
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No: AB 2505 **Hearing Date:** June 27, 2018
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Urgency: No **Fiscal:** Yes
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Subject: California State University: budget oversight policies.

SUMMARY

This bill requires the Office of the Chancellor of the California State University (CSU) to require each CSU campus to develop and implement budget oversight policies, as specified, and submit a statewide report to the Legislature and the Department of Finance on or before March 31, 2019.

BACKGROUND

Existing law:

- 1) Establishes the CSU, under the administration of the Trustees of the CSU, as one of the public postsecondary educational institutions in the state. (Education Code § 66602)
- 2) Outlines the authorities, responsibilities and requirements of the Trustees relative to personnel matters. (EC § 89500 et.seq.)
- 3) Requires, the CSU to report, by March 15 of each year, on performance measures for the preceding academic year and goals for the three academic years immediately following, to inform budget and policy decisions and promote the effective and efficient use of available resources. (EC § 89295)
- 4) Under, the Budget Act of 2017 requires CSU to report on specific activities undertaken, and spending for each activity undertaken, to meet the state's goals for student success, including activities to close achievement gaps by improving outcomes for low-income students, first-generation college students, and students from underrepresented minority groups. (AB 97, Ting, Budget Act of 2017)

ANALYSIS

This bill:

- 1) Requires the Office of the Chancellor of the CSU to require each campus to develop and implement budget oversight policies that includes periodic comparisons of the campus' budget to its actual spending levels.

- 2) Requires that each campus prepare a summary report of its expenditures of state appropriations received for the most recent academic year before the report and submit it to the chancellor's office on or before January 15, 2019, and each year thereafter.
- 3) Requires the California State University (CSU) to compile each campus-based report on expenditures of state appropriations received for the most recent academic year before the report, prepare and submit the systemwide report to the Legislature and the Department of Finance on or before March 31, 2019, and each year thereafter.
- 4) Requires that each statewide report include all of the following:
 - a) Executive to management, management to faculty, and management to nonfaculty support staff ratios.
 - b) Measures the Board of Trustees of the CSU has taken to adopt goals for increasing the number of CSU tenure track faculty and nonfaculty support staff and a description of how each campus would reach that goal.
 - c) A summary of current hiring practices for all CSU positions, including executive, management, faculty, and nonfaculty support staff positions.
 - d) Requires that the statewide report compare hiring practices at the CSU to the best practices for hiring persons to similar positions at the University of California (UC) and California Community Colleges (CCCs).
 - e) Requires the report to include proposed changes to align hiring practices at the CSU to the best hiring practices at the UC and the CCCs.
 - f) Of applicants who were qualified for but denied admission to the CSU campuses, data on the campuses in which these students applied and the gender, ethnicity, household income level, and counties of residence for these students.
 - g) Data on how the CSU has used moneys received from state appropriations to improve student success.
- 5) Requires that each campus report include both of the following:
 - a) Data on how the campus has used moneys received from state appropriations to improve student success.
 - b) Information on the number of applicants who qualified for admission at campus, and how many of those applicants were denied admission to the campus.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, “The State grants the CSU significant budget discretion and flexibility. Unlike other state departments and agencies, the CSU is exempt from the authority of the director of the Department of Finance (DOF) to adjust budget allocations to reflect net savings, from being subject to DOF’s authority to determine how unused amounts allocated to CSU in the prior year will be used in the current year, and from budgeting for specific employee positions.

Under existing law, the CSU system is allocated funding annually through the state budget process. This funding is directed to the Chancellors Office and then it subsequently delegated to each campus. Executive Order 1000 issued in July 2007 by the CSU Chancellor’s office designated each campus president as the person responsible for ensuring the campus expenditures. However, the State Auditor recently found that campuses do not adequately oversee their budgets. Specifically, campuses do not have written policies requiring periodic comparisons of spending levels to budget limits, and most campuses did not retain documentation demonstrating that they consistently performed such comparisons, which precludes accountability and transparency.”

- 2) ***Related Audit.*** On April 20, 2017, the California State Auditor released a report of the California State University (CSU). The report lists as its key findings that stronger oversight is needed for hiring and compensating management personnel and for monitoring campus budgets. The report specifically cites that:
 - a) Staffing levels and compensation for CSU management personnel have increased at a faster rate than for other employee groups. While staffing levels and compensation for CSU employees have grown over a nine-year period, the number and compensation of management personnel significantly outpaced those of other types of employees.
 - b) Campuses do not adequately oversee their budgets, of the six campuses audited none had written policies in place that require periodic comparisons of spending levels to budget limits and only two documented the results for their budget oversight.
 - c) State law exempts CSU from many of the budget oversight mechanisms that apply to other state agencies; CSU does not need authorization to establish new employee positions.
 - d) CSU has recently granted minimal raises to its executives, but board policy does not cap reimbursements of relocation costs. CSU granted nominal raises to its executives who also receive substantial amounts of other compensation, such as car and housing allowances.

The report also makes the following recommendations:

- a) That the Legislature require the CSU to submit annual information that demonstrates how its activities meet the State’s goals for students.
- b) That the Chancellor’s Office take action to:

- i) Require that its departments and campuses prepare and maintain written justifications for any proposed new management positions.
- ii) Ensure campus create, implement and adhere to written merit evaluation plans for management personnel.
- iii) Work with the board to develop, approve, and implement an executive compensation policy.
- iv) Similar to this bill, require campuses to develop and implement budget oversight policies. *According to the state Auditor, this recommendation has been fully implemented by CSU.*

- 3) **California State University (CSU) reporting.** This measure requires annual reporting on data on how the CSU has used moneys received from state appropriations to improve student success. As noted in the background of this analysis, the Budget Act of 2017 and Budget Act of 2018 requires reporting nearly identical to that proposed in this bill. Unlike the Budget Act, this bill requires an annual report. This CSU reported the data in its Graduation Initiative 2025 report.

- <http://www.calstate.edu/budget/fybudget/legislative-reports/State-Performance-Measures-16-17-Report.pdf>
- <http://www.calstate.edu/budget/fybudget/legislative-reports/GI2025-Cover-Report.pdf>

The bill requires CSU to provide a summary of current hiring practices for all positions, including executive, management, faculty, and nonfaculty support staff positions. Various reports produced by the CSU survey the hiring and recruitment of tenure-track faculty as well as offer salary data for part-time, full-time and tenure-track faculty.

- http://www.calstate.edu/hr/faculty-resources/research-analysis/documents/fac_salaries.pdf
- <http://www.calstate.edu/hr/faculty-resources/research-analysis/documents/facrecurvrep16.pdf>

- 4) **Related Budget activity.** The 2018 Budget agreement currently includes \$25 million General Fund one-time funding to hire full-time, tenure-track faculty at the California State University and includes reporting provisions related to how the funding allocated was spent to increase the number of tenure-track faculty. The Budget agreement additionally requires each CSU campus to annual report on student admissions and impaction policies, including on the number of applicants who were eligible for admission at a campus, and how many of those applicants were denied admission to the campus. This bill's provisions are similar and in part duplicative to the Budget agreement (SB 840).

It's unclear what additional information could be gained from the reporting requirement proposed by this bill that is not otherwise statutorily required or duplicative of existing publications.

- 5) **Amendment.** This bill requires that the statewide report compare hiring practices at the California State University (CSU) to the best practices for hiring persons to similar positions at the University of California and California Community Colleges (CCCs). It additionally requires CSU to propose changes to align hiring practices at the CSU to University of California (UC) and CCC. It may be premature to anticipate the results of the report necessitate alignment of UC and CCC hiring practices. To the end, **staff recommends** the bill be amended to strike that provision as follows:

(3) A summary of current hiring practices for all California State University positions, including executive, management, faculty, and nonfaculty support staff positions. The statewide report shall compare hiring practices at the California State University to the best practices for hiring persons to similar positions at the University of California and the California Community Colleges. ~~The statewide report shall include proposed changes to align hiring practices at the California State University to the best hiring practices at the University of California and the California Community Colleges.~~

SUPPORT

None received

OPPOSITION

California State University

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