

AGENDA

COMMITTEE ON FINANCE

Meeting: 1:45 p.m., Tuesday, July 18, 2017
Glenn S. Dumke Auditorium

Peter J. Taylor, Chair
John Nilon, Vice Chair
Jane W. Carney
Adam Day
Hugo N. Morales
Jorge Reyes Salinas
Lateefah Simon

Consent Approval of Minutes of the Meeting of May 23, 2017

1. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for an Auxiliary Project at California Polytechnic State University, San Luis Obispo, *Action*

Discussion

2. Final Approval of the University Glen, Phase 2 Housing Project at California State University Channel Islands, *Action*
3. Auxiliary Organizations, *Information*
4. 2017-2018 Final Budget, *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**

May 23, 2017

Members Present

Peter Taylor, Chair
Debra Farar, Vice Chair
Jane W. Carney
Adam Day
Jean P. Firstenberg
Hugo N. Morales
Timothy P. White, Chancellor

Trustee Peter Taylor called the meeting to order.

Public Comments

Several speakers representing the California State University Employees Union, State Employees Trades Council, and California Faculty Association provided public comment relating to the need for increased funding for employee compensation and opportunities for advancement.

Approval of Minutes

The minutes of the March 22, 2017 meeting were approved as submitted.

Appointment of Three Members to the Fullerton Arboretum Commission

Trustee Taylor presented agenda item one as a consent action item. The committee recommended approval of the proposed resolution (RFIN 05-17-04).

Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, Los Angeles and San Diego State University

Two campus projects were presented for approval to issue CSU Systemwide Revenue Bonds. In regards to the CSU Los Angeles project, Trustee Hugo Morales asked what is the advantage of using an auxiliary to own and operate the project. Assistant Vice Chancellor for Financing, Treasury, and Risk Management Robert Eaton responded that auxiliaries are able to operate certain types of projects and collect revenue from sources that are not allowed under CSU operations due

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to legal limitations. Trustee Morales asked how are auxiliary board members appointed. President William Covino replied that the auxiliary board members are appointed by various offices across the campus.

The committee recommended approval of the proposed resolution (RFIN 05-17-05).

Final Approval of a Public-Private Partnership with the Los Angeles Football Club to Develop a Practice Facility at California State University, Los Angeles

The public-private partnership development agreement between the Los Angeles Football Club (LAFC) and the CSU Los Angeles campus was presented for approval.

The committee recommended approval of the proposed resolution (RFIN 05-17-06).

Final Approval of a Public-Private Partnership Mixed-Use Development Project at San Francisco State University

The public-private partnership development agreement between the University Corporation, San Francisco State, the Pacific Union Development Company, and Captstone Development Partners was presented for approval. In response to questions from members of the committee, Mr. Eaton noted that the campus will be able to review and approve retail tenants and clarified that if the campus chooses to increase its student housing rental rates by more than 3.5 percent in any year, the developer would also have the same option for student housing under its control. Upon termination of lease the site and site improvements will revert back to the campus.

The committee recommended approval of the proposed resolution (RFIN 05-17-07).

Report on the 2017-2018 Support Budget

An update was provided on the 2017-2018 state budget and CSU support budget request.

Trustee Taylor adjourned the meeting on Finance Committee.

COMMITTEE ON FINANCE

Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for an Auxiliary Project at California Polytechnic State University, San Luis Obispo

Presentation By

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

Summary

This item requests the California State University Board of Trustees to authorize the issuance of long-term Systemwide Revenue Bond (SRB) financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and bond anticipation notes (BANs) to support interim financing under the CSU commercial paper (CP) program, in an aggregate amount not-to-exceed \$28,880,000 for the California Polytechnic State University, San Luis Obispo – Cal Poly Corporation Vista Grande Replacement Building Project.

The trustees are being asked to approve resolutions related to this financing.

Background

The SRB program provides capital financing for projects of the CSU – student housing, parking, student union, health center, continuing education facilities, certain auxiliary projects, and other projects, including academic facilities, approved by the CSU Board of Trustees. Revenues from these programs and revenues approved by the board, including CSU operating funds, are used to meet operational requirements for the projects and to pay debt service on the bonds issued to finance the projects. A strength of the SRB program is its consolidated pledge of gross revenues to the bondholders, which has resulted in strong credit ratings and low borrowing costs for the CSU. Prior to issuance of bonds, some projects are funded through BANs issued by the CSU in support of its CP program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute's issuance of CP used to finance the projects. CP notes provide greater financing flexibility and lower short-term borrowing costs during construction than long term bond financing. Proceeds from the issuance of bonds are then used to retire outstanding CP and finance any additional costs not previously covered by CP.

California Polytechnic State University, San Luis Obispo – Cal Poly Corporation Vista Grande Replacement Building Project

At their November 2015 meeting, the board approved an amendment to the 2015-2016 capital outlay program and schematic plans for the construction of a new three-story, 575-seat dining facility known as the Vista Grande Replacement Building project. The project will involve demolishing the existing dining facility and replacing it with a new 36,800 gross square foot dining facility to provide a modern dining experience and accommodations for an increased campus enrollment of nearly 20,000 students, including approximately 5,000 new first-year student beds upon completion of a new student housing project in 2018.

Construction began in April 2017 and is scheduled to be completed by December 2018. The project will be owned and operated by the Cal Poly Corporation (“Corporation”), a recognized auxiliary organization at California State Polytechnic University, San Luis Obispo.

The not-to-exceed amount of the debt to be issued for this project is \$28,880,000 based upon a total project cost of \$36,000,000 and funding of \$10,000,000 from Corporation reserves. A portion of the debt proceeds will also fund approximately \$2,700,000 in additional net financing costs, such as capitalized interest and costs of issuance. The debt will be secured by a general obligation pledge of the Corporation's unrestricted revenues, including revenues from the project.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$28,880,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$1,887,240
Projected minimum net revenue debt service coverage ¹ :	
Vista Grande Replacement Project:	1.22
Cal Poly Corporation:	2.61
Campus aggregate:	1.54

1. Based on campus projections of 2019-2020 operations of the project with full debt service.

The not-to-exceed amount, maximum annual debt service, and ratios shown above are based on an all-in interest cost of 5.24 percent, including a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. Based on the financial plan, in fiscal year 2019-2020, the first full year of debt service repayment for the project, the minimum debt service coverage is projected at 1.22 for the project (rising to 1.25 by 2020-2021 and improving thereafter) and 2.61 for the Corporation, compared with the CSU benchmark of 1.25

for both the project and auxiliary debt program. When combining the project with projected information for all campus pledged revenue programs, the campus' overall net revenue debt service coverage for the first full year of operations is projected to be 1.54, exceeding the CSU campus benchmark of 1.35.

Trustee Resolutions and Recommendation

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the project described in this agenda. The proposed resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$28,880,000 and certain actions relating thereto.
2. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the revenue bonds, the bond anticipation notes, and the related debt instruments.

Approval of the financing resolutions for the project as described in this Agenda Item 1 of the Committee on Finance at the July 18-19, 2017 meeting of the CSU Board of Trustees is recommended for:

California Polytechnic State University, San Luis Obispo – Cal Poly Corporation Vista Grande Replacement Building Project

COMMITTEE ON FINANCE

Final Approval of the University Glen, Phase 2 Housing Project at California State University Channel Islands

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

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

Summary

At its March 2015 meeting, the California State University Board of Trustees approved a conceptual plan for the development of a multi-family housing project on a 32-acre site in the University Glen residential community at the campus of California State University, Channel Islands—the University Glen, Phase 2 project. This item requests final approval from the board authorizing the campus, through the California State University, Channel Islands Site Authority (“Site Authority”), to enter into a ground sublease and a final development agreement with the private developer.

Background

A qualification and competitive bid process to identify an appropriate developer for the project was commenced in March 2016. Numerous stakeholder meetings were conducted during this process, which included the University Glen Community Advisory Group (comprised of University Glen residents), campus faculty and staff, local government representatives, and other interested parties. The Site Authority intends to continue to engage stakeholders throughout the final development process.

Following a competitive bidding process, the selection committee chose Kennedy Wilson (KW), an experienced multifamily housing operator and developer with strong financial capacity, as the preferred developer for the project. The committee’s decision to award the bid to KW was based on KW’s overall deal terms and support of the university’s goal to develop a hybrid community composed of different dwelling unit types. It was also important in the award decision to note KW’s willingness to invest its own capital toward the infrastructure, and to be a long-term, multifamily housing owner, operator, and partner with the Site Authority.

Project Description

The project calls for the construction of 600 multifamily housing units on the 32-acre site, comprised of 310 market rate apartments, 170 age restricted apartments, and 120 for-sale homes. The developer will add common area improvements including a pool, clubhouse, fitness center, lounge and game room, as well as on-site parking for residents and guests. The project is currently estimated to cost \$164 million.

Summary of Key Terms

- The CSU already leases the land to the Site Authority, which will in turn sublease the land to KW for a term of 80 years. There will be no extension options.
- Ground rent under the sublease will be paid by KW to the Site Authority comprised of the following components:
 1. Upfront payment of \$2,500,000.
 2. Annual payment equal to seven percent of gross income on the apartments. This amount is estimated at \$630,000 in 2021-2022, the first full year of operations.
- A total of \$3,000,000 will be paid from KW to the Site Authority from the sale of for-sale housing units over a four-year period (\$25,000 per unit).
- Separate from the ground rent under the sublease, KW has already paid \$250,000 to the Site Authority to cover costs associated with California Environmental Quality Act work. KW will also make additional payments (also separate from the ground rent under the sublease) of \$1,500,000 towards the Site Authority's development of any project that provides support services for the residential community (e.g., a child care center).
- The financing structure calls for a combination of debt and equity in amounts that will vary by housing type.

The combination of the upfront ground rent payment, annual ground rent payments, share of for-sale housing proceeds, and other upfront payments are appropriate compared to the fair-market value of the site.

KW will be responsible for financing, constructing, operating, and maintaining the facility in good condition during the term of the lease. No campus or Site Authority funds will be committed to the project, and the site development will revert to the Site Authority upon the agreement's expiration.

Educational Benefits

This project represents a significant step in the implementation of the campus' CI 2025 strategy, a comprehensive capital expansion strategy to increase access and meet growing student demand, which was presented to the board in January 2015. Through this project, the Site Authority will generate fair market return on the land, generate additional tax revenue on the developed project, and improve its

financial position, allowing it to serve its intended purpose an instrument for campus development. Consistent with the existing affordable housing in the University Glen community, an affordable housing program for the project will also be developed for campus faculty and staff including, but not limited to, interest rate buy-downs, down payment assistance, and closing cost assistance. Overall, this project provides educational benefits that are both consistent and in close alignment with the strategies of the CI 2025 plan.

Recommendation

The following resolution is presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that the development of the University Glen, Phase 2 Housing project, through a public-private partnership, on the campus of California State University, Channel Islands as described in Agenda Item 2 of the July 18-19, 2017 meeting of the Committee on Finance is approved; and confirm 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

Auxiliary Organizations

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Summary

California State University (CSU) auxiliary organizations are separate legal entities created to support the educational mission of the university. Auxiliary organizations help ensure student success and the financial strength of the university by providing essential services and activities, increasing student engagement in high impact practices, managing risk and exposure, increasing investment opportunities, and facilitating real estate transactions. Auxiliary organizations include associated student organizations, student unions and recreation facilities, enterprise corporations that run bookstores and food services, and foundations that manage contracts and grants or gifts.

Auxiliaries are authorized under the provisions of Title 5 of the Education Code, the Internal Revenue Code, and the California Corporations Code as 501(c)(3) nonprofit organizations and 509(a)(3) supporting organizations, operating as “public charities” for tax exempt purposes. They are subject to CSU and campus policies with university leadership typically serving on the governing boards. Annual budgets are approved by the university president. They must be fiscally viable with adequate reserves as they do not receive CSU operating funds.

Approved activities of auxiliary organizations are contained within operating agreements with the CSU. The scope of operations and other matters are covered by a memorandum of understanding with the campus. Auxiliary organizations are required to produce independently audited financial statements, file annual tax returns, and follow either Financial Accounting Standards Board or Government Accounting Standards Board guidelines.

List of Recognized Auxiliary Organizations

Annually, the California State University audited financial statements includes a list of recognized auxiliary organizations, which are reported on the statements as component units of the overall California State University financial statements. Below is the current list of recognized auxiliary organizations.

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Office of the Chancellor

California State University Institute
California State University Foundation

California State University, Bakersfield

Associated Students, California State University, Bakersfield, Inc.
California State University, Bakersfield, Foundation
California State University, Bakersfield Student Union
California State University, Bakersfield, Auxiliary for Sponsored Programs Administration

California State University, Channel Islands

Associated Students of California State University, Channel Islands, Inc.
California State University, Channel Islands Foundation
CI University Auxiliary Services, Inc.

California State University, Chico

Associated Students of California State University, Chico
The CSU, Chico Research Foundation
The University Foundation, California State University, Chico

California State University, Dominguez Hills

Associated Students, Inc., California State University, Dominguez Hills
California State University Dominguez Hills Foundation
The Donald P. and Katherine B. Loker University Student Union, Inc.,
California State University, Dominguez Hills
California State University Dominguez Hills Philanthropic Foundation

California State University, East Bay

Associated Students, Inc. of California State University, East Bay
California State University, East Bay Foundation, Inc.
Cal State East Bay Educational Foundation, Inc.

California State University, Fresno

Associated Students, Inc. of California State University, Fresno
California State University, Fresno Foundation
California State University, Fresno Association, Inc.
The Agricultural Foundation of California State University, Fresno
California State University, Fresno Athletic Corporation
Fresno State Programs for Children, Inc.

California State University, Fullerton

Associated Students, California State University, Fullerton, Inc.
Cal State Fullerton Philanthropic Foundation
CSU Fullerton Auxiliary Services Corporation

Humboldt State University

Associated Students of Humboldt State University
Humboldt State University Sponsored Programs Foundation
Humboldt State University Center Board of Directors
Humboldt State University Advancement Foundation

California State University, Long Beach

Associated Students, Inc., California State University, Long Beach
California State University, Long Beach Research Foundation
CSULB 49er Foundation
Forty-Niner Shops, Inc.

California State University, Los Angeles

Associated Students of California State University, Los Angeles, Inc.
Cal State L.A. University Auxiliary Services, Inc.
California State University, Los Angeles Foundation
University – Student Union at California State University, Los Angeles

California Maritime Academy

Associated Students of the California Maritime Academy
California Maritime Academy Foundation, Inc.

California State University, Monterey Bay

University Corporation at Monterey Bay
Foundation of California State University, Monterey Bay

California State University, Northridge

Associated Students, Inc., California State University, Northridge
California State University, Northridge Foundation
University Student Union, California State University, Northridge
North Campus – University Park Development Corporation
The University Corporation

California State Polytechnic University, Pomona

Associated Students, Inc., California State Polytechnic University, Pomona
Cal Poly Pomona Foundation, Inc.

California State University, Sacramento

Associated Students of California State University, Sacramento
The University Foundation at Sacramento State
University Enterprises, Inc.
University Union Operation of California State University, Sacramento
Capital Public Radio, Inc.

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California State University, San Bernardino

Associated Students, Incorporated, California State University, San Bernardino
Santos Manuel Student Union of California State University, San Bernardino
CSUSB Philanthropic Foundation
University Enterprises Corporation at CSUSB

San Diego State University

Associated Students of San Diego State University
San Diego State University Research Foundation
The Campanile Foundation
Aztec Shops, Ltd.

San Francisco State University

Associated Students of San Francisco State University
The University Corporation, San Francisco State
San Francisco State University Foundation

San Jose State University

Associated Students of San Jose State University
The Student Union of San Jose State University
The Tower Foundation of San Jose State University
San Jose State University Research Foundation
Spartan Shops, Inc.

California Polytechnic State University, San Luis Obispo

Associated Students, Inc.
California Polytechnic State University Foundation
Cal Poly Corporation

California State University, San Marcos

Associated Students, Inc. of California State University, San Marcos
California State University, San Marcos Corporation
California State University San Marcos Foundation

Sonoma State University

Associated Students of Sonoma State University
Sonoma State University Academic Foundation, Inc.
Sonoma State Enterprises, Inc.

California State University, Stanislaus

Associated Students Incorporated of California State University, Stanislaus
California State University, Stanislaus Foundation
University Student Union of California State University, Stanislaus
California State University, Stanislaus Auxiliary and Business Services

COMMITTEE ON FINANCE

2017-2018 Final Budget

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

The purpose of this agenda item is to inform the California State University Board of Trustees of final budget-related decisions made by the state of California and the Chancellor's Office affecting the CSU support budget.

Background

In November 2016, the trustees approved the CSU 2017-2018 Support Budget Request. That budget request called for an increase of \$343.7 million, including \$324.9 million from state funds and \$18.8 million of net student tuition revenue tied to funded enrollment growth. The approved uses of the increase are as follows:

Proposed Incremental Expenditures:

- | | |
|---|-----------------|
| • Graduation Initiative 2025 | \$75.0 million |
| • Compensation: Current Commitments | \$139.1 million |
| • Compensation: New | \$55.1 million |
| • Full-Time Equivalent Student Growth: 3,616 FTES | \$38.5 million |
| • Facilities and Infrastructure Needs | \$10.0 million |
| • Mandatory Costs | \$26.0 million |

Total Incremental Expenditures **\$343.7 million**

Generally consistent with the governor's multi-year funding plan, first proposed and adopted in 2013-2014, the governor's 2017-2018 January budget provided a \$157.2 million recurring state general fund increase for the CSU support budget. By the end of May 2017, the governor and legislature estimated slightly higher state revenues, when compared to the January budget, and prioritized funding augmentations principally for elementary, secondary, and community college education as well as child care, in-home supportive services for the elderly, and reserves.

The Assembly proposed an additional \$96 million above the governor's January 2017 proposal consisting of recurring funding amounts of \$38.5 million for a one percent growth in student enrollment and \$5 million for student mental health services and notable one-time funding amounts such as \$25 million for Graduation Initiative 2025 and \$25 million for deferred maintenance.

The Senate proposal was not materially different from the governor's proposals, aside from an additional \$25 million of one-time funding for Graduation Initiative 2025.

The final budget agreement between the governor and legislature provided a recurring increase of \$177.2 million from the state general fund, which includes \$157.2 million consistent with the governor's original proposal in January and \$20 million for funded enrollment growth for approximately 2,500 full-time equivalent students. Additionally, the final budget act provides a total of \$20 million of one-time funding from the state general fund for a variety of purposes, including \$12.5 million for Graduation Initiative 2025 activities. In total, state support for the CSU now stands at \$3.4 billion.

The state has completed its work on the budget for 2017-2018. The CSU appreciates the additional recurring and one-time funding provided by the legislature and governor in the final state budget agreement. For most of the past year, it appeared that state economic factors and other state budget priorities would prevent CSU funding levels from rising above the governor's original proposal for 2017-2018. But this year's advocacy strategy and the persistent employment of that strategy by CSU stakeholders made a significant difference.

Nevertheless, the trustees' support budget request was not fully funded by the state. As a result, the tuition increase adopted by the Board of Trustees in March 2017 remains in effect for the 2017 fall term. The \$119 million of gross revenue from the tuition increase will be used for activities related to the Graduation Initiative 2025 as well as for State University Grants, the CSU's institutional financial aid program for low-income students. The combination of new, incremental resources from tuition and the state is significant. However, a gap between budget priorities and new revenues persists. As a result, some of the Trustees' budget priorities will not be supported in 2017-2018.

Proposed Support Budget Incremental Expenditure Plan

Graduation Initiative 2025

Approximately \$75 million recurring and \$12.5 million one-time funds for the first, full-year funding of the Graduation Initiative 2025 to benefit all students to get to degree sooner. These efforts will help improve four-year graduation rates for first-time freshmen, two-year graduation rates for transfer students, and close achievement gaps. Equally important is that Graduation

Initiative 2025 efforts will benefit CSU students who intentionally lengthen time to degree to balance family, education, and work commitments. It is anticipated that this funding will be used to offer more course sections, hire additional faculty, and provide students with additional academic and support services. The ambitious goals of Graduation 2025 will put the CSU on a path to graduate significantly more students by 2025 and it demonstrates CSU's determination to do its part to ensure California has the college-educated workforce it needs.

Compensation—Current Commitments

Approximately \$141.1 million will be used to cover compensation commitments made in collective bargaining agreements. Central to the student experience is the ability to interact, learn from, and receive guidance from outstanding faculty and staff. The CSU is proud of the 50,000 employees who are dedicated to students and their success. As such, the current commitments in compensation are a significant priority for the CSU in order to remain competitive to recruit and retain faculty, staff, and administrators who are committed to students' well-being and academic success.

Mandatory Costs

Approximately \$25.1 million will be used to meet anticipated mandatory costs that the university must pay regardless of the level appropriated by the state. These costs include recent increases to employee benefits and operations and maintenance of newly-constructed space. Without funding for mandatory cost increases, campuses would have to redirect resources from other program areas to meet these obligations.

Funded Student Enrollment

The final budget will provide \$26.5 million for growth in state-assisted enrollment in the CSU system by nearly 2,500 full-time equivalent students (approximately 3,000 resident students) during the 2017-2018 academic year. Over 845,000 undergraduate applications were submitted to CSU campuses for Fall 2017, an all-time high. Clearly, prospective student demand for a CSU education is significant. The Public Policy Institute of California projects a 1.1 million shortfall of bachelor degree holding Californians by 2025 with the CSU's share of that shortfall estimated at 480,000. The CSU recognizes that the goal can be achieved through improved college completion rates addressed in Graduation Initiative 2025, coupled with significant growth in both new student enrollment and support in the form of new ongoing resources from the state.

Compensation-New

Collective bargaining has not concluded for certain employee groups for 2017-2018. Therefore, it is premature to report any cost implications at this time. At the conclusion of the collective bargaining process, the cost and funding sources will be determined. That information will be shared with the Board of Trustees when it is available.

Infrastructure Needs

There are numerous examples on every CSU campus of academic and plant facilities that are in need of repair or replacement. The systemwide deferred maintenance backlog cost is approximately \$2.15 billion and grows by approximately \$150 million per year. Due to the partial funding of the support budget in 2017-2018, the CSU will not dedicate new permanent funding from the support budget plan for annual debt service on longer-term bond-financed projects, as had been possible during the 2014-2015 and 2015-2016.

The CSU will look to other ways to fund its capital and infrastructure needs. Indeed, an instrument that can help today and in the future is the Board of Trustees' approval in November 2016 of the multi-year bond authorization for capital and infrastructure needs. Staff will inform the Board of Trustees on this and other ways to fund infrastructure needs as opportunities become available.

Other State Budget Act Requirements

The Budget Act of 2017 requires the Board of Trustees to adopt policy changes in three areas below. Significant work was already underway in all of these areas at the time these requirements were included in the state budget. Over the course of 2017-2018, Chancellor's Office staff will facilitate trustees' discussions and potential actionable items in the following areas.

Developmental Education Policy

The Board of Trustees is to change university policies and practices by May 1, 2018 related to placement of freshmen and transfer students in remedial or developmental programs and activities.

Student Application Redirection Policy

By May 1, 2018, the Board of Trustees is to approve a policy to redirect student applications to non-impacted CSU programs or campuses if students meet the minimum systemwide qualifications but are denied admission to impacted programs or campuses.

Local Admission Area Student Priority Policy

The Board of Trustees is to approve a policy by May 16, 2018 that requires campuses to provide first priority in admission to impacted programs to local students who meet minimum systemwide qualifications.

Summary

The governor signed the 2017-2018 budget act and the related higher education budget trailer bill on June 27, 2017. In terms of appropriations for the CSU, the enacted budget is generally consistent with the Board of Trustees' 2017-2018 Support Budget Request. It provides a recurring programmatic increase of \$177.2 million from the state general fund as well as \$20 million of one-time funding for a variety of purposes, bringing state support for the CSU to \$3.4 billion out of a \$125 billion state general fund budget. This new funding, coupled with additional incremental tuition revenue, will continue the process of investment in the students, faculty, staff, and campuses of the CSU.