

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

California State University
Office of the Chancellor—Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, CA 90802

Agenda July 23-24, 2019

Time*	Committee	Location ¹
TUESDAY, JULY 23, 2019		
8:30 a.m.	<u>Call to Order</u>	
8:30 a.m.	<u>Board of Trustees—Closed Session</u> Executive Personnel Matters Government Code §11126(a)(1) Pending Litigation Government Code §11126(e)(1) City and County of San Francisco v. Regents of the UC, Hastings, and CSU Freeman v. CSU, et al.	Munitz Conference Room
9:30 a.m.	<u>Committee on Collective Bargaining—Closed Session</u> Government Code §3596(d)	Munitz Conference Room
10:00 a.m.	<u>Committee on Campus Planning, Buildings and Grounds</u> Consent <i>Action</i> 1. Approval of Minutes Discussion <i>Action</i> 2. California State University, Long Beach Housing Expansion Phase 1 – Parkside North <i>Information</i> 3. Progress on Tracking Environmental Sustainability Goals <i>Information</i> 4. Overview of Capital Project Approval Process	

¹ All committees meet in the Dumke Auditorium unless otherwise noted.

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TUESDAY, JULY 23, 2019 (cont.)

10:45 a.m. Committee on Finance

Consent

Action 1. Approval of Minutes

Information 2. Appointment of the California State University Investment Advisory Committee Chair

Action 3. Approval to Issue Systemwide Revenue Bonds for a Housing Project at California State University, Long Beach and Recreation Center Expansion at San Diego State University

Discussion

Action 4. Admission Application Fee Proposal and Title 5 Revision

Information 5. 2019-2020 Final Budget

12:00 p.m. Luncheon

1:00 p.m. Committee on Educational Policy

Consent

Action 1. Approval of Minutes

Discussion

Information 2. Amendment to Title 5 Regarding Student Organizations

Information 3. Graduation Initiative 2025

Information 4. Special Public Comment Open Forum on Quantitative Reasoning Proposal

Information 5. Expanding Opportunity through Preparation in Quantitative Reasoning

3:00 p.m. Committee on Institutional Advancement

Consent

Action 1. Approval of Minutes

Discussion

Action 2. Naming of the RND Amphitheater – California State University, Monterey Bay

Action 3. Naming of the Provident Credit Union Event Center at San José State University

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TUESDAY, JULY 23, 2019 (cont.)

3:30 p.m. Committee on Audit

Consent

Action 1. Approval of Minutes

Information 2. Status Report on Current and Follow-up Internal Audit Assignments

Discussion

Information 3. Quality Assessment Review of The California State University System Internal Audit Program

Information 4. Status of California State Auditor Report 2018-127 Regarding Financial Accounts Invested Outside the State Treasury and Campus Parking Programs

WEDNESDAY, JULY 24, 2019

8:30 a.m. Committee on Collective Bargaining—Open Session

Consent

Action 1. Approval of Minutes

Discussion

Action 2. Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 14, American Language and Culture Program Instructors, CSU Monterey Bay

9:10 a.m. Committee on University and Faculty Personnel

Consent

Action 1. Approval of Minutes

Discussion

Action 2. Approval of Recommended Revision of Title 5, California Code of Regulations, Article 4.2, Catastrophic Leave Donation Program

Action 3. Compensation for Executives

10:15 a.m. Board of Trustees

Call to Order

Roll Call

Public Speakers

Chair's Report

Chancellor's Report

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Report of the Academic Senate CSU: *Chair—Catherine Nelson*

Report of the California State Student Association: *President—Michael Wiafe*

Report of the California State University Alumni Council: *President—Michelle Power*

Consent

Action 1. Approval of the Minutes of the Board of Trustees Meeting of May 22, 2019

Action 2. Approval of Committee Resolutions as follows:

Committee on Campus Planning, Buildings and Grounds

2. California State University, Long Beach Housing Expansion Phase 1 – Parkside North

Committee on Finance

3. Approval to Issue Systemwide Revenue Bonds for a Housing Project at California State University, Long Beach and Recreation Center Expansion at San Diego State University
4. Admission Application Fee Proposal and Title 5 Revision

Committee on Institutional Advancement

2. Naming of the RND Amphitheater – California State University, Monterey Bay
3. Naming of the Provident Credit Union Event Center at San José State University

Committee on University and Faculty Personnel

2. Approval of Recommended Revision of Title 5, California Code of Regulations, Article 4.2, Catastrophic Leave Donation Program
3. Compensation for Executives

Committee on Committees

1. Amendment to Board of Trustees’ Standing Committee Assignments for 2019-2020

11:30 a.m. Board of Trustees—Closed Session

Executive Personnel Matters

Government Code §11126(a)(1)

Munitz Conference Room

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Addressing the Board of Trustees

Members of the public are welcome to address the Board of Trustees. Every committee provides an opportunity for members of the public to directly address the committee on each agenda item before or during the committee's discussion or consideration of the item. Comments made at committee meetings must relate to an item on the committee's agenda. Members of the public may also address the full Board of Trustees during the plenary session on any non-agendized topic that is related to the University. The public may also address the full board on agenda items, but only if an opportunity to address the agenda item was not provided when it came before the relevant committee, or if the agenda item has substantially changed since the committee heard the item. Written comments are also welcome and will be distributed to the members of the board. The purpose of public comments is to provide information to the board, and not to evoke an exchange with board members. Questions that board members may have resulting from public comments will be referred to appropriate staff for response.

Members of the public wishing to speak must provide written or electronic notice to the Trustee Secretariat no later than **the working day before the committee or board meeting** at which they desire to speak. The notice should identify the agenda item the speaker wishes to address, or if the speaker wishes to address the full Board in the plenary session, the notice should state the subject of the intended presentation.

In fairness to all speakers who wish to speak, and to allow the committees and Board to hear from as many speakers as possible, while at the same time conducting the public business of their meetings within the time available, the committee or board chair will determine and announce reasonable restrictions upon the time for each speaker, and may ask multiple speakers on the same topic to limit their presentations. In most instances, speakers will be limited to no more than three minutes. Ceding, pooling or yielding remaining time to other speakers is not permitted. The totality of time allotted for public comment at the board meeting will be 30 minutes, and speakers will be scheduled for appropriate time in accord with the numbers that sign up. Speakers are requested to make the best use of the public comment opportunity and to follow the rules established.

Note: Anyone wishing to address the Board of Trustees, who needs any special accommodation, should contact the Trustee Secretariat at least 48 hours in advance of the meeting so appropriate arrangements can be made.

Trustee Secretariat
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802
Phone: 562-951-4020
Fax: 562-951-4949
E-mail: trusteesecretariat@calstate.edu

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AGENDA

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 10:00 a.m., Tuesday, July 23, 2019
Glenn S. Dumke Auditorium

Rebecca D. Eisen, Chair
Romey Sabalius, Vice Chair
Jane W. Carney
Wenda Fong
Jack McGrory
Thelma Meléndez de Santa Ana
Peter J. Taylor

- Consent** 1. Approval of Minutes of the Meeting of May 21, 2019, *Action*
- Discussion** 2. California State University, Long Beach Housing Expansion Phase 1 – Parkside North, *Action*
3. Progress on Tracking Environmental Sustainability Goals, *Information*
4. Overview of Capital Project Approval Process, *Information*

**MINUTES OF THE MEETING OF THE
COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

May 21, 2019

Members Present

Rebecca D. Eisen, Chair
Romey Sabalius, Vice Chair
Jane W. Carney
Wenda Fong
Christopher Steinhauser
Peter J. Taylor
Adam Day, Chairman of the Board
Timothy P. White, Chancellor

Trustee Rebecca D. Eisen called the Committee on Campus Planning, Buildings and Grounds to order.

Public Speakers

Public comment was received regarding transparency and sharing of auxiliary meeting information. Two speakers expressed support for the San Diego State Aztec Recreation Center expansion project.

Consent Agenda

The minutes of the March 19, 2019 meeting of the Committee on Campus Planning, Buildings and Grounds were approved as submitted.

San Diego State Aztec Recreation Center Expansion

Information about a proposed expansion of the San Diego State University Aztec Recreation Center was presented for approval. The project aims to expand services to meet demand.

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Following the presentation the trustees asked questions relating to student fees, including which are and are not approved by the Board of Trustees. They further asked questions about student engagement in the consultation process for the proposed fee.

The committee recommended approval of the proposed resolution (RCPBG 05-19-03).

Trustee Eisen adjourned the meeting.

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

California State University, Long Beach Housing Expansion Phase 1 – Parkside North

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

This agenda item requests approval of schematic plans and the 2008 Master Plan Update Environmental Impact Report (EIR) for the California State University, Long Beach Housing Expansion, Phase 1 – Parkside North.

The project was approved by the Board of Trustees in November 2018 as part of the 2019-2020 Five-Year Plan. Financing for the project will be presented for approval at this July 2019 meeting of the Committee on Finance.

Project

Project Architect: Gensler
Collaborative Design-Build Contractor: McCarthy Building Companies, Inc.

Background and Scope

California State University, Long Beach has not built a new housing project in over 30 years. With 2,000 beds on campus and full-time equivalent enrollment of 30,500 students, the campus has great need to expand its residential offerings to serve students and aid in academic success. A requirement for first-year freshmen to live on campus has been in place for five years. Some students are granted an exemption from this requirement but there still is a need for additional housing. Currently, of the 5,700 first year freshmen, approximately 2,000 students are exempt from the requirement.

Currently freshmen are housed in suite-style residences that are more appropriate to sophomores and upper division students. With its emphasis on community-style housing, the proposed new residential building would add high quality living space and common areas for these first-year students.

The project includes the demolition of the existing Housing and Residential Life Administration building (#89¹) and construction of a 79,475 assignable square foot (ASF)/120,700 gross square foot (GSF) residential building (#101) with 476 student beds. The bed spaces consist of approximately 412 student beds in a mix of single- and double-occupancy bedrooms, 64 student beds in 16 four-bed suites, and four one- and two-bedroom apartments for faculty and staff.

The building will be three stories in height on the north side along East Atherton Street (public facing), and four stories on the south side along an unnamed access road. The north building elevation would be a maximum height of 41 feet and set back 34 feet from East Atherton Street. The south building elevation would be a maximum height of 52 feet and would be set back 18 feet from the edge of the project site.

The building is configured with an internal courtyard. The south half of the building is lifted so the ground floor is open to the courtyard and connects directly to the existing Parkside student housing community. The outdoor spaces within the new housing project will be shared amenities with the existing Parkside student housing community.

The new residence building will be designed to be highly sustainable and energy efficient. The project will target Leadership in Energy and Environmental Design (LEED) Platinum certification and will be a zero net energy building in accordance with the campus Climate Commitment. The building will include photovoltaic panels on rooftop canopies to offset building electricity usage. It will include low flow water fixtures and the use of reclaimed water for non-potable uses such as toilet flushing and landscape.

Timing (Estimated)

Preliminary Plans Completed	August 2019
Working Drawings Completed	August 2019
Construction Start	September 2019
Occupancy	August 2021

Basic Statistics

Gross Building Area	120,700 square feet
Assignable Building Area	79,475 square feet
Efficiency	66 percent

¹ The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

Cost Estimate – California Construction Cost Index (CCCI) 6840²

Building Cost – Residence Hall (\$591 per GSF)	\$71,318,000
<i>Systems Breakdown (\$ per GSF)</i>	
a. Substructure (Foundation)	\$ 15.86
b. Shell (Structure and Enclosure)	\$ 228.06
c. Interiors (Partitions and Finishes)	\$ 91.94
d. Services (HVAC, Plumbing, Electrical, Fire)	\$ 156.26
e. Built-in Equipment and Furnishings	\$ 7.79
f. Special Construction & Demolition	\$ 1.07
g. General Requirements	\$ 14.61
h. General Conditions and Insurance	\$ 75.28
Site Development	<u>6,846,000</u>
Construction Cost	\$78,162,000
Fees, Contingency, Services	<u>22,090,000</u>
Total Project Cost (\$831 per GSF)	\$100,252,000
Fixtures, Furniture & Movable Equipment	<u>4,035,000</u>
Grand Total	<u>\$104,287,000</u>

Cost Comparison

Housing Building

The project’s building cost of \$591 per gross square foot (\$149,828 per bed) is higher than the \$389 per GSF (\$106,604 per bed) cost for the Pomona Student Housing Replacement project approved in January 2017 and the \$508 per GSF (\$115,383 per bed) cost for San José State University Campus Village II approved in May 2014, all adjusted to CCCI 6840. The reasons for the higher cost per bed compared to these recent projects are the fewer number of beds, resulting in less economy of scale, and the highly sustainable design features that include the use of reclaimed water in irrigation and toilets, operable windows in all rooms, and Zero Net Energy goals which include solar panels for power generation. Additional factors impacting costs include site work and foundation requirements related to poor soil conditions and a high water table, high cost of electrical service to the building, and community space included in this project that will also serve the existing Parkside College Residence Halls.

² The July 2018 *Engineering News-Record* California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco.

Funding Data

The project will be funded from Housing and Residential Life designated reserves of \$18 million and Systemwide Revenue Bond financing of \$86.256 million (excludes cost of financing).

California Environmental Quality Act (CEQA) Action

An addendum to the 2008 Master Plan Update EIR was prepared to comply with CEQA requirements. Implementation of this project will not result in any new or substantially more severe impacts as identified in Section 15164(a) of the CEQA Guidelines.

The addendum to the 2008 EIR is available at: <https://www.csulb.edu/physical-planning-and-facilities-management/california-environmental-quality-act-ceqa-compliance>.

Recommendation

The following resolution is recommended for approval:

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

1. The Board of Trustees finds that the 2008 Master Plan Update EIR, prepared in accordance with the requirements of the California Environmental Quality Act, was certified by the Board of Trustees in May 2008.
2. The project before the Board of Trustees is consistent with the previously certified Master Plan Update Final EIR.
3. With implementation of the mitigation measures set forth in the 2008 Master Plan Update Final EIR previously approved by the Board of Trustees, the proposed project will not have any new or substantially more severe impacts upon the environment beyond those described in the 2008 Master Plan Update EIR and the project will benefit the CSU.
4. The schematic plans for the California State University, Long Beach Housing Expansion, Phase 1 – Parkside North project are approved at a project cost of \$104,287,000 at CCCI 6840.
5. The chancellor or his designee is requested under the Delegation of Authority granted by the Board of Trustees to file the Notice of Determination for the project.

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

Progress on Tracking Environmental Sustainability Goals

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Ellie Perry
Sustainability Coordinator
California State University, Dominguez Hills

Summary

This item provides an update on tracking of campus sustainability metrics and administrative efforts to support the campuses.

Background

The 2014 Sustainability Policy adopted by the California State University Board of Trustees in May 2014 established sustainability goals for the CSU across a broad range of operational areas (RJEPCPBG 05-14-01). This policy applies sustainable principles across all areas of university operations, including academics, student life, climate action and adaptation planning, and business operations. This expansion was both a reaction to and a catalyst for the changing sustainability landscape within the CSU and higher education in general.

Status Update

Based on the Board of Trustees' policy, a progress report, *Sustainability in the California State University, The First Assessment of the 2014 Sustainability Policy, 2014-2017*,¹ was prepared and an overview presented to the board in March 2018. At the time, sixteen CSU campuses were using the Sustainability Tracking, Assessment, and Rating System™ (STARS) developed by the Association for the Advancement of Sustainability in Higher Education (AASHE) as a framework for assessing sustainable practices on their campuses. STARS assesses the implementation of sustainable practices in academics, community engagement, campus operations, planning and administration, and innovation and leadership.

¹ <https://www2.calstate.edu/impact-of-the-csu/sustainability/Documents/2014-17-Sustainability.pdf>

In addition to providing an assessment of sustainability programs across all areas of university operations, using a third-party system such as STARS provides opportunities for public recognition of the CSU's sustainability efforts. In March 2018, fourteen of the sixteen campuses held STARS ratings, with several CSUs ranking among the highest-rated university campuses participating in STARS.

This information item updates the number of CSU campuses participating in STARS from sixteen to twenty-two. The growth in the number of campuses participating or planning to participate, in addition to the significant number of campuses rated as Bronze (3), Silver (10), or Gold (6), provides confirmation to the Board of Trustees that the CSU continues to make progress on sustainability goals. Based on the number of campuses voluntarily participating in STARS, the Chancellor's Office proposes to adopt the STARS reporting tool to streamline the data gathering process, promote a standardized evaluation methodology, and promote a platform that can lead to national recognition. For example, campuses that complete a STARS assessment can elect to share this data with The Princeton Review or The Sierra Club to be rated and included on the Green Colleges and Cool Schools lists, facilitating national recognition for their sustainability efforts.

Next Steps

In order to further a strategic partnership with AASHE, the Chancellor's Office is working on the following:

- Recognition of the academic, student services, and sustainability goals of the Board of Trustees that result in the CSU System being awarded "points" in certain STARS categories based on policies, programs, and practices.
- This should result in those "points" being automatically awarded to any CSU campus that is participating in STARS.
- Initial discussions on systemwide pricing to reduce campus costs by approximately 20 percent.

Many of the observed benefits of participation include transparency, accessibility, standardization of definitions and metrics, and national recognition. The data is publicly accessible and archived on the AASHE website at <https://www.aashe.org/>, and can be benchmarked against peer institutions within the AASHE member community.

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

Overview of Capital Project Approval Process

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

The California State University Board of Trustees is responsible for approving the systemwide Capital Outlay program. The approval generally comes in the form of approval of the Five-Year Plan, which is presented as a preliminary plan at the September Board of Trustees meeting and as a final plan at the November Board of Trustees meeting. The Board of Trustees takes other action related to project approvals including approval of revisions to campus master plans and California Environmental Quality Act (CEQA) actions, amendments to the capital plan, and approval of schematic design. In addition, the Committee on Finance considers approval of financing for the projects.

The Board of Trustees has delegated the following approvals to the chancellor:

- Approval of the capital outlay budget, scope, and debt financing for projects with a value up to \$40 million;
- Approval of the schematic design and authorization for debt financing of all remodels, parking structures and utilitarian projects, regardless of cost, unless the design is architecturally significant, or the project requires an Environmental Impact Report or includes significant unavoidable environmental impacts;
- Approval of minor master plan revisions;
- Purchase, sale and exchange of any interest in or use of real property; and
- Oversight of construction, and authority to sign all construction contracts.

Capital Planning, Design and Construction uses the Five-Year Plan to document projects approved by the Board of Trustees, including those amended to the capital plan under delegated authority.

Capital Project Approvals

The chart below serves to illustrate the number of projects that have come before the Campus Planning, Buildings and Grounds Committee for approval by the Board of Trustees as well as the approvals that have been delegated to the chancellor.

Year	Approval	BOT Total Actions	Delegated Total Actions
2016	Amend	18	0
	Schematic	10	28
	Master Plan Revisions	3	8
Totals		31	36
2017	Amend	15	17
	Schematic	15	31
	Master Plan Revisions	8	3
Totals		38	51
2018	Amend	2	12
	Schematic	6	19
	Master Plan Revisions	7	6
Totals		15	37
2019	Amend	1	12
	Schematic	2	17
	Master Plan Revisions	1	4
Totals		4	33
Grand Totals		88	157

The delegated approval process has served to reduce the number of items that the Board of Trustees has to review and approve, and has shortened the approval timeframe for smaller, less complex projects.

AGENDA

COMMITTEE ON FINANCE

Meeting: 10:45 a.m., Tuesday, July 23, 2019
Glenn S. Dumke Auditorium

Lillian Kimbell, Chair
Jack McGrory, Vice Chair
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 May 21, 2019, *Action*
 2. Appointment of the California State University Investment Advisory Committee Chair, *Information*
 3. Approval to Issue Systemwide Revenue Bonds for a Housing Project at California State University, Long Beach and Recreation Center Expansion at San Diego State University, *Action*
- Discussion**
4. Admission Application Fee Proposal and Title 5 Revision, *Action*
 5. 2019-2020 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 21, 2019

Members Present

Peter J. Taylor, Vice Chair
Jane W. Carney
Douglas Faigin
Emily Hinton
Jack McGrory
Hugo N. Morales
Lateefah Simon
Christopher Steinhauser
Adam Day, Chairman of the Board
Timothy P. White, Chancellor

Trustee Peter Taylor called the meeting to order.

Public Comment

Public speakers made comments related to college affordability for students and advocacy efforts to increase funding for the university. They also made comments about the California State University Los Angeles campus administration.

Consent Agenda

The minutes of the March 19, 2019 meeting of the Committee on Finance were approved as submitted.

Item number three - Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, San Bernardino and California Polytechnic State University, San Luis Obispo was approved as submitted (RFIN 05-19-02).

California State University, Fresno - Conceptual Approval of a Public-Private Partnership for the Central Utility Plant Replacement Project

Information about a proposed public-private partnership for a central utility plant replacement project at CSU Fresno was presented for conceptual approval. The project aims to address aging and failing systems as well as increase power capacity for future campus expansion.

Following the presentation, the trustees asked questions about the financing terms, project timeline, and repayment plan. They commented on the condition of the existing plant and expressed support for its replacement.

The committee recommended approval of the proposed resolution (RFIN 05-19-03).

2019-2020 Operating Budget Update

An update on the California state budget and proposed allocations for the CSU were shared.

Following the presentation, the trustees commented on legal services for immigrant students and basic needs resources. They asked questions about Project Rebound and use of designated funds.

Admission Application Fee Proposal

Information about the proposed \$15 increase to the CSU admission application fee was presented for information. The increase would bring the application fee to \$70 per application. The item will return to the Board of Trustees for approval in July 2019.

Following the presentation, the trustees asked about the CSU admissions review process and costs for multiple applications. In response, Director of Enrollment Services April Grommo clarified that the application fee is per campus applied to, however applicants that qualify for the application fee waiver may apply to up to four campuses per term at no charge. The trustees further asked questions about how the fee revenue will be allocated and spent, how self-reported income from students is verified, and information about the Cal State Apply contract. Trustee Jack McGrory suggested increasing the application fee for international students.

CSU Financial Transparency Portal

A live demonstration of the CSU's Transparency and Accountability website and OpenGov reporting tool was provided. OpenGov contains historical CSU financial information in an easy to navigate format, explains what reserves are, and allows for public comment.

Following the presentation, the trustees asked about reporting requirements to which Executive Vice Chancellor Steve Relyea responded that the site was not created to meet any reporting requirements, but rather to make financial information easily accessible and understandable to the general public.

Trustee Taylor adjourned the meeting on Finance Committee.

COMMITTEE ON FINANCE

Appointment of the California State University Investment Advisory Committee Chair

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 the California State University Board of Trustees with information concerning the appointment of the CSU Investment Advisory Committee Chair for the 2019-2020 fiscal year.

Background

At its September 2017 meeting, the CSU Board of Trustees established the CSU Investment Advisory Committee (IAC). In establishing the membership of the IAC, the board determined that three of the members would be ex officio: (1) the Chair of the Committee on Finance of the CSU Board of Trustees; (2) the Executive Vice Chancellor and Chief Financial Officer of the California State University; and (3) the Assistant Vice Chancellor, Financing, Treasury, and Risk Management for the California State University. In addition, the Chair of the Committee on Finance would serve as Chair of the IAC, and the Executive Vice Chancellor and Chief Financial Officer would serve as Vice Chair of the IAC.

Information Regarding the Appointment of the Investment Advisory Committee Chair

The California State University Investment Advisory Committee Charter, approved by the IAC in January 2018, contains provisions that allow a member of the Board of Trustees, other than the Chair of the Committee on Finance, to be appointed and serve as Chair of the IAC. Specifically, Chapter 3 of the Charter, under "Operation, IAC Composition", contains the following paragraph:

"At his or her discretion, the Chair of the Committee on Finance for the Board may elect to designate another Board member to serve on the IAC in place of the Chair of the Committee on Finance for the Board, but in no event shall such service of another Board member on the IAC exceed the term of Chair of the Committee on Finance for the Board."

Appointment of Peter J. Taylor to Continue as Chair of the Investment Advisory Committee

For the fiscal year 2019-2020, Trustee Lillian Kimbell has been appointed Chair of the Committee on Finance for the Board of Trustees. With this appointment, Trustee Kimbell would now become the Chair of the IAC, however, Trustee Kimbell has determined that it is in the best interests of the CSU for Trustee Peter J. Taylor to continue serving as the Chair of the IAC. To that end and pursuant to the provisions of the IAC Charter, Trustee Kimbell has designated Trustee Taylor, and Trustee Taylor has agreed, to continue serving as the Chair of the IAC for the 2019-2020 fiscal.

COMMITTEE ON FINANCE

Approval to Issue Systemwide Revenue Bonds for a Housing Project at California State University, Long Beach and Recreation Center Expansion at San Diego State University

Presentation By

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

Summary

This item requests that the California State University Board of Trustees 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 \$175,125,000 to provide financing for two campus projects:

- 1. California State University, Long Beach Housing Expansion Phase 1 – Parkside North**
- 2. San Diego State University, Aztec Recreation Center Expansion**

The Board of Trustees is being asked to approve the 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 Board of Trustees. Revenues from these programs and other revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements for the projects and pay debt service on the bonds issued to finance the projects. The consolidated pledge of gross revenues to the bondholders strengthens the SRB program and 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 project 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.

1. California State University, Long Beach Housing Expansion Phase 1 – Parkside North

The California State University, Long Beach Housing Expansion Phase 1 – Parkside North project was approved by the Board of Trustees in November 2018 as part of the 2019-2020 Five-Year Plan and is being presented for approval of schematic plans at the July 2019 meeting of the Committee on Campus Planning, Buildings and Grounds. The project will be located on the northwest edge of the campus at the southwest corner of Atherton Street and Earl Warren drive and will include the construction of two new residential buildings totaling 120,700 gross square feet (GSF) or 79,475 assignable square feet with 476 student beds. The building will be three stories in height on the north side along East Atherton Street, and four stories on the south side along an unnamed access road. The project also includes the demolition of the existing Housing & Residential Life Administration building.

The not-to-exceed par amount of the proposed bonds is \$96,655,000, based on a total budget of \$104,287,000 with a program reserve contribution of \$18.0 million. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at \$10,368,000), are expected to be funded from bond proceeds. The project is scheduled to start construction in September 2019 with completion expected in August 2021.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$96,655,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$6,351,438
Projected debt service coverage including the new project:	
Net revenue – All campus pledged revenue programs: ¹	1.98
Net revenue – Campus housing program:	2.30

1. Combines 2017-2018 information for campus pledged revenue programs with 2022-2023 projections for project.

The not-to-exceed amount for the project, the maximum annual debt service, and the financial ratios above are based on an all-in interest cost of 5.26 percent, which includes a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan assumes level amortization of debt service, which is the CSU program standard. The campus financial plan projects a housing program net revenue debt service coverage of 2.30 in fiscal year 2022-2023, the first full year of operations, which meets the CSU benchmark of 1.10 for the program. Combining the project projections for 2022-2023 with 2017-2018 actuals for other campus pledged revenue programs yields a campus net revenue debt service coverage for the first full year of operations of 1.98 which exceeds the CSU benchmark of 1.35.

2. San Diego State University, Aztec Recreation Center Expansion

The San Diego State University Aztec Recreation Center Expansion project was approved by the Board of Trustees for amendment of the 2019-2020 Capital Outlay program and schematic plans at the May 2019 meeting of the Committee on Campus Planning, Buildings and Grounds. The project will include the design and construction of the Aztec Recreation Center Expansion, a 64,000 gross square foot (GSF) expansion of the Student Recreation Center, including renovation of a portion of the existing Recreation Center and the replacement of the Arena Meeting Center. The new construction of the project will include expanded fitness, cardio and weightlifting facilities, group fitness rooms, indoor jogging track, new rock climbing, expanded locker room facilities, new administrative suites, and a new entry including a food and beverage service component. Upon completion of the new construction, the existing facilities will undergo renovation to include new flooring for the court spaces and mechanical upgrades.

The not-to-exceed par amount of the proposed bonds is \$78,470,000, based on a total budget of \$80,600,000 with a program reserve contribution of \$10.7 million. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at \$8,570,000), are expected to be funded from bond proceeds. The project is scheduled to start construction in July 2019 with completion expected in August 2021.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$78,470,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$5,156,756
Projected debt service coverage including the new project:	
Net revenue – All campus pledged revenue programs: ¹	1.48
Net revenue – Campus student union program:	1.20

1. Combines 2017-2018 information for all campus pledged revenue programs with 2022-2023 projections for the project.

The not-to-exceed amount for the project, the maximum annual debt service, and the financial ratios above are based on an all-in interest cost of 5.26 percent, which includes a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan assumes level amortization of debt service, which is the CSU program standard. The campus financial plan projects a student union program net revenue debt service coverage of 1.20 in fiscal year 2022-2023, the first full year of operations, which meets the CSU benchmark of 1.10 for the program. Combining the project projections for 2022-2023 with 2017-2018 actuals for all campus pledged revenue programs yields a campus net revenue debt service coverage for the first full year of operations of 1.48 which exceeds the CSU benchmark of 1.35.

Trustee Resolutions and Recommendation

In coordination with CSU's Office of General Counsel, Orrick, Herrington & Sutcliffe LLP, as outside bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects 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 \$175,125,000 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 bond anticipation notes, the revenue bonds, and the related debt instruments.

Approval of the financing resolutions for these projects as described in this Agenda Item 3 of the Committee on Finance at the July 23-24, 2019, meeting of the CSU Board of Trustees is recommended for:

California State University, Long Beach Housing Expansion Phase 1 – Parkside North

San Diego State University, Aztec Recreation Center Expansion

COMMITTEE ON FINANCE

Admission Application Fee Proposal and Title 5 Revision

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

April Grommo
Director of Enrollment Management Services
Student Academic Services

Summary

This action item requests approval of the proposed increase to the admission application fee for the California State University (CSU) from \$55 per application to \$70 per application, beginning with the fall 2020 application cycle. It also requests approval of amendments to Title 5 of the California Code of Regulations, as detailed in the agenda item. The fee has not been raised since 1989. As the application process has become more complex, the application fee revenue collected does not fully support the cost of processing the more than 1,000,000 applications submitted to the CSU each year.

The revenue raised by this increase would be used to align criteria for the application fee waiver with that of the University of California (UC), enabling more applicants to qualify for waivers; to provide additional funding to campuses to offset the financial impact of fee waivers; to improve the applicant experience through investments in Cal State Apply; and to support the implementation of the new Board of Trustees redirection policy. The proposed increase was presented as an information item at the May 2019 meeting of the Board of Trustees.

Background

Prospective applicants currently pay a \$55 fee for each application submitted to a CSU campus. The application fee was last raised in May 1989 from \$45 to \$55 to help replace state funding cuts and continue to pay campus admission staffing costs to process paper admission applications.

The university collects approximately \$35 million in application fees annually after granting approximately \$20 million in undergraduate application fee waivers. Through the application process, California undergraduate applicants are automatically reviewed for a fee waiver based on self-reported financial information. The application fee waiver can be used for up to four campus

applications, which is the average number of campuses applied to by an applicant. For Fall 2019, the CSU received 902,517 applications, of which 415,659 (approximately 46 percent) qualified for an undergraduate fee waiver. Additional applications and associated fee revenue and waivers for the winter and spring 2020 terms will round out the academic year.

While much of the application process has shifted to the online application for admission, application fee revenues combined with other campus operating funds are used to support campus admission reviews. Application fee revenues are not presently used to support the systemwide online application for admission or other costs related to its administrative processes at the Office of the Chancellor. With the migration of the online application from CSU Mentor to Cal State Apply, application fees are collected centrally and then distributed to the campuses after deducting any related credit card processing fees.

Application Fee Proposal

The proposal to increase the application fee by \$15 is estimated to yield approximately \$7 million in new revenue per application cycle. This estimate is based on current application numbers and estimated fee waivers. The additional revenue would be used to support three areas:

- Funding to offset adjustments to the criteria for the application fee waiver;
- Support for the Cal State Apply system; and
- Implementation of the new redirection policy and systems.

Adjustments to the Criteria for the Application Fee Waiver

Currently, application fee waivers are granted to applicants who report income of up to 125 percent of the annual poverty guidelines established by the U.S. Department of Health and Human Services for single and married students. The criteria for students with dependents and dependent students are based on a \$1,000 expected family contribution (EFC) as calculated for federal financial aid.

The proposed expansion would add the Department of Agriculture Free and Reduced Lunch guidelines as a second option for students to qualify for a waiver. Adjusting the income criteria will align to the criteria used by the UC to determine fee waivers, which will send a consistent message to prospective students and high school and community college counselors on income levels that are and are not eligible for application fee waivers. Today, UC and CSU income criteria do not fully align, which creates some confusion for applicants and families.

The percentage of applicants who receive an application fee waiver varies by campus. CSU campuses range from 23 percent application fee waivers to 71 percent. This impacts the amount of funding that campuses receive for the same work of processing and evaluating applications. A portion of the revenue from the increase will be used to offset the disproportionate impact of application fee waivers on campuses.

Investments in Cal State Apply

Prior to 2018, CSU Mentor was the online application for admission. The application was used for approximately two decades; however, the technology became increasingly outdated and was unable to provide the flexibility necessary to meet the needs of CSU applicants. In 2017, the CSU selected Cal State Apply as the online application. As the CSU admission process becomes increasingly multifaceted, the CSU will need to continue to expand application tools, data, and campus, student and counselor support within Cal State Apply.

A portion of the revenue from the application fee increase will be used to support the ongoing development and improvement of Cal State Apply to enhance the applicant experience. This includes future projects, such as a community college transfer planner, college and high school transcript integration, and Advanced Placement test score matching and campus sharing. It also includes activities within the Office of the Chancellor to better support the application, and internal and external communications.

Implementation of the New Redirection Policy

Revenue from the application fee will also be used to expand Cal State Apply to better support the new Board of Trustees systemwide redirection policy, which requires redirection within the CSU of all CSU-eligible undergraduate applicants who have not been admitted to the CSU campus of their choice. Cal State Apply collects applicant data and responses and facilitates work done by staff in the Office of the Chancellor to redirect application information from the original campus applied to the redirection campus. While initial updates to Cal State Apply have taken place, additional updates will be needed to improve the process for applicants, campuses, and the Office of the Chancellor.

Revenue will also be used to support campuses that receive redirected applications. Campuses that receive redirected applications must process these applications in virtually the same manner as for an applicant who applied directly to that campus. Application review, transcript and test score requests must all be completed before the applicant can become a fully matriculated student.

Comparator Institutions

The proposed CSU application fee aligns with other institutions. The following tables provide current application fees for state and national comparator campuses:

California Comparators

College/University System	Application Fee
Biola University	\$45
Chapman University	\$70
Claremont McKenna College	\$70
Loyola Marymount University	\$60
Pepperdine University	\$60
Pomona College	\$70
Stanford University	\$90
University of California	\$70
University of San Diego	\$55
University of San Francisco	\$65
University of Southern California	\$85

National Comparators

College/University System	Application Fee
Arizona State University at Tempe	\$85
Cleveland State University	\$40
George Mason University	\$70
Georgia State University at Atlanta	\$85
Illinois State University	\$50
North Carolina State University	\$85
Rutgers University	\$70
State University of New York at Albany	\$50
University of Connecticut	\$80
University of Maryland, Baltimore County	\$75
University of Colorado at Denver	\$50
University of Nevada at Reno	\$60
University of Texas at Arlington	\$90
University of Wisconsin at Milwaukee	\$50
Wayne State University	\$25

Proposed Title 5 Revision

The proposed Title 5 amendment removes language setting the application fee at \$55 and replaces it with language indicating that the CSU Board of Trustees shall set the application fee amount.

Title 5. California Code of Regulations
Division 5. Board of Trustees of the California State Universities
Chapter 1. California State University
Subchapter 5. Administration

Article 3. Fees
§ 41800.1 Application Fees

(a) Definitions.

(1) Semester and Quarter. As used in this section, the words “semester,” and “quarter” shall include any semester or quarter other than a special session semester or quarter for which tuition fees are required pursuant to Education Code Section 89708.

(2) Application for Admission. As used in this section, the phrase “application for admission” shall include an application for readmission as well as an application for initial admission to a campus for undergraduate or post-baccalaureate study.

(b) Imposition of Fee. All applications for admission to a campus shall pay an application fee of ~~fifty five dollars (\$55.00)~~ for set by the CSU Board of Trustees to support the application system and the processing of the application by the campus.

(c) Time of Payment. Application fees shall be submitted with applications for admission, and no application shall be considered complete unless accompanied by said fee.

(d) Exclusions. This section shall not apply:

(1) to applications for enrollment in extension courses or as an auditor without credit.

(2) to applications for admission submitted by persons enrolled at the campus to which application is made during either of the two semesters or any of the three quarters, as the case may be, immediately preceding the semester or quarter with respect to which the application is submitted, unless such person was enrolled at another institution subsequent to such previous semester or quarter.

(3) to an application transferred at the request of the applicant to a campus by the campus at which it was originally filed, provided that the application fee was paid at the latter if required by this section, and provided further, that the applicant did not enroll at the campus at which the application was previously filed.

(4) to applications for admission which are restricted to certain special programs as designated by the Chancellor.

- (5) to applications for admission from individuals as to whom, in the judgment of the president or designee, payment of the fee would constitute undue financial hardship. The Chancellor shall establish appropriate guidelines for implementation of this exclusion.
- (6) in the case of a student returning from an authorized planned student leave granted by appropriate campus authority where the principal purpose of the leave was related to the student's educational objective, provided that the conditions of the leave have been met.

Note: Authority cited: Sections 89030 and 89700, Education Code. Reference: Section 89700, Education Code.

Conclusion

In the three decades since the application fee was set at \$55, the application process has become more multifaceted and complex. The proposal to increase the application fee to \$70 would provide revenue for needed investments in the online application system Cal State Apply, expand the fee waiver criteria, and support the implementation of the new redirection policy.

Recommendation

The following resolution is proposed for approval:

RESOLVED, that the Board of Trustees of the California State University acknowledges the application fee has been \$55 since 1989; and be it further

RESOLVED, that the Board of Trustees understands that the application fee revenue does not fully support the cost of processing the more than 1,000,000 applications submitted to the California State University each year; and be it further

RESOLVED, that the Board of Trustees acknowledges the improvements to the application experience made possible by Cal State Apply and encourages the CSU to continue to improve the Cal State Apply process for both applicants and the California State University campuses; and be it further

RESOLVED, that the Board of Trustees approve the proposed revision to Title 5, and be it further

RESOLVED, that the Board of Trustees approve a \$15 increase to the application fee, effective for the Fall 2020 application cycle, making the new application fee \$70.

COMMITTEE ON FINANCE

2019-2020 Final Budget

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

This agenda item provides information to the California State University Board of Trustees on final budget-related decisions made by the state of California and the Chancellor's Office affecting the CSU operating budget.

Background

In November 2018, the Board of Trustees approved the CSU 2019-2020 Operating Budget Request. That budget request called for an increase of \$554.3 million recurring, including \$456 million from state funds and \$98.3 million of net student tuition revenue tied to funded enrollment growth. The budget request also included \$265 million from state funds for one-time expenditures.

Significant increases in state revenues provided the governor and legislature the opportunity to invest more in many areas, start new programs, build reserves, and pay down liabilities. In January 2019, the governor estimated significantly higher state revenues (i.e. \$21.4 billion spanning 2017-2018 through 2019-2020) when compared to the Budget Act of 2018 from six months prior. By the end of May 2018, the governor estimated even higher state revenues when compared to the January budget, which carried through to the final budget agreement.

The governor's 2019-2020 combined January and revised May budget proposals provided a \$300 million recurring state general fund increase for the CSU operating budget and \$262 million in one-time funding for CSU deferred maintenance projects and basic needs partnerships.

The Senate proposed an additional \$53 million of recurring funding above the governor's May 2019 proposal to fully fund Graduation Initiative 2025 and a 2.7 percent growth in student enrollment. The Assembly proposal aligned with the governor's recurring state general fund increase for the CSU operating budget when it fully-funded employee compensation and mandatory cost increases, provided \$45 million for Graduation Initiative 2025, and a two percent growth in student enrollment.

The governor and the houses proposed a variety of recurring and one-time augmentations to meet their respective CSU priorities.

CSU and the Final Budget Agreement

At the end, the final budget agreement between the governor and legislature struck a compromise on the CSU recurring and one-time components of the operating budget request, supported a few additional recurring items, and expanded the number of one-time augmentations. An important note about the Budget Act of 2019 is that incremental increases for the CSU are allocated for particular purposes. This is different than under the Governor Brown era when the CSU received incremental increases from the state and had the discretion to allocate the funding for the highest-priority purposes.

On the operating budget request, the agreement provided \$332.8 million recurring from the state general fund to fund employee compensation and mandatory cost increases, a portion of the third year of Graduation Initiative 2025, enrollment growth of 10,000 full-time equivalent students (reflecting a 2.7 percent increase), and additional funding priorities of the governor and legislature: emergency student housing and the Project Rebound program. The final budget agreement did not include funding to finance the construction of new academic facilities and infrastructure projects. In total, recurring state support for the CSU operating budget now stands at \$3.98 billion.

The final budget agreement also included one-time increases of \$312.7 million from state funds in support of one-time CSU requests and a number of other state leadership priorities. Of this amount, \$239 million is for campus deferred maintenance projects (a nearly seven-fold increase over the amount provided last year) and \$15 million for basic needs partnerships. The agreement also supplements the recurring funding for Graduation Initiative 2025 with \$30 million one-time funding and adds another \$28.7 million in one-time funding for other priorities.

The following tables show the recurring and one-time sources and uses of incremental funds contained in the operating budget request and the final budget for the CSU (dollars in millions).

Recurring Sources of Funds	Request	Final Budget
• State General Fund	\$456.0	\$332.8
• Tuition Revenue Enrollment Growth (est.)	98.3	46.2
Total Incremental Recurring Sources of Funds	\$554.3	\$379.0

Recurring Uses of Funds	Request	Final Budget
• Graduation Initiative 2025	\$75.0	\$45.0
• Compensation	147.8	147.8
• Enrollment Growth	(5%) 206.1	(2.7%) 131.2
• Academic Facilities & Infrastructure	80.0	-
• Mandatory Costs	45.4	45.2
• Rapid Rehousing	-	6.5
• Project Rebound	-	3.3
Total Incremental Recurring Uses of Funds	\$554.3	\$379.0

One-Time Sources of Funds	Request	Final Budget
• State General Fund	\$265.0	\$309.7
• State Mental Health Services Fund (Prop. 63)	-	3.0
Total Incremental One-Time Sources of Funds	\$265.0	\$312.7

One-Time Uses of Funds	Request	Final Budget
• Deferred Maintenance Backlog	\$250.0	\$239.0
• Basic Needs Partnerships	15.0	15.0
• Graduation Initiative 2025	-	30.0
• Summer Term Financial Aid	-	6.0
• New Child Development Center at CSUCI	-	5.0
• Review of Potential New Campuses	-	4.0
• CSU Center to Closer K-12 Achievement Gaps	-	3.0
• Speech & Language Pathology Graduate Program Enrollment Growth	-	3.0
• Student Mental Health	-	3.0
• CSU Council on Ocean Affairs, Science & Tech	-	3.0
• Foster Youth Program, CSU Sacramento	-	0.7
• Mervyn Dymally Institute at CSUDH	-	0.7
• Mixed-Use Housing Project at SJSU	-	0.3
Total Incremental One-Time Uses of Funds	\$265.0	\$312.7

Conclusion

The state completed its work on the budget for 2019-2020 when Governor Newsom signed the budget act and the related budget trailer bills in late June 2019. The CSU greatly appreciates the additional \$332.8 million recurring and the one-time \$312.7 million in one-time funding provided by the legislature and governor. Credit is certainly due to this year's advocacy strategy and the persistent employment of that strategy by all CSU stakeholders. These are the most significant incremental budgetary increases for the CSU in many years. With these investments, the CSU will:

- Elevate student success via Graduation Initiative 2025;
- Compensate our employees fairly;
- Focus on maintaining affordability;
- Expand access through enrollment growth; and
- Renew and repair our aging facilities and infrastructure.

AGENDA

COMMITTEE ON EDUCATIONAL POLICY

Meeting: 1:00 p.m., Tuesday, July 23, 2019
Glenn S. Dumke Auditorium

Peter J. Taylor, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Rebecca D. Eisen
Douglas Faigin
Debra S. Farar
Wenda Fong
Juan F. Garcia
Lillian Kimbell
Thelma Meléndez de Santa Ana
Romey Sabalius
Christopher Steinhauser

- Consent** 1. Approval of Minutes of the Meeting of May 21, 2019, *Action*
- Discussion** 2. Amendment to Title 5 Regarding Student Organizations, *Information*
3. Graduation Initiative 2025, *Information*
4. Special Public Comment Open Forum on Quantitative Reasoning Proposal, *Information*
5. Expanding Opportunity through Preparation in Quantitative Reasoning, *Information*

**MINUTES OF MEETING OF
COMMITTEE ON EDUCATIONAL POLICY**

**Trustees of The California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

May 21, 2019

Members Present

Peter Taylor, Chair
Jane W. Carney, Vice Chair
Rebecca D. Eisen
Douglas Faigin
Debra S. Farar
Wenda Fong
Juan F. Garcia
Emily Hinton
Lillian Kimbell
Romey Sabalius
Christopher Steinhauser
Adam Day, Chairman of the Board
Timothy P. White, Chancellor

Trustee Taylor called the meeting to order.

Approval of Minutes

The minutes of March 18-20, 2019, were amended to reflect Trustee Abrego's recommendation that representative(s) from the Ed Trust West and Campaign for College Opportunity – who addressed the committee in public comment expressing their concerns on the potential negative impacts of a fourth year of quantitative reasoning – be provided an opportunity to share their data with the board.

The amended minutes were approved.

Graduate Education

Loren J. Blanchard, executive vice chancellor for Academic and Student Affairs, introduced the information item by stating that the CSU offers a number of high-quality, cost-effective graduate programs that provide opportunities for California's diverse populations. These graduate programs are responsive to regional and statewide workforce needs and prepare students to be competitive in the expanding 21st century economy.

Alison Wrynn, interim assistant vice chancellor for Academic Programs and Faculty Development presented the information item, providing an overview of CSU graduate program enrollments, degrees conferred and the disciplines with the greatest enrollments. Additionally, she discussed two systemwide programs – the California Pre-Doctoral Program and the Chancellor's Doctoral Incentive Program – aimed at supporting undergraduate and graduate students as they prepare for and undertake doctoral education.

From California State University, Chico, Colleen Milligan, an associate professor and Mallory Peters, a graduate student presented to the board about the campus' master's program in anthropology. The presentation included details on the hands-on approach for graduate students and the program's benefit to the state of California.

Following the presentation, trustees asked questions on the California Pre-Doctoral Program and the Chancellor's Doctoral Incentive Program, with a specific interest in how those programs help grow the ranks of CSU faculty and if additional funding could be allocated to the programs. Trustees also expressed interest in the CSU offering additional stand-alone doctorates.

Recognition of the S. D. Bechtel, Jr. Foundation's Investment in Educator Preparation

Marquita Grenot-Scheyer, assistant vice chancellor for Educator Preparation and Public School Programs, introduced the information item, stating that S. D. Bechtel, Jr. Foundation has partnered with the CSU for more than a decade, investing more than \$20 million to help transform teacher education in the CSU. Two of the largest CSU initiatives supported by the foundation have been the Science Teacher and Researcher Program and the New Generation of Educators Initiative.

Nicholas Kertz, an elementary school teacher in Long Beach Unified School District (LBUSD) and a California State University, Long Beach alumnus, presented about his experience as part of the New Generation of Educators Initiative. He shared that his experience as part of the program enabled him to gain real-world experience and apply his learning in real time, while receiving support and feedback from both his professors and the teachers in LBUSD.

Susan Harvey and Macy Parker with the S. D. Bechtel, Jr. Foundation spoke during the presentation, reflecting on the foundation's support of the CSU's teacher initiatives. They announced a new CSU Residency Year scholarship, which will be initiated with a \$3.1 million grant from the foundation and will provide \$10,000 to each of 300 aspiring teacher residents with demonstrated financial need.

Following the presentation, trustees expressed appreciation for the S. D. Bechtel, Jr. Foundation's decade of partnership with the CSU.

CSU Institute for Palliative Care

Loren J. Blanchard, executive vice chancellor for Academic and Student Affairs, introduced the information item by stating that the CSU Institute for Palliative Care is one of the CSU's nine multi-campus collaborations that address a breadth of topics. The institute is located at California State University San Marcos in partnership with California State University, Fresno.

Karen Haynes, president of CSU San Marcos, presented the item, explaining that palliative care is a rapidly growing field of specialized medical care for people with serious illness, focused on enhancing quality of life and relieving pain, symptoms and stress. She introduced Trustee Emerita Roberta Achtenberg who spoke about the impetus behind the institute's creation.

Jennifer Ballentine, executive director of the CSU Institute for Palliative Care, provided an overview of the institute, highlighting that it offers professional training, education and awareness about palliative care. Since its founding, the institute has delivered education to more than 300 healthcare organizations and reached more than 11,000 health care professional participants. She also spoke about the future of the institute, including potential federal legislation that, if passed, would authorize up to \$20 million a year for five years specifically to support national expansion of palliative care education, faculty preparation, and research.

Following the presentation, trustees expressed support for the importance of palliative care and the CSU Institute for Palliative Care's role in advancing the field.

Trustee Taylor adjourned the Committee on Educational Policy.

COMMITTEE ON EDUCATIONAL POLICY

Amendment to Title 5 Regarding Student Organizations

Presentation By

Loren J. Blanchard
Executive Vice Chancellor
Academic and Student Affairs

Nathan Evans
Interim Assistant Vice Chancellor
Student Academic Services

Summary

Student activities, clubs and organizations are an integral part of the California State University (CSU) student experience. On each campus there are typically hundreds of organizations, covering a wide range of interests and topics. Students who participate in these activities report higher levels of satisfaction with their college experience. Participation also has a number of benefits for students, including:

- Enriching the classroom experience;
- Easing the transition to college;
- Providing connections with the university and available resources; and
- Enabling students to enhance and practice soft skills (leadership, communication, problem-solving, public speaking, etc.)

Student organizations in the CSU are student-led and are independent and distinct from the campus. Recognized student organizations are required to meet and maintain campus requirements, which include:

- A university advisor, who must be either a faculty member or professional staff member;
- A minimum of five CSU students who are currently enrolled in at least one class;
- A signed agreement that the organization does not discriminate on the basis of protected class (in alignment with CSU policy as defined by federal and state law); and
- Membership and leadership that are open to all currently enrolled students at that campus (except that a social fraternity or social sorority may impose a gender limitation for membership as permitted by California Education Code).

Recognized student organizations are eligible for benefits and privileges, including the use of campus facilities, assistance from a campus' student development and leadership department, participation in university activities and programs, and eligibility for funding from Associated Students, Inc.

Proposed Revisions

The proposed Title 5 amendment would align and update CSU policies related to student organizations by conforming the requirement that student organizations cannot discriminate on the basis of any protective class, adding as protective statuses religious creed, medical condition, genetic information, gender identity, gender expression and veteran and military status.

An item will be presented at the September meeting for board action to adopt the following recommended amendment to Title 5.

Title 5. Education
Division 5. Board of Trustees of the California State Universities
Chapter 1. California State University
Subchapter 4. Student Affairs
Article 4. Nondiscrimination in Student Organizations

§ 41500. Withholding of Recognition.

No campus shall recognize any fraternity, sorority, living group, honor society, or other student organization which discriminates on the basis of race or ethnicity (including color and ancestry), religion (or religious creed), nationalitynational origin, ethnicity, color, age, medical condition, genetic information, gender (or sex), gender identity (including transgender), gender expression, sexual orientation, marital status, citizenship, sexual orientation, veteran or military status, or disability. The prohibition on membership policies that discriminate on the basis of gender does not apply to social fraternities or sororities or to other university living groups.

Note: Authority cited: Sections 66600, 89030, 89035 and 89300, Education Code. Reference: Sections 66600, 89030, 89300-89302, Education Code.

COMMITTEE ON EDUCATIONAL POLICY

Graduation Initiative 2025

Presentation By

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Summary

Graduation Initiative 2025 is the California State University's (CSU) signature effort aimed at increasing degree completion rates and eliminating equity gaps, thereby supporting student success and meeting the future workforce needs of California. This information item provides an update on the work that is underway – systemwide and on campuses – to achieve the initiative goals, with an emphasis on systemwide and campus-based actions to close equity gaps for students from historically underserved communities.

Graduation Initiative 2025 Goals

At the September 2016 Board of Trustees meeting, the board heard a detailed report on Graduation Initiative 2025 and voted to approve the CSU's ambitious student completion and equity targets. The targets are:

- A 40 percent 4-year graduation rate goal for first-time students;
- A 70 percent 6-year graduation rate goal for first-time students;
- A 45 percent 2-year graduation rate goal for transfer students;
- An 85 percent 4-year graduation rate goal for transfer students;

- The elimination of equity gaps (the gaps that exist between students who identify as African American, American-Indian or Latino and their peers) throughout the CSU; and
- The elimination of equity gaps (the gaps that exist between Pell recipients and their peers) throughout the CSU.

These system targets are extremely ambitious and, when attained, will place CSU campuses among the very top of comparable institutions across the nation. Nationally, virtually no institutions with profiles comparable to the CSU campuses (funding level, student preparation and diversity) have attained graduation rates at a level consistent with the CSU's new targets. Indeed, attainment of these goals – with the CSU's vibrantly diverse student population – will set new, unprecedented national standards for student success and timely degree completion.

Operational Priorities

At the January 2017 Board of Trustees meeting, Chancellor White outlined five priority areas where focus is needed to achieve the Graduation Initiative 2025 goals: academic preparation, enrollment management, financial support, data-driven decision making and administrative barriers. Based on feedback received from campus constituents, “student engagement and well-being” was added as a sixth focal area.

The following represents the CSU's aspirational goals with respect to each of these areas of focus:

- **Academic preparation:** We will provide CSU students, including those who require additional academic support, the opportunity and support needed to complete 30 college-level semester units – 45 quarter units – before beginning their second academic year.
- **Enrollment management:** We will ensure students are able to enroll in the courses they need, when they need them.
- **Student engagement and well-being:** We will continue to address the well-being of all CSU students while fostering a strong sense of belongingness on campus.
- **Financial support:** We will ensure that financial need does not impede student success.
- **Data-driven decision making:** We will use evidence and data to identify and advance the most successful academic support programs.
- **Administrative barriers:** We will identify and remove unnecessary administrative impediments.

Intentional Focus on Closing Equity Gaps

Given the diverse CSU student population, closing equity gaps will result in the achievement of the four graduation rate goals of Graduation Initiative 2025. All 23 CSU campuses are taking specific steps to support the success of students from historically underserved communities. Additionally, a number of the overarching actions taken by campuses in support of Graduation Initiative 2025 are positively impacting these student populations, further narrowing equity gaps.

The CSU's intentional focus on closing equity gaps reaches across all six operational priorities of Graduation Initiative 2025. Examples are provided below. A more comprehensive – though not exhaustive – report is included as an attachment.

Academic Preparation

Research demonstrates that academic preparation plays an important role in students' ability to earn a degree. Disparities in academic preparation have had a direct impact on progress to degree for students from historically underserved communities.

The CSU is addressing inequities in college readiness head-on in order to close gaps in degree attainment and afford all students the opportunity to succeed. One of the primary initiatives, implemented systemwide, is the 2017 policy change that ensures all students are able to take college-level, credit-bearing courses in mathematics and English beginning their first day on campus. As was presented to the Board of Trustees at the March 2019 meeting, these policy changes are already having a positive impact on students.

Examples of campus-specific actions to close equity gaps through improved academic preparation include:

- Redesigning high-enrollment, low-success courses that have historically had significant equity gaps;
- Enhancing tutoring and expanding peer mentoring for students;
- Supporting faculty in the implementation of equity-minded pedagogy and in the creation and strengthening of faculty learning communities, aimed at identifying and advancing strategies for closing equity gaps in the classroom;
- Developing and expanding summer programming designed specifically to support students from historically underserved communities; and
- Reimagining the first year of college – a critical barrier to student success – to improve the quality of learning and student experience for students from historically underserved communities.

Enrollment Management

Ensuring that CSU students are able to enroll in the courses they need, when they need them, is particularly important for students from historically underserved communities. For example, first generation students often need additional assistance navigating the path to degree, as they do not have a parent or close family member familiar with the process.

Systemwide, the CSU is currently focused on improving the quality of advising that students receive while enrolled at the CSU. To this end, there are four specific components of advising that are being addressed:

- **Accountability** – Ensuring that every student has at least one individual, or office, responsible for monitoring their progress through degree completion.
- **Advising Structures** – Supporting campuses as they rethink and simplify advising structures to improve coordination across the various offices on campus where students receive guidance.
- **Data Integration** – Combining existing data systems to increase the availability and use of real-time information that advisors use to support students.
- **Degree Plans for Students** - Increasing the percentage of students who have a clear degree plan, before they begin their first academic term.

Examples of campus-specific actions to close equity gaps through enrollment management initiatives include:

- Intentionally focusing on the retention of students from historically underserved communities;
- Developing targeted, proactive advising and implementing early alert systems that warn staff when a student is falling behind or is in danger of stopping out;
- Developing advising groups and hiring dedicated positions in academic advising to support students from historically underserved communities; and
- Enhancing new student orientation programs and offering these programs in languages other than English;

Student Engagement and Well-being

The CSU is committed to ensuring that students, regardless of race, ethnicity, background or status, feel a sense of belonging on campus. Closing equity gaps at the CSU requires a focus on fostering engagement and well-being to improve the persistence, retention and completion rates of students from historically underserved communities.

Systemwide, the CSU is creating a framework for addressing student well-being in a holistic manner. As an educational institution, the university is particularly focused on the areas that impact students' ability to be successful, persist and complete their degree. This includes areas such as quality education, food, housing, a sense of belonging and mental and physical health. The CSU is actively developing and strengthening relationships with regional and local agencies and organizations to provide comprehensive care to students, in instances where students' needs go above and beyond campus capabilities.

Examples of campus-specific actions to close equity gaps by fostering student engagement and well-being include:

- Implementing initiatives aimed at ensuring an inclusive campus climate;
- Dedicating resources to provide space, programming and staff to support first-generation students and students of color;
- Hiring counselors dedicated to serving the unique needs of students from historically underserved communities;
- Implementing programs to better inform and engage parents and families in their students' education; and
- Enhancing professional mentoring and leadership and professional opportunities for students from historically underserved communities.

Financial Support

The CSU remains an affordable higher education opportunity for Californians from all backgrounds. Despite this, student financial need can go above and beyond what is available through financial aid. This is particularly true for students from low-income backgrounds.

Systemwide, the CSU is focused on supporting policy initiatives to expand financial aid to reach additional students and to provide financial support when students need it most. This includes the reinstatement of year-round Pell grants and the proposed reforms for the state's Cal Grant program, as reported to the board during the March 2019 meeting.

Examples of campus-specific actions to close equity gaps by providing needed financial support include:

- Implementing programs to increase students' financial literacy to support them in making informed decisions when planning their course schedules and graduation timelines;
- Increasing the number of student job opportunities on campus;
- Offering emergency funds, and retention and summer grants to students in need; and
- Creating initiatives to ensure the affordability of course materials for students.

Administrative Barriers

CSU campuses are focused on closing equity gaps for students from historically underserved communities by identifying and removing unnecessary administrative barriers. This includes breaking down campus silos by bringing together faculty, staff and administrators from across the campus to discuss how best to support these student populations.

Examples of campus-specific actions to close equity gaps by removing unnecessary administrative barriers include:

- Educating campus constituents about the campus' diverse student population;
- Developing cross-divisional workgroups, task forces and college-based teams focused on equity;
- Offering professional development opportunities related to closing equity gaps; and
- Hiring staff to support students from historically underserved communities through administrative processes, including the application, deposit and transfer processes.

Data-Driven Decision Making

The strategic use of data to drive decision making is interwoven with all CSU student success efforts. By advancing programs and initiatives that are proven effective, campuses are making strong progress toward achieving their individual Graduation Initiative 2025 goals. This is particularly true for the goals of closing equity gaps facing students of color, students from low-income backgrounds and first generation students.

CSU Student Success Dashboards

To advance campus efforts to improve student success and close equity gaps, the Office of the Chancellor has developed internal data dashboards to serve as a central resource to assist each campus in identifying and dislodging barriers to student success for its students. These dashboards contain data for all 23 CSU campuses, and can be found at a password protected site at www.calstate.edu/dashboard.

The dashboards provide the CSU community with a set of analytical tools that go beyond descriptive statistics and apply methods such as predictive modeling to give new insights into factors that affect student progress toward a degree. Using the dashboards, campus leaders can monitor on-track indicators and better understand which milestones students are failing to reach and why they are not being reached. Ultimately, this analytical tool can also help campuses design interventions or policy changes to increase student success and gauge the impact of their interventions.

There are four main data dashboards:

- **Graduation Initiative 2025 Dashboard** – This dashboard supports administrators, faculty and staff in tracking their campus progress toward meeting their Graduation Initiative 2025 goals. The dashboard includes linear trajectories for all six goals and provides an assessment of progress made to date.

- **Faculty Dashboard** – Faculty play a critical role in fostering student success in, and out, of the classroom. This dashboard supports faculty in gaining a better understanding of the backgrounds and academic patterns of students. It includes analyses of student progress to degree, identification of low-success courses and courses with large equity gaps, and analyses of students who leave without earning a degree.
- **CSU by the Numbers Dashboard** – This dashboard facilitates a deeper understanding of the backgrounds and academic patterns of currently enrolled and recently graduated students. The dashboard includes an analysis of how CSU student populations are changing, how many students are taking a full-load of classes (15 units per term) and how CSU campus graduation rates compare to national peers.
- **Equity Gaps Dashboard** – The recently developed equity gap dashboard highlights inequitable outcomes in short- and long-term student outcomes while identifying actions that will help close equity gaps on campuses and systemwide. It includes predictive models and innovative visualizations that underscore the imperative to ensure that all students are given equitable opportunities to succeed.

Student Success Analytics Certificate Program

To support CSU administrators, faculty and staff in using the data dashboards and other institutional-level data, the CSU Office of the Chancellor created the Student Success Analytics Certificate Program.

The Certificate Program in Student Success Analytics is an innovative and interactive professional development experience, which provides CSU faculty, staff, and administrators with a set of strategies to better understand what is working well and what needs to be improved to increase student success. Participants develop advanced data literacy skills to glean insights on their respective campuses and engage in hands-on action research projects to help bring these insights into practice.

The eight-session course constitutes a hybrid learning model that includes face-to-face and online learning opportunities. It exposes participants to system and campus data, contextualized within national research studies on student success in higher education. The goal is to help campuses design measurably effective student success interventions in response to the data, particularly on behalf of historically underserved students. To that end, each session is consistently infused with information that helps participants become more intentional and equity-minded practitioners in their area of work at the university.

The first program cohort was in 2018. It was supported by the Stupski Foundation and was a pilot program with participants from California State University, East Bay and San Francisco State University. Outcomes data from the cohort show the program's success. Specifically, four identified goals were achieved:

1. Foster a collaborative inter and intra-campus learning community at San Francisco State and CSU East Bay, with the goal of raising awareness around systemwide and campus-specific data tools that promote student success.
2. Engage participants by growing confidence in the data and increasing readiness to use the data for evidenced-based and equity-minded decision-making in their area of influence on campus.
3. Expose participants to a selection of best practices in student success interventions, especially in regard to the equity gap that exists for historically underserved students in the CSU.
4. Provide a support structure that allowed participants to articulate their own data action research projects.

To evaluate the effectiveness of the program, staff contracted with an independent evaluator, The Center for Evaluation and Educational Effectiveness, to develop quantitative and qualitative progress metrics and issue an independent report. Key findings of this independent evaluation included:

- **Capacity and willingness to create a culture of student success** - Results showed significant increases in participants' confidence in discussing data with others, as well as their preparation and ability to access, analyze and use data to make decisions. Open-ended responses elaborated on participants' willingness to use an equity mindset to identify and disrupt barriers to student success and to create an academic home where students know they belong.
- **Data are more than a program planning tool** - Before the Student Success Analytics Program, most participants regarded data as administrative tools for enrollment management, budget forecasting and measures of program effectiveness. Post-survey responses revealed a shift in how data contributes to student success. Many participants commented that data were both a reliable way of identifying problems otherwise invisible to them and a valid source of evidence to confirm hunches and anecdotes.

A second program cohort was enrolled in the program for 2019. This cohort included teams from eight CSU campuses:

- California State University, Chico;
- California State University, Dominguez Hills;
- California State University, Fresno;
- California State University, Monterey Bay;
- California State Polytechnic University, Pomona;
- California State University, Sacramento;

- California State University, Stanislaus; and
- Sonoma State University.

Additionally, the 2019 cohort included a team from the California State Student Association and from the University of California, Riverside.

Conclusion

CSU faculty, staff and administrators continue to work diligently to achieve the goals of Graduation Initiative 2025 and ensure that all students have the opportunity to be successful and graduate according to their own personal goals. This includes a concerted focus on closing equity gaps, a focus that reaches across all of the initiative's operational priorities: academic preparation, enrollment management, student engagement and well-being, financial support, administrative barriers and data-driven decision making. The Office of the Chancellor and all 23 campuses continue to take intentional action to close equity gaps and ensure that the CSU meets all of the Graduation Initiative 2025 goals.

Excerpt from the January 2019 CSU Report to the Legislature:
Graduation Initiative 2025 Progress

Intentional Focus on Closing Equity Gaps

Driven by a recognition of the university's critical role as an engine of social mobility and buoyed by recent progress, the CSU entered the 2018-19 academic year laser-focused on closing equity gaps for students from historically underserved communities.

All 23 campuses are taking specific steps to support the success of low-income students, historically underrepresented students and first-generation students. Additionally, a number of the overarching actions taken by campuses in support of Graduation Initiative 2025 will positively impact these student populations, further narrowing equity gaps. For that reason, it is impossible to separate out actions that will solely close equity gaps from those that will improve overall student success and graduation rates. Given the CSU's richly diverse student population, these goals are too intertwined.

For example, the systemwide policy changes to developmental education that are being implemented on campuses will have a positive impact on all students; however, it is expected to have a particularly significant impact on eliminating equity gaps. This is because students from historically underserved communities were more likely to have their progress to degree delayed under the previous policy.

The following sections represent campus actions that will have an impact on eliminating equity gaps. These actions are categorized by each of the six Graduation Initiative 2025 operational priorities. While these lists provide a thorough overview, they are in no way exhaustive – either in the campuses participating in each action or in listing all of the ways campuses are working to close equity gaps.

1.1 Closing Equity Gaps through Improved Academic Preparation

Research clearly demonstrates that academic preparation plays an important role in students’ ability to earn a degree. Disparities in academic preparation have had a direct impact on progress to degree for students from historically underserved communities – those who are first-generation college students, from low-income backgrounds or identify as African-American, American-Indian or Latino.

CSU campuses are addressing inequities in college readiness head-on in order to close gaps in degree attainment and afford all students the opportunity to succeed. One of the primary initiatives, implemented systemwide, is the 2017 policy change that ensures all students are able to take college-level, credit-bearing courses in mathematics and English beginning their first day on campus. Campuses are also enhancing mentoring, supporting faculty in implementing equity-minded pedagogy and redesigning courses that have historically had large equity gaps.

<i>Action</i>	<i>Campuses</i>
Replaced stand-alone, developmental education courses in mathematics and English that do not count toward a degree with redesigned classes that have academic support embedded or attached	Bakersfield Channel Islands Chico Dominguez Hills East Bay Fresno Fullerton Humboldt Long Beach Los Angeles Maritime Academy Monterey Bay Northridge Pomona Sacramento San Bernardino San Diego San Francisco San José San Luis Obispo San Marcos Sonoma Stanislaus

Closing Equity Gaps through Improved Academic Preparation (cont.)

<i>Action</i>	<i>Campuses</i>
Implemented/strengthened faculty learning communities	Bakersfield Channel Islands Chico East Bay Fullerton Long Beach Monterey Bay Northridge Pomona Sacramento San Bernardino San José San Luis Obispo San Marcos Stanislaus
Redesigned high-enrollment, low-success courses with significant equity gaps	Bakersfield Chico East Bay Fresno Fullerton Long Beach Maritime Northridge Pomona Sacramento San José Stanislaus

Closing Equity Gaps through Improved Academic Preparation (cont.)

<i>Action</i>	<i>Campuses</i>
Expanded peer mentoring for students	Channel Islands Chico Dominguez Hills East Bay Fresno Fullerton Humboldt Northridge Pomona Sacramento San Bernardino San Diego San Francisco San José San Luis Obispo San Marcos Stanislaus
Supported faculty in the implementation of equity-minded pedagogy	Chico East Bay Humboldt Los Angeles Monterey Bay Northridge Pomona Sacramento San Francisco San José San Luis Obispo

Closing Equity Gaps through Improved Academic Preparation (cont.)

<i>Action</i>	<i>Campuses</i>
Targeted academic and social support services for underrepresented students of color pursuing STEM (science, technology, engineering, mathematics) fields	Channel Islands Chico Dominguez Hills Fullerton Long Beach Monterey Bay Pomona Sacramento San Bernardino San Francisco San Luis Obispo Sonoma
Implemented/strengthened the learning assistant role to support students through interactive, collaborative and engaging classrooms	Chico East Bay Fullerton Pomona Sacramento San Bernardino San José San Luis Obispo
Enhanced tutoring services for students	Bakersfield Dominguez Hills East Bay Fullerton Humboldt Monterey Bay Pomona Sacramento San Bernardino San José San Luis Obispo Sonoma

Closing Equity Gaps through Improved Academic Preparation (cont.)

<i>Action</i>	<i>Campuses</i>
Implemented/strengthened supplemental instruction	Bakersfield Chico Dominguez Hills East Bay Fresno Fullerton Humboldt Long Beach Monterey Bay Pomona Sacramento San Francisco San José Sonoma Stanislaus
Developed/enhanced student learning communities	Bakersfield Channel Islands Dominguez Hills East Bay Fullerton Sacramento San Diego San Francisco San José Stanislaus
Developed/expanded summer programming specifically to support students from historically underserved communities	Channel Islands Dominguez Hills East Bay Fresno Pomona San Bernardino San José San Luis Obispo San Marcos Sonoma Stanislaus

Closing Equity Gaps through Improved Academic Preparation (cont.)

<i>Action</i>	<i>Campuses</i>
Expanded faculty mentoring for students	Sacramento San José San Luis Obispo San Marcos Stanislaus
Reimagining the First Year initiative	Dominguez Hills East Bay Fresno Fullerton Humboldt Long Beach Monterey Bay Pomona San Francisco

1.2 Closing Equity Gaps through Enrollment Management Initiatives

Ensuring that CSU students are able to enroll in the courses they need, when they need them, is the driving force behind the focus on enrollment management as part of Graduation Initiative 2025. This is particularly important for students from historically underserved communities. For example, first generation students often need additional assistance navigating their path to degree, as they do not have a parent or close family member familiar with the process.

To best support these students and close equity gaps, campuses are focusing on improvements to advising, including the implementation of early alert systems that warn staff when a student is falling behind. Campuses are also hiring dedicated positions in academic advising to support students from historically underserved communities. In addition, campuses are focusing on the orientation process, making these experiences more robust and offering them in additional languages to ensure all students – regardless of background – are prepared with the resources and support they need to be successful.

<i>Action</i>	<i>Campuses</i>
Hired/hiring a dedicated position in academic advising to support students from historically underserved communities	Chico East Bay Fresno Fullerton Humboldt Sacramento Sonoma
Focused on the retention of students from historically underserved communities	Bakersfield Channel Islands Chico Dominguez Hills East Bay Fresno Fullerton Humboldt Long Beach Monterey Bay Northridge Pomona Sacramento San Bernardino San Luis Obispo Stanislaus

Closing Equity Gaps through Enrollment Management Initiatives (cont.)

<i>Action</i>	<i>Campuses</i>
Increased diversity in faculty hiring	Dominguez Hills Fullerton Humboldt Long Beach Los Angeles Pomona San Bernardino San José San Luis Obispo Sonoma Stanislaus
Developed college-specific plans to close equity gaps	Fullerton Long Beach Monterey Bay Pomona Sacramento San Francisco San José San Luis Obispo
Developed targeted, proactive advising	Channel Islands Chico Dominguez Hills East Bay Fresno Humboldt Pomona Sacramento San Bernardino San Francisco San José San Luis Obispo San Marcos Sonoma

Closing Equity Gaps through Enrollment Management Initiatives (cont.)

<i>Action</i>	<i>Campuses</i>
Implemented/improved the use of predictive analytics and early alert system for advising	East Bay Fullerton Humboldt Maritime Monterey Bay Northridge Pomona Sacramento San Bernardino San Francisco San José San Luis Obispo Sonoma Stanislaus
Offered new student orientation sessions in a language other than English	Chico Fresno Sacramento San Francisco Stanislaus
Enhanced orientation programs	Channel Islands Chico Dominguez Hills East Bay Fresno Fullerton Monterey Bay Pomona San José San Luis Obispo
Developed advising groups for students from historically underserved communities	Channel Islands Dominguez Hills Fresno Long Beach Sacramento San Luis Obispo

1.3 Closing Equity Gaps by Fostering Student Engagement and Well-being

The CSU is dedicated to fostering the success of all students both inside – and outside – the classroom. This includes ensuring that students, regardless of race, ethnicity, background or status, feel welcome and accepted on campus. Closing equity gaps at the CSU requires a focus on fostering engagement and well-being to improve the persistence, retention and completion rates of students from historically underserved communities.

Campuses are implementing a number of initiatives aimed at ensuring an inclusive campus climate, including dedicating resources to provide space, programming and staff to support first-generation students and students of color. Recognizing the unique needs of historically underserved students, campuses are hiring counselors dedicated to serving these populations and are implementing programs to better engage parents and families.

<i>Action</i>	<i>Campuses</i>
Created a dedicated space for students from historically underserved communities	Bakersfield Dominguez Hills East Bay Fresno Fullerton Humboldt Sacramento San José Stanislaus
Hired staff dedicated for programs and initiatives that support students from historically underserved communities	Channel Islands Chico Dominguez Hills East Bay Fresno Humboldt Maritime Sacramento San Francisco San José San Luis Obispo San Marcos Sonoma Stanislaus

Closing Equity Gaps by Fostering Student Engagement and Well-being (cont.)

<i>Action</i>	<i>Campuses</i>
Implemented initiatives to empower, guide and support men of color	Chico Dominguez Hills Fresno Fullerton Monterey Bay Pomona Sacramento San José San Luis Obispo
Convened a Council on Diversity and Inclusion	Channel Islands Chico Dominguez Hills Fullerton Humboldt Long Beach Los Angeles Monterey Bay Sacramento San Bernardino San Luis Obispo Stanislaus
Hired/ hiring a Chief Diversity Officer	Bakersfield Chico Dominguez Hills East Bay Fullerton Los Angeles Monterey Bay Sacramento San Bernardino San José San Luis Obispo

Closing Equity Gaps by Fostering Student Engagement and Well-being (cont.)

<i>Action</i>	<i>Campuses</i>
Conducted/conducting a campus climate survey	Chico Dominguez Hills East Bay Humboldt Long Beach Sacramento San Francisco San José San Luis Obispo Stanislaus
Hired/hiring a full-time counselor to serve students from historically underserved communities	East Bay Fresno Fullerton
Developed/enhanced professional mentoring for students	Channel Islands East Bay Monterey Bay San Diego San Luis Obispo
Worked to increase the number of historically underserved students who participate in international exchange and study abroad programs	Fullerton San Francisco
Developed campus programming on topics that impact students from historically underserved communities	Bakersfield Chico East Bay Fresno Monterey Bay Sacramento San Francisco San José San Luis Obispo San Marcos Sonoma Stanislaus

Closing Equity Gaps by Fostering Student Engagement and Well-being (cont.)

<i>Action</i>	<i>Campuses</i>
Developed/enhanced parent and family engagement programs	Channel Islands Fresno Sacramento San Bernardino San José San Luis Obispo
Facilitated leadership and professional opportunities for historically underserved student leaders	Chico Sacramento San Francisco San José San Luis Obispo San Marcos

1.4 Closing Equity Gaps by Providing Needed Financial Support

The CSU remains an affordable higher education opportunity for Californians from all backgrounds. Despite this, student financial need can often go above and beyond what is available through financial aid. This is particularly true for students from low-income backgrounds.

To help close equity gaps, CSU campuses are implementing programs to increase students' financial literacy so that they can make informed decisions when planning their course schedules and graduation timelines. Campuses are also providing a bevy of resources aimed at alleviating additional financial need for students in crisis, such as on-campus job opportunities, emergency funds, retention grants and services, such as food pantries and emergency housing.

<i>Action</i>	<i>Campuses</i>
Efforts to increase the financial literacy of students through presentations, workshops and education	Bakersfield Chico East Bay Fresno Fullerton Humboldt Long Beach Maritime Pomona Sacramento San José San Luis Obispo Sonoma
Increased the number of student job opportunities on campus	Humboldt Maritime Sacramento
Offered emergency funds to students in need	Chico Fresno Fullerton Monterey Bay Pomona Sacramento San José San Luis Obispo Stanislaus

Closing Equity Gaps by Providing Needed Financial Support (cont.)

<i>Action</i>	<i>Campuses</i>
Redeployed existing housing scholarships to students facing housing insecurity	Fresno Humboldt Monterey Bay Sacramento
Created initiatives to ensure the affordability of course materials for students	Channel Islands East Bay Monterey Bay San José San Marcos
Developed an Economic Crisis Response team	Fresno Fullerton Sacramento San Bernardino San José
Developed/enhanced a campus food pantry	Bakersfield Chico Fresno Fullerton Humboldt Long Beach Pomona Sacramento San Bernardino San Francisco San José San Luis Obispo
Offered retention and/or summer grants for students	Chico East Bay Fresno Fullerton Long Beach Pomona Sacramento San Bernardino San José

1.5 Closing Equity Gaps through Data-Driven Decision Making

The strategic use of data to drive decision making is tightly interwoven with all CSU student success efforts. By advancing programs and initiatives that are proven effective, campuses are making strong progress toward achieving their individual Graduation Initiative 2025 goals.

This is particularly true for the goals of closing equity gaps facing students of color, students from low-income backgrounds and first generation students. To advance these efforts, campuses are engaging in detailed analyses of equity gap data to identify where improvements must be made. On some campuses, this includes the funding of dedicated faculty and staff to identify where, and why, historically underserved students are not being best served by the institution. Other campuses have participated – or will be participating – in the Student Success Analytics Certificate Program, a program housed in the Office of the Chancellor and designed to help campuses develop effective student success interventions, particularly on behalf of historically underserved students.

<i>Action</i>	<i>Campuses</i>
Funded/funding a position in Institutional Research to better understand where and why historically underserved students are falling behind	Chico East Bay Fullerton Humboldt Sacramento
Reviewed data for a detailed analysis of equity gaps	Bakersfield Chico Dominguez Hills East Bay Fresno Fullerton Long Beach Maritime Pomona Sacramento San Bernardino San José San Luis Obispo Stanislaus

Closing Equity Gaps through Data-Driven Decision Making (cont.)

<i>Action</i>	<i>Campuses</i>
Participated/participating in the Certificate Program in Student Success Analytics	Chico Dominguez Hills East Bay Fresno Monterey Bay Pomona Sacramento San Francisco Sonoma Stanislaus

1.6 Closing Equity Gaps by Removing Unnecessary Administrative Barriers

CSU campuses are focused on closing equity gaps for students from historically underserved communities by identifying and removing unnecessary administrative barriers. This includes breaking down campus silos by bringing together faculty, staff and administrators from across the campus to discuss how best to support these student populations.

<i>Action</i>	<i>Campuses</i>
Developed presentations to better educate campus constituents about the student population	Chico East Bay Fresno Fullerton Maritime Pomona Sacramento San Bernardino San Luis Obispo
Developed a cross-divisional workgroup/task force focused on equity	Fresno Fullerton Humboldt Pomona Sacramento San Bernardino San Luis Obispo
Developed/developing college-based student success teams	Bakersfield Chico Fullerton Long Beach Pomona Sacramento San Bernardino San Francisco San Luis Obispo

Closing Equity Gaps by Removing Unnecessary Administrative Barriers (cont).

<i>Action</i>	<i>Campuses</i>
Hosted/hosting an event for faculty and staff on the topic of closing equity gaps	Chico Fresno Fullerton Los Angeles Northridge Pomona San Bernardino San José
Hired a staff position to support historically underserved students through administrative processes (i.e. application, deposit, transfer, etc.)	Fresno Humboldt Sonoma

COMMITTEE ON EDUCATIONAL POLICY

Special Public Comment Open Forum on Quantitative Reasoning Proposal

Presentation By

Peter J. Taylor
Trustee
California State University Board of Trustees

Summary

The CSU is considering a proposal to expand the a-g requirements that determine minimal eligibility for CSU admission by requiring the completion of an additional year of quantitative reasoning. The additional year could be fulfilled by taking an additional high school course from area “c – mathematics,” “d – laboratory science” or a quantitative reasoning course from the “g – college preparatory elective.”

On August 29, 2019, the California State University (CSU) Board of Trustees’ Committee on Educational Policy is holding a special public forum on the topic of quantitative reasoning for first-year admission. This publicly-noticed, live-streamed meeting will provide the opportunity for organizations and individuals to offer professional viewpoints and practical perspectives on the CSU’s quantitative reasoning proposal. The CSU Board of Trustees will also have the opportunity to engage with presenters on this topic.

Special Public Comment Open Forum Format

The Special Public Comment Open Forum on the quantitative reasoning proposal is scheduled for August 29, 2019 from 10:00 a.m. to 1:30 p.m. in the Dumke Auditorium of the CSU Office of the Chancellor. This meeting will be livestreamed.

The meeting will begin with an overview of the quantitative reasoning concept by staff from the Office of the Chancellor. The overview will be followed by three sessions:

- Session 1: Academic Preparation
- Session 2: Admission
- Session 3: Post-Secondary Success

Each session will feature three presentations from individuals and organizations representing all viewpoints. Following each presentation time is allotted for trustee questions. The meeting includes opportunity for public comment and will conclude with remarks from Loren J. Blanchard, executive vice chancellor, Academic and Student Affairs and Peter J. Taylor, chair of the Committee on Educational Policy.

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Conclusion

This Special Public Comment Open Forum held by the CSU Board of Trustees' Committee on Educational Policy will provide an opportunity for the board to hear from the numerous individuals and organizations with interest in a CSU quantitative reasoning proposal.

Following this meeting, CSU Office of the Chancellor staff will present a formal proposal before the Board of Trustees as an information item during the September 24-25, 2019 meeting and as an action item during the November 19-20, 2019 meeting.

Expanding Opportunity through Preparation in Quantitative Reasoning

Presentation By

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Summary

One of the greatest academic hurdles to college degree attainment is a lack of the fundamental skills associated with quantitative reasoning. Too often, equity gaps are exacerbated by quantitative reasoning disparities in PK-12 schools that follow students to college and influence their academic and career options. Increased preparation in quantitative reasoning supports success in the first year of college and creates more equitable opportunity in science, technology, engineering and mathematics – collectively known as STEM – majors and careers.

As the largest and most diverse four-year public university system in the nation, the California State University (CSU) is committed to closing equity gaps – the gaps between students from historically underrepresented communities and their peers – at all levels of the university. The CSU is considering a recommendation that would require incoming high school students, beginning with the entering first-year class of 2026, to complete one additional course of quantitative reasoning to meet the existing minimum qualifications for CSU admission. The recommendation is grounded in a report by the Academic Senate CSU Quantitative Reasoning Task Force and is supported by CSU data and a growing body of research linking quantitative reasoning preparation with college success.

This requirement could be fulfilled through high school coursework in mathematics, science or an elective course with a quantitative reasoning foundation. Students could also meet the requirement with some Career and Technical Education courses or with appropriate dual enrollment courses at a local community college. The CSU would provide an exemption for any student who could not fulfill the requirement because of a lack of resources at their high school.

This information item provides background and context for the CSU's consideration of a quantitative reasoning admission requirement, particularly a review of the data and research supporting expanded quantitative reasoning preparation and an overview of other states and institutions that have implemented similar requirements. This item also details the central tenets of what would become the proposal.

This information item does not include a formal proposal. Following a special convening of the Committee on Educational Policy on August 29, 2019, devoted to this topic, a formal proposal would then be brought before the Board of Trustees as an information item during the September 2019 meeting and as an action item during the November 2019 meeting.

Background

Quantitative Reasoning

Quantitative reasoning is the ability to think and reason intelligently about measurement, dimensions, design, capacity or probability in the real world. The National Council of Teachers of Mathematics defines quantitative reasoning as:

...the developed ability to analyze quantitative information and to determine which skills and procedures can be applied to a particular problem to arrive at a solution. Quantitative reasoning, both generally and for assessment purposes, has an essential problem-solving focus. It includes the following six capabilities: reading and understanding information given in various formats; interpreting quantitative information and drawing inferences from it; solving problems using arithmetic, algebraic, geometric, or statistical methods; estimating answers and checking for reasonableness; communicating quantitative information; and recognizing the limitations of mathematical or statistical methods.

In a 2014 edition of the Association of American Colleges and Universities *Peer Review*, editor Shelley Johnson Carey wrote the following about quantitative reasoning:

While not every student will use complex math skills professionally, in this data-rich era when information from the Internet is available instantly, all students must graduate with the ability to analyze and synthesize knowledge of the world around them. From deciding whether it is more advantageous financially to buy or lease a car to understanding the devastating effects of greenhouse gases on climate change, graduates need the ability to process quantitative information. This capability is called many things: *quantitative reasoning*, *quantitative literacy*, and *numeracy*.

Disparities in STEM

Careers in STEM have grown dramatically. According to a 2018 report by Pew Research Center, since 1990, STEM employment has grown 79 percent (from 9.7 million to 17.3 million). The report authors write that “STEM jobs have relatively high earnings compared with many non-STEM jobs, and the earnings gap persists even after controlling for educational attainment. Among workers with similar education, STEM workers earn significantly more, on average, than non-STEM workers.”

Despite the growth in STEM jobs, there are well documented disparities. In the Pew Research Center report, the authors find that “Black and Hispanic workers continue to be underrepresented in the STEM workforce. Blacks make up 11% of the U.S. workforce overall but represent 9% of STEM workers, while Hispanics comprise 16% of the U.S. workforce but only 7% of all STEM workers.”

The disparities in STEM also exist at the university level. As noted in a 2017 Brookings Institute national report examining quantitative reasoning disparities beginning in middle school, “STEM college graduates are predominantly white or Asian, a pattern that has persisted for years despite historically high black and Hispanic college attendance and completion rates.”

This disparity exists at the CSU, despite progress in closing equity gaps. In 2017-18, 23.8 percent of students who self-identified as Asian and 22.7 percent who identified as white earned a baccalaureate degree in a STEM field. However, only 14.3 percent of Hispanic or Latino students and 10.3 percent of African American students earned a similar degree.

Additionally, students identifying as African American and Hispanic or Latino are proportionately underrepresented as STEM graduates compared to total overall degrees earned.

Race/Ethnicity	Percent of STEM Graduates	Percent of Total CSU Graduates
African American	2.1%	3.9%
Hispanic or Latino	27.7%	37%
Asian	21%	16.9%
White	31.9%	26.8%

Data Supporting Additional Preparation in Quantitative Reasoning

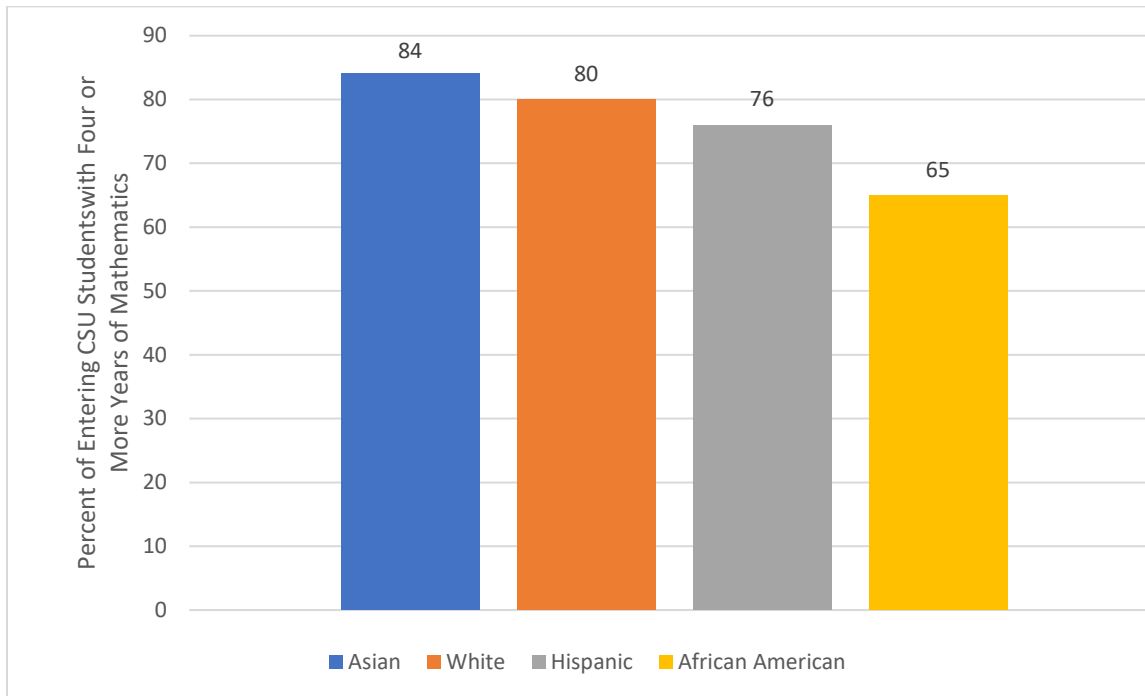
CSU-specific data and a growing body of national research suggest that additional quantitative reasoning preparation is associated with improved outcomes in college. Below are several examples of this research. A summary list of other relevant studies is included as an attachment.

CSU Data

The data in this section reflect area “c-mathematics” completion for students who enroll in the CSU from California high schools. Staff from the Office of the Chancellor are working with colleagues at the California Department of Education to expand the data evaluation from area ‘c’ courses to include a broader selection of quantitative reasoning courses from areas ‘c,’ ‘d’ and ‘g’ (mathematics, science or an elective course with a quantitative reasoning foundation).

Currently, 78 percent of students entering the CSU as first-year students complete four or more years of area “c-mathematics” courses, however there are disparities by race. Sixty-five percent of African American students and 76 percent of Hispanic students arrive at the CSU with four years of mathematics. Comparatively, 80 percent of white students and 84 percent of Asian students arrive at the CSU with four years of mathematics. These disparities are perpetuated in access to prerequisites for particular majors, pass rates in the first mathematics course, major selection, credit accumulation in the first year of college and time to degree.

Percent of Entering CSU Students (as First-Year Students) With Four or More Years of Mathematics Preparation



Data for new students who enter the CSU having completed four or more years of existing area “c-mathematics” courses consistently demonstrate improved retention compared to students who completed three years of mathematics. Nearly 70 percent of fall 2017 CSU first-time students who completed four or more years of high school mathematics earned a passing grade in a baccalaureate quantitative reasoning course during their first year in college, compared to fewer than half of students who completed only three years of mathematics in high school.

It is important to note that 57 percent of students with three years of high school mathematics attempted a lower division mathematics course in their first year at the CSU, compared to 76 percent of those with four or more years.

Years of High School Mathematics	Headcount	Percent attempted a baccalaureate mathematics course in 2017-18	Earned a passing grade in a baccalaureate mathematics course in 2017-18
Less than 3	231	39%	31%
3 – 3.5	14,463	57%	47%
4 or more	51,048	76%	69%

Students with four years of high school mathematics are retained at higher rates at the CSU after their first year. For example, the first-year retention rate for the 2017 fall cohort of first-time, full-time CSU students was approximately 85 percent for those with four or more years of high school mathematics, but only 79 percent for those with three years.

This trend continues for four- and six-year graduation rates. For the fall 2014 cohort, the four-year graduation rate for first-time, full-time CSU students who had four or more years of high school mathematics was 26.3 percent, but only 16.6 percent for those with three years. And, the six-year graduation rate for the fall 2012 CSU cohort was 64.3 percent for students with four or more years of high school mathematics, but only 52 percent for those with three years.

Across all three metrics, there are positive differences in outcomes for every racial and ethnic group.

National

National data support the correlation between increased quantitative reasoning preparation and college success. More than a decade ago, Clif Adleman – a researcher and policy analyst at the U.S. Department of Education for more than 30 years – examined the association between high school mathematics course-taking and college completion. He wrote:

“[The Toolbox Revisited](#) is a data essay that follows a nationally representative cohort of students from high school into postsecondary education and asks what aspects of their formal schooling contribute to completing a bachelor’s degree by their mid-20s. The universe of students is confined to those who attended a four-year college at any time, thus including students who started out in other types of institutions, particularly community colleges. The core question is not about basic ‘access’ to higher education. It is not about persistence to the second term or the second year following postsecondary entry. It is about completion of academic credentials—the culmination of opportunity, guidance, choice, effort, and commitment.”

Adleman’s findings on the association between high school mathematics course-taking and college completion are shown below:

Highest Mathematics Course Completed in High School	Percentage of College Students Who Completed a Bachelor’s Degree
Calculus	81.6
Pre-Calculus	73.7
Trigonometry	65.1
Algebra II	44.4
Geometry	28.5
Algebra I	11.9
Pre-Algebra	5.1

Verifying Adelman’s 2005 research, in 2014, a Policy Analysis for California Education (PACE) brief examined course-taking patterns of community college-bound students. The findings indicated that not taking a mathematics course in 12th grade was a significant predictor of not being college ready. The policy brief found that “all other factors being equal, students who took no mathematics in Grade 12 were 58 percent more likely to place 2-levels below [readiness] than into college-level mathematics.” The brief also corroborated Adelman’s 2006 findings that every class beyond high school Algebra II increased the probability of a student earning a bachelor’s degree.

Overall, the research on mathematics and quantitative reasoning course-taking in high school and college success is clear. The more mathematics or quantitative reasoning a student completes in high school, the better prepared they are to pursue a multitude of pathways once they begin their postsecondary studies.

CSU Approach to a Quantitative Reasoning Requirement

The development of the CSU’s approach to a quantitative reasoning admission requirement has been informed by ongoing consultation and collaboration with a diverse range of CSU constituents and community partners. The concept benefits from the extensive work of the Academic Senate CSU Quantitative Reasoning Task Force that included participation from state government, the California Department of Education, the California Community College Chancellor’s Office, the University of California Office of the President and technology organizations and companies. The task force report recommendation “that four years of high school quantitative reasoning coursework be required as part of the CSU admission criteria” is included as an attachment.

In advancing this concept, the Office of the Chancellor has facilitated conversations with a number of organizations, including:

- Academic Senate CSU (Committee on Academic Preparation and Education Programs)
- California Department of Education
- California State Board of Education
- California PK-12 school districts
- California Community Colleges
- University of California
- Campaign for College Opportunity
- Ed Trust West
- Parent Institute for Quality Education
- Just Equations
- Public Advocates
- Children Now
- LULAC
- College Futures Foundation

Central Tenets of a CSU Proposal

The CSU is proposing to expand the [a-g requirements](#) that determine minimal eligibility for CSU admission by requiring the completion of an additional course of quantitative reasoning that could be fulfilled from area “c – mathematics,” “d – laboratory science” or a quantitative reasoning course from the “g – college preparatory elective.” Such college preparatory courses in area “g” could include computer science, coding, finance and some Career and Technical Education courses with quantitative reasoning content. The proposal will strongly recommend that the additional quantitative reasoning course be completed during the senior year.

The current a-g admission requirements are included in the first figure below. The second figure shows the addition of the quantitative reasoning requirement in red.

Existing CSU College Preparatory Course Requirements for First Year Admission

Area	Subject	Courses
a.	History and Social Science (including 1 year of U.S. history or 1 semester of U.S. history and 1 semester of civics or American government AND 1 year of social science)	2
b.	English (4 years of college preparatory English composition and literature)	4
c.	Mathematics (4 years recommended) including Algebra I, Geometry, Algebra II, or higher mathematics (take one each year)	3
d.	Laboratory Science (including 1 biological science and 1 physical science)	2
e.	Language Other Than English (2 years of the same language; American Sign Language is applicable - See below about a possible waiver of this requirement)	2
f.	Visual and Performing Arts (dance, drama or theater, music, or visual art)	1
g.	College Preparatory Elective (additional year chosen from the University of California "a-g" list)	1
Total Required Courses		15

Proposed CSU College Preparatory Course Requirements for First Year Admission

Area	Subject	Courses
a.	History and Social Science (including 1 year of U.S. history or 1 semester of U.S. history and 1 semester of civics or American government AND 1 year of social science)	2
b.	English (4 years of college preparatory English composition and literature)	4
c.	Mathematics (including Algebra I, Geometry, Algebra II, or higher mathematics or a comparable integrated pathway; take one each year)	3
d.	Laboratory Science (including 1 biological science and 1 physical science)	2
e.	Language Other Than English (2 years of the same language; American Sign Language is applicable - See below about a possible waiver of this requirement)	2
f.	Visual and Performing Arts (dance, drama or theater, music, or visual art)	1
g.	College Preparatory Elective (1 year selected from “c – mathematics”, “d – laboratory science”, or a quantitative reasoning course from the “g – college preparatory elective” areas AND 1 additional year chosen from the University of California "a-g" list)	2
Total Required Courses		16

Multiple Paths to Completion

High school students could fulfill the requirement with a more traditional mathematics course, such as calculus (area ‘c’), depending on their sequence of prior courses and intended college majors. Other students could fulfill the requirement with a science course (area ‘d’) or with a college preparatory course (area ‘g’) that includes quantitative reasoning content (e.g., data science, statistics). The proposed requirement could be met with a quantitatively-based course offered through Career and Technical Education programs or dual enrollment in partnership with local community colleges.

School districts that adopt a three-year sequence of science courses as recommended under the Next Generation Science Standards would offer a curriculum in which two courses satisfy the area ‘d’ laboratory science requirement, while the third science course would then satisfy the new proposed quantitative reasoning requirement.

Partnering with School Districts to Prepare

Today, based on data from the University of California a-g database, approximately 96 percent of comprehensive California high schools offer a mathematics course beyond Algebra II that would fulfill a quantitative reasoning admission requirement. Of the schools that do not currently offer a qualifying mathematics course, the majority are charter or alternative schools. When expanding the courses to include area ‘d’ or area ‘g’ courses with a quantitative reasoning component, it is reasonable to expect that students could meet the requirement with a range of courses currently offered in their high schools.

Additionally, the CSU will support school districts and PK-12 schools that need assistance developing qualifying courses. This work will encompass many components, including collaboration with educator preparation program providers to ensure the number of needed instructors can be met and to provide assistance for professional development for in-service teachers, administrators and counselors. As the institution that prepares the majority of California’s teachers, the CSU is also working to meet the ongoing need for additional teachers in STEM fields.

Since 2016, the CSU Center for the Advancement of Quantitative Reasoning staff have been working with the California Department of Education and PK-12 and community college partners to develop a “bridge” or transitional course from high school to higher education through the California Mathematics Readiness Challenge Initiative (CMRCI). Transitional mathematics, defined as courses or curriculum needed to successfully transition to college-level mathematics, is crucial for student success. Analogous to the development of the Expository Reading and Writing Course for English language arts, five CMRCI sites are working in more than 150 schools. These courses are approved in area ‘c’ of the a-g requirements. Because the proposal would not take effect until 2026, the CSU will continue to partner with school districts to ensure the course is available in the places where it is most needed.

The description of the CMRCI bridge course is provided in an attachment.

Institutions that have Implemented Similar Requirements

States

Recognizing the importance and power of quantitative reasoning preparation, a growing number of states now require four years of quantitative reasoning courses for a high school diploma:

- Alabama
- Arkansas
- Connecticut
- District of Columbia
- Florida
- Georgia
- Louisiana
- Maryland
- New Mexico
- Virginia

Five states go further, requiring four years of quantitative reasoning in high school and specifying that students take a course during the senior year to minimize skills gaps:

- Delaware
- Michigan
- Ohio
- Tennessee
- West Virginia

Charts detailing the requirements for each state are included as attachments.

Higher Education Institutions

A number of universities and university systems require four years of mathematics as an admission requirement, including Arizona State University, the Texas State University system and comprehensive public universities in Florida, including Florida Atlantic University and Florida International University.

Students seeking admission to the Twin Cities, Duluth, Morris and Rochester campuses of the University of Minnesota, for example, are required to have taken four years of mathematics. The university system enacted this admission change in 2015 as a result of “university research [that]

has shown that completing four years of math enhances student success in college. Grade point averages and retention and graduation rates at the University of Minnesota are higher for students who have taken four years of math.”

Long Beach Unified School District

The Long Beach Unified School District (LBUSD) – where 70 percent of students are from households below the federal poverty level and 86 percent are non-white – increased the quantitative reasoning requirement six years ago to improve college readiness. Prior to changing the requirement, just 39 percent of students met the “a-g” requirements for admission to the CSU. Today, 56 percent of students meet the “a-g” requirements, and the district’s African American and Latino students graduate at higher percentages compared to their peers in the county and across the state. Despite early opposition to the change and concern that underserved students would be disadvantaged, the outcomes have demonstrated the opposite. Students of color in LBUSD are graduating and attending college at higher rates due to better quantitative reasoning preparation.

Conclusion

For decades, the CSU has been at the forefront of addressing the academic preparation of prospective and current students while maintaining a commitment to authentic access to a high-quality degree. To this end, groundbreaking programs like the CSU’s Early Assessment Program, established in 2003, provide prospective students, families and schools with early guidance on preparation for collegiate study and opportunities to enhance preparation in the senior year of high school. Similarly, the Expository Reading and Writing Course, now offered in more than 1,000 California high schools, provides seniors the opportunity to complete a fourth-year course in English language arts that was co-developed by CSU and high school faculty to more closely align with college-level writing expectations. Most recently, the CSU implemented new academic preparation policies and practices, expanding the use of multiple measures for assessment and placement in English and mathematics/quantitative reasoning, replaced stand-alone developmental education courses with supported, credit-bearing baccalaureate courses and expanded the range of subjects that satisfy the general education quantitative reasoning requirement for graduation.

A quantitative reasoning admission requirement is being considered as the next step in ensuring equity and authentic access for all CSU students. The proposal would not be intended to curtail access or change the composition of the CSU student population. Instead, it is intended to ensure that all students who enter the CSU are prepared to be successful in their coursework and participate in a range of majors and career fields.

Quantitative Reasoning Research Summary

Adelman, C. (2005). Executive Summary: The Toolbox Revisited: Paths to Degree Completion from High School Through College. *The Journal for Vocational Special Needs Education*, 28 (1), 23-30.

URL: [The Toolbox Revisited: Paths to Degree Completion From High School Through College](#)

“The academic intensity of the student’s high school curriculum still counts more than anything else in precollegiate history in providing momentum toward completing a bachelor’s degree. There is a quantitative theme to the curriculum story that illustrates how students cross the bridge onto and through the postsecondary landscape successfully. The highest level of mathematics reached in high school continues to be a key marker in precollegiate momentum, with the tipping point of momentum toward a bachelor’s degree now firmly above Algebra 2.”

Long, M. C., Iatarola, P., & Conger, D. (2009). Explaining gaps in readiness for college level math: The role of high school courses. *Education Finance and Policy*, 4(1), 1-33.

URL: [Explaining Gaps in Readiness for College-Level Math: The Role of High School Courses](#)

“Despite increased requirements for high school graduation, almost one-third of the nation's college freshmen are unprepared for college-level math. The need for remediation is particularly high among students who are low income, Hispanic, and black. Female students are also less likely than males to be ready for college-level math. This article estimates how much of these gaps are determined by the courses that students take while in high school. Using data on students in Florida public postsecondary institutions, we find that differences among college-going students in the highest math course taken explain 28–35 percent of black, Hispanic, and poverty gaps in readiness and over three-quarters of the Asian advantage. Courses fail to explain gender gaps in readiness. Low-income, black, and Asian students also receive lower returns to math courses, suggesting differential educational quality. This analysis is valuable to policy makers and educators seeking to reduce disparities in college readiness.”

Long, M. C., Conger, D., & Iatarola, P. (2012). Effects of high school course-taking on secondary and postsecondary success. *American Educational Research Journal*, 49(2), 285–322.

URL: <https://doi.org/10.3102/0002831211431952>

“Using panel data from a census of public school students in the state of Florida, the authors examine the associations between students’ high school course-taking in various subjects and their 10th-grade test scores, high school graduation, entry into postsecondary institutions, and postsecondary performance. The authors use propensity score matching (based on 8th-grade test scores, other student characteristics, and school effects) within groups of students matched on the composition of the students’ course-taking in other subjects to estimate the differences in outcomes for students who take rigorous courses in a variety of subjects. The authors find substantial significant differences in outcomes for those who take rigorous courses, and these estimated effects are often larger for disadvantaged youth and students attending disadvantaged schools.”

Blair, R., & Getz, A. (2011). A Brief History of the Quantitative Literacy Movement.

URL: [A Brief History of the Quantitative Literacy Movement](#)

“It has always been important for individuals to have the capacity to *do* arithmetic and algebra, however, in today’s global and technological society, doing calculations is not enough. An individual’s capacity to identify and understand quantitative situations, reason quantitatively, and communicate about the role mathematics plays in the world is essential. This quantitative literacy goes beyond basic computational skills. The quantitatively literate individual should be able engage in mathematics and solve quantitative problems from a wide array of authentic contexts and everyday life situations. These “habits of the mind” lead to making well-founded mathematical judgments that are useful in an individual’s current and future life as a constructive, concerned, and reflective citizen. Quantitative Literacy (QL) is more than just arithmetic skills and as fundamental as language literacy.”

Bozick, R., Ingels, S., & Owings, J. (2008). Mathematics Coursetaking and Achievement at the End of High School: Evidence from the Education Longitudinal Study of 2002 (ELS:2002).

URL: [Mathematics Coursetaking and Achievement at the End of High School: Evidence from the Education Longitudinal Study of 2002.](#)

“The findings show that the largest overall gains are made by students who take precalculus paired with another course during the last 2 years of high school. In terms of learning in specific content areas, the largest gains in intermediate skills such as simple operations and problem solving were made by those who followed the geometry–algebra II sequence. The largest gains in advanced skills such as derivations and making inferences from algebraic expressions were made by students who took precalculus paired with another course. The smallest gains were made by students who took one mathematics course or no mathematics courses during their last 2 years.”

Elrod, S. (2014, December 19). Quantitative Reasoning: The Next "Across the Curriculum" Movement.

URL: [Quantitative Reasoning: The Next "Across the Curriculum" Movement](#)

“By one definition, quantitative reasoning (QR) is the application of basic mathematics skills, such as algebra, to the analysis and interpretation of real-world quantitative information in the context of a discipline or an interdisciplinary problem to draw conclusions that are relevant to students in their daily lives. It is not just mathematics. Carleton College, for example, views QR as “the habit of mind to consider the power and limitations of quantitative evidence in the evaluation, construction, and communication of arguments in public, professional, and personal life.” The term numeracy is also used in conjunction with these skills.”

Finkelstein, N., Fong, A., Tiffany-Morales, J., Shields, P., & Huang, M. (2012). College Bound in Middle School & High School? How Math Course Sequences Matter.

URL: [College Bound in Middle School & High School? How Math Course Sequences Matter](#)

“Irrespective of students’ math performance, taking four years of high-school math strengthens their postsecondary opportunities. For students seeking entrance to one of California’s public university systems, a fourth year of math is strongly recommended. Yet our analysis shows that slightly more than 30 percent of students in the study sample did not take math during their senior year. For those who don’t study math their senior year (as well as for others who may not move directly from high school to college), having to take a college placement test after at least a year away from math can be a major deterrent to placing into a college-level math course; and students who do not do well on their placement test are likely to end up in a developmental, or remediation, math course, which yields no college credit.”

Gao, N. (2016, July). College Readiness in California: A Look at Rigorous High School Course-Taking. Public Policy Institute of California.

URL: [College Readiness in California: A Look at Rigorous High School Course-Taking](#)

“In this report we look at participation and performance in rigorous high school courses among California high school students, both overall and across demographic and racial/ethnic groups. While enrollment in rigorous courses has been increasing, particularly among students who are traditionally underrepresented in higher education, a large majority of California high school students are not taking the courses that can prepare them for college. Forty-three percent of high school graduates in 2015 completed the a–g requirement, and 27 percent of high school graduates in 2013 passed an advanced placement (AP) exam. Participation in advanced math, biology, chemistry, and physics courses is also low. In particular, only 30 percent of high school juniors and seniors enrolled in Algebra II and smaller shares enrolled in chemistry (28%) and physics (10%).”

Lee, J. (2012). College for all: Gaps between desirable and actual P–12 math achievement trajectories for college readiness. *Educational Researcher*, 41(2), 43–55.

URL: <https://doi.org/10.3102/0013189X11432746>

“This study addresses missing links in “college for all” debates by investigating gaps between actual and desirable math achievement trajectories for students’ college readiness. Linking multiple national data sets across P–16 education levels, the study estimates college readiness benchmarks separately for two-year and four-year college entrance and completion. The goals of the study are to compare performance standards, benchmarks, and norms for college readiness and to assess college readiness gaps among all students as well as gaps among racial and social subgroups. The results suggest that entrance into and completion of two-year versus four-year colleges require substantially different levels of math achievement in earlier education periods and that meeting national versus state proficiency standards leads to differences in postsecondary education outcomes and can mean the difference between bachelor’s and associate’s degree attainment. Persistent racial and social gaps in college readiness threaten the goal of getting all students academically ready for at least two-year college completion.”

Daun-Barnett, N., & St. John, E. (2012). Constrained curriculum in high schools: The changing math standards and student achievement, high school graduation and college continuation. *Education Policy Analysis Archives*, 20, 5.

URL: <http://dx.doi.org/10.14507/epaa.v20n5.2012>

“Mathematics education is a critical public policy issue in the U.S. and the pressures facing students and schools are compounded by increasing expectations for college attendance after high school. In this study, we examine whether policy efforts to constrain the high school curriculum in terms of course requirements and mandatory exit exams affects three educational outcomes – test scores on SAT math, high school completion, and college continuation rates. We employ two complementary analytic methods – fixed effects and difference in differences (DID) – on panel data for all 50 states from 1990 to 2008. Our findings suggest that within states both policies may prevent some students from completing high school, particularly in the near term, but both policies appear to increase the proportion of students who continue on to college if they do graduate from high school. The DID analyses provide more support for math course requirement policies than mandatory exit exams, but the effects are modest. Both the DID and fixed effects analyses confirm the importance of school funding in the improvement of high school graduation rates and test scores.”

Trusty, J., & Niles, S. (2003). High-school math courses and completion of the bachelor's degree. *Professional School Counseling*, 7(2), 99-107.

URL: <http://www.jstor.org/stable/42732549>

“Using a national longitudinal sample of 5,257 young people who were pursuing the bachelor's degree, we studied how credits in intensive high school mathematics courses affected their completion versus noncompletion of the degree. Finishing one unit in any of four intensive math courses more than doubled the likelihood that participants would later complete the bachelor's degree. Effects were present above and beyond the effects of background variables, including early math ability. Implications of findings are presented.”

One Year Out: Findings From A National Survey Among Members Of The High School Graduating Class Of 2010 (Rep.). (2011). Washington, DC: Hart Research Associates.

URL: [One Year Out: Findings From A National Survey Among Members Of The High School Graduating Class Of 2010](#)

“Four in nine members of the class of 2010 say that based on what they know now they wish they had taken different courses in high school, with the largest proportion of these graduates saying they wish they had taken more math courses or more difficult math courses. 44% say that they wish they had taken different courses in high school. Among this group, 40% would have taken more or higher-level math courses, 37% would have taken courses that would have trained them for a specific job, and 33% would have taken more or higher-level science courses. Regrets about course selection are higher than average among students who went on to college but felt less well prepared than others at their college, students who considered dropping out or did drop out of college, and students who were required to take non-credit remedial courses once they got to college.”

Rigor at Risk: Reaffirming Quality in the High School Core Curriculum (Rep.). (2007). Iowa City, IA: ACT.

URL: [Rigor At Risk: Reaffirming Quality in the High School Core Curriculum](#)

“Of those students who take a core mathematics curriculum, only 16 percent are ready for a credit bearing first-year College Algebra course (see Figure 4). It is not until students take one full year of additional mathematics courses beyond the core that we see more than half (62 percent) of ACT-tested students ready for college-level work in mathematics.”

The Value of the Fourth Year of Mathematics (Rep.). (2013). Washington, DC: Achieve, Inc.

URL: [The Value of the Fourth Year of Mathematics](#)

“Too many students and educators view the senior year and graduation from high school as an end point, rather than one vital step along the education pipeline. Students who engage in a fourth year of math tap into and build upon their advanced analytic skills and are more likely to have better success in postsecondary course work, as they have maintained their momentum and continued to practice mathematics throughout their high school experience.”

Excerpt from the Academic Senate CSU Quantitative Reasoning Task Force

ASCSU Recommendation IIIB: Require four years of high school quantitative reasoning. The Quantitative Reasoning Task Force recommends that four years of high school quantitative reasoning coursework be required as part of the CSU admissions criteria (per ASCSU Resolution AS-3244-16/APEP).

Rationale for Recommendation IIIB. As the ASCSU noted in the rationale for Resolution AS-3244-16/APEP, the success of incoming students is maximized when students maintain their exposure to mathematics/quantitative reasoning. As is the case with a second language, mathematical skills decline from lack of use, and it is important that students continue practicing and developing quantitative abilities throughout their academic careers. In a number of settings, including the CSU Admission Handbook and through CSU Mentor, the CSU already recommends four years of mathematics, even though only three years are required. The standing ICAS recommendation in the “Statement on competencies in mathematics expected of entering college students” similarly states [ICAS 2013]:

For proper preparation for baccalaureate level coursework, all students should be enrolled in a mathematics course in every semester of high school. It is particularly important that students take mathematics courses in their senior year of high school, even if they have completed three years of college preparatory mathematics by the end of their junior year. Experience has shown that students who take a hiatus from the study of mathematics in high school are very often unprepared for courses of a quantitative nature in college and are unable to continue in these courses without remediation in mathematics.

It is important to note that the fourth-year mathematics course called for by the CSU resolution would not necessarily be a fourth course in Area c; it must be a–g compliant, but it could be a course approved in Area g.

Other states in the U.S. already require a fourth year of mathematics for admission to their state university systems. For example, effective with the class entering in the fall of 2015, students in Maryland are required not only to complete four years of mathematics for entry to any of the state’s public universities, but those who complete Algebra II prior to their final year must complete the four-year mathematics requirement by taking a course or courses that utilize non-trivial algebra [St. George 2014]. The Maryland policy was based in part on the report “Coming to our senses: Education and the American future” [Kirwan et al. 2008], which found that the academic intensity of the high school curriculum was the most important predictor of college success, and so recommended four years of college preparatory mathematics.

These findings and prescriptions are not new. Kirst argued in “Overcoming the high school senior slump: New education policies” that high schools should redesign their senior year courses to serve as gateways to general education requirements students would likely encounter in their first year of college and emphasize the importance of taking senior-year math courses [Kirst 2001]. He also recommended that colleges should include a senior-year math course in their admissions requirements.

There is a strong correlation between taking more mathematics in high school and being college-ready upon arrival at the university. Studies have documented that

1. SAT-Math and ACT-Math scores improve as the number of years of high school mathematics increases (see [SAT 2013]–[SAT 2015]);
2. the likelihood of needing remediation decreases and the likelihood of completing general education quantitative reasoning requirements increases as students take more high school mathematics (see, e.g., [USHE 2015]).

Finally, many former high school students, with the clarity of 20/20 hindsight, recognize that they should have taken more (or more difficult) mathematics courses in high school. A “one year later” survey of 1,507 high school graduates found that 44% of those students wish they had taken different courses in high school. The most frequently expressed regret (40% of this group, or more than one in every six students surveyed) was that they hadn’t taken more or higher-level mathematics courses [Hart 2011]. (For further background on the subject of mathematics courses in the senior year of high school, see Appendix E.)

Implementation notes for Recommendation IIIB. If the CSU adopts this admission requirement, there will be a natural implementation phase of at least three to four years. The CSU cannot impose this requirement on students already enrolled in high school; it will be operational only as the next 8th grade class enters the 9th grade. With this in mind, the CSU needs to move forward by communicating its intention to all stakeholders and interested parties as soon as possible.

The CSU will be in a better position to assist high schools in meeting the new requirement with existing Area c and other appropriate courses as well opportunities for professional development if the system supports the creation of a Center for the Advancement of Instruction in Quantitative Reasoning. The Center would be charged with developing a modular course patterned after the Expository Reading and Writing Course, which was designed to reduce remediation needs in English.

More than 60 percent of students advancing to the CSU from high school already complete four years of math. Moreover, many California high schools already offer such a 12th grade course in quantitative reasoning. The goal is to fill in the gap and overcome what might otherwise be a one- or two-year hiatus in students’ use of acquired quantitative skills.

California State University Bridge Courses in Mathematics

The California State University (CSU) Bridge Courses were developed with grants from the California Department of Education and a federal Investing in Innovation (i3) grant. Bridge Courses were co-developed by high school mathematics teachers and CSU faculty to create a senior year course that fulfills an area ‘c’ admission requirement and serves as a transition to college-level mathematics and quantitative reasoning courses.

Five CSU campuses are leading the development and implementation of these courses in collaboration with their K-12 partners. The projects focus on: a) preparing teachers for rigorous mathematics instruction; b) developing innovative pedagogical practices; and c) exploring the range of quantitative reasoning content that effectively bridges K-12, community college and CSU competency expectations.

The projects help schools build capacity to increase college readiness, especially in STEM-related fields. These courses are effectively filling resource gaps and addressing course availability needs in poor districts while expanding pathways for mathematics success.

All five projects fundamentally shift the way mathematics is taught in high school, opening doors for more students to realize academic success. For example, in the Mathematics Reasoning with Connections course led by CSU San Bernardino, the curriculum emphasizes the connections between algebra, geometry, trigonometry and statistics, with a focus on deep contextual understanding. These Bridge Courses offer an opportunity for high schools to offer multiple quantitative reasoning pathways for students while responding to their diverse career interests.

The CSU is working with local school districts to build awareness about the promise of Bridge Courses throughout the state. These courses hold the potential to be developed, scaled and targeted at school districts with limited resources.

Table 1: The number of districts, schools, teachers, and students participating in C

CSU Lead: Course Title	Districts	Schools	Teachers	Students (approximate)
CSU Monterey Bay: Transition to College Level Mathematics	5	8	8	197
CSU Northridge: Transition to College Mathematics and Statistics Project	1	48	40	2,131
Sacramento State: Excellence in Academic Preparation	20	52	139	4,293
CSU San Bernardino: Mathematical Reasoning with Connections	20	48	74	2,963
San Diego State: Discrete Mathematics	1	12	22	1,204
Totals	47	168	283	10,788

Table 1: States that Require a Minimum of Four Years of High School Mathematics/Quantitative Reasoning for a General Diploma

State	Requirement
1. Alabama	3 credits to include: Algebra I, or its equivalent; Geometry, or its equivalent; Algebra II w/Trig or Algebra II, or its equivalent. One credit from Alabama Course of Study: Mathematics or CTE/AP/IB/postsecondary equivalent courses
2. Arkansas	(1) Algebra I or First Part and Second Part Algebra I (Grades 7-8 or 8-9); (1) Geometry or First Part and Second Part Geometry (Grades 8-9 or 9-10); (1) Algebra II; (1) Fourth Math - Choice of: Advanced Topics and Modeling in Mathematics, Algebra II, Calculus, Linear Systems and Statistics, Mathematics Applications and Algorithms, Pre-Calculus, or an AP mathematics
3. Connecticut	Four credits in mathematics, including algebra I, geometry and algebra II or probability and statistics
4. Delaware	The student shall complete mathematics course work that includes no less than the equivalent of the traditional requirements of Geometry, Algebra I and Algebra II courses. The student shall complete an Algebra II or Integrated Mathematics III course as one of the Mathematics credits. During the senior year the student shall maintain a credit load each semester that earns the student at least a majority of credits that could be taken that semester. A credit in Mathematics shall be earned during the senior year.
5. District of Columbia	Must include Algebra I, Geometry and Algebra II at a minimum
6. Florida	A student must earn one credit in Algebra I and one credit in geometry. Earn one credit in Algebra II and one credit in statistics or an equally rigorous course.
7. Georgia	Four units of core credit in mathematics shall be required of all students, including Mathematics I or GPS Algebra, or its equivalent and Mathematics II or GPS Geometry, or its equivalent and Mathematics III or GPS Advanced Algebra or its equivalent. Additional core courses needed to complete four credits in mathematics must be chosen from the list of GPS/ CCGPS /AP/IB/dual enrollment designated courses.
8. Louisiana	Algebra I (1 unit); Applied Algebra I (1 unit), or Algebra I-Pt. 1 and Algebra I-Pt. 2 (2 units); The remaining units shall come from the following: Geometry or Applied Geometry; Technical Math; Medical Math; Applications in Statistics and Probability; Financial Math; Math Essentials; Algebra II; Advanced Math - Pre-Calculus; Discrete Mathematics; or course(s) developed by the LEA and approved by BESE.
9. Maryland	3 credits - 1 in Algebra/Data Analysis; 1 in Geometry; and 1 additional mathematics credit 4 credits beginning with the class of 2018
10. Michigan	Algebra I, Geometry, Algebra II, one math course in final year of high school. Under HB 4465, a student may complete Algebra II over 2 years with 2 credits awarded or over 1.5 years with 1.5 credits awarded. A pupil also may partially or fully fulfill the Algebra II requirement by completing a department-approved formal career and technical education program or curriculum, such as a program or curriculum in electronics, machining, construction, welding, engineering, computer science, or renewable energy, and in that program or curriculum successfully completing the same content as the Algebra II benchmarks assessed on the department prescribed state high school assessment, as determined by the department.
11. New Mexico	4 units of math with one unit equal to or greater than Algebra 2. 2013 and after: Four units in mathematics, of which one shall be the equivalent to or higher than the level of algebra 2, unless the parent submitted written, signed permission for the student to complete a lesser mathematics unit.
12. Ohio	Four units, which shall include one unit of algebra II or the equivalent of algebra II
13. Tennessee	4 credits, including Algebra I, II, Geometry and a fourth higher level math course. (Students must be enrolled in a mathematics course each school year.)

14. Virginia	Courses completed to satisfy this requirement shall include at least two different course selections from among: Algebra I; Geometry; Algebra, Functions and Data Analysis; Algebra II, or other mathematics courses above the level of Algebra II. The Board shall approve courses to satisfy this requirement.
15. West Virginia	Math I; Math II; Math III STEM, or Math III LA or Math III TR; Math IV or Math IV TR or Transition Mathematics for Seniors or any other fourth course option (Chart V). An AP mathematics course may be substituted for an equivalent course or any fourth course option.

**Table 2: States that Require Four Years of High School Mathematics
 AND a Senior Year Course**

State	Mathematics requirement
Delaware	The student shall complete mathematics course work that includes no less than the equivalent of the traditional requirements of Geometry, Algebra I and Algebra II courses. The student shall complete an Algebra II or Integrated Mathematics III course as one of the Mathematics credits. During the senior year the student shall maintain a credit load each semester that earns the student at least a majority of credits that could be taken that semester. A credit in Mathematics shall be earned during the senior year.
Michigan	Algebra I, Geometry, Algebra II, one math course in final year of high school. Under HB 4465, a student may complete Algebra II over 2 years with 2 credits awarded or over 1.5 years with 1.5 credits awarded. A pupil also may partially or fully fulfill the Algebra II requirement by completing a department-approved formal career and technical education program or curriculum, such as a program or curriculum in electronics, machining, construction, welding, engineering, computer science, or renewable energy, and in that program or curriculum successfully completing the same content as the Algebra II benchmarks assessed on the department prescribed state high school assessment, as determined by the department. The DOE shall post on its website and submit to the senate and house standing committees on education guidelines for implementation. Each pupil must successfully complete at least 1 mathematics course during his or her final year of high school enrollment. The bill is now Public Act 208 of 2014.
Ohio	Earn at least four units of mathematics which shall include algebra I, algebra II, geometry, and another higher-level course or a four-year sequence of courses which contains equivalent content.
Tennessee	4 credits, including Algebra I, II, Geometry and a fourth higher level math course. (Students must be enrolled in a mathematics course each school year.)
West Virginia	Math I; Math II; Math III STEM, or Math III LA or Math III TR; Math IV or Math IV TR or Transition Mathematics for Seniors or any other fourth course option (Chart V). An AP mathematics course may be substituted for an equivalent course or any fourth course option.

AGENDA

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Meeting: 3:00 p.m., Tuesday, July 23, 2019
Glenn S. Dumke Auditorium

Jean P. Firstenberg, Chair
Wenda Fong, Vice Chair
Debra S. Farar
Lillian Kimbell
Hugo N. Morales

- Consent** 1. Approval of Minutes of the Meeting of May 21, 2019, *Action*
- Discussion** 2. Naming of the RND Amphitheater – California State University, Monterey Bay, *Action*
3. Naming of the Provident Credit Union Event Center at San José State University, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON INSTITUTIONAL ADVANCEMENT
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

May 21, 2019

Members Present

Jean P. Firstenberg, Chair
Rebecca D. Eisen, Vice Chair
Debra S. Farar
Wenda Fong
Jack McGrory
Hugo N. Morales
Romey Sabalius
Adam Day, Chairman of the Board
Timothy P. White, Chancellor

Trustee Firstenberg called the meeting to order.

Approval of Minutes

The minutes of January 22, 2019, were approved as submitted.

Naming of the Shiley CSU Institute for Palliative Care

Mr. Garrett Ashley, vice chancellor for university relations and advancement, reported that the proposed naming recognizes total commitments of \$6 million by Mrs. Darlene Marcos Shiley and The Shiley Foundation. All newly committed funds will support the CSU Institute for Palliative Care located at California State University San Marcos.

Mrs. Shiley was present, and Cal State San Marcos President Karen Haynes and Chancellor Timothy P. White thanked Mrs. Shiley for her generosity and contributions to the community.

The committee recommended approval by the board of the proposed resolution (RIA 05-19-04) that the California State University Institute for Palliative Care located on the California State University San Marcos campus be named the Shiley CSU Institute for Palliative Care.

Naming of the Carolyn Campagna Kleefeld Contemporary Art Museum – California State University, Long Beach

Mr. Ashley reported that the proposed naming recognizes the \$10 million contribution by Carolyn Campagna Kleefeld to the College of the Arts at Cal State Long Beach. The gift will be used to support the museum through capital improvements that will expand current museum space to include the Carolyn Campagna Kleefeld Gallery, the addition of a print and drawing room, the creation of an endowment for the museum and an endowed scholarship fund.

The committee recommended approval by the board of the proposed resolution (RIA 05-19-05) that the University Art Museum at California State University, Long Beach be named as the Carolyn Campagna Kleefeld Contemporary Art Museum.

Naming of the Lam Family College of Business – San Francisco State University

Mr. Ashley reported that the proposed naming recognizes the \$25 million gift by alumnus Chris Larsen, his spouse Lyna Lam, and RippleWorks to the College of Business at San Francisco State. This gift will be used to create the RippleWorks Endowed Chair for Innovation and Entrepreneurship; the Lam-Larsen Endowed Chair in Financial Technology; and the Lam-Larsen Fund for Global Innovation, which will create five new initiatives: Innovation and Entrepreneurship, Emerging and Developing Economies, Financial Technology, Business and Education Technology, and Workforce of the Future.

San Francisco State University President Les Wong shared a videotaped message from Mr. Larsen and recognized the Larsen and Lam family for their generosity and dedication to the university.

The committee recommended approval by the board of the proposed resolution (RIA 05-19-06) that the College of Business at San Francisco State University be named the Lam Family College of Business.

Systemwide and Campus-based Communications

At the request of Trustee Firstenberg, Mr. Ashley and Mark Woodland, assistant vice chancellor, communications, presented information on the structure and activities of the Communications and Public Affairs team. California State University, Fullerton President Fram Virjee shared how campus communicators work with the Chancellor's Office to tell the CSU story.

Trustee Firstenberg adjourned the meeting.

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Naming of the RND Amphitheater - California State University, Monterey Bay

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Eduardo M. Ochoa
President
California State University, Monterey Bay

Summary

This item will consider naming the Amphitheater in the Academic III Building as the RND Amphitheater.

This proposal, submitted by California State University, Monterey Bay, meets the criteria and other conditions specified in the Board of Trustees Policy on Naming California State University Facilities and Properties, including approval by the system review panel and the campus academic senate.

Background

The proposed naming of the Amphitheater recognizes the \$4 million irrevocable gift from Robert Nathan Danziger to support the College of Arts, Humanities and Social Sciences collaboration with the Monterey Jazz Festival and an unrestricted fund for the university president's discretion.

Robert Danziger is an accomplished attorney and entrepreneur with a strong love of education, music and the arts. Robert along with his wife, the author Martha Drexler Lynn, are committed to promoting and supporting education, art and music in the community, and this is reflected in the gift designation.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Amphitheater in the Academic III building at California State University, Monterey Bay be named the RND Amphitheater.

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Naming of the Provident Credit Union Event Center at San José State University

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Mary Papazian
President
San José State University

Summary

This item will consider naming the Event Center at San José State University as the Provident Credit Union Event Center at San José State University.

This proposal, submitted by San José State University, meets the criteria and other conditions specified in the Board of Trustees Policy on Naming California State University Facilities and Properties, including approval by the system review panel and the campus academic senate.

Background

The proposed naming of the facility recognizes the \$8.1 million commitment by Provident Credit Union (PCU) to San José State University for the Event Center. The request is for a term of 20 years. The arrangement stipulates PCU will contribute \$300,000 annually, with a 3% escalator for a period of twenty years and in return the university will rename the Event Center the Provident Credit Union Event Center at San José State University for that period. The parties may mutually opt out after 10 years or if San José State University leaves the Mountain West Division. Funds will be used to make improvements and renovations to the Event Center. The changes will bring much needed updates to the facility that is approximately 30 years old.

This is a commercial contract, not a gift. Under the terms of a sponsorship agreement, PCU would make payments to SJSU in return for which:

- The Event Center would be referred to on signage at the facility and on nearby roadways as either “Provident Credit Union Event Center at San José State University” or “Provident Credit Union Event Center”;
- PCU would place two ATMs on campus, one in the Event Center and one at a to be determined location nearby (PCU will cover installation costs);

- PCU would have the opportunity to sponsor or participate in university events, such as Student Financial Events, Freshman Orientation and Career Day Initiatives;
- PCU would have the opportunity to provide campus with financial literacy awareness clinics at mutually beneficial times on topics such as managing a checking account, electronic banking and debt management;
- PCU would receive a number of co-branded promotional opportunities, including SJSU Alumni Association co-branded dedicated email offer (one per semester); SJSU Alumni Association co-branded direct mail piece (one per year); and SJSU Alumni Association e-newsletter inclusion with sponsored content, messaging and link to dedicated landing page (quarterly);
- PCU would have an opportunity to create and promote a housing affordability program to SJSU faculty;
- PCU would receive various promotional opportunities at events in the Event Center; and
- PCU would receive certain rights to advertising in Washington Square Magazine.

Should Provident Credit Union change its name during the term, PCU would bear the cost of new signage.

Provident Credit Union is the 91st largest credit union in the United States (18th largest in California). It was established in 1950 to serve the California Teachers Association. Headquartered in the San Francisco Bay Area, Provident Credit Union now serves more than 100,000 members from over 1,200 employer groups and maintains branches throughout California. Provident Credit Union has over \$2.1 billion in assets, over 11% of which are held in reserve. The president of Provident Credit Union, Jim Ernest, is a San José State University alumnus.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Event Center at San José State University be named Provident Credit Union Event Center at San José State University for a period not to exceed twenty years from the date of the agreement, and contingent upon receipt of the annual payment and fulfillment of the other terms as stipulated in the sponsorship agreement.

AGENDA

COMMITTEE ON AUDIT

Meeting: 3:30 p.m., Tuesday, July 23, 2019
Glenn S. Dumke Auditorium

Jack McGrory, Chair
Hugo N. Morales, Vice Chair
Silas H. Abrego
Jane W. Carney
Douglas Faigin
Jean P. Firstenberg
Wenda Fong
Lateefah Simon

- Consent**
1. Approval of Minutes of the Meeting of May 21, 2019, *Action*
 2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
- Discussion**
3. Quality Assessment Review of The California State University System Internal Audit Program, *Information*
 4. Status of California State Auditor Report 2018-127 Regarding Financial Accounts Invested Outside the State Treasury and Campus Parking Programs, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON AUDIT**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

May 21, 2019

Members Present

Douglas Faigin, Chair
Hugo N. Morales, Vice Chair
Jack McGrory
Adam Day, Chairman of the Board

Trustee Douglas Faigin called the meeting to order.

Public Comments

The committee heard from Ejmin Hakobian who commented on various matters including public records requests.

Approval of Minutes

The minutes of March 19, 2019, were approved as submitted.

Status Report on Current and Follow-up Internal Audit Assignments

With the concurrence of the committee, Trustee Faigin presented agenda item 2 as a consent information item.

Status Report on Corrective Actions for the Findings in the California State University and Auxiliary Organizations Audit Reports for the Fiscal Year Ended June 30, 2018

With the concurrence of the committee, Trustee Faigin presented agenda item 3 as a consent information item.

Individual Consequences for Intentional Fiscal Improprieties at the CSU

Mr. Larry Mandel introduced the action item and reminded the committee that the item was tabled at the March meeting of the Committee on Audit for further review and discussion. The item has been revised however the proposed policy additions remain the same. Mr. Mandel reiterated that the vast majority of CSU personnel are well-intentioned and have a desire to conduct business activities with the utmost propriety. However, even the best systems of internal controls and operating procedures cannot provide absolute safeguards against fiscal irregularities.

Mr. Mandel explained that the item proposes an addition to the existing systemwide policy on reporting of fiscal improprieties in order to require that campus presidents and the chancellor (in instances of fiscal improprieties occurring at the Office of the Chancellor) contact the appropriate prosecuting authority and present the evidence for any intentional fiscal impropriety such as fraud, theft, or intentional misuse of funds resulting in a loss to the CSU or a recognized auxiliary greater than \$20,000. Additionally, in such instances in which an individual is identified as responsible for an intentional act of fiscal impropriety resulting in a loss to the CSU or a recognized auxiliary in any amount, campuses are to evaluate seeking repayment or restitution for such losses. Employee discipline, up to and including dismissal, should also be evaluated and imposed when appropriate. Lastly, the item seeks to strengthen the existing reporting process for fiscal improprieties through the addition of an annual certification process for campus presidents and the chancellor.

Trustee Faigin clarified that the item also appears on the plenary agenda as an action item for the full board to consider, if it is approved by the committee.

A motion to approve the committee resolution was made, there was a second, and the resolution was approved.

Trustee Faigin adjourned the Committee on Audit.

COMMITTEE ON AUDIT

Status Report on Current and Follow-up Internal Audit Assignments

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer
Audit and Advisory Services

Summary

This item includes both a status report on the 2019 audit plan and follow-up on past assignments. For the 2019 year, assignments were made to develop and execute individual campus audit plans; conduct audits of Information Technology (IT), Sponsored Programs and Construction; use continuous auditing techniques; provide advisory services and investigation reviews; and continue implementation activities for the redesign of Audit and Advisory Services. Follow-up on current and past assignments was also being conducted on approximately 36 completed campus reviews. Attachment A summarizes the audit assignments in tabular form.

AUDITS

General Audits

The organizational redesign for Audit and Advisory Services provides for individual campus audit plans that are better aligned with campus and auxiliary organization risks and systemwide goals and strategies. Risk assessments and initial audit plans have been completed for all campuses. Audit plans include a Health and Safety audit at each campus as a follow-up to the health and safety audits performed by the California State Auditor in 2018. Eleven campus reports have been completed, fieldwork is being conducted at seven campuses, report writing is being completed for five campuses, and two reports are awaiting a campus response prior to finalization.

Information Technology Audits

The initial audit plan indicated that reviews of Information Security, IT Disaster Recovery, Cloud Computing, and Accessible Technology would be performed at those campuses where a greater degree of risk was perceived for each topic. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues. One campus report has been completed, fieldwork is being completed at two campuses, report writing is being completed for one campus, and one report is awaiting a campus response prior to finalization.

Sponsored Programs

The initial audit plan indicated that reviews of both post-award and pre-award activities would be performed. Post-award reviews emphasize review of operational, administrative, and financial controls to determine whether processes and expenditures are in accordance with both sponsor terms and conditions, and applicable policies, procedures, and regulations. Pre-award reviews emphasize compliance with conflict-of-interest and training requirements. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues relating to sponsored programs activities. One campus report has been completed, fieldwork is being conducted at one campus, and one report is awaiting a campus response prior to finalization.

Construction

The initial audit plan indicated that reviews of recently completed construction projects, including activities performed by the campus, general contractor, and selected subcontractors would be performed. Areas to be reviewed include, but are not limited to approval of project design, budget and funding; administration of the bid and award process; the closeout process; and overall project accounting and reporting. One campus report has been completed, fieldwork is being conducted at one campus, and one report is awaiting a campus response prior to finalization.

ADVISORY SERVICES

Audit and Advisory Services partners with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Reviews are ongoing.

INVESTIGATIONS

Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged misappropriations or conflicts of interest. Further, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor and directly from the CSU Chancellor's Office. In addition, the investigations unit tracks external audits being conducted by state and federal agencies, acts as a liaison for the system throughout the audit process, and offers assistance to campuses undergoing such audits.

CONTINUOUS AUDITING TECHNIQUES

The initial audit plan indicated that continuous auditing techniques would be used to review credit card data for the 12 campuses not reviewed in 2018 to identify potential risks and to evaluate compliance with policies and procedures. Continuous auditing uses data analytics tools and techniques to analyze large volumes of data, look for anomalies and trends, and complement the existing risk assessment process. Reviews are ongoing.

COMMITTEES/SPECIAL PROJECTS

Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or to participate on committees such as those related to information systems implementation and policy development, and to perform special projects.

AUDIT SUPPORT

Annual Risk Assessment

Audit and Advisory Services annually performs individual campus risk assessments, using management interviews, surveys, audit history, and other factors to score an audit universe of topics in order to determine the topics of highest risk to each campus and the system. Periodically, other audit topics are selected for review due to their high profile nature in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system.

Administration

Day-to-day administration of the Audit and Advisory Services division includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system and SharePoint website, and department quality assurance and improvement.

**Status Report on Current and Past
Audit Assignments
(as of 7/11/2019)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Bakersfield	Sponsored Programs - Post Award	2018	AC	4/5	5
	Information Security	2018	AC	4/6	5
	Const. - Humanities Office Bldg. & Humanities Classrooms	2019	AC	0/4	3
	Health and Safety	2019	FW		
Channel Islands	University Auxiliary Services	2018	AC	0/8	4
Chico	Centers and Institutes	2018	AC	0/5	4
	Health and Safety	2019	RW		
	Housing and Residential Services	2019	FW		
Dominguez Hills	Centers and Institutes	2018	AC	6/6	-
	International Activities	2018	AC	5/9	9
East Bay	Educational Foundation	2019	AC	1/3	4
	Health and Safety	2019	FW		
Fresno	Information Security	2019	RW		
	Health and Safety	2019	FW		
Fullerton	Sponsored Programs	2019	AC	0/4	3
	Health and Safety	2019	AI		
Humboldt	Health and Safety	2019	AI		
Long Beach	The Forty-Niner Shops, Inc.	2018	AC	0/18	4
	Information Security	2019	AC	0/4	1
	Health and Safety	2019	RW		
Los Angeles	Health and Safety	2019	AC	0/10	2
Maritime Academy	Health and Safety	2019	AC	0/7	1
Monterey Bay	Foundation of CSU Monterey Bay	2018	AC	8/8	-
	University Corporation	2019	AC	0/9	1
	Sponsored Programs - Post Award	2019	AI		
Northridge	Sponsored Programs	2018	AC	5/5	-
	Health and Safety	2019	AC	0/11	1
Pomona	Const. - Student Services Building	2019	FW		
	Professional & Continuing Education	2019	FW		
Sacramento	Sponsored Programs - Post Award	2018	AC	2/3	14 ¹
	IT Disaster Recovery	2018	AC	4/4	-
	Associated Students of CSU, Sacramento	2018	AC	2/10	5
	Cashiering	2019	AC	0/7	3
	Emergency Management	2019	FW		

**Status Report on Current and Past
Audit Assignments
(as of 7/11/2019)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
San Bernardino	Emergency Management	2018	AC	5/5	-
	Health and Safety	2019	AC	0/17	2
	Information Security	2019	FW		
San Diego	Decentralized Computing	2018	AC	0/11	7 ²
	The Campanile Foundation	2019	AC	2/4	2
	Health and Safety	2019	RW		
San Francisco	Sponsored Programs - Pre Award	2019	FW		
	Accounts Receivable	2018	AC	4/4	-
	Student Organizations	2018	AC	4/7	7
San Jose	Health and Safety	2019	AC	0/11	3
	Housing and Residential Services	2018	AC	9/9	-
	The Student Union of San Jose State Univ.	2018	AC	4/7	5
	Health and Safety	2019	AC	0/12	2
	Const. - Spartan Golf Complex, Phase I	2019	AI		
San Luis Obispo	Information Security	2019	FW		
	Health and Safety	2019	AC	0/9	3
San Marcos	Health and Safety	2019	RW		
Sonoma	Sonoma State Enterprises	2018	AC	4/5	7
Stanislaus	Information Security	2018	AC	5/9	5
	Health and Safety	2019	RW		
	Foundation	2019	FW		
Chancellor's Office	Emergency Management	2018	AC	3/4	9
	Accessible Technology	2019	AI		
Systemwide	Student Organizations	2017	AC	0/1	16 ³
<p>Status FW - Field Work In Progress RW - Report Writing in Progress AI - Audit Incomplete (awaiting formal exit conference and/or campus response) AC - Audit Complete</p> <p>Follow-Up * The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report. ** The number of months recommendations have been outstanding from date of report. ¹ Approved extended completion date of 12/31/19. ² Approved extended completion date of 8/31/19. ³ Approved extended completion date of 12/31/18.</p>					

COMMITTEE ON AUDIT

Quality Assessment Review of the California State University System Internal Audit Program

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer

Kimberly F. Turner, CPA
Chief Audit Executive
Texas Tech University System

Summary

All state audit functions within California are required to follow the practices espoused by the Institute of Internal Auditors (IIA). In January 2019, as required by the IIA Standards for the Professional Practice of Internal Auditing, Audit and Advisory Services underwent a quality assessment review (QAR). While the primary objective of the QAR was to provide reasonable assurance that the internal auditing program at the California State University System complied with the *International Professional Practices Framework* promulgated by the IIA (the review contains an opinion as to conformance to the standards in 12 separate areas), observations and recommendations for continued program enhancement were also noted. The full report is attached.



TEXAS TECH UNIVERSITY SYSTEM™

Office of Audit Services

**Report on the Results of
the Quality Assessment Review of
the California State University System
Internal Audit Program
January 2019**



TEXAS TECH UNIVERSITY SYSTEM™

Office of Audit Services

February 21, 2019

Mr. Larry Mandel
Vice Chancellor and Chief Audit Officer
Audit and Advisory Services
The California State University System
401 Golden Shore
Long Beach, CA 90802

Dear Mr. Mandel:

We have completed the external quality assurance review of the division of Audit and Advisory Services (A&AS) at the California State University System (CSU) for the period ending January 2019. The objective of the review was to provide reasonable assurance that the internal auditing program conforms to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics and to appraise the quality of operations. We addressed this objective through interviews of selected stakeholders to the internal audit function; interviews and surveys of A&AS staff members; review of documents prepared by A&AS; review of quality control processes; and evaluation of A&AS work products from a sample of audit reports issued between January 2017 and December 2018. These activities were performed during or around the time of our onsite visit January 7-11, 2019.

Based on the information we received and evaluated, it is our overall opinion that the internal audit function **Generally Conforms** with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program. Additionally, A&AS is held in high regard by its key stakeholders within the system, indicating that the division is accomplishing its mission to assist university management and the Board of Trustees in the effective discharge of their fiduciary and administrative responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of A&AS and the California State University System community.

Sincerely,

Handwritten signature of Kimberly F. Turner in blue ink.

Kimberly F. Turner, CPA
Chief Audit Executive
Office of Audit Services
Texas Tech University System
Lubbock, TX

Handwritten signature of Richard Cordova in blue ink.

Richard Cordova, CPA
Executive Director
Internal Audit
University of Washington
Seattle, WA

Handwritten signature of Matt Hicks in blue ink.

Matt Hicks, CISA
Systemwide Deputy Audit Officer
Office of Audit Services
University of California
Oakland, CA

EXECUTIVE SUMMARY

CONCLUSIONS OF THE INDEPENDENT REVIEW TEAM

Based on the information we received and evaluated, it is our overall opinion that the division of Audit and Advisory Services (A&AS) at the California State University System (CSU) **Generally Conforms** with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) and Code of Ethics in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program. Additionally, A&AS is held in high regard by its key stakeholders within the system, indicating that the office is accomplishing its mission to assist university management and the Board of Trustees in the effective discharge of their fiduciary and administrative responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. We noted several additional strengths as well as opportunities for enhancing the internal audit function.

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of A&AS and the California State University System community.

STRENGTHS AND LEADING PRACTICES

During our review, we noted a number of strengths in the internal audit program:

- The Chief Audit Officer's (CAO'S) functional reporting line to the audit committee of the Board of Trustees and administrative reporting line to the chancellor represents the strongest possible governance structure an internal audit function can have.
- A&AS has contracted with the California Military Department Cyber Network Defense Team to run scans of CSU information technology systems.
- The redesign of A&AS, in response to recommendations from the previous peer review team, has been well-received by clients and stakeholders. Campus leaders appreciate the consistency in audit teams and competency of work.
- The advisory services function is highly valued across the senior leadership team in the Chancellor's Office as well as on the campuses.
- The CAO's rapport with the Audit Committee chair and senior leadership is strong. Additionally, clients appreciate the positive tone and collegial approach of A&AS, with senior leaders commenting positively on several auditors by name.
- A&AS is enhancing its use of data analytics processes, including continuous monitoring of procurement card expenditures.
- A&AS has implemented TeamMate, an audit documentation tool, and the work paper files we reviewed were well-organized, thorough, and consistent.

OPPORTUNITIES FOR CONTINUED PROGRAM ENHANCEMENT

A&AS has recently undertaken a significant redesign of its organization, which has been well-received by stakeholders. During the course of our review, we noted additional opportunities for A&AS to continue its evolution and further develop its annual risk assessment processes, overall scope of work, audit tools, and internal processes to mature the audit function overall. We also noted opportunities for senior leadership to consider at the systemwide level to enhance the control environment. Additional information on these opportunities is detailed in the next section of the report.

DETAILED REPORT

BACKGROUND

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) require that internal audit functions obtain periodic external quality assurance reviews to assess conformance with IIA Standards and the IIA Code of Ethics and to appraise the quality of operations. The division of Audit & Advisory Services (A&AS) at the California State University System (CSU) completed its last external quality assurance review in February 2014.

For the current review covering the period ending January 2019, the independent review team consisted of the following individuals from peer internal audit functions:

- Kim Turner, Chief Audit Executive at the Texas Tech University System (Team Lead)
- Richard Cordova, Executive Director of Internal Audit at the University of Washington
- Matt Hicks, Systemwide Deputy Audit Officer at the University of California

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to provide reasonable assurance that A&AS conforms to the IIA Standards and Code of Ethics and to appraise the quality of its operations. The scope of our review covered the time period from March 2014 through January 2019. We performed our quality assessment based on the latest version of the IIA Standards published in January 2017.

We accomplished our objective through the following procedures:

- Interviews of selected stakeholders of the internal audit function, including audit clients, key administrators from the Chancellor's Office and campuses, and the chair of the Board of Trustees' Audit Committee
- Interviews and surveys of A&AS staff members
- Review of the previous external quality assurance report and information on the implementation status of those recommendations
- Review of the A&AS and audit committee charters
- Review of the organizational structure and reporting lines of the audit function
- Review of the qualifications and training histories of the A&AS staff
- Review of the annual risk assessment, audit plan, audit manual, follow-up reports, and other materials prepared by A&AS
- Review of the quality assurance and improvement program
- Examination of a sample of A&AS work products and audit and advisory reports issued between January 2017 and December 2018
- Comparison of A&AS's audit and advisory practices with the IIA Standards

These activities were performed during or around the time of our onsite visit, which was conducted January 7-11, 2019.

OVERALL OPINION OF THE INDEPENDENT REVIEW TEAM

In our opinion, the division of Audit and Advisory Services of the California State University System **Generally Conforms** in all material respects to the IIA Standards and Code of Ethics during the period under review.

DETAILED REPORT (continued)

The rating system that was used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform. “Generally Conforms” means that the A&AS has policies, procedures, and a charter that were judged to be in accordance with the IIA Standards; however, opportunities for improvement may exist. “Partially Conforms” means deficiencies, while they might impair, did not prohibit the A&AS from carrying out its responsibilities. “Does Not Conform” means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit the A&AS from carrying out its responsibilities.

The following table lists the specific sections of the IIA Standards and contains our opinion of how the activities of the A&AS conform to each section:

Standard Type and Description	Opinion
<i>Attribute Standards:</i>	
1000 Purpose, Authority, and Responsibility	Generally Conforms
1100 Independence and Objectivity	Generally Conforms
1200 Proficiency and Due Professional Care	Generally Conforms
1300 Quality Assurance and Improvement Program	Generally Conforms
<i>Performance Standards:</i>	
2000 Managing the Internal Audit Activity	Generally Conforms
2100 Nature of Work	Generally Conforms
2200 Engagement Planning	Generally Conforms
2300 Performing the Engagement	Generally Conforms
2400 Communicating Results	Generally Conforms
2500 Monitoring Progress	Generally Conforms
2600 Communicating the Acceptance of Risks	Generally Conforms
<i>The Institute of Internal Auditors' Code of Ethics</i>	Generally Conforms

STRENGTHS AND LEADING PRACTICES

During our review, we noted a number of strengths in the internal audit program:

- The Chief Audit Officer’s (CAO’S) functional reporting line to the Audit Committee of the Board of Trustees and administrative reporting line to the chancellor represent the strongest possible governance structure an internal audit function can have. The CAO has full access to both of these individuals, as well as campus presidents and other senior level administrators.
- A&AS has contracted with the California Military Department Cyber Network Defense Team to run scans of CSU information technology (IT) systems. This arrangement strengthens the security postures of the System and its institutions while limiting costs and resource requirements. These scans are useful to help identify areas of focus for both IT professionals and IT auditors.
- The CAO’s rapport with the Audit Committee chair and senior leaders across the system and campuses is strong. Additionally, clients appreciate the positive tone and collegial approach of A&AS, with senior leaders commenting positively on several auditors by name.

DETAILED REPORT (continued)

- The redesign of A&AS has been well-received by clients and stakeholders. Campus leaders appreciate the consistency in audit teams and competency of work. Audit and advisory team members are able to become more knowledgeable about their assigned campuses, which positively impacts their ability to provide more in-depth and value-added services.
- The advisory services function is highly valued across the senior leadership team in the Chancellor's Office as well as on the campuses. Senior leaders appreciate the responsiveness of the group, as well as their competency across various topics.
- A&AS has begun implementing data analytics processes, including continuous monitoring of procurement card expenditures. Through the acquisition of IDEA, a powerful data analysis tool, A&AS is expanding its skills in this area.
- A&AS has implemented TeamMate, an audit documentation tool, across the audit and advisory practices and has begun implementation for investigations. TeamMate helps improve the standardization of work, and the work paper files we reviewed were well-organized, thorough, and consistent.

OPPORTUNITIES FOR CONTINUED PROGRAM ENHANCEMENT

Institutional Control Environment

During the performance of our review, we were cognizant of the control environment at the institution because of the effect it can have on audit work. While we did not detect weaknesses in the control environment, there are opportunities for consideration by senior leadership to further enhance the institution's efforts to set a strong tone at the top related to compliance and ethical behavior.

Code of Ethics

While some individual departments and divisions, including A&AS, have adopted or subscribe to codes of ethics specific to their offices, CSU does not have a systemwide code of ethics. A code of ethics helps define baseline expectations for behavior and promote an environment that supports ethical decision making, respect for all persons, and other desirable notions. A code of ethics would provide overarching support for existing policies related to human resources, financial matters, academic integrity, and the like, and we encourage the development of one.

Whistleblower Hotline

Currently, employees or others that suspect or know about fraud or other wrongdoing do not have a way to report it anonymously at CSU. The university has a whistleblower protection policy and a policy on reporting fiscal improprieties. Both of these policies list several offices and the California State Auditor as potential reporting sites; however, no internal anonymous reporting mechanism is provided.

We recommend the institution consider implementing a third party whistleblower hotline. Whistleblower hotlines provide a mechanism for complaints, anonymous or otherwise, to be made through one central communication channel. A third party hotline could also provide complainants with greater assurance that their identity (whether or not it is disclosed to the third party hotline) will be protected and limit the possibility of retaliation.

Institutional Compliance Function

Compliance efforts at CSU are currently decentralized to many responsible offices such as athletics, research, human resources, and the like on each campus. While some institutions operate successfully in exactly such a decentralized environment, CSU's magnitude and complexity increases its compliance risk posture. Compliance efforts at CSU may be further improved through development of a systemwide compliance function. While we do not advocate one office taking responsibility for all compliance efforts, a leading practice we recommend is to

DETAILED REPORT (continued)

designate an institutional compliance officer to support coordination, communication, training, and risk monitoring across the campuses.

Prosecution for Wrongdoing

CSU operates 23 institutions throughout the state of California. Decisions of whether to refer cases involving employees suspected of criminal wrongdoing for prosecution are currently impacted by whether the jurisdiction is likely to take the case, which may result in the appearance of uneven treatment of individuals. We recommend development of a systemwide policy with guidelines for referring cases for prosecution so similar cases will be handled the same regardless of jurisdiction.

A&AS Management Response:

Audit management will explore the possibility of a systemwide code of ethics and development of a systemwide compliance function or designation of an institutional compliance officer with system executive management.

Changes to the CSU's whistleblower policy in 2018 opened the door to non-CSU employees to file complaints and allowed complainants to file anonymously with the CSU. With this potential for an increase in the number of complaints received, an evaluation of the possible costs and advantages of a third party hotline could be beneficial.

Concerning development of a systemwide policy with guidelines for referring cases for prosecution, A&AS drafted a resolution for the Board of Trustees' approval that would require CSU campuses to contact the appropriate prosecuting authority if it is believed fiscal improprieties have been committed against the CSU or a recognized auxiliary.

Further Maturity of the Redesigned A&AS

A&AS has recently undertaken a significant redesign of its organization, which has been well-received by stakeholders. During the course of our review, we noted additional opportunities for A&AS to continue its evolution and further develop its annual risk assessment processes, overall scope of work, audit tools, and internal processes to mature the audit function overall.

Risk Assessment and Nature of Work

The risk assessment process that informs the annual audit plan is primarily based on discussions with campus leaders in terms of the defined audit universe, which may not reflect emergent risks. There are opportunities to improve risk sensing capabilities through increased touchpoints with senior administrators and consideration of external risk factors, industry trends, and risks arising from advisory work. An expanded risk assessment will provide opportunities to consider audit and advisory work related to emerging or changing risks such as Title IX compliance, minors on campus, athletics, and IT system implementations. Additionally, A&AS's coverage of institutional risks could benefit from audits scoped to address operational efficiency and effectiveness in addition to the current financial and compliance focus. Finally, the CAO should consider presenting the de-identified results of successful advisory engagements to the Council of Presidents since many institutional risks and opportunities are common across the system.

A&AS Management Response:

We agree. The division will continue to enhance the risk assessment process and audit program focus as the redesigned organization matures.

Data Access and Utilization

A&AS recently implemented IDEA, a robust data analysis tool, and has begun continuous monitoring of procurement card transactions. We commend these steps and encourage the

DETAILED REPORT (continued)

further enhancement of data analysis tools and capability. However, most auditors do not have access to institutional data warehouses that could provide a significant amount of information relevant to audit and advisory engagements. A&AS should expand the number of staff that have access to data warehouses and systems, as well as increasing the number of staff with IDEA access and training. Increasing the overall usage of data analytics will result in more value-added engagements, allow for greater coverage in transactional testing, and reduce the reliance A&AS must place on institutional personnel to prepare for audits.

A&AS Management Response:

We agree. Data access constraints hinder the division's ability to use data analysis tools. With the exception of a common financial system that includes all campuses except one, there is no comprehensive data source in the CSU. Data sources are distributed across the 23 CSU campuses. Further, there are more than 90 auxiliary organizations with their own data sources. The CSU currently has an initiative to place systemwide data in a "data lake". The division will continue to enhance its data analysis tools and capabilities and expand the number of staff that have access as data sources becomes available.

Audit-Related Travel

Interviews and surveys of A&AS employees revealed that the amount of travel may be impacting employee satisfaction and retention, particularly at the staff and senior auditor levels. While significantly reducing the amount of overall travel would not be possible or even desirable, small changes to the department's travel protocols and requirements may yield a major payoff in employee morale and result in decreased travel costs. Some ideas for consideration are to increase the use of video conferencing and electronic data transfer, allow earlier return times on Fridays, and provide for modified work schedules (e.g., 80 hours in 9 days; 10 hours for 4 days, etc.).

A&AS Management Response:

We agree. Audit management has developed and is piloting an alternate travel week schedule.

Succession Planning

There are opportunities for A&AS leadership to take a more proactive role in developing A&AS staff to better prepare them as candidates for higher-level positions when vacancies occur. Interviews with A&AS employees revealed that roles and responsibilities are largely defined by level, with limited flexibility. For example, managers are primarily responsible for engagement planning and scoping. Providing staff with more opportunities to perform higher-level duties could serve to provide for a stronger internal candidate pool when vacancies occur.

A&AS Management Response:

We agree. Audit management is currently evaluating how best to use staff in engagement planning, scoping, and audit program development.

INTERVIEWS CONDUCTED

STAKEHOLDERS SERVED BY THE AUDIT FUNCTION

Board of Trustees

- Dr. Douglas Faigin, Chair, Committee on Audit, California State University Board of Trustees

Executives of The California State University

- Dr. Timothy P. White, Chancellor
- Mr. Steve Relyea, Executive Vice Chancellor and Chief Financial Officer
- Mr. Andrew Jones, Executive Vice Chancellor and General Counsel
- Dr. Loren J. Blanchard, Executive Vice Chancellor for Academic and Student Affairs

Campus Presidents

- Dr. Soraya M. Coley, President, California State Polytechnic University, Pomona
- Dr. Tomás D. Morales, President, California State University, San Bernardino
- Dr. Lisa A. Rossbacher, President, Humboldt State University
- Dr. Leslie E. Wong, President, San Francisco State University

Campus Audit Liaisons and Key Client Contacts

- Ms. Annabel Grimm, Director, Audits and Continuous Improvement, California State University, Chico
- Mr. Larry Kimaara, Director, Business Process Improvement, California State University, Dominguez Hills
- Mr. John McGuthry, Vice President and Chief Information Officer, California State Polytechnic University, Pomona
- Mr. Michael Redmond, Assistant Vice Chancellor, Business and Finance Operations Support, CSU Office of the Chancellor
- Ms. Kristin Weigle Roberts, Director of Auditing and Consulting Services, California State University, Sacramento

MEMBERS OF THE AUDIT FUNCTION

Senior Management of Audit and Advisory Services

- Mr. Larry Mandel, Vice Chancellor and Chief Audit Officer
- Ms. Janice Mirza, Assistant Vice Chancellor and Deputy Chief Audit Officer
- Mr. Mike Caldera, Assistant Vice Chancellor, Advisory Services and Special Programs
- Ms. Michelle Schlack, Assistant Vice Chancellor, Audit Services

Audit and Advisory Services – Investigations

- Ms. Cindy Sanford, Director of Investigations and Intergovernmental Audits

Audit and Advisory Services – Audit Managers

- *Group 1:* Ann Hough, Audit Manager; Caroline Lee, Audit Manager; Joanna McDonald, Audit Manager; Cindy Merida, Audit Manager
- *Group 2:* Greg Dove, IT Audit Manager; Dane MacDonald, Advisory Services Manager; Wendee Shinsato, Senior Manager of Audit Operations

Audit and Advisory Services – Audit Seniors and Staff

QUALITY ASSESSMENT TEAM

Kimberly F. (Kim) Turner, CPA, is the chief audit executive for the Texas Tech University System. Kim leads a staff of 17 auditors in three cities with responsibility for the audit activities of the System, which includes four universities. Kim served as president of the Association of College and University Auditors (ACUA), an international association of 600 higher education institutions from the United States, Canada, and abroad. Kim is a member of the ACUA Faculty, received ACUA's Excellence in Service award in 2011 for her work on the Risk Dictionary, and received ACUA's Outstanding Professional Contributions award in 2014. Kim has led or served on multiple QAR peer review teams to assess the performance of internal audit functions both inside and outside of higher education. She also serves as a frequent speaker for ACUA, Texas Society of CPAs, Society of Corporate Compliance and Ethics, Texas Association of College & University Auditors, and other groups on topics including audit leadership, governance, fraud, and ethics. She obtained her Bachelor of Business Administration and Master of Science in Accounting degrees from Texas Tech University.

Matt Hicks, CISA, is the Systemwide Deputy Audit Officer for the University of California. In this role, Matt ensures overall execution of systemwide audit services, including effective resource deployment, professional development for UC audit staff, development and maintenance of methodologies and guidance, and monitoring and measurement of services. He oversees the annual systemwide risk assessment and internal audit plan development for the UC system and reports on internal activity, risk priorities, and results to the Regents Compliance and Audit Committee and systemwide leadership. Additionally, he serves as the Internal Audit Director for the Office of the President, overseeing a team of auditors responsible for conducting audit and advisory services at UCOP. He has over 15 years of internal audit experience and, prior to joining UCOP, he was a manager in KPMG's Advisory Services Practice in San Francisco. He is a Certified Information Systems Auditor (CISA) and has a B.S. in Business Administration from UC Berkeley.

Richard Cordova, CPA, is the Executive Director of Internal Audit for the University of Washington and began his tenure at UW in July 2009. He reports to the Treasurer of the Board of Regents, is liaison between UW and the Audit Advisory Committee (AAC) of the Board of Regents and administratively reports to the UW President. Richard leads a team of 20 audit professionals responsible for conducting audits across the entirety of the University of Washington enterprise, including four medical centers, three campuses in Western Washington and numerous other UW national and international locations. Immediately prior to joining the University of Washington, Richard worked for a year at Starbucks as the Director of Internal Audit assisting in the completion of their audit program, which included audits in Mexico, Costa Rica and China as well as overseeing the completion of the Sarbanes-Oxley audit requirements. Prior to joining Starbucks, Richard worked for PricewaterhouseCoopers for 24 years, culminating in the position of Director for Internal Audit Services in the Seattle Office. Richard obtained his Bachelors of Science from the University of Notre Dame and his MBA from the University of California, Irvine.

COMMITTEE ON AUDIT

Status of California State Auditor Report 2018-127 Regarding Financial Accounts Invested Outside the State Treasury and Campus Parking Programs

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer
Audit and Advisory Services

Brad Wells
Associate Vice Chancellor
Business and Finance

Summary

The Joint Legislative Audit Committee directed the California State Auditor to prepare a report for the period from fiscal year 2008-2009 through 2017-2018 regarding monies in state trust accounts invested by the California State University. The audit also reviewed campus parking and alternative transportation programs at the Channel Islands, Fullerton, Sacramento, and San Diego campuses.

The California State Auditor began work in September 2018 and the final report was published on June 20, 2019. A copy of the audit report is included as Attachment A of this agenda item. The report identified findings and recommendations regarding \$1.5 billion in state trust accounts invested by the CSU, and oversight of campus parking and alternative transportation programs.

The Office of the Chancellor disagreed with findings related to the adequacy of financial information provided by the CSU about monies in state trust accounts and language used by the auditor to describe CSU's designated reserve balances.

This item summarizes the findings and recommendations included in the report and actions taken by the Office of the Chancellor to implement the recommendations.

Monies in State Trust Accounts Invested by the CSU

The auditor found practices to safeguard monies deposited into state trust accounts and invested by the CSU were appropriate, stating:

“...state law and CSU policy and practices protect CSU’s outside accounts by requiring the separation of duties; the reconciliation of banking statements and campus accounts; quarterly reports to the trustees; and annual reports to the State Treasurer’s Office, the State Controller’s Office, the Department of Finance, and the Legislature.” (emphasis added)

The Office of the Chancellor also provided the auditor with over 30 public reports published by CSU during the ten-year audit period including detailed information about investment balances, net assets, and designated reserves, and externally audited financial statements. These reports and statements, many of which were provided to the State Controller, the State Treasurer, the Department of Finance, and the legislature, were supplemented by detailed letters to state legislators in 2017 and 2018 that addressed balances in state funds invested by the CSU.

Despite the detailed information included in the range of reports and specific presentations prepared by the CSU, the auditor noted that financial information provided in two reports by the Office of the Chancellor did not include information about \$1.5 billion in designated reserves. The auditor stated that information in these two reports was insufficient to “...improve the effectiveness of future consultations with students about potential tuition increases; and enable legislators to base their decisions about CSU’s state funding on a more complete understanding of CSU’s resources.”

The audit report also determined that the CSU’s existing reserve policy does not address the minimum levels of reserves that campuses should maintain and a maximum level of reserves applicable to all designated reserve categories, among other issues.

Recommendations

The audit report recommended that the Office of the Chancellor publish annual financial information about designated reserves and the source of reserves and report this information annually to the Board of Trustees and ensure that the financial information is easily accessible and available to all stakeholders. The audit report also recommended that the Office of the Chancellor strengthen policies regarding reserves.

Actions

The Office of the Chancellor has established a work group to implement the recommendations and will provide status reports to the state auditor after sixty days, six months, and one year, or until the recommendations have been implemented.

Parking and Alternative Transportation and Programs

The report found that campuses “appropriately spent parking fines and forfeitures revenue” and that “CSU appropriately disbursed earnings from parking revenue investments.”

However, the audit found that the campuses reviewed had built new parking facilities that only minimally increased parking capacity and that the Office of the Chancellor has not ensured that campuses consistently implement alternative transportation programs.

Recommendations

The audit report recommended that the Office of the Chancellor require campuses to submit information about the success of existing and planned alternative transportation programs when campuses request to build new parking facilities and evaluate this information prior to approving the construction of new parking facilities. The report also recommended that the Office of the Chancellor require campuses to publicly disclose information about meetings of the campus transportation committees. Finally, the report recommended that campuses identify and explore potential revenue streams that may be used to fund alternative transportation programs on campus.

Actions

The Office of the Chancellor has established a work group to implement the recommendations and will provide status reports to the state auditor after sixty days, six months, and one year, or until the recommendations have been implemented.



California State University

It Failed to Fully Disclose Its \$1.5 Billion Surplus,
and It Has Not Adequately Invested in Alternatives
to Costly Parking Facilities

June 2019

REPORT 2018-127





CALIFORNIA STATE AUDITOR

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June 20, 2019
2018-127

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As directed by the Joint Legislative Audit Committee, the California State Auditor conducted an audit of the financial accounts that the California State University (CSU) holds outside of the state treasury (outside accounts) and its campus parking programs. This report concludes that the CSU Office of the Chancellor (Chancellor's Office) has failed to fully disclose financial resources that it holds in outside accounts, and it has not ensured that campuses fully explore options for alternate methods of transportation (alternate transportation) before investing in expensive parking facilities.

As of June 30, 2018, CSU had accumulated a surplus of more than \$1.5 billion, which consisted primarily of unspent tuition revenue. During the same decade that this surplus was growing, the annual tuition for students attending CSU campuses nearly doubled, and the State increased annual appropriations to CSU as a result of additional voter-approved taxes. Although the Chancellor's Office considers CSU's surplus to be necessary reserves that it has designated for specific purposes, the \$1.5 billion in these outside accounts is available for CSU to spend at its discretion to support instruction and other operating costs. By failing to disclose this surplus when consulting with students about tuition increases or when projecting CSU's resources and needs to the Legislature, the Chancellor's Office has prevented legislators and students from evaluating CSU's financial needs in light of its unspent financial resources.

The Chancellor's Office has also failed to ensure that campuses follow CSU policy that requires each campus to consistently plan for or implement alternate transportation options—such as public transportation, shuttles, or bike share programs—before investing in additional parking capacity. The campuses we visited—Fullerton, Channel Islands, Sacramento State, and San Diego State—have generally relied on building additional parking facilities to address growing demand due to increasing enrollment. Campuses often pass the resulting building and maintenance costs on to students, many of whom pay increased sums for parking permits but experience little or no improvement in parking availability. For example, from fiscal years 2008–09 through 2017–18, Channel Islands increased parking prices by 34 percent while parking capacity actually decreased by 21 percent because enrollment outpaced the growth in parking supply. As CSU's enrollment continues to increase, it must investigate and adopt the most sustainable and cost-effective transportation solutions available.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE, CPA
California State Auditor

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SUMMARY

The California State University (CSU) serves more than 480,000 students at 23 campuses located throughout the State. Its mission is to extend knowledge, learning, and culture and to provide Californians and others with the opportunity to obtain baccalaureate and advanced degrees. As part of this audit, we visited the CSU Office of the Chancellor (Chancellor's Office) and four campuses. We examined two of CSU's financial practices that have the potential to negatively affect students: its accumulation of surplus revenue from tuition and other sources and its focus on building new parking facilities rather than on implementing other transportation options. This report concludes the following:

The Chancellor's Office Did Not Fully Inform Legislators and Students About CSU's \$1.5 Billion Surplus

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As of June 30, 2018, CSU had accumulated a surplus of more than \$1.5 billion, primarily from student tuition, that it can use at its discretion to cover the costs of instruction or other operations. During the period when CSU accumulated much of this surplus from fiscal years 2008–09 through 2017–18, it nearly doubled the cost of student tuition. Further, state funding for CSU also increased significantly after 2012, when California voters approved additional taxes to support education. Although the Chancellor's Office considers the surplus to be critical for supporting CSU's operational needs, it did not disclose the surplus to students when consulting with them about raising tuition costs, thus undermining the opportunity state law affords the students to provide input and ask questions about the need for tuition increases. The Chancellor's Office also did not disclose the surplus to the Legislature when it provided information about CSU's available financial resources. As a result, legislators were unable to evaluate whether CSU's accumulation of surplus funds was reasonable and to consider whether that surplus should be used to fund certain portions of CSU's budget requests rather than the State's General Fund appropriations.

The Chancellor's Office Has Failed to Ensure That Campuses Consistently Plan for Alternatives to Costly Parking Facilities

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From fiscal years 2008–09 through 2017–18, the four campuses we visited raised student parking permit prices to as high as \$236 per semester, largely to pay for the millions of dollars in annual debt payments they took on to finance the construction of new parking facilities. However, these costly new parking facilities have had a minimal impact on parking capacity. Moreover, the Chancellor's Office has not ensured that campuses have consistently planned for

or implemented options for alternate methods of transportation (alternate transportation)—such as shuttles, carpools, and bicycles—before requesting to build new parking facilities, as CSU policy requires. CSU's growing enrollment emphasizes the importance of it adopting the most cost-effective transportation solutions so that campuses can accommodate additional students. Nonetheless, the Chancellor's Office has not consistently provided the leadership and oversight necessary to ensure that campuses implement alternate transportation programs.

Other Areas We Reviewed

We also reviewed CSU's fiscal practices and the transportation services programs at each campus. We found that CSU has appropriate practices in place to safeguard the accounts it holds outside of the Centralized State Treasury System. We also determined that the savings CSU has realized because its salary costs were lower than budgeted (salary savings) can contribute to its surplus. However, because CSU is exempt from budget requirements that would make it necessary to track salary savings, some campuses had limited information about their salary savings. Finally, we also examined whether campuses appropriately spent parking fine revenues, whether they disbursed interest and earnings from parking revenues appropriately, and whether they required quotas for parking violations. We did not find issues in these areas.

Summary of Recommendations

Legislature

To ensure transparency about CSU's available financial resources, the Legislature should require that, beginning in September 2019, the Chancellor's Office provide legislators current balances and projections of the surplus CSU has accumulated for discretionary spending on operations and instruction, and an estimate of how much tuition contributed to that surplus, no later than November 30 each year.

To ensure that students have equitable access to campuses and that campuses provide the most cost-effective mix of parking and alternate transportation options, the Legislature should require the Chancellor's Office to include relevant additional information in the five-year capital improvement plan that it submits annually to the Legislature, such as the status of campuses' implementation of alternate transportation strategies and how those strategies have reduced parking demand.

Chancellor's Office

To improve its transparency, the Chancellor's Office should publish on CSU's website by October 2019, and annually thereafter, information for all stakeholders about CSU's surplus for operations and instruction, including an estimate of how much tuition contributed to that surplus.

To ensure that campuses thoroughly investigate and consider alternate transportation strategies, the Chancellor's Office should immediately require that when campuses request to build new parking facilities, they must submit information on whether implementing alternate transportation strategies reduced parking demand and their plans for future strategies.

Agency Comments

The Chancellor's Office indicated that it believes we have mischaracterized the manner in which it reports its investments and designated reserves. It also indicated that, to the extent possible, it will implement the recommendations in the audit report.

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INTRODUCTION

Background

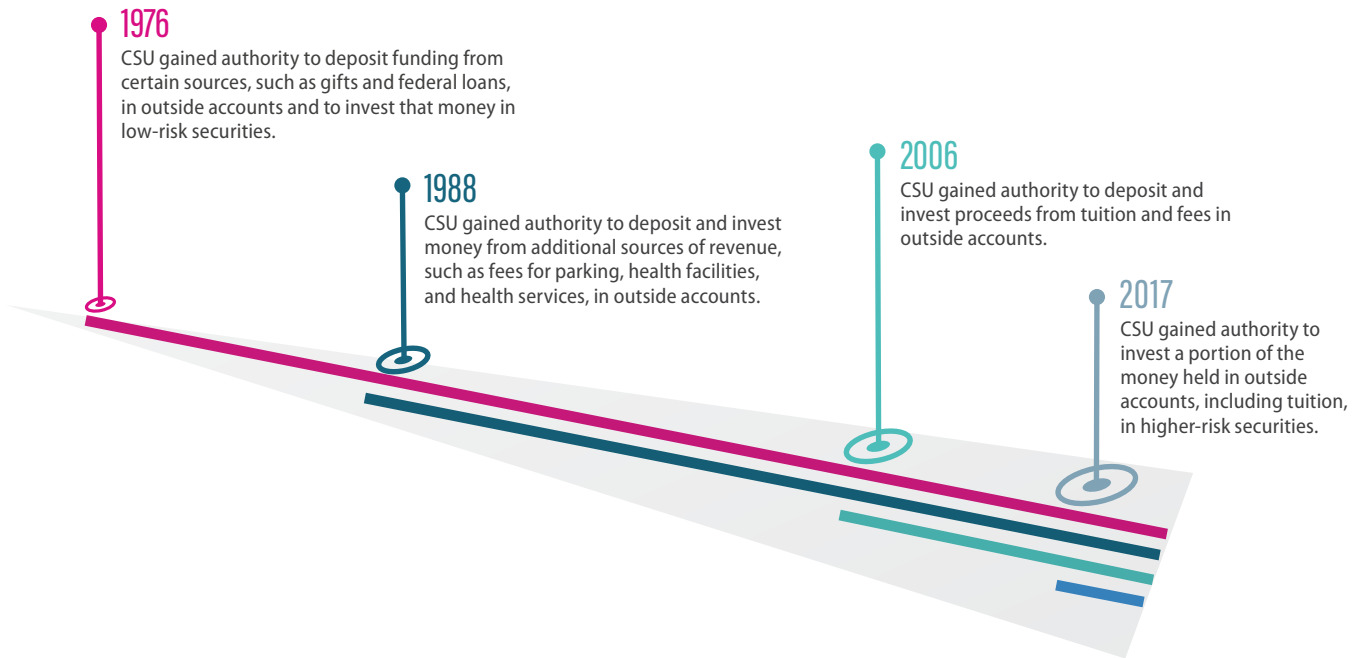
The California State University (CSU) is a public university system that serves more than 480,000 students at 23 campuses located throughout the State. CSU's mission includes advancing and extending knowledge, learning, and culture, especially throughout California, as well as offering baccalaureate and advanced degrees that provide opportunities for individuals to develop intellectually, personally, and professionally. A 25-member Board of Trustees (trustees) administers CSU and appoints the Chancellor of CSU (chancellor). The chancellor is CSU's chief executive officer and he has the authority and responsibility to take whatever actions are necessary for the appropriate functioning of the system, including developing and overseeing its budget and issuing executive orders on CSU policy. The chancellor may also delegate authority to others within CSU, such as the campus presidents, who are the chief executive officers of their respective campuses.

As part of this audit, we visited the CSU Office of the Chancellor (Chancellor's Office) and four campuses: California State University Channel Islands (Channel Islands); California State University, Fullerton (Fullerton); California State University, Sacramento (Sacramento State); and San Diego State University (San Diego State).

CSU Accounts Outside of the State Treasury

Although state law typically requires state entities to deposit money in accounts within the Centralized State Treasury System (state treasury) and allows for the investment of surplus money that is not necessary for immediate use, CSU's legal authority to use accounts outside the state treasury (outside accounts) to deposit and invest funding it receives from different types of revenue has expanded over time. The purpose of the state treasury is to protect state money while maximizing investment returns, and the State Treasurer's Office and the State Controller's Office oversee accounts within it. Before 2006 the state treasury held money from CSU's two major sources of funding: its General Fund appropriation from the State and student tuition revenue (tuition). CSU collected tuition from students and then remitted it to the State for deposit in a fund within the state treasury. The State then returned the tuition to CSU and also provided additional state money to CSU through a General Fund appropriation. However, state law authorized CSU to deposit money from certain other sources, such as gifts and federal loan money, in outside accounts. As Figure 1 shows, beginning in 2006, the Legislature amended state law to authorize CSU to deposit revenue from tuition and other fees in outside accounts. This change made CSU's financial management similar to that of the University of California in that tuition is now continuously available for CSU's general purposes rather than becoming available through the annual budget act.

Figure 1
Over Time, the State Has Expanded CSU's Authority to Use Outside Accounts



Source: Analysis of Education Code sections 89721 and 89724 through 89726, Government Code section 16430, and CSU banking and investing policies and procedures.

CSU's investment authority also expanded recently. Until 2016 state law authorized CSU to invest surplus money—money that CSU did not need to cover current expenses—in a limited selection of securities, such as government bonds. Consistent with state law, CSU established a systemwide investment fund trust with three objectives: safeguarding the surplus, ensuring that it was readily available to meet expenses, and earning an acceptable amount of interest. Effective 2017, the Legislature amended state law to expand CSU's authority to invest funding from other sources, including tuition, in additional types of securities, such as real estate investment trusts, that may provide greater returns, albeit with greater risk.

CSU has established its own central banking and investing system that ensures that it pools and invests surplus money. Campuses and the Chancellor's Office use individual accounts to make deposits and disburse payments. The accounts are zero-balance accounts that do not accumulate balances of surplus money. Instead, each day CSU consolidates any money remaining in those accounts into one systemwide checking account (consolidated checking account) that holds money for systemwide needs. If there is a surplus in the consolidated checking account, CSU transfers money from that account to a pooled investment account (investment account).

If there is a shortage in the consolidated checking account, CSU transfers funding from the investment account into its consolidated checking account. The value of the surplus that CSU holds in its investment account changes as CSU transfers money in and out, as well as when the market value of CSU’s investments shifts. As Table 1 shows, CSU had accumulated a surplus worth nearly \$4 billion in its investment account as of June 30, 2018. This surplus constituted most of the money CSU had in its outside accounts.

Table 1
CSU Had a Total Surplus of Nearly \$4 Billion
As of June 30, 2018

OUTSIDE ACCOUNT TYPE	ACCOUNT BALANCE AS OF JUNE 30, 2018
Investment account	\$3,960,943,228
Consolidated checking account	18,938,887
Escrow accounts	3,801,773
Foreign study program accounts*	337,712
Auxiliary campus payroll account†	152,124
Zero-balance accounts	0
Total	\$3,984,173,724

Source: Analysis of CSU’s *Report of Accounts Outside the State Treasury* for the fiscal year ended June 30, 2018, state law, and other documentation authorizing CSU’s outside accounts.

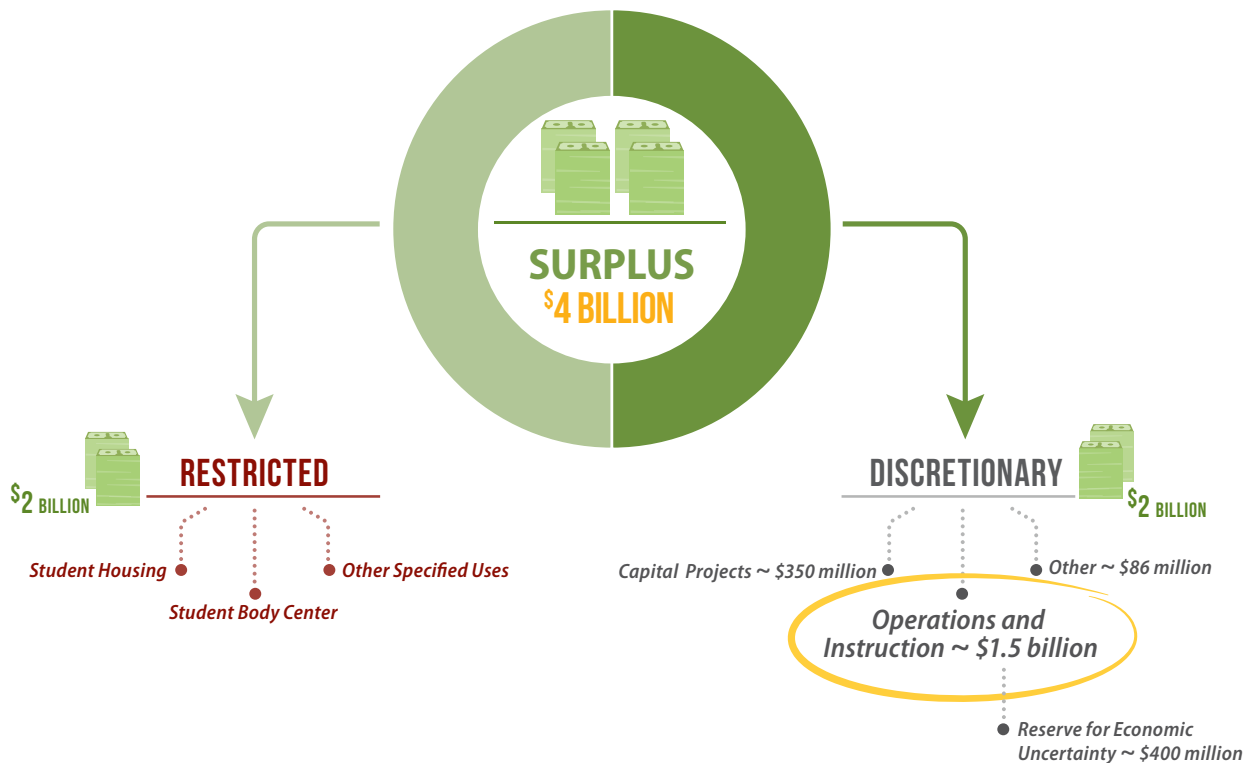
* Education Code section 16305.8 authorizes CSU to make deposits in foreign banks to support programs of foreign study that CSU students attend.

† California State University, San Bernardino held an auxiliary campus payroll account pursuant to authorization from the Department of Finance.

CSU’s \$4 billion surplus comes from two types of funding with significant differences between the two that affect how CSU can use the surplus. About half of CSU’s funding is from revenue sources that are restricted, such as financial aid or student housing fees, meaning that CSU can use that funding only for certain purposes as specified in state law (restricted). The other half—\$2 billion—is from revenue sources that CSU has greater discretion to use for the broad purpose of providing services, facilities, or materials (discretionary), such as tuition. As of June 30, 2018, \$1.5 billion of the \$2 billion discretionary surplus was available for CSU to use for general operations and instruction, as Figure 2 shows. CSU had designated about \$400 million of that \$1.5 billion discretionary surplus as a reserve for economic uncertainty—money meant to limit the impact of state recessions and support year-to-year consistency in university operations. Aside from the \$1.5 billion, CSU had some additional surplus money, including about \$350 million that it had earmarked for maintaining and improving academic buildings (capital projects) and about \$86 million it

had designated for funding repairs, maintenance, and capital purchases related to products and services that campuses provide to each other.

Figure 2
Half of CSU's Surplus as of June 30, 2018, Was Discretionary



Source: Analysis of CSU's account data.

The \$1.5 billion discretionary surplus that CSU could use for operations and instruction accumulated from revenue in its operating fund. Similar to the State's General Fund, which is the primary fund the State uses to pay for governmental activities, the operating fund pays for the expenses related to CSU's operations and instruction, such as academic salaries and benefits. Tuition provided the majority—\$23 billion of approximately \$27 billion, or 84 percent—of operating fund revenue that CSU deposited in its outside accounts during our 10-year audit period from fiscal years 2008–09 through 2017–18, and it was the primary source for the fund's surplus. In this report, we focus our discussion of CSU's outside accounts on the operating fund.

CSU Parking and Transportation

Each CSU campus is responsible for administering its own parking facilities and transportation options through its parking and transportation services office. In 1995 the Chancellor's Office shifted authority for parking operations to the campus level. The text box summarizes the campuses' primary parking-related responsibilities. Each campus also has the authority to set parking fees, subject to approval by the campus president, with some exceptions.

Parking Operations

Parking operations at the campuses are self-supporting; campuses must fund them using parking fees obtained primarily from revenue from the sale of parking permits. Campuses tend to set parking fee prices as needed to cover annual debt payments and operating expenses. Campuses sell parking permits by user type such as semester permits for students, faculty, and staff, as well as students living in on-campus housing (residential permits). Additionally, campuses sell daily permits. The four campuses we reviewed—Channel Islands, Fullerton, Sacramento State, and San Diego State—do not restrict the number of permits they sell, though two campuses limit residential permits to the number of residential parking spaces. The four campuses allot between 70 percent and 80 percent of their total parking spaces to students, including residential spaces.

Because state law restricts the uses of proceeds from parking revenues—parking fees, as well as parking fines and forfeitures (parking fines)—campuses may spend them for specified purposes only. Campuses must use parking fees first for debt payments on existing parking facilities and then may use them to pay for parking operations, a portion of the cost for a new facility, and alternate transportation. Campuses must use parking fines for campus parking enforcement operations and options for alternate methods of transportation (alternate transportation). From fiscal years 2008–09 through 2017–18, the four campuses we reviewed collected about 90 percent of their total parking revenue from parking fees; about 7 percent from parking fines; and the remainder from other sources, such as investment income.¹

CSU Campus Responsibilities Related to Parking

- Collect, deposit, record, and spend parking revenues in specified parking funds.
- Maintain and repair parking facilities.
- Develop local strategies to meet transportation needs.
- Make debt payments on bond-financed parking facilities.
- Plan for new construction projects.
- Establish necessary reserves.

Source: CSU parking policy based on CSU Parking Task Force recommendations.

¹ Table C.1 in Appendix C identifies the campuses' annual parking revenue and expenses related to parking facilities for fiscal years 2008–09 through 2017–18.

Construction of Parking Facilities

Campuses generally finance the construction of parking facilities by taking on annual debt payments, which are associated with the issuance of systemwide revenue bonds (bonds). Figure 3 shows this process. A campus contributes a portion of the cost of a new facility and funds the remainder of the cost using proceeds from the bond's sale, which it pays back by making annual debt payments over 25 to 30 years.

To take advantage of lower interest rates available to CSU as a system, CSU issues a single bond to finance multiple parking, housing, and student union projects at different campuses.

The campuses submit project proposals and financial plans to the Chancellor's Office, which determines the timing of the bond issuance, with the trustees' approval. Each campus program only makes debt payments for its own bond-financed projects. In 1995 CSU repaid all outstanding parking-related bond debt systemwide. Since then, the four campuses we reviewed have financed 12 parking facilities using bonds, the earliest of which is scheduled to be fully paid off in 2023.

The Key Documents Campuses Must Use When Planning and Implementing Transportation Management Strategies

In response to planned enrollment growth, campuses must take the following steps:

- Develop or update a physical master plan—an overview of the campus's facility needs—including plans for proposed new parking facilities. This plan must meet new conditions, such as enrollment growth, and the campus must reevaluate it at least every 10 years.
- Develop a transportation demand management plan. The plan generally presents an overview of the current parking and transportation conditions at the campus, documents the campus's existing transportation management strategies, and offers recommendations for improvement.

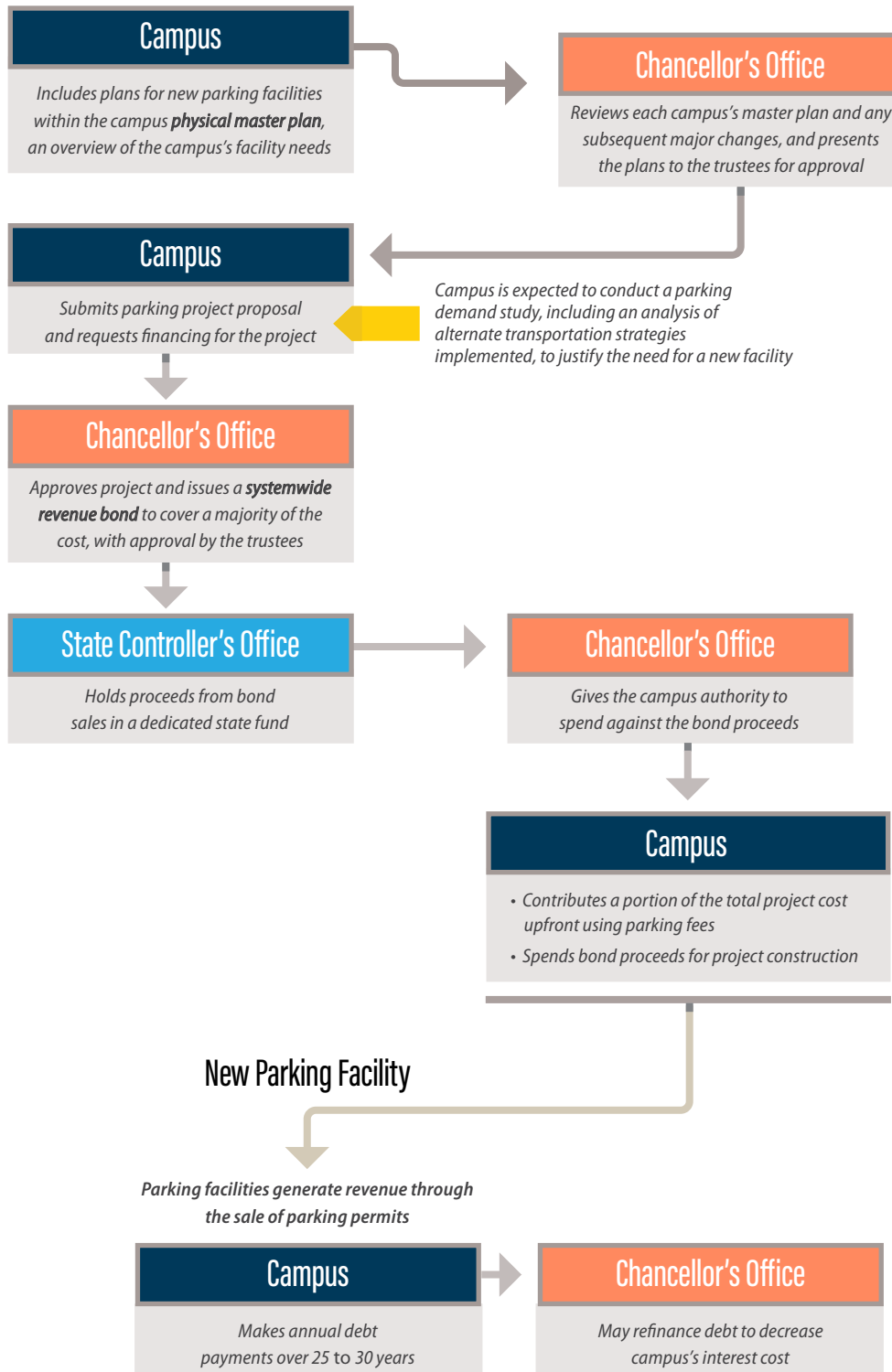
When requesting to build a new parking facility, campuses must submit a project justification statement that includes a parking demand study. This study must contain an analysis showing how implementing the alternate transportation strategies in the transportation management plan has reduced parking demand.

Source: Analysis of CSU policy.

Alternate Transportation

In addition to providing parking, the campuses can improve their students' and employees' access to campus by providing alternate transportation. Alternate transportation provides commuters with options—such as shuttles, carpools, and bicycles—other than driving alone and parking on campus. As the text box shows, the Chancellor's Office requires campuses to use key documents to plan for and implement alternate transportation. When a campus plans to increase enrollment, CSU policy requires it to update its physical master plan—an overview of the campus's facility needs, which may include plans for proposed new parking facilities—to meet new conditions. CSU policy also requires campuses to review the physical master plan at least every 10 years.

Figure 3
 The Chancellor's Office Works With Campuses to Approve and Finance New Parking Facilities



Source: Analysis of CSU policy and bond financing documents.

Similarly, each campus must develop a transportation demand management plan (transportation management plan) to comply with state environmental law. A transportation management plan generally presents an overview of the current parking and transportation conditions at a campus, and it documents the campus's existing transportation management strategies and recommendations for improvement. Transportation management strategies may include providing on-campus housing, adjusting parking pricing to influence driving behavior, or creating programs for alternate transportation. These programs encourage the use of alternate transportation, including in some cases through subsidized public transit passes or cash incentives. Campuses usually develop these plans as a component of the master planning process because state law requires state entities to identify and mitigate transportation impacts associated with building projects, including those designed to accommodate increases in enrollment. To aid the campuses in the development of their transportation management plans, CSU has a systemwide Transportation Demand Management Manual (transportation manual) that contains goals, objectives, and best practices.

Campuses can demonstrate that they have implemented the strategies in their transportation management plans by performing a parking demand study. CSU policy states that campuses must provide a project justification statement that includes a parking demand study when requesting to use debt financing to build a new parking facility. The policy further states that the parking demand study should include an analysis of reductions in parking demand resulting from the strategies in the transportation management plan that the campus has implemented. According to the policy, this requirement is in accordance with a state law that requires campuses to thoroughly investigate and consider incorporating alternate modes of transportation before they can receive funds to build a new parking facility. State law also requires that each campus must have an alternate transportation committee that consults with students and local government officials in carrying out such an investigation.

The Chancellor's Office Did Not Fully Inform Legislators and Students About CSU's \$1.5 Billion Surplus

Key Points

- CSU has accumulated a discretionary surplus worth more than \$1.5 billion from operating fund revenues, primarily from tuition.
- The Chancellor's Office failed to disclose this significant surplus as a resource when projecting CSU's available resources to the Legislature or when consulting with students about the need to raise tuition.
- Although the Chancellor's Office has identified a portion of CSU's surplus as a reserve for economic uncertainty, it has not adopted adequate policies to ensure that the amount of money CSU holds as a reserve and the manner in which it uses that money are appropriate.

CSU Accumulated a Surplus Worth \$1.5 Billion, Primarily From Tuition

As of June 30, 2018, CSU had accumulated a discretionary surplus worth more than \$1.5 billion in its operating fund. This surplus came primarily from tuition, which provided CSU with annual revenue ranging from about \$1.4 billion to \$2.9 billion during our 10-year audit period from fiscal years 2008–09 through 2017–18. In total, tuition accounted for more than \$23 billion, or 84 percent, of the approximately \$27 billion in operating fund revenue CSU deposited in its outside accounts during this time. During these years, CSU requested—and received—increased funding from the State a number of times, and it also repeatedly raised student tuition. Although state laws enacted during the audit period required CSU to identify its available financial resources to legislators and to disclose alternatives to tuition increases to students, the Chancellor's Office did not acknowledge CSU's surplus in key documents it provided to legislators and students. As a result, legislators may not have been aware of critical information that was relevant to CSU's funding requests. Similarly, students lacked information that would have enabled them to take full advantage of the opportunity to provide input and ask questions about the need for increased tuition.

As the Introduction explains, the value of the surplus CSU has in its investment account varies based on the amount of money each campus and the Chancellor's Office transfers in and out of the account and on changes in the market value of its investments.² As Figure 4 shows, CSU's operating fund surplus grew by more than

² Table B.2 in Appendix B identifies the amount of money each campus and the Chancellor's Office had in the investment account as of June 30, 2018.

CSU Tuition Rate Increases From Fiscal Years 2008–09 Through 2017–18

FISCAL YEAR	RATE	INCREASE FROM THE PREVIOUS YEAR
2008–09	\$3,048	10%
2009–10	4,026	32
2010–11	4,440	10
2011–12	5,472	23
2017–18	5,742	5

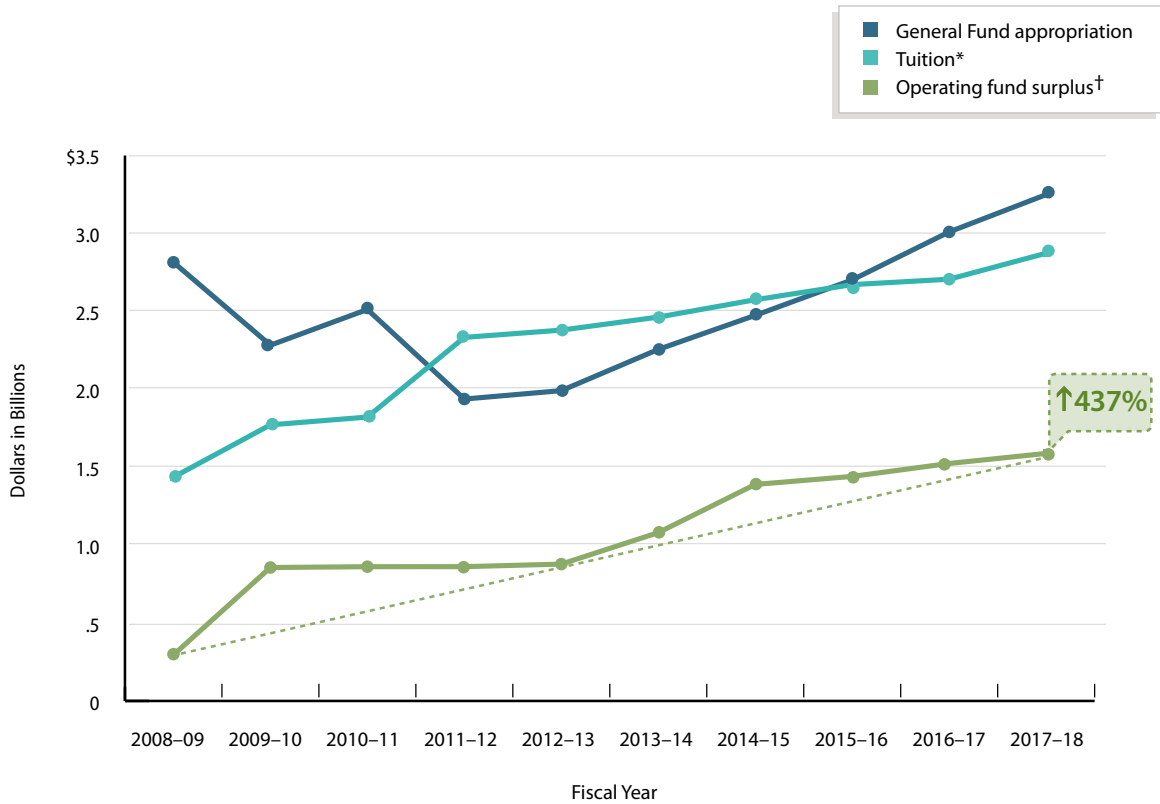
Source: Analysis of CSU's historical tuition rate information and records of related trustee meetings.

400 percent over the last decade, a period during which CSU's total funding from tuition revenue and the State's General Fund appropriations also generally increased. Specifically, state funding for CSU declined from fiscal years 2008–09 through 2011–12 because of the economic downturn at that time, and to offset reductions in state support, CSU raised the cost of tuition during each of these years, as the text box details. As a result, the annual cost of tuition for a full-time CSU undergraduate student increased by about 80 percent, from roughly \$3,000 in fiscal year 2008–09 to almost \$5,500 in fiscal year 2011–12.

From fiscal years 2012–13 through 2017–18, CSU's surplus almost doubled as its General Fund appropriation increased by about 60 percent, from roughly \$2 billion to \$3.2 billion. The increase in the State's General Fund appropriation to CSU

in fiscal year 2013–14 was contingent on the State's collection of additional taxpayer revenue. Proposition 30, known as the Schools and Local Public Safety Protection Act, noted that cuts to state funding for education had resulted in increased college fees, which hurt California's college students. Although it did not provide direct funding for CSU, the proposition temporarily raised taxes and provided more revenue for public safety services and public education—specifically, school districts, county offices of education, charter schools, and community college districts. Based on the assumption that the proposition would pass and CSU would not increase tuition rates, the fiscal year 2012–13 state budget plan included increased future funding for CSU. Voters approved the temporary tax increases in November 2012, and in fiscal year 2013–14 the State increased its support for CSU by roughly \$250 million. Consistent with state expectations, tuition rates remained at the fiscal year 2011–12 level of about \$5,500 through fiscal year 2016–17, although CSU's revenue from tuition continued to increase over that time because enrollment increased.

Figure 4
 The Growth of CSU's Discretionary Surplus Coincided With an Increase in Tuition Revenue and the State's General Fund Appropriations



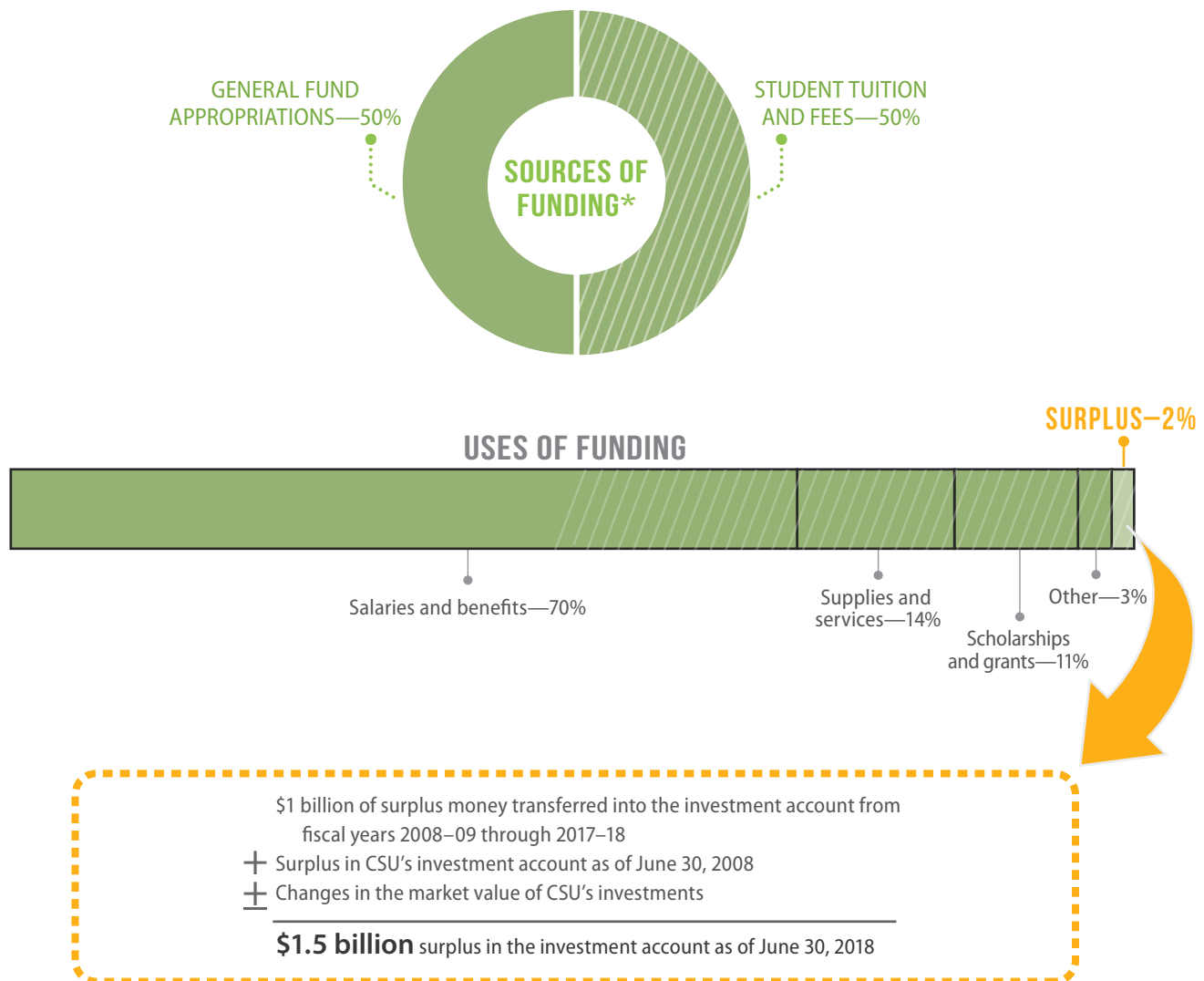
Source: Analysis of CSU's account data.

* From fiscal years 2008-09 through 2017-18, the amount of CSU's tuition revenue increased because of the tuition rate increases that we show in the text box on page 14 and because CSU's enrollment increased.

† In September 2011, CSU transferred \$700 million from its outside investment account to a state investment fund. CSU's transfer made additional funds available to the State for cash borrowing purposes, and CSU reported that the state investment fund earned a higher rate of interest than CSU's other investment options. CSU transferred the \$700 million back to its outside investment account in April 2013.

State funding has not directly contributed to CSU's surplus because CSU does not have the authority to invest surplus General Fund appropriation money in its outside accounts; however, state funding has had an indirect impact because CSU used it to pay for expenses it otherwise would have to pay for using financial resources it holds in its outside accounts. CSU's practice is to fully spend its General Fund appropriations on salary and benefit expenses by the end of each fiscal year. CSU had a total of \$52.4 billion in expenses to its operating fund during our 10-year audit period. As Figure 5 indicates, about half of the funding CSU used to cover those expenses—\$25 billion—came from its General Fund appropriations. Once it exhausted its General Fund appropriations, CSU paid for remaining salary and benefit expenses with other funding sources.

Figure 5
CSU Used Excess Student Tuition to Build a \$1.5 Billion Surplus in Its Operating Fund
From Fiscal Years 2008–09 Through 2017–18



Source: Analysis of CSU’s account data.

* A minority of CSU’s funding—about 5 percent—came from sources other than the State’s General Fund appropriations or student tuition and fees, such as federal grants and investment earnings.

Most of the other half of CSU’s funding during our audit period came from student tuition and fees. Tuition supplied \$23 billion, or 84 percent, of the operating fund revenue CSU held in its outside accounts from fiscal years 2008–09 through 2017–18, and fees supplied another \$2.8 billion. In addition to using tuition to cover remaining salary and benefit expenses, CSU also used it for expenses such as supplies and scholarships. Unlike the state funding that CSU fully spent each year, tuition directly

contributed to the surplus money that CSU transferred into its investment account. From fiscal years 2008–09 through 2017–18, the surplus money amounted to \$1 billion. This \$1 billion, along with the surplus operating fund money that CSU already had in its investment account as of June 30, 2008, and changes to the market value of CSU’s investments, brought the total value of its operating fund surplus up to \$1.5 billion as of June 30, 2018.

The Chancellor’s Office Did Not Disclose CSU’s Surplus to Legislators and Students in Key Documents Related to State Funding and Tuition Rates

Despite the relationship between state funding and CSU’s surplus, the Chancellor’s Office has not fully disclosed the surplus to legislators when state law required CSU to provide additional detail about its financial resources.³ At the time of the 2006 change to state law that allowed CSU to manage tuition revenue in its own accounts outside of the state treasury, the Legislative Analyst’s Office (LAO) stated that the change could reduce accountability, and it recommended ensuring that CSU routinely report and clearly display tuition in budget documents. In certain budget acts, legislators specifically directed CSU to prepare projections of its available resources for the next three fiscal years. For example, the 2016 state budget act required CSU to submit this information to specified parties, including legislative committees that consider appropriations for CSU. Although the Chancellor’s Office provided the Joint Legislative Budget Committee and other legislative entities with projections of tuition revenue at that time, it did not include information detailing CSU’s accumulated surplus, derived primarily from tuition.

The Chancellor’s Office submitted to the Legislature in 2016 an academic sustainability plan (academic plan) that included projections of tuition revenue and General Fund appropriations, along with expenditures that would fully exhaust those projected sources of funding. However, the academic plan did not include the \$1.4 billion surplus that CSU had accumulated as of June 2016 or an estimate of how the surplus might grow over the next three years. Instead, the academic plan indicated that if the State provided less funding than CSU requested and tuition rates did not increase, CSU would not be able to pay for certain expenses, including those

³ CSU has submitted to the State certain financial documents—including its annual report of its outside accounts and periodic investment reports—that identified that it held \$4 billion in its investment account. However, these documents did not provide the detail necessary for the Legislature to easily understand that about \$1.5 billion of this \$4 billion was in essence a discretionary surplus that CSU could use to fund operations and instruction.

related to increasing graduation rates and maintaining facilities and infrastructure. The trustees approved the academic plan, and the Chancellor's Office submitted it to legislators in November 2016.

According to CSU's assistant vice chancellor for system budget, the academic plan included all of the elements that the state budget act required. He indicated that the academic plan focused on recurring revenue sources because the Legislature and the Governor intended for the plan to demonstrate CSU's long-term ability to balance state funding and tuition and fee revenue with estimated enrollment in order to reach its future goals. However, according to a letter the Department of Finance sent to the chancellor and the chair of the trustees in April 2016, the intent was for the academic plan to inform the ongoing discussion between legislators and the trustees about CSU's long-term sustainability and about changes to university policies, practices, and systems that would advance the State's goals for higher education. Moreover, the letter states that the Governor's administration expected CSU to use its available resources to maintain affordability. Because the Chancellor's Office did not disclose the extent of CSU's available resources, legislators were unable to evaluate whether the surplus aligned with the State's goals, consider whether CSU should use any of the surplus to offset the State's appropriation, or discuss with the trustees any potential changes to CSU's policies and practices that allowed it to accumulate a surplus from tuition revenue.

We also question the Chancellor's Office's assertion that only recurring sources of revenue are relevant to its projection of available resources. First, the Chancellor's Office identifies CSU's surplus as critical to sustaining campuses in light of the cyclical nature of their revenues. Further, as we discuss below, CSU has specifically designated a reserve for economic uncertainty intended to limit the impacts of recessions and support consistency in CSU operations. According to the associate director of accounting for the Chancellor's Office's financial services division, CSU's \$400 million reserve for economic uncertainty as well as the other portions of CSU's surplus are a resource campuses can draw on to balance the budget when expenses exceed revenue. She indicated that campuses have the discretion to use any portion of their surplus based on their needs, which could include offering additional courses to help students graduate more quickly. Given that the Chancellor's Office has essentially defined the surplus as an available resource, we would have expected it to disclose it in the academic plan.

Second, we find it problematic that the Chancellor's Office believes only recurring revenue sources are pertinent to its funding requests to the Governor and the Legislature when CSU has included in those requests both recurring funding increases and nonrecurring,

one-time funding augmentations. In fact, in fiscal years 2016–17 and 2017–18, the Chancellor’s Office requested a total increase of about \$530 million in permanent state funding and over \$200 million in one-time funding augmentations. At the time of these requests, CSU’s total surplus exceeded \$1.5 billion. Had CSU informed the legislators of its surplus when presenting its budget requests, the legislators could have directed CSU to use a portion of its own money rather than requesting additional funding from the State. In fiscal years 2016–17 and 2017–18, CSU received \$35 million of the one-time funding it requested.

The Chancellor’s Office also failed to disclose the surplus to students when proposing to increase tuition, a source of revenue that directly contributes to the surplus. As the text box on page 14 indicates, CSU increased tuition rates in academic year 2017–18 for the fifth increase during our 10-year audit period. Since 2013 state law has required that CSU consult with students before increasing tuition rates to ensure transparency regarding its rationale for increasing tuition and its uses of tuition. Accordingly, when considering raising tuition rates for the 2017–18 academic year, the chancellor consulted with the California State Student Association (student association), an organization representing all CSU students that advocates for access to an affordable and high-quality CSU education. The law directs CSU to consult with the students and provide students with information about alternatives to raising tuition so that they can provide input and ask questions. However, the Chancellor’s Office did not inform students about the discretionary surplus CSU had accumulated primarily from unspent tuition.

State law requires that CSU consult with students before increasing tuition rates to ensure transparency.

In fact, in the document the Chancellor’s Office prepared for the student association, it acknowledged only two alternatives to raising tuition: increasing state funding or reducing programs and services. The Chancellor’s Office also provided information about the proposed tuition increase and opportunities for public comment, and it reported that the public comments mostly opposed the tuition increase and that they focused on overall affordability, the State’s responsibility to fund CSU, and the need for CSU to be transparent in its use of tuition. Despite the public’s interest in increased transparency, the Chancellor’s Office did not acknowledge to the students that CSU had a surplus worth

more than \$1.4 billion at the end of fiscal year 2015–16. Although campuses and the Chancellor’s Office had to use a small portion of that surplus—roughly \$126 million—to pay for expenses tied to existing contracts, up to \$1.3 billion was available for campuses and the Chancellor’s Office to spend at their discretion.

In the tuition consultation document it provided to the students, the Chancellor’s Office stated that unless the State increased CSU funding or CSU raised tuition rates, fewer courses would be available and it might take longer for students to graduate. For example, the planned budget for an initiative that CSU launched in January 2016 to help students graduate more quickly was \$75 million for fiscal year 2017–18. Had the Chancellor’s Office disclosed CSU’s \$1.3 billion surplus, students might have asked why CSU could not use a portion of the surplus to pay for this initiative rather than seeking to increase tuition for that purpose. Ultimately, the trustees approved the tuition increase, and in academic year 2017–18 tuition for full-time students increased \$270, or 5 percent, raising CSU’s total annual tuition cost to about \$5,700. CSU estimated that the increase would net about \$78 million of additional revenue for fiscal year 2017–18.

The Chancellor’s Office did not acknowledge to the students that CSU had a surplus worth more than \$1.4 billion at the end of fiscal year 2015–16.

After we shared our findings about CSU’s lack of transparency with the Chancellor’s Office, the associate vice chancellor of business and finance indicated that the Chancellor’s Office had developed a transparency website that presents additional information about CSU’s surplus. It published this website in May 2019. We acknowledge this effort as a positive step toward increasing CSU’s transparency. However, the website does not identify the portion of CSU’s surplus that is discretionary or the portion that comes from tuition. The goal of the website is to ensure that Californians know how CSU conducts its financial business, but it assumes a level of familiarity with CSU’s funds and investment authority that the general public may not possess. By providing this additional information as well as more context about its surplus, the Chancellor’s Office could better maintain the confidence of the Legislature, students, and the public; improve the effectiveness of future consultations with students

about potential tuition increases; and enable legislators to base their decisions about CSU's state funding on a more complete understanding of CSU's resources.

The Chancellor's Office Has Not Implemented an Adequate Reserve Policy

Although the Chancellor's Office implemented a reserve policy in 2015, this policy lacks certain elements that would help ensure that the amount of money CSU holds as a reserve and the manner in which it uses that money are appropriate. The Chancellor's Office considers both CSU's \$400 million reserve for economic uncertainty and other portions of its surplus to be critical reserves—or money to be used for campus operations and held for designated purposes—rather than surplus money that it does not need for current expenses. However, the parts of CSU's policy related to its reserve for economic uncertainty do not address important issues, like establishing a minimum reserve amount or monitoring spending. Further, CSU's reserve policy sets a maximum limit that applies only to its reserve for economic uncertainty; as a result, the policy offers only minimal guidance related to the other portions of CSU's surplus. Given the significant amounts of money involved, we believe that CSU should establish a clear, comprehensive reserve policy that addresses all of the funding it identifies as a reserve.

We identified significant weaknesses in the parts of CSU's reserve policy governing its \$400 million reserve for economic uncertainty. For example, the Chancellor's Office has made campus presidents responsible for ensuring that there are sufficient reserves in CSU's outside accounts, in accordance with CSU policies, standards, and definitions; however, the reserve policy that the Chancellor's Office approved does not identify minimum reserve levels. According to the LAO, there is no such thing as an objectively "right" level of reserves, and deciding a target level of reserves should involve considering factors such as the anticipated size of a future recession. Organizations such as the Government Finance Officers Association and the National Association of College and University Business Officers recommend establishing a minimum level of reserves, and some other universities adopt reserve policies that set a minimum level of reserves and require the universities to maintain it. In contrast, CSU's reserve policy includes only a maximum limit. In accordance with CSU's policy, as of fiscal year 2017–18, CSU systemwide could have held about \$3.3 billion as a reserve for economic uncertainty. Further, the policy does not prioritize CSU's reserve for economic uncertainty by requiring campuses to build that reserve before using surplus funds for other

purposes. In fact, as we describe on page 18, campuses have the discretion to use the reserve for economic uncertainty or any other portion of their surplus as they deem necessary.

CSU's reserve policy is even more limited with respect to the remainder of the \$1.5 billion surplus, despite the fact that the Chancellor's Office considers this full amount a reserve. Although the policy limits the amount of the reserve for economic uncertainty, it allows campuses and the Chancellor's Office to accumulate unlimited surplus amounts for other purposes. As of fiscal year 2017–18, more than a billion of CSU's \$1.5 billion surplus was designated for purposes such as maintaining facilities and developing CSU programs. The reserve policy does not require the Chancellor's Office to monitor how campuses use their reserve amounts or report those uses to the trustees; instead, it only requires the Chancellor's Office to review a summary showing how much money campuses are holding for various designated purposes, including as a reserve for economic uncertainty, at the end of each fiscal year. The policy also does not require the Chancellor's Office to present an annual summary of CSU's reserves to the trustees, although the Chancellor's Office did provide detailed information about CSU's reserves in a presentation it made to the trustees in September 2017.

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**CSU's reserve policy does not require
the Chancellor's Office to monitor how
campuses use reserve amounts or to
report those uses to trustees.**

.....

The Chancellor's Office has established additional guidelines for the use and reporting of some parts of CSU's surplus, although these guidelines are outside of the reserve policy. For example, in fiscal year 2014–15, the Legislature discontinued an appropriation to CSU that was specifically to fund capital improvement projects; instead, CSU must now factor the costs of such projects into its overall fiscal planning and submit a comprehensive five-year capital improvement plan to the Legislature each year. Beginning with the plan for fiscal years 2016–17 through 2020–21, the Chancellor's Office has proposed to fund a portion of planned academic capital improvement projects with surplus designated for such purposes. As of fiscal year 2017–18, CSU had designated about \$315 million of its \$1.5 billion surplus for capital improvements and facilities maintenance. In April 2018, the Chancellor's Office proposed that campuses use that surplus to fund 10 percent of the costs of

capital improvement projects to correct critical infrastructure deficiencies. However, the plan CSU submitted to the Legislature did not indicate the full amount of the discretionary surplus CSU had available. Such context would help legislators evaluate CSU's resources, its use of tuition to support capital project expenses, and its need for state funding for those expenses.

Notwithstanding the need for the Chancellor's Office to strengthen CSU's reserve policy, the fact remains that both CSU's reserve for economic uncertainty and its remaining surplus are financial resources. In keeping with the intent of requirements that CSU inform legislators about its available resources and consult with students about tuition increases, the Chancellor's Office should report the amount of the reserve for economic uncertainty and CSU's rationale for accumulating it, as well as the amount of the remaining surplus. Further, the Chancellor's Office should openly discuss with legislators and students alternative uses for these resources. Only by engaging in such discussions can the Chancellor's Office ensure that CSU's available financial resources are transparent to legislators and students in the context of decisions about state funding and tuition.

Recommendations

Legislature

To ensure transparency about CSU's available financial resources, the Legislature should require the Chancellor's Office to do the following, effective September 1, 2019:

- Beginning in 2019 and no later than November 30 each year, provide relevant parties, including the Department of Finance and the Joint Legislative Budget Committee, with the current balance of the discretionary surplus that CSU has accumulated in its outside investment account that is attributable to its operating fund and to any other funds that are relevant to CSU's budget requests; the balances of the surplus amounts in those funds at the end of the prior fiscal year; the projected balances of the surplus amounts expected to remain in those funds at the end of the current fiscal year; and the amount of, justification for, and safeguards over any funds that CSU deems a reserve for economic uncertainty.
- Include in the capital improvement plans it submits annually to the Legislature information about the current balance of the surplus in CSU's outside investment account that is attributable to its operating

fund or other funds that hold operating revenue from tuition, as well as the projected balance of the surplus amounts expected to remain in those funds at the end of the current fiscal year.

- Include in its consultations with the student association the full amount of the discretionary surplus CSU has accumulated to date in its outside investment account that is attributable to its operating fund and any other funds that hold tuition revenue; the rate of growth of these surplus amounts over the last three fiscal years; an estimate of the portion of the surplus amounts that came from tuition; the dollar amount to date that CSU is obligated to spend to pay for goods and services it has already received or expenses that are tied to existing contracts; a projection of the dollar amount of the surplus that will be available for campuses to spend at their discretion at the end of the current fiscal year; and the amount of, justification for, and safeguards over any funds that CSU deems a reserve for economic uncertainty.

Chancellor's Office

To improve CSU's financial transparency with students and other stakeholders, the Chancellor's Office, with the approval of the trustees, should revise CSU policy by October 2019 to require that it publish information about CSU's discretionary surplus. At a minimum, the Chancellor's Office should do the following:

- Identify the full amount of discretionary surplus that CSU has accumulated to date in its outside investment account that is attributable to its operating fund or other funds that hold tuition revenue, an estimate of the portion of the surplus amounts that came from tuition, and the dollar amount to date that CSU is obligated to spend to pay for goods and services it has already received or expenses that are tied to existing contracts.
- Report this information to the trustees when it presents them with a summary of CSU's reserves, at least annually.
- Ensure that this information is easily accessible on CSU's website and publicly available to all stakeholders, along with the information CSU provides about tuition rates and policies.
- Revise its reserve policy to establish and justify a minimum sufficient level of reserve for economic uncertainty and require the Chancellor's Office to provide additional oversight to ensure that CSU maintains that level. This oversight should include monitoring, approving, and notifying the trustees of any uses of the reserve for economic uncertainty.

The Chancellor's Office Has Failed to Ensure That Campuses Consistently Plan for Alternatives to Costly Parking Facilities

Key Points

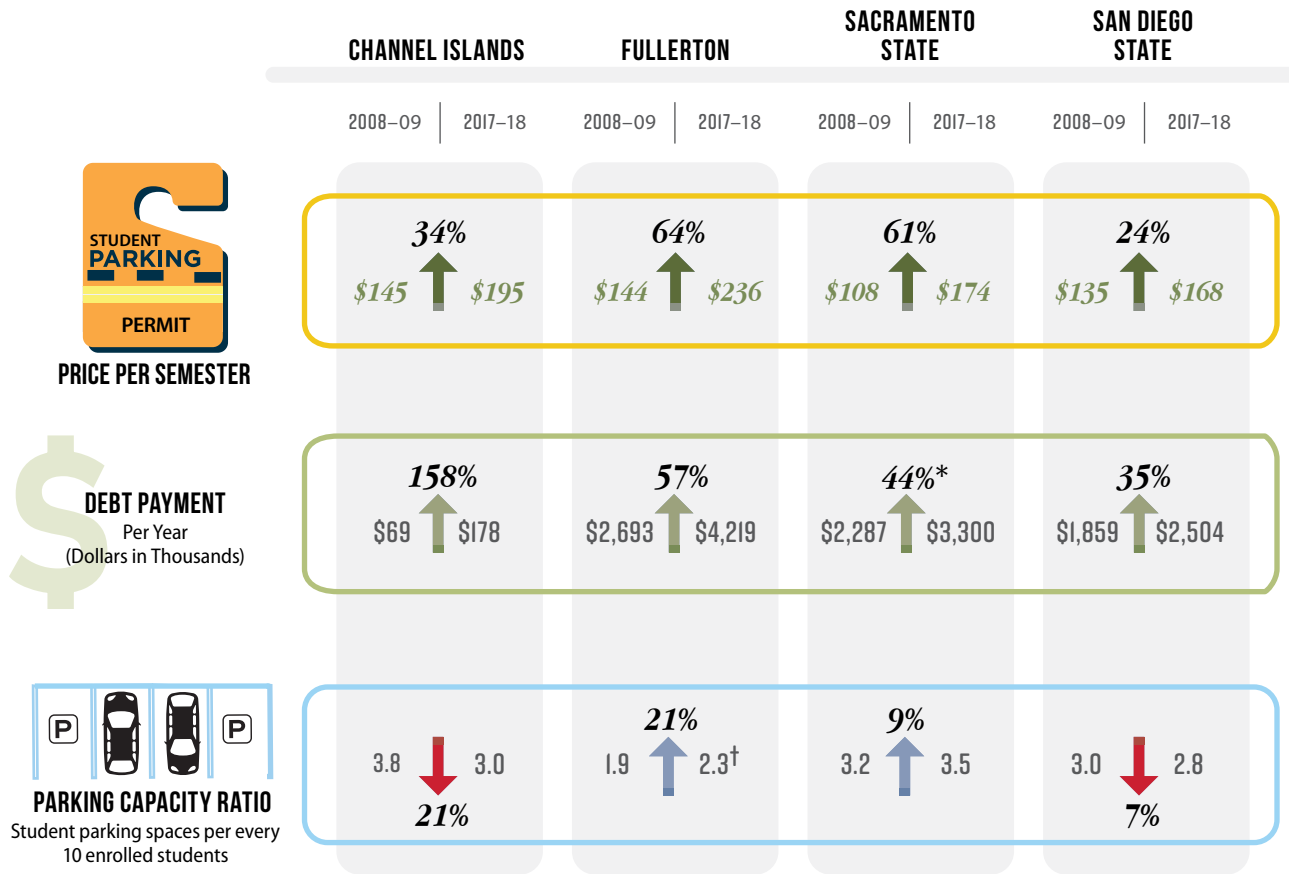
- The four campuses we reviewed have built costly parking facilities that have had minimal impact on campus parking capacity while committing the campuses to significant long-term debt payments. Although the campuses have raised student permit prices, student parking availability remains limited at some campuses.
- The Chancellor's Office has not ensured that campuses consistently implement alternate transportation strategies that could reduce demand for parking and improve access to campuses.
- The Chancellor's Office's leadership is critical to ensuring that students continue to have adequate and affordable access to campuses in the future.

The Four Campuses We Reviewed Have Built Expensive New Parking Facilities That Only Minimally Increased Parking Capacity

According to CSU's transportation manual, the campuses should strive to ensure equitable access by providing transportation opportunities for all students. Campuses can increase access by building and operating parking facilities and by offering alternate transportation options. The transportation manual recommends that each campus determine the most cost-effective combination of parking and alternate transportation programs that will meet its needs. However, in response to rising enrollment, some of the campuses we reviewed have focused primarily on building new parking facilities. With each new bond-financed parking facility, a campus incurs significant debt. This debt is typically accompanied by increased student parking permit prices to cover the costs, in part, because a campus must make debt payments for a single bond-financed facility for 25 to 30 years. Over the past 10 years, all four campuses we reviewed constructed new parking facilities. During this time, the campuses increased student permit prices significantly—over 60 percent at two campuses.

Despite these increased permit prices, parking capacity has remained generally stagnant or declined because enrollment increases have outpaced the growth in the parking supply. CSU's five-year capital improvement plan measures parking capacity as the ratio of a campus's parking spaces to its projected enrollment. We used a similar measure to assess parking capacity by comparing only student and residential spaces to enrollment because students are not eligible to park in all campus parking spaces. As Figure 6 shows, despite the campuses increasing their debt and raising student permit prices to invest in parking facilities, the improvements to student parking capacity have not kept up with the growth in enrollment.

Figure 6
Although Campuses Raised Student Permit Prices, They Only Minimally Increased the Number of Spaces Available to Students
Fiscal Years 2008–09 Through 2017–18



Source: Enrollment data, parking inventory reports, and debt payment schedules for each campus.

* Sacramento State financed a parking structure in fiscal year 2017–18, but its first debt payment was not until fiscal year 2018–19. To capture the cost of the additional parking spaces, we include the scheduled debt payment here.

† This calculation does not include 550 parking spaces that Fullerton leases in an off-campus facility. These spaces amount to about 6 percent of total student parking spaces.

Both Fullerton and Channel Islands have built facilities that increase student parking costs without significantly increasing parking capacity. Fullerton, for example, charged students the highest prices for semester parking permits of the four campuses in fiscal year 2017–18 yet had the lowest number of student parking spaces available relative to student enrollment—roughly two spaces for every 10 students. In 2010 it financed a structure with nearly 1,500 new spaces that increased its annual debt payment from \$2.7 million to more than \$4 million. Fullerton now plans to build another parking structure that will increase its parking supply by roughly 1,100 spaces and is estimated to open in fall 2020. That structure will increase student parking capacity to only about 2.6 spaces for every 10 students and will place an additional burden on student drivers by

raising the price of student semester permits from \$236 to \$334 over two years, an increase of \$98, or about 42 percent. Similarly, Channel Islands more than doubled its annual debt payment from about \$70,000 to nearly \$180,000 to add about 500 new parking spaces, yet its per capita parking capacity decreased during our 10-year audit period because its enrollment increased at a faster rate.

Further, in one case, a campus built a parking facility that was not intended for students, despite their permit fees paying for those construction costs. Under a 2015 bond, San Diego State took on nearly \$900,000 in annual debt payments to finance a 300-space parking facility in a housing and retail development. This facility did not increase the campus's student parking capacity because it is intended to primarily serve retail customers, as well as some campus visitors. Although students who purchase semester parking permits are not eligible to park within the new facility, the campus is using those students' parking permit fees to make its debt payments related to the facility's construction.

San Diego State built a parking facility that was not intended for students, despite using students' permit fees to pay for the facility's construction.

Student parking fees are significantly higher and increase more frequently than those of faculty and other represented staff. In fiscal year 2017–18, between about 40 percent and 70 percent of total enrolled students at the four campuses purchased semester student or residential parking permits. During this year, student semester permits at the campuses ranged in price from \$168 to \$236 per semester, while prices for residential permits at the four campuses ranged from \$195 to \$266 per semester. In comparison, staff and faculty permits ranged from only \$59 to \$119 per semester.⁴ Bargaining agreements limit the campuses' ability to increase the price of employee parking to cover increasing debt and operational costs. Consequently, faculty permit prices have not increased at any of the four campuses over the past 10 years, while permit prices for other represented staff have increased by \$7 to \$9 only. Because campuses are limited in their ability to raise employee permit prices, they tend to raise student permit prices instead.

⁴ Table C.1 in Appendix C identifies the campuses' parking permit prices for students and represented staff and annual percent changes for fiscal years 2008–09 through 2017–18.

Despite the fact that students have been paying higher permit prices, the campus parking occupancy assessments conducted during our audit period suggest that student parking facilities often have poor parking availability at peak demand times. To determine parking availability, we evaluated occupancy assessments from a variety of sources, such as recent transportation management plans and parking demand studies, as well as data that parking officials provided. Some of these assessments noted that the parking facilities were at or near practical capacity—when 90 percent of available spaces are occupied—during the times when the campuses performed their reviews. When a parking facility is at or over practical capacity, drivers find it difficult to identify the few remaining spaces and may spend significant time looking for those spaces.

The lack of availability was more pronounced at some campuses than others. According to their respective assessments, Fullerton's and Channel Islands' observed parking facilities were at or near practical capacity at the time they were evaluated; further, some of their largest parking facilities—particularly student parking—were nearly or completely full. San Diego State's transportation management plan indicates that although campuswide student parking was below practical capacity, some facilities were completely full during peak times. Similarly, according to parking data Sacramento State provided, individual parking facilities were full, although at certain times some student spaces were available elsewhere on campus. San Diego State's assessment states that students tended to have less parking available than faculty and staff during peak times, while Fullerton's data suggests that staff and faculty had generally similar parking availability challenges as students. However, all the campuses except Channel Islands provide more spaces per person for faculty and staff than for students, and faculty and staff can use their permits in student parking facilities at all four campuses.

All but one of the four campuses provide more parking spaces per person for faculty and staff than for students.

Persistently high parking occupancy may affect students' behavior: according to Fullerton's 2015 parking demand study, finding parking in parking structures is extremely competitive, so students tend to arrive early to secure parking regardless of when their classes begin. Students then remain parked throughout the day, limiting

vehicle turnover. As a result, Fullerton's parking spaces do not serve as many students as they could. Fullerton's January 2019 parking demand study asserts that the trend of full parking facilities has continued and, in fact, worsened.

Some campuses' transportation management plans or parking demand studies note that if enrollment continues to increase, current parking capacity will be insufficient. However, the documents also stress that campuses can decrease their reliance on parking and their need for additional facilities if they implement more diverse transportation management strategies. We discuss such strategies below.

The Chancellor's Office Has Not Ensured That Campuses Consistently Implement Alternate Transportation Programs

The Chancellor's Office has not ensured that campuses consider programs that offer alternate modes of transportation before requesting to build new parking facilities; thus it has not verified that the campuses adopt the most cost-effective and equitable responses to rising enrollment. As we discuss in the Introduction, the Chancellor's Office requires campuses to use key documents to plan for and implement alternate transportation strategies and to justify building new parking facilities by demonstrating that a need exists even after implementing such strategies. Although the four campuses we reviewed cited alternate transportation strategies in certain plans, we found that some campuses did not implement many of these strategies. As Table 2 shows, the four campuses did not perform certain steps to ensure they used the most cost-effective blend of parking and alternate transportation programs. In fact, two campuses—Channel Islands and Fullerton—failed to complete most of these key tasks and analyses.

Our review of Fullerton, for example, found that it has done little to ensure it considers alternate transportation. Although CSU policy requires campuses to reevaluate their master plans at least every 10 years, Fullerton's most recent master plan is from 2003 and does not reflect the campus's current conditions. In 2003 Fullerton projected that its enrollment would increase to 25,000 full-time equivalent students over 10 years, yet, in fall 2018, it enrolled over 30,000 students. To accommodate enrollment growth, the 2003 master plan primarily focuses on building parking facilities—three of which Fullerton has since built—and it only briefly mentions that the campus should encourage the use of public transportation. In fact, until 2015 Fullerton's key planning documents contained little mention of strategies for implementing alternate transportation. Although Fullerton performed a parking demand study in 2015 that recommended several alternate transportation strategies, such as establishing a transit center,

campus shuttles, and a bike share program, it did not implement many of these strategies. Yet, Fullerton plans to build another parking facility in 2020—which we discuss previously—that will result in significant price increases for students.

Table 2
The Four Campuses Did Not Consistently Perform Key Tasks and Analyses to Ensure That They Used the Most Cost-Effective Blend of Parking and Alternate Transportation Programs
Fiscal Years 2008–09 Through 2017–18

KEY TASK OR ANALYSIS	CHANNEL ISLANDS	FULLERTON	SACRAMENTO STATE	SAN DIEGO STATE
Identified alternate transportation strategies in key planning documents	◆	◆	◆	◆
Analyzed how implementing alternate transportation strategies has decreased parking demand	✗	✗	◆	◆
Performed recommended cost-benefit analysis	✗	✗	✗	✓
Implemented strategies that plans or studies recommended for improving campus access	✗	◆	◆	◆
Used alternate transportation data to analyze the effectiveness of its programs in key planning documents	✗	✗	✗	✗
Ensured alternate transportation committee met regularly	✗	✗	✓	◆

Source: Analysis of CSU policy and manuals and campus parking program data.

- ✓ = Performed key task or analysis
- ◆ = Partially performed key task or analysis
- ✗ = Did not perform key task or analysis

Although the CSU transportation manual recommends that campuses compare the costs of building a new parking facility to other transportation management strategies, some of the campuses did not include such analyses in their plans or studies. For example, the transportation manual states that campuses can track program efficacy by using metrics such as the total cost of the transportation strategies, cost per trip, cost per participant, and rate of participation. The transportation manual adds that each of these metrics may be useful in developing the most efficient blend of transportation and parking investments. If three of the campuses had performed this cost comparison, they may have found similar results to what San Diego State included in its 2013 transportation management plan. San Diego State included the net cost to accommodate each commuter, whether by alternative transportation or different types of parking, which showed that the parking facilities are the most expensive.

In addition to not sufficiently analyzing other options before requesting to build new parking facilities, some campuses did not follow through on implementing alternate transportation programs recommended in their plans. Although some of the campuses' transportation management plans or master plans included recommendations for alternate modes of transportation, the campuses did not consistently implement these recommendations, as Table 3 shows. The campus that implemented the least number of recommended transportation strategies—Channel Islands—also had the highest percentage of students and faculty driving alone to campus.

Table 3
Some Campuses Have Not Implemented Recommended Strategies for Improving Campus Access

RECOMMENDED STRATEGIES	CHANNEL ISLANDS	FULLERTON	SACRAMENTO STATE	SAN DIEGO STATE
Bicycle racks/bicycle storage	✓	✓	✓	✓
Tiered semester parking permit pricing	X	✓	X	X
Subsidized public transit	✓	✓	✓	✓
Annual transportation surveys to evaluate if a program is successful	X	X	X	X*
Elimination of semester parking permits to encourage using alternate transportation one or more days per week	X	NA	NA	NA
Online parking passes/pay-as-you-park mobile application	X	✓	NA	NA
Real-time parking availability/parking lot capacity information	X	NA	NA	X
Bike share program	X	X	✓	✓†
Campus shuttles providing trips around campus/local areas	✓	X	✓	✓
Transit center where public transportation, campus shuttles, and bike shares are easily accessible and centrally located	NA	X	NA	NA
Designated short-term parking locations to increase turnover	NA	✓	NA	NA
Carpool incentives	✓	✓	✓	✓
Percent who drive alone to campus‡	82%	74%	69%	58%

Source: Analysis of campus parking program information, CSU transportation demand management studies, and parking staff confirmations.

✓ = Implemented

X = Not implemented

NA = This strategy was not specifically recommended in the campus's recent plan or study. However, campuses may implement strategies that are not specifically recommended.

* San Diego State completed three transportation surveys of their campus population, but not on a regular, annual basis.

† Although San Diego State implemented this program during our audit period, it does not currently exist.

‡ The percentages are from the campuses' most recent plans or studies that include this information, which they completed in 2013 through 2017.

Channel Islands likely implemented so few recommended strategies in large part because it did not establish the required alternate transportation committee until 2017. State law requires each campus to have an alternate transportation committee that investigates and considers alternate modes of transportation. These alternate transportation committees are a vital mechanism for campuses to identify and monitor alternate transportation programs. However, CSU lacks a systemwide policy specifying the makeup of the committees, the frequency of required meetings, or the types of issues that should be discussed at those meetings. At the campus level, only Sacramento State and Fullerton have established policies for the governance of their alternate transportation committees. According to Sacramento State's Transportation Advisory Committee Charge, the committee is responsible for all aspects of the campus's transportation, including reviewing and critiquing existing transportation programs and exploring and recommending new programs.

**Alternate transportation committees
are a vital mechanism for campuses
to identify and monitor alternate
transportation programs.**

Because CSU lacks such a systemwide policy, we found inconsistencies in how often the campuses' committees met. Channel Islands and Fullerton were able to provide evidence that they held only three and four alternate transportation committee meetings, respectively, in the 10 years of our audit period. Further, as we mention above, Channel Islands did not establish its alternate transportation committee until 2017, even though state law has required such a committee since the campus's inception in 2002. The parking directors for both Channel Islands and Fullerton asserted that despite their lack of alternate transportation committee meetings, they had attended meetings with other campus committees at which they provided updates on campus parking and transportation. However, given that these campuses did not implement many of the recommended alternate transportation strategies, we question the effectiveness of this approach. In fact, according to Channel Island's transportation management plan, the campus lacks coordination and communication, which hinders the transportation programs. By comparison, Sacramento State and San Diego State provided evidence for at least 50 and 17 meetings, respectively.

We identified similar inconsistencies in the membership of the alternate transportation committees. Although state law requires alternate transportation committees to consult with students and local government officials, not all campuses required their committees to include representatives from these groups. Channel Islands indicated that they invited students, but Sacramento State and Fullerton were the only campuses with policies that require student representatives. In practice, San Diego State generally has only parking and administrative staff serving on its committee. Moreover, only Sacramento State required community members to be a part of the committee. Although Channel Islands' committee met with a regional transportation commission, San Diego State's and Fullerton's committees did not meet with local government officials.

Campuses are unaware of the effectiveness of their alternate transportation programs because they do not regularly use their data to analyze the effectiveness of their programs or to make decisions about building new parking facilities. The transportation manual recommends that campuses consistently collect data about participation rates in alternate transportation programs and the commuting habits of campus populations to determine if the programs have decreased parking demand. The campuses provided examples of data they collect, but they could not demonstrate that they use the data to monitor the effectiveness of alternate transportation programs. For example, Sacramento State records the numbers of carpool permits sold, the number of regional transit passes issued, and the number of students riding campus shuttles, but it has not used this data to analyze the effectiveness of its transportation programs in a transportation management plan or a parking demand study.

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Campuses do not regularly use their data to analyze the effectiveness of their alternate transportation programs.

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One of the reasons the campuses may have inconsistently implemented alternate transportation methods is because most of the campuses have unreliable revenue streams to fund alternate transportation programs, and in many fiscal years, the expenses of these programs are greater than their revenues. The transportation manual notes that successful transportation management programs are financially sustainable and have long-term, stable sources of funding. However, under current state law and CSU policy, the revenue available for alternate transportation programs comes primarily from the drivers

the programs seek to decrease in number. Specifically, the campuses generally fund their alternate transportation programs with parking fines revenue, which is inherently limited and inconsistent.

Campuses may use parking fee revenue for alternate transportation, but only after they have satisfied debt payments; the campuses must also use parking fee revenue to fund parking operations, maintenance, and repairs because the parking programs are self-supported. As Figure 7 shows, from fiscal years 2008–09 through 2017–18, the four campuses together collected \$321 million from parking permit fees, nearly 12 times more than the revenue they collected from parking fines. During this period, the campuses' annual debt payments for their existing parking facilities alone amounted to more than three times what they spent on alternate transportation programs.

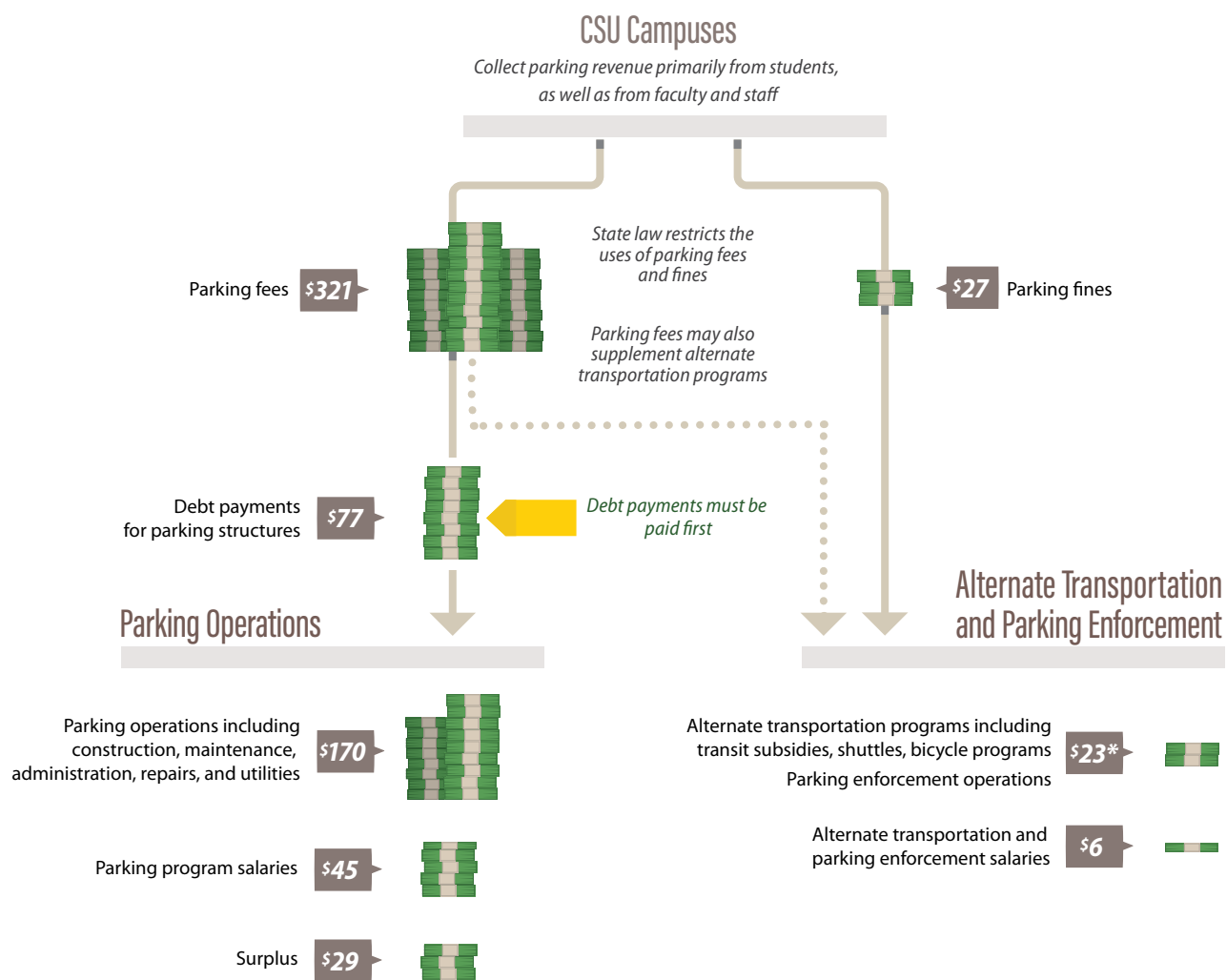
Although the current restrictions on CSU's use of parking fees may have contributed to the campuses' difficulty investing in alternate transportation, one campus has established an additional funding stream. The transportation management plans for two campuses suggest that they should seek funding through local government partnerships or grants to fund their alternate transportation programs. Further, the campuses can use excess revenue generated from the sale of parking permits to support alternate transportation. Each campus has a surplus of unspent parking fee revenue, ranging from nearly \$3 million at Channel Islands to \$20 million at San Diego State, which they designate for broad purposes such as facilities maintenance and construction. However, campuses could use a portion of this surplus money for alternate transportation. Alternatively, they can adopt transportation fees. For example, Sacramento State instituted a transportation fee for it to use exclusively for alternate transportation. Students—who will pay the fee—approved it by student referendum.

To Ensure That Students Continue to Have Adequate Access to Campuses, the Chancellor's Office Will Need to Increase Its Leadership and Oversight

Our review indicates that the Chancellor's Office has not consistently provided the leadership and oversight necessary to ensure that campuses implement alternate transportation programs. CSU adopted a revised systemwide sustainability policy in 2014 that, among other things, commits CSU to encouraging and promoting the use of alternate transportation. In addition, a 2018 follow-up assessment of CSU's progress towards its sustainability goals (sustainability assessment) found that transportation costs can be a significant affordability barrier to students and that other transportation options, such as walking, biking, and public transit, can offer significant cost savings over vehicle-based commutes. Nonetheless, like some of the campuses we reviewed, the Chancellor's Office was generally

skeptical about the effectiveness of alternate transportation programs. Although San Diego State and Sacramento State generally agreed that implementing alternate transportation could reduce the number of students driving to campus, the Chancellor’s Office, Channel Islands, and Fullerton each expressed doubts about the programs. For example, CSU officials cited concerns about students who had to drive because of job or family commitments.

Figure 7
From Fiscal Years 2008–09 Through 2017–18, the Four CSU Campuses Spent Significantly More on Operating Parking Facilities Than on Alternate Transportation
 (In Millions)



Source: Analysis of Education Code sections 89701 and 89701.5 and accounting records from each campus.

* Alternate transportation expenses do not equal revenue from parking fines because such revenue tends to be limited and unpredictable from year to year. The parking programs covered the \$2 million shortage for alternate transportation expenses using their surplus from revenue they collected before fiscal year 2008–09.

However, neither the Chancellor's Office nor the campuses regularly assess commuting preferences of students to be able to support this position. Specifically, the campuses do not conduct annual transportation surveys that would allow them to regularly evaluate their students' commuting habits. Further, the sustainability assessment that CSU itself performed found that while many factors related to commuter behavior are outside of the university's control, campuses have a number of tools that can influence travel choices and encourage students and staff to use more sustainable transportation options. For example, Channel Islands' parking director asserted that because the campus is located about five miles from the nearest urban development, students, faculty, and staff do not typically bike, walk, or use other alternate modes of transportation. However, Channel Islands could implement other strategies that its parking demand study and the transportation manual recommend, such as tiered permit prices or real-time parking information. These strategies do not depend on location.

.....

The campuses do not conduct annual transportation surveys that would allow them to regularly evaluate their students' commuting habits.

.....

The inconsistencies we found in the campuses' planning and implementation of alternate transportation options demonstrate the need for more oversight by the Chancellor's Office. Although the Chancellor's Office established the policies requiring campuses to plan for and implement alternate transportation strategies before building new parking facilities, it did not require campuses to provide the required information before it approved funding for new parking facilities. Instead, the Chancellor's Office's director of long-term finance in the Financing and Treasury office stated that her office discusses parking needs with the campuses on a project-by-project basis and informally asks for information on alternate transportation programs as necessary. However, we question the effectiveness of this approach, given how inconsistent some campuses were in implementing alternate transportation programs.

With CSU planning to increase enrollment in the next few years, the Chancellor's Office and campuses must be proactive in identifying and providing expanded transportation options. According to CSU's fiscal year 2019–20 operating budget request, it aims to increase its resident enrollment by 3 percent to 5 percent

annually over the next decade. Notably, Channel Islands plans to more than double its enrollment by 2025, and Fullerton and Sacramento State are already operating above the enrollment capacity set in their current master plans. If CSU meets its enrollment goal, it may need to support an additional 100,000 students by 2023. The potential for such growth highlights the importance of CSU adopting cost-effective transportation solutions to provide its students with adequate access to its campuses.

Recommendations

Legislature

To ensure that students have equitable access to campus and that campuses provide the most cost-effective mix of parking and alternate transportation options, the Legislature should require the Chancellor's Office to include the following information related to transportation, by campus, in its comprehensive five-year capital improvement plan:

- The number of parking facilities each campus intends to construct over the next five years and the alternate transportation strategies that the campus considered and implemented in determining the need for those parking facilities.
- The total annual cost for each alternate transportation strategy the campuses considered and implemented compared to the annual cost of constructing, operating, and maintaining a new parking facility.
- The cost per student served by those alternate transportation strategies compared to the cost per student of constructing, operating, and maintaining a new parking facility.
- The number of students served by each of those alternate transportation strategies compared to the number of students to be served by a new facility.
- Information on whether and to what extent alternate transportation strategies have decreased parking demand in the last three years and whether the campus has demonstrated that the parking demand justifies a new parking facility.
- A cost-benefit analysis showing the appropriate mix of transportation strategies to ensure that the campus provides students with the most cost-effective access.

Chancellor's Office

To ensure that campuses thoroughly investigate and consider alternate transportation strategies, the Chancellor's Office should immediately enforce its policy and require campuses to submit the following information when they request to build new parking facilities:

- Up-to-date master plans and transportation management plans that include as key components their plans for implementing alternate transportation strategies.
- Information on whether and to what extent their alternate transportation strategies have decreased parking demand and evidence that projected parking demand justifies building a new parking facility.

The Chancellor's Office should update its policy by October 2019 to require campuses to submit the following information when requesting to build a new parking facility:

- The total annual cost to implement each alternate transportation strategy compared to the annual cost of constructing, operating, and maintaining a new parking facility.
- The cost per student served by those strategies compared to the cost per student of constructing, operating, and maintaining a new parking facility.
- The number of students served by each of those strategies compared to the number of students served by the new facility.
- Information, including participation data, on how the campuses have implemented alternate transportation strategies during the last three years.

The Chancellor's Office should not approve any request to build a new parking facility unless the requesting campus has submitted this information and the Chancellor's Office has reviewed and approved it.

To ensure that campuses' alternate transportation committees are consistent systemwide, the Chancellor's Office should adopt systemwide policies, by October 2019, to detail the following:

- The frequency of required meetings. The policy should require meetings at least biennially.

- The composition of committee members. The policy should require that the committees include student representatives.
- The committees' responsibilities. These responsibilities should include the assessment of alternate transportation programs based on participation data and recommendations in the campuses' transportation studies.

The Chancellor's Office should also require that, by October 2019, the campuses publish the names of committee members, the committee meeting minutes, and the committee meeting schedule on their parking and transportation services websites.

To ensure that campuses have a stable source of funding for investing in alternate transportation programs, the Chancellor's Office should update its policy by October 2019 to require campuses to include in their master plans or transportation management plans the potential revenue streams they will explore to secure a stable source for funding these programs. Examples of such revenue streams could include parking fees that they have reprioritized for alternate transportation, a stand-alone student transportation fee, local government partnerships or grants, or surplus parking revenue.

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OTHER AREAS WE REVIEWED

To address the audit objectives approved by the Joint Legislative Audit Committee (Audit Committee), we additionally reviewed the subject areas listed in Table 4. The table indicates the results of our work in those areas that do not appear in the other sections of this report.

Table 4
Other Areas Reviewed as Part of This Audit

The Chancellor's Office Established Appropriate Practices to Safeguard CSU's Outside Accounts
<p>The practices the Chancellor's Office has established to safeguard CSU's outside accounts resemble practices the State uses to safeguard accounts within the state treasury and generally appear adequate. State law and policy protect state treasury accounts by requiring practices that include separating account-related duties; reconciling the banking records of state entities with state treasury bank statements and records from the State Controller's Office; and annually providing the Governor with a statement of funds, revenues, and expenditures for the prior fiscal year. Similarly, state law and CSU policy and practices protect CSU's outside accounts by requiring the separation of duties; the reconciliation of banking statements and campus accounts; quarterly reports to the trustees; and annual reports to the State Treasurer's Office, the State Controller's Office, the Department of Finance, and the Legislature.</p> <p>As we describe in the Introduction, in 2017 the Legislature gave CSU authority to make investments that may provide greater returns, albeit with greater risk, and it required CSU to adopt additional practices to safeguard such investments. For example, the Legislature required CSU to establish a committee to provide advice and expertise on investments, to limit the amount of money it invests in higher-risk securities, and to provide the Legislature with an annual investment report. CSU has met these requirements. In addition, the Legislature restricted CSU to using the money earned through higher-risk investments for capital outlay and maintenance expenses, and it prohibited CSU from requesting state funding to compensate for higher-risk investment losses or from citing such losses as justification for raising tuition. Because CSU began using its authority to make higher-risk investments in the last year of the audit period, we were not able to evaluate its compliance with these restrictions.</p>
Campuses and the Chancellor's Office Can Accumulate or Reallocate Salary Savings
<p>According to CSU's accounting manual, the Chancellor's Office manages a process that allows CSU to use the full amount of its General Fund appropriation each fiscal year to pay for salary and related benefits expenses (salary expenses). Because salary expenses exceeded the amount of the appropriation from fiscal years 2008–09 through 2017–18, campuses and the Chancellor's Office also used other sources of revenue, such as tuition, to pay for salary expenses. CSU is exempt from state law and policy that would require it to spend certain amounts of funding for the salary expenses of specified employee positions that the Department of Finance approved. Therefore, if the Chancellor's Office and campuses have salary expenses that are less than the amounts they budgeted for those expenses, they determine whether to hold the resulting surplus (salary savings) in CSU's outside investment account or reallocate it to pay for other expenses.</p> <p>According to the budget officer for Sacramento State and the director of budget and finance for San Diego State, those campuses do not centrally track salary savings because they do not budget by position. Both Sacramento State and San Diego State allocate budgets by division, and divisions use any salary savings either for other costs or as a contribution to the campuses' surplus. The interim assistant vice president of financial services for Channel Islands, assistant vice president of resource planning and budget for Fullerton, and budget director for the Chancellor's Office each track salary savings. Our analysis of their budget documents found that salary savings for fiscal year 2017–18 were approximately \$5.6 million for Fullerton, \$3.3 million for the Chancellor's Office, and \$1.7 million for Channel Islands, representing about 1 percent of each of their budgeted expenses. In addition, the Chancellor's Office documented that most of its salary savings came from management-related positions rather than staff positions.</p>

The Campuses Appropriately Spent Parking Fines and Forfeitures Revenue

State law places restrictions on how parking programs can use parking fines. Specifically, campuses can use revenue generated from parking fines to administer the fines and forfeitures program and for the development, enhancement, and operation of alternate transportation programs. Our review of selected expenditures from each campus's parking fines and forfeitures fund for fiscal years 2014–15 through 2017–18, totaling 40 expenditure items, found that each campus had generally spent revenue generated from fines and forfeitures appropriately and in accordance with state law. The campuses' expenditures included payments for public transportation subsidies, citation processing, and campus shuttle services. In addition, some campuses used revenue from parking fees and fines to pay for a transportation management plan or a parking demand study: Fullerton used \$137,000 of parking revenue to complete a parking demand study, according to information Fullerton provided, and San Diego State used \$127,000 of parking revenue to complete a transportation management plan.

The Campus Parking Programs Do Not Impose Quotas for Parking Violations

State law and regulations grant CSU the authority to enforce parking on its campuses by issuing parking citations to those who violate campus parking rules. Because the parking programs benefit from revenues generated from parking fines, a risk exists that the programs may impose citation quotas—a minimum number of citations required per day—on parking enforcement officers to increase revenue. However, state law prohibits parking enforcement officers of any state agency, including CSU, from adopting any policy that imposes a citation quota. Our review of the parking regulations and interviews with enforcement officers at each campus found that the campuses did not require citation quotas. Further, according to some of the parking enforcement officers we interviewed at the four campuses, enforcement officers will sometimes forgive students for their first infraction, using it as a warning and a teaching tool for students so that they do not receive an actual citation for a violation.

CSU Appropriately Disbursed Earnings From Parking Revenue Investments

As the Introduction states, campuses contribute to CSU's investment account, which generates interest earnings. CSU ensures that the participating campus parking funds receive the appropriate amount of earnings from such investments. Every month, the Chancellor's Office creates an earnings report summarizing total earnings by campus. Campuses then calculate the amount each fund contributed to the investment account and use the monthly earnings report to determine the earnings each fund receives. Our review of the participating parking funds at each campus found they received their proper share of earnings. The Chancellor's Office reported in its accounting records that San Diego State distributed \$2.2 million, Fullerton distributed \$1.1 million, Channel Islands distributed \$102,000, and Sacramento State distributed \$2.3 million in interest earnings to their respective parking funds during our audit period. Although the parking deposits and withdrawals for each campus tend to vary depending on upcoming projects, daily parking operations, and unplanned maintenance, we found them to be reasonable. However, we note that the campuses had a surplus of unspent parking fee and fine revenue ranging from \$3 million at Channel Islands to \$28 million at San Diego State. As we discuss on page 21, CSU's reserve policy, which applies to campus parking funds, is inadequate to ensure that the amount of money CSU holds as a reserve and the manner in which it uses that money are appropriate. Although the campuses designate their surplus for broad purposes such as facilities maintenance and construction and economic uncertainty, campuses could use a portion of this surplus money for alternate transportation.

We conducted this audit under the authority vested in the California State Auditor by Government Code 8543 et seq. and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
California State Auditor

Date: June 20, 2019

APPENDIX A

Scope and Methodology

The Audit Committee directed the California State Auditor (State Auditor) to examine information related to CSU’s outside accounts and parking programs, including the balances of CSU’s outside accounts and CSU’s use of revenue from parking fees and fines. Table A below lists the objectives that the Audit Committee approved and the methods we used to address them.

Table A
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed and evaluated laws and policies significant to CSU’s outside accounts and parking programs.
2 Review and evaluate the Chancellor’s Office’s role in overseeing the management and operations of the parking program at the following CSU campuses: Channel Islands, Fullerton, Sacramento State, and San Diego State. Specifically evaluate the aspects of the program related to setting and enforcing systemwide policies and procedures to ensure compliance with parking program statutes.	Reviewed policies and procedures related to campus parking programs and interviewed key officials at the campuses and Chancellor’s Office.
3 For the four campuses identified in Objective 2, perform the following: <ul style="list-style-type: none"> a. Review and evaluate the policies, procedures, and practices for determining parking rates and fees and for allocating parking permits. b. For the most recent 10 years, determine the annual number of permits issued and the reasons for any limits on the number of parking permits issued; annual parking program revenues and the sources of the revenues; and changes in parking fee rates and revenues, including the reasons for the changes. c. Assess the adequacy of parking available to students, administrators, and employees (faculty and support staff). d. Determine the cost per parking space for each existing parking facility. 	<ul style="list-style-type: none"> • Reviewed systemwide CSU student fee-setting policies and parking fee restrictions in staff collective bargaining agreements. • Reviewed campus policies, procedures, and practices for setting parking permit prices and for allocating parking permits, and interviewed campus parking officials. • Analyzed campus parking permit data, parking fee rates, and parking accounting data for fiscal years 2008–09 through 2017–18 and identified significant changes. • Interviewed parking officials to determine if campuses limit parking permit sales. • Compared trends in parking revenue to trends in permit sales, fee rates, and bond schedules for new parking facilities. • Reviewed campus occupancy assessments in campus transportation management plans or parking demand studies, and campus-collected data. • Identified industry best practices and compared them to occupancy assessments. Reviewed campus parking inventory reports and identified the number of parking spaces relative to the total number of enrolled students and campus employees. Compared the number of parking permits sold for students, residents, faculty, and staff to available parking spaces. • Reviewed parking accounting data and debt payment schedules. • Determined cost per parking space based on parking program operating costs and the debt costs of parking facilities.

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AUDIT OBJECTIVE	METHOD
e. Determine whether any parking structures are fully paid for and, if so, whether parking rates decreased as a result.	Reviewed bond schedules and CSU audited financial statements and interviewed finance officials at the campuses and the Chancellor's Office to determine if CSU has paid off any parking structures since 1995.
4 Determine whether the parking program complies with Education Code provisions pertaining to the allocation of parking revenues for the construction of parking facilities. For the four campuses identified in Objective 2, determine the following:	<ul style="list-style-type: none"> Reviewed parking revenue data to determine whether campuses allocated parking revenue in compliance with provisions of state law. Identified and reviewed the provisions in the Education Code related to uses of parking revenues. Obtained and reviewed policies and procedures the Chancellor's Office and individual campuses developed related to the use of parking revenue.
a. Methods, criteria, and data used in determining alternate methods of transportation.	<ul style="list-style-type: none"> Identified the alternate transportation committee at each campus and any policies, procedures, or guidelines related to that alternate transportation committee. Obtained parking demand studies and transportation management plans and interviewed key staff to identify the methods, criteria, and data campuses used to determine the effectiveness of alternate transportation programs. Reviewed alternate transportation committee meeting minutes to identify methods, criteria, and data the committees used to determine alternate methods of transportation.
b. Frequency and evidence of the campus alternative transportation committee meetings and the extent to which the committee consulted with students and local government officials.	Obtained and reviewed alternate transportation committee meeting minutes to determine the frequency of meetings during our audit period and the extent to which the committees consulted with students and local government officials.
5 Review and evaluate the parking fund expenditures for the four campuses identified in Objective 2 and identify the following:	<ul style="list-style-type: none"> Reviewed each campus's parking demand studies and transportation management plans to determine whether the campus had studied alternate transportation and determined the associated costs of the studies and plans.
a. The extent to which the campus used parking revenue for the study, development, enhancement, operation, and maintenance of alternate methods of transportation.	<ul style="list-style-type: none"> Identified the annual costs to operate alternate transportation programs at the campuses for the most recent fiscal years where data were available. Determined the amount of parking revenue the campuses used for alternate transportation and planning documents by using the expenditure data for fiscal years 2008–09 through 2017–18 and parking program documentation.
b. The alternate methods of transportation funded by parking revenue, the year the programs originated, and the set-up and ongoing costs of the programs.	<ul style="list-style-type: none"> Reviewed program documents and campus websites, and interviewed key officials to obtain an understanding of the alternate transportation programs funded by parking revenues at each campus. Obtained alternate transportation program information from parking program staff and utilized contracts and expenditure data to identify, when possible, the cost associated with the establishment and operation of each program.
c. The extent to which the campus used parking revenue for parking facility acquisition, construction, and improvement.	<ul style="list-style-type: none"> Reviewed parking expenditure data related to parking facilities. Reviewed state law and the <i>CSU Legal Accounting & Reporting Manual</i> to determine the campus funds used for parking facility acquisition, construction, and improvement. Obtained accounting data from the Chancellor's Office for each campus to determine the amount of parking revenue used for parking facility acquisition, construction, and improvement.
d. Whether funds or money received as parking fines and forfeitures were used exclusively for activities and programs as prescribed by the Education Code.	<ul style="list-style-type: none"> Reviewed fines and forfeitures revenue and expenditure data and state law. Judgmentally selected expenditures for review at each campus based on the amount and type of expenditure to determine whether the campus used parking fines and forfeitures revenue in accordance with the Education Code.
e. To the extent possible, whether campus officers who enforce parking are given quotas for parking violations.	Reviewed parking program policies, procedures, and practices at the four campuses and interviewed parking enforcement officers.

AUDIT OBJECTIVE	METHOD
<p>6 Identify any outside accounts held by CSU and perform the following:</p> <p>a. Identify the fund balances, funding sources, interest earned, and major category of expenditures for the most recent 10 years. Determine the reasons for any unusual trends.</p> <p>b. Determine whether interest or other earnings received from investments of parking revenues were properly deposited into the State University Parking Revenue Fund. In addition, assess the criteria or justification for the level of fund balance and the timing and amount of deposits, and assess withdrawals for reasonableness and compliance with relevant laws and rules.</p> <p>c. Determine the sources and uses of funds included in the CSU operations category and whether support staff salary savings are held in this account.</p>	<ul style="list-style-type: none"> • Reviewed CSU's reports of accounts outside the state treasury to identify the outside accounts CSU holds. • Identified the balances of outside accounts CSU held as of June 30, 2018. For the investment account that constituted most of the money CSU had in outside accounts, identified revenue, interest earned, other revenue from investments, and expenses for fiscal years 2008–09 through 2017–18. • Reviewed account information and related financial documents to determine the reasons for unusual trends. • Reviewed CSU policy and campus procedures for allocating interest earnings and reviewed a selection of the campuses' interest earnings distributions to determine whether the parking funds received the appropriate portion of interest and earnings. • Reviewed state law, CSU policy, and campus accounting data to assess parking fund balances, deposits, and withdrawals for reasonableness and compliance with state law. • Reviewed the designated purposes for parking fund balances. • Reviewed account data to determine the revenue and expenses related to the CSU operating fund. • Reviewed budget documents and interviewed budget staff at the four campuses and the Chancellor's Office to determine whether they held salary savings in CSU's outside investment account.
<p>7 Analyze and provide a comparison of laws, rules, policies, and practices related to oversight, controls, and accountability for CSU accounts held in the state treasury to outside accounts. Determine whether CSU's outside accounts are more susceptible to abuse and, to the extent possible, whether the CSU bypassed or could bypass any state rules or its own policies by placing funds in outside accounts.</p>	<ul style="list-style-type: none"> • Analyzed, compared, and evaluated the laws, rules, policies, and practices related to the oversight, controls, and accountability for CSU's outside accounts and state treasury accounts. • Reviewed existing audits related to the oversight of CSU's outside accounts and reviewed information that CSU provided to legislators and other state entities about its outside accounts.
<p>8 Review and assess any other issues that are significant to the audit.</p>	<p>Reviewed documents that the Chancellor's Office provided to legislators and students about CSU's available resources and budget needs that are significant to the transparency of CSU's outside accounts.</p>

Source: Analysis of the Audit Committee's audit request number 2018-127, as well as information and documentation identified in the table column titled Method.

Assessment of Data Reliability

In performing this audit, we relied on electronic data files that we obtained from the Chancellor's Office and the four campuses we visited. These electronic data files related to CSU's outside accounts, including the revenues and expenses of its operating and parking funds, and to campus parking and transportation programs. The U.S. Government Accountability Office, whose standards we are statutorily obligated to follow, requires us to assess the sufficiency and appropriateness of computer-processed information we use to support our findings, conclusions, or recommendations.

To perform this assessment, we compared accounting data to CSU's audited financial statements and determined that they reasonably agreed. For campus parking program data, we assessed trends in the data and other related information, and determined the data to be generally reasonable. We did not perform accuracy and completeness testing of these data so they are of undetermined reliability for our audit purposes. Although we recognize that these limitations may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.

APPENDIX B

Additional Investment Account Data

The Audit Committee directed the State Auditor to determine and identify data and trends related to CSU's outside accounts. We did this for the investment account that, as we explain in the Introduction, comprised the majority of the money CSU held in its outside accounts.

10-Year Investment Account Data Trends

Table B.1 presents the total discretionary and restricted revenue and expenses for the investment account from fiscal years 2008–09 through 2017–18. CSU's discretionary surplus balance increased at a significantly higher rate than its restricted balance. We analyze the growth of the discretionary surplus in CSU's operating fund earlier in our report, beginning on page 13.

Table B.1
 CSU's Discretionary Surplus Grew at a Higher Rate Than Its Restricted Surplus

	REVENUE AND EXPENSES FROM FISCAL YEARS 2008–09 THROUGH 2017–18			SURPLUS AT THE BEGINNING AND END OF THE AUDIT PERIOD		
	REVENUE	PORTION OF REVENUE FROM INVESTMENT EARNINGS AND INCOME	EXPENSES	SURPLUS AS OF JUNE 30, 2009	SURPLUS AS OF JUNE 30, 2018	PERCENT CHANGE
Discretionary	\$31,017,341,972	\$258,080,820	\$29,554,964,890	\$300,445,695	\$2,024,954,527	↑ 574%
Restricted	45,411,327,658	121,303,214	44,623,354,414	1,064,327,768	1,871,356,071	↑ 76%
Totals	\$76,428,669,630	\$379,384,034	\$74,178,319,304	\$1,364,773,463	\$3,896,310,598	↑ 185%

Source: Analysis of CSU's account data.

Table B.1 also identifies the portion of revenue that came from interest earnings and other investment income. CSU's investment earnings over the audit period generally aligned with changes in the yield rate for the State's Surplus Money Investment Fund, which has the same requirements related to investment risk as most of the money CSU invests in outside accounts. At the time of the 2006 change to state law that allowed CSU to manage tuition in its own accounts outside of the state treasury, the Legislative Analyst's Office noted that interest earnings that had previously accrued to the State's General Fund would now accrue to CSU. Because of this loss to the General Fund, the Legislature sometimes reduced

appropriations to CSU from the General Fund during the audit period based on an assessment of the amount of interest earnings CSU accrued.

Investment Account Data for the Campuses and Chancellor's Office

All the campuses and the Chancellor's Office transfer surplus money to the investment account. Table B.2 shows the surplus balance for each campus and the Chancellor's Office as of June 30, 2018.

Table B.2
Each Campus and the Chancellor's Office Had Millions of Surplus Dollars
As of June 30, 2018

CSU	SURPLUS BALANCE AS OF JUNE 30, 2018
San Diego State	\$456,012,349
San José State	338,538,363
Chancellor's Office	312,896,851
Northridge	290,709,351
Cal Poly Pomona	266,921,547
Fullerton	224,516,302
Cal Poly San Luis Obispo	224,037,783
Long Beach	219,540,259
Sacramento State	203,206,968
San Francisco State	191,722,085
Los Angeles	191,673,526
Chico	131,503,820
San Bernardino	112,130,542
Sonoma State	108,463,786
East Bay	103,531,505
Fresno	93,796,765
Stanislaus	84,898,924
Channel Islands	74,203,809
Dominguez Hills	69,202,929
Bakersfield	66,398,107
Humboldt	62,425,733
Monterey Bay	61,120,036
San Marcos	48,282,648
Maritime	21,773,540
Other	3,435,700
Total	\$3,960,943,228

Source: CSU's investment activity report as of June 2018.

In addition to campuses and the Chancellor's Office, the CSU Risk Management Authority and the CSU Institute transfer surplus funding to CSU's investment account. The CSU Risk Management Authority is a joint powers authority created to provide insurance and risk management services, such as workers' compensation and property insurance programs, for CSU campuses and auxiliary organizations. The CSU Institute is an auxiliary organization whose stated purposes include furthering CSU's educational, research, and public service missions by performing functions such as administering educationally-related programs and assisting with the development of small business enterprises. These organizations are included in Table B.2 in the row labeled Other.

The total surplus balance in Table B.2 is the same as the investment account balance presented in Table 1 of the Introduction. This total is based on CSU's bank statements. It differs slightly from the total surplus that Table B.1 presents, which is based on CSU's account data. Because of the timing of transfers in and out of the investment account, values from the account data and bank statements are generally consistent but do not match exactly.

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APPENDIX C

Additional Parking Program Data

The Audit Committee directed the State Auditor to identify data and trends related to the campus parking programs.

Parking Program 10-Year Data Trends

Table C.1 presents the annual number of permits sold by the four campuses that we reviewed; their total annual parking program revenues including fees and fines; changes in their revenue and parking fee rates; and their expenses for parking facility acquisition, construction, and improvement. Permit prices are for semester permits. The parking permit prices for CSU's represented staff were lower than student prices and changed less frequently because the staff's collective bargaining agreements place limits on when and how much the campuses can adjust prices.

Table C.1
Parking Program Data by Campus
Fiscal Years 2008–09 Through 2017–18

FISCAL YEAR	DOLLARS IN THOUSANDS			SEMESTER PERMIT				NUMBER OF PERMITS SOLD	TOTAL CAMPUS PARKING SPACES
	ANNUAL PARKING FEES AND FINES REVENUE	PARKING FACILITY EXPENSES*	TOTAL PARKING FEES AND FINES SURPLUS	STUDENT		REPRESENTED STAFF†			
				PERMIT PRICE	PERCENT INCREASE	PERMIT PRICE	PERCENT INCREASE		
2008–09	\$1,184	\$100	\$708	\$145		\$100		NA	1,666
2009–10	1,288	288	791	145	0%	100	0%	NA	1,877
2010–11	1,326	74	640	145	0	108	↑ 8	NA	1,983
2011–12	1,445	97	561	145	0	108	0	NA	2,077
2012–13	1,755	75	713	160	↑ 10	108	0	9,738	2,523
2013–14	1,993	280	598	180	↑ 13	108	0	10,606	2,556
2014–15	2,276	165	862	185	↑ 3	108	0	11,469	2,512
2015–16	2,404	191	1,234	190	↑ 3	108	0	11,900	2,541
2016–17	2,707	186	2,009	195	↑ 3	108	0	12,656	2,627
2017–18	2,824	605	2,975	195	0	108	0	13,247	2,599
Percent Change	↑ 139%	↑ 505%	↑ 320%	↑ 34%		↑ 8%		↑ 36%	↑ 56%

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FISCAL YEAR	DOLLARS IN THOUSANDS			SEMESTER PERMIT				NUMBER OF PERMITS SOLD	TOTAL CAMPUS PARKING SPACES
	ANNUAL PARKING FEES AND FINES REVENUE	PARKING FACILITY EXPENSES*	TOTAL PARKING FEES AND FINES SURPLUS	STUDENT		REPRESENTED STAFF†			
				PERMIT PRICE	PERCENT INCREASE	PERMIT PRICE	PERCENT INCREASE		
Fullerton									
2008–09	\$11,473	\$3,130	\$6,949	\$144		\$58		69,172	9,752
2009–10	10,367	3,224	7,703	162	↑ 13%	58	0%	92,887	11,088
2010–11	12,473	3,180	10,604	220	↑ 36	58	0	87,982	11,424
2011–12	13,419	6,068	10,851	220	0	58	0	100,013	11,370
2012–13	12,809	7,592	10,591	220	0	58	0	89,154	11,826
2013–14	13,168	5,172	12,886	229	↑ 4	58	0	98,272	11,826
2014–15	13,079	8,344	10,127	229	0	58	0	102,531	11,957
2015–16	13,417	6,291	9,606	229	0	58	0	101,061	12,186
2016–17	14,306	4,382	11,085	236	↑ 3	67	↑ 15	96,899	12,372
2017–18	14,425	4,334	11,993	236	0	67	0	98,285	12,051
Percent Change	↑ 26%	↑ 38%	↑ 73%	↑ 64%		↑ 15%		↑ 42%	↑ 24%
Sacramento State									
2008–09	\$8,358	\$2,146	\$8,763	\$108		\$68		55,071	12,173
2009–10	8,753	2,334	10,594	153	↑ 42%	68	0%	51,016	13,061
2010–11	8,704	2,265	12,574	156	↑ 2	68	0	49,548	13,091
2011–12	8,851	2,380	18,459	159	↑ 2	68	0	51,471	12,997
2012–13	8,580	2,867	19,928	159	0	68	0	51,399	13,137
2013–14	9,116	2,386	23,045	162	↑ 2	68	0	53,918	13,126
2014–15	9,364	2,214	26,090	165	↑ 2	68	0	52,239	13,126
2015–16	9,838	2,584	29,117	168	↑ 2	72	↑ 6	52,668	13,091
2016–17	10,299	2,688	32,171	171	↑ 2	77	↑ 7	51,241	12,150
2017–18	10,539	21,325	16,470	174	↑ 2	77	0	47,581	13,812
Percent Change	↑ 26%	↑ 894%‡	↑ 88%	↑ 61%		↑ 13%		↓ 14%	↑ 13%
San Diego State									
2008–09	\$10,139	1,698	\$12,761	\$135		\$103		56,225	15,047
2009–10	10,242	1,867	18,880	135	0%	103	0%	51,022	15,018
2010–11	9,374	1,699	22,682	135	0	103	0	57,067	14,746
2011–12	9,312	2,701	24,928	135	0	103	0	52,283	14,356
2012–13	9,479	2,978	26,012	135	0	103	0	54,568	14,361
2013–14	9,738	2,917	27,794	135	0	103	0	53,489	14,318
2014–15	10,289	2,621	20,080	135	0	103	0	59,696	14,238
2015–16	12,261	2,632	27,181	162	↑ 20	106	↑ 3	54,636	14,127
2016–17	11,141	5,197	28,679	165	↑ 2	111	↑ 5	50,406	14,439
2017–18	15,332	4,369	28,420	168	↑ 2	111	0	48,214	14,197
Percent Change	↑ 51%	↑ 157%	↑ 123%	↑ 24%		↑ 8%		↓ 14%	↓ 6%

Source: Analysis of parking program accounting data, permit data, and parking inventories.

NA = The data was unavailable because Channel Islands replaced its permit management system in 2012, according to Channel Islands.

* Parking facility expenses in a given fiscal year include annual debt payments, as well as one-time costs for construction, maintenance, acquisition, and improvement. These expenses do not include parking operations or alternate transportation, which we present in Figure 7 on page 35.

† This column includes the permit prices for represented staff only. Faculty permit prices remained unchanged during our audit period and were \$98 at Channel Islands, \$59 at Fullerton, \$69 at Sacramento State, and \$119 at San Diego State.

‡ Sacramento State's unusually high percent change for parking facility expenses is due to its upfront contribution for its new parking structure in fiscal year 2017–18. Without this cost, the 10-year percent change would be 31 percent.

Cost per Parking Space

Table C.2 shows the annual cost per parking space for each existing parking facility at the four campuses. The facilities with outstanding debt have a higher cost per space because of the annual debt payment.

Table C.2
Average Annual Cost Per Parking Space by Campus
 As of Fiscal Year 2017–18

CAMPUS	PARKING FACILITY	AVERAGE ANNUAL OPERATING COST PER SPACE FOR ALL CAMPUS SPACES	ANNUAL DEBT PAYMENT PER SPACE FOR FACILITIES CURRENTLY BEING PAID OFF	TOTAL COST PER SPACE
Channel Islands	Parking Lot A3	\$578	\$217	\$795
	Student Housing Lot 1		98	676
	Student Housing Lot 2		112	690
	All other paid-off facilities*			578
Fullerton	Eastside Structure	703	1,154	1,857
	Nutwood Structure		549	1,252
	State College Structure		787	1,490
	All other paid-off facilities*			703
Sacramento State	Parking Structure 2	361	370	731
	Parking Structure 3		590	951
	Parking Structure 5		659 [†]	1,020
	All other paid-off facilities*			361
San Diego State	Parking Structures 3 and 7	473	413	886
	South Campus Plaza		3,009 [‡]	3,482
	All other paid-off facilities*			473

Source: Analysis of parking program financial data, debt payment schedules, and parking inventory reports from each campus.

* For this category, the number of facilities and spaces per facility varies by campus. The important distinction is that none of the spaces in this category have outstanding debt.

† Sacramento State financed Parking Structure 5 in fiscal year 2017–18, but its first debt payment was not until fiscal year 2018–19. To capture the cost of the additional parking spaces, we include the scheduled debt payment here.

‡ The debt payment per space is unusually high because the South Campus Plaza parking facility is a six-story structure with only 300 spaces, while the other structures that Fullerton, Sacramento State, and San Diego State financed since 1995 have an average of 1,900 spaces.

Alternate Transportation Programs

Each of the four campuses we reviewed offered a variety of transportation options for commuters, but only some options were likely to reduce the number of single occupancy vehicles on campus and were funded using parking revenues. Table C.3 shows the alternate transportation programs that the four campuses generally funded with parking revenue and that were likely to

reduce the number of single occupancy vehicles on campus. The table also includes the year these programs originated, and the start-up and ongoing costs associated with the programs. Other programs the campuses offered would likely not significantly reduce the number of single occupancy vehicles on campus, such as car sharing programs (i.e. Zipcar) and electric vehicle parking and charging stations. Moreover, other programs were not included in the table if they may reduce the number of vehicles on campus but were offered at little or no cost to the campus. For example, Sacramento State promotes student discounted tickets on Amtrak, but does not have a formal agreement in place with Amtrak and does not sell Amtrak tickets. Finally, all four campuses allow bicycling in designated areas on campus and provide bicycle infrastructure, such as bike racks and designated bike lanes or paths. Because we did not use this information to draw conclusions, we did not assess the reliability of the data.

Table C.3
Alternate Transportation Programs' Start Years, Start-Up Costs, and Ongoing Costs by Campus

	START YEAR	START-UP COST	ONGOING ANNUAL COST*
Channel Islands			
Local Transit Subsidy	1999	\$0	\$460,000
Shuttle to Local Transit [†]	2014	0	25,000
Fullerton			
Local Transit Subsidy	2003	\$0	\$269,600
Shuttle to Off-site Parking [†]	2017	0	285,900
Commuter Program	1991	Unavailable	29,500
Sacramento State			
Local Transit Subsidy [‡]	1996	\$0	\$804,800
Multi-Location Shuttle [†]	1989	Unavailable	533,500
Commuter Program	1995	0	3,300
San Diego State			
Rideshare	2009	\$950	\$3,750
Local Transit Subsidy	2001	0	93,400
Multi-Location Shuttle [†]	2008	0	22,000

Source: Parking program contracts, financial documents and data, and program staff confirmations.

Unavailable = Campus was unable to provide information.

* We generally used the most recent annual costs as ongoing annual costs varied from year to year.

[†] Fullerton and Channel Islands contract for professional shuttle services and San Diego State and Sacramento State operate their own shuttle service, which requires vehicle purchase or lease. San Diego State and Sacramento State made their initial vehicle purchases before our audit period. To provide context for the cost of this type of purchase, Sacramento State paid \$178,000 in December 2014 for two 30-foot transit buses.

[‡] Sacramento State's local transit subsidy program is funded with a transportation fee that is separate from its parking revenues. We listed this program in this table to demonstrate that a local transit subsidy is provided at all campuses.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



May 30, 2019

BAKERSFIELD

Ms. Elaine Howle*

CHANNEL ISLANDS

State Auditor

CHICO

California State Auditor

DOMINGUEZ HILLS

621 Capitol Mall, Suite 1200

Sacramento, California 95814

EAST BAY

Dear Ms. Howle:

FRESNO

This is the response of the California State University (CSU) to the draft audit report regarding CSU outside accounts and parking programs. The CSU is committed to – and has a strong record of – prudent management of resources entrusted to it. The university is transparent in all its dealings, including those with the state Legislature, students, faculty, staff, and the community.

①

FULLERTON

HUMBOLDT

The report accurately makes findings that reflect positively on CSU's practices to safeguard its outside accounts and expenditure and investments of parking revenues.

LONG BEACH

LOS ANGELES

However, the report severely mischaracterizes the nature of monies invested by the CSU and the manner in which these funds have been reported. Throughout the report, CSU's designated reserves reported in its annual audited financial statements and investment reports are called "discretionary surpluses" suggesting that CSU is failing to deploy monies that may be used for any purpose.

②

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

Tuition and other fees paid by CSU students are authorized for specified purposes by Education Code Section 89700 et seq. Education Code Section 89750 provides that all money appropriated to the CSU, including tuition and fees, must be used "for the support and maintenance of the California State University." CSU's designated reserves, such as the \$1.5 billion referenced in Figure 5 of the audit report, are used in several ways to deal with non-recurring expenses by (1) managing short-term obligations and commitments, (2) providing funding for capital infrastructure repairs and maintenance, and (3) helping to ensure that operating costs can be paid during times of economic and budget uncertainty.

②

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

In other words, it is inappropriate to characterize these reserves as either "discretionary" or "surpluses." In the same way a family utilizes a savings account for one-time expenses and uncertainties, these funds constitute an essential element of our system's fiduciary responsibilities to manage the university and ensure continued operation in the face of economic uncertainty.

②

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

Moreover, as noted in Appendix B, the overall designated reserve amount, representing about 2% of annual expenses, is distributed among 23 campuses and the Chancellor's Office—all to support the education of more than 480,000 students.

③

SONOMA

STANISLAUS

* California State Auditor's comments begin on page 57.

Ms. Elaine Howle
May 30, 2019
Page Two

- ① In addition, except for a very general reference under “Other Areas We Reviewed,” the audit report fails to mention that more than 30 public reports provided by CSU – during the 10-year audit period – included detailed information about investment balances and net assets (including what the report refers to as “surpluses”). Paramount among these public reports are annual audited financial statements published by the CSU – notably, one of the few state agencies to publish externally audited financial statements.
- ④ Moreover, the audit report fails to mention detailed letters we provided at the request of state legislators in 2017 and 2018 that contained specifics regarding balances in accounts held outside the state treasury.
- ⑤ Nor does the audit report disclose that these same balances are reported, as required by statute, to the California State Controller’s Office in the annual State of California Budgetary/Legal Basis Annual Report.
- ① The point is all of CSU’s financial resources are available to state government officials and the public.
- ⑥ The audit report does, however, note that CSU has already taken steps toward further enhancing transparency over available financial resources via a new website (www.calstate.edu/financial-transparency).
- ⑦ Finally, to the extent possible, we will implement recommendations in the audit report and provide more details about our implementation efforts in our follow-up responses.

Please do not hesitate to contact me if you have questions.

Sincerely,



Timothy P. White
Chancellor

TPW/bw

COMMENTS

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA STATE UNIVERSITY

To provide clarity and perspective, we are commenting on CSU's response to our audit. The numbers below correspond to the numbers we have placed in the margin of CSU's response.

The Chancellor's Office has not been transparent in all of its dealings with the Legislature and students and has not made information about the full extent of CSU's financial resources available. Specifically, as we discuss in the report, starting on page 17, the Chancellor's Office failed to disclose CSU's discretionary surplus when projecting its available resources for legislators or when consulting with students about the need to raise tuition. We acknowledge in Table 4 and in the footnote on page 17 that CSU submits certain reports to the State, which include information about CSU's investments. However, neither these reports nor CSU's audited financial statements provide the detail or the context necessary for the Legislature to easily understand that CSU had \$1.5 billion that was in essence a discretionary surplus that it could use to fund operations and instruction.

①

We have not mischaracterized the nature of CSU's surplus. As we state in the Introduction on page 6, the surplus is money that CSU does not need for current expenses. Some of the surplus comes from restricted revenue sources that can only be used for purposes specified in law, but the \$1.5 billion component of the surplus that we discuss in the report comes from revenue sources—primarily tuition—that state law gives CSU great discretion to use for the broad purposes of providing materials, services, and facilities. Although CSU designates portions of the discretionary surplus for more specific uses within the confines of those broad purposes, these designations are flexible, and campuses and the Chancellor's Office have the discretion to use the surplus as they deem necessary.

②

CSU's response appears to suggest that the discretionary surplus is an insignificant amount. We believe that the \$1.5 billion CSU accumulated primarily from tuition is a significant amount.

③

In August 2017 and April 2018, the Chancellor's Office provided the referenced letters to certain legislators who had inquired about CSU's outside accounts. Although the legislator who requested this audit referred to the information provided in the August 2017 letter, she had additional questions, in particular about the unrestricted,

④

discretionary money CSU held in outside accounts. These letters did not adequately disclose the amount or discretionary nature of CSU's surplus.

- ⑤ The *State of California Budgetary/Legal Basis Annual Report For the Fiscal Year Ended June 30, 2018* does not disclose the discretionary surplus that CSU can use to fund operations and instruction. Although it includes information about the total balance of CSU's outside investment account, similar to the reports we describe in comment number one, this report would not allow legislators, students, or the public to easily understand CSU's available resources.
- ⑥ As we state on page 20, after we shared our findings with the Chancellor's Office, it developed and published a website in May 2019 that is a step towards improving transparency. However, as of June 2019 the website did not clearly identify the amount of CSU's surplus that is discretionary or the amount of tuition contributing to that surplus. To ensure that the website provides meaningful information to a broad audience, the Chancellor's Office will need to more completely disclose information about its surplus.
- ⑦ We believe that it is imperative for the Chancellor's Office to implement all of our recommendations. We look forward to the Chancellor's Office's 60-day response to our audit report, which should include documentation demonstrating the actions it is taking to implement our recommendations.

AGENDA

COMMITTEE ON COLLECTIVE BARGAINING

Meeting: 9:30 a.m., Tuesday, July 23, 2019
Munitz Conference Room—Closed Session
Government Code §3596(d)

8:30 a.m., Wednesday, July 24, 2019
Glenn S. Dumke Auditorium —Open Session

Lateefah Simon, Chair
Douglas Faigin, Vice Chair
Debra S. Farar
Lillian Kimbell
Jack McGrory
Thelma Meléndez de Santa Ana
Christopher Steinhauser
Peter J. Taylor

Open Session– Glenn S. Dumke Auditorium

- Consent** 1. Approval of Minutes of the Meeting of March 19, 2019, *Action*
- Discussion** 2. Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 14, American Language and Culture Program Instructors, CSU Monterey Bay, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON COLLECTIVE BARGAINING**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

March 19, 2019

Members Present

Lateefah Simon, Chair
John Nilon
J. Lawrence Norton
Emily Hinton
Peter J. Taylor
Adam Day, Chairman of the Board
Timothy P. White, Chancellor

Chair Simon called the Committee on Collective Bargaining to order.

Approval of Minutes

The minutes of the January 16, 2019 meeting were approved as submitted.

Presentation of Action Items

Adoption of initial proposals for successor bargaining with Bargaining Unit 13, English Language Program at Los Angeles

Vice Chancellor Evelyn Nazario presented the adoption of initial proposals for the successor collective bargaining agreement with Bargaining Unit 13, the English Language Program at CSU Los Angeles (Agenda Item 2).

The campus has decided to discontinue the program at the end of the semester due to falling enrollment. The CSU is currently negotiating the impacts of this decision and whether or not the bargaining unit should be abolished or retained, in name only, in the event the campus may decide to use these classifications in the future. In the meantime, the terms of agreement remain in force.

The CSU is not going to propose any substantive amendments to the existing agreement as the parties go through the process of negotiating the impacts of program discontinuation.

Adoption of initial proposals for successor bargaining with Bargaining Unit 14, English Language Program at Monterey Bay

Vice Chancellor Evelyn Nazario presented the adoption of initial proposals for the successor collective bargaining agreement with Bargaining Unit 14, the English Language Program at CSU Monterey Bay (Agenda Item 3).

The CSU is proposing that the terms and conditions be extended rather than re-negotiated

Discussion

Trustee Morales asked Vice Chancellor Nazario what these programs are. Vice Chancellor Nazario proceeded to describe the programs are for mostly international students who have English as a second language.

Public Speakers

The committee heard from 6 public speakers who spoke on various topics.

Action Items

The committee then unanimously approved the following action items:

1. Approval of Minutes of the Meeting of January 16, 2019.
2. Adoption of initial proposals for successor bargaining with Bargaining Unit 13, English Language Program at CSU Los Angeles
3. Adoption of initial proposals for successor bargaining with Bargaining Unit 14, English Language Program at CSU Monterey Bay

Chair Simon then adjourned the committee meeting.

COMMITTEE ON COLLECTIVE BARGAINING

Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 14, American Language and Culture Program Instructors, CSU Monterey Bay

Presentation By

Evelyn Nazario
Vice Chancellor
Human Resources

Summary

The successor collective bargaining agreement between the California State University and Bargaining Unit 14, California State University Employees Union (CSUEU), SEIU Local 2579, will be presented to the Board of Trustees for ratification.

Recommended Action

The following resolution is recommended for ratification:

RESOLVED, by the Board of Trustees of the California State University, that the successor collective bargaining agreement between the California State University and Bargaining Unit 14, California State University Employees Union (CSUEU), SEIU Local 2579, is hereby ratified.

AGENDA

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Meeting: 9:10 a.m., Wednesday, July 24, 2019
Glenn S. Dumke Auditorium

Debra S. Farar, Chair
Christopher Steinhauser, Vice Chair
Rebecca D. Eisen
Juan F. Garcia
Hugo N. Morales
Romey Sabalius

- Consent** 1. Approval of Minutes of the Meeting of May 22, 2019, *Action*
- Discussion** 2. Approval of Recommended Revision of Title 5, California Code of Regulations, Article 4.2, Catastrophic Leave Donation Program, *Action*
3. Compensation for Executives, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

May 22, 2019

Members Present

Hugo N. Morales, Chair
Silas H. Abrego, Vice Chair
Rebecca D. Eisen
Douglas Faigin
Debra Farar
Jean Picker Firstenberg
Lillian Kimbell
Adam Day, Chairman of the Board
Timothy P. White, Chancellor

Trustee Morales called the meeting to order.

Public Comment

The committee heard from five individuals during the public comment period. The first speaker expressed concerns about student parking fees in comparison to faculty and staff parking fees at San Francisco State University and across campuses. The second speaker expressed concerns about the incoming president at San Francisco State University, as well as the president at CSU, Los Angeles, in addition to the Chancellor and the Board of Trustees. The final three speakers expressed appreciation for the recommended revision to Title 5, Catastrophic Leave Donation Program.

Approval of Minutes

The minutes of the March 20, 2019 meeting were approved as submitted.

Executive Compensation

Chancellor White presented information on the appointments of Dr. Tom Jackson Jr. as president of Humboldt State University (Agenda Item 2) and Dr. Lynn Mahoney as president of San Francisco State University (Agenda Item 3).

Compensation was approved as stated in Agenda Items 2, and 3 respectively. (RUF 05-19-05) (RUF 05-19-06)

Recommended Revision of Title 5, California Code of Regulations, Article 4.2, Catastrophic Leave Donation Program

Ms. Evelyn Nazario, Vice Chancellor of Human Resources, presented information on the recommended revision to Article 4.2 of Title 5 which addresses the Catastrophic Leave Donation Program. The recommended revision allows for inter-campus donations, including the Chancellor's Office, for catastrophic leave in the event of a natural disaster/state of emergency. The systemwide catastrophic leave donation program will be administered centrally at the Chancellor's Office and no other changes are being made to how CSU currently processes donations.

Trustee Eisen echoed the public speakers commendation of Vice Chancellor Nazario's leadership with regards to the recommended revision to the Catastrophic Leave Donation Program.

Based upon Trustee Eisen's comments, as well as comments from the public, the proposed revision will be presented at the July 2019 Board of Trustees meeting.

Trustee Morales adjourned the committee meeting.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Approval of Recommended Revision of Title 5, California Code of Regulations, Article 4.2, Catastrophic Leave Donation Program

Presentation By

Evelyn Nazario
Vice Chancellor
Human Resources

Summary

It is proposed that Article 4.2 of Title 5 which addresses the catastrophic leave donation program be revised to update Section 42930 to revise current language to allow employees who accrue vacation or sick leave credits to voluntarily donate either of those credits to another employee within the California State University (CSU) system. This revision would apply to catastrophic leave for natural disasters/state of emergency only.

This revision to Title 5 is proposed to expand the current Catastrophic Leave Donation Program to allow employees who accrue vacation or sick leave credits to voluntarily donate either of those credits to another employee within the CSU system in the event of a natural disaster/state of emergency.

Background

This agenda item would update Section 42930 to revise current language to allow employees who accrue vacation or sick leave credits to voluntarily donate either of those credits to another employee within the CSU system to be used for catastrophic leave in the event of a natural disaster/state of emergency.

Recommended Action

Adoption of Resolution

Proposed Revision

The following resolution is recommended for adoption:

RESOLVED, By the Board of Trustees of the California State University, acting under the authority prescribed herein and pursuant to Section 89030.1 of the Education Code, that the board hereby amends its regulations in Section 42930, Article 4.2, Subchapter 7, Chapter 1, Division 5 of Title 5 of the California Code of Regulations as follows:

Title 5, California Code of Regulations
Division 5 – Board of Trustees of the California State Universities
Chapter 1 – California State University
Subchapter 7 – Employees
Article 4.2 – Catastrophic Leave Donation Program

§ 42930. Purpose.

An employee who accrues vacation or sick leave credits may voluntarily donate either of those credits to another employee on the same campus, or, for employees in the Office of the Chancellor, to another employee in the Office of the Chancellor, for catastrophic leave for catastrophic illness or injury. An employee who accrues vacation or sick leave credits may voluntarily donate either of those credits to another employee within the California State University system to be used for catastrophic leave in the event of a natural disaster/state of emergency. To qualify for catastrophic leave for catastrophic illness or injury, the recipient employee shall have exhausted all accrued leave credits due to catastrophic illness or injury as defined in this Article. “Accrued leave credits” include credits for sick leave, vacation, personal holiday and compensating time off. To qualify for catastrophic leave for a natural disaster/state of emergency, the recipient employee whose principal residence has been affected by a declared natural disaster/state of emergency, as defined in Section 42931, shall have exhausted all accrued personal holiday credits and compensating time off, and have a balance of forty (40) hours or less in each accrued vacation credits and accrued sick leave credits.

The president of each campus, subject to the approval of the Chancellor, has the authority to make exceptions to the prescribed policy for the purpose of responding to other catastrophic occurrences of comparable impact and/or to expand the benefits of the prescribed policy when compelling and unusual circumstances exist.

Note: Authority cited: Sections 89030 and 89500, Education Code. Reference: Section 89500, Education Code.

§ 42931. Definition of Catastrophic Illness or Injury and Catastrophic Leave for a Natural Disaster/State of Emergency.

A catastrophic illness or injury is one which has totally incapacitated the employee from work. Catastrophic illness or injury may also include an incapacitated member of the employee’s family, if this results in the employee’s being required to take time off for an extended period of time in order to care for the family member and the employee has exhausted all of accrued vacation credits and all accrued sick leave credits which may be used for family care. Only donated vacation credits may be used for such family care catastrophic leave.

Catastrophic leave for a natural disaster/state of emergency is leave for an employee whose principal residence is located in a county where a state of emergency has been declared by the Governor, is unable to work due to the effect of the natural disaster/state of emergency on the recipient employee's principal residence, and who faces financial hardship because the employee has exhausted all accrued personal holiday credits and compensating time off, and has a balance of forty (40) hours or less in each accrued vacation credits and sick leave credits.

Note: Authority cited: Sections 89030 and 89500, Education Code. Reference: Section 89500, Education Code.

§ 42932. Participation and Eligibility.

An employee, the employee's representative or the employee's family member shall request participation and provide appropriate verification of illness or injury as determined by the employee's appointing authority. The appointing authority shall determine eligibility to receive donations of vacation and sick leave credits based upon the definitions provided in this Article. An incapacitated employee may elect to defer a request to participate during a period of Industrial Disability Leave eligibility.

Note: Authority cited: Sections 89030 and 89500, Education Code. Reference: Section 89500, Education Code.

§ 42933. Donation.

(a) Only vacation and sick leave credits may be donated in increments of one hour or more. For catastrophic illness or injury, employees may donate a maximum of forty (40) hours of accrued leave credits per fiscal calendar year in increments of one hour or more. For catastrophic leave for a natural disaster/state of emergency, there is no maximum limit that an employee can donate as long as the employee maintains a balance of forty (40) hours of vacation leave credits and forty (40) hours of sick leave credits per calendar year. Donations are irrevocable. Donated leave credits may be used to supplement Industrial Disability leave, Nonindustrial Disability Insurance or Temporary Disability payments upon the application for these benefit(s) by an eligible employee. The total amount of leave credits donated and used may not exceed an amount sufficient to ensure the continuance of the employee's regular monthly rate of compensation.

(b) The total donated leave credits an employee can receive shall normally not exceed an amount necessary to continue the employee for three calendar months calculated from the first day of catastrophic leave. The appointing authority may approve up to an additional three-month period in exceptional cases. The leave credits shall not be deemed donated until actually transferred by the appointing authority's recordkeeper to the record of the employee receiving leave credits. Such transfer shall be accomplished at the end of a pay period, and credits shall be transferred in the order of the dates actually pledged.

(c) For employees whose appointments have not been renewed, donated time may not be used beyond the employee's appointment expiration date in effect at the beginning of the disability for catastrophic leave for illness or injury or the date the employee begins catastrophic leave for a natural disaster/state of emergency.

(d) Unused donated leave credits may not be used to receive service credit following a service or disability retirement.

Note: Authority cited: Sections 89030 and 89500, Education Code. Reference: Section 89500, Education Code.

And, be it further

RESOLVED, That the Board of Trustees has determined that the adoption of the proposed revisions will not impose a cost or savings on any state agency; and will not impose a cost or savings on any local agency or school district that is required to be reimbursed under Section 17561 of the Government Code; will not result in any nondiscretionary cost or savings to local agencies; will not result in any cost or savings in federal funding to the state; and will not impose a mandate on local agencies or school districts;

And, be it further

RESOLVED, That the Board of Trustees delegates to the Chancellor of the California State University authority to further adopt, amend, or repeal this revision pursuant to the Administrative Procedure Act if further adoption, amendment, or repeal is required and is nonsubstantial or solely grammatical in nature, or sufficiently related to the original text that the public was adequately placed on notice that the change could result from the originally proposed regulatory action.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Compensation for Executives

Presentation By

Timothy P. White
Chancellor

Jack McGrory
Chair, Committee on Audit

Adam Day
Chairman of the Board

Summary

Recommendations for fiscal year 2019-2020 executive compensation will be presented by Chancellor Timothy White for all executives; except, Trustee Jack McGrory will present the recommendation for the vice chancellor and chief audit officer; and Chairman Adam Day will present the recommendation for the chancellor.

Executive Compensation

Executive positions include the chancellor, presidents, executive vice chancellors, and vice chancellors.

Over the past nine years, executives in the system have received compensation increases as shown below:

Executive Employee Group	
Fiscal Year	Percent Increase
2010-2011	0%
2011-2012	0%
2012-2013	0%
2013-2014	0%
2014-2015	3%
2015-2016	2%
2016-2017	2%
2017-2018	2.5%
2018-2019	3%
2019-2020	TBD

A 3 percent increase is recommended for executive employees, consistent with the 3 percent increase for Management Personnel Plan (MPP) and Confidential employees for fiscal year 2019-2020.

The base salary adjustments for the individuals listed in the tables below are recommended for trustee approval effective July 1, 2019.

<i>Eff. 7/1/2019</i>				
Campus	Presidents	Current Annual Base Pay	Proposed Increase	Proposed Annual Base Pay
Bakersfield	Lynnette Zelezny	\$322,436	\$9,673	\$332,109
Channel Islands	Erika Beck	\$298,777	\$8,963	\$307,740
Chico	Gayle Hutchinson	\$310,014	\$9,300	\$319,314
Dominguez Hills	Thomas Parham	\$333,750	\$10,013	\$343,763
East Bay	Leroy Morishita	\$343,547	\$10,306	\$353,853
Fresno	Joseph Castro	\$338,275	\$10,148	\$348,423
Fullerton	Framroze Virjee	\$367,124	\$11,014	\$378,138
Humboldt	Tom Jackson, Jr.	\$336,996 ¹	\$10,110	\$347,106
Long Beach	Jane Close Conoley	\$362,406	\$10,872	\$373,278
Los Angeles	William Covino	\$338,275	\$10,148	\$348,423
Maritime Academy	Thomas Cropper	\$282,839	\$8,485	\$291,324
Monterey Bay	Eduardo Ochoa	\$305,821	\$9,175	\$314,996
Northridge	Dianne Harrison	\$367,124	\$11,014	\$378,138
Pomona	Soraya Coley	\$330,356	\$9,911	\$340,267
Sacramento	Robert Nelsen	\$333,750	\$10,013	\$343,763
San Bernardino	Tomás Morales	\$360,902	\$10,827	\$371,729
San Diego	Adela de la Torre	\$441,504	\$13,245	\$454,749
San Francisco	Lynn Mahoney	\$367,690 ²	\$11,031	\$378,721
San José	Mary Papazian	\$391,683	\$11,750	\$403,433
San Luis Obispo	Jeffrey Armstrong	\$429,915	\$12,897	\$442,812
San Marcos	Ellen Neufeldt	\$336,719 ³	\$10,102	\$346,821
Sonoma	Judy Sakaki	\$314,614	\$9,438	\$324,052
Stanislaus	Ellen Junn	\$299,476	\$8,984	\$308,460

¹Salary set May 22, 2019 (RUF 05-19-05)

²Salary set May 22, 2019 (RUF 05-19-06)

³Salary set March 20, 2019 (RUF 03-19-02)

Eff. 7/1/2019

System Officer	Title	Current Annual Base Pay	Proposed Increase	Proposed Annual Base Pay
Timothy White ⁴	Chancellor	\$463,855	\$13,916	\$477,771
Steve Relyea	Executive Vice Chancellor and Chief Financial Officer	\$350,720	\$10,522	\$361,242
Andy Jones	Executive Vice Chancellor and General Counsel	\$350,720	\$10,522	\$361,242
Loren Blanchard	Executive Vice Chancellor for Academic and Student Affairs	\$350,720	\$10,522	\$361,242
Evelyn Nazario	Vice Chancellor for Human Resources	\$297,546	\$8,926	\$306,472
Garrett Ashley	Vice Chancellor, University Relations & Advancement	\$297,546	\$8,926	\$306,472
Larry Mandel ⁵	Vice Chancellor and Chief Audit Officer	\$259,755	\$7,793	\$267,548

⁴Proposed salary will be recommended by the Chair of the Board.

⁵Proposed salary will be recommended by the Chair of the Committee on Audit.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the individuals named in the salary tables cited in Item 3 of the Committee on University and Faculty Personnel at the July 23-24, 2019 meeting of the Board of Trustees shall receive the annual base salaries cited in the tables effective July 1, 2019.

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

**California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, CA 90802**

July 24, 2019

Presiding: Adam Day, Chairman

10:15 a.m. Board of Trustees

Dumke Auditorium

Call to Order

Roll Call

Public Speakers

Chair's Report

Chancellor's Report

Report of the Academic Senate CSU: *Chair—Catherine Nelson*

Report of the California State Student Association: *President—Michael Wiafe*

Report of the California State University Alumni Council: *President—Michelle Power*

Consent

- Action*** 1. Approval of Minutes of the Meeting of May 22, 2019
Action 2. Approval of Committee Resolutions as follows:

Committee on Campus Planning, Buildings and Grounds

2. California State University, Long Beach Housing Expansion Phase 1 – Parkside North

Committee on Finance

3. Approval to Issue Systemwide Revenue Bonds for a Housing Project at California State University, Long Beach and Recreation Center Expansion at San Diego State University
4. Admission Application Fee Proposal and Title 5 Revision

Committee on Institutional Advancement

2. Naming of the RND Amphitheater – California State University, Monterey Bay
3. Naming of the Provident Credit Union Event Center at San José State University

*The Board of Trustees is a public body, and members of the public have a right to attend and participate in its meetings. This schedule of meetings is established as a best approximation of how long each scheduled meeting will take to complete its business. Each meeting will be taken in sequence, except in unusual circumstances. Depending on the length of the discussions, which are not possible to predict with precision in advance, the scheduled meeting times indicated may vary widely. The public is advised to take this uncertainty into account in planning to attend any meeting listed on this schedule.

Committee on University and Faculty Personnel

2. Approval of Recommended Revision of Title 5, California Code of Regulations, Article 4.2, Catastrophic Leave Donation Program
3. Compensation for Executives

Committee on Committees

1. Amendment to Board of Trustees' Standing Committee Assignments for 2019-2020

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**MINUTES OF THE MEETING
OF BOARD OF TRUSTEES**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

May 22, 2019

Trustees Present

Adam Day, Chairman
Lillian Kimbell, Vice Chair
Silas H. Abrego
Jane W. Carney
Rebecca D. Eisen
Doug Faigin
Debra Farar
Jean Picker Firstenberg
Wenda Fong
Juan F. Garcia
Emily Hinton
Jack McGrory
Hugo Morales
Romey Sabalius
Lateefah Simon
Peter J. Taylor
Timothy P. White, Chancellor
Superintendent Tony Thurmond

Chairman Day called the meeting of the Board of Trustees to order.

Public Comment

The board heard from the following individuals during the public comment period:

William Blischke, President, CSU Emeritus and Retired Faculty and Staff Association (ERFSA); Suzanne Till, High School Teacher, Mater Dei Catholic High School; Garrick Wilhelm, student, ASI VP External Affairs (San Francisco) ; Ejmin Hakobian; Rita Loof; James Fenelon, faculty, San Bernardino (CFA); Jose Trinidad Castaneda, Alum (CSU Los Angeles); Michelle Cerecerez, CSU Parent (CFA); Sharon Elise, Associate VP, Racial and Social Justice, South, San Marcos

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(CFA); Rocky Sanchez, VP for Representation (CSUEU); Rich McGee Chair Bargaining Unit 9 (CSUEU); Tessa Reese, Chair Bargaining Unit 2 (CSUEU); Neil Jacklin, President (CSUEU); Sergio Roldan, Chair Bargaining Unit 5 (CSUEU); Shirley Staton, Chair Bargaining Unit 7 (CSUEU); Sandee Noda, Chapter 305 President (CSUEU - SFSU)

Chair's Report

Chairman Adam Day's complete report can be viewed online at the following link:
<https://www2.calstate.edu/csu-system/board-of-trustees/reports-of-the-chair/Pages/may-2019.aspx>

Chancellor's Report

Chancellor Timothy P. White's complete report can be viewed online at the following link:
<https://www2.calstate.edu/csu-system/board-of-trustees/chancellor-reports/Pages/May-22-2019-asp.aspx>

Report of the Academic Senate CSU

CSU Academic Senate Chair Catherine Nelson's complete report can be viewed online at the following link:
<https://www2.calstate.edu/csu-system/faculty-staff/academic-senate/Pages/ASCSU-Chairs-Report.aspx>

Report from the California State Student Association

CSSA President Mia Kagianas's complete report can be viewed online at the following link:
<https://www.calstatestudents.org/public-documents/#president>

Report of the California State University Alumni Council

Alumni Council's President Michelle Power's complete report can be viewed at the following link:
<https://www2.calstate.edu/impact-of-the-csu/alumni/council/board-of-trustee-reports>

Board of Trustees

The minutes of the meeting of March 20, 2019 were approved as submitted. The Board of Trustees approved the following resolutions:

Committee on Institutional Advancement

**Naming of the Shiley CSU Institute for Palliative Care
(RIA 05-19-04)**

RESOLVED, by the Board of Trustees of the California State University, that the California State University Institute for Palliative Care located on the California State University San Marcos campus be named the Shiley CSU Institute for Palliative Care.

**Naming of the Carolyn Campagna Kleefeld Contemporary Art Museum – California State University, Long Beach
(RIA 05-19-05)**

RESOLVED, by the Board of Trustees of the California State University, that the University Art Museum at California State University, Long Beach be named as the Carolyn Campagna Kleefeld Contemporary Art Museum.

**Naming of the Lam Family College of Business – San Francisco State University
(RIA 05-19-06)**

RESOLVED, by the Board of Trustees of the California State University, that the College of Business at San Francisco State University be named the Lam Family College of Business.

Committee on Finance

**Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, San Bernardino and California Polytechnic State University, San Luis Obispo
(RFIN 05-19-02)**

Orrick, Herrington & Sutcliffe LLP, as bond counsel, prepared resolutions presented in Agenda Item 3 on the Committee on Finance at the May 20-22, 2019 Board of Trustees' meeting that authorize interim and permanent financing for the projects described in the agenda item. The proposed resolutions were distributed at the meeting and will achieve the following:

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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 128,395,000 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 bond anticipation notes and the revenue bonds.

**California State University, Fresno – Conceptual Approval of a Public-Private Partnership for the Central Utility Plant Replacement Project
(RFIN 05-19-03)**

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

1. Approve the concept of a public/private partnership for the project at California State University, Fresno;
2. Authorize the chancellor and the campus, to enter into negotiations for agreements as necessary to develop a final plan for the public-private partnership as explained in Agenda Item 4 of the May 20-22, 2019 meeting of the Committee on Finance;
3. Will consider the following additional action items relating to the final plan:
 - a) Certification of Final California Environmental Quality Act (CEQA) documentation.
 - b) Approval of a development and financial plan negotiated by the campus and the developer with the advice of the chancellor;
 - c) Approval of an amendment to the Non-State Capital Outlay Program;
 - d) Approval of the schematic design.

Committee on Campus Planning, Building and Grounds

**San Diego State University Aztec Recreation Center Expansion
(RCPBG 05-19-03)**

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

1. The 2019 Campus Master Plan Revision for the Aztec Recreation Center Expansion project be approved.
2. The 2019-2020 Capital Outlay Program is amended to include \$77,600,000 for preliminary plans, working drawings, construction, and equipment for the San Diego State University Aztec Recreation Center Expansion project.
3. The schematic plans for the San Diego State University Aztec Recreation Center Expansion project are approved at a project cost of \$77,600,000 at CCCI 6840.

Committee on Audit

Individual Consequences for Intentional Fiscal Improprieties at the CSU (RAUD 05-19-01)

RESOLVED, by the Committee on Audit of the California State University Board of Trustees, that, effective immediately:

1. As part of the existing procedures in Executive Order 1104, if the chancellor or campus presidents determine that there has been a fraud, theft or intentional misuse of funds resulting in a loss to the CSU or a recognized auxiliary greater than \$20,000, then the chancellor or campus president (or their designee) shall promptly contact the appropriate prosecuting authority and present the evidence so that the prosecuting authority may consider criminal prosecution. In cases where the loss is \$20,000 or less, the chancellor and campus presidents are encouraged to present the evidence to the prosecuting authority, if appropriate based on the totality of the circumstances. Regardless of the amount of the loss, discipline (up to and including dismissal) shall be evaluated and, if warranted by current system or campus disciplinary procedures, imposed. In all cases, the CSU shall evaluate the appropriateness of seeking repayment of the loss either outright or in the form of a restitution agreement, and such repayment or agreement to repay shall be secured whenever possible and whenever appropriate based on the totality of the circumstances.
2. On an annual basis, the chancellor and each campus president is required to complete a certification to be transmitted to, and retained by, the CSU chief auditor stating that, in accordance with CSU policy, they have disclosed all known actual or suspected fiscal improprieties of \$5,000 or more.

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Committee on University and Faculty Personnel

Executive Compensation: President – Humboldt State University (RUFP 05-19-05)

RESOLVED, by the Board of Trustees of the California State University, that Dr. Tom Jackson Jr. shall receive a salary set at the annual rate of \$336,996 effective the date of his appointment as president of Humboldt State University; and be it further

Executive Compensation: President – San Francisco State University (RUFP 05-19-06)

RESOLVED, by the Board of Trustees of the California State University, that Dr. Lynn Mahoney shall receive a salary set at the annual rate of \$367,690 effective the date of her appointment as president of San Francisco State University; and be it further

RESOLVED, that Dr. Mahoney shall receive additional benefits as cited in Item 3 of the Committee on University and Faculty Personnel at the May 20-22, 2019 meeting of the Board of Trustees.

Committee of the Whole

Conferral of Commendation–John Nilon (RCOW 05-19-03)

RESOLVED, by the Board of Trustees of the California State University, that this board commends Alumni Trustee John Nilon for his dedication and service on behalf of the students, faculty, staff, administrators, alumni and friends of the California State University.

Conferral of the Title of Student Trustee Emerita–Emily Hinton (RCOW 05-19-04)

RESOLVED, by the Board of Trustees of the California State University, that this board confers the title of Student Trustee Emerita on Emily Hinton, with all the rights and privileges thereto.

**Conferral of the Title of President Emerita–Lisa A. Rossbacher
(RCOW 05-19-05)**

RESOLVED, by the Board of Trustees of the California State University, that this board confers the title of President Emerita on President Lisa A. Rossbacher, with all the rights and privileges thereto.

**Conferral of the Title of President Emeritus–Leslie E. Wong
(RCOW 05-19-06)**

RESOLVED, by the Board of Trustees of the California State University, that this board confers the title of President Emeritus on President Leslie E. Wong, with all the rights and privileges thereto.

**Conferral of the Title of President Emerita–Karen S. Haynes
(RCOW 05-19-07)**

RESOLVED, by the Board of Trustees of the California State University, that this board confers the title of President Emerita on President Karen S. Haynes, with all the rights and privileges thereto.

Committee on Committees

**Election of the Chair and Vice Chair of the Board of Trustees for 2019-2020
(RCOC 05-19-01)**

RESOLVED, by the Board of Trustees of The California State University, on recommendation by the Committee on Committees, that Adam Day be elected chair for 2019-2020 to take effect immediately following the conclusion of the May 20-22, 2019 board meeting.

RESOLVED, by the Board of Trustees of The California State University, on recommendation by the Committee on Committees, that Lillian Kimbell be elected vice chair for 2019-2020 to take effect immediately following the conclusion of the May 20-22, 2019 board meeting.

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**Board of Trustees' Committee Assignments for 2019-2020
(RCOC 05-19-02)**

RESOLVED, By the Board of Trustees of The California State University, on recommendation by the Committee on Committees that the following appointments be made to the Standing Committees for 2019-2020 to take effect immediately following the conclusion of the May 20-22, 2019 board meeting.

AUDIT

Jack McGrory, Chair
Hugo N. Morales, Vice Chair
Silas H. Abrego
Jane W. Carney
Douglas Faigin
Jean P. Firstenberg
Wenda Fong
Lateefah Simon

**CAMPUS PLANNING,
BUILDINGS AND GROUNDS**

Rebecca D. Eisen, Chair
Romey Sabalius, Vice Chair
Jane W. Carney
Wenda Fong
Jack McGrory
Thelma Meléndez de Santa Ana
Peter J. Taylor

COLLECTIVE BARGAINING

Lateefah Simon, Chair
Douglas Faigin, Vice Chair
Debra S. Farar
Lillian Kimbell
Jack McGrory
Thelma Meléndez de Santa Ana
Christopher Steinhauser
Peter J. Taylor

EDUCATIONAL POLICY

Peter J. Taylor, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Rebecca D. Eisen
Douglas Faigin
Debra S. Farar
Wenda Fong
Juan F. Garcia
Lillian Kimbell
Thelma Meléndez de Santa Ana
Romey Sabalius
Christopher Steinhauser

FINANCE

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

GOVERNMENTAL RELATIONS

Silas H. Abrego, Chair
Juan F. Garcia, Vice Chair
Douglas Faigin
Debra S. Farar
Jean P. Firstenberg
Jack McGrory
Romey Sabalius

INSTITUTIONAL ADVANCEMENT

Jean P. Firstenberg, Chair
Wenda Fong, Vice Chair
Debra S. Farar
Lillian Kimbell
Hugo N. Morales

ORGANIZATION AND RULES

Thelma Meléndez de Santa Ana, Chair
Jean P. Firstenberg, Vice Chair
Silas H. Abrego
Douglas Faigin
Lateefah Simon
Christopher Steinhauser

UNIVERSITY AND FACULTY

PERSONNEL

Debra S. Farar, Chair
Christopher Steinhauser, Vice Chair
Rebecca D. Eisen
Juan F. Garcia
Hugo N. Morales
Romey Sabalius