

REVISED

AGENDA

COMMITTEE ON GOVERNMENTAL RELATIONS

Meeting: 2:50 p.m. Tuesday, March 24, 2009
Glenn S. Dumke Auditorium

Carol R. Chandler, Chair
Peter G. Mehas, Vice Chair
Debra S. Farar
Curtis Grima
Melinda Guzman
A. Robert Linscheid
Lou Monville
Craig R. Smith

Consent Items

Approval of Minutes of Meeting of January 27, 2009

Discussion Items

1. 2009-2011 Legislative Report No. 2, *Action*
2. Ballot Initiatives: May 19th Special Election, *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**

January 27, 2009

Members Present

Carol R. Chandler, Chair
Peter G. Mehas, Vice Chair
Jeffrey L. Bleich, Chair of the Board
Debra S. Farar
Curtis Grima
Melinda Guzman
A. Robert Linscheid
Lou Monville
Charles B. Reed, Chancellor
Craig R. Smith

Approval of Minutes

The minutes of November 19, 2008 were approved by consent as submitted.

Adoption of Trustees' Statement of Legislative Principles

Vice Chancellor, Administration and Finance Benjamin F. Quillian and Assistant Vice Chancellor, Advocacy and Institutional Relations, Karen Y. Zamarripa presented this item. Ms. Zamarripa noted that no recommendation for change have been made to the legislative principles adopted by the Trustees for the last legislative session. Those principles have served the CSU well and have strongly represented the position of the board and this institution. Several key principles of the 2009-10 legislative session were highlighted including: fundamentally preserving the integrity of the institution (both in academic and curricular matters) as well as the budget and the governance of the day-to-day operations of the institution; reinforcement of the ongoing commitment to K-12 partnerships and academic and administrative preparation; and guidance related to ensuring there are no undue burdens placed on the California State University by various laws and to ensure the CSU is well represented on boards, commissions and other entities dealing with fundamental issues of importance to the system. The committee unanimously recommended approval by the board of the proposed resolution to approve the adoption of Trustees' Statement of Legislative Principles (RGR 01-09-01).

2009-2010 Legislative Report No. 1

Assistant Vice Chancellor, Advocacy and Institutional Relations, Karen Y. Zamarripa presented the initial legislative report of the year – Legislative Report No. 1. First, Ms. Zamarripa briefly described the changes taking place in Sacramento with regards to the new members of the legislature. She noted that 39 new members out of 120 are CSU alum. 16 members of Congress are graduates of the CSU as well. Turning to the item, Ms. Zamarripa explained the solicitation and vetting process that forms the legislative agenda. From that process, two proposals were presented for the Committee's consideration. The first reintroduced the proposal that was introduced with Senator Scott last year, but was held up in the fiscal committee. The bill will give the CSU the authority to offer the Doctorate of Nursing Practitioner, while the second item dealt with affinity programs. In 2005, the Board endorsed a legislative proposal that clarified, in the law, the ability of both the CSU and UC alumni associations and related groups to offer affinity programs and services to alumni. Revenues are used for the alumni associations to support various campus programs and scholarships for students. The authority for the California State University and the University of California to offer these programs will sunset in January 2011. The proposal for Board consideration requested removal of the sunset clause and to make the authority permanent. With regards to the first proposal, Trustee Fortune questioned if the cause of the nursing bottleneck was regulatory. Executive Vice Chancellor and Chief Academic Officer Gary Reichard responded that while there are several bottlenecks, the most difficult one to overcome is the lack of qualified faculty in order to expand current programs. The Committee noted possible fiscal implications and then unanimously recommended approval by the board of the proposed resolution to approve the 2009-2010 Legislative Report No. 1 (RGR 01-09-02).

California State University Federal Agenda for 2009

With a review of the 2008 Federal Agenda, a discussion of the political landscape in Washington, and an outline of recommendations for 2009, Assistant Vice Chancellor for Federal Relations Jim Gelb presented this item for action. A number of CSU policy priorities for last year were advanced successfully, including in the areas of student aid, K-12 outreach programs, support for veterans, new applied research programs, and strengthening minority serving institutions. And while the Congress is far behind in completing its budget process from last year, the CSU's Strategic Language Initiative, a systemwide project priority, did receive an increase in funding for the new year. Mr. Gelb noted that after the last eight years, a clear shift in both priorities and tone has accompanied the new administration, and that California legislators continue to rise in seniority and leadership.

Recommendations for the 2009 Federal Agenda

This past fall the OFR, in coordination with the Chancellor's Office, set in motion the annual process designed to produce a well-honed federal agenda. In September, Chancellor Reed sent a memo to all 23 CSU presidents and senior system leaders, soliciting recommendations and outlining criteria for the system's 2009 Federal Agenda. As in the past, the Chancellor's memo

sought proposals in two distinct areas: (1) federal legislative and regulatory policy; and (2) CSU projects for which direct federal funding will be sought. With respect to both project and policy recommendations, the solicitation emphasized that the federal agenda must be consistent with the CSU system's core objectives, and they must contribute to system goals of preserving access, providing quality instruction, and preparing students for the workforce. While these principles have their own relevance in the federal arena, it was stressed that the federal agenda should also complement and be consistent with our state program in Sacramento. The items proposed below for inclusion in the 2009 Federal Agenda are based upon submissions received in response to the Chancellor's solicitation, and have advanced through several levels of review, including the Executive Council, and the Chancellor and his executive leadership staff.

Proposed Federal Policy Priorities for 2009

The 111th Congress and the Obama administration will be working to implement several recently enacted pieces of legislation of great interest to the CSU, including the Higher Education Opportunity Act (HEOA), the 2008 Farm Bill, and the post 9/11 GI bill. Implementation will include a range of activities: agency rulemaking, technical corrections legislation, and decisions about whether and at what levels to fund various programs included in these laws. The CSU should work across all of these areas to ensure that these programs effectively meet the needs and priorities of California students and CSU institutions. In addition, the 111th Congress is due to take up the Elementary and Secondary Education Act, or "No Child Left Behind." Teacher preparation programs and pipeline issues will be of particular interest to the CSU. Other pending legislative areas likely to have a significant impact on the CSU are economic recovery proposals, major transportation legislation, and bills related to energy and the environment. While the CSU will frequently be called upon to respond to proposals made by others, including members of Congress and the U.S. Department of Education, the following priorities should be the subject of proactive pursuit:

Pell Grants: Support overall funding increases for the Pell Grant program, an increase to the maximum award.

Campus-Based Aid Programs: Seek increased funding for the Supplemental Educational Opportunity Grants (SEOG) program, and reinstatement of a federal capital contribution for schools that participate in the Perkins Loan program, thereby enhancing available resources for needy students.

Community Service Provisions: Advocate increasing incentives for student and campus participation in community service activities, including through the Work-Study program.

Early Intervention Programs: Advocate maximum funding for GEAR UP and TRIO programs, which are vital to preparing underrepresented students for college and decreasing the need for remediation.

Developing Institutions and Hispanic Serving Institutions: Seek increased funding and effective implementation of programs designed to strengthen “developing” and “Hispanic Serving” institutions, including a new provision supporting HSI graduate programs.

Science, Technology, Engineering and Mathematics (STEM) fields: Advocate programs promoting the participation and success of diverse California students in STEM fields, including funding for Professional Science Master’s program grants contained in the America COMPETES Act.

Teacher Preparation: Support efforts to strengthen teacher preparation, especially in STEM fields, and through programs to provide greater opportunities and training for disadvantaged students to become classroom teachers and faculty.

Veterans Education: Support programs that enhance higher education opportunities for veterans, including improvements to the Post-9/11 Veterans Educational Assistance Act and funding for the new Centers of Excellence for Veteran Student Success program in HEOA.

International Education Programs: Advocate international education programs that promote global awareness and understanding, and create opportunities for domestic and international students and faculty to study abroad, such as the proposed Paul Simon Study Abroad Act.

Federally supported applied research: Advocate broadening the federally supported applied research base to include more support for comprehensive universities and authorization of programs to fund the vital workforce preparation conducted by the CSU system.

Farm Bill Implementation: Seek effective implementation and maximum funding for new competitive grant program supporting non-land-grant colleges of agriculture and for a range of new programs supporting Hispanic-serving agricultural colleges and universities (HSACUs).

Energy and Sustainability: Support federal initiatives consistent with the CSU commitment to sustainability and promoting the continued economic and ecological viability of the state – not only through best institutional practices, but through applied research, education, and service.

Transportation and Infrastructure: Advocate inclusion of support for applied research and university infrastructure needs in economic stimulus and transportation legislation.

Federal Project Proposals for 2009 (FY 2010)

More than 60 projects, including both campus and multi-campus proposals, were submitted in response to this year’s solicitation. It is recommended that, as in recent years, the system’s project priorities for 2009 be broken in two categories. The first category would encompass four

broad-based, multi-campus initiatives consistent with ongoing system collaborative efforts in core areas of CSU strength:

- **Agricultural Research Initiative (ARI):** the CSU will seek continued federal support for its ARI initiative, which leverages state, federal and industry resources to support high impact applied agricultural and related environmental research, development, and technology transfer, as well as public and industry education and outreach.
- **CSU-Industry Partnerships for Biotechnology Research and Workforce Training:** the CSU Program for Education and Research in Biotechnology (CSUPERB) will seek funding to develop a hybrid university-industry educational model to substantially accelerate production of a well-prepared “home grown” workforce and applied research activities for California’s vital biotechnology industry.
- **Strategic Language Initiative (SLI):** the CSU will seek continued federal support for SLI, its collaborative effort to create programs that integrate language learning with professional majors and career opportunities and serve as a national model for training programs in critical world languages, helping our nation meet defense, diplomatic and business needs.
- **CSU Marine Research Equipment:** The California State University’s Council on Ocean Affairs, Science and Technology (COAST) proposes to establish multiple Technology Hubs that will address critical coastal and marine issues faced by California and the nation; the Hubs will provide state-of-the-art equipment that will allow CSU faculty across the system to use cutting-edge technology to help find solutions to environmental issues while training CSU students with the skills necessary to join the workforce, and guide coastal and marine policy and resource issues.

The second category includes locally-focused campus initiatives, which must have presidential approval and meet well-established criteria. Mr. Gelb explained how the OFR will work to achieve the broadest and most strategic support possible for these proposals from members of the California Congressional delegation.

The committee unanimously recommended approval by the board of the proposed resolution to approve the California State University Federal Agenda for 2009 (RGR 01-09-03).

Trustee Chandler adjourned the Committee on Governmental Relations.

COMMITTEE ON GOVERNMENTAL RELATIONS

2009-2010 Legislative Report No. 2

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Karen Y. Zamarripa
Assistant Vice Chancellor
Advocacy and Institutional Relations

Summary

This item contains an update on the Trustees' 2009 Legislative Program and other pertinent legislative measures introduced by the February 27 deadline. The CSU will be evaluating these measures in the next several weeks in preparation for committee hearings this spring.

Trustees' 2009 Legislative Program

AB 867 (Nava) California State University: Doctor of Nursing Practice Degree: This proposal would allow the CSU to offer the Doctorate of Nursing Practice (DNP) degree to prepare nurses for the CSU and community college classrooms, and also nursing leadership role.

Status: This measure was introduced on February 26, thus is not eligible for hearing until after March 26.

AB 1222 (Lowenthal, Bonnie) California State University: Alumni: Disclosure: This measure would delete the current sunset of January 2011 in statutes, allowing CSU and University of California (UC) alumni associations to offer affinity programs to its members and alumni.

Status: This measure was introduced on February 27 and should be heard in its first committee in late March or early April.

Legislative Measures of Interest to the CSU

AB 24 (Block) California State University: Feasibility Study: Chula Vista: This proposal would require the Trustees of the CSU to conduct a study by January 1, 2011 on the feasibility of a CSU satellite program, and ultimately, an independent CSU campus at Chula Vista.

Status: This measure will be heard in the Assembly's Higher Education Committee on March 3, 2009. The CSU is not opposed to the study of a new campus but questions the viability of a new campus given the state's fiscal affairs and inability to fund higher education today.

AB 37 (Furutani) Public Postsecondary Education: Honorary Degrees: This proposal would require the CSU and the California Community Colleges (CCC), and request the UC, to confer an honorary degree upon each person who was required to drop-out of college due to their internment during World War II.

Status: This measure will be heard in the Assembly Higher Education Committee on March 17. CSU understands the motivation of the author but has concerns about the awarding of degrees without the completion of appropriate coursework. We will be working with the author to find other ways to recognize the sacrifice of these Japanese-Americans.

AB 53 (Portantino) State Employment: Salary Freeze: This measure would prohibit any state employee, including employees of the CSU, who earns more than \$150,000 to receive a salary increase, overtime pay, or a bonus until January 1, 2012. The measure excludes Constitutional officers, employees covered by a memorandum of understanding (unions), employees under the oversight of a federal receiver (corrections), and any person who has been exempted by a Governor's executive order.

Status: This measure has been referred to the Assembly's Public Employees Retirement and Social Security Committee. No hearing date has been set.

AB 69 (Duvall) Statewide Student Fee Policy: This measure is a reintroduction of AB 2722, which would have required the CSU, and requested the University of California, to establish a mandatory systemwide fee for undergraduate students that would remain unchanged for four years, as an attempt to give students a greater ability to budget for their costs of attending these institutions.

Status: This measure will be heard in the Assembly's Higher Education Committee on March 3. Past measures have failed given the understanding of state budget support for higher education.

AB 218 (Portantino) Postsecondary Education: Educational and Economic Goals for California Higher Education: This measure is identical to legislation carried by Senator Jack Scott last session, SB 325 which CSU supported. The measure requires the establishment of a statewide accountability framework, which would biennially assess and report on the collective progress of

the state systems of postsecondary education in meeting specified educational and economic goals.

Status: This measure may be heard in committee after March 6.

AB 220 (Brownley) Public Education Facilities: Kindergarten-University Public Education Facilities Bond Act of 2009: This measure would place the Kindergarten-University Public Education Facilities Bond Act of 2009, on the November 3, 2009 ballot. At present, the measure does not specify a dollar amount.

Status: This measure may be heard in committee after March 7.

AB 440 (Beall) California Community Colleges: Student Transfer: This measure would allow a community college district to grant "associate in arts degree in transfer studies" to a student if they have completed a minimum of 60 semester units, and meets the minimum requirements for transfer to the CSU or the UC.

Status: This measure may be heard in committee after March 27.

AB 454 (Knight) Public Postsecondary Education: Exemption From Nonresident Tuition: This measure would repeal the provisions established by the late Assembly Member Marco Firebaugh's AB 540, which allows a student who attended at least three years and graduated from a California high school to pay only in-state fees.

Status: This measure may be heard in committee after March 27.

AB 462 (Price) Public Postsecondary Education: Systemwide Fees: Limitations: Tax Levy: This measure is almost identical to Assembly Member Joe Coto's AB 2372 from last session. This proposal creates the College Affordability Act of 2009, which would freeze undergraduate fees for five years and tie any future increases to the annual percentage change in the California Consumer Price Index starting in fiscal year 2015-16. It also would place a tax of one percent on the taxable income of a resident of California who earns more than \$1 million, directing only 60% of these funds to the newly created College Affordability Fund for the purposes of the CSU and UC.

Status: This measure may be heard in committee after March 27.

AB 480 (Tran) Bond Acts: Auditing: This measure would require any state bond measure approved by the voters after January 1, 2010, to include an audit on how the bond dollars were actually used.

Status: This measure may be heard in committee after March 27.

AB 656 (Torrico) California Higher Education Endowment Corporation: Oil and Gas Severance Tax: This measure would go in effect after January 1, 2010 and would establish the California Higher Education Endowment Corporation (CHEEC) to oversee the use of funds from a new oil and gas severance tax upon any producer for the privilege of severing oil or gas from the earth or water in this state for sale, transport, consumption, storage, profit, or use. The revenues generated by the tax would be used by the CCC for curriculum and programs related to renewable energy and the remaining monies would be annually allocated the CSU and the UC per the decisions of the CHEEC Board and without appropriation by the state.

Status: This measure may be heard in committee after March 27.

AB 690 (Ammiano) CSU Trustees and UC Regents: Meetings: This measure would allow an ex-officio member of the Board of Trustees to send a specified designee to attend but not vote at governing board meetings when they are not able to attend.

Status: This measure will eligible for a hearing at the end of March.

AB 1089 (Villines) Public Postsecondary Education: Finance: This proposal would modify the way California public institutions of higher education calculate the number of full-time equivalent students attending that system in order to encourage timely and successful completion of coursework by students enrolled in those institutions.

Status: This measure will be eligible for a hearing at the end of the month.

AB 1182 (Brownley) Public Postsecondary Education: Reporting Requirement: This proposal modifies reporting requirements for higher education in an effort to provide for more effective, manageable, and transparent reporting by the higher education segments.

Status: This measure would be eligible for a hearing at the end of the month.

AB 1207 (Logue) Exemption from Nonresident Student Tuition: This measure would also propose replacing the provisions established by AB 540. (See AB 454.)

Status: This measure is eligible to be heard at the end of March.

AB 1230 (Torrico) Public Postsecondary Education: Policies Prohibiting Online Harassment: This bill would require the CSU and CCC, and request the UC, to establish systemwide policies prohibiting online harassment and to provide for the enforcement of these policies by making appropriate revisions in their student codes of conduct.

Status: This measure will be eligible for a hearing at the end of the month.

AB 1295 (Fuller) Postsecondary Education: Nursing Degree Programs: This bill would create a model program that would help speed up the timeline for a licensed registered nurse who has completed their associate degree in nursing, to earn a bachelor of science in nursing degree or a master of science in nursing degree.

Status: This measure will be eligible for a hearing at the end of the month.

AB 1393 (Skinner) Foster Youth: This measure would require a campus of the CSU that has student housing facilities to give priority enrollment to current and former foster youth.

Status: This measure will be heard and referred to a committee by the end of the month.

AB2X 1 (Portantino) State Employment: Salary Freeze: This measure is identical to another measure introduced by Assembly Member Portantino, AB 53. This measure would also prohibit any state employee who is not part of a collective bargaining agreement and whose salary is more than \$150,000 to receive a salary increase until 2012.

Status: This measure is eligible to be heard, but has yet to be referred to a committee.

ACA 7 (Hernandez) Public Education: This proposal would reverse part of Proposition 209, which amended California's Constitution to prohibit the state from discriminating against, or granting preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting. ACA 7 would delete Public Schools, the CSU and the University of California, from the scope of this constitutional prohibition.

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

HR 4 (Portantino) Relative to Federal Aid to Higher Education: This resolution requests the federal government to create a federal program for higher education in the amount of seventy billion dollars with the goal of establishing college-going grants similar to the World War II era G.I. Bill of Rights, and student loan debt forgiveness for all students who take jobs in public service.

Status: This measure will be heard in the Assembly Higher Education Committee on March 3.

SB 19 (Simitian) Education Data: This proposal would create the Statewide Education Data Governing Board, for the purpose of linking education data from disparate education and non-education sources.

Status: This measure has yet to be referred to a committee.

SB 48 (Alquist) College Textbooks: Affordability and Online Textbooks: This measure seeks to address the affordability of college textbooks and the promotion and use of online textbooks.

Status: This measure has not been referred to a committee for hearing.

SB 128 (Padilla) California Climate Change Institute: This proposal would create the California Climate Change Institute which would manage research and development programs for California to achieve the state targets for reducing emissions of greenhouse gases and mitigating the effects of those emissions. This body would identify and support, through a merit-based, peer-reviewed, competitive grant process, research and education to be undertaken at academic and research institutions and laboratories throughout the state.

Status: This measure is similar to a measure sponsored by UC and supported by CSU during the 2007-08 session, SB 1702 which was vetoed by the Governor. The bill is eligible for its first hearing in mid-March.

SB 147 (DeSaulnier) University of California and California State University: Career Technical Education Courses: This proposal would require the CSU, and request the UC, to accept by January 2014, all high school career technical education courses that meet the model curriculum standards as satisfying the completion of a general elective course requirement for purposes of admission to that university.

Status: This measure has been referred to the Senate Education Committee and will be eligible for hearing by mid-March.

SB 160 (Cedillo) Student Financial Aid: Institutional Financial Aid Eligibility: This measure would allow those non-resident students who do not pay the out-of-state fee to be eligible for institutional aid, such as CSU's State University Grant (SUG) program.

Status: This measure may be acted on after March 17.

SB 195 (Florez) Equity in Higher Education Act: This measure would require an additional reporting requirement on a postsecondary educational institutions to provide a single assurance for all programs and activities, including, but not limited to, academic and athletic programs

before they may receive state financial aid. The measure would make it a civil penalty for a violation of these provisions.

Status: This measure may be acted on or after March 26.

SB 216 (Liu) Public Postsecondary Education: Textbooks: This measure is a spot bill.

Status: This measure may be amended on or after March 26.

SB 217 (Yee) Public Postsecondary Education: Executive Officer Compensation: This measure forbids an executive officer of the system from receiving any salary increase in a year when the CSU has raised its mandatory student fees.

Status: This measure may be acted upon on or after March 26.

SB 218 (Yee) Public Records: State Agency: Nonprofit Entity: The proposal would revamp the California Public Records Act by redefining what state entities would be required to make their records available for public inspection. Specifically, this measure would include a nonprofit corporation that receives public funds or performs a governmental function on behalf of the CCC, UC, or the CSU.

Status: This measure may be acted upon on or after March 26.

SB 271 (Ducheny) Public Postsecondary Education: Public Education Facilities Bond Act: This measure would require that for any public education facilities bond act enacted on or after January 1, 2010 priority is given to proposals for facilities that would be jointly used by two or more of the three segments of higher education. It would also dictate that dollars from a new bond must be used to address any off-site mitigation necessary to facilitate a campus expansion project.

Status: This measure may be acted upon on or after March 27.

SB 646 (Denham) Student Financial Aid: Veterans and Dependents: This bill would enact the Golden State GI Bill of Rights for Higher Education and would prohibit the CSU, CCC and UC from charging any mandatory systemwide tuition or fees, including enrollment fees, registration fees, differential fees, or incidental fees, to a member of the Armed Forces of the United States who enlisted into the service when they were a California resident.

Status: This measure is eligible for a hearing at the end of March.

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SB 775 (Liu) Postsecondary Education: Accountability Program: This proposal seeks to repeal California's existing higher education accountability program and then establish a new accountability framework to achieve prescribed educational and economic goals.

Status: This measure will be eligible for a hearing at the end of March.

The following resolution is presented for approval:

RESOLVED, By the Board of Trustees of the California State University, that the 2009-2010 Legislative Report No. 2 is adopted.

COMMITTEE ON GOVERNMENTAL RELATIONS

Ballot Initiatives: May 19th Special Election

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Karen Y. Zamarripa
Assistant Vice Chancellor
Advocacy & Institutional Relations

Summary

This item reports on the ballot initiatives before California's voters May 19th and the impact their passage or failure would have on the 2009-10 state budget and subsequent state budgets.

The Board of Trustees may take a position on one or more of the propositions.

Background

Propositions 1A through 1F were adopted by the Legislature with a two-thirds vote and supported by the Governor as part of the 2009-10 budget package for placement before the voters in the May 19th special election. Several of the measures would redirect existing revenues dedicated to specific purposes including the state's lottery, mental health and early childhood programs in order to help balance the state General Fund budget. In addition, Proposition 1A extends for one additional year (Sales and Use Tax) and two additional years (Vehicle License Fee and Personal Income Tax) the tax increases included in the budget agreement. The California State University (CSU) and higher education are impacted whether these initiatives pass or fail. This item provides the background for the Board of Trustees to consider the short- and long-term implications for the system and the state as we continue to work through tough economic times.

Proposition 1A – Budget Stabilization Act

This proposition would make major changes to the way in which the state sets aside money in one of its "rainy day" reserve accounts and how this money is spent. The measure would increase the amount of money set aside in the state's rainy day account and restricting the

withdrawal of these funds. In addition, if this measure is approved several tax increases passed as part of the February budget package would be extended by one to two years.

Proposition 1A (Prop 1A) modifies the state's existing provisions for a rainy day account, put in place by the voters in 2004 (Proposition 58), by increasing from 5% to 12.5% the target amount of General Fund revenues to be set aside ultimately in the Budget Stabilization Account/Budget Stabilization Fund (BSA/BSF) through an annual 3% contribution from revenues received by the state. The measure restricts the use of state revenues considered to be "unanticipated" (or those that exceed the amount of expected revenues based on a trend line of revenues received by the state over the past ten years) to primarily one time purposes beginning in 2010-11 in the following order:

- Meet funding obligations under the Constitution for K-14 education Proposition 98 not already paid.
- Transfer to the Budget Stabilization Fund (BSF) to fill the reserve up to its target of 12.5%
- Pay off any budgetary borrowing and debt.

Any other extra revenues could be spent on other one-time purposes such as increasing the balance in the BSF, infrastructure projects, one-time tax relief, or paying off unfunded health care liabilities for state employees.

Second, Prop 1A modifies current law with regard to the transfer of BSF funds to the General Fund dedicating such revenues to (1) a gradual increase of \$9.3 billion in K-14 spending, if Proposition 1B passes and (2) after the payment of \$9.3 billion to K-14 (or if Proposition 1B fails), 1.5% of state revenues each year would be dedicated to paying for infrastructure or state bond debt. These payments could be used to reduce obligations that would otherwise fall on the General Fund.

Third, if Prop 1A is passed, existing law tied to the measure gives the Governor the authority to reduce spending during a fiscal year without additional legislative approval. Specifically, the Governor could reduce:

- Spending for general state operations (such as equipment purchases) or capital outlay by up to 7 %, and

- Cost-of-living adjustments (COLAs)—provided to account for inflation—for any programs specified in the annual budget. It would not apply to any increases for most state employees' salaries.

Finally, if Proposition 1A is passed, existing provisions of the budget agreement would extend the duration of several tax increases. The Sales and Use Tax (SUT) increase of 1 cent would be extended for one year through 2011-12. The Vehicle License Fee (VLF) tax increase from 0.65% to 1.15% percent of a vehicle's value would be extended for two years through 2012-13. The Personal Income Tax (PIT) increase which raises each rate (current rates range from 1% to 10.3%) by a 0.25 percentage point would also be extended for two more years, through the 2012 tax year.

Fiscal Estimate

The Legislative Analyst's Office estimates that total revenue from these three extensions would provide \$16 billion additional dollars to the General Fund. Based on discussions with state fiscal staff, we understand that this would break down approximately as \$2 billion for the 2010-11 fiscal year, \$10 billion for 2011-12 and \$4 billion for 2012-13. Once these effects have run their course, Prop 1A could continue to have a substantial effect on the state's budgeting practices. While the measure could make it harder to approve spending increases in some years by restricting the access to revenues, it would not cap the total level of spending that could be authorized in any year if alternative revenues were approved. In some years, the measure could lower the amount of money in the BSF rainy day reserve by allowing 1.5 percent of General Fund revenues to be spent on infrastructure. In many other cases, however, the measure would increase the amount of money in the state's BSF rainy day reserve.

The precise effect of having more rainy day funds is unknown. However, under Prop 1A revenues available generally would be based on the past decade. As a result, the amount of revenues available may no longer reflect the state's economy at that time. Over time, this measure could help limit the ups and downs of state spending and smooth out spending from year to year. Moreover, the spending trend line has been designed to be adaptable to future policy decisions by the state, including the adoption of new or expanded sources of state tax revenues.

The measure could increase spending on a variety of one-time activities—such as repaying budgetary borrowing and debt, infrastructure projects, and temporary tax relief. In some cases, this would mean less money was available to spend on ongoing spending increases.

SUPPORT (partial list)

California State Sherriff's Association

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California Chamber of Commerce
California Senior Advocates League
State Building and Construction Trades Council of California

OPPOSE (partial list)

California Faculty Association
League of Women Voters
Congress of California Seniors
Health Access California

Proposition 1-B: Education Finance

This measure contains provisions relating to the constitutional spending guarantee for K-12 public schools and community colleges (Proposition 98). It would require the state—assuming passage of Proposition 1A—to make a total of \$9.3 billion in supplemental payments to K-14 education, with annual installments starting in 2011-12. These gradual increases in payments would become incorporated into the annual Proposition 98 base and would, after five to six years, result in an annual level of Proposition 98 funding that is higher by \$9.3 billion. These payments would be in lieu of any “maintenance factor” payments that otherwise might be due to K-14 education for funding shortfalls incurred in the 2007-08 and 2008-09 fiscal years. Finally, the measure specifies how certain payments to schools and colleges are made in the future.

In 1988, voters approved Proposition 98 (Prop 98), which set minimums for how much the state is required to spend on education. Prop 98 set-up a number of formulas - called "tests" - to determine the amount of money K-14 schools would receive. The first formula, known as *Test 1*, ensures that public schools and community colleges receive about 40 percent of all money in the state's General Fund. That money was intended to be a minimum. In fact, since the passage of Prop 98, the funding for schools has exceeded 40 percent of the state's General Fund revenues. In years of General Fund growth, the formula known as *Test 2* is used to come up with the schools' dollar figure. *Test 2* links increases in school funding to growth in the state's per capita income. In years of slower growth, *Test 3* typically applies. *Test 3* was not actually part of Prop 98 but adopted in 1990 as Proposition 111 as a way to lower demands on the General Fund in times of slow budget growth. *Test 3* is typically used when General Fund revenues drop. In those years, the state can defer payments to schools and colleges for up to five years. The money owed to K-14 by the General Fund is known as the "maintenance factor," or an obligation the state has to K-12 schools and community colleges. The current maintenance factor is about \$1.4 billion. For 2009, the first time since Prop 98's passage, K-14 schools are simply guaranteed the 40 percent minimum or *Test 1* of the state's General Fund given plummeting revenues.

Prop 1B is part of the budget agreement and creates \$9.3 billion “supplemental education” obligation from 2007-08 and 2008-09 fiscal years for the state thus eliminating this level of permanent cuts to K-12 and community colleges. Prop 1B gives discretion to the Legislature and the Governor on how payments would be distributed between K-12 schools and community colleges. Beginning in 2011-12, up to \$200 million can be provided to K-12 schools with low per-pupil revenue limit amounts to equalize revenue limit payments among school districts. This initiative is specifically linked to the passage of Prop 1A; if 1A is not approved by the voters, the provisions of Proposition 1B would not go into effect, and there would be no obligation to make \$9.3 billion in supplemental payments.

Fiscal Estimate

According to the Legislative Analyst: “In 2009-10 and 2010-11, the measure could result in annual savings. This is because the measure could postpone maintenance factor payments that otherwise would have been made in these years. Any such savings could be up to several billion dollars each year. Under other interpretations of current law, however, this measure would result in no savings in 2009-10 and 2010-11.” (This is due to widely differing interpretations as to the requirements of existing law with regard to “maintenance factor” payments.) In 2011-12, the state would begin making supplemental payments. Over a five to six-year period, these payments would increase annual spending on K-14 education by \$9.3 billion. The Legislative Analyst concludes that: “Under most situations, however, costs for K-14 education likely would be higher than under current law—potentially by billions of dollars each year.

SUPPORT (partial list)

California Teachers Association

OPPOSE (partial list)

None Known

Proposition 1C: Lottery Securitization

Proposition 1C (Prop 1C) would allow the State to borrow \$5 billion in the 2009-10 fiscal year from future lottery profits. In addition the measure would allow lottery prizes to be increased beyond what current law allows in an effort to attract more lottery tickets sales and therefore an increased proceeds that would be distributed to K-12 schools and public higher education. The budget agreement relies on this “securitization” of future lottery revenues thus if it fails the Governor and legislature will need to revisit how they are going to deal with this \$5 billion hole in their final package.

For the California State University (CSU), a payment equal to the payment made during the 2008–09 fiscal year adjusted for inflation and attendance would be made to the system in 2009-

10 out of the State's General Fund. Prop 1C would then make future General Fund payments to the CSU by adjusting each year for growth in the number of students, as well as cost of living backfilling for loss of lottery revenue.

While the Legislature would have more flexibility to amend the Lottery in the future to add more games or modify its operation; it would not be able to amend the parts that increases state General Fund payments to educational institutions without approval of the voters.

Fiscal Estimate

The LAO analysis indicates that while the General Fund would benefit in the future from lottery profits not needed to pay off the borrowing, these lottery profits probably would not be enough to cover higher payments to education required under current law. At the same time the lottery could also see its profits increase by hundreds of millions of dollars per year as compared to today. Finally, the LAO suggests that education segments could see higher payments from the State's General Fund that would grow faster and at a much more consistent rate than the current lottery.

SUPPORT (partial list)

California State Sherriff's Association
California Fire Chiefs Association
California Business for Education Excellence

OPPOSE (partial list)

State Senator Bob Huff

Proposition 1D –California Children and Families Act

This measure temporarily redirects a significant portion of funds raised by Proposition 10 (1998) for early childhood development programs, now known as the First 5 program, to help address the state's current fiscal crisis. Specifically Proposition 1D amends the California Children and Families Act to temporarily allow Proposition 10 revenues to be used to fund other state health and human services programs for children up to age five. In effect, these Proposition 10 revenues would be used to offset existing state General Fund costs, thereby achieving savings to help address the state's current budgetary problem.

The measure also seeks to permanently amend the allocation requirements for the state commission's 20 percent of Proposition 10 revenues. Specifically it deletes the allocation for mass media communications (now 6 percent) and increases the allocation for general program purposes (from 2 percent to 8 percent).

Fiscal Estimate

The LAO indicates that this measure would achieve state savings of up to \$608 million in 2009-10 and \$268 million annually from 2010-11 to 2013-14. Additionally due to the changes in allocation to the state commission it would reduce the funding to the commission by up to \$340 million on a one-time basis in 2009-10 by redirecting the state commission's reserve funds. In addition, this measure would reduce funding for the state and local commissions by \$268 million annually from 2009-10 through 2013-14.

SUPPORT (partial list)

Association of Regional Center Agencies
California Latino Child Development Association

OPPOSE (partial list)

Delaine Eastin, Former California Superintendent of Schools
California Family Resource Association

Proposition 1E – The Mental Health Services Act

Proposition 1E allows for the temporary redirection of some Proposition 64 funds to support Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program's mental health services. Proposition 63 was passed by voters in November 2004 and provides state funding for certain new or expanded mental health programs with a personal income tax surcharge of one percent on the portion of a taxpayer's taxable income in excess of \$1 million.

Specifically, this Proposition would redirect \$226.7 million of Proposition 63 funds in 2009-10 and between \$226.7 million and \$234 million would be redirected in 2010-11, to support EPSDT. In effect, these Proposition 63 revenues would be used to offset state costs that would otherwise be borne by the General Fund, thereby achieving savings to help address the state's current budgetary problem.

Fiscal Estimate

The LAO indicates that this proposal would result in state General Fund savings of about \$230 million a year for two years (2009-10 and 2010-11) from redirecting a portion of Proposition 63 funds to state-supported EPSDT mental health services. It would result in an equivalent reduction in Proposition 63 funding.

SUPPORT

None Known

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OPPOSE:

None Known

Proposition 1F – State Officer Salary Increases

The last of the initiative package tied to the budget agreement, Proposition 1F amends the Constitution to prevent the California Citizens Compensation Commission, established by voters in 1990 to establish annual salaries, medical insurance and other benefits for elected officials from approving increases in the annual salary of elected state officials when the state General Fund is expected to end the year with a deficit.

This measure requires that an official certification of a deficit be established on or before June 1 of each year by the state Director of Finance and he/she notify the Commission in certain cases when the state's finances have weakened. Under this measure if the Director of Finance certifies that the state will end the month of June with a deficit of one percent or more of the General Fund revenues, state officials will not be eligible to receive a salary increase to take effect in December of that year.

Fiscal Estimate

The LAO indicates that this measure would bring minor savings to the state.

SUPPORT (partial list)

National Tax Limitation Committee
Small Business Action Committee
California Alliance for Jobs

OPPOSE

None Known

Board of Trustees Action

If the Board wishes to take a position on one or more of the propositions on the May 19th election, the following resolution is suggested:

RESOLVED, By the Board of Trustees of the California State University, that the Board supports Proposition(s) 1-A, 1-B, 1-C, 1-D, and 1-E.that are scheduled for the May 19, 2009 election ballot.