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Action Item

Fiscal Policy and Analysis Committee

Approval of the Minutes of the July 30, 2001,
and October 2, 2001, Meetings

MINUTES

Fiscal Policy and Analysis Committee

Meeting of July 31, 2001

Committee members present	Phillip J. Forhan, *Vice Chair* William D. Campbell Robert A. Hanff Kyo "Paul" Jhin Melinda G. Wilson Alan S. Arkatov, *ex officio* Carol Chandler, *ex officio*	**Other Commissioners present** Olivia K. Singh Guillermo Rodriguez, Jr. Howard Welinsky
Committee member absent	Lance Izumi, *Chair*	

Call to order

Committee Vice Chair Phillip Forhan convened the Fiscal Policy and Analysis Committee at 11: 32 a.m.

Executive compensation in California public Higher Education, 2000-2001

Commissioner Rodriguez referred to a request made of staff at the June 2001 meeting to examine the issue of perquisites provided to as part of the compensation package for in California public higher education executives. This was to be part of the discussion of the Commission's Executive Compensation report for 2000-2001 at the July meeting.

Commission staff member Karl Engelbach provided an update on the status of the request and reported that staff had worked on this issue with the segmental representatives from both the University of California and the California State University. Each is to provide information about the value of the perquisites that are provided to both their system-wide executives as well as the chancellors and presidents of individual campuses. Therefore, the current report has been modified slightly with only limited information available about the value of such perquisites going beyond salary.

Mr. Engelbach said a meeting on this subject is scheduled for August 22nd and that the University of California has expressed serious concerns about attempting to quantify the value of the perquisites due to the variety of issues that must be taken into account.

At the Commission meeting in October, Mr. Engelbach was directed to report back to the committee about the August 22nd meeting. A discussion followed on how to best proceed in regard to this issue for the current report.

A motion was made to adopt the report as presented. It was moved, seconded and approved without dissent to approve the report.

Adjournment Hearing no public comment and having no further business, Committee Vice Chair Forhan adjourned the meeting at 11:41 p.m.

MINUTES

Fiscal Policy and Analysis Committee

Meeting of October 2, 2001

Committee members present

William D. Campbell
Melinda G. Wilson
Alan S. Arkatov, *ex officio*
Carol Chandler, *ex officio*

Other Commissioners present

Howard Welinsky

Committee members absent

Phillip J. Forhan, *Vice Chair*
Lance Izumi, *Chair*
Robert A. Hanff
Kyo "Paul" Jhin
Odessa Johnson
Melinda G. Wilson

Call to order

Commissioner Campbell convened the Fiscal Policy and Analysis Committee on October 2, 2001, at 9:26 a.m.

Status report on efforts to collect informationon perquisites provided to university executives

Staff member Karl Engelbach advised that Commission staff had worked with representatives from both the University of California and the California State University. They had furnished information about the value of the perquisites that are provided to both their system-wide executives as well as the chancellors and presidents of individual campuses. The report had been slightly modified with only limited information about the value of such perquisites going beyond salary.

Mr Engelbach remarked that both segments contract with the private consulting firm, Mercer Associates, to collect information about base salaries that are paid to executives at comparative institutions. Each segment agreed to supplement its contract with Mercer Associates to include collection of a series of questions regarding value of the perquisites provided to the executives at the comparison report institutions.

Mr. Engelbach stressed that the comparison institutions provided the information voluntarily, explaining that these institutions were reluctant previously to provide even base-salary information. Nevertheless, staff plans to report information about the total value of the perquisites for University and California State University executives and their counterparts at the comparison institutions. Mr. Engelbach reiterated that such information would be provided to the Commission staff on a voluntary basis. He discussed the State Higher Education Executive Office (SHEEO) and its annual survey of the salaries paid to SHEEO-level staff.

The 2001-2002 state budget for higher education

Kevin Woolfork provided a final review of the 2001-2002 State budget report and presented some of the more significant programmatic developments and general information on the State budget as follows:

- The budget allocated more than $103 billion in general funds, bond funds and selected special funds, which is the largest in history. The State general fund spending for the current year is actually $1.3 billion lower that it was in the prior year.
- Both higher education and K-12 Education fare well with the new budget, particularly K-12 education.
- For the current fiscal year, the Legislature appropriated and the governor signed into law Proposition 98 Funding level that is about $4 billion higher than minimum guaranteed funding. This may be problematic for the upcoming fiscal year, as this becomes an increased base that needs to be funded next year at a likely time with more modest revenue levels.
- $121 billion is provided in tax relief for the current year.
- Other source issues to be on the ballot in March include dedicating the sales tax on gasoline strictly to transportation.
- Money is to provide funding to increase reimbursement rates for long-term care facilities and payment rates for hospital outpatient services. This resulted from a settlement of a lawsuit.
- The budget uses one-time funds for ongoing programmatic expenditures.
- The depressed state of the economy is impacting the budget and funded programs.
- The Department of Finance is requiring all state general fund entities to develop budgeting scenarios by which their budgets are reduced by three percent, by five percent, and by ten percent in case those levels of cuts becomes necessary in the upcoming fiscal year.

Commissioner Arkatov questioned when California would know how it stands with regards to its next fiscal year, and asked at what point would the Commission have an impact on the budgeting process.

Mr. Woolfork indicated that the 2002-2003 budget was in the process of development, and said that it was based on an estimate of available revenue conducted by various organizations. He commented that last year the budget year began with a $7 billion carry over from the prior year, and that this year began with a revenue surplus of only $2.5 billion. He reminded the committee that a large sum of State general fund money was dedicated to the energy crisis. He noted that these figures would influence selecting programs to finance, but the Commission would hold fast to advocating for access, accountability, and affordability with regard to any funding decisions made for higher education.

Commissioner Arkatov explained that CPEC was subject to the 2.5 percent reduction by the governor whereas UC, CSU, and the Community Colleges were not. The impact of the reduction was accomplished by reducing payments to statewide computing center and reducing operating expenses for travel and office supplies. He informed the Commission that if the three-percent, five-percent, or 10-percent cuts are in place the Commission might have to reduce the CPEC staff by eliminating positions. A discussion followed on the source of California's revenues and the connection to stock options and taxes.

Mr. Woolfork addressed the Restoration Bill, SB 735, informing the committee that if the bill were signed, $113 million would be made available. This amount represents 0.2-percent of increase in community college funding from 2000-2001 to 2001-2002 resulting in raising the overall percent to a 3.4-percent increase which is lower than the 4.8-percent increase for the University of California, and the 6.4-percent for CSU.

Adjournment

Having no further business, the Fiscal Policy and Analysis Committee adjourned at 9:43 a.m.