

AGENDA

COMMITTEE ON FINANCE

Meeting: 2:45 p.m., Tuesday, January 28, 2020
Glenn S. Dumke Auditorium

Lillian Kimbell, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Jane W. Carney
Rebecca D. Eisen
Juan F. Garcia
Hugo N. Morales
Romey Sabalius
Lateefah Simon
Peter J. Taylor

- Consent**
1. Approval of Minutes of the Meeting of November 19, 2019, *Action*
 2. 2020-2021 Lottery Budget and Report, *Action*
- Discussion**
3. CSU Fee Policy and 2019-2020 Student Fee Report, *Information*
 4. 2020-2021 Operating Budget Update, *Information*

**MINUTES OF THE MEETING OF THE
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 19, 2019

Members Present

Lillian Kimbell, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Jane W. Carney
Rebecca D. Eisen
Juan F. Garcia
Hugo N. Morales
Romey Sabalius
Lateefah Simon
Peter J. Taylor
Timothy P. White, Chancellor
Adam Day, Chair of the Board

Trustee Lillian Kimbell called the meeting to order.

Public Comment

Public speakers made comments related to the hiring of tenure track faculty and compensation for support staff.

Approval of Minutes

The minutes of the September 24, 2019 meeting of the Committee on Finance were approved as submitted.

Approval of the 2020-2021 Operating Budget Request

The 2020-2021 operating budget request was presented for approval.

Following the presentation the trustees made comments related to the amounts being requested for compensation increases and for the Educational Opportunity Program.

Trustee Juan Garcia made a motion to amend the resolution requesting that funding for student basic needs be a recurring request, instead of on a one-time basis. Trustee Peter Taylor seconded the motion. Chair Kimbell requested a roll call committee vote. The votes on the motion to amend were eight in favor (Trustees Adamson, Carney, Garcia, McGrory, Morales, Sabalius, Simon, and Taylor) and four opposed (Trustees Kimbell, Eisen, Chair Day, and Chancellor White). The motion carried.

There was a motion and second to approve the resolution as amended. Trustee Kimbell requested a roll call committee vote. The votes were ten in favor (Trustees Adamson, Carney, Eisen, Garcia, Kimbell, McGrory, Morales, Simon, Taylor, and Chair Day), one opposed (Trustee Sabalius), and one abstention (Chancellor White). The motion carried and the committee recommended approval of the proposed resolution as amended (RFIN 07-19-04).

California State University Annual Investment Report

An annual report on CSU investments was provided. Due to the success of the Total Return Portfolio the CSU has been able to distribute earnings of \$22.4 million dollars to the 23 campuses for deferred maintenance and capital needs.

Trustee Jack McGrory asked if more funds could be placed in the Total Return Portfolio for higher return on investment. Assistant Vice Chancellor Robert Eaton responded that statute requirements allow for up to 30 percent of total investments to be placed in the Total Return Portfolio and that the Investment Advisory Committee plans to reach that level by mid-2020. Trustee Jeffrey R. Krinsk commented on the potential benefit of pursuing legislation for the CSU to have the same investment authority as the University of California.

Trustee Kimbell adjourned the meeting on Finance Committee.

COMMITTEE ON FINANCE

2020-2021 Lottery Budget and Report

Presentation By

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

This item requests that the California State University Board of Trustees approve the 2020-2021 lottery budget. In accordance with CSU lottery guidelines, this item also contains a report of actual lottery fund expenditures in 2018-2019.

Background

The Lottery Act allows for the expenditure of lottery receipts for public education. The Lottery Act requires that funds are “exclusively for the education of pupils and students” and the CSU has adopted guidelines to ensure that lottery funds are used only in support of instruction or instruction-related purposes. Non-instructional purposes, such as the acquisition of real property, construction of facilities, or financing research are not permissible uses of lottery funds.

To date, the CSU has received \$1.37 billion in lottery funds from the state. Over the past five years, annual CSU Lottery Fund receipts have averaged \$63.9 million. Approximately 88 percent of lottery resources are allocated directly to the campuses for instructionally-related programs and activities. Remaining funds are allocated for systemwide programs, such as the Summer Arts, Pre-Doctoral, Doctoral Incentive, DREAM Loan programs, and Electronic Core Collection. The Chancellor’s Office uses approximately 1.2 percent of lottery resources to centrally manage lottery fund operations and meet reporting requirements.

Each year, the Board of Trustees adopts a systemwide lottery budget that incorporates CSU guidelines and adheres to Lottery Act provisions. The plan includes estimates of CSU lottery receipts for the budget year and the program areas for allocation of those anticipated receipts, including an expenditure allowance for the general management of lottery fund operations and reporting requirements.

The Board of Trustees has delegated to the chancellor oversight of the lottery budget, including the deposit, control, investment, and expenditure of lottery funds.

2020-2021 Lottery Budget Proposal

The System Budget Office conservatively estimates total lottery receipts available to the CSU in 2020-2021 will be \$58.9 million. After setting aside \$5 million as a reserve to assist with cash-flow variations in quarterly lottery receipts and other economic uncertainties, the \$53.9 million 2020-2021 lottery budget proposal remains principally designated for campus-based programs and five systemwide programs that have traditionally received annual lottery funding support. The proposed budget adds \$6,000,000 for the Electronic Core Collection and an increase of \$53,000 for administration and reporting responsibilities of the Lottery Fund and systemwide programs.

Systemwide Programs

Under the proposed budget, approximately \$13.2 million would be allocated to the five systemwide programs and administration costs:

- DREAM Loan Program (\$2.0 million) provides loans to students who satisfy specified academic, enrollment, and high school graduation requirements.
- Chancellor's Doctoral Incentive Program (\$2.0 million) provides financial assistance to graduate students to complete doctoral study in selected disciplines of particular interest and relevance to the CSU.
- California Pre-Doctoral Program (\$1.0 million) supports CSU students who aspire to earn doctoral degrees and who have experienced economic and educational disadvantages.
- CSU Summer Arts Program (\$1.5 million) offers academic credit courses in the visual, performing, and literary arts.
- Electronic Core Collection (\$6.0 million), previously funded in the operating fund, provides all students access to electronic publications.
- Administration of Lottery Fund and system programs (\$690,000) provides Lottery Fund and program administration functions.

Campus-Based Programs

The remaining \$40.6 million of anticipated 2020-2021 lottery receipts would be used to fund campus-based programs and the Early Start Program. \$35.6 million would be allocated directly to campuses, allowing presidents flexibility to meet unique campus needs. Traditionally, projects receiving lottery funds have included the replacement and purchase of library materials and instructional equipment, curriculum development, and scholarships.

The proposed lottery budget would provide \$5 million to the Early Start Program for campus-based financial aid. An eligible student may receive a need-based fee waiver to ensure that financial hardship is not a barrier to enrollment in the Early Start Program. Through the program, first-time freshmen students who need additional preparation in math or English enroll in college courses with support during the summer term prior to matriculation at any CSU campus.

As stated, the proposed budget sets aside \$5 million as a reserve to assist with cash-flow and economic uncertainties. If quarterly lottery receipts remain strong, the Chancellor’s Office will work with campuses during 2020-2021 to allocate the \$5 million reserve for innovative campus-based programs that support Graduation Initiative 2025 efforts.

The CSU Lottery Budget proposed for 2020-2021 is as follows:

2019-2020 Adopted and 2020-21 Proposed Lottery Budget

	2019-2020 Adopted Budget	2020-2021 Proposed Budget
Sources of Funds		
Beginning Reserve	\$5,000,000	\$5,000,000
Receipts	47,819,000	53,872,000
Total Revenues	\$52,819,000	\$58,872,000
<i>Less Systemwide Reserve</i>	<i>(5,000,000)</i>	<i>(5,000,000)</i>
Total Available for Allocation	\$47,819,000	\$53,872,000
Uses of Funds		
<i>System Programs</i>		
Chancellor's Doctoral Incentive Program	\$2,000,000	\$2,000,000
California Pre-Doctoral Program	1,038,000	1,038,000
CSU Summer Arts Program	1,500,000	1,500,000
DREAM Loan	2,000,000	2,000,000
Electronic Core Collection	6,000,000	6,000,000
	<u>\$6,538,000</u>	<u>\$12,538,000</u>
<i>Campus-Based Programs</i>		
Campus Programs	\$35,644,000	\$35,644,000
Campus Early Start Financial Aid	5,000,000	5,000,000
	<u>\$40,644,000</u>	<u>\$40,644,000</u>
<i>Lottery Fund & System Programs Administration</i>	<u>\$637,000</u>	<u>\$690,000</u>
Total Uses of Funds	\$47,819,000	\$53,872,000

Reporting Requirement

In accordance with the CSU lottery guidelines, the CSU annually reports past year actual lottery expenditures to the Board of Trustees. This section of the agenda item satisfies that requirement.

In 2018-2019, similar to prior years, the majority of lottery funds were spent on instruction and instruction-related programs and services that supplement the CSU operating budget. The following table summarizes how available lottery revenues were spent in 2018-2019:

2018-2019 Lottery Expenditures		
Program Support Area	Expenditures	Percentage of Total Expenditures
Doctoral Incentive Program ¹	\$0	0.0%
California Pre-Doctoral Program	792,936	1.4%
DREAM Loan Program	1,193,268	2.1%
CSU Summer Arts Program	1,491,675	2.7%
Campus Programs	49,572,862	88.1%
Campus Early Start Financial Aid	2,508,453	4.5%
Lottery Fund & System Programs Admin.	669,874	1.2%
Total	\$56,229,068	100.0%

¹ The Doctoral Incentive Program is a revolving educational loan program. The budget included \$2 million for any net increase in program participation, but funds were unnecessary as existing loan repayments supported the issuance of new loans to new participants.

Carryforward balances from prior years were also used in 2018-2019 to fund several systemwide and campus programs, such as library services, early assessment program support, and technology initiatives.

Recommendation

The following resolution is presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that the 2020-2021 lottery budget totaling \$58.9 million be approved for implementation by the chancellor, with the authorization to make transfers between components of the lottery budget and to adjust expenditures in accordance with receipt of lottery funds; and be it further

RESOLVED, that the chancellor is hereby granted authority to adjust the 2020-2021 lottery budget approved by the Board of Trustees to the extent that receipts are greater or less than budgeted revenue to respond to opportunities or exigencies; and be it further

RESOLVED, that a report of the 2020-2021 lottery budget receipts and expenditures be made to the Board of Trustees.

COMMITTEE ON FINANCE

CSU Fee Policy and 2019-2020 Student Fee Report

Presentation By

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

The California State University Board of Trustees will be presented with a general overview of the California State University Fee Policy and the 2019-2020 annual campus fee report at the January 2020 Board of Trustees' meeting.

In recent Board of Trustees' meetings, trustees asked questions related to, and expressed interest in gaining a better understanding of specific elements of the fee policy. Due also to the fact that many trustees have recently joined the board and that the California State Auditor is nearing its completion of an audit of CSU fees, it is timely and appropriate to provide an overview of the fee policy.

As required by the fee policy, this information item also presents to the Board of Trustees the 2019-2020 annual campus-based mandatory fee report. The report provides total average tuition and mandatory fees for the CSU system and the range of mandatory fees charged by campuses.

Overview

Pursuant to applicable provisions of state law, the Board of Trustees has authority over CSU tuition and fees. The Board of Trustees established the fee policy in August 1996, which is a consolidation of state fee statutes and Board of Trustee fee policy decisions. The first consolidated fee policy, implemented as Executive Order 661, followed an extensive review of CSU fee policies and practices, built upon the work of task forces and study groups and included collaboration with the California State Student Association (CSSA), Academic Senate, and presidents, ultimately leading to approval by the Board of Trustees. The policy has been updated and refined over the years with the latest version approved by the chancellor in 2015 as Executive Order 1102.

Prior to 1996, most new campus fees and changes to previously approved fees required separate and individual approval by the Chancellor's Office via executive order although some fees had been established for all campuses through statute or prior executive order (Associated Students,

health facilities, etc). In fact, eleven fee executive orders were approved in 1996 just prior to the implementation of Executive Order 661 Executive Order 661 superseded more than 70 executive orders on campus fees, organized fees into categories, and delegated approval to campus presidents for some fee adjustments.

The fee policy has been revised and reissued over time to adapt to changing needs on campuses, further delegating approval to presidents to approve some types of new fees and ensuring appropriate and meaningful consultation with students on campus. More delegated authority brought about additional reporting requirements to the Chancellor's Office. Other changes followed state statutory changes or Board of Trustee decisions related to student fees (most recently in 2015). The current fee policy can be found via keyword search at www.calstate.policystat.com.

The current policy includes six fee categories:

- Category I – Systemwide mandatory tuition and fees, such as the admission application fee.
- Category II – Campus-based mandatory fees charged to all students who enroll at a particular CSU campus, such as student association and health services fees.
- Category III – Course-specific fees for materials and services.
- Category IV – Fees, other than Category II or III fees, paid to receive materials, services, or for the use of facilities such as identification cards and library fines.
- Category V – Fees paid to self-support programs, such as parking, housing and Professional and Continuing Education (PaCE).
- Category VI – Systemwide voluntary fees with the only being the CSSA Student Involvement & Representation Fee.

The Board of Trustees retains authority to establish, adjust, or abolish all Category I systemwide tuition and fees that are charged at the same rate for all students by level of enrollment across the CSU.

Campus-based mandatory fees (Category II) are charged to all students who enroll at a particular CSU campus. The fee policy delegates authority to the chancellor to establish these fees and further delegates to each campus president the authority to increase, decrease or abolish these fees on their campus. Each president is responsible for assuring that appropriate and meaningful consultation occurs prior to adjusting any campus-based mandatory fee and prior to requesting that the chancellor establish a new Category II fee. Appropriate and meaningful consultation includes consultation with the campus fee advisory committee (note: a majority of committee members are students), the campus faculty senate, the campus student association, and other constituencies affected by any proposed change. A student referendum is encouraged for new Category II fees by the fee policy and required by state statute for certain types of Category II fees to measure student support. If a referendum is not required, alternative forms of consultation may be used if the president determines that a referendum is not the best mechanism to achieve appropriate and meaningful consultation.

The fee policy delegates authority to each campus president to establish, adjust, and abolish Category III (within a pre-approved range), IV, and V fees.

The Board of Trustees retains authority to establish and adjust Category VI systemwide voluntary fees. With only one Category VI fee, the fee policy delegates to the chancellor the authority to adjust the Student Involvement & Representation Fee for inflationary purposes if necessary.

Each campus reports all fees charged on their campus to the Chancellor's Office each fall.

2019-2020 CSU Student Fee Report

Total tuition and average systemwide campus-based mandatory fees (i.e. Category II fees) increased between 2018-2019 and 2019-2020 by an average of \$59 per student. Stable tuition and a small average fee increase, coupled with the federal, state and institutional financial aid programs available to CSU students, make CSU a more affordable option for students from all socio-economic backgrounds. Overall:

- 84 percent (over 390,000) of CSU students received nearly \$4.5 billion in financial assistance.
- 73 percent of all undergraduate financial aid recipients have their tuition fully covered by grants, scholarships or waivers.
- 59 percent of all students have their tuition fully covered by grants, scholarships or waivers.
- 54 percent of CSU baccalaureate degree recipients graduated with zero education loan debt.
- Of the 46 percent who graduated with debt, the average loan debt of \$17,367 is lower than the California average of \$22,785 and well below the national average of \$28,650.

2019-2020 CSU Comparison Institution Tuition and Fees

The following tables outline the systemwide tuition plus average Category II campus-based mandatory fees at the CSU compared with other public institutions' tuition and mandatory fees.

The total of the CSU's *resident undergraduate* tuition and average campus-based fees is lower than those of the fifteen comparison institutions historically identified by the California Postsecondary Education Commission. The 2019-2020 comparison institution tuition and fee average is \$11,932, and the CSU tuition and fee average is \$7,337, or 39 percent lower than the comparison average. The following table lists the 2018-2019 tuition and average campus-based mandatory fee rates with a comparison to 2019-2020 rates:

2019-2020 Comparison Institution Academic Year Undergraduate Resident Tuition and Fees			
Campus	2018-2019	2019-2020	Increase
University of Connecticut (Storrs, CT)	\$15,730	\$17,226	\$1,496
Rutgers University (New Brunswick, NJ)	14,974	15,407	433
Illinois State University (Normal, IL)	14,516	14,832	316
Wayne State University (Detroit, MI)	14,266	14,723	456
George Mason University (Fairfax, VA)	12,462	12,564	102
University of Maryland, Baltimore County	11,778	12,028	250
Comparison Average	\$11,569	\$11,932	\$363
University of Colorado at Denver	11,395	11,447	52
Arizona State University at Tempe	10,822	11,338	516
Georgia State University at Atlanta	10,858	11,076	218
Cleveland State University	10,387	10,745	358
University of Texas at Arlington	10,082	10,626	544
State University of New York at Albany	9,816	10,236	420
University of Wisconsin at Milwaukee	9,588	9,598	10
North Carolina State University	9,101	9,101	0
University of Nevada at Reno	7,764	8,034	270
California State University	\$7,278	\$7,337	\$59

The CSU has the lowest *resident graduate* tuition and fee rates among the 15 comparison institutions. The 2019-2020 comparison institution tuition and fee average is \$14,236, and the CSU tuition and fee average is \$8,771, which is 38 percent below the comparison average. The following table compares the 2018-2019 tuition and fee rates with the 2019-2020 rates:

2019-2020 Comparison Institution Academic Year Graduate Resident Tuition and Fees			
Campus	2018-2019	2019-2020	Increase
Rutgers University (New Brunswick, NJ)	\$19,416	\$19,983	\$567
University of Maryland, Baltimore County	18,624	19,176	552
University of Connecticut (Storrs, CT)	17,660	19,056	1,396
Wayne State University (Detroit, MI)	17,661	18,226	565
George Mason University (Fairfax, VA)	15,139	15,648	509
Cleveland State University	14,182	14,465	283
Comparison Average	\$13,800	\$14,236	\$436
State University of New York at Albany	13,058	13,463	405
Arizona State University at Tempe	12,134	12,608	474
Illinois State University (Normal, IL)	12,185	12,441	256
University of Texas at Arlington	11,660	12,394	734
University of Wisconsin at Milwaukee	11,884	12,050	166
Georgia State University at Atlanta	11,488	11,680	192
North Carolina State University	11,495	11,673	178
University of Colorado at Denver	10,315	10,463	148
University of Nevada at Reno	10,107	10,213	106
California State University	\$8,712	\$8,771	\$59

CSU has the second lowest *non-resident undergraduate* tuition and average campus-based mandatory fees of the CSU’s public peer comparison institutions. CSU non-resident undergraduate tuition (which includes the systemwide tuition plus non-resident tuition) and fees is \$19,217 per academic year in 2019-2020. This is 33 percent below the comparison average rate of \$28,787.

2019-2020 Comparison Institution Academic Year Undergraduate Non-Resident Tuition and Fees			
Campus	2018-2019	2019-2020	Increase
University of Connecticut (Storrs, CT)	\$38,098	\$39,894	\$1,796
George Mason University (Fairfax, VA)	35,922	36,024	102
Rutgers University (New Brunswick, NJ)	31,282	32,189	907
University of Colorado at Denver	32,005	32,057	52
Wayne State University (Detroit, MI)	30,880	31,868	988
Georgia State University at Atlanta	29,432	30,114	682
Arizona State University at Tempe	28,336	29,428	1,092
North Carolina State University	28,444	29,220	776
Comparison Average	\$27,863	\$28,787	\$924
State University of New York at Albany	26,656	27,826	1,170
University of Texas at Arlington	26,120	27,714	1,594
University of Maryland, Baltimore County	26,872	27,662	790
Illinois State University (Normal, IL)	26,040	26,356	316
University of Nevada at Reno	22,236	23,085	849
University of Wisconsin at Milwaukee	20,867	23,085	2,218
California State University	\$19,158	\$19,217	\$59
Cleveland State University	14,754	15,290	536

The table on the following page displays the 2019-2020 academic year CSU Category II campus-based mandatory fee rates by campus and by fee category.

2019-2020 Category II Campus-Based Mandatory Fee Rates								
	Health Facilities	Health Services	Instructionally Related Activities	Materials Services & Facilities	Student Success	Student Association	Student Center	Total Campus-Based Mandatory Fees
Bakersfield	\$6	\$326	\$183	\$62	\$0	\$409	\$691	\$1,677
Channel Islands	6	190	260	145	0	150	324	1,075
Chico	6	492	396	202	0	138	830	2,064
Dominguez Hills	6	150	10	5	560	135	338	1,204
East Bay	6	386	134	3	240	129	360	1,258
Fresno	6	226	264	46	0	69	236	847
Fullerton	7	174	78	78	393	161	291	1,182
Humboldt	66	666	674	353	0	117	246	2,122
Long Beach	10	150	50	10	346	124	402	1,092
Los Angeles	6	277	126	5	283	54	275	1,026
CSU Maritime	14	740	130	280	0	210	0	1,374
Monterey Bay	0	186	254	165	0	96	700	1,401
Northridge	6	150	36	5	236	214	588	1,235
Pomona	6	262	40	0	436	123	787	1,654
Sacramento	48	252	397	0	0	143	786	1,626
San Bernardino	28	268	167	15	185	123	424	1,210
San Diego	50	300	398	50	426	70	474	1,768
San Francisco	6	314	236	696	0	108	164	1,524
San Jose	70	380	0	33	669	196	762	2,110
San Luis Obispo	11	636	330	1,241	878	341	764	4,201
San Marcos	40	326	80	249	500	150	630	1,975
Sonoma	40	430	520	40	0	258	850	2,138
Stanislaus	24	408	336	288	0	154	590	1,800

The following table compares total campus-based mandatory fees by campus for the 2018-2019 and 2019-2020 academic years. As shown in the table, the systemwide average of campus-based mandatory fees increased by \$59 (3.8 percent). Increases in these fees in 2019-20 occurred for various reasons. Some campuses have authorized annual incremental increases for certain fees that keep pace with inflation such as the California Consumer Price Index or Higher Education Price Index. For example, the Humboldt, Chico, San Luis Obispo and Maritime Academy campuses increased health services fees to fund rising health costs and provide increased services to students. The Bakersfield and Stanislaus campuses increased student center fees to expand space, related activities, and services provided in student union centers.

Comparison: 2018-2019 and 2019-2020 Category II Campus-Based Mandatory Fee Rate Totals by Campus			
Campus	2018-2019	2019-2020	Increase
Bakersfield	\$1,567	\$1,677	\$110
Channel Islands	1,075	1,075	0
Chico	1,876	2,064	188
Dominguez Hills	1,200	1,204	4
East Bay	1,241	1,258	17
Fresno	845	847	2
Fullerton	1,144	1,182	38
Humboldt	1,933	2,122	189
Long Beach	1,056	1,092	36
Los Angeles	1,007	1,026	19
CSU Maritime	1,314	1,374	60
Monterey Bay	1,401	1,401	0
Northridge	1,151	1,235	84
Pomona	1,611	1,654	43
Sacramento	1,568	1,626	58
San Bernardino	1,180	1,210	30
San Diego	1,746	1,768	22
San Francisco	1,518	1,524	6
San Jose	2,054	2,110	56
San Luis Obispo	4,074	4,201	127
San Marcos	1,971	1,975	4
Sonoma	2,056	2,138	82
Stanislaus	1,330	1,800	470
Weighted Average	\$1,536	\$1,595	\$59

COMMITTEE ON FINANCE

2020-2021 Operating Budget Update

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

This item summarizes the latest developments on the state and California State University budget plans for 2020-2021. In short, state tax revenue is expected to modestly grow over the next four years, and the governor's budget proposes an unallocated \$199 million recurring increase that is to align with the priorities of the 2020-2021 CSU budget request.

The CSU is appreciative to Governor Newsom and his administration for the investments proposed for 2020-2021.

California's Fiscal Outlook

CSU's progress since the Great Recession has the potential to continue because the state's fiscal outlook is positive for 2020-2021. Since the November 2019 Board of Trustees meeting, three reputable entities have published forecasts for California's economy and the resulting effect on the state budget – the Legislative Analyst Office (LAO) California Fiscal Outlook in November 2019, the University of California, Los Angeles Anderson Forecast in December 2019, and the Department of Finance 2020-2021 Governor's Budget in January 2020. All three forecasts conclude that modest economic growth will persist through 2020-2021. These conclusions are due to a mix of factors, unemployment is low, there is steady personal income and stock market growth, job and housing growth is still positive, and recent international trade developments have created optimism. Altogether, there is an expectation of greater tax receipts primarily in personal income and corporation taxes in 2020 and 2021.

To illustrate the short-term positive fiscal trajectory, the LAO's California Fiscal Outlook estimates a recurring resource surplus between \$1.0 billion and \$3.0 billion, reaching as much as \$7.0 billion in available new resources in 2020-2021 (\$4.0 billion of which is one-time in nature).

This projection is modest in relation to the \$144.0 billion state general fund budget. The LAO concludes that the state: (1) has sufficient reserves to address a typical recession if one were to occur, (2) will have a modest surplus that would allow for additional recurring and one-time investments, and (3) should be able to moderately invest with caution in 2020-2021.

Similarly, the short-term fiscal trajectory provided by the Department of Finance in the release of the Governor's Budget reported revenue growth since this past summer of \$5.8 billion in available new resources in 2020-2021 (most of which is one-time in nature).

In May 2020, revisions to these revenue estimates will be updated and it is unclear if the state still will have a significant amount of new revenue at the end of the budget cycle to be used for discretionary purposes such as investments in the CSU. The university stands ready to build additional educational opportunities and capacity for California for the long run.

In past recessions the state had little or no reserves as it entered these economic downturns. For the next recession, whenever that comes, the state already has approximately \$16.0 billion in its rainy-day fund, which would grow to \$18.0 billion under the governor's latest proposal. This reserve should significantly soften the blow of the next recession.

Regardless of some differences in the economic forecasts today, the state is on track to receive more tax revenue in 2020-2021, a modest surplus is at hand, and a substantive reserve is available to mitigate the risk of any challenging economic times. These conditions are likely to mean continued increases in state program expenditures like the CSU.

Governor's Budget Proposal - State Overview

The Governor's Budget proposal anticipates a budget surplus of \$5.8 billion and proposes to dedicate over \$3.0 billion to eliminate debts, build reserves (including more into the rainy-day fund) and pay down unfunded retirement and health care liabilities for the state. A significant proposal is \$750 million toward housing for the homeless. Other noteworthy proposals include additional funding for firefighting and MediCal Healthier California for All Initiative—a fresh attempt at whole person, coordinated care. According to the governor's administration and similar to last year, a majority of the new state spending in the budget proposal is for one-time purposes.

CSU Budget Plan and the Governor's Budget Proposal

The CSU 2020-2021 operating budget plan calls for continued and increased state investment in the CSU. This budget plan, which totals \$648.3 million in new resources, would address necessary new investments in the CSU and build on the momentum of recent years. The budget plan is comprised of a request of \$563.8 million in state general fund and \$84.5 million of tuition revenue from enrollment growth. The six areas of investment are:

- \$105 million for the fourth year of Graduation Initiative 2025;
- \$15 million for basic needs partnerships;
- \$177.4 million investment in competitive salaries and benefits for all employee groups;
- \$248.6 million for enrollment growth of five percent, or 18,707 full-time equivalent students;
- \$75 million investment in critical infrastructure; and
- \$27.3 million for mandatory cost increases.

Additionally, \$500 million of one-time funding for deferred maintenance is included in the request. Altogether, the budget request contains recurring and one-time state general fund investments that total nearly \$1.2 billion.

Through the budget proposal, the governor demonstrated his continuing commitment to the university. Governor Newsom's January proposal totals \$199 million in new, recurring funding. The funds are not categorized for specific uses; they are flexible and will be used to address a portion of some of the Board of Trustees' budget priorities. Additionally, the proposal would extend \$6 million each year for summer term financial aid programs through the end of 2022-2023, if certain state budget assumptions apply. Current law, coupled with the governor's proposal, would provide a total of \$24 million over four years for summer term financial aid programs. Also, the proposal includes \$6 million in one-time funding to develop and expand degree and certificate programs through Professional and Continuing Education.

Conclusion

According to economic forecasters, the state will continue on its positive fiscal trajectory in 2020-2021. The Governor's Budget proposal affirms this and strikes a balance between eliminating debts, building reserves, and paying down unfunded retirement liabilities while also dedicating more state revenue to more mandatory and discretionary purposes for 2020-2021.

The governor's January proposal is the first step of this budget cycle and the CSU appreciates the governor's trust in, and commitment to, the CSU and its mission.

The challenge that remains for the CSU is clear. The proposed \$199 million in recurring funding is short of the \$563.8 million sought from the state in the Board of Trustees' budget request. We will need to work diligently with the governor and the legislature—and with the Board of Trustees—to explore ways to secure additional revenue to sufficiently fund our essential commitments and to meet our many other aspirational needs for the coming academic year. CSU advocacy efforts with the state will be particularly important this year and we will consistently and effectively continue to make the case that an investment in the CSU is a wise investment in the future of California.

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If, during the coming months, the legislature and governor choose to invest more recurring state funding in Graduation Initiative 2025, salaries and benefits, resident enrollment growth and academic facilities and infrastructure, the university stands ready to build those additional educational opportunities and capacity for California for the long run.