California Emergency Management Agency:			
Non-Profit Security Program	97.008	FY 2010	249,173
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1911-DR-CA, Cal EMA ID: 000-92269	66,479
Passed through Marine Exchange of the San Francisco Bay Area Region:			
Port Security Grant Program	97.056	2009-PU-T9-K032	740,546
Passed through California Emergency Management Agency:			
Homeland Security Grant Program	97.067	2009-SST9-0019	59,803
Homeland Security Grant Program	97.067	2010-0085	529,973
Homeland Security Grant Program	97.067	000-92010	4,823
Homeland Security Grant Program	97.067	FY 2009	7,294
Homeland Security Grant Program	97.067	FY 2010	27,751
Passed through Trustees of the California State University:			
Homeland Security Grant Program	97.067	X0068212-C1000	23,767
Homeland Security Grant Program	97.067	X0029209-PC000	39,813
Homeland Security Grant Program	97.067	X0068212-SO000	25,332
Passed through County of San Diego:			
Homeland Security Grant Program	97.067	2010 Operation Stonegarden Grant	57,020
Passed through California State University, Office of the Chancellor:			
Homeland Security Grant Program	97.067	X0068112-FR000	35,568
Homeland Security Grant Program	97.067	MOU X0068212-SF000	24,501
Homeland Security Grant Program	97.067	MOU X0020209-SF000	724
Homeland Security Grant Program	97.067	X0020209-SM000	13,850
Homeland Security Grant Program	97.067	X0068212-ST000	22,830
Subtotal CFDA 97.067			<u>873,049</u>
Total U.S. Department of Homeland Security			<u>1,929,247</u>

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
<b>Agency for International Development:</b>			
Passed through World Institute on Disability:			
United States Agency for International Development Foreign Assistance for Programs Overseas	98.001	SPANS-004	\$ 28,214
Passed through World Learning:			
United States Agency for International Development Foreign Assistance for Programs Overseas	98.001	SPANS-024	<u>216,369</u>
Total Agency for International Development			<u>244,583</u>
<b>Research and Development Cluster:</b>			
<b>U.S. Department of Agriculture:</b>			
Passed through California Department of Education:			
Agricultural Research_Basic and Applied Research Direct program:	10.001	37-7806-8V	17,744
Hispanic Serving Institutions Education Grants	10.223		65,806
Passed through The Regents of the University of California:			
Agriculture and Food Research Initiative	10.310	8103	42,226
Passed through University of California, Santa Barbara:			
Forestry Research	10.652	KK1339	6,174
Direct program:			
National Fish and Wildlife Foundation	10.683		5,054
Passed through The California State University, Chico			
Research Foundation:			
Transit in Parks Program	10.000	Sub-12-033	<u>6,801</u>
Total U.S. Department of Agriculture			<u>143,805</u>
<b>U.S. Department of Commerce:</b>			
Passed through Sonoma State University:			
Integrated Ocean Observing System	11.012	SA 110467	288,158
Passed through Monterey Bay Aquarium Research Institute:			
Integrated Ocean Observing System	11.012	PO# 1111289-A1	<u>578,077</u>
Subtotal CFDA 11.012			<u>866,235</u>
Passed through University of California, San Diego:			
Sea Grant Support	11.417	R/CC - 06PD	10,000
Passed through University of New Hampshire:			
Coastal Zone Management Administration Awards	11.419	1238	273,485
Direct programs:			
Coastal Zone Management Estuarine Research Reserves	11.420		635,235
Marine Sanctuary Program	11.429		3,762
Passed through The Nature Conservancy:			
Habitat Conservation	11.463	GMT-SFSU-091507	380
Direct program:			
Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	11.478		<u>106,393</u>
Total U.S. Department of Commerce			<u>1,895,490</u>
<b>U.S. Department of Defense:</b>			
Direct programs:			
Basic and Applied Scientific Research	12.300		412,490
ARRA - Basic, Applied, and Advanced Research in Science and Engineering	12.630		34,248
Air Force Defense Research Sciences Program	12.800		644,584
Passed through University of Missouri:			
Air Force Defense Research Sciences Program	12.800	C00030628-1	<u>29,522</u>
Subtotal CFDA 12.800			<u>674,106</u>
Total U.S. Department of Defense			<u>1,120,844</u>

**CALIFORNIA STATE UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures
<b>U.S. Department of the Interior:</b>			
Direct programs:			
Fish, Wildlife and Plant Conservation Resource Management	15.231		\$ 5,591
Central Valley Project Improvement Act, Title XXXIV	15.512		1,337,536
ARRA – Fish and Wildlife Coordination Act	15.517		97,097
Fish and Wildlife Management Assistance	15.608		23,933
Partners for Fish and Wildlife	15.631		190,312
Passed through California Department of Fish and Game:			
State Wildlife Grants	15.634	P1140013	68,293
Direct programs:			
Challenge Cost Share	15.642		4,271
Research Grants (Generic)	15.650		28,505
Earthquake Hazards Reduction Program	15.807		47,619
U.S. Geological Survey – Research and Data Collection	15.808		95,261
National Cooperative Geologic Mapping Program	15.810		12,563
Passed through California Office of Historic Preservation:			
Historic Preservation Fund Grants-In-Aid	15.904	C8954519	9,000
Direct programs:			
Rivers, Trails and Conservation Assistance	15.921		3,789
Natural Resource Stewardship	15.944		3,361
Total U.S. Department of the Interior			<u>1,927,131</u>
<b>U.S. Department of Labor:</b>			
Passed through County of San Mateo Workforce Development:			
Incentive Grants – Workforce Investment Act Section 503	17.267	73200-12-D007	15,491
Total U.S. Department of Labor			<u>15,491</u>
<b>U.S. Department of Transportation:</b>			
Passed through Georgia Institute of Technology:			
Aviation Research Grants	20.108	RA932-S1	1,661
Total U.S. Department of Transportation			<u>1,661</u>
<b>National Aeronautics and Space Administration:</b>			
Direct program:			
Science	43.001		400,429
Passed through United Negro College Fund Special Programs Corporation:			
Science	43.001	NSTI-MI NNA06CB14H	8,334
Passed through San Mateo County Community College District:			
Science	43.001	NNX10AU75G	35,371
Subtotal CFDA 43.001			<u>444,134</u>
Passed through Georgia Institute of Technology:			
Exploration	43.003	RD224-G1	125,372
Total National Aeronautics and Space Administration			<u>569,506</u>
<b>National Science Foundation:</b>			
Direct programs:			
Engineering Grants	47.041		280,832
Mathematical and Physical Sciences	47.049		1,794,752
Passed through The Mathematical Association of America:			
Mathematical and Physical Sciences	47.049	MOU-MAA	24,972
Subtotal CFDA 47.049			<u>1,819,724</u>
Direct programs:			
Geosciences	47.050		1,241,740
Computer and Information Science and Engineering	47.070		183,727
Biological Sciences	47.074		1,489,132

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

<b>Federal grantor/pass-through agency/program title</b>	<b>Catalog of federal domestic assistance (CFDA) number</b>	<b>Pass-through entity identifying number</b>	<b>Federal disbursements/ expenditures</b>
Passed through Los Angeles County Museum/ National Science Foundation: Biological Sciences	47.074	DEB-1025922	\$ 36,848
Passed through Pacific Ecoinformatics and Computational Ecology Lab: Biological Sciences	47.074	SWISSTSFU1	10,043
Passed through University of California, Santa Barbara: Biological Sciences	47.074	KK8149	13,854
Passed through University of California, Berkeley: Biological Sciences	47.074	7925	<u>15,979</u>
Subtotal CFDA 47.074			<u>1,565,856</u>
<b>Direct programs:</b>			
Social, Behavioral, and Economic Sciences	47.075		159,495
Education and Human Resources	47.076		1,896,623
Passed through Humboldt State University Sponsored Programs Foundation: Education and Human Resources	47.076	PO 0009730651-HMSPF	83,341
Passed through University Enterprises, Incorporated California State University, Sacramento: Education and Human Resources	47.076	HRD-0802628	25,316
Passed through Stanford Research Institute International: Education and Human Resources	47.076	43-000202	36,845
Passed through University Enterprises, Incorporated: California State University, Sacramento: Education and Human Resources – Alliance for Minority Partnerships	47.076	HRD-0802628	56,260
Education and Human Resources	47.076	520541A	28,261
Education and Human Resources	47.076	MOU 521761	2,000
Education and Human Resources	47.076	0802628515441A515445	36,653
Passed through California State University, East Bay Foundation, Inc.: Education and Human Resources	47.076	10000115-134	36,873
Passed through University Enterprises Corporation at California State University, San Bernardino: Education and Human Resources	47.076	SA GT 10184	16,124
Passed through The Regents of the University of California: Education and Human Resources	47.076	DUE-0631188	40,000
Education and Human Resources	47.076	12-MESA-63118-85-483	7,375
Passed through California State University, Sacramento: Education and Human Resources	47.076	HRD-0802628-515401	500
Education and Human Resources	47.076	521741	2,000
Education and Human Resources	47.076	515405	56,828
Passed through University of California, Berkeley: Education and Human Resources	47.076	00006229	8,829
Passed through University of California, Office of the President: Education and Human Resources	47.076	12MESA63118811473	7,375
Education and Human Resources	47.076	12MESA63118811445	10,000
Passed through Stanford Research Institute International: Education and Human Resources	47.076	43000002	26,544
Passed through Missouri State University: Education and Human Resources	47.076	11052-002	40,986
Passed through Trustees of the California State University: Education and Human Resources	47.076	HRD-0802628-515455	49,906
Education and Human Resources	47.076	MOU-0802628-521771	2,000
Passed through University of California, Santa Cruz: Education and Human Resources	47.076	S0182471	<u>38,432</u>
Subtotal CFDA 47.076			<u>2,509,071</u>
<b>Direct program:</b>			
Polar Programs	47.078		171,315
Passed through University of Nevada, Las Vegas: International Science and Engineering	47.079	#11-707D-F	46,028

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Direct program: ARRA – Trans – NSF Recovery Act Research Support Passed through Pomona College:	47.082		\$ 757,515
Trans – NSF Recovery Act Research Support	47.082	AST-09603 AGREEMENT 1	33,834
Subtotal CFDA 47.082			<u>791,349</u>
Total National Science Foundation			<u>8,769,137</u>
Environmental Protection Agency: Passed through California Coastal Conservancy: Congressionally Mandated Projects	66.202	10-030	108,613
Total Environmental Protection Agency			<u>108,613</u>
U.S. Department of Energy: Direct programs:			
Department of Energy (not classified elsewhere)	81.000		58,852
Office of Science Financial Assistance Program	81.049		113,018
Passed through Tulane University: Office of Science Financial Assistance Program	81.049	TUL-560-07/08	54
Subtotal CFDA 81.049			<u>113,072</u>
Passed through The Regents of the University of California, Berkeley: Renewable Energy Research and Development	81.087	Subaward No. 000007104	49,642
Total U.S. Department of Energy			<u>221,566</u>
U.S. Department of Education: Passed through California Postsecondary Education Commission: Improving Teacher Quality State Grants	84.367	ITQ-11-805	188,998
Passed through The Regents of the University of California: Improving Teacher Quality State Grants	84.367	E319GPA084/GQA083	48,112
Subtotal CFDA 84.367			<u>237,110</u>
Total U.S. Department of Education			<u>237,110</u>
U.S. Department of Health and Human Services: Passed through CommonHealth Action: Chronic Diseases: Research, Control, and Prevention	93.068	2010-1010	59,556
Direct program: Research Related to Deafness and Communication Disorders	93.173		50,804
Passed through University of California, San Francisco: Research on Healthcare Costs, Quality and Outcomes	93.226	6529SC	16,233
Direct program: Mental Health Research Grants	93.242		1,686,660
Passed through Arizona State University: Mental Health Research Grants	93.242	10-262	48,406
Passed through University of California, San Francisco: Mental Health Research Grants	93.242	6117SC A1	56,217
Subtotal CFDA 93.242			<u>1,791,283</u>
Passed through University of California, Berkeley: Alcohol Research Programs	93.273	7430	96,798
Passed through Research Triangle Institute International: Drug Abuse and Addiction Research Programs	93.279	Sub Grant #2-312-0212248	70,963
Direct program: Mental Health Research Career/Scientist Development Awards	93.281		133,610
Passed through Patient Center Outcomes Research Institute: Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	Contract R120190	29,084

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Direct program:			
Minority Health and Health Disparities Research	93.307		\$ 803,821
Passed through University of California, San Francisco:			
Cancer Cause and Prevention Research	93.393	5647SC	99,174
Direct program:			
Cancer Detection and Diagnosis Research	93.394		72,028
Passed through University of North Carolina at Chapel Hill:			
Head Start (Channel Islands)	93.600	5-33235	7,316
Passed through Samuel Merritt University:			
ARRA – Trans – NIH Recovery Act Research Support	93.701	Contract 2010-2013	74,958
Passed through Stanford University:			
ARRA – Trans – NIH Recovery Act Research Support	93.701	24024890-12656-A	60,759
Passed through University of California, San Francisco:			
ARRA – Trans – NIH Recovery Act Research Support	93.701	7109SC	3,270
Subtotal CFDA 93.701			<u>138,987</u>
Passed through University of California, San Diego:			
ARRA – Recovery Act – Comparative Effectiveness Research – Agency for Healthcare Research and Quality	93.715	10312723	256,655
Direct program:			
Cardiovascular Diseases Research	93.837		190,221
Passed through Medical College of Georgia:			
Cardiovascular Diseases Research	93.837	22411-2	2,966
Passed through The Regents of the University of California:			
Cardiovascular Diseases Research	93.837	IR01HL09176701A ISSU	75,136
Subtotal CFDA 93.837			<u>268,323</u>
Direct program:			
Allergy, Immunology and Transplantation Research	93.855		37,863
Passed through The Regents of the University of California:			
Allergy, Immunology and Transplantation Research	93.855	6125SC	66,636
Subtotal CFDA 93.855			<u>104,499</u>
Direct program:			
Biomedical Research and Research Training	93.859		1,260,037
Passed through University of California, San Francisco:			
Biomedical Research and Research Training	93.859	7284SC	76,480
Passed through Touro University:			
Biomedical Research and Research Training	93.859	00002SC	5,667
Passed through Stanford University:			
Biomedical Research and Research Training	93.859	26977560-30501-K	32,605
Subtotal CFDA 93.859			<u>1,374,789</u>
Direct program:			
Child Health and Human Development Extramural Research	93.865		1,049,679
Passed through University of California, Los Angeles:			
Aging Research	93.866	1920 G PA394	11,309
Direct program:			
Specially Selected Health Projects	93.888		11,423
Total U.S. Department of Health and Human Services			<u>6,446,334</u>
Total Research and Development Cluster			<u>21,456,688</u>
Total Expenditures of Federal Awards			<u>\$ 2,452,682,178</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on compliance for each major program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**CALIFORNIA STATE UNIVERSITY**

**Notes to Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2013**

**(1) General**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the California State University (the University). The University generally does not consider itself a subrecipient of federal funds when those funds are received from individual campus foundations. Rather, the University considers amounts received from foundations as payments for services rendered, even though such amounts may have originated from federal agencies. Accordingly, these amounts are not reflected in the accompanying Schedule.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the University and agencies and departments of the federal government and pass-through agencies. The awards are classified into major program categories in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**(2) Basis of Accounting**

The information in the accompanying Schedule is prepared on the accrual basis of accounting and is also presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(3) Loan Programs**

Total loans outstanding under the Federal Perkins Loan Program and the Nursing Student Loan Program were \$89,600,848 and \$1,879,327, respectively, at June 30, 2013. The amounts included in the accompanying Schedule consist of loans advanced to students and the administrative cost allowance for the year ended June 30, 2013.

**(4) Administrative Cost Allowances**

Administrative cost allowances included in the accompanying Schedule are summarized as follows:

Federal Perkins Loan Program	\$	1,343,066
Federal Pell Grant Program		653,560
Federal Supplemental Educational Opportunity Grant Program		72,558
Federal Work-Study Program		282,543
	\$	<u>2,351,727</u>

**CALIFORNIA STATE UNIVERSITY**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

**(5) Amounts Provided to Subrecipients**

Included in the Schedule are the following amounts passed through to subrecipients:

<u>Program title</u>	<u>CFDA No.</u>	<u>Amount</u>
Science	43.001	\$ 88,877
Education	43.008	15,694
Higher Education Institutional Aid	84.031	308,246
Fund for the Improvement of Postsecondary Education	84.116	29,591
Improving Teacher Quality State Grants	84.367	258,505
Mental Health Research Grants	93.242	26,921
Head Start	93.600	5,916,537
ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	59,941
Learn and Serve America Higher Education	94.005	103,591
Homeland Security Grant Program	97.067	470,548
United States Agency for International Development Foreign Assistance for Programs Overseas	98.001	95,712
<b>Research and Development Cluster:</b>		
Integrated Ocean Observing System	11.012	544,964
Coastal Zone Management Administration Awards	11.419	105,724
Basic and Applied Scientific Research	12.300	96,390
Air Force Defense Research Sciences Program	12.800	228,305
Central Valley Project Improvement Act, Title XXXIV	15.512	176,532
Geosciences	47.050	103,959
Improving Teacher Quality State Grants	84.367	159,039
Mental Health Research Grants	93.242	460,520
ARRA – Recovery Act Comparative Effectiveness Research – AHRQ	93.715	1,500
Child Health and Human Development Extramural Research	93.865	215,786
<b>Total Research and Development Cluster</b>		<u>2,092,719</u>
		<u>\$ 9,466,882</u>



**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

**(1) Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued on financial statements: **Unmodified opinion.**

Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies in internal control were disclosed by the audit of the consolidated financial statements \_\_\_\_\_ Yes      X   No
- Noncompliance material to the financial statements noted \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified \_\_\_\_\_ Yes      X   No
- Significant deficiencies in internal control over major programs   X   Yes    \_\_\_\_\_ No

Type of auditors' report issued on compliance for major programs:

We have issued an unmodified opinion on compliance related to the major programs, other than the compliance requirements governing maintaining contact with and billing the borrowers and processing deferment and cancellation requests and payments in the Student Financial Assistance Cluster: Federal Perkins Loan Program, which are processed by Educational Computer System Inc., upon which we issue no opinion.

Any Audit Findings that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133?   X   Yes    \_\_\_\_\_ No

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

***Identification of Major Programs***

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364, and 93.264	Student Financial Assistance Cluster
10.001, 10.223, 10.310, 10.652, 10.683, 10.000, 11.012, 11.417, 11.419, 11.420, 11.429, 11.463, 11.478, 12.300, 12.630, 12.800, 15.231, 15.512, 15.517, 15.608, 15.631, 15.634, 15.642, 15.650, 15.807, 15.808, 15.810, 15.904, 15.921, 15.944, 17.267, 20.108, 43.001, 43.003, 47.041, 47.049, 47.050, 47.070, 47.074, 47.075, 47.076, 47.078, 47.079, 47.082, 66.202, 81.000, 81.049, 81.087, 84.367, 93.068, 93.173, 93.226, 93.242, 93.273, 93.279, 93.281, 93.286, 93.307, 93.393, 93.394, 93.600, 93.701, 93.715, 93.837, 93.855, 93.859, 93.865, 93.866 and 93.888	Research and Development Cluster
84.042, 84.044, 84.047 and 84.217	TRIO Cluster
93.600	Head Start
81.122	ARRA Electricity Delivery and Energy Reliability, Research, Development and Analysis

Dollar Threshold Used to Distinguish Between Type A and Type B programs:

\$1,958,000

Auditee Qualified as Low-Risk Auditee?

\_\_\_\_\_ Yes      x   No

The University is not considered a low-risk auditee, solely due to administrative considerations that previously resulted in late filings with the Federal Data Clearinghouse.

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None noted.

**(3) Findings and Questioned Costs Relating to Federal Awards**

**2013-01**

*Campus:* California State Universities: Sonoma, Channel Islands and San Diego

*Cluster name/program* Student Financial Assistance Cluster

*CFDA number:* 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364 and 93.264

*Federal Agency:* U.S. Department of Education

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

*Passed through entity:* Not applicable  
*Award year:* July 1, 2012 through June 30, 2013  
*Compliance Requirement* Special Tests and Provisions – Return of Title IV Funds

***Criteria***

Title 34 Education. Chapter VI – Office of Postsecondary Education, Department of Education. Part 668 Student Assistance General Provisions. Subpart B Standards for Participation in Title IV, HEA Programs. Sec. 668.22 Treatment of Title IV Funds when a student withdraws. (e) Calculation of the amount of title IV assistance earned by the student – (1) General. The amount of title IV grant or loan assistance that is earned by the student is calculated by – (i) Determining the percentage of title IV grant or loan assistance that has been earned by the student, as described in paragraph (e)(2) of this section; and (ii) Applying this percentage to the total amount of title IV grant or loan assistance that was disbursed (and that could have been disbursed, as defined in paragraph (l)(1) of this section) to the student, or on the student’s behalf, for the payment period or period of enrollment as of the student’s withdrawal date. (j) Timeframe for the return of title IV funds. (1) An institution must return the amount of title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew as defined in paragraph (l)(3) of this section. The timeframe for returning funds is further described in § 668.173(b).

***Condition Found and Context***

For performance of procedures over the California State University’s (the University), compliance with the Return of Title IV Funds criteria, we performed testwork at 8 campuses using a sample size of 200. We noted the following as a result of our testwork:

- The Sonoma campus did not have effective controls in place to ensure the accuracy of the computation of Return of Title IV Funds. There were 8 errors in the total population of 61 students requiring refund calculations. We identified 5 of 61 students where the funds were returned to the student instead of the federal program. These errors resulted in an underpayment of \$11,830 to the affected federal programs. Further, for 2 of 61 students, the refunds were incorrectly calculated resulting in an overpayment of \$85 to the affected federal programs. The last error pertained to one student, in which the grant amount was not returned, resulting in an underpayment of \$508 to the affected federal programs. Total refunds processed at the Sonoma campus for the year ended June 30, 2013 totaled \$137,014.
- At the San Diego campus, we noted a late Return of Title IV Funds in 3 of 25 items sampled.
- The Channel Islands campus did not have documented controls in place over the completeness of students that withdrew and were subject to a Return of Title IV Funds. We did not identify any items of noncompliance as a result of our procedures.

***Cause and Effect***

With respect to the finding at the Sonoma campus, we noted ineffective management controls over the review of the refund process. As a result, errors were not identified by campus personnel.

**CALIFORNIA STATE UNIVERSITY**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

With respect to the finding at the San Diego campus, due to a lack of a timely review over refunds, three samples at the San Diego campus were returned after the deadline required by the federal programs.

***Questioned Costs***

Known amount of \$12,253, net, relating to the under return of funds to Title IV programs at the Sonoma campus.

***Recommendation***

We recommend that effective internal control procedures be implemented to ensure that the return of funds is processed accurately in addition to being returned in a timely manner. Additionally, proper documentation needs to be retained in order to demonstrate the existence of control procedures.

***Views of Responsible Officials***

The University concurs with the recommendation. Campuses are implementing additional controls to ensure the accuracy of refund/return calculations, the timely review and return of funds, and maintaining appropriate documentation as applicable to their specific campus finding(s).

## **COMMITTEE ON AUDIT**

### **National Collegiate Athletic Association Agreed-Upon Procedures**

#### **Presentation by**

Sally Roush  
Interim Vice Chancellor  
Business and Finance

George Ashkar  
Assistant Vice Chancellor/Controller  
Financial Services

#### **Summary**

Colleges and universities with intercollegiate athletic programs as members of the National Collegiate Athletic Association (NCAA) are subject to the NCAA's financial agreed-upon procedures reporting requirements. Division I schools are subject to agreed-upon verification procedures of financial data related to athletic programs annually and required to submit the financial data to NCAA annually. Division II schools are subject to agreed-upon verification procedures of financial data related to athletic programs at least once every three years, but should submit the financial data to NCAA annually.

The preliminary review of the reports from the campuses for fiscal years prior to 2012-2013 indicated that not all campuses may be in compliance. The Chancellor's Office sent a memo to campus presidents in November 2013 reminding them of the responsibility to ensure continuous compliance with the NCAA requirements. Since the NCAA agreed-upon procedures reports and data submission are due on January 15, we have not received the reports for the fiscal year ending June 30, 2013 at the time of drafting the agenda. We will report to the Board in March regarding the status of NCAA compliance by campus, based on the latest reports from the campuses.

**CORRECTED**

**AGENDA**

**COMMITTEE ON ORGANIZATION AND RULES**

**Meeting: 9:30 a.m., Wednesday, January 29, 2014**  
**Glenn S. Dumke Auditorium**

J. Lawrence Norton, Chair  
Roberta Achtenberg, Vice Chair  
Debra S. Farar  
Margaret Fortune  
Lupe C. Garcia  
Hugo N. Morales

**Consent Items**

Approval of Minutes of May 21, 2013

**Discussion Items**

1. Rules Governing the Board of Trustees, *Information*

**MINUTES OF MEETING OF  
COMMITTEE ON ORGANIZATION AND RULES  
Trustees of The California State University  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**May 21, 2013**

**Members Present**

Glen O. Toney, Chair  
Roberta Achtenberg, Vice Chair  
Douglas Faigin  
Debra S. Farar  
Margaret Fortune  
Hugo N. Morales

Chair Toney called the meeting to order.

Approval of the Minutes

The minutes of the March 19, 2013 meeting were approved as submitted.

Discussion Item

Chair Toney introduced the action item on the agenda, Schedule of Meetings for 2014. He commented that every effort was made to avoid conflicts with the meetings of the UC Board of Regents. The trustees approved the resolution (RCOC 05-13-01) and adopted the following dates for 2014:

January 28-29, 2014 Tuesday – Wednesday Headquarters  
March 25-26, 2014 Tuesday – Wednesday Headquarters  
May 20-21, 2014 Tuesday – Wednesday Headquarters  
July 22, 2014 Tuesday Headquarters  
September 9-10, 2014 Tuesday – Wednesday Headquarters  
November 12-13, 2014 Wednesday – Thursday Headquarters

Chair Toney adjourned the meeting.

## **COMMITTEE ON ORGANIZATION AND RULES**

### **Rules Governing the Board of Trustees**

#### **Presentation By**

Framroze Virjee  
Executive Vice Chancellor and General Counsel

#### **Summary**

During the January meeting, changes are being proposed to the Audit Committee Charter. These proposed changes are designed to keep the charter current and aligned with best practices, and to ensure the internal audit office is organizationally independent and able to carry out internal audit responsibilities in an unbiased manner. If these changes are approved by the Board, corresponding changes are needed to the Rules Governing the Board of Trustees so they are consistent with the Audit Committee Charter and clarify the responsibilities of the Committee on Audit and the relationship between the University Auditor and the Board.

The changes to Section 4 of Part I clarify that the University Auditor is appointed and evaluated by the Board upon recommendation by the Committee on Audit with input from the Chancellor. The remaining changes to Section 1(d) of Part IV pertaining to the responsibilities of the Committee on Audit are designed to reflect best practices and align with the changes to the Audit Committee Charter.

The Rules may be amended, but a draft of the proposed amendment must be considered at a regular Board meeting prior to the meeting at which action is taken. Therefore this item is being presented as an information item, and will be noticed as an action item at the March 2014 Board meeting.



**Attachment A**

**RULES GOVERNING THE BOARD OF TRUSTEES  
OF THE CALIFORNIA STATE UNIVERSITY**

**I. GOVERNANCE**

**§ 1. Conduct of Business**

The Board of Trustees is responsible for the efficient and effective governance of the California State University in accord with Education Code section 66600. The Board of Trustees acts only at meetings that are noticed under these Rules. Matters of policy and other items on the agenda are approved by a vote of the majority of members in attendance and voting.

**§ 2. Regulations**

The Board of Trustees adopts, amends, or repeals regulations, consistent with the laws of the State of California, to govern the California State University, pursuant to the process set out in Education Code 89030.1, which includes a formal public hearing. Trustee regulations are incorporated into Title 5 of the California Code of Regulations.

**§ 3. Delegation of Authority**

The Board of Trustees adopts, amends, or repeals Standing Orders that delegate authority within the California State University. Notice and a draft of a proposed Standing Order is required at the last regular meeting prior to the meeting at which action is taken. This advance notice requirement may be waived upon a majority vote for matters that are not controversial and require no further discussion.

**§ 4. Appointment of Chancellor, Vice Chancellors, General Counsel and University Auditor**

The Board of Trustees selects, appoints and evaluates the Chancellor of the California State University, who serves at its pleasure. The Chancellor is the chief executive officer of the California State University, and has such authority as may be assigned to him or her by the Board of Trustees. The Board of Trustees, in partnership with the Chancellor, selects, appoints, and evaluates the Presidents of the campuses of the

California State University. The Presidents report to the Chancellor. The Board of Trustees, upon recommendation by the Chancellor, appoints and evaluates the Vice Chancellors and the General Counsel. The Board of Trustees, upon recommendation by the Committee on Audit and input from the Chancellor, appoints and evaluates the University Auditor. ~~and University Auditor.~~ The Vice Chancellors report to the Chancellor. The General Counsel and University Auditor report jointly to the Chancellor and the Board.

### **§ 5. Individual Trustees**

No individual Trustee has the power to act on behalf of the Board, except when specifically authorized.

No Trustee, except the Chancellor and the Faculty Trustee, receives any salary for his or her service, except that appointed Trustees receive \$100.00 for each day that they are engaged in official business of the California State University, and all Trustees receive reimbursement for expenses incurred in accord with the California State University travel expense reimbursement policy. Trustees are engaged in official business when they perform any function which is required by, or which relates to, governance of the California State University.

Trustees are not eligible for appointment to any salaried position in the California State University, except for the Chancellor and the Faculty Trustee.

### **§ 6. Trustees' Code of Conduct**

Trustees shall comport themselves in accord with the Code of Conduct attached to these Rules.

## **II. OFFICERS**

### **§ 1. Designation**

There are five officers of the Board of Trustees.

The President of the Board is the Governor of the State of California.

The Chair and Vice Chair are elected annually from among the members of the Board.

The Secretary of the Board is the General Counsel of the California State University.

The Treasurer of the Board is the Vice Chancellor of Business and Finance of the California State University.

## **§ 2. Election of the Chair and Vice Chair**

The Chair and Vice Chair are elected at a regular meeting in or about May, and take office as the last order of business at that meeting. They hold office for one year, and may not be elected for more than two consecutive terms, plus any unexpired term to which they succeed.

The Vice Chair succeeds the Chair in the event of a vacancy, and holds office until the end of the unexpired term or until a successor is elected. A successor for the Vice Chair is elected to fill any unexpired term.

## **§ 3. Presiding Officer at Meetings**

The President of the Board presides at meetings. In the event of his or her absence, the Chair presides. In the event of his or her absence, the Vice Chair presides. In the event of the absence of all three, the Board of Trustees elects a Chair Pro Tempore to preside.

## **§ 4. Duties of the Secretary**

The Secretary of the Board through the Trustees' Secretariat gives public notice of all meetings of the Board of Trustees and Committees of the Board, in accord with Government Code section 11125. The Secretary certifies the minutes of the Board of Trustees and Committees of the Board. The Secretary certifies actions of the Board of Trustees and Committees of the Board, these Rules, the Standing Orders, and other official Board activities.

The Secretary of the Board through the Trustees' Secretariat files, posts, and publishes in appropriate public offices or locations all documents required for the California State University. The Secretary is authorized to sign proxies, receipts, acknowledgments, notices, and declarations in the name of the Board of Trustees.

The Secretary is the custodian of the seal of the Board of Trustees, and through the Trustees' Secretariat affixes it to appropriate documents for the California State University.

Any Assistant Secretary may perform the functions of the Secretary.

#### **§ 5. Duties of the Treasurer**

The Treasurer of the Board is responsible for all fiscal affairs of the California State University, including the implementation of internal financial controls. The Treasurer of the Board is also responsible for all external debt incurred by the California State University and investment of all funds that are subject to the Board of Trustees' authority.

#### **§ 6. Other Authority**

The officers of the Board have other powers and duties as delegated by the Board.

### **III. MEETINGS**

#### **§ 1. Regular Meetings**

The Board of Trustees establishes in a meeting in or about March of each year a schedule of regular meetings to be held in the following year on the dates and in the places indicated. The schedule is acted upon at the next regular meeting.

#### **§ 2. Special Meetings**

A special meeting may be called by the Chair or a majority of the members of the Board of Trustees, in accord with the requirements of Government Code section 11125.4.

#### **§ 3. Emergency Meetings**

An emergency meeting may be called by the Chair or a majority of the members of the Board of Trustees, when necessitated by matters upon which prompt action is necessary due to the disruption or threatened disruption of California State University facilities, in accord with the requirements of Government Code section 11125.5.

**§ 4. Quorum**

A quorum of the Board of Trustees consists of eleven members.

**§ 5. Continuation of Meeting**

Any meeting may be adjourned and its business continued to another date by a vote of a majority of the Trustees in attendance, even where less than a quorum is present.

**§ 6. Order of Business**

The order of business at regular meetings of the Board of Trustees shall be as follows:

- Call to order and Roll Call
- Public Comments
- Reports of the Chair and the Chancellor
- Approval of the minutes
- Reports of Standing and Special Committees
- Adjournment to next regular meeting

The order of business at special and emergency meetings of the Board of Trustees shall be as follows:

- Call to order and Roll Call
- Special business for which the meeting was called
- Adjournment

The order of business at any meeting may be suspended by a majority vote.

**§ 7. Conduct of Meetings**

Meetings of the Board of Trustees and Committees of the Board are conducted in accord with traditional procedural rules, as interpreted by the Board or Committee Chair who is presiding. Any member of the Board who disagrees with a procedural decision made by the Board or Committee Chair may introduce a motion to reverse or amend that decision.

## **§ 8. Members of the Public Addressing the Board**

Members of the public have an opportunity to address the Board of Trustees on agenda items, in accord with Government Code section 11125.7, before or during discussion or consideration of the item, but only if an opportunity to address the relevant item was not provided when it came before Committee. Individuals wishing to appear before the Board to address an agenda item, or make public comment, must provide written notice to the Trustees' Secretariat two working days preceding the regularly scheduled Board meeting, stating the subject and reason for the appearance. The Chair determines and announces any reasonable restrictions upon such presentations, including the total amount of time allocated for public comment on particular issues, and/or for each speaker. If a member of the Board disagrees with the Chair's restrictions, that Trustee may introduce a motion to reverse or amend the Chair's decision.

The Chair decides whether to recognize individuals wishing to appear before the Board who have not submitted advance notice prior to the meeting as required by this section and announces that decision. Any member of the Board who disagrees with the Chair's decision may introduce a motion to reverse or amend the Chair's decision.

Spokespersons for the Statewide Academic Senate, the California State Student Association and the CSU Alumni Council are not subject to this rule.

## **IV. COMMITTEES**

### **§ 1. Standing Committees**

The purpose of the standing committees of the Board of Trustees is to facilitate consideration of the business and governance of the California State University. Except in cases of emergency, all matters are first referred to the standing committees, which shall consider them, and make a recommendation to the Board of Trustees. The Board of Trustees may consider matters that have not been referred to standing committees upon a two-thirds vote.

Members of standing committees are determined by the Board of Trustees and hold office until the appointment of successors. The Committee on Committees determines committee assignments for newly appointed Trustees.

Each standing committee has a Chair and Vice Chair. In the event of the absence of both, another member of the committee is selected by the Chair of the Board to serve as Committee Chair Pro Tempore.

**a. Committee on Finance**

The Committee on Finance is responsible for all matters relating to the fiscal affairs of the California State University, except personnel matters that fall within the jurisdiction of the Committee on University and Faculty Personnel.

**b. Committee on Educational Policy**

The Committee on Educational Policy is responsible for all matters relating to educational policy of the California State University, including student affairs, and nominees for honorary degrees to be awarded by the California State University.

**c. Committee on Campus Planning, Building and Grounds**

The Committee on Campus Planning, Building and Grounds is responsible for the planning, development and construction of all California State University facilities and for land use within the California State University.

**d. Committee on Audit**

The Committee on Audit shall consist of at least five members, and is responsible for the overall audit function within the California State University. The Committee on Audit, and has the authority to act on behalf of the Board of Trustees on all matters; including concerning the selection and oversight of the university's external and internal auditor. The Committee on Audit makes recommendations to the Board of Trustees concerning the appointment, dismissal and compensation of the University Auditor. With respect to the external and internal auditor, the Committee on Audit has the authority to act on behalf of the Board of Trustees to ,controls to ensure their independence, approve the annual selection of areas to be audited, review of audit reports and responses, monitoring of internal financial controls, review of annual financial statements, and approve the budget to support these functions. At least one member of the Committee on Audit must have accounting or financial management experience. The Committee will have access to financial expertise either collectively among committee members or from a financial expert appointed to advise them.

**e. Committee on Organization and Rules**

The Committee on Organization and Rules is responsible for revisions of these Rules, the Standing Orders, and the schedule of regular meetings of the Board of Trustees.

**f. Committee on Collective Bargaining**

The Committee on Collective Bargaining is responsible for implementation of the collective bargaining policy for the California State University, and has authority to act on behalf of the Board of Trustees to comply with the requirements of the Higher Education Employer-Employee Relations Act, including negotiation and ratification of memoranda of understanding with the unions. The Committee makes periodic progress reports to the Board of Trustees on matters pertaining to collective bargaining and the actions that it has taken.

**g. Committee on University and Faculty Personnel**

The Committee on University and Faculty Personnel is responsible for personnel policies and procedures, and for executive compensation.

**h. Committee on Institutional Advancement**

The Committee on Institutional Advancement is responsible for policies and procedures related to advancement of the California State University.

**i. Committee on Governmental Relations**

The Committee on Governmental Relations is responsible for the legislative program for the California State University.

**j. Committee of the Whole**

The Committee of the Whole is responsible for all other matters to come before the Board that are not otherwise assigned to another standing committee.



## **§ 2. Committee on Committees**

The Committee on Committees nominates the Chair and Vice Chair, and all members of the standing committees.

At a regular meeting in or about January, the Chair nominates five members of the Board of Trustees to the Committee on Committees. These nominations are acted upon at the next regular meeting. Any Trustee can make other nominations at any time prior to the election. The five nominees who receive the highest number of votes constitute the Committee on Committees. They take office at the end of the meeting at which they have been elected.

Within ten calendar days of the election of a new Committee on Committees, each Trustee submits to the Trustees' Secretariat a list in rank order of at least four standing committees on which the Trustee would prefer to serve. The lists are sent to each member of the Committee on Committees, which shall give due consideration to the preferences listed in determining its nominations.

The Committee on Committees may nominate ex officio members of the Board of Trustees to serve as members of standing committees.

## **§ 3. Special Committees**

Special committees may be appointed by the Chair upon authority from the Board of Trustees and shall have such powers as the Board of Trustees determines. Special committees are discharged after one year from the date of their appointment, unless specifically authorized by the Board of Trustees to act for a longer period.

The Chair may appoint special committees in the interim between regular meetings of the Board of Trustees, provided that the Board of Trustees at its next regular meeting confirms the appointment and charge of such special committees.

## **§ 4. Committee Meetings**

Regular meetings of the standing committees, the Committee on Committees, and any special committees are held, as needed, on the same dates and in the same places as regular meetings of the Board of Trustees. Other meetings of any committee may be called at any time by the Secretary through the Trustees' Secretariat at the direction of the Committee Chair, the Chancellor, or by any three members of that Committee.

The President and the Chair shall be ex officio members of all standing and special committees and the Committee on Committees. The Chancellor shall be an ex officio member of all standing and special committees, except for the Committee on Audit and the Committee on Committees.

A majority of the members of any committee constitutes a quorum, except that in the case of a committee consisting of four members or less, in which case two members constitute a quorum. If a quorum of any committee is not available, the Chair is authorized to appoint substitute members to the committee to create a quorum. A substitute appointment applies only to that particular meeting and expires upon adjournment of the committee meeting.

In the case of any joint meeting of two or more committees, a quorum consists of the majority of the members of each committee, and each member is counted just once. Each member has one vote, even though he or she is a member of more than one committee.

An agenda item brought before any committee for information or action remains under the jurisdiction of that committee unless the Chair of the committee or the Chair of the Board has been given notice and has approved the transfer of the agenda item to another committee or committees.

Any Trustee has the right to attend a closed session of any committee except for the Committee on Collective Bargaining.

#### **§ 5. Members of the Public Addressing Committees**

Every committee provides an opportunity for members of the public to directly address the committee on each agenda item before or during the committee's discussion or consideration of the item, in accord with Government Code section 11125.7. Individuals wishing to appear before a committee must provide written notice to the Trustees' Secretariat two working days preceding the regularly scheduled committee meeting, stating the subject and reason for the appearance. The Chair of the committee determines and announces any reasonable restrictions upon such presentations, including the total amount of time allocated for public comment on particular issues and/or for each speaker. If a member of the Board disagrees with the Chair's restrictions, that Trustee may introduce a motion to reverse or amend the Chair's decision.

Individuals wishing to appear before a committee who have not submitted advance notice prior to the meeting may seek recognition from the Chair of the committee to make their remarks.

Spokespersons for the Statewide Academic Senate, the California State Student Association and the CSU Alumni Council are not subject to this rule.

## **V. AMENDMENTS**

These Rules may be amended at any regular meeting of the Board of Trustees. Notice and a draft of the proposed amendment is required at the last regular meeting prior to the meeting at which action is taken. This advance notice requirement may be waived by a majority vote for matters that are not controversial and require no further discussion.

## **TRUSTEES' CODE OF CONDUCT**

1. A Trustee shall devote time, thought, and study to his or her duties as a member of the Board of Trustees of the California State University.
2. A Trustee shall learn how the California State University functions --- its uniqueness, strength, and needs --- and its place in postsecondary education.
3. A Trustee shall carefully prepare for, regularly attend, and actively participate in the Board meetings and committee assignments.
4. A Trustee shall accept and abide by the legal and fiscal responsibilities of the Board as specified in federal and state law and the regulations, rules of procedure, standing orders, and resolutions of the Board of Trustees.
5. A Trustee shall base his or her vote upon all information available in each situation and shall exercise his or her best judgment in making decisions which affect the course of the California State University.
6. A Trustee shall vote according to his or her individual conviction, and may challenge the judgment of others when necessary; yet a Trustee shall be willing to support the majority decision of the Board and work with fellow Board members in a spirit of cooperation.
7. A Trustee shall maintain the confidential nature of Board deliberations in closed session. This includes written and verbal communication concerning the closed session. A Trustee shall avoid acting as spokesperson for the Board unless specifically authorized to do so.
8. A Trustee shall understand the role of the Board as a policy making body and avoid participation in administration of that policy unless specifically authorized to do so by the Board.
9. A Trustee shall learn and consistently use designated institutional channels when conducting Board business (e.g., responding to faculty and student grievances, responding to inquiries concerning the status of a presidential search).

10. A Trustee shall comply with conflict of interest policies and requirements prescribed in state law. A Trustee shall refrain from accepting duties, incurring obligations, accepting gifts or favors, engaging in private business or professional activities when there is, or would appear to be, a conflict or incompatibility between the Trustee's private interests and the interests of the California State University.
11. A Trustee shall refrain from actions and involvements that may prove embarrassing to the California State University.
12. A Trustee shall act and make judgments always on the basis of what is best for the California State University as a whole and for the advancement of higher education in general.

**Procedure for Responding to Breaches of  
the Code of Conduct**

1. Should evidence or allegations of violations of the Code of Conduct by a Trustee of the California State University come to the attention of the Chair of the Board, which after further review by the Chair appears to constitute a breach of the Code of Conduct, the Chair and the Vice Chair shall discuss the matter with the Trustee to obtain additional facts and perspective and to seek a mutually agreeable resolution.
2. Should the Code continue to be violated by the Trustee after discussion with the Chair and the Vice Chair, the Chair, after appropriate consultation, will place the matter on the agenda for appropriate action by the Board of Trustees. The Board shall discuss the matter in open session, allowing the Trustee whose conduct is at issue to provide an explanation of the conduct. The Board may then by majority vote censure the Trustee.
3. Should the Board censure the Trustee, formal notification of the censure shall be communicated to the Governor, as President of the Board, and to any separate recommendatory or appointive authority of the Trustee, e.g., the Academic Senate of the California State University, the California State Student Association, or the CSU Alumni Council.

## **AGENDA**

### **COMMITTEE ON FINANCE**

**Meeting: 9:45 a.m., Wednesday, January 29, 2014**  
**Glenn S. Dumke Auditorium**

William Hauck, Chair  
Roberta Achtenberg, Vice Chair  
Rebecca D. Eisen  
Douglas Faigin  
Margaret Fortune  
Steven M. Glazer  
Lou Monville

#### **Consent Items**

Approval of Minutes of Meeting of November 5, 2013

#### **Discussion Items**

1. Report on the 2014-2015 Support Budget, *Information*

**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**

**November 5, 2013**

**Members Present**

Roberta Achtenberg, Acting Chair  
Rebecca Eisen  
Douglas Faigin  
Margaret Fortune  
Steven M. Glazer  
Bob Linscheid, Chair of the Board  
Lou Monville  
Timothy P. White, Chancellor

Trustee Achtenberg called the meeting to order. She announced that Item 6, Review of Management and Purchase Option Agreements for a Student Housing Project on Private Property Adjacent to California State University, San Bernardino, had been tabled.

**Approval of Minutes**

The minutes of September 24, 2013 were approved by consent as submitted.

Trustee Achtenberg introduced speakers for public comment.

Lillian Taiz, President of the California Faculty Association, noted that despite Proposition 30's passage, the state's contribution is still \$100 million short of that allocated in 2010. She also expressed concern surrounding the rise of online learning programs.

Juan Herrera, an undergraduate student and director of student services at CSU San Bernardino, expressed concern about enrollment capacity at his campus.

**Approval of the 2014-2015 Support Budget Request**

Mr. Robert Turnage, assistant vice chancellor for budget, expressed gratitude to the state for its renewed investment in and prioritization of higher education, in light of the enactment of Proposition 30. He emphasized that the budget request presented is a recommended expenditure plan, and commented that the state augmentation included therein had been somewhat reduced since its first being presented to the board in September, from \$250 million to \$237.6 million.



Mr. Turnage first commented on enrollment demand, noting that the support budget request presupposes a 5% increase in funded enrollment. Expenditures would be covered by tuition and fee revenues, and the state would be asked to provide \$79.2 million to allow for 16,800 full-time equivalent students (FTES) or roughly 20,000 individual students. He also noted that \$50 million in augmentations will be requested to support improved student success and completion rates.

Secondly, Mr. Turnage addressed capital infrastructure issues, citing a growing backlog of maintenance and repair needs across the system. He related a plan to dedicate a portion of the augmentation in funding for purposes of debt service on financing that would enable the leveraging of funds to address the most pressing maintenance and infrastructure needs.

Finally, Mr. Turnage remarked on the university's need to invest in its faculty and staff, given five years of no general salary increases. He noted that the budget includes a 3% increase in the compensation pool. In summary, the support budget request totals to \$344 million, or \$237.6 million net of enrollment growth revenue.

Trustee Glazer requested clarification of the proposed financing mechanism for infrastructure needs. He expressed concern at the prospect of incorporating incremental \$15 million increases into the system's base funding. Mr. Turnage restated the plan, acknowledging the assumption of some risk, and described a similar, ultimately successful, course of action taken by the university in the mid-90s to address deferred maintenance needs.

Student Trustee Cipriano Vargas testified to the benefits he personally has realized from programs being implemented to drive student success and completion. He also expressed support for increasing enrollment capacity. He deferred the remainder of his time to Sarah Couch, president of the California State Student Association (CSSA).

Ms. Couch expressed support for the support budget request on behalf of the CSSA, stating that the university must ask for the resources necessary to best support student success.

At Trustee Achtenberg's request, Chancellor White addressed the concerns raised by Trustee Glazer with respect to financing maintenance and repair projects. He commented that the decaying state of infrastructure across the system is of paramount importance. He affirmed that the university would not take on any debt absent a commitment from the legislature, and any decisions to increase funding would be made in the context of present economic conditions.

Dr. Benjamin Quillian, executive vice chancellor and chief financial officer, clarified that the key is to obtain the authority to use general fund monies for debt service. Chancellor White asserted that alternatives to the proposed plan had been duly explored.

Trustee Monville stated that the board must be mindful of the severity of the infrastructure issues, and not delay action.

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Fin.

In response to a question from Trustee Norton, Dr. Quillian confirmed that at present the university is prohibited from using general fund monies for debt service.

Diana Guerin, representing the Academic Senate of the California State University, commented that her organization had voted together with the students in support of the budget request, as presented.

Upon motion duly made and seconded, the committee approved the 2014-2015 Support Budget Request.

Trustee Glazer introduced an amendment, seconded by Trustee Monville, to replace the \$15 million included in the proposal with a direct request for \$50 million in maintenance funding from the state.

Mr. Turnage commented that the resultant “pay as you go” methodology would dramatically reduce the amount of funding available for projects and would also increase the overall request to the state by \$35 million.

The amendment was defeated by a roll call vote of the committee members.

Trustee Faigin, with respect to the issue of bottleneck courses, requested that a report be prepared for the board outlining the university’s mitigation plan, contingencies and a schedule for implementation. He further requested that a discussion on the topic of online courses be added to the agenda in the near future. He also stated that as the board has the final vote on the budget, the dissemination of printed and bound budget books prior to the board’s discussion and voting on the item may inaccurately imply the board’s endorsement and/or authorship.

Trustee Faigin then introduced an amendment to the support budget request item, a resolution, which he read aloud for the record, and which expressed gratitude to the governor and legislature for increased funding support for the university and averred that the future of California and its economy rests on the success of the CSU in achieving its mission.

The amendment was adopted by a roll call vote of the committee members.

Upon motion duly made and seconded, the committee approved the 2014-2015 Support Budget Request, as amended.

### **2014-2015 Lottery Revenue Budget**

Mr. Turnage explained that this action item is presented as a follow up to an information item from the September agenda. He commented that the lottery revenue budget represents less than 1%, or approximately \$40 million, of the university’s overall operating budget, but nevertheless provides for many important programs.

In response to a question from Trustee Glazer, Mr. Turnage affirmed that the system's policy, consistent with the lottery statute itself, is to advise campuses not to allocate lottery monies for permanent programs owing to the volatility of the revenue.

Upon motion duly made and seconded, the committee approved the 2014-2015 Lottery Revenue Budget.

### **2013-2014 Student Fee Report**

Trustee Achtenberg explained that this information item is brought before the board each November, pursuant to board policy. She briefly described the various means by which student fees may be posited and levied, noting that the chancellor reserves the ultimate authority to reject any fee deemed outside the interest of the university.

In response to a question from Trustee Monville, Mr. Turnage affirmed that the report captures fees levied by students themselves, either by referendum or by resolve of a campus fee advisory committee.

Trustee Eisen questioned the high degree of variability in student fees across the system. Mr. Olin explained that the disparities are tied to students' threshold of tolerance for perceived needs at their respective campuses.

Trustee Monville reported visiting the student center at Sonoma State University and commended students there for voting to assess themselves some years ago in order to fund its construction, in the interest of those who would come after them.

### **California State University Annual Investment Report**

George Ashkar, assistant vice chancellor for financial services, reported on the 2012-13 investment report for funds managed under the CSU investment policy. Specifically, he reported that as of June 30, 2013, the asset balance of the systemwide investment fund trust (SWIFT) portfolio totaled \$2.55 billion, realizing a return of 0.406% over the 12-month period ending on that date. Moreover, he remarked that the return was greater than that achieved by its benchmark, the treasury-based index. He then provided a brief overview of the fund's composition before introducing its investment directors and officers: Michael Rogers, managing director and head of institutional fixed income at Wells Capital Management, and Jim Palmer, chief investment officer of U.S. Bank Asset Management.

Messrs. Rogers and Palmer delivered a market update to the board spanning July 1, 2013 through the present and looking into the near future, and noted that the CSU is safeguarded against risk while achieving a competitive rate of return.

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In response to a question from Trustee Eisen, Mr. Ashkar commented on investments in LAIF and SAIF, describing the latter as a one-time investment opportunity from the state, and both the former and the latter as having zero balance at present.

### **California State University Investment Policy Clarification**

Mr. Ashkar explained that due to the creation of a single investment portfolio managed by the Chancellor's Office, the CSU's investment policy needs clarification. Accordingly, he noted, "campus" had been replaced with "CSU" in multiple instances and the campus reporting requirement had been struck.

In response to a question from Trustee Eisen, Mr. Ashkar clarified that while the SAIF is not an investment option being utilized at the present time, it continues to be a legal investment vehicle and should therefore remain in the policy as a potential future option.

Upon motion duly made and seconded, the committee approved the California State University Policy Clarification.

Trustee Achtenberg adjourned the Committee on Finance.

**COMMITTEE ON FINANCE**

**Report on the 2014-2015 Support Budget**

**Presentation By**

Sally Roush  
Interim Vice Chancellor for  
Business and Finance

Ryan Storm  
Interim Assistant Vice Chancellor  
Budget

**Summary**

The 2014-2015 Governor's Budget identifies a \$1.9 billion surplus for 2014-2015. This surplus is net of \$8.3 billion of increased state expenditures between 2013-2014 and 2014-2015 and the revenues that support that surplus and new expenditures. The governor proposes applying large portions of the surplus to aggressively retire the state's "wall of debt", establish a new rainy day fund and to increase K-14 program spending with smaller portions of that surplus for programmatic investments concentrated in health, welfare, deferred maintenance, and higher education programs.

The governor has utilized a portion of these funds to make higher education a priority of his 2014-2015 budget. The governor's budget provides a \$142.2 million state general fund increase for the California State University (CSU) operating budget support. This amount is consistent with the governor's multi-year funding plan first proposed and adopted in 2013-2014. Additionally, the governor's budget includes a plan to fold in funding for state bond debt service into the CSU support budget—including with it new statutory authority for the CSU to: (1) refinance/restructure a portion of that debt service and (2) pledge and use the CSU support budget for infrastructure and maintenance projects. The framework of the CSU debt service proposal is very similar to the framework adopted last year for the University of California (UC). New initiatives are also included that would require the CSU to prepare academic program sustainability plans and that would create a one-time award program for innovation in higher education.

**State Budget Overview**

The state's budget outlook has markedly changed in recent years. Only two years ago, the 2012-2013 Governor's Budget Summary estimated a \$9.2 billion budget problem and future annual budget deficits of up to \$5 billion. Under the leadership of the governor, and with the assistance of many others, including the CSU and its many stakeholders, voters approved Proposition 30 in

November 2012, which temporarily increased sales and personal income tax rates over a multi-year period. The resulting additional state revenue, together with significant and permanent expenditure reductions made by the state and an improving state economy, have reversed the fiscal fortunes of California. Today, the 2014-2015 Governor's Budget Summary reports a \$1.9 billion surplus for 2014-2015. This surplus is net of \$8.3 billion of increased state expenditures between 2013-2014 and 2014-2015 and the revenues that support that surplus and new expenditures. The governor's budget estimates future annual revenue growth of \$4.5 billion or more.

When the governor unveiled his 2014-2015 budget proposal on January 9, 2014, he aligned the available additional revenues and his fiscal policy priorities. Specifically, the largest expenditure increases would pay down the state's "wall of debt", meet Proposition 98 funding requirements for K-12 and community colleges, and establish a rainy day fund. Other notable expenditures would include the expansion of Medi-Cal benefits, a five-percent CalWORKs grant increase, a statewide deferred maintenance investment (excluding CSU and UC), and additional investments in the governor's multi-year funding plan for higher education, which for the CSU is \$142.2 million.

### **2014-2015 CSU Support Budget**

The governor continues to make higher education a priority of his budget plan, although not at the level requested in the CSU budget plan approved by the Board of Trustees in November 2013. The governor's budget provides similar treatment to the CSU and the UC. For each system, the budget (1) provides an augmentation of \$142.2 million for support of each system; (2) presumes tuition fee rates will remain at 2011-2012 levels for 2014-2015; (3) proposes a nearly identical debt service framework for the CSU that has already been adopted for UC; and (4) requires both systems to prepare academic program sustainability plans.

#### *Appropriation Increase*

The \$142.2 million augmentation is aligned with the governor's multi-year funding plan for higher education that was first implemented in 2013-2014. This is the second year of the four-year funding commitment. Funding can be used for any CSU operational purpose and comes with the expectation that tuition fee rates will not change from 2011-2012 levels. The CSU appreciates the governor's fiscal commitment, his understanding that the CSU had to implement very difficult cuts during the challenging fiscal years, and his granting of fiscal flexibility contained within the augmentation, so that the system can continue in its recovery from prior reductions and can address its most pressing needs.

#### *Debt Service Framework*

The proposed debt service framework has many components and many potential positives for the CSU. First, the funds that support debt service payments for all outstanding general obligation (GO) bond and State Public Works Board lease revenue (LR) bond funded projects would be

folded into the CSU support budget under this framework. This “fold-in” adds approximately \$197 million for GO bond projects to the CSU support budget and provides a grand total of \$297 million for GO and LR debt service. Generally, this proposal would be cost neutral in the near term. As this debt is retired over time, this component of the framework provides the CSU the opportunity to retain the \$297 million indefinitely and to use more of those funds over time for infrastructure or other capital needs.

Second, the proposed framework would authorize the CSU to restructure the LR debt service. There is potential for the CSU to financially benefit from a restructuring if terms are appropriate and market conditions are agreeable.

Third, the proposed framework would authorize the CSU to pledge its support budget and/or expend these funds for a host of infrastructure-related purposes. Specifically, this includes the construction, repair, and maintenance of academic facilities the construction of energy conservation projects, cogeneration facilities, etc. The proposal would enable the three-year financing strategy approved by the trustees in November 2013 to commit \$15 million a year (growing to \$45 million by the third year) for deferred maintenance, repair, and facility improvement needs. To date, the CSU has been either significantly limited or prohibited from using its support budget for these purposes. This proposal provides the CSU additional financing and pay-go options for these types of projects as well as the ability for the system to consume less energy and save utility costs.

#### *Academic Program Sustainability Plan*

State law established last year requires the CSU to report on a number of student success performance measures. Some examples include the number of students enrolled by different student categories, two-year and three-year graduation rates of community college transfer students, and the number of degree completions by varying student categories. The governor’s budget proposes to build upon these performance measures by requiring the CSU to prepare a multi-year plan that would establish annual goals for the performance measures and outline how assumed revenues and expenditures would sustain the plan and achieve the goals. This proposal would require the trustees to adopt a multi-year budget plan based on yet-to-be defined assumptions prescribed by the Department of Finance. This would be a significant departure from the practice in which the trustees annually determine revenue and expenditure assumptions and adopt the CSU support budget.

#### **Awards for Innovation in Higher Education**

The governor’s budget proposes a one-time \$50 million program administered by a new seven-member selection committee. One purpose of the program is to identify public colleges and universities that have particular success in: (1) bachelor’s degree completion rates; (2) four-year graduation rates; and (3) easing transfer through the public higher education system and recognizing learning that has occurred across the public higher education system or elsewhere.

Awards would be provided to the colleges and universities that could efficiently bring successful models to scale for the benefit of the three public higher education institutions.

### **Proposed Cal Grant Change**

One Cal Grant program proposal has an important implication for currently-enrolled CSU students. Under current law, a CSU student permanently loses Cal Grant eligibility if at any point during his or her academic career the family's income or assets exceed certain levels. The governor's budget proposes to allow that student to regain his or her Cal Grant if his or her family's income or assets once again fall below certain levels. This proposal is a significant policy and fiscal change that could positively affect hundreds of currently-enrolled CSU students in 2014-2015 by restoring previously provided state Cal Grant financial assistance. This could also help with the retention and persistence of students who, under current law, stop or drop-out strictly based on lost Cal Grant eligibility. Additionally, because most CSU students affected by the current Cal Grant policy are likely to have financial need, the recovery of Cal Grant funding would lessen pressures on university financial aid resources and/or student dependence on loan assistance.

### **Conclusion**

The 2014-2015 Governor's Budget again makes higher education a priority, notwithstanding the call by many to reinvest more state general fund resources into programs that were significantly reduced or eliminated during the state's extremely challenging fiscal circumstances of the recent past years. This budget proposal, if approved by the legislature, would allow the CSU to invest, to some degree, in enrollment growth, student success and completion initiatives, compensation improvements, and maintenance and infrastructure needs.

Presuming that the state's positive economic prospects persist into the May revision, CSU staff commits to working with the governor and legislature through the budget process to ensure that the priorities outlined in the trustee-approved CSU support budget are met by an appropriate level of state support.



## AGENDA

### COMMITTEE ON INSTITUTIONAL ADVANCEMENT

**Meeting: 10:00 a.m., Wednesday, January 29, 2014**  
**Glenn S. Dumke Auditorium**

Hugo N. Morales, Chair  
Douglas Faigin, Vice Chair  
Roberta Achtenberg  
Rebecca D. Eisen  
Debra S. Farar  
Margaret Fortune  
Steven G. Stepanek  
Cipriano Vargas

#### **Consent Items**

Approval of minutes of meeting of September 24, 2013

#### **Discussion Items**

1. Naming of a Facility – San Diego State University, *Action*
2. Naming of a Facility – San Diego State University, *Action*
3. Naming of a Facility – Sonoma State University, *Action*
4. Approval of the 2012-2013 Annual Report on Philanthropic Support to the California State University, *Action*

**MINUTES OF THE MEETING OF  
COMMITTEE ON INSTITUTIONAL ADVANCEMENT**

**Office of the Chancellor  
Glenn S. Dumke Auditorium  
401 Golden Shore  
Long Beach, California**

**September 24, 2013**

**Members Present**

Hugo N. Morales, Chair  
Roberta Achtenberg  
Douglas Faigin  
Debra Farar  
Margaret Fortune  
Bob Linscheid, Chair of the Board  
Peter Mehas  
Cipriano Vargas  
Timothy P. White, Chancellor

Trustee Morales called the meeting to order.

**Approval of Minutes**

The minutes of July 23, 2013 were approved as submitted.

**Recognition of Recipients of the 2013-2014 CSU Trustees' Award for Outstanding Achievement**

Chancellor White shared that each year the California State University (CSU) Board of Trustees provides scholarships to high-achieving students who excel academically and make a difference in their communities. He thanked members of the board for their contributions to the CSU Trustees' scholarships with special acknowledgement of Trustee William Hauck, Trustee Emeritus Ali C. Razi and Trustee Emeritus Kenneth Fong.

The chancellor also thanked Mr. Ronald Barhorst and his wife for funding a scholar on behalf of the CSU Foundation Board of Governors; Mr. Michael Lizarraga and his company TELACU for funding a first-generation scholar; Mr. Peter Brightbill and Wells Fargo for supporting a veteran scholar; Mr. Michael Lucki and CH2M Hill for supporting an engineering scholar; and Trustee Emeritus Ralph Pesqueira and his wife for funding a future scholarship through their estate.

Chancellor White introduced Trustee Emeritus Ali C. Razi, CSU Foundation Board of Governors member and CSU Trustees' Award selection committee chair, whose leadership helped expand this scholarship program. Thanks to his generosity, the top two scholars each receive \$10,000.

Chancellor White and Dr. Razi recognized the recipients of the 2013-2014 CSU Trustees' Award for Outstanding Achievement:

- Ms. Erika Rivera, California State University, Bakersfield, *William Randolph Hearst Scholar*
- Ms. Annie Rose Alward, California State University Channel Islands, *CSU Foundation Board of Governors Scholar Sponsored by Ronald R. and Mitzi Barhorst*
- Mr. Tim Dean Sain, California State University, Chico, *Trustee Emeritus Ali C. Razi Scholar*
- Mr. John Fitzgerald Bagnerise, California State University, Dominguez Hills, *Edison International Scholar*
- Mr. David D. Fuller, California State University, East Bay, *AT&T Scholar*
- Ms. Brittany Beard, California State University, Fresno, *Chancellor Emeritus Charles B. Reed Scholar*
- Mr. TJ Reynolds, California State University, Fullerton, *Wells Fargo Scholar*
- Ms. Victoria Munguia, Humboldt State University, *William Randolph Hearst Scholar*
- Ms. Anna Chau, California State University, Long Beach, *William Randolph Hearst Scholar*
- Mr. Luis Antezana, California State University, Los Angeles, *TELACU Scholar*
- Mr. David Buckley, California Maritime Academy, *CH2M Hill Scholar*
- Ms. Regan Porteous, California State University, Monterey Bay, *Angelina Aliberti and Lawrence L. Ruggie Scholar*
- Ms. Brooke Celia Hall, California State University, Northridge, *Trustee Emeritus Murray L. Galinson Scholar*
- Ms. Eva Ambriz, California State Polytechnic University, Pomona, *John and Beverly Stauffer Scholar*
- Ms. Jolene Ford, California State University, Sacramento, *William Randolph Hearst Scholar*
- Mr. Hoang Anh Tran, California State University, San Bernardino, *Trustee Emeritus Kenneth Fong Scholar*
- Mr. Clayton Matthew Treska, San Diego State University, *Trustee Emeritus Ali C. Razi Scholar*
- Mr. Bryan O. Rojas-Arauz, San Francisco State University, *AT&T Scholar*
- Mr. Jordan Anthony Gonzales, San José State University, *Trustee William Hauck Scholar*
- Ms. Juana Villa, California Polytechnic State University, San Luis Obispo, *William Randolph Hearst Scholar*
- Ms. Emily Snow, California State University San Marcos, *William Randolph Hearst Scholar*
- Mr. John Michael Vincent P. Coralde, Sonoma State University, *Haworth Family Scholar*
- Mr. Robert D. McGhee, California State University, Stanislaus, *William Randolph Hearst Scholar*

Mr. Steven Zimmer, business development manager for education for Sony, announced that each scholar received a technology package from the Sony Corporation valued at \$1,200. Trustees, scholars, families and friends were also invited to a reception sponsored by Cisco.

Trustee Morales adjourned the meeting.

## **COMMITTEE ON INSTITUTIONAL ADVANCEMENT**

### **Naming of a Facility – San Diego State University**

#### **Presentation by:**

Garrett P. Ashley  
Vice Chancellor  
University Relations and Advancement

#### **Summary**

This item will consider naming the Aztec Student Union (building 52) at San Diego State University as the Conrad Prebys Aztec Student Union.

This proposal, submitted by San Diego State University, meets the criteria and other conditions specified in the Board of Trustees Policy on Naming California State University Facilities, including approval by the system review panel and the executive committee of the campus academic senate.

#### **Background**

The proposed naming of the facility recognizes the generous \$20 million contribution by Conrad Prebys in support of student scholarship endeavors. This gift will be used to benefit students through scholarship support in seven specific areas: creative and performing arts, bio-medical research, student leaders, veterans, former foster youth, honor scholars and entrepreneurs. It is anticipated that on an annual basis, a minimum of 150 students will receive scholarships as a result of this gift to San Diego State University.

Conrad Prebys is president of Progress Construction Company and Progress Management in San Diego and is involved in various real estate enterprises in California and Texas.

Mr. Prebys was born in South Bend, Indiana in a blue-collar, ethnic, working neighborhood. He was the first of his five brothers to attend college; he graduated from Indiana University. Mr. Prebys has made significant contributions within the San Diego region, supporting organizations that include Scripps Mercy Hospital, the Zoological Society of San Diego and the San Diego Opera. Last year, Business Insider named Mr. Prebys one of the 25 Most Generous People in America.

President of a substantial organization in San Diego, he references his large number of San Diego State University alumni employees when he speaks about the tremendous impact of the

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campus on the region's workforce. His humble background has given him a heart for young students. His contribution to San Diego State University will provide students who come from similar backgrounds an opportunity to succeed.

The following resolution is recommended for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that the Aztec Student Union (building 52) at San Diego State University be named The Conrad Prebys Aztec Student Union.

## COMMITTEE ON INSTITUTIONAL ADVANCEMENT

### **Naming of a Facility – San Diego State University**

#### **Presentation By:**

Garrett P. Ashley  
Vice Chancellor  
University Relations and Advancement

#### **Summary**

This item will consider temporarily naming the Open Air Theatre at San Diego State University as the Cal Coast Credit Union Open Air Theatre.

This proposal, submitted by San Diego State University, meets the criteria and other conditions specified in the Board of Trustees Policy on Naming California State University Facilities including approval by the system review panel and the executive committee of the campus academic senate.

#### **Background**

The proposed naming of the facility recognizes California Coast Credit Union's substantial contribution of \$3,250,000 over a ten-year term that will enhance student life by enabling the Open Air Theatre to receive a number of facility upgrades that will allow more campus community organizations to access the venue to conduct educational, cultural and social events, in addition to attracting an expanded range of performers. These facility upgrades will include stage roof and seat replacement, as well as a significant portion of restroom replacement and concourse expansion.

Established in 1929 by a group of educators, California Coast Credit Union is San Diego's oldest credit union. It is over \$1.8 billion strong in assets, and serves over 122,000 members. California Coast Credit Union has shown a commitment to supporting SDSU in a variety of ways. Earlier this year, California Coast Credit Union entered into an agreement to actively support the Aztec Men's Basketball program over the next two years as a title sponsor. In 2012, California Coast Credit Union partnered with the Aztec Men's Basketball program as a game sponsor. Most recently, California Coast Credit Union was a sponsor for the 40<sup>th</sup> Annual Staff Awards held on October 31.

California Coast Credit Union believes in giving back to the community. Their support for higher education is evident. For over 80 years, California Coast Credit Union has been an avid

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supporter of students, teachers and the educational community. On a yearly basis, through the James L. McPheters – California Coast Credit Union Scholarship Program, five outstanding high school students are recognized for their dedication to academic excellence and community service. Each awardee receives a college scholarship in the amount of \$1,500. In addition, California Coast Credit Union provides financial literacy seminars and workshops for students of all ages.

The following resolution is recommended for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that the Open Air Theatre at San Diego State University be named the Cal Coast Credit Union Open Air Theatre for a term of ten years.

## **COMMITTEE ON INSTITUTIONAL ADVANCEMENT**

### **Naming of a Facility – Sonoma State University**

#### **Presentation by:**

Garrett P. Ashley  
Vice Chancellor  
University Relations and Advancement

#### **Summary**

This item will consider naming the Sonoma State University Commons Building as The Wine Spectator Learning Center.

This proposal, submitted by Sonoma State University, meets the criteria and other conditions specified in the Board of Trustees Policy on Naming California State University Facilities, including approval by the system review panel and the executive committee of the campus academic senate.

#### **Background**

The Wine Spectator Scholarship Foundation is making a \$3 million dollar gift to the School of Business and Economics' Wine Business Institute. The monies from this gift will allow the University to refurbish the University Commons Building as a learning center for the Wine Business Institute. This is possible through the generosity of Marvin R. Shanken, chairman of M. Shanken Communications, Inc.

The Wine Spectator Learning Center at Sonoma State University is intended to provide a new home for the Wine Business Institute and its academic business programs. The renovations will transform the existing building into a state-of-the-art, wine business education facility, including a technology-enhanced classroom and meeting spaces to convene wine industry symposia and gatherings. The Wine Spectator Learning Center will serve as a destination for anyone who wants to learn and lead in the wine industry.

A sampling of its activities within The Wine Spectator Learning Center will include:

- Classrooms for undergraduates, graduates and professional wine seminars, including a technology-enhanced classroom to extend our educational reach globally;



- A Wine Spectator Library to feature industry data, journals and archival publications with collaboration facilities;
- A “proof-of-concept” lab for wine entrepreneurship and student-run businesses like Sonoma State Cellars;
- Indoor and outdoor meeting spaces for industry symposia or gatherings, the institute’s board, project teams and industry colleagues;
- Collaboration and co-working spaces for professors, students and industry experts working with students and faculty;
- Offices for Wine Business Institute faculty and program leadership; and
- A gallery to showcase the success of students, alumni and industry partners, and inspire the next generation.

The following resolution is recommended for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that the University Commons Building at Sonoma State University be named The Wine Spectator Learning Center.

## COMMITTEE ON INSTITUTIONAL ADVANCEMENT

### **Approval of the 2012-2013 Annual Report on Philanthropic Support to the California State University**

#### **Presentation By**

Garrett P. Ashley  
Vice Chancellor  
University Relations and Advancement

Lori A. Redfearn  
Assistant Vice Chancellor  
University Advancement

#### **Summary**

This item presents information on philanthropic support received by the 23-campus California State University (CSU) system from July 1, 2012 to June 30, 2013. Section 89720 of the Education Code requires that an annual gift report be submitted to the California Joint Legislative Budget Committee and the California Department of Finance.

The report is provided and additional campus highlights will be available for viewing on the system website at [www.calstate.edu/ua/philanthropic](http://www.calstate.edu/ua/philanthropic).

#### **Overview**

The California State University garnered \$338 million in gift commitments in 2012-2013. These near pre-recession level commitments increased 14 percent from the previous year, reflecting a renewed confidence in the rebounding economy. The gift commitments were comprised of new gifts, pledges and testamentary provisions recorded during the period.

Donor support for the CSU has shown amazing resiliency throughout the Great Recession and is now returning to record highs. Charitable gift receipts reached well over \$282 million – the most in CSU history. Gift receipts, a combination of new gifts and pledge payments, represent resources that have been received and currently invested in the CSU's students, faculty and programs.

Donors continued to invest in student success, program innovation, applied research, community engagement and service-learning with over \$173 million in current support:

- \$19.0 million for student scholarships
- \$49.3 million for academic enrichment
- \$6.3 million for applied research
- \$2.8 million for faculty support
- \$4.5 million for library resources
- \$16.5 million for athletics
- \$31.8 million for public service programs
- \$1.7 million for facility improvements
- \$41.8 million for additional university priorities

In 2012-2013, donors contributed almost \$13 million for building projects. Capital support also included over \$62.1 million in endowments and 210 irrevocable deferred gifts valued at \$22.7 million. The impact of philanthropy is evident in upgraded campus facilities. At San Diego State University, the College of Business Administration received several lead gifts to support a \$3 million renovation that will upgrade technology vital to preparing students for the modern workforce while adding attractive seating areas to accommodate individual and group study. At California State University, Channel Islands, donations as well as community services have transformed the Central Mall into a park-like pedestrian plaza giving students a space to gather, reflect and study.

Fundraising is critical to maintaining excellence, but cannot replace revenue lost to state funding cuts. A major reason fundraising cannot replace other sources of revenue is because donations are nearly always targeted to particular interests. Of all charitable gifts received, 96 percent were designated to specific interests identified by the donor. Only \$11.4 million received was unrestricted and available to be directed to the university's most pressing needs.

The following resolution is recommended for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that the Board adopts the *2012-2013 Annual Report of Philanthropic Support to the California State University* for submission to the California Joint Legislative Budget Committee and the California Department of Finance.

## AGENDA

### COMMITTEE ON EDUCATIONAL POLICY

**Meeting:** 1:30 p.m., Wednesday, January 29, 2014  
Glenn S. Dumke Auditorium

Roberta Achtenberg, Chair  
Debra S. Farar, Vice Chair  
Rebecca D. Eisen  
Douglas Faigin  
Margaret Fortune  
Lupe C. Garcia  
Steven M. Glazer  
William Hauck  
Lou Monville  
J. Lawrence Norton  
Steven G. Stepanek  
Cipriano Vargas

#### **Consent Items**

Approval of Minutes of Meeting of November 5, 2013

#### **Discussion**

2. The California State University Graduation Initiative, *Information*
3. Update on Reducing Bottlenecks and Improving Student Success, *Information*
4. California State University Admission Promise Programs, *Information*
5. The Sony Electronics Faculty Award for Innovative Instruction with Technology, *Information*

**MINUTES OF MEETING OF  
COMMITTEE ON EDUCATIONAL POLICY  
Trustees of The California State University  
Office of the Chancellor  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**November 5, 2013**

**Members Present**

Roberta Achtenberg, Chair  
Debra S. Farar, Vice Chair  
Rebecca D. Eisen  
Douglas Faigin  
Lupe C. Garcia  
Steven M. Glazer  
Bob Linscheid, Chair of the Board  
Lou Monville  
J. Lawrence Norton  
Cipriano Vargas  
Timothy P. White, Chancellor

Trustee Roberta Achtenberg called the meeting to order.

**Approval of Minutes**

The minutes of September 24, 2013, were approved as submitted.

**Update on the Early Assessment Program**

The Early Assessment Program (EAP), Trustee Achtenberg said, is among the crowning achievements of the faculty, university and Board of Trustees because it has offered tens of thousands of California's young people the opportunity to improve their skills before entering the California State University (CSU) in a way that increases their retention, success and graduation. Executive Vice Chancellor and Chief Academic Officer Ephraim P. Smith added the EAP is one of the key initiatives of the Division of Academic Affairs. As the CSU responds to changes in the state's political and economic landscape, the student success projects and short-term objectives evolve to meet the needs and expectations of students, communities and employers. The focus is on the student experience from pre-entry to graduation, with everything meant to strengthen the experience in terms of quality, graduation rates, access and affordability, equity and preparing students for lives after the CSU. Many of the efforts fall under the umbrella of the CSU Graduation Initiative, designed to improve six-year graduation rates and close achievement gaps

by emphasizing engaging high-impact educational practices and the strategic use of data. The focus is on college readiness at entry whether as freshmen or transfer students. Eighty-seven percent of the students who enter as freshmen come from California's public high schools. In 2009, the trustees directed the Chancellor's Office to create the Early Start Program, which provides developmental coursework during the summer after high school and before the freshman year. The EAP allows students to receive a determination of their college readiness before beginning their high school senior year.

Beverly Young, assistant vice chancellor for teacher education and public school programs, began the presentation by stating the program's goal is "to reduce the need for remediation." This includes: (1) giving students an early signal of college readiness; (2) collaborating with the state's high schools; and (3) providing 12<sup>th</sup>-grade interventions. The EAP began in 2004. The early signal informs students if they need to complete additional work in English and/or math before entering college. The EAP assesses readiness in a way that does not increase the number of tests or testing time in high school. By using the California Standards Test (CST) and adding questions to it, the CSU was able to implement the test in a way that greatly enhanced its usefulness. The scores are communicated to counselors, students, families and parents. There are three possible outcomes: college ready (exempt); college ready (conditionally exempt); and not college ready (non-exempt). If college ready, the student can enter college-level English and math coursework immediately after enrolling in the CSU. If conditionally ready, students may be able to skip additional testing, but have to complete specific coursework in the senior year. If the student is not college ready, the student will still need to take placement tests after admission. "Conditionally ready" students have been the real focus of the EAP as they are the middle ground students. If a student completes a rigorous senior-year course they may keep their exemption. The senior-level work may include receiving a grade of C or better in English in the CSU's Expository Reading and Writing Course (ERWC). The ERWC is a full-year, structured course focused on fiction and non-fiction text, and enables students to read and write academic prose effectively and strategically and deepens students' critical thinking skills. Dr. Young reported the CSU has received a grant to follow ERWC and non-ERWC students to measure success in English. The CSU offers professional development for high school English teachers as well as Strengthening Mathematics Instruction professional development for high school math teachers.

The EAP costs the CSU about \$8.5 million annually with the largest cost being the preparing and scoring of the test by the Educational Testing Service. Dr. Young said California is in a transition year to the Common Core State Standards, and the new testing system known as Smarter Balanced. A new state law has made the 11<sup>th</sup>-grade testing voluntary for districts, but the CSU, the California Department of Education and the Community Colleges system have sent a letter to every school in the state encouraging EAP participation.

Findings presented by Dr. Marsha Hirano-Nakanishi, assistant vice chancellor for academic research and resources, showed that 83 percent of the nearly 470,000 11<sup>th</sup>-graders volunteered to take the EAP in spring 2013, up from 72 percent in 2006. Readiness in English grew from 15

percent in 2006 to 23 percent in 2013. School districts have encouraged more students to take Algebra II and higher. In 2006, approximately 54 percent of students were taking those math classes, compared with two-thirds now. At the same time, the number of college-ready high school students in math has doubled. About half of fall 2013 first-time freshmen from California public high schools were college-ready in English (exempt and conditionally exempt), and 94 percent of these students were ready for college English when they entered the university. A little less than half (48 percent) of fall 2013 first-time freshmen from California public high schools were college-ready in mathematics (exempt and conditionally exempt), and 94 percent of these students were ready for college mathematics when they entered college. A decade ago, the CSU had the goal of reducing the need for remediation to 10 percent. If all California public high school CSU first-time freshmen were college-ready at the end of their junior year, the goal would have been reached. Only about half of the California public high school first-time freshmen met that standard. The other half who were not ready at the end of their junior year or who did not take the EAP entered college 42 percent proficient in English and 50 percent proficient in math, taking the overall readiness rates down to 68 percent in English and 71 percent in mathematics. The good news is that readiness rates have risen across time: California first-time freshmen proficiency in English has risen from barely above half in 2000 to more than two-thirds in 2013; in math it has gone from 62 percent to 71 percent.

Trustee Bob Linscheid questioned the timing of when the school districts order and give the EAP tests, and then report the results. Dr. Young said they traditionally order in December and the tests are given in the spring, with one timeframe for the essay and a bit later for the English and math sections. The results arrive in August. Because that is close to when students register for classes, the CSU has advised students and parents to look at the results of the 10<sup>th</sup>-grade test for pre-planning. Gov. Jerry Brown asked about the numbers on several charts and their correlation. Dr. Hirano-Nakanishi explained the difference between the college-ready and the conditionally ready students. Dr. Young pointed out that some of the numbers referred to the number of high school students taking the tests versus the number of students who enrolled as freshmen. She said that 32 percent of the 54,000 incoming freshmen still need remediation in English and 29 percent still need remediation in math, both of which are great improvements in the number of proficient students.

Dr. Young reported on research conducted by external researchers who reviewed CSU's declining remediation rates, and then tested whether that was because students who were not ready for the CSU were not applying. In fact, students who were getting the signal that they were either not yet ready via conditional or not yet ready at all were actually applying and coming to the CSU in greater numbers; and that the engagement with students in their junior and senior years was motivating them to think about college and use their senior year more efficiently. The CSU is helping make the senior year more productive and getting students into college-level work at a higher rate. Trustee Achtenberg said the entire education system has benefited from the EAP because students also enrolling at the University of California and the community colleges are better prepared.

Trustee Eisen inquired about the numbers of not-ready students. Dr. Hirano-Nakanishi said in 2006, about 85 percent of the students taking the EAP in English were not ready; in 2010 it was 79 percent; and in 2013 it is 62 percent, so the trend shows substantial improvement. In math, the students who are eligible to take the EAP need to complete Algebra II or higher by their junior year. In 2006, the percentage of EAP math test-takers who were not ready was 45 percent and currently is around 40 percent. She added that there is a greatly expanded number of students who are eligible to take the test. Gov. Brown asked about Smarter Balanced scores this coming year and how that will impact readiness. Dr. Young stated that many students will be taking the Smarter Balanced assessment this year, which is why the CSU is encouraging school districts to also offer the 11<sup>th</sup>-grade EAP English and math tests so students can still receive a college readiness determination. The following year students should receive a college-readiness indicator from the Smarter Balanced assessment.

### **Update on SB 1440: Student Transfer Achievement Reform Act**

Ken O'Donnell, senior director, Student Engagement and Academic Initiatives and Partnerships, said transfer students coming to the CSU have been doing college-level work but the problem is they come in taking too many courses that do not count in the CSU, plus they have accumulated excess units. The SB 1440 legislation was designed so that a student with two years of course work would earn an associate degree for transfer that then fits inside a CSU baccalaureate degree that could be completed with an additional two years of work. If more students used this pathway, he said, the savings to the state should be enormous and benefit the lives of graduates. He showed the chart with the most popular transfer majors. He pointed out the campuses and degrees that matched, those that were still in progress, and programs not offered at certain CSU campuses that would not result in matches. He said the CSU is working with the campuses and academic program chairs to procure as many matches as possible. The real challenge is getting community college students to opt into the program. For the fall 2013 term, there were 1,000 students with associate degrees who came to the CSU. Mr. O'Donnell acknowledged that was pretty good, but stressed that the program must grow. As such, it was a focus of recent outreach efforts at the counselor conferences for the state's high schools and community colleges advisers.

Mr. O'Donnell spoke about the governor signing cleanup legislation (SB 440) that directed the community colleges to produce more associate degrees that fit inside the statewide template, and authorized areas of emphasis rather than narrow subject areas. For example, there are transfer model curriculum (TMCs) in business administration, psychology or English. The areas of emphasis approach takes the relatively narrow subjects and widens them so, for example, criminal justice also may align with social science. The expectation is that if the community colleges can offer a two-year degree in the broader areas of emphasis, more students may opt in. The new law also encouraged more focus on marketing such as radio spots. Mr. O'Donnell showed the transfer website and pointed out how students can see which degrees are offered at which CSU campuses. The CSU is also investigating career technical education in the community colleges. Those are pre-professional degrees in areas that students are not necessarily preparing for transfer. The CSU is looking at the course work inside those terminal associate



degrees that lead to certain health professions, for example, to see if there is enough broadly transferable, liberal learning within those two-year degrees that could fit inside a CSU baccalaureate degree. That would leverage the work the CSU and community colleges have done so far, but apply it in a brand-new way.

Trustee Monville asked about journalism and why a third of the CSU campuses do not have the alignment completed. Mr. O'Donnell said for journalism accreditation, journalism schools and accreditors want journalists who know about more subjects than journalism and there is a requirement that many of the degree-applicable courses come from outside the area of journalism. When students take all 18 units of journalism in the lower-division, they run out of room in upper-division and they take classes outside of journalism and the CSU cannot confer a bachelor's degree in journalism because that subject was not taught at the CSU. Trustee Monville mentioned that communication studies might be a solution to the situation. The CSU will begin tracking the data showing which community colleges are feeding the most students holding which degrees to the CSU and which are the academic programs that students find most attractive. Trustee Norton asked how many students were expected for this year and if it is on track. Mr. O'Donnell said it was a little higher than expected because earning an associate degree is a two-year process, the law is only two years old and the 1,000 students essentially earned an associate degree by default. They took all of the right courses and found out after the fact that they qualified.

Trustee Monville also inquired about updates on electronic transcripts. Eric Forbes, assistant vice chancellor, student academic support, said at a recent intersegmental meeting the CSU encouraged the community colleges to continue to build out their electronic transcripts. The CSU will visit with community colleges to work together on the issue. Gov. Brown asked if the program's goal is to increase the number of transfer students. Also, he discussed using the lower-division transfer model curriculum for online courses to facilitate student movement into upper-division. Dr. Smith said the goal of 1440 was to make it more efficient for students so instead of taking a longer pathway of excess units at the community college and CSU, students could have a more direct path to graduation with fewer units. That in turn would create access for additional students to apply to the CSU. He estimated transfer students would come in at approximately the same percentages that they are coming in now, primarily because of the EAP program and 20,000 fewer students in remediation. Both SB 1440 and EAP create access for additional students to come to the CSU whether they are transfer students or freshmen. Dr. Smith said SB 1440 could increase the CSU headcount if more students come to the CSU through the associate degree program.

### **The CSU Institute for Palliative Care at California State University San Marcos**

A year ago, Trustee Achtenberg and California State University San Marcos (CSUSM) President Karen Haynes came to the board with a plan for the CSU's Institute for Palliative Care at Cal State San Marcos. Trustee Achtenberg began the first-year update by reporting that the World Health Organization predicts that 50 percent of the developed world will be chronically ill by

2050. In California, 46 percent of the population has at least one chronic condition and the number is rising. It is projected that the state will need an additional one million allied health care workers, doctors and nurses. Since the CSU educates more students with health care degrees than all California colleges and universities combined, it made sense for the CSU to launch an institute for palliative care. It was decided to situate it at Cal State San Marcos because the university's partnership with public and private companies has enabled it to launch progressive projects and programs such as the professional science masters and biotechnology certificate program; the various schools of nursing already have palliative care modules integrated into the curriculum. Combining this with President Haynes' background as a social worker, Trustee Achtenberg said it seemed that that President Haynes was the right leader and CSUSM the right institution.

With the new institute, President Haynes said the CSU is shaping the future of health care in the state and as a model for the nation. Palliative care is a holistic, multi-disciplinary approach to health care that can include the contributions of physicians, nurses, social workers, spiritual counselors and allied health professionals, all working as a team. The goal is to relieve and prevent patient suffering by addressing the physical, emotional, spiritual and social concerns that arise with serious or chronic illness. It is not hospice care; it is an approach to health care that focuses on the needs of all patients, whether they need short-term, long-term or end-of-life care. Initial funding was a three-year \$750,000 grant from the California Health Care Foundation and a three-year \$450,000 grant from the Archstone Foundation. On September 20, 2012, the CSU Institute for Palliative Care became the country's first statewide palliative care workforce development and community educational initiative. At that launch the institute received a matching \$1.2 million grant from Darlene Shiley. The institute's mission is to increase access to and awareness of palliative care, by doing three things: 1) educating current professionals; 2) educating the future workforce; and 3) building community awareness and advocacy.

Executive Director Helen McNeal said they launched the first-ever comprehensive online program to educate nurses and social workers about palliative care in the institute's first year. In partnership with health care chaplaincy in New York City, they launched the program for chaplains. The demand for the chaplaincy program has been so great that they are now enrolling their 10th cohort. They have trained more than 366 health care professionals through online and local non-credit certificate programs. A grant of \$100,000 from the Hearst Foundation allowed the institute to develop the nurse practitioner fellowship program that will be launched in San Diego in January 2014. That curriculum will be available to other interested CSU campuses participating in the institute. They have established the planning and implementation team comprised of faculty to lead the integration of palliative care across the Cal State San Marcos campus. By the end of the first year palliative care was integrated into 24 courses across multiple disciplines. With the university's school of nursing, they partnered to create a post-master's nursing certificate program that has been approved for academic credit. They also completed a three-year strategic plan and established a national advisory board. Their course revenues generated through extended learning were more than 250 percent of original projections, ending the year well positioned for continued progress. Three CSU campuses have committed to joining

the institute: San Francisco, Los Angeles and Chico. The institute will conduct a state and national survey of palliative care workforce educational needs and the investment plans relating to palliative care on the part of healthcare systems and will be developing inter-professional curricula that can be delivered face-to-face, online and hybrid formats. The CSU is working to change the face of health care, making it more efficient and more patient-centric.

Asked by Trustee Faigin exactly what people experience, Dr. McNeal stated that palliative care works with health care professionals to address all of the symptoms associated with a serious or chronic illness to improve quality of life. Research has demonstrated it not only improves the quality of care received, but also reduced the healthcare system costs and improves the patient's longevity. She gave an example of a young woman diagnosed with breast cancer, seriously ill with two young children and who was on extremely high amounts of drugs and not getting pain relief. The palliative care team realized that no one had spoken to her in Spanish and that her concern was for her children. She wanted her children to go back to Mexico to be cared for by her mother. So the palliative care team reached an agreement with the mother and the husband in the United States. Her pain came from a source that was not physical. Gov. Brown was impressed with the program and said he wanted the campus to work with the state's Secretary of Health and Human Services since it sounded like a certificate that could fit within the state's overall health care programming and bring down costs. He called the work extremely important and indicated his appreciation to the CSU.

### **Update on the CSU Nursing Programs**

Christine Mallon, assistant vice chancellor for academic programs and faculty development, said that more than three million nurses are serving the country currently, but it has been estimated that another 1.2 million will need to be trained between 2010 and 2020. According to the non-profit Institute of Medicine, 80 percent of registered nurses should be trained at the bachelor's level, up from 50 percent today, and that the number of nurses who hold doctoral degrees should be doubled. However, prospective nursing students are turned away by the thousands. CSU Chico was unable to admit 86 percent of the fully qualified nursing applicants for fall 2013, and Cal State San Marcos turned away 89 percent. What prevents the CSU from training more nurses is a lack of funding, a shortage of nursing faculty and insufficient number of clinical training experiences that keep nursing enrollments too low. With interest increasing in Doctor of Nursing Practice (DNP) programs such as the two offered through the CSU, Dr. Mallon said there is hope that the CSU will begin to hire new faculty to replace those who are retiring, and will be able to enroll students who are fully qualified and waiting to get into the CSU. She stated the CSU needs to pay the faculty salaries that compete with what nurses can earn in clinical practice and the system needs to invest in the clinical training opportunities that are required for students to get their nursing licenses. She also showed a video featuring CSU nursing students and faculty that was produced by Margaret Brady, professor of nursing at CSU Long Beach.

Chancellor White reported that he had visited many simulation labs during his campus visits and spoke to students and faculty. He asked about the limitations at the campuses and the clinical

sites, and how the CSU can fill that gap in California and the nation, specifically where the responsibilities and opportunities lie around the issue of resources. Dr. Mallon said the easiest fix is better cooperation with the community colleges so that their students who are in the associate degree of nursing (ADN) program know they can enter the CSU bachelor of science in nursing (BSN) program since it is nurses with bachelor's degrees who are most needed. Secondly, she said state resources do not cover the costs of the programs. The low ratio of students to faculty make the programs more expensive so better funding is needed. She said the CSU also needs to work with the hospitals since the private nursing programs pay for clinical training spots that the CSU cannot afford, and the CSU needs to pay nursing faculty at a higher rate to keep current faculty and recruit new faculty. Dr. Brady added that a change in what the licensure boards requires for the student/faculty ratio would help. She said they have been working with the hospitals to use the weekend and night shifts for CSU students since the for-profits take many of the day shifts. San Marcos President Haynes said three-quarters of their bachelor's students come through self-support, 40 are state-supported and the majority of the students are supported through health care partnerships, the largest of which is with Kaiser Permanente. She estimated that CSU trains about 80 percent of the state's nurses.

### **Outstanding CSU Faculty Website**

Diana Guerin, chair of the Academic Senate, said the website was created to showcase the depth and breadth of the CSU's exemplary faculty. The site showcases the winners of campus-based awards programs who have been recognized in one or more of the three main areas of faculty responsibility: teaching, scholarship and creative activities and service. The website is intended to continue a tradition of the trustees in recognizing faculty contributions to the CSU mission. The newly launched site includes distinguished faculty members from 14 campuses; in the coming months all 23 campuses will be represented. Marge Gray, assistant vice chancellor of communications, presented a tour of the website, pointing out the rotating banner of faculty portraits, with information on each of the featured faculty members. The profiles are organized by faculty responsibility and campus. Trustee Norton complimented the site on its content.

Trustee Achtenberg adjourned the meeting.

**COMMITTEE ON EDUCATIONAL POLICY**

**The California State University Graduation Initiative**

**Presentation By**

Ephraim P. Smith  
Executive Vice Chancellor  
and Chief Academic Officer

Jeff Gold  
Senior Director  
Academic Technology Services  
and Center for Distributed Learning

Ken O'Donnell  
Senior Director  
Student Engagement  
and Academic Initiatives & Partnerships

Robyn Pennington  
Chief of Staff  
Business and Finance

**Summary**

This initiative began in 2009 when the presidents and provosts of all 23 California State University (CSU) campuses committed to joining *Access to Success*, a multi-state project organized by the National Association of System Heads and the Education Trust. As a system, the CSU has identified a baseline cohort of students whose six-year graduation rate across all campuses was 46 percent. From there, each campus committed to moving its own graduation rate into the top quartile within a group of its peers, as identified by Education Trust. Campuses already in the top quartile of their peers pledged to improve by six percentage points. If the initiative is successful, by 2015 the systemwide six-year graduation rates will increase by 8 percentage points from 46 percent to 54 percent, and the gap in those rates between students of color and other students will shrink by half.

The Executive Vice Chancellor and Chief Academic Officer provides leadership for the Graduation Initiative from the Office of the Chancellor. Three project liaisons interact with CSU campuses, whose local Graduation Initiative teams are typically led by the provost and vice

president for student affairs. Since the launch, the CO team has visited each campus in the system; hosted workshops around data-driven decision making, worked to close equity gaps; fostered educational practices; and coordinated regular reporting among the campuses, system leadership and the national *Access to Success* group. Interaction remains focused on data, specifically the fall census reports that indicate if the initiative is on track to meet its targets.

Since taking office, Chancellor Timothy White has supported the initiative in important ways:

- Hosted a spring webcast to the system to highlight extraordinary progress on the Long Beach and Fresno campuses, and added his personal support.
- Allocated \$7.2 million in support of “Academic and Student Support Programs” proposed by campuses and customized to local context.
- Added “completion” to the CSU message of “access, affordability and quality,” promoting student success at every opportunity.

Currently, it is uncertain if the fall 2009 cohort will reach its target six-year graduation rates in 2015. Based on that group’s year-to-year persistence so far, the overall graduation rate target appears within reach, but it looks less likely that the achievement gap will be cut in half.

One lasting benefit of the Graduation Initiative is likely to be the new systemwide Student Success Dashboard. The dashboard is intended to help campus leaders better understand the problem of low graduation rates, diagnose contributing factors and target responses based on these discoveries. It provides campus leaders with a set of analytical tools that go beyond descriptive statistics and apply methods such as predictive modeling to give new insights into factors that affect student progress toward a degree.

As demand for accountability grows, institutions are asked to present data to document their accomplishments, particularly in the area of student success. These data not only focus on overall graduation rates, but also create accountability metrics for specific programs and interventions. Using the dashboard, campus leaders can monitor on-track indicators and better understand not only which milestones students are failing to reach, but also why they are not reaching them. Ultimately, this analytical tool can help campuses design interventions or policy changes to increase student success and gauge the impact of their interventions.

It is expected that the dashboard will help the system office as well as the campuses, as system administrators learn how the system can better support campus efforts to improve graduation rates and reduce achievement gaps. Many interventions –perhaps most of them – work best locally, as responses to a particular context. Others, such as eAdvising, degree audit and high-impact educational practices, may benefit from a consistent approach.

## **COMMITTEE ON EDUCATIONAL POLICY**

### **Update on Reducing Bottlenecks and Improving Student Success**

#### **Presentation By**

Ephraim P. Smith  
Executive Vice Chancellor  
and Chief Executive Officer

Gerry Hanley  
Assistant Vice Chancellor  
Academic Technology Services

#### **Background**

Within six months of launching the Enrollment Bottleneck Solution Initiative designed to accelerate student progress and decrease bottlenecks that negatively impact students, a study of bottleneck courses was conducted by surveying all California State University (CSU) undergraduate department chairs. The purpose was to ascertain where and why bottleneck courses occurred throughout the CSU during the 2012-2013 academic year. That survey, in concert with a survey currently being conducted to determine the impact of bottleneck courses on students, will help guide future phases and initiatives. The student survey is in the data collection stage and the final report will be presented to the Board of Trustees this May.

The first phase of the Enrollment Bottleneck Solution Initiative focused on projects that could be immediately implemented and would produce scalable and sustainable results. The CSU launched a website (<http://www.calstate.edu/course redesign>) that provides an overview of the initiative, and the four types of bottlenecks being addressed in this first phase: (1) Student Readiness and Curricular Bottlenecks, (2) Place-bound Bottlenecks, (3) Facilities Bottlenecks and (4) Advising and Scheduling Bottlenecks.

#### **Addressing Student Readiness and Curricular Bottlenecks**

**Proven Practices for Course Redesign** – Eight (8) eAcademies engaged 169 CSU faculty from 22 CSU campuses to share instructional strategies and technologies to improve student success (reduce D, W, F, U, I grades). The most recent eAcademy focused on strategies for moving general education science courses to fully online formats. The STEM disciplines and courses addressed in the eAcademies were aligned with the bottleneck priorities identified by the survey of department chairs. The faculty evaluated the eAcademies as very valuable in providing strategies to redesign their courses with innovative and “proven” instructional

strategies and technologies. A core of faculty leaders from these eAcademies met in mid-January to share progress on their redesign efforts and identify issues that continue to be barriers for faculty and students.

The eAcademies were the first step to connect faculty who share instructional responsibilities across the CSU. The momentum created through the eAcademies is being reinforced by the *CSU Online Professional Learning Community*. Virtual workshops and webinars being delivered every two weeks address a variety of course redesign topics: engaging 21st century learners; aligning student learning outcomes with assessment; reviewing CSU's quality online learning and teaching (QOLT) rubric and program, affordable learning solutions, accessibility and universal design for learning; and providing early warning and learning analytics, the "flipped classroom," lecture capture/online videos, online homework and supplemental instruction. About 220 faculty participated in the first six virtual workshops. Sixty-two faculty from 14 campuses have committed to a year-long redesign of their courses to date and there may be additional commitments from faculty who participated in the December 2013 eAcademy. The professional development services address one of the needs identified by the survey of department chairs; one cause of bottlenecks is the availability of skilled faculty to teach the bottleneck courses.

The midterm status reports received from a majority of faculty in the Proven Practices program demonstrate broad coverage of academic disciplines and have significant potential for impact. Among Proven Practices program faculty, redesigns are underway in a variety of disciplines including math, chemistry, physics, engineering, and four other disciplines. **Faculty estimate that their redesigns will impact more than 10,433 students across two semesters**, with a median section enrollment of 52 students per redesigned course.

**Promising Practices for Course Redesign** – Seventy-seven awards were made to 19 campuses to redesign bottleneck courses in a variety of disciplines including biology, chemistry, math, history, and 25 other disciplines, with a goal of improving student success and increasing access. The average redesign award is \$33,000 per course. All redesign proposals incorporate the use of innovative technology, and 19 of the 77 courses will be redesigned for fully online delivery. Once taught and student success measured, some of these courses may become "proven redesign" models, with eAcademies held to share successful methods and strategies with other CSU faculty.

Based on our midterm survey of progress faculty **estimate that their redesigns will impact more than 43,531 students across two semesters**, with a median section enrollment of 70 students per redesigned course. These redesigns are being quickly completed with over 75



percent of the projects making significant progress within 5 months of receiving their awards.

**Documenting and Sharing Redesign Practices and Outcomes:** Faculty participating in the Proven and Promising Practices programs will build ePortfolios that capture the innovations in pedagogy, technologies, and outcomes, and will include evidence of improved student success while maintaining the quality of instruction and student learning outcomes. These ePortfolios will be published within an online library so all CSU faculty can easily learn from their colleagues' efforts and outcomes. A selection of ePortfolios will be showcased in May 2014.

In addition, campus institutional research directors, in coordination with the Chancellor's Office Analytic Studies department, will calculate the changes in student grades of D, W, and F that result from the redesigns. These figures will provide immediate measures of the impact of these programs on students, although the full impact of the redesigns will take several semesters to collect. Faculty will also collect other measures documenting improvements in student mastery of learning outcomes and changes in student satisfaction with the courses.

### **Addressing Place-Bound Bottlenecks**

**CourseMatch Program:** In fall 2013, 11 CSU campuses provided students access to 33 fully online courses and in the 2014 winter quarter/spring semester, 16 CSU campuses are providing access to 44 fully online courses to any CSU student eligible for CourseMatch. CourseMatch provides students with an additional option to take fully online articulated courses from another CSU. Almost 200 CSU students from 15 different campuses applied for the CourseMatch program in fall 2013. By March 2014, we can report the number of students that completed these CourseMatch classes, as well as the number of CourseMatch enrollment applications for winter/spring 2014. The CourseMatch website provides a simple process for CSU students to find and apply for concurrent enrollment in these courses ([www.calstate.edu/onlinecourses](http://www.calstate.edu/onlinecourses)). Students can check their eligibility to take a CourseMatch course and complete an online self-assessment of their readiness to succeed in an online course. The courses selected for CourseMatch have demonstrated a record of student success.

**Student Use of The CourseMatch Website:** The winter/spring CourseMatch website launched December 8, 2013. By January 7, 2014, the website has had more than 18,000 total visits, with 13,000 unique visitors. On January 7<sup>th</sup> alone, the website had more than 1,500 visits, representing an accelerating usage of the CourseMatch website.

The current structure of CourseMatch is a "warm-up act" for AB 386, which requires the CSU to provide a list of all the fully online courses available across the CSU. The CSU will create a simple online enrollment and registration process to take the course at the "host" campus by

fall 2014 and have the full program up and running for implementation in fall 2015. To implement these legislative requirements, the Chancellor's Office, in consultation with campuses, will design and implement scalable technology and business services.

A quality assurance program supporting CourseMatch, Proven Course Redesign and Promising Practices projects also will be scaling up in spring 2014. In collaboration with the Academic Senate of the CSU, the CSU Faculty Development Council and the Chancellor's Office Institute for Teaching and Learning, Academic Technology Services will provide a suite of tools and professional development programs for the design and assessment of the quality of online learning and teaching to improve student success and upholding academic integrity. The components of the quality assurance program will include the following services and these services will be scaled systemwide:

- Quality Online Learning and Teaching (QOLT) project which provides:
  - A detailed 54-item rubric for evaluating the qualities of the instructional design of hybrid and fully online courses
  - Recognition program for faculty efforts in quality course design
  - Dissemination of best practices for hybrid-online teaching and learning
- Quality Matters™
  - Nationally recognized program for online course quality certification
  - Nationally recognized peer-reviewer training and certification for evaluating the quality of online courses
- Academic Integrity
  - Training in ways to enhance academic integrity and reduce cheating
  - Adopting technologies for detecting plagiarism and proctoring online exams
  - Maintaining the quality and rigor of courses and learning outcomes

### **Addressing Facilities Bottlenecks**

**Virtual Labs:** Enrollment demands can outpace the physical capacity of a campus to offer laboratory sections in safe, well-equipped facilities, especially in the science, technology, engineering and math (STEM) disciplines. The virtual labs program addresses one of the needs identified by the survey of department chairs; limited facilities are one of the key factors determining program impaction, such as biology labs for biology majors. One strategy is to create hybrid/virtual laboratory courses for general education or pre-requisite STEM courses that do not require students to have an advanced wet-lab experience. These courses will allow

campuses with limited laboratory space to offer more sections of lab sciences without compromising learning outcomes traditionally offered only in conventional wet-labs.

Working with CSU STEM faculty, who are leaders in the design and implementation of virtual labs, Chancellor's Office Academic Technology Services (COATS) delivered eAcademy and online community programs to support faculty in their adoption of virtual STEM labs for hybrid lab courses. Faculty from CSU Los Angeles are leading the way in 2013-2014 with a project evaluating the use of virtual labs in otherwise traditional courses. In addition to commercial virtual lab products by Pearson/CSU and SmartScience for which COATS negotiated attractive pricing, the Chancellor's Office continues to leverage the CSU-MERLOT project to provide easy and free access to high-quality virtual labs. The CSU is continuing to explore virtual lab options and consult with CSU faculty as we investigate the effective and appropriate use of virtual labs.

### **Addressing Advising and Scheduling Bottlenecks**

**eAdvising:** All 23 campuses developed individual four-year plans to implement new technologies for faculty, staff and students to determine clear pathways to graduation, track progress to degree and offer a course schedule in line with student demand for general education and major courses. The eAdvising program addresses one of the needs identified by the survey of department chairs; optimally scheduling facilities and advising students to available course offerings are key factors for improving enrollment bottlenecks. For the first year, the campuses were grouped into six cohorts, based on their common needs related to the current status of their degree audit system. A significant number of campuses identified the improvement of the degree audit as the first step toward revitalizing their eAdvising solutions. As campuses improve their degree audits, they will be re-grouped in the coming years based on their interest in other tools such as academic planners, early warning intervention, predictive analytics and advanced communication methodologies. Those campuses with enhanced degree audits will introduce many of these new tools in the first year. The use of cohorts will allow the CSU to leverage its buying power and give campuses the opportunity to learn from one another as new solutions are implemented. College Scheduler, an online tool to help students see a variety of options in scheduling their courses each term, is an example of the innovative strategies supported with funding for eAdvising.

## **COMMITTEE ON EDUCATIONAL POLICY**

### **California State University Admission Promise Programs**

#### **Presentation By**

Nathan Evans  
Director of Enrollment Management  
Student Academic Services

Don Para  
Interim President  
California State University, Long Beach

Les Wong  
President  
San Francisco State University

#### **Background**

In 2000, San Diego State University (SDSU) partnered with the Sweetwater Union High School District to create a program that would bring new educational opportunities to Sweetwater graduates. In addition to extensive collaboration focusing on the rigor and content of curriculum between faculty in both organizations, middle and high school students participating in the Compact for Success Program focus on meeting five achievement benchmarks. All Sweetwater students meeting these benchmarks would be guaranteed admission to SDSU. Since that time, SDSU has launched similar programs with other schools in the region and experienced promising outcomes for participating students.

In 2007, California State University San Marcos, following a similar approach, launched the PACE Promise program with the San Marcos Unified School District, guaranteeing graduates of the school district admission to CSU San Marcos upon fulfilling specific benchmarks during high school. In 2008 and 2009, CSU Long Beach and San Francisco State University launched admission promise programs in their local school districts. Today, nine CSU campuses have launched guaranteed admission “promise” programs with local school districts.

## Summary

The CSU promise programs provide students and families with personalized, step-by-step plans for college preparation. Often beginning in middle school, students must work to fulfill program expectations and benchmarks. Meeting these requirements also prepares them for admission to most California public and private universities and colleges. By improving college options for this generation of students, these programs often provide enhanced outreach and academic preparation services including visits to the university campus, enhanced test preparation for English and math entry-level exams, and extensive information regarding college preparation, admission and financial aid. The promise programs provide a vital link from the secondary school setting to the university.

Through a variety of activities, the programs intend to expand access to higher education, improve retention and college completion for underrepresented students, raise academic expectations and target every student in every participating school. While each promise program includes unique components that reflect the local school and university community, common requirements for student participation include:

- Completion of all “a-g” college preparatory course requirements and achievement of CSU admission eligibility
- Demonstration of college-readiness in English and mathematics prior to enrollment
- Attendance, participation and continuous enrollment benchmarks
- Application for federal and state financial aid programs

While participating students have the benefit of clear roadmaps to their local CSU campus through guaranteed admission, additional support services, and often, locally raised financial scholarships, the benefits to the university community also are significant. Campuses with promise programs have found increasing college participation rates for partnering school districts; significantly reduced need for remedial education for students from partnering school districts; improved alignment between secondary and university curriculum; and increased retention and graduation rates for promise students.

**COMMITTEE ON EDUCATIONAL POLICY**

**The Sony Electronics Faculty Awards for Innovative Instruction with Technology**

**Presentation By**

Gerry Hanley  
Assistant Vice Chancellor  
Academic Technology Services

The California State University (CSU) Office of the Chancellor and Sony Electronics, Inc. in partnership with Intel Corporation, are pleased to announce a fourth year of awards for the Sony Electronics Faculty Award for Innovative Instruction with Technology. This award recognizes CSU's early career faculty, acknowledging their current and potential innovative use of technology in delivering quality and affordable education to students and encouraging continued achievements in teaching. The award consists of a VAIO computer, LCD TV, Sony Reader, web camera as well as other technologies that will be the awardees' personal property.

Each year, four CSU campuses are selected to receive the award. This year faculty from Bakersfield, Chico, San Marcos and Sonoma were eligible. The Sony eligibility criteria are tenured/tenure-track faculty members from all fields who have received their terminal degrees within the last seven years and who are actively involved in teaching with technology in innovative ways that lead to student success. Nominees submit a current curriculum vitae and a brief statement about current and anticipated innovative teaching with technologies.

**Sony Electronics Faculty Awards for Innovative Instruction with Technology  
2013 CSU Faculty Awardees:**

Bakersfield	Phyllis Ann Heintz	Assistant Professor, Department of Nursing
Chico	Zachary Justus	Assistant Professor, Department of Communication Arts and Sciences
San Marcos	Stephen Alan Tsui	Assistant Professor, Department of Physics
Sonoma	Jessica Parker	Assistant Professor, Department of Curriculum Studies and Secondary Education

## AGENDA

### COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

**Meeting: 3:00 p.m., Wednesday, January 29, 2014**  
**Glenn S. Dumke Auditorium**

Rebecca D. Eisen, Chair  
J. Lawrence Norton, Vice Chair  
Douglas Faigin  
Margaret Fortune  
William Hauck  
Lou Monville  
Cipriano Vargas

#### **Consent Items**

Approval of Minutes of Meeting of November 5-6, 2013

1. Amend the 2013-2014 Capital Outlay Program, Non-State Funded, *Action*
2. Amend the 2013-2014 Capital Outlay Program, State Funded *Action*

#### **Discussion Items**

3. Status Report on the 2014-2015 State Funded Capital Outlay Program-Governor's Budget, *Information*
4. Approval of Schematic Plans, *Action*

**MINUTES OF MEETING OF  
COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**Trustees of the California State University  
Office of the Chancellor  
Glenn S. Dumke Auditorium  
401 Golden Shore  
Long Beach, California**

**November 5-6, 2013**

**Members Present**

Rebecca D. Eisen, Chair  
Edmund G. Brown, Jr., Governor  
Douglas Faigin  
Bob Linscheid, Chair of the Board  
Lou Monville  
Cipriano Vargas  
Timothy P. White, Chancellor

Trustee Eisen acknowledged Trustee Peter Mehas, previous chair of the committee on Campus Planning, Buildings and Grounds, remembering him as a dedicated trustee who demonstrated both leadership and fellowship to his board colleagues. Trustee Mehas passed away in the interim since the September Board of Trustees' meeting.

**Approval of Minutes**

The minutes for the September 2013 meeting were approved as submitted.

**Acceptance of Interest in Real Property, Sonoma State University**

Assistant Vice Chancellor Elvyra F. San Juan presented the item with the use of a PowerPoint presentation. The land due diligence has been completed and no issues were identified. Staff recommends approval.

The committee recommended approval by the board of the proposed resolution (RCPBG 11-13-10).

**Approve the Campus Master Plan Revision for the California State Polytechnic University, Pomona Administration Replacement Facility**

With the use of a PowerPoint presentation, Ms. San Juan presented the item to approve the campus master plan revision and project level environmental analysis for the Administration Replacement Facility for California State Polytechnic University, Pomona. The campus completed an Initial Study and a Mitigated Negative Declaration to meet CEQA compliance. Staff recommends approval.



President Ortiz commented that the project replaces a signature building on the campus (CLA) that is located on an active fault. The replacement facility was found to be the best solution as the cost of a seismic retrofit of the existing building would cost upward of \$85 to \$100 million, and the building would still be sitting on the fault.

The committee recommended approval by the board of the proposed resolution (RCPBG 11-13-11).

**Approve the 2014-2015 State and Non-State Funded Capital Outlay Program and the 2014-2015 through 2018-2019 State and Non-State Funded Five-Year Capital Improvement Program**

Ms. San Juan presented the state and non-state funded five-year capital improvement program 2014-2015 through 2018-2019 to the board for approval that included the 2014 action year request. With the use of a PowerPoint, Ms. San Juan provided background on program funding for the CSU's capital outlay program, a summary of what is included in the five-year capital improvement program which includes the action year priority lists for state and non-state funded capital programs, and highlights of current discussions regarding alternative financing options for the capital program.

In summary, the state funded program request for the 2014-2015 capital program is \$456.4 million; the non-state funded program request is \$14.3 million. The state and non-state funded five-year capital improvement program request for 2014-2015 through 2018-2019 is \$7 billion and \$3.7 billion, respectively.

Trustee Vargas asked how is it determined to renovate versus replace an older facility, referencing specifically the Science II Replacement Building, Phase 2 project at CSU Sacramento, currently number 18 on the 2014-2015 priority list. Ms. San Juan responded stating that for such projects campuses are requested to perform a feasibility study and obtain an assessment of costs to renovate the facility to serve the academic program. Other factors considered are whether there will be a change in use and what is the associated cost (e.g., change in science laboratory needs over the past 30 to 40 years) and what are the projected enrollment numbers. Typically, if it were to cost 75 percent or more to renovate the existing facility versus to build new, the recommendation will be to build new. In the case of the CSU Sacramento project, there are two additional buildings constructed in the 1950s that are proposed to be demolished and whose functional space is proposed for inclusion in the new replacement building.

Trustee Faigin asked how the priority list functions when there is limited funding. Ms. San Juan confirmed that the project justifications are submitted to Department of Finance and this year, CSU submitted (projects 1 through 18) down to the Sacramento Science II project, based on historical funding levels.

Trustee Eisen asked about the discretion delegated to the chancellor to make some modifications to the priority order in certain circumstances. Ms. San Juan explained that a change in the source and limitation of funding may warrant a change in priority. For example, if federal funds are made available for a specific type of project, the CSU would adjust the priority list in order to leverage those funds.

Governor Brown stated that the item illustrated the need to tie the cost of the capital program with operating costs as they are linked in multiple ways. That is why the governor's office is proposing that the CSU incorporate capital support into the general fund. Increasing enrollment needs to be tied to capital outlay impacts, compensation, course offerings, building maintenance, bottleneck courses and work load. Analysis of the spending choices and their impacts would lead to a meaningful discussion on future budgets. New buildings are attractive but there is an amenities race that could push up costs and student fees.

Ms. San Juan noted that planning tools are used in the capital process that looks at projected enrollment as compared to seat capacity. These analyses engage both the academic planning and facilities space databases, and help identify areas where the capital program can bolster the academic program with needed capital investment. The current capital outlay priorities are to reinvest in the renewal of existing infrastructure across the system as opposed to new buildings. The increase in student housing beds has prompted more amenities to support student life with a resulting increase in the number of recreation/wellness centers that are requested by the students. Ms. San Juan agreed that staff could do a better job presenting the change in support budget operating costs as a result of new buildings. This information is available and is transmitted to the Department of Finance as part of the project justification.

Chancellor White acknowledged the governor's comments and also stated how the report (the capital improvement program) does not adequately explain the impact that a new building can have on a bottleneck course as a result of new flexible space versus old space that has no flexibility in scheduling different types of teaching due to both lack of technology and physical limitations. There are relationships between buildings that are impacted by the capital program that are not easily illustrated.

Governor Brown remarked that this past year the state increased the University of California's (UC) general fund to enable the UC to pay its general obligation bond payments within its support budget, and in addition authorized the UC to refinance (State Public Works Board lease revenue) bonds to achieve cashflow savings.

Trustee Monville asked about the impact of facilities upgrades (capital investment) to the operating budget in terms of improved efficiencies, cost savings and sustainability. Ms. San Juan responded that the CSU's energy consumption per square foot has declined over time and capital investment does make buildings more efficient. Unfortunately, with the loss of general obligation bond funding since 2006, the CSU has been unable to leverage all the investor-owned-utility incentive funding to further improve the physical plant through energy efficiency projects.

Trustee Achtenberg asked if the financing for student unions and health facilities comes from student assessments approved through a student referendum vote. Ms. San Juan confirmed that such facilities are funded via student fees approved through a student fee referendum or via the alternative consultative method.

The committee recommended approval by the board of the proposed resolution (RCPBG 11-13-12).

### **Approve Categories and Criteria for the State Funded Five-Year Capital Improvement Program 2015-2016 through 2019-2020**

Ms. San Juan presented the categories and criteria which establish priorities for funding of the five-year capital improvement program, 2015-2016 through 2019-2020. In light of the recent ongoing decline in capital funding, the item proposed a change from previous years, to limit (decrease) the number of projects proposed in each of the three planning years (2017-2019) to one from three. Should funding and financing options improve, staff would return to the board to request a revision to the categories and criteria. This would result in a reduced capital program overall value.

Trustee Eisen remarked that the proposed resolution more closely aligns capital need with potential funding.

Chancellor White expressed concern of understating the CSU's actual capital need to the trustees and the State of California with the proposed change to categories and criteria, noting that while the resulting capital program may be more in alignment with funding, it would mask the true need on the capital side. Ms. San Juan acknowledged that the proposal would suggest an artificial reduction in need, but in anticipating the financing program on the support budget side of approximately \$280 million per year for the next three years, this is a reasonable plan. Ms. San Juan also stated that reports from the facilities renewal model, which estimates the renewal backlog at \$1.7 billion, can convey the CSU's needs.

Trustee Glazer expressed agreement with the chancellor's assessment of the proposed categories and criteria change. He inquired whether any trustee recalled how need was balanced against anticipated funding when general obligation bond funds were available.

Assistant Vice Chancellor Karen Y. Zamarripa stated that she has worked on the last several general obligation bond negotiations. As the bonds involve not only the other segments of higher education (University of California and California Community Colleges) but also K-12, there is a fair amount of negotiating for fair share. From those experiences, Ms. Zamarripa advised against coming into the negotiations with a lower number; she saw that while a segment's share may drop over the course of discussions, it would not go up.

Trustee Eisen asked for clarification, that should the proposed categories and criteria go into effect, the CSU's documented need will still be demonstrably large in comparison to funding expectations, even with the elimination of some projects from the list. Ms. San Juan concurred.

Trustee Eisen asked Chancellor White if that clarification allayed his concerns.

Chancellor White requested the item be deferred to allow for staff conversation before taking action.

Trustee Eisen, with committee concurrence, recessed the committee with respect to item 4. The committee would be reconvened in the morning.

Trustee Monville (standing in for Chair Linscheid) noted that the Committee on Campus Planning, Buildings and Grounds recessed to bring back item 4.

Wednesday, November 6, Trustee Eisen reconvened the Committee on Campus Planning, Buildings and Grounds to hear item 4, and informed the committee that a revised item and attachment were presented for their consideration.

Ms. San Juan presented the revised item explaining the change was not to reduce the number of projects allowed for each of the three planning years (2017-2019). Thus, the revised item is what has been followed in recent years, allowing three projects per planning year.

The committee recommended approval by the board of the proposed resolution (RCPBG 11-13-13).

With no additional questions, Trustee Eisen adjourned the meeting.

**COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**Amend the 2013-2014 Capital Outlay Program, Non-State Funded**

**Presentation by**

Elvyra F. San Juan  
Assistant Vice Chancellor  
Capital Planning, Design and Construction

**Summary**

This item requests approval to amend the 2013-2014 non-state capital outlay program to include the following projects:

- |                                      |                         |                     |
|--------------------------------------|-------------------------|---------------------|
| <b>1. San Diego State University</b> |                         |                     |
| <b>Zura Hall Renovation</b>          | <b>PWCE<sup>1</sup></b> | <b>\$53,292,000</b> |

San Diego State University wishes to proceed with the renovation of Zura Hall (#51), a nine-story freshmen residence hall constructed in 1968. The renovation and systems upgrade for the 141,000 gross square feet (GSF) facility will increase housing density from 585 to 606 beds, with the capacity to utilize triple occupancy up to 800 beds. Accessibility, life/fire safety systems, and restroom improvements will be made in accord with the current building code. The project scope includes the addition of program space to meet student needs for academic achievement and socialization.

The project will be financed from the California State University (CSU) Systemwide Revenue Bond program, less a \$2 million contribution from housing reserves. The bonds will be repaid from housing revenue.

- |                                      |             |                     |
|--------------------------------------|-------------|---------------------|
| <b>2. San Diego State University</b> |             |                     |
| <b>Basketball Performance Center</b> | <b>PWCE</b> | <b>\$14,500,000</b> |

San Diego State University wishes to proceed with the construction of a Basketball Performance Center (#89) for the men's and women's intercollegiate basketball programs. The Basketball Performance Center (23,500 GSF) will be a two-story facility equipped with two full-length courts, locker rooms, film rooms, team lounges, an athletic training room, and coaches' locker rooms. The new facility will provide dedicated practice courts and improved space to support the Aztec basketball programs.

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<sup>1</sup> Project phases: P – Preliminary Plans, W – Working Drawings, C – Construction, E – Equipment

The project will be primarily donor funded, and augmented with campus contributions from non-state resources if needed.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of the California State University, that the 2013-2014 non-state funded capital outlay program is amended to include the following two projects at San Diego State University: 1) \$53,292,000 for preliminary plans, working drawings, construction and equipment for the Zura Hall Renovation; and 2) \$14,500,000 for preliminary plans, working drawings, construction and equipment for the Basketball Performance Center.

**COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**Amend the 2013-2014 Capital Outlay Program, State Funded**

**Presentation by**

Elvyra F. San Juan  
Assistant Vice Chancellor  
Capital Planning, Design and Construction

**Summary**

This item requests approval to amend the 2013-2014 state capital outlay program to include the following projects:

- |   |                        |                    |
|---|------------------------|--------------------|
| <b>1. California Maritime Academy<br/>Student Service Center Renovation</b> | <b>PWC<sup>1</sup></b> | <b>\$1,030,000</b> |
|---|------------------------|--------------------|

California Maritime Academy wishes to proceed with the renovation of the former Dining Hall (#16) to build a Student Service Center. The existing facility (9,611 gross square feet (GSF)) was constructed in 1955 and served as the campus' main food venue until fall 2013 when the new Dining Center (#40) opened. The proposed project will renovate the interior of the building to accommodate student services such as financial aid and career advising, currently housed in a temporary modular, and the registrar, currently housed in the Faculty Office Building (#3). The renovation will convert the kitchen storage area to a student study lounge, and the baking area will accommodate a future coffee shop.

The replacement of building systems as well as accessibility improvements is included in the project budget. At the completion of this project, the temporary financial aid modular will be removed from the campus and space will become available in the Faculty Office Building to help relieve the shortfall in faculty offices.

The project will be funded from interest earned on student fee revenue (\$330,000) and capital trust funds (\$700,000). Additional repair components (such as plumbing, ventilation and electrical) will also be completed. The campus support budget will be used to fund these maintenance and repair costs.

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<sup>1</sup> Project phases: P – Preliminary Plans, W – Working Drawings, C – Construction

**2. California State Polytechnic University, Pomona**  
**Hot Water and Chilled Water Systems Expansion** **PWC** **\$7,045,000**

California State Polytechnic University, Pomona wishes to proceed with the design and construction of an expansion to the existing central hot water (HW) and chilled water (CHW) systems to provide an efficient and cost-effective means to heat and cool the new Administration Replacement Facility (currently in design), and to serve additional future planned buildings. The project will consist of extending the HW and CHW distribution pipelines to the new building site in Lot C and making improvements to the chilled water temperature differential in the existing connected buildings to gain cooling capacity. The system expansion will create a loop system that will improve the reliability of the distribution system. Additional boilers will be installed in the existing Library Mechanical Equipment facility (#16) to serve the new building.

This project will allow the campus to better utilize the existing HW and CHW plants and the thermal energy storage system to provide an efficient means to heat and cool current and future planned buildings. This project will reduce the overall electrical and natural gas consumption for the campus, resulting in the reduction of greenhouse gas emissions. It will also improve the shift of electrical usage to less expensive off-peak hours to further reduce energy costs.

This project will be financed through equipment-lease financing and energy incentives. The loan will be repaid from the projected annual avoided utility costs.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of the California State University, that the 2013-2014 state funded capital outlay program is amended to include:  
1) \$1,030,000 for preliminary plans, working drawings and construction for the California Maritime Academy Student Service Center Renovation; and  
2) \$7,045,000 for preliminary plans, working drawings and construction for the California State Polytechnic University, Pomona Hot Water and Chilled Water Systems Expansion.



**COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**Status Report on the 2014-2015 State Funded Capital Outlay Program—Governor’s Budget**

**Presentation By**

Elvyra F. San Juan  
Assistant Vice Chancellor  
Capital Planning, Design and Construction

**Summary**

This item will provide an update on the California State University’s (CSU) 2014-2015 state funded capital outlay program request and the funding level included in the governor’s budget.

**Background**

The CSU’s proposed state funded 2014-2015 capital outlay program was presented at the November 2013 Board of Trustees’ meeting. The trustees approved the entire state funded priority list (32 projects) of \$456 million for the 2014-2015 capital outlay program. Of the \$456 million amount, program documentation for 18 projects totaling \$415.9 million has been submitted to the Department of Finance. Due to the uncertainty of the potential funding source for the 2014-2015 state capital program, the board approved resolutions directing staff to negotiate with the administration and the legislature during the budget process to maximize funding opportunities for the campuses.

**Governor’s Budget Proposal**

The governor included capital funding of \$5,766,000 in the January budget proposal to fund three equipment projects out of the 18 projects submitted to the Department of Finance. The projects are:

<b>Campus</b>	<b>Project</b>	<b>Amount</b>
Monterey Bay	Academic Building II	\$1,965,000
Chico	Taylor II Replacement Building	\$2,740,000
East Bay	Warren Hall Replacement Building	\$1,061,000
<b>Total</b>		<b>\$5,766,000</b>

The funds will pay for moveable equipment like desks, chairs, kilns, recording studio consoles, cabinets, etc. needed to make the new buildings operable and ready for students, faculty and staff use. Remaining general obligation bond funds are the identified proposed funding source for the three equipment projects.

## COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

### Approval of Schematic Plans

#### Presentation By

Elvyra F. San Juan  
Assistant Vice Chancellor  
Capital Planning, Design and Construction

#### Summary

Schematic plans for the following project will be presented for approval:

#### **San Diego State University – Basketball Performance Center**

*Project Architect: JCJ Architecture*

*Design/Build Contractor: Hunt Construction*

#### Background and Scope

San Diego State University proposes to construct a Basketball Performance Center (#89) to provide improved space to support the Aztec men's and women's intercollegiate basketball programs. The project will be located at the western terminus of the Aztec Walk esplanade and adjacent to the Parma Payne Goodall Alumni Center (#88) in the southwest quadrant of the campus.

The two-story building (23,460 gross square feet (GSF)) will provide locker rooms for players and coaches, film rooms, team lounges, and an athletic training room in the lower level; the upper level will provide dedicated practice courts to support the Aztec men's and women's basketball programs and will aid in the recruitment and retention of skilled players and coaches. The building design will complement the Alumni Center and the Fowler Athletics Center (#67) located across Aztec Walk.

The facility will feature a steel framed structure with long span trusses accommodating two full-length basketball courts, cement stucco exterior skin and an exterior promenade that ties to the adjacent Alumni Center. The lower level of the facility will be recessed below grade to reduce massing.

Sustainable features incorporated into the building's design include energy efficient lighting and control systems used in conjunction with natural lighting. The building will utilize a high efficiency envelope, clerestory windows and light wells to illuminate the lower level. The facility

cooling requirements will be served by the efficient thermal storage capacity of the central plant. Drought tolerant landscape and water efficient irrigation systems will sustain the exterior grounds.

**Timing (Estimated)**

Preliminary Plans Completed	March 2014
Working Drawings Completed	May 2014
Construction Start	May 2014
Occupancy	July 2015

**Basic Statistics**

Gross Building Area	23,460 square feet
Assignable Building Area	21,455 square feet
Efficiency	91 percent

**Cost Estimate – California Construction Cost Index (CCCI) 6077<sup>1</sup>**

Building Cost (\$413 per GSF)		\$9,687,000
<i>Systems Breakdown (includes Group I<sup>2</sup>)</i>	<i>(\$ per GSF)</i>	
a. Total Building	\$342.41	
b. General Conditions	\$ 70.51	
Site Development (includes landscaping)		<u>965,000</u>
Construction Cost		\$10,652,000
Fees, Contingency, Services		<u>3,646,000</u>
Total Project Cost (\$609 per GSF)		\$14,298,000
Group II Equipment <sup>3</sup>		<u>202,000</u>
Grand Total		<u>\$14,500,000</u>

<sup>1</sup> The July 2013 *Engineering News-Record* California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco and is updated monthly.

<sup>2</sup> Group I equipment is built-in equipment installed as a part of the construction project; its cost is included in the construction contract.

<sup>3</sup> Group II equipment is movable and does not require significant utility connections; its cost is not included in the construction contract. Group II equipment is budgeted as a separate phase of the project.

### **Cost Comparison**

The building cost of \$413 per GSF is higher than the CSU cost guide of \$318 per GSF and the \$401 per GSF for the California Maritime Academy Physical Education Replacement Facility approved in November 2011, adjusted to CCCI 6077. The higher cost is attributed to the San Diego project having approximately 6,000 GSF entirely below grade, whereas the Maritime project was below grade on three sides of the building, and both projects have additional foundation and waterproofing costs. The San Diego project also has enhanced building finishes and is subject to higher general conditions costs due to the constrained site location; the proposed site is surrounded by buildings on three sides, limiting contractor access.

### **Funding Data**

The project will be primarily donor funded, and augmented with campus contributions from non-state resources if needed.

### **California Environmental Quality Act (CEQA) Action**

The project was found to have no significant impacts to the environment. A Notice of Exemption has been prepared pursuant to the requirements of the California Environmental Quality Act. The Notice of Exemption will be filed with the State Clearinghouse as required.

The following resolution is presented for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The board finds that the Categorical Exemption for the San Diego State University, Basketball Performance Center, has been prepared pursuant to the requirements of the California Environmental Quality Act.
2. The schematic plans for the San Diego State University, Basketball Performance Center are approved at a project cost of \$14,500,000 at CCCI 6077.

## AGENDA

### COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

**Meeting:** 3:15 p.m., Wednesday, January 29, 2014  
Glenn S. Dumke Auditorium

Debra Farar, Chair  
Lou Monville, Vice Chair  
Roberta Achtenberg  
Steven M. Glazer  
William Hauck  
J. Lawrence Norton  
Steven G. Stepanek

#### Consent Items

Approval of Minutes of Meeting of November 5, 2013

#### Discussion Items

1. Executive Compensation: Individual Transition Program, *Information*

**MINUTES OF THE MEETING OF  
COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL**

**Trustees of The California State University  
Office of the Chancellor  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**November 5, 2013**

**Members Present**

Debra Farar, Chair  
Lou Monville, Vice Chair  
Roberta Achtenberg  
Steven M. Glazer  
Bob Linscheid, Chair of the Board  
J. Lawrence Norton  
Timothy P. White, Chancellor

Chair Bob Linscheid noted that Agenda Item 1 was withdrawn from the committee meeting.

**Approval of Minutes**

The minutes of July 23, 2013 were approved as submitted.

**Executive Compensation**

Chancellor Timothy P. White announced the appointment of Ms. Sally F. Roush as interim vice chancellor for business and finance effective November 1, 2013. He proposed an annual salary of \$270,000 and in accord with existing policy, a monthly auto allowance of \$1,000. Chancellor White noted that Ms. Roush's salary and auto allowance will begin in January 2014. Until then, she will be paid an hourly rate as stated in the amended agenda item. A motion was passed to recommend approval of the compensation as stated in Agenda Item 2. (RUF 11-13-04)

Agenda Item 3 proposed compensation for Mr. Framroze Virjee as executive vice chancellor and general counsel effective January 1, 2014. Chancellor White recommended an annual salary of \$310,000 and in accord with existing policy, an auto allowance of \$1,000 per month. Trustee Farar called for a vote. Trustees Steven M. Glazer and J. Lawrence Norton cast "no" votes. The motion passed to recommend approval of the compensation as stated in Agenda Item 3. (RUF 11-13-05)

**Annual Report on Vice President Compensation, Executive Relocation, and Executive Transitions**

As required by the trustees, the 2013 annual report was presented by Chancellor White. He noted that two annual reports were being provided—the 2013 report in Agenda Item 4 and a supplement

report for 2012 provided as a handout. In preparing this year's report it was discovered that the previous year's report was not made as is customary due to an oversight during the transition. Chancellor White noted that the two vice president reports showed discipline in a difficult environment. Over the past two years there were 39 vice president appointments – 36 filling vacant positions and 3 new vice president positions.

Chancellor White recognized that relocation of newly hired leaders is sometimes necessary. As is sometimes done with new faculty and staff hires, the CSU provides assistance for the relocation expenses of leadership positions. He referred to Agenda Item 4 for details on executive relocation expenses.

An update on executive transition programs was provided. Chancellor White explained that in the past trustees provided for the transition of leadership into a trustee professorship which was replaced by the Executive Transition Program and later, the Executive Transition II. Executive Transition II is provided for executives appointed on or after November 15, 2006 and restricted access in order to reduce costs and increase return. He noted that the CSU has a contractual obligation to those hired under the earlier programs. As reported in Agenda Item 4, three transition assignments ended earlier this year, three will end by December 31, 2013, and one trustee professor continues to serve in the program.

Trustee Farar adjourned the meeting.

## **COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL**

### **Executive Compensation: Individual Transition Program**

#### **Presentation By**

Timothy P. White  
Chancellor

#### **Summary**

In November 2006, the Board of Trustees adopted a resolution (RUFP 11-06-06) requiring the chancellor to report on new individual transition programs in an open meeting of the Committee on University and Faculty Personnel. This item will provide information regarding the transition of Dr. Benjamin F. Quillian.

Trustee policy provides for the Executive Transition II Program for individuals appointed into an executive position on or after November 15, 2006. To be eligible, the executive must have served five years in an executive position, be in good standing, have previously identified a position in the CSU to return to upon completion of the transitional program, and not accept non-CSU employment.

#### **Information**

Dr. Benjamin F. Quillian resigned from the position of executive vice chancellor and chief financial officer effective December 31, 2013. His transition assignment to which he is entitled under the Executive Transition II Program will be from January 1, 2014 through December 31, 2014.

During his transition assignment he will be reassigned into the Management Personnel Plan (MPP – Administrator IV) and be eligible for standard benefits afforded MPP employees. Dr. Quillian's salary will be set at the annual rate of \$223,000. His auto allowance, which is afforded CSU executives, is discontinued effective December 31, 2013.

Dr. Quillian's duties during his transition assignment shall include:

- To work with the interim, and then the permanent, executive vice chancellor and chief financial officer to effect a smooth transition of duties, projects and issues.
- To be available for consultation as issues are identified.
- To co-chair a task force on the university's revenue acquisition and distribution model that was implemented in 1993-1994 and last reviewed in 2000.



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- To assist in providing course materials and preparation to re-join the faculty at CSU Long Beach.
- Other assignments mutually agreed upon.

Effective January 1, 2015, Dr. Quillian will assume a faculty position in the College of Education at the California State University, Long Beach.

The Chancellor's Office will be responsible for all costs associated with the Executive Transition II Program. Thereafter, all costs and decisions regarding Dr. Quillian's appointment will be made by CSU Long Beach.

*Corrected*

**TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY**

**California State University  
Office of the Chancellor  
Glenn S. Dumke Auditorium  
401 Golden Shore  
Long Beach, CA 90802**

**January 29, 2014**

*Presiding: Bob Linscheid, Chair*

**4:00 p.m. Board of Trustees**

**Dumke Auditorium**

**Call to Order and Roll Call**

**Public Comment**

**Chair's Report**

**Chancellor's Report**

**Report of the Academic Senate CSU: *Chair—Diana Guerin***

**Report of the California State University Alumni Council: *President—Kristin Crellin***

**Report of the California State Student Association: *President—Sarah Couch***

**Approval of Minutes of Board of Trustees' Meeting of November 6, 2013**

**Board of Trustees**

1. Posthumous Conferral of Title of Trustee Emeritus: Peter G. Mehas
2. Conferral of Title of Trustee Emeritus: Bernadette Cheyne
3. Conferral of Title of Chancellor Emeritus: Barry Munitz

\*The Board of Trustees is a public body, and members of the public have a right to attend and participate in its meetings. This schedule of meetings is established as a best approximation of how long each scheduled meeting will take to complete its business. Each meeting will be taken in sequence, except in unusual circumstances. Depending on the length of the discussions, which are not possible to predict with precision in advance, the scheduled meeting times indicated may vary widely. The public is advised to take this uncertainty into account in planning to attend any meeting listed on this schedule.

## **Committee Reports**

### **Committee on Collective Bargaining: *Chair—Lou Monville***

### **Committee on Governmental Relations: *Chair—Steven Glazer***

1. Board of Trustees Legislative Program, 2014
2. California State University 2014 Federal Agenda

### **Committee on Audit: *Chair—Lupe C. Garcia***

### **Committee on Organization and Rules: *Chair—J. Lawrence Norton***

- ~~1. Rules Governing the Board of Trustees~~

### **Committee on Finance: *Chair—Bill Hauck***

### **Committee on Institutional Advancement: *Chair—Hugo N. Morales***

1. Naming of a Facility – San Diego State University
2. Naming of a Facility – San Diego State University
3. Naming of a Facility – Sonoma State University
4. Approval of the 2012-2013 Annual Report on Philanthropic Support to the California State University

### **Committee of Educational Policy: *Chair—Roberta Achtenberg***

### **Committee on Campus Planning, Buildings and Grounds: *Chair—Rebecca D. Eisen***

1. Amend the 2013-2014 Capital Outlay Program, Non-State Funded
2. Amend the 2013-2014 Capital Outlay Program, State Funded
4. Approval of Schematic Plans

### **Committee on University and Faculty Personnel: *Chair—Lou Monville***

\*The Board of Trustees is a public body, and members of the public have a right to attend and participate in its meetings. This schedule of meetings is established as a best approximation of how long each scheduled meeting will take to complete its business. Each meeting will be taken in sequence, except in unusual circumstances. Depending on the length of the discussions, which are not possible to predict with precision in advance, the scheduled meeting times indicated may vary widely. The public is advised to take this uncertainty into account in planning to attend any meeting listed on this schedule.

**MINUTES OF THE MEETING OF  
BOARD OF TRUSTEES**

**Trustees of the California State University  
Office of the Chancellor  
Glenn S. Dumke Auditorium  
401 Golden Shore  
Long Beach, California**

**November 6, 2013**

**Trustees Present**

Bob Linscheid, Chair  
Lou Monville, Vice Chair  
Roberta Achtenberg  
Talar Alexanian  
Rebecca D. Eisen  
Douglas Faigin  
Debra S. Farar  
Lupe C. Garcia  
Steven M. Glazer  
Hugo N. Morales  
Gavin Newsom, Lieutenant Governor  
J. Lawrence Norton  
Cipriano Vargas  
Timothy P. White, Chancellor

**Public Comment**

The board heard from several individuals during the public comment period. Richard Schave, Hornets for Healthy Hive, Sacramento State, spoke about implementing a tobacco free campus within the next few years. Luis Kischmischian, Hornets for Healthy Hive, Sacramento State Media Director spoke about the momentum and outreach of the organization. Javier Gomez, CSSA board member, spoke about student perspective on bottle neck courses and online learning. Eli Tizcareno, Alumni UC Riverside, spoke about adopting a sustainable food system in the CSU's sustainability policy. Anh Tran, student CSULB, spoke about current projects on campus that support the sustainability policy. Dolores Pinu, spoke about in support of adopting a sustainability food policy. Tim Xie, faculty, CSULB, Dept. Chair, Asian/Asian American Studies, spoke about reduced funding and possible cuts to the foreign language and ethnic studies programs. John Tsuchida, Faculty, CSULB, Asian/ Asian American Studies, spoke about the due process and protection in the context of higher education. Diana Crumedy, student, SJSU, spoke in support of

African American studies and proposed a two year moratorium in any changes to ethnic studies programs for all CSU campuses. Joel Murillo, expressed his admiration of former board member, Peter G. Mehas, and noted that the CSU had lost a great advocate. Harpreet S. Bath, student, CSUF, spoke about support and funding for the Fullerton campus. Rohullah Latif, ASI president CSUF, acknowledged the support given to CSUF, but would also like funding to increase for CSUF. Pat Gantt, president, CSUEU, expressed his thanks for the efforts in moving forward with the bargaining units. Mike Geck, organizing, CSUEU, spoke about the progress and change he sees in the CSU and thanked the chancellor for keeping communication open. Tessy Reese, chair, Bargaining Unit 2 CSUEU, spoke about bargaining and longevity within the system. She stated she has been employed for 17 years but that the CSU is no longer hiring employees who stay for the long haul and noted the importance of that because the CSU is a great institution. John Orr, chair, Unit 7 CSUEU, spoke about the importance of the role of leadership and professional development within the CSU. Alisandra Brewer, vice president, CSUEU, expressed her support of staff system-wide and her gratitude to Chancellor White for taking the time to visit Sonoma State.

### **Chair's Report**

Chair Linscheid's complete report can be viewed online at the following URL:

<http://www.calstate.edu/BOT/chair-reports/nov2013.shtml>

### **Chancellor's Report**

Chancellor Timothy P. White's complete report can be viewed online at the following URL:

<http://www.calstate.edu/bot/chancellor-reports/131106.shtml>

### **Report of the Academic Senate CSU**

CSU Academic Senate Chair, Diana Guerin's complete report can be viewed online at the following

URL: [http://www.calstate.edu/AcadSen/Records/Chairs\\_Reports/documents/Nov\\_2013\\_Chairs\\_BOT\\_Rept.pdf](http://www.calstate.edu/AcadSen/Records/Chairs_Reports/documents/Nov_2013_Chairs_BOT_Rept.pdf)

### **Report of the California State University Alumni Council**

Alumni Council President, Kristin Crellin's complete report can be viewed online at the following URL: <http://www.calstate.edu/alumni/council/bot/20131106.shtml>

### **Report from the California State Student Association**

CSSA President Sarah Couch's complete report can be viewed online at the following URL:

<http://www.csustudents.org/index.php/public-resources/public-documents/reports/>

## **Committee Reports**

### **Approval of Minutes of Board of Trustees Meeting**

The minutes of the meeting of September 25, 2013, were approved.

### **Board of Trustees**

#### **Conferral of Commendation Upon Henry Mendoza (RCOC 11-13-12)**

Chair Linscheid moved the item; there was a second. The Board of Trustees approved the following resolution:

**WHEREAS**, Henry Mendoza was appointed as a member of the Board of Trustees of the California State University in 2008 by Governor Arnold Schwarzenegger, and since that time has served ably in that position; and

**WHEREAS**, Henry Mendoza served as a member of the Board for five years and offered an invaluable perspective to the deliberations of the Board of Trustees in a range of matters and served on the selection committees for presidents of California State University, Fullerton in 2011, California Maritime Academy in 2012, and California State University, Fresno in 2012; and

**WHEREAS**, Henry Mendoza was elected by his board colleagues to serve as Chair of the Committee on Audit and Vice Chair of the Committee on Governmental Relations; and

**WHEREAS**, Trustee Mendoza contributed his extensive knowledge and expertise in accounting, audit and business, all of which are critical to the advancement of the California State University; and

**WHEREAS**, through his service on the Board of Trustees, made a personal contribution to the good of higher education and the people of California; and

**THEREFORE**, be it resolved by the Board of Trustees of the California State University, that this board commends Henry Mendoza on his service to the California State University.

### **Committee on Collective Bargaining**

Trustee Monville reported the committee heard four action items: Adoption of Initial Proposals for 2013-2014 Salary Re-Opener Negotiations with Bargaining Unit 6 (State Employees' Trades Council); Adoption of Initial Proposals for 2014 Full Contract Negotiations with Bargaining Unit 3 (California Faculty Association); Ratification of a Successor Collective Bargaining Agreement with Bargaining Unit 11 (United Auto Workers); and Ratification of a Successor Collective Bargaining Agreement with Bargaining Unit 13, English Language Program Instructors, California State University, Los Angeles (California State University Employees' Union). He also reported that the committee heard from the following public speakers: Pat Gantt, president CSUEU; Mike Geck, CSUEU organizing vice president; Tessy Reese, chair, Bargaining Unit 2; Pam Robertson, Bargaining Unit 2; Sharon Cunningham, chair Bargaining Unit 5; Mike Chavez, Bargaining Unit 5; John Orr, chair, Unit 7 CSUEU; Rocky Sanchez, Bargaining Unit 7; Susan Smith, Vice-chair, Bargaining unit 9; Alisandra Brewer, vice president, CSUEU; Andy Mayfield, chair, CFA Bargaining team; Patricia Donze, CFA faculty; DD Willis, chapter president, CFA; and Rich Anderson, president, UAW Local 4123.

### **Committee on Educational Policy**

Trustee Achtenberg reported the committee heard five information items: Update on the Early Assessment Program; Update on SB 1440: Student Transfer Achievement Reform Act; The California State University Institute for Palliative Care at California State University San Marcos; The California State University Nursing Programs Update; and Outstanding Faculty Website.

### **Committee on Governmental Relations**

Trustee Glazer reported the committee heard two information items, Legislative Update; and Veteran's Legislative Update.

### **Committee on Audit**

Trustee Garcia reported that two items were deferred, Item 2, Audit Committee Charter and Item 3, Office of the University Auditor Charter. She then reported that the committee heard one information item, the Status Report on Current and Follow-Up Internal Audit Assignments and one action item as follows:

#### **Intent to Reissue the Request for Proposal for External Auditor Contract (RAUD 11-13-02)**

**RESOLVED**, by the Board of Trustees of the California State University, that the request to extend the existing contract with KPMG for one additional year to perform the 2013-2014 fiscal year audit, is approved.

## **Committee on Campus Planning Buildings and Grounds**

Trustee Eisen reported the committee heard four action items as follows:

### **Acceptance of Interest in Real Property, Sonoma State University (RCPBG 11-13-10)**

Trustee Eisen moved the item. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that the campus president or designee is authorized to accept on behalf of the Board of Trustees the interest in 38 acres of real property given to the California State University by William and Joan Roth which will be included in the Fairfield Osborne Preserve.

### **Approve the Campus Master Plan Revision for California State Polytechnic University, Pomona for the Administration Replacement Facility (RCPBG 11-13-11)**

Trustee Eisen moved the item. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The Final Initial Study/Mitigated Negative Declaration for the California State Polytechnic University, Pomona's Administration Replacement Facility, including the Campus Master Plan revision and future schematic plans, dated November 2013, has been prepared to address any potentially significant environmental impacts, mitigation measures, and comments associated with approval of the California State Polytechnic University, Pomona's Administration Replacement Facility.
2. The Final Initial Study/Mitigated Negative Declaration was prepared pursuant to the California Environmental Quality Act and state CEQA Guidelines.
3. This resolution is adopted pursuant to the requirements of Section 21081 of Public Resources Code and Section 15091 of the state CEQA Guidelines, which require that the Board of Trustees make findings prior to the approval of a project, that the mitigated project as approved will not have a significant impact on the environment, that the project will be constructed with the recommended mitigation measures as identified in the mitigation monitoring program, and that the project will benefit the California State University. The Board of Trustees makes such findings with regard to this project.



4. The California State Polytechnic University, Pomona's Campus Master Plan revision dated November 2013 is hereby approved.
5. The chancellor or his designee is requested under the Delegation of Authority by the Board of Trustees to file the Notice of Determination for the Project.

**State and Non-State Funded Five-Year Capital Improvement Program 2014-2015 through 2018-2019 (RCPBG 11-13-12)**

Trustee Eisen moved the item. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The final State and Non-State Funded Five-Year Capital Improvement Program 2014-2015 through 2018-2019 totaling \$7,029,713,000 and \$3,733,729,000, respectively, are approved.
2. The 2014-2015 State Funded Capital Outlay Program included in the five-year program distributed with the agenda is approved at \$456,388,000.
3. The 2014-2015 Non-State Funded Capital Outlay Program included in the five-year program is approved at \$14,309,000. The chancellor is authorized to proceed in 2013-2014 with design documents for fast-track projects in the 2014-2015 non-state program.
4. The chancellor is requested to explore all reasonable funding methods available and communicate to the governor and the legislature the need to provide funds for the CSU state funded plan in order to develop the facilities necessary to serve all eligible students.
5. The chancellor is authorized to make adjustments, as necessary, including priority sequence, scope, phase, project cost, and total budget request for the 2014-2015 State Funded Capital Outlay Program.

**Categories and Criteria for the State Funded Five-Year Capital Improvement Program 2015-2016 through 2019-2020 (RCPBG 11-13-13)**

Trustee Eisen moved the item. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The Categories and Criteria for the State Funded Five-Year Capital Improvement Program 2015-2016 through 2019-2020 in Revised Attachment A of Agenda Item 4 of the November 5-6, 2013 meeting of the Committee on Campus Planning, Buildings and Grounds be approved; and
2. The chancellor is directed to use these categories and criteria to prepare the CSU State Funded Five-Year Capital Improvement Program.

**Committee on Finance**

Trustee Achtenberg reported the committee heard two information items: the 2013-2014 Student Fee Report; and the California State University Annual Investment Report. The Committee also heard four action items as follow:

**Approval of the 2014-2015 Support Budget Request (RFIN 11-13-07)**

Trustee Achtenberg moved the item; there was a second. The Board of Trustees approved the following resolution:

**RESOLVED**, that the Board of Trustees of the California State University acknowledge and express their appreciation to the governor and legislature for their increased budget support; and be it further

**RESOLVED**, that the trustees understand there are numerous competing interests for budgetary support given the fiscal constraints under which California continues to operate; and be it further

**RESOLVED**, that the future of California and its economy rests on the success of the CSU in providing life-changing benefits to hundreds of thousands of students; and be it further

**RESOLVED**, by the Board of Trustees of the California State University that the 2014-2015 support budget request is approved as submitted by the chancellor; and be it further

**RESOLVED**, that the chancellor is authorized to adjust and amend this

budget to reflect changes in the assumptions upon which this budget is based, and that any changes made by the chancellor be communicated promptly to the trustees; and be it further

**RESOLVED**, that copies of this resolution be transmitted to the Governor, to the director of the Department of Finance and to the legislature.

#### **2014-2015 Lottery Revenue Budget (RFIN 11-13-08)**

Trustee Achtenberg moved the item; there was a second. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that the 2014-2015 lottery revenue budget totaling \$46 million be approved for implementation by the chancellor, with the authorization to make transfers between components of the lottery revenue budget and to phase expenditures in accordance with receipt of lottery funds; and be it further

**RESOLVED**, that a portion of campus-based program allocations will be used to support student financial aid for the trustee-approved Early Start program. These funds will be used to allow student enrollment in the Early Start summer curriculum regardless of financial need; and be it further,

**RESOLVED**, that the chancellor is hereby granted authority to adjust the 2014-2015 lottery revenue budget approved by the Board of Trustees to the extent that receipts are greater or lesser than budgeted revenue to respond to opportunities or exigencies; and be it further

**RESOLVED**, that a report of the 2014-2015 lottery revenue budget receipts and expenditures be made to the Board of Trustees.

#### **California State University Investment Policy Clarification (RFIN 11-13-09)**

Trustee Achtenberg moved the item; there was a second. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that the California State University Investment Policy, as amended and presented herein as Attachment A of Agenda Item 5 of the November 5-6, 2013 meeting of the Committee on Finance, is approved.

## **Committee on University and Faculty Personnel**

Trustee Farar reported the committee heard one information item, Executive and Vice President Annual Report and two action items as follow:

### **Executive Compensation: Interim Vice Chancellor, Business and Finance (RUFP 11-13-04)**

Trustee Farrar moved the item; there was a second. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that Ms. Sally F. Roush shall receive a salary set at the annual rate of \$270,000 effective November 1, 2013, the date of her appointment as interim vice chancellor, business and finance, of the California State University; and be it further

**RESOLVED**, Ms. Roush shall receive additional benefits as cited in Agenda Item 2 of the Committee on University and Faculty Personnel at the November 5-6, 2013, meeting of the CSU Board of Trustees.

### **Executive Compensation: Executive Vice Chancellor and General Counsel (RUFP 11-13-05)**

Trustee Farrar moved the item; there was a second. The Board of Trustees approved the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University, that Mr. Framroze Virjee shall receive a salary set at the annual rate of \$310,000 effective January 1, 2014, the date of his appointment as executive vice chancellor and general counsel of the California State University; and be it further

**RESOLVED**, Mr. Virjee shall receive additional benefits as cited in Agenda Item 3 of the Committee on University and Faculty Personnel at the November 5-6, 2013, meeting of the CSU Board of Trustees.

## **Committee on Committees**

Trustee Monville reported the committee heard one action item as follows:

### **Appointment of Vice Chairs and Faculty Trustee to Standing Committees, 2013-2014 (RCOC 11-13-04)**

Trustee Monville moved the item; there was a second. The Board of Trustees approved the following resolution:

**RESOLVED**, By the Board of Trustees of The California State University, on recommendation by the Committee on Committees that the newly appointed Faculty Trustee, Steven G. Stepank is appointed to the following standing committees: Educational Policy, Governmental Relations, Institutional Advancement and University and Faculty Personnel.

**RESOLVED**, By the Board of Trustees of The California State University, on recommendation by the Committee on Committees that the following trustees are appointed vice chairs of the committees listed below:

**Audit**

Steven M. Glazer, Vice Chair

**Campus Planning, Buildings And Grounds**

J. Lawrence Norton, Vice Chair

**Institutional Advancement**

Douglas Faigin, Vice Chair