

AGENDA

COMMITTEE ON FINANCE

Meeting: 2:00 p.m., Tuesday, January 26, 2021
Virtually via Teleconference

Jack McGrory, Chair
Peter J. Taylor, Vice Chair
Larry L. Adamson
Jane W. Carney
Jack Clarke, Jr.
Wenda Fong
Maryana Khames
Anna Ortiz-Morfit
Krystal Raynes
Lateefah Simon

- Consent**
1. Approval of Minutes of the Meeting of November 17, 2020, *Action*
 2. California State University, Fresno – Approval of the Final Public-Private Partnership Agreement for the Central Utility Plant Replacement Project, *Action*
 3. Reporting of Auxiliary Liquidity Loans Approved by the Chancellor under Delegated Authority, *Information*
- Discussion**
4. Strategic Partnerships, *Information*
 5. 2020-2021 Student Fee Report, *Information*
 6. 2021-2022 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 Auditorium*
401 Golden Shore
Long Beach, California**

November 17, 2020

Members Present

Jack McGrory, Chair
Peter J. Taylor, Vice Chair
Larry L. Adamson
Jane W. Carney
Wenda Fong
Maryana Khames
Krystal Raynes
Lateefah Simon

Lillian Kimbell, Chair of the Board
Timothy P. White, Chancellor

Trustee McGrory called the meeting to order.

Public Comment

Public comment took place at the beginning of the meeting's open session, prior to all committees.

Approval of the Consent Agenda

The minutes of the September 22, 2020 meeting of the Committee on Finance were approved as submitted.

Agenda item two, 2021-2022 Lottery Budget and Report was presented as a consent action item. The committee recommended approval of the proposed resolution (RFIN 11-20-04).

***PLEASE NOTE: Due to the Governor's proclamation of a State of Emergency resulting from the threat of COVID-19, and pursuant to the Governor's Executive Orders N-25-20 and N-29-20 issued on March 12, 2020 and March 17, 2020, respectively, all members of the Board of Trustees may participate in meetings remotely, either by telephonic or video conference means. Out of consideration for the health, safety and well-being of the members of the public and the Chancellor's Office staff, the November 17-18, 2020 meeting of the CSU Board of Trustees was conducted entirely virtually via Zoom teleconference.**

Agenda item three was presented as a consent action item for San Diego State University – Conceptual Approval of Public-Private Partnerships for the Development of SDSU Mission Valley. The committee recommended approval of the proposed resolution (RFIN 11-20-05).

Agenda item four was a consent information item regarding the California State University Annual Investment Report.

Agenda item five was also a consent information item that provided the Annual Systemwide Report on Hate Incidents on Campus.

Approval of the 2021-2022 Operating Budget Request

The 2021-2022 CSU Operating Budget Request was presented for approval. Information about the state’s fiscal condition, the breakdown of the proposed incremental budget request totaling \$556 million, and information about the State University Grant (SUG) program was highlighted.

Following the presentation, trustees asked about added federal funding available to the CSU to help offset costs related to COVID. Staff responded that federal aid was expected. Information on expenditure reductions was requested. Staff explained that campuses will continue to strategically plan to use reserves for economic uncertainty and costs savings achieved through reductions in travel, decrease in use of facilities and utilities, a hiring freeze, and early exit employee programs. Trustees also asked about the financial conditions of CSU auxiliary organizations. Staff indicated that agenda item 1 of the Joint Committee on Finance and Organization and Rules includes a request for change in delegation of authority that will allow auxiliary organizations to take out loans to help them manage cashflow during the pandemic. The trustees expressed support of the changes made to the final budget request based on their feedback in September.

The committee recommended approval of the proposed resolution (RFIN 11-20-06)

California State University, Fresno – Update on a Public-Private Partnership for the Central Utility Plant Replacement Project

Information about a public-private partnership project to build a replacement central utility plant on the CSU Fresno campus was shared. There were no questions or comments from the trustees.

Trustee McGrory adjourned the meeting of the Committee on Finance.

COMMITTEE ON FINANCE

California State University, Fresno – Approval of the Final Public-Private Partnership Agreement for the Central Utility Plant Replacement Project

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Saúl Jiménez-Sandoval, Ph.D.
Interim President
California State University, Fresno

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item requests the California State University Board of Trustees to approve the final development agreement for a public-private partnership for the Central Utility Plant Replacement Project at California State University, Fresno.

Background

In May 2019, the Board of Trustees approved the concept of a public-private partnership for the Central Utility Plant Replacement Project and authorized the chancellor and the campus to enter into negotiations for agreements as necessary to develop a final plan for the public-private partnership. The campus plant, built in 1954, has had limited improvements over the past 65 years and its equipment and ancillary infrastructure have exceeded their useful life. The central utility plant provides heating and cooling to over 3.1 million square feet in 80 campus buildings. The condition of the plant has resulted in significant increases in operating and deferred maintenance expenses over the past ten years, and the risk of catastrophic failure is always present.

On December 6, 2019, the campus initiated the Request for Proposal (RFP) process to solicit competitive proposals from the following four pre-qualified development teams that were shortlisted from a Request for Qualifications issued October 8, 2018: (1) Plenary, Webcore, Syska Hennessy, Johnson Controls; (2) Engie Holdings, Ulico Infrastructure Management Co, HDR (Architect), FVB, Black & Veach, Mesa Energy Systems, and Harris Construction; (3) Meridiam, Noresco, GLHN Architects & Engineers; (4) Fengate, Veolia Energy, W.M. Lyles, Kennedy Jenks Consulting, Taylor Engineering.

The campus has retained the following firms to consult in this selection process: Illuminati Infrastructure Advisors; Kutak Rock LLP (legal counsel coordinated and managed by the CSU Office of General Counsel); P2S Engineering; and Barclays Capital.

The RFP process has been iterative to allow opportunities for innovation. It included numerous confidential one-on-one meetings; multiple rounds of clarifications and addendums; team site visits; and interim technical and financial terms submittals. Considerable consultation and guidance has been provided from CSU staff, including the Office of General Counsel; Capital Planning Design & Construction; and Financing and Treasury. This extensive and comprehensive RFP process produced a development plan that included a non-negotiable Project Agreement ready for execution.

As reported to the Board of Trustees in November 2020, the campus entered into discussions with the consortium of Meridiam as the Equity Member; NORESKO as Lead Contractor and Lead Maintenance Provider; and GLHN Architects and Engineers as the Lead Engineer. The campus has subsequently completed discussions on a final development agreement with the Meridiam team. This integrated team brings extensive experience as industry leaders successfully delivering similar public-private partnerships for various market segments, including higher education clients, central utility plants, and the energy sector. Recent projects of equal complexity that have been developed successfully by this developer team are the Long Beach Courthouse and La Guardia Airport, which are clear indications of the team's financing capacity and understanding of non-recourse financing.

Project Scope

The project is comprised of four major elements, including: the installation of new equipment in the current plant location (chillers and boilers); replacement of hot and cold-water distribution systems; an energy management and control system with energy conservation and efficiency measures throughout the campus; and ancillary works that will include the installation of ground mounted solar photovoltaic (PV) systems.

The Central Utility Plant Replacement will be a hybrid plant with gas condensing boilers, electric chillers, a water side economizer and a base load heat recovery chiller. This solution balances energy consumption and operating costs. The new plant equipment and distribution systems will operate at a higher efficiency, resulting in additional heating and cooling capacity, energy savings, decreased operating costs, and improved reliability. The heating hot water (HHW) and chilled water distribution lines will be replaced.

A new energy management system (EMS) will be installed and commissioned with new controls. Various set points at a central plant level will allow the system status to be visible in real time. The HHW leak detection system will also be integrated into the new EMS.

There will be a \$20 million allowance for energy conservation and efficiency measures in various campus buildings, including the installation of solar PV generation systems. The project includes a total of 4.8 megawatts of carport mounted PVs located in two campus parking lots.

Once the project is constructed, the developer will be responsible to train campus staff in the operation and troubleshooting of equipment and systems modified or installed. Training will also be provided on the use of energy management software and monitoring systems.

Final Development Agreement and Summary of Key Deal Terms

- The Meridiam team will be responsible to design, build, finance, and maintain the project over the life of the agreement, which will be 30 years.
- The campus will retain responsibility for day-to-day operations, and the project will not reduce existing campus staffing levels.
- The developer will be compensated for their capital investment and life-cycle maintenance costs through availability payments made by the campus over the 30-year term.
 - Availability payments will total approximately \$10.5 million per year starting in 2024.
 - The availability payments shall be subject to deductions for performance failures.
 - The availability payments do not include the cost of the commodity (e.g. electricity, natural gas).
 - The agreement allows for the campus to make future milestone payments, which would reduce the overall term of the agreement.

Note: CSU system will provide \$20 million to the campus over a four-year term to support the annual availability payments. The campus will be responsible for 100 percent of the availability payments after year four as part of its annual operating budget.

- The approximately \$170 million total project cost will be funded primarily through financing provided by the developer.
 - All proposed financing structures provided by the developer will be without recourse to the CSU.
 - Additional fund sources include up to 20 million previously allocated from the CSU's 2016-2017 Capital Outlay Program. These funds will be utilized to decrease the annual availability payments by approximately \$1.1 million per year.
- Turnkey delivery is set to be three years after execution of the agreement.
- California prevailing wage requirements shall apply to the development.

Educational Benefits

The project stands as the highest priority capital project for the campus. Growth of the campus is currently constrained, in part due to inadequate utility infrastructure to support existing buildings and future construction of buildings, severely limiting the ability to serve additional student enrollment. Upgrades to critical infrastructure will enable future campus growth and supports the overall campus master plan, programmatic goals, and education mission. Moreover, the project will place the campus on the right path toward achieving lower-carbon heating and cooling operations and complying with the Board of Trustees' policy on sustainability and the carbon reduction goal of 80 percent below 1990 levels by 2040.

This project will establish greater predictability, and budget certainty, around cost and schedule, as a result of involving at-risk private capital. The project also includes academic apprenticeship and paid internship opportunities to advance the academic mission of the campus.

Recommendation

The following resolution is presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that:

The development of the Central Utility Plant Replacement project through a public-private partnership, on the campus of California State University, Fresno as described in Agenda Item 2 of the January 26-27, 2021 meeting of the Committee on Finance is approved, and that the chancellor, the executive vice chancellor and chief financial officer, and their designees are authorized to execute the agreements necessary to complete the transaction.

COMMITTEE ON FINANCE

Reporting of Auxiliary Liquidity Loans Approved by the Chancellor under Delegated Authority

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item provides information to the California State University Board of Trustees on auxiliary liquidity loans that have been approved by the Chancellor under delegated authority.

Background

The Board of Trustees' CSU Policy for Financing Activities (RFIN/CPBG 11-14-01), as well as the Financing and Debt Management Policy (Executive Order 994) issued by the Chancellor pursuant to the CSU Policy for Financing Activities, stipulates that all borrowing by the CSU or any CSU auxiliaries shall be made through the CSU's established debt programs (e.g., the CSU's Systemwide Revenue Bond and commercial paper programs) and approved by the Board of Trustees. The policy and executive order also recognize that there may be certain types of financing structures that are not well suited for the CSU's established debt programs. In such cases, the proposed financing structure shall be reviewed by the Chancellor's Office and then presented to the Board of Trustees for approval.

COVID-19 has put CSU auxiliaries under significant financial pressure, principally due to the loss of revenues to support ongoing operations. In addition to managing operating expenditures where possible and drawing upon existing cash and investment resources to manage through the financial difficulties, auxiliaries have explored borrowing funds from local banks and other lenders to increase liquid resources. In cases where an auxiliary and the campus president determine that such borrowing would serve a compelling financial need, it would need to do so outside of the CSU's established debt programs, since such borrowing is not legally suitable for the CSU established debt programs.

Recognizing that there may be a need to act quickly to secure such liquidity resources, particularly in the current COVID-19 environment, the Board of Trustees, at its November 2020 meeting, revised the CSU Board of Trustees' Standing Orders to delegate authority to the Chancellor to approve auxiliary liquidity borrowings outside of the CSU's established debt programs, subject to the following parameters:

- Maximum amount: \$40,000,000.
- Maximum length of any borrowing, loan, or line of credit: Ten years.
- All auxiliary liquidity loans will comply with all legal and CSU policy requirements.
- Final terms and conditions of any auxiliary borrowing agreement established under this delegated authority shall not contain any provisions that will have a material adverse impact upon the CSU's established debt programs or upon any financing already provided to such auxiliary through the CSU's established debt programs.
- Any auxiliary financings approved under this delegated authority will be reported to the Board of Trustees at each meeting of the Board of Trustees.
- The delegation of authority to the Chancellor to approve auxiliary liquidity loans will expire on November 18, 2023.

Auxiliary Liquidity Loans Approved by the Chancellor under the Delegated Authority

Since the November 2020 meeting of the Board of Trustees, two auxiliary liquidity loans have been approved by the Chancellor.

University Enterprises, Inc. at California State University, Sacramento

As part of its several areas of operation in support of the Sacramento campus, University Enterprises, Inc. (UEI) provides commercial services (e.g., food services on campus) and also operates a 400 hundred bed housing project for upper division students. Due to COVID-19, UEI has suffered adverse financial impacts in its commercial services and housing operations. While UEI has taken steps to reduce operating expenditures, these measures have left UEI without a financial cushion. Pursuing a liquidity borrowing with a local bank provides UEI with additional financial protection.

UEI currently owns a commercial office building, located in downtown Sacramento, which serves as the downtown location for CSU Sacramento under a master lease with the campus. The building has no debt outstanding against it, therefore, UEI plans to borrow against the value of the property and add cash to its liquid resources by borrowing from a local bank. The key loan terms are as follows:

- The amount of the loan will be limited to 50 percent of the appraised value of the downtown property, but in no event greater than \$4.5 million.

- The term of the loan will be up to ten years.
- The interest rate on the loan will be based on the 7-year treasury note yield, plus 3.20 percent. (As of January 13, 2021, the seven-year treasury note was 0.80 percent, which would result in a loan rate of 4.00 percent).
- The loan will be secured by a first trust deed and assignment of rents on the subject property.

The University Corporation, San Francisco State (UCorp) at San Francisco State University

As part of its several areas of operation in support of the San Francisco State campus, UCorp provides food services and retail/bookstore services to the campus. UCorp also provides some student housing via a recently completed public-private partnership project with a third party. Due to COVID-19, UCorp has suffered adverse financial impacts in its commercial services and housing operations. UCorp indicates that, notwithstanding the reduction in revenues, its net unrestricted asset position is still healthy, however, UCorp's investments comprise a significant portion of those net unrestricted assets. In the event that additional liquid resources may be needed, UCorp plans to set up a short-term line of credit with a local bank to avoid having to sell investments under unfavorable conditions. The key proposed terms of the line of credit from the local bank are as follows:

- The amount of the line of credit will be \$3 million.
- The term of the loan will be twelve months from document closing.
- The interest rate on the loan will be variable equal to the Wall Street Journal prime rate. (As of January 13, 2021, the Wall Street Journal prime rate was 3.25 percent).
- The line of credit will require a security interest in UCorp's business assets.

COMMITTEE ON FINANCE

Strategic Partnerships

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Arun Casuba
Assistant Vice Chancellor, Strategic Sourcing and
Chief Procurement Officer

Summary

This item provides a description of strategic partnership initiatives across the California State University. The CSU has and continues to engage in a variety of strategic partnerships that include private entities to generate revenue, public-private and public-public partnerships, regional collaborations among campuses, and collaboration with other higher education segments and government agencies, to support its educational mission. The primary drivers for such partnerships are to protect and enhance the quality of the student academic experience, provide additional course sections and student support services; generate robust additional revenue streams; and reduce cost.

Revenue Generating Private Partnerships

On August 31, 2018, Chancellor Timothy P. White appointed a Revenue Opportunities Task Force co-chaired by Trustees Douglas Faigin and John Nilon, to study how the CSU could create revenue beyond state support and student tuition and fees to support its educational mission. The Task Force was also charged to make recommendations for implementing new areas for revenue generation as well as existing partnerships that could be applied more broadly.

Revenue generating opportunities considered by the Task Force included enhancement of student support and academic connections including private and corporate philanthropy, scholarships, internships, work-study, and career placement services; increased private and corporate support for research and sponsored program activity; direct sponsorship and advertising; business-to-business arrangements associated with campus procurement and other activities; volume pricing arrangements across the system and within campuses; and monetizing assets and/or expanding programs and services for revenue generation.

The Task Force recommended that the CSU implement several systemwide revenue generating opportunities. The CSU has worked with consultants to value campus and systemwide assets and identify both campus-specific and systemwide opportunities within specific categories. The most recent example of a systemwide opportunity is a campus beverage services partnership. Beverage services, otherwise known as pouring rights, are the exclusive rights of a beverage maker or distributor to have its products sold at a particular venue, event, or institution. While the CSU has created single campus beverage service partnerships for many years, in 2019 the CSU executed the first multi-campus beverage services strategic partnership agreement. The impact of this collaboration will provide an additional \$6.8 million dollars over 10 years for the San Luis Obispo campus with \$4.1 million dollars in cash and \$700 thousand dollars in-kind benefits, as well as \$1.6 million dollars in cost reduction. The Stanislaus campus has recently signed onto the partnership and the East Bay campus will start when their current agreement ends on August 21, 2021. In addition, the Pomona campus is currently contemplating joining this agreement and other campuses can join as their existing stand-alone agreements expire. Two more partnerships for vehicle fleet services and food services are under development for systemwide implementation. Other opportunities include:

Airlines	Contractors	Hotel
Architects	Engineers	Janitorial Supplies
Bandwidth / Cell Towers	Fleet Services	Life Sciences & Pharmaceuticals
Banking	Food Services	Maintenance, Repair, & Operations Supplies
Campus Beverage Services	Freight	Pharmaceuticals
Car Rental	Furniture	Office Supplies
Computers	Graduation / Bookstore	Media Services

To date, revenue generating activities considered by the Task Force have contributed over \$1,000,000 annually to support campus operations and we anticipate that such relationships will generate tens of millions of dollars annually within the next few years. We continue to work collectively across the system to explore campus, regional, and systemwide opportunities that build on the strength of the CSU campuses, to successfully implement recommendations of the Revenue Opportunities Task Force.

Systemwide and Regional Collaborations

The CSU has a long history of systemwide collaborations that benefit all the campuses. Examples of such collaborations include the CSU Risk Management Authority (CSURMA), the Common Network Initiative (CNI), photovoltaic power agreements, Job Order Contracts (JOC), the CSU Entertainment Alliance (CSUEA), surveillance testing for COVID-19, partnerships with the University of California, and partnerships with local health care providers.

CSURMA is a Joint Powers Authority for all 23 campuses established for the purpose of protecting resources through the provision of broad coverage and quality risk management services aimed at stabilizing risk costs in a reliable, economical, and beneficial manner.

The Common Network Initiative is a nationally recognized collaboration among the 23 campuses to standardize on a single network topology, infrastructure, software, and hardware.

As part of our sustainability objectives, and to save dollars, we issued multiple campus contracts for partners that provide photovoltaic panels and in some cases those partners will cover the cost of construction and operation of those panels for both partners to take advantage of tax incentives.

JOCs have been created to provide campuses with the ability to contract for specific competitively bid construction skillsets and construction project management on a regional basis thereby significantly reducing campus effort in soliciting and contracting for these services individually.

The CSU Entertainment Alliance (CSUEA) provides a competitive edge to CSU students entering the entertainment industry by removing some financial and structural roadblocks. The CSUEA accommodates students in Los Angeles who have earned internships in the entertainment industry. In addition, it offers a low-cost internship course so students can earn credit while interning, and a grants program to attend industry conferences and events to network and keep up with the newest trends. The CSUEA also provides workshops on entertainment topics with industry guest speakers to students, faculty, and staff of the CSU and has secured donations of equipment from entertainment industry partners.

During the COVID-19 pandemic, the CSU sought out many ways to address the challenges brought to our campuses and our students, faculty, and staff as well as surrounding communities. For instance, the Cal Poly San Luis Obispo campus has developed surveillance testing for asymptomatic individuals using currently available and less expensive equipment and consumables. This testing allows the campus to monitor the state of infections among its population at a low cost to the campus and no cost to students. Cal Poly San Luis Obispo is currently working with the Bakersfield campus to explore the expansion of this testing to that campus and possibly others in the future. The CSU is also working with the University of California to utilize their testing capabilities at the Davis, Los Angeles, and San Diego campuses.

Fresno State’s College of Health and Human Services (CHHS) and Valley Children’s Healthcare partnered together in December 2014 to provide an interprofessional education (IPE) collaborative that combines the clinical and academic expertise of both organizations. While the goals for this interagency collaborative were to provide students the ability to participate in and understand the healthcare work environment, this partnership became valuable in the delivery of care during the pandemic to the campus and community.

For several years, the CSU has created reciprocal collaboratives between campuses and with other agencies within regions. These collaborations include dispatch services, technology support, Human Resources services, parking management services, and safety and risk management tools and services. These collaborations have helped to reduce the resources required to support campus administrative activities and have allowed campuses to focus on more student and academic activities. The following is a list of regional collaborations that are currently in place at CSU campuses.

Service	Provider	Receiver
Dispatch Services	San Bernardino	San Bernardino Valley College Crafton Hills College
Dispatch Services	City of Cotati	Sonoma
Evening Dispatch Services	City of Turlock	Stanislaus
Enterprise Software Support	Chancellor’s Office	East Bay
HR Services	Long Beach	Chancellor’s Office
Worker’s Compensation Services	Fresno	Bakersfield
Parking Permits	Stanislaus	Seven CSU Campuses

Public-Private Partnerships

The CSU has developed many public-private partnerships. These are contractual arrangements formed between public and private-sector partners that involve a campus contracting with a private and/or public partner to design, build, finance, operate, maintain, and/or manage a facility or system, in whole or in part, that supports the educational mission of the University. Under these arrangements, the campus retains ownership of the land, and the private party invests capital to develop the property. The financial arrangements vary depending on the nature of the partnership. This type of arrangement allows the campus to gain access to new revenue or service delivery capacity with limited risk. Such arrangements have provided the CSU with over \$240 million in value. The following is a sample list of CSU public-private partnership projects where the Board of Trustees has approved the concept or the development agreement:

Campus	Project
Bakersfield	University Office Park Phase I (Bynum)
Channel Islands	University Glen Phase 2
Dominguez Hills	University Village - Mixed-Use Development
Fresno	Central Plant Modernization, Campus Pointe
Los Angeles	Football (Soccer) Club, Regional Crime Lab, LACSHA
Northridge	Hotel
Pomona	Lanterman Mixed-Use Development
Sacramento	California Mobility Center, Ramona Property Forensics/Criminalistics Institute
San Diego	Mission Valley Stadium and Mixed-Use Development
San Luis Obispo	Slack and Grand Faculty/Staff Workforce Housing

Looking Forward

The CSU is exploring partnership projects on bandwidth and cell towers, banking, janitorial supplies, and maintenance, repair and operations supplies. We will also be pursuing opportunities in Community Choice Energy and making further progress on the Mission Valley and Lanterman development projects. We will be assessing the implementation of shared administrative services in areas such as payroll, travel management, Title IX investigations, and accessible technology assessments. We are also planning on developing relationships within the electronic sports industry which is a form of competition between individuals and teams involving video games.

Conclusion

The CSU has a long history of using partnerships to improve the overall student experience and to generate revenue streams and reduce costs in support of CSU's educational mission. We are constantly striving to find new opportunities to further these goals. The CSU is committed to exploring these opportunities for collaboration and partnerships strategically. These partnerships are across the entire CSU, between multiple CSU campuses, with the Community Colleges and the UC, with municipal and state agencies, and with private entities, and enhance campus services, facilities, and in some cases also reduce resource needs and generate revenue for the CSU.

COMMITTEE ON FINANCE

2020-2021 Student Fee Report

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

The California State University Board of Trustees will be presented with the 2020-2021 annual campus fee report at its January 2021 meeting as required by the CSU fee policy.

As required by the fee policy, this information item also presents the 2020-2021 annual campus-based mandatory fee report as well as total average tuition and mandatory fees for the CSU system and their comparison institutions.

Overview

Pursuant to applicable provisions of state law, the Board of Trustees has authority over CSU tuition and fees. In August 1996, the Board of Trustees established the first fee policy, Executive Order 661, which was a consolidation of state fee statutes and Board of Trustee fee policy decisions. The policy was approved after extensive review of existing CSU fee policies and practices and was built upon the work of task forces and study groups and included collaboration with the California State Student Association (CSSA), Academic Senate, and campus presidents.

Prior to 1996, most new campus fees and changes to existing 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 executive orders related to fees 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 presidential approval for certain types of fees while ensuring appropriate and meaningful consultation with students on campus, through the establishment of a campus fee advisory committee. More delegated authority brought about additional reporting requirements to the Chancellor's Office. Other changes followed state statute or Board of Trustee decisions related to student fees (most recently in 2015). The latest version of the 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**
Systemwide tuition and fees that are the same across the system. Examples include systemwide tuition, non-resident tuition, the graduate business professional fee, and the admissions application fee. The Board of Trustees retains authority to set and adjust these fees.
- **Category II – Campus-based mandatory fees**
Campus specific fees charged to all students to enroll at a specific CSU campus. Examples include student association, student recreation center and health services fees. The chancellor is delegated authority to establish Category II fees and each president is delegated the authority to adjust or abolish these fees on their campus. Each campus president is responsible for assuring that appropriate and meaningful consultation and/or student referendum occurs before proposing a new fee or adjusting an existing fee. To measure student support, a referendum is encouraged for new Category II fees and is required by state statute for certain types of Category II fees. If a referendum is not required, and the campus president determines that a referendum is not the best mechanism to achieve appropriate and meaningful consultation, alternative forms of consultation may be used. By way of a student referendum, students often initiate the creation and increase of certain types of Category II fees, such as associated student fees and student recreation center fees.
- **Category III – Course-specific fees for materials and services**
Fees for course materials and services that are charged to enroll in a specific course. Examples include laboratory and field trip fees. Each campus president, after consulting with the campus fee advisory committee, is delegated authority to establish, adjust, and abolish these fees (within a pre-approved range).
- **Category IV – Fees, other than Category II or III, paid to receive materials, services, or for the use of facilities**
Fees for other services, materials, and use of facilities that are charged to students for administrative and processing purposes. Examples include identification cards, transcript fees, and library fines. Each campus president is delegated authority to establish, adjust, and abolish these fees.

- **Category V – Fees paid to self-support programs**
Fees for self-support programs charged to participating students and employees. Examples include parking, housing, and Professional and Continuing Education (PaCE). Each campus president is delegated authority to establish, adjust and abolish these fees.
- **Category VI – Systemwide voluntary fees**
This category only applies to the CSSA Student Involvement & Representation Fee, which is a voluntary fee charged to students to expand opportunities for student involvement and representation. The chancellor is delegated authority to adjust the Student Involvement & Representation Fee for inflationary purposes if necessary.

Each Fall, campuses report all fees charged on their campus to the Chancellor's Office.

2020-2021 CSU Student Fee Report

Total tuition and average systemwide campus-based mandatory fees (i.e. Category II fees) increased between 2019-2020 and 2020-2021 by an average of \$26 per student. Stable tuition and small average fee increases, 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.
- 60 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 \$17,978 is lower than the California average of \$22,585 and well below the national average of \$29,200.

2020-2021 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 *undergraduate resident* tuition and average campus-based fees is lower than those of the fifteen comparison institutions historically identified by the California Postsecondary Education Commission. The 2020-2021 comparison institution tuition and fee average is \$11,839, which is 61 percent higher than the CSU tuition and fee average of \$7,363. The following table lists the 2019-2020 tuition and average campus-based mandatory fee rates with a comparison to 2020-2021 rates:

2020-2021 Comparison Institution Academic Year Undergraduate Resident Tuition and Fees			
Campus	2019-2020	2020-2021	Change
University of Connecticut (Storrs, CT)	\$17,226	\$17,834	\$608
Illinois State University (Normal, IL)	14,832	15,319	487
Rutgers University (New Brunswick, NJ)	15,407	15,003	(404)
Wayne State University (Detroit, MI)	14,723	14,723	0
George Mason University (Fairfax, VA)	12,564	13,014	450
Comparison Average	\$11,932	\$11,839	(\$93)
Arizona State University at Tempe	11,338	11,338	0
Cleveland State University	10,745	11,185	440
Georgia State University at Atlanta	11,076	11,076	0
University of Colorado at Denver	11,447	10,983	(464)
University of Texas at Arlington	10,626	10,964	338
State University of New York at Albany	10,236	10,121	(115)
University of Maryland, Baltimore County	12,028	9,420	(2,608)
University of Wisconsin at Milwaukee	9,598	9,254	(344)
North Carolina State University	9,101	9,101	0
University of Nevada at Reno	8,034	8,248	214
California State University	\$7,337	\$7,363	\$26

The CSU has the lowest *graduate resident* tuition and fee rates among the 15 comparison institutions. The 2020-2021 comparison institution tuition and fee average is \$14,235, which is 62 percent higher than the CSU tuition and fee average of \$8,797. The following table compares the 2019-2020 tuition and fee rates with 2020-2021:

2020-2021 Comparison Institution Academic Year Graduate Resident Tuition and Fees			
Campus	2019-2020	2020-2021	Change
Rutgers University (New Brunswick, NJ)	\$19,983	\$19,724	(\$259)
University of Connecticut (Storrs, CT)	19,056	19,664	608
Wayne State University (Detroit, MI)	18,226	18,226	0
University of Maryland, Baltimore County	19,176	16,752	(2,424)
George Mason University (Fairfax, VA)	15,648	16,098	450
Cleveland State University	14,465	14,755	290
Comparison Average	\$14,236	\$14,235	(\$1)
State University of New York at Albany	13,463	13,495	32
Illinois State University (Normal, IL)	12,441	12,835	394
University of Texas at Arlington	12,394	12,784	390
Arizona State University at Tempe	12,608	12,608	0
University of Wisconsin at Milwaukee	12,050	11,864	(186)
Georgia State University at Atlanta	11,680	11,680	0
North Carolina State University	11,673	11,673	0
University of Nevada at Reno	10,213	11,351	1,137
University of Colorado at Denver	10,463	10,011	(452)
California State University	\$8,771	\$8,797	\$26

CSU has the second lowest *undergraduate non-resident* tuition and average campus-based mandatory fees of the CSU’s public peer comparison institutions. CSU undergraduate non-resident tuition (which includes the systemwide tuition plus non-resident tuition) and fees is \$19,243 per academic year in 2020-2021. This is 33 percent below the comparison average rate of \$28,645.

2020-2021 Comparison Institution Academic Year Undergraduate Non-Resident Tuition and Fees			
Campus	2019-2020	2020-2021	Change
University of Connecticut (Storrs, CT)	\$39,894	\$40,502	\$608
George Mason University (Fairfax, VA)	36,024	36,474	450
Wayne State University (Detroit, MI)	31,868	31,868	0
Rutgers University (New Brunswick, NJ)	32,189	31,785	(404)
University of Colorado at Denver	32,057	31,593	(464)
Georgia State University at Atlanta	30,114	30,114	0
Arizona State University at Tempe	29,428	29,428	0
North Carolina State University	29,220	29,220	0
Comparison Average	\$28,787	\$28,645	(\$143)
University of Texas at Arlington	27,714	28,110	396
State University of New York at Albany	27,826	27,711	(115)
Illinois State University (Normal, IL)	26,356	26,843	487
University of Maryland, Baltimore County	27,662	25,054	(2,608)
University of Nevada at Reno	23,085	23,901	816
University of Wisconsin at Milwaukee	23,085	21,119	(1,966)
California State University	\$19,217	\$19,243	\$26
Cleveland State University	15,290	15,952	661

The table on the following page displays the 2020-2021 academic year CSU Category II campus-based mandatory fee rates by campus and by fee category.

2020-2021 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	\$771	\$1,757
Channel Islands	6	190	260	145	0	150	324	1,075
Chico	6	510	404	210	0	142	850	2,122
Dominguez Hills	6	150	10	5	560	135	338	1,204
East Bay	6	386	129	3	240	129	360	1,253
Fresno	6	278	264	46	0	69	238	901
Fullerton	7	178	80	81	403	165	298	1,212
Humboldt	66	666	674	353	0	117	246	2,122
Long Beach	10	150	50	10	346	136	402	1,104
Los Angeles	6	287	126	5	290	54	275	1,043
Maritime Academy	14	740	130	280	0	210	0	1,374
Monterey Bay	0	186	254	165	0	96	700	1,401
Northridge	6	152	38	5	240	222	612	1,275
Pomona	6	269	40	0	447	127	808	1,697
Sacramento	50	259	408	0	0	147	812	1,676
San Bernardino	29	275	171	15	199	123	444	1,256
San Diego	50	410	488	50	436	70	474	1,978
San Francisco	36	448	216	292	0	108	164	1,264
San Jose	70	380	0	33	669	196	762	2,110
San Luis Obispo	11	662	339	1,278	903	350	786	4,329
San Marcos	40	332	80	249	500	150	630	1,981
Sonoma	42	444	538	42	0	266	878	2,210
Stanislaus	26	430	346	296	0	158	604	1,860

The table below compares total campus-based mandatory fees by campus for the 2019-2020 and 2020-2021 academic years. As shown in the table, the systemwide average of campus-based mandatory fees increased by \$26 (1.6 percent). Increases in these fees in 2020-2021 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 Fresno, San Diego, and San Francisco campuses increased health facilities and services fees to fund rising health costs and provide increased services to students. Bakersfield increased their student center fee to expand space and services provided in the student union centers. In the COVID-19 virtual setting, most campuses were able to provide specific services virtually to students and did not temporarily reduce mandatory fees. In a few instances, however, some campuses temporarily reduced mandatory fees. This occurred when a campus concluded it could not continue to deliver a specific service virtually for which a portion of the fee had been earmarked. Fee rates noted below were effective August 2020 and may have been subsequently and temporarily adjusted.

Comparison: 2019-2020 and 2020-2021			
Category II Campus-Based Mandatory Fee Rate Totals by Campus			
Campus	2019-2020	2020-2021	Change
Bakersfield	\$1,677	\$1,757	\$80
Channel Islands	1,075	1,075	0
Chico	2,064	2,122	58
Dominguez Hills	1,204	1,204	0
East Bay	1,253	1,253	0
Fresno	847	901	54
Fullerton	1,182	1,212	30
Humboldt	2,122	2,122	0
Long Beach	1,092	1,104	12
Los Angeles	1,026	1,043	17
CSU Maritime	1,374	1,374	0
Monterey Bay	1,401	1,401	0
Northridge	1,235	1,275	40
Pomona	1,654	1,697	43
Sacramento	1,626	1,676	50
San Bernardino	1,210	1,256	46
San Diego	1,768	1,978	210
San Francisco	1,524	1,264	(260)
San Jose	2,110	2,110	0
San Luis Obispo	4,201	4,329	128
San Marcos	1,975	1,981	6
Sonoma	2,138	2,210	72
Stanislaus	1,800	1,860	60
Weighted Average	\$1,595	\$1,621	\$26

COMMITTEE ON FINANCE

2021-2022 Operating Budget Update

Presentation By

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Budget

Summary

This item summarizes the latest developments on the state and California State University budget plans for 2021-2022. The state expects a one-time tax revenue windfall, but recurring funding is another matter; the state anticipates recurring budget deficits beginning in 2022-2023 that will grow to \$11 billion in 2024-2025. The governor's budget proposes a \$144.5 million recurring increase to the CSU operating budget, most of which align with the priorities of the 2021-2022 CSU budget request. In addition, the governor proposes \$225 million one-time to the CSU for various purposes.

The CSU appreciates Governor Gavin Newsom and his administration for the investments proposed for 2021-2022.

California's Fiscal Outlook

The past twelve months were economically turbulent for the State of California. In January 2020, the governor anticipated a \$5.6 billion surplus and proposed new investments throughout state government including the CSU. But the worldwide response to COVID-19 in early 2020 prompted a significant fiscal contraction that left the state with an estimated \$54.3 billion multi-year deficit. The Budget Act of 2020 was adopted in July 2020 under these assumptions with deferrals imposed on K-12 schools and community colleges, furloughs for state employees (non-CSU), and a \$299 million recurring reduction for the CSU, among other things.

Fortunately, those dire economic assumptions did not come to pass. Since the November 2020 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 2020, the University of California, Los Angeles Anderson

Forecast in December 2020, and the Department of Finance 2021-2022 Governor's Budget in January 2021. The Anderson forecast anticipates slow economic growth through March 2021, robust growth from March 2021 through June 2021, and solid growth from June 2021 into 2023. The reasons for this variability are continued measures to prevent a rise in the virus through March 2021 with the widespread access to vaccines thereafter allowing for a sustained economic recovery. These conclusions are due to an unevenness in the overall economy due to a mix of factors: unemployment is high—especially for lower-wage Californians, consumer spending is recovering, the stock market is up, and the housing market is strong.

To illustrate the short-term positive fiscal trajectory on the state budget, the LAO concludes that the state over-estimated the COVID-19 impact on the 2020-2021 state budget and did so almost entirely with temporary actions to balance the budget. As a result, the LAO's California Fiscal Outlook estimates a one-time state revenue windfall of \$26 billion for 2021-2022. The LAO recommends that the state: (1) dedicate half the windfall to budget resiliency efforts such as repay loans and restore reserves, and (2) dedicate the other half to one-time pandemic-related needs like unwinding K-12 and community college deferrals.

Similarly, the short-term fiscal trajectory provided by the Department of Finance in the release of the Governor's Budget reported one-time revenue growth since this past summer of \$34 billion in available new resources in 2021-2022.

The longer-term forecast is different—both the LAO and the Department of Finance estimate state budget deficits running through 2024-2025. For example, the Department of Finance estimates a 2022-2023 deficit of \$7.6 billion growing to a 2024-25 deficit of \$11.3 billion. This leaves the state with limited opportunity to invest recurring funding in state program areas in future years.

Regardless of some differences in the tone or figures included in economic forecasts today, the state is on significantly better financial footing than anticipated. However, there remains a great deal of uncertainty with the virus, its impact on the state and national economies and budgets, and decisions state and federal leaders will make in the coming months. In May 2021, revisions to these revenue estimates will be updated and it is unclear if the state will have a significant amount of additional one-time or recurring revenue at the end of the budget cycle to invest more in the CSU and other discretionary state programs and priorities. The university stands ready to build additional educational opportunities and capacity for California for the long run.

Governor's Budget Proposal - State Overview

The Governor's Budget proposal would build reserves and spend a sizable surplus. Specifically, with proposed new deposits added to prior account balances would have \$25.2 billion set aside in several mandatory and discretionary reserve accounts by the end of 2024-2025. This includes \$15.6 billion in the state's Rainy Day Fund. The plan also includes \$3 billion in additional payments to pay down a portion of the state's pension liabilities. After setting-aside additional reserves and funding constitutional and statutory requirements, the administration estimates a \$15 billion discretionary budget surplus. One significant proposal is a \$3 billion COVID-19 relief package that includes payments to low income Californians and grants to small businesses. Another noteworthy proposal includes a \$4.5 billion economic package for immediate economic recovery but also longer-term policy objectives such as more affordable housing stock and a significant expansion of zero-emission vehicles and related infrastructure. Also, the governor proposes \$2 billion for the safe reopening of K-12 schools. According to the governor's administration, most 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 2021-2022 operating budget plan calls for continued and increased state investment in the CSU. This budget plan, which totals \$556 million in new resources, would restore funding lost in 2020-2021, address necessary new investments in the CSU, and build on the momentum of recent years. The budget plan is comprised of a request entirely from the state general fund. The four areas of investment are:

- \$150 million for Graduation Initiative 2025;
- \$299 million for restoration of 2020-2021 state general fund reductions;
- \$50 million investment in critical infrastructure; and
- \$57 million for mandatory cost increases.

Through the budget proposal, the governor demonstrated his continuing commitment to the university. Governor Newsom's January proposal totals \$144.5 million in new, recurring funding. Of this amount, \$111.5 million is not categorized for specific uses and is available to address some of the Board of Trustees' budget priorities. In addition, \$15 million recurring is for the Basic Needs Initiative component of Graduation Initiative 2025 and another \$15 million recurring is for student technology access and student mental health.

Also, the proposal includes \$225 million in one-time funding, including \$175 million for deferred maintenance and \$30 million for emergency assistance to student who were previously working full-time.

Conclusion

According to economic forecasters, there is cautious optimism that with the broad distribution over the next several months of the vaccines that the state will continue its positive fiscal trajectory in 2021-2022. The Governor's Budget proposal affirms this and proposes restoring state budgetary reserves and investing in many economic recovery endeavors for 2021-2022.

The governor's January proposal is the first step of this budget cycle and the CSU appreciates the governor's trust in, and the support his administration proposed for the CSU in these very uncertain times. The CSU is particularly appreciative of the attention the governor's administration paid to the priorities articulated in the CSU's 2021-22 Operating Budget Request. Whether it is from a recurring or one-time source, each priority in the budget plan is directly addressed—or the CSU would be provided the flexibility to address it.

As for next steps, the CSU is already developing the next phase of the advocacy strategy and will work tirelessly through the budget hearing and enactment process to secure the most favorable budget possible so that the university can continue to build on renewed positive momentum, drive student success and move California forward to a bright future. If, during the coming months, the legislature and governor choose to invest more state funding in Graduation Initiative 2025, funding restorations, academic facilities and infrastructure, and mandatory costs, the university stands ready to build those additional educational opportunities and capacity for California for the long run.