The California State University

AGENDA

COMMITTEE ON FINANCE

Meeting: **4:00 p.m., Tuesday, March 10, 2026**
Glenn S. Dumke Conference Center

Julia I. Lopez, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Carson Fajardo
Mark Ghilarducci
Leslie Gilbert-Lurie
Sam Nejabat
Christopher Steinhauser
Darlene Yee-Melichar

Consent

1. Approval of Minutes, *Action*
2. California State University, Bakersfield Conceptual Approval of a Public-Private Partnership for a Solar Project, *Action*
3. California State University Annual Debt Report, *Information*

Discussion

4. Approval of the Lottery Budget and Report, *Action*
5. California State University Quarterly Investment Report, *Information*
6. 2026-2027 CSU Budget Priorities, *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

January 28, 2026

Members Present

Julia Lopez, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Carson Fajardo
Mark Ghilarducci
Leslie Gilbert-Lurie
Christopher Steinhauser
Darlene Yee-Melichar

Mildred García, Chancellor
Jack B. Clarke, Jr., Chair of the Board

Trustee Lopez called the meeting to order.

Consent Agenda

The minutes of the November 18, 2025, meeting of the Committee on Finance were approved as submitted.

Item 2, California State University, Long Beach University Student Union Renovation and Expansion Financing Approval, was approved as submitted (RFIN 01-26-01).

Item 3 – 2025-2026 Student Fee Report

The committee received the annual report on campus mandatory fees, which support student services outside the core operating budget (e.g., health services, student centers, recreation, student success programs). Staff outlined the governance and consultation process for setting campus mandatory fees, including student referendum, campus fee advisory committee consultation, and presidential approval. It was shared that for fiscal year 2024-2025 approximately $918 million was collected systemwide in mandatory fees, with the systemwide average fee being $2,194 per student. Fee increases largely reflect expanded services and

facilities, with limited inflationary adjustments.

Following the presentation the trustees commented on affordability, equity, transparency, and utilization of fee revenue. They asked about student involvement, the campuses fee advisory committees, and their role in the fee referendum process. It was shared that campuses use various forms to get student feedback – forums, meetings, and communications. Trustee Fajardo shared that he has been part of his campus fee advisory committee, which is majority students and found it valuable. Trustee Rodgriguez asked why some campuses have student fees higher than others and was informed that services and facilities offered at each campus vary and affect these fees. Campuses focusing on hands on experience tend to have higher fees, at San Luis Obispo some of this money goes back to financial aid. Trustee Lopez added that previously the State University Grant only covered up to 50% of tuition expenses which the Board of Trustees approved to cover up to 100% a few years ago but now may be a good time to reevaluate this in the lens of overall affordability and sustainability.

Item 4 – CSU Fiscal Health Monitoring

The committee received a presentation on a new systemwide fiscal health monitoring process, developed in response to enrollment volatility, rising costs, and requirements in the 2025 Budget Act. The process will be applied annually to all CSU campuses and uses six fiscal and enrollment risk indicators: resident enrollment, workforce, operating fund, cost efficiency, enterprise activities, and other. As part of the process, campuses are required to submit fiscal action plans addressing enrollment strategies, multiyear budget projections, cost containment, and other risk factors. Individual campus reviews were completed in fall 2025 and follow-up monitoring with some campuses will continue through spring 2026.

Following the presentation the trustees expressed strong support for the new process, noting it is long overdue, improves transparency, and helps prevent undisclosed structural deficits. They discussed the importance of systemwide coordination (“systemness”) in enrollment strategy and program sharing. Trustee McGrory asked if campuses that go over their enrollment target receive funding for the over enrollment and was told that some funding has been provided to cover a portion, but many campuses will still be underfunded. Vice Chair Arambula commented that it would be good to understand if there is a “right size” for campus enrollment - how a campus of 5,000-10,000 students may operate vs a larger campus of 15,000-20,000 students. Trustee Gilber-Lurie requested talking points to help trustees explain to legislators and policymakers the return on investment and Deputy Vice Chancellor Dilcie Perez agreed to come back with talking points. Trustee Lopez highlighted that this process also provides oversight of auxiliaries, housing, and athletics which often pose as significant financial risk areas.

Item 5 – 2026-2027 Operating Budget Update

The committee received an update on the Governor's January 2026 budget proposal and its implications for the CSU. Key points of the proposal are:

- Restoration of prior-year base reductions.
- Full funding of compact commitments for 2026–2027.
- Proposed tuition revenue and enrollment growth funding.
- A second year of a zero-interest state loan to support cash flow.

Staff reported that total proposed new CSU revenues would be approximately $710 million. Baseline mandatory cost commitments remain substantial, particularly for employee compensation and benefits. While the proposal would reduce the structural deficit, significant gaps remain, including deferred maintenance.

Following the presentation the trustees expressed the need for a disciplined advocacy strategy focused on clear priorities. They shared their concern that no new state funding for deferred maintenance was included and expressed support for the CSU to pursue a general obligation bond. Trustees requested that staff return with clear prioritization options for use of additional funds, and concrete advocacy talking points for engagement with state policymakers.

Trustee Lopez adjourned the meeting of the Committee on Finance.

COMMITTEE ON FINANCE

California State University, Bakersfield Conceptual Approval of a Public-Private Partnership for a Solar Project

Presentation By

Patrick J. Lenz
Interim Executive Vice Chancellor and
Chief Financial Officer

Vernon B. Harper Jr.
President
California State University, Bakersfield

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

Summary

This item requests conceptual approval to pursue a public-private partnership for a solar project at California State University, Bakersfield.

Background and Concept Structure

Through analysis by University and Chancellor's Office staff, including information gathered from an energy consultant and market participants, the University has determined that an opportunity exists to develop a solar panel and battery microgrid field on fifteen acres of university land on the eastern side of the campus. The primary purpose of the project is to reduce the University's long-term electricity costs while improving the reliability of campus power supply. The battery component of the microgrid will provide the capability to maintain operations during broader electrical outages or emergency events.

The University anticipates leasing the site under a long-term ground-lease or a power-purchase agreement to a developer selected through a competitive bid process. The development partner will be expected to finance, own, operate, and maintain the solar and battery microgrid system and the University will pay only for the energy delivered at rates designed to be lower than comparable retail energy pricing from PG&E, the current provider of energy in the area. Through provisions in the legal documents, the campus will ensure that the construction of the facility is consistent with design standards established for the project and that it is well maintained and adequately funded by maintenance reserves throughout the life of the agreement.

Educational Benefit

In addition to reducing operational energy costs and enhancing campus energy reliability and resilience, the project will also support University sustainability goals, as well as academic and research initiatives. The project will support compliance with California Title 24 energy efficiency requirements for two upcoming University construction projects—the Energy Innovation Building and the Food Pantry—and it will promote CSU sustainability objectives by reducing campus greenhouse gas emissions by more than 2,100 metric tons of carbon dioxide equivalent annually. In addition, the project will advance the University's academic mission by serving as a living laboratory for students in the School of Natural Sciences, Mathematics, and Engineering.

Next Steps and Approval of the Final Development Plan

Upon Board of Trustees concept approval, the University will begin the process of selecting a development partner through a competitive qualification and bid process. Per Board of Trustees policy, as the project moves forward, all related master plan revisions, amendments of the capital outlay program, proposed schematic plans, financial plans, proposed key business points of the finalized development plan, and the required environmental documents will be presented at future meetings for final approval by the Board of Trustees prior to execution of any commitments for development and use of the property.

Recommendation

The following resolution is presented for approval:

> **RESOLVED**, by the Board of Trustees of the California State University, that the Trustees:
>
> 1. Approve the concept of a public-private partnership for a solar project at California State University, Bakersfield;
> 2. Authorize the chancellor and the University to enter into negotiations for agreements as necessary to develop a final plan for the public-private partnership as presented in this agenda item;
> 3. Will, at a future meeting(s), consider the following additional action items relating to the final plan:
>   a) Certification of Final California Environmental Quality Act (CEQA) documentation.
>   b) Approval of the development key terms and financial plan;
>   c) Approval of an amendment to the Non-State Capital Outlay Program;
>   d) Approval of the schematic design.

COMMITTEE ON FINANCE

California State University Annual Debt Report

Presentation By

Patrick J. Lenz
Interim Executive Vice Chancellor and
Chief Financial Officer

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

Summary

This item reports on the debt of the California State University Systemwide Revenue Bond program in accordance with the CSU Policy on Financing Activities (RFIN/CPBG 11-14-01).

Background

The Systemwide Revenue Bond (SRB) program, under provisions and authorities of the State University Revenue Bond Act of 1947 (California Education Code sections 90010-90083), was established by the CSU Board of Trustees at its March 2002 meeting. Since the inception of the SRB program, the CSU Policy on Financing Activities has set forth the principles that serve as the basis for the SRB program and has provided the chancellor with authority to establish procedures for the management of the SRB program consistent with the Board of Trustees' objectives for the use of debt, including the establishment of benchmark financial ratios to ascertain the financial viability of projects to be financed with CSU debt. The current CSU Policy on Financing Activities (RFIN/CPBG 11-14-01) was amended by the Board of Trustees in November 2014 and can be found at: https://calstate.policystat.com/policy/11691604/latest.

The SRB program provides capital financing for projects of the CSU approved by the Board of Trustees, including student housing, parking, student union, health center, continuing education facilities, certain auxiliary projects, and other academic facilities. Revenues from these programs and revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements for the projects and to pay debt service on the debt issued to finance

the projects. A strength of the SRB program is its consolidated pledge of gross revenues to the bondholders, which has resulted in strong credit ratings and low borrowing costs for the CSU. Since the inception of the SRB program, the CSU has also issued commercial paper (CP) primarily to provide campuses with short term, lower cost capital financing on projects until long term bonds are sold. The CSU currently has a CP program in the amount of $300 million, although the Board of Trustees has authorized a CP program for up to $500 million. The CP program is supported by letters of credit from Barclays and Wells Fargo N.A. that expire June 30, 2028.

SRB and CP Portfolio Profile

As of June 30, 2025, and December 31, 2025, outstanding SRB debt of the CSU was approximately $9.6 billion and approximately $10.4 billion, respectively.

Key characteristics of the SRB portfolio are as follows:

Debt Ratings:	Aa2 (Moody's) AA- (Standard & Poor's)
Weighted Average Cost of Capital:	3.50%
Weighted Average Maturity:	14.8 Years
Interest Rate Mix:	98% Long Term Fixed Rate 2% Short Term Fixed Rate

As of December 31, 2025, outstanding CP was approximately $192 million at a weighted average interest rate of 2.54%.

SRB Operating Performance and Debt Service Coverage Ratios

For the fiscal years ended June 30, 2023, June 30, 2024, and June 30, 2025, operating performance and debt service coverage ratios for the SRB program were as follows (amounts in millions):

	June 30, 2023	June 30, 2024	June 30, 2025
Operating Revenues	$5,606	$5,811	$6,246
Operating Expenses	2,307	2,527	2,742
Net Revenues	3,299	3,284	3,504
Annual Debt Service	$514	$563	$595[1]
Debt Service Coverage[2]	**6.42**	**5.83**	**5.89**

[1] For the fiscal year ended June 30, 2025, the amount of annual debt service allocated to tuition was $197 million and the amount allocated to other fees was $398 million.
[2] The minimum benchmark for the system, as established by executive order, is 1.45.

As of June 30, 2025, $440 million, or 5.2%, of CSU's $8.5 billion core operating budget was allocated for debt service and capital funding for academic projects.

Activity Since March 2025 Annual Debt Report

Series 2025A and Series 2025B SRB Issuance

In July 2025, the CSU issued $1,737,115,000 of SRBs comprised of the following series:

Series 2025A (Tax-exempt):	$1,623,180,000
Series 2025B (Taxable):	$113,935,000
Total par amount of the bonds:	$1,737,115,000

$991,270,000 of the proceeds from the Series 2025A bonds and all of the Series 2024B bonds were used for new money projects, with the new money Series 2025A bonds issued at an all-in true interest cost of 4.64% and the Series 2025B bonds issued at an all-in true interest cost of 5.62%.

The remaining Series 2025A bonds of $631,910,000 were issued to refinance existing SRB debt resulting in net present value savings of $52.8 million.

Projects Approved for Financing Under Delegated Authority

In March 2018, the Board of Trustees amended Section II(f). of its Standing Orders to delegate authority to the chancellor to, among other things, authorize debt financing for projects valued up to $40 million and authorize debt financing for all remodels, parking structures, and utilitarian projects, regardless of cost.

Since the last report to the Board of Trustees, under this delegation of authority, the chancellor authorized debt financing for the following projects:

- In April 2025, the California State University, Long Beach Hillside Dining Hall Expansion with a not-to-exceed financing amount of $11,795,000. This project met CSU debt financing benchmarks and was included in the CSU's 2025 SRB issuance.
- In April 2025, the California State University, Stanislaus Residence Life Village IV project with a not-to-exceed financing amount of $11,360,000. This project met CSU debt financing benchmarks and was included in the CSU's 2025 SRB issuance.
- In January 2026, the California State University, Monterey Bay—University Corporation at Monterey Bay Gavilan Hall Housing Renovation project with a not-to-exceed financing amount of $21,740,000. This project met CSU debt financing benchmarks and will be included in a future SRB issuance.

COMMITTEE ON FINANCE

2026-2027 Lottery Budget and Report

Presentation By

Patrick J. Lenz
Interim Executive Vice Chancellor and
Chief Financial Officer

Jeni Kitchell
Assistant Vice Chancellor/Controller
Finance and Budget Administration

Summary

This item presents the 2024-2025 lottery fund expenditure report and requests the California State University (CSU) Board of Trustees' approval for the 2026-2027 lottery budget of $74 million, which includes a $4 million increase to the Systemwide Technology Program: Common Network Initiative. Lottery funds provide critical supplemental resources exclusively for the education of students.

Lottery Guidelines

The Lottery Act allows for the expenditure of lottery revenue for public education purposes. CSU's guidelines ensure that lottery funds are used only to supplement state-funded educational programs and shall not be used to pay faculty salaries for classroom instruction.

The Lottery Act provides additional specificity and explicitly prohibits using these funds for:

- Acquisition of real property
- Construction of facilities
- Financing of research

Each year, the Board of Trustees adopts a systemwide lottery budget that adheres to both CSU guidelines and Lottery Act provisions. Through the Standing Orders of the Board of Trustees, the chancellor is delegated oversight of the lottery budget, including deposit, control, investment, and expenditure of lottery funds.

Lottery Programs

Systemwide Programs

Program	Description
Chancellor's Doctoral Incentive Program	Supports doctoral students who aspire to teach in the CSU system
California Pre-Doctoral Program	Supports CSU students from disadvantaged backgrounds who seek to earn doctoral degrees
DREAM Loan Program	Provides loans to students who satisfy specified academic, enrollment, and high school graduation requirements
Student Success Framework	Initiatives supporting student success, such as internships or other experiential learning opportunities.
System Partnerships & Memberships	Supports CSU's participation in organizations promoting research and public policy
Systemwide Technology Program	Supports the Common Network Initiative (CNI) hardware, software, and communications infrastructure across all universities
Systemwide Library Digital Collections	Provides students and faculty with access to quality academic sources and electronic publications
Administration of Lottery Fund	Supports program administration and reporting functions

Campus-based Programs

Funding allocated directly to universities for campus-based programs allows presidents flexibility to meet unique campus needs. These funds are traditionally used for:

- Library materials and collections
- Instructional equipment
- Curriculum development
- Financial aid
- Other programs that supplement educational programs for students

Financial Aid Programs

Funding provided for need-based financial support to ensure that financial hardship is not a barrier to enrollment. One of the financial aid programs, Supportive Pathways, offers academic and social support aligned with each incoming student's needs, with a focus on helping first-time students complete the General Education (GE) written communication (A2) and math/quantitative reasoning (B4) requirements within their first year.

References

Education Code Sections 89721 – 89725.1
Government Code Section 8880 – 8880.14
CSU Systemwide Lottery Policy, Procedures, and Guidance
Standing Orders of the Board of Trustees of the California State University

Report on 2024-2025 Lottery Fund Revenues and Expenditures

In keeping with CSU's commitment to financial transparency and following CSU lottery guidelines, this report presents the 2024-2025 lottery revenues and expenses.

Key Highlights:

- The beginning balance of carryover funds was $112 million.
- Lottery revenue exceeded the budget by $7.8 million.
- Total expenditures of $68.5 million exceeded the approved budget by approximately $3.5 million, primarily due to higher spending in Campus Programs and Systemwide Library Digital Collections, partially offset by lower expenditures in the DREAM Loan Program.
- Additionally, one-time funds totaling $24.2 million were directed to the Systemwide Technology Program to advance systemwide technology initiatives, including CNI, Unisys, and Artificial Intelligence.
- The ending balance of $98 million will carry forward for one-time use in future years.

The following table details how lottery revenues and carryover balances were spent:

2024-25 Lottery Funds

	Budget	Actuals	Variance	
Beginning Balance 7/1/2024		**$111,829,206**		
Sources of Funds				
Revenue	$70,000,000	$77,821,184	*11.2%*	
Investment Earnings	-0-	1,162,535		
Less Systemwide Contingency	(5,000,000)	-0-	*-100.0%*	
Total Available for Allocation	**$65,000,000**	**$78,983,719**	***21.5%***	
Uses of Funds				
Doctoral Incentive Program	$1,000,000	$1,100,000	*10.0%*	
California Pre-Doctoral Program	1,038,000	1,248,994	*20.3%*	
CSU Summer Arts Program	1,500,000	1,669,913	*11.3%*	
DREAM Loan Program	2,000,000	615,500	*-69.2%*	
System Partnerships & Memberships	1,000,000	872,175	*-12.8%*	
Systemwide Library Digital Collections	6,250,000	7,807,873	*24.9%*	
Campus Programs	46,407,000	49,637,792	*7.0%*	
Campus Financial Aid	5,000,000	4,690,792	*-6.2%*	
Lottery Fund & System Programs Admin.	805,000	805,000	*0.0%*	
Total	**$65,000,000**	**$68,448,039**	***5.3%***	
Strategic Use of One-time Funds				
Systemwide Technology Program	-0-	24,163,642		
Ending Balance 6/30/2025		**$98,201,244**		
		$31,304,376	*Universities*	
		$66,896,868	*System*	

Proposed 2026-2027 Lottery Budget

Key Highlights:

- Total budgeted lottery revenue is $74 million.
- Increased the Systemwide Technology Program by $4 million to maintain the five-year refresh cycle for the Common Network Initiative across all universities.
- Reallocated $43,000 from DREAM Loan to balance the budget, as expenditures are consistently less than predicted. If more funding is needed, it can be augmented with one-time carryover funds.
- Administration costs remain at 1.2% of the proposed budget.

Comparison of 2025-2026 and 2026-2027 Lottery Budgets

	2025-2026 Adopted Budget	2026-2027 Proposed Budget
Sources of Funds		
Revenue	$70,000,000	$74,000,000
Total Available for Allocation	**$70,000,000**	**$74,000,000**
Uses of Funds		
System Programs		
Chancellor's Doctoral Incentive Program	$1,000,000	$1,000,000
California Pre-Doctoral Program	1,038,000	1,038,000
DREAM Loan	1,635,000	1,592,000
Student Success Framework	1,500,000	1,500,000
System Partnerships & Memberships	1,000,000	1,000,000
Systemwide Technology Program: CNI	3,000,000	7,000,000
Systemwide Library Digital Collections	9,575,000	9,575,000
	$18,748,000	$22,705,000
Campus-Based Programs		
Campus Programs	$46,407,000	$46,407,000
Campus Financial Aid	4,000,000	4,000,000
	$50,407,000	$50,407,000
Lottery Fund & System Administration	$845,000	$888,000
Total Uses of Funds	**$70,000,000**	**$74,000,000**

Multi-Year Strategic Plan for Lottery Fund Carryover

The CSU has accumulated approximately $98 million in lottery carryover as of June 30, 2025, a reduction of $14 million from the previous year. The following table reflects details of the carryover funds and their designations:

Category	**Universities**	**System**	**Total**
Encumbrances	$3,443,599	$1,591,558	$5,035,157
Equipment Acquisition	4,255,303	-	4,255,303
Financial Aid	951,583	7,776,315	8,727,898
Outstanding Commitments	8,348,062	49,185,350	57,533,412
Program Development	8,985,445	-	8,985,445
Subtotal: Designated Balances	**$25,983,992**	**$58,553,223**	**$84,537,215**
Reserves	5,320,385	8,343,645	13,664,030
Total	**$31,304,376**	**$66,896,868**	**$98,201,244**

The table above identifies $49 million of outstanding commitments at the system level. The next section outlines a multi-year approach to utilize those one-time funds.

The multi-year plan aligns with CSU Forward and focuses on three primary areas that support the instructional purpose of student education. These areas are prioritized based on ongoing and anticipated investment needs:

1. Technology Infrastructure Enhancement (60%): Modernizing digital capabilities across the system to enhance educational delivery and efficiency.
    - Common Network Initiative
    - Artificial Intelligence investments
    - Instructional technology modernization across universities
    - Digital learning platforms and resources
    - Student success systems and data management
2. Innovation for Educational Programs (25%): In support of CSU Forward, developing cutting-edge academic initiatives that expand learning opportunities.
    - Cross-campus collaborative teaching initiatives
    - Student success initiatives
    - Student internship opportunities
    - Post-graduate opportunities
    - Resources for specialized academic fields

3. Student Completion and Affordability (15%): Removing financial barriers and accelerating degree completion.
    - Summer financial aid
    - Time-to-degree acceleration programs
    - Other emerging student needs

Five-Year Utilization Plan

Fiscal Year	Planned Allocation
2026-2027	$10 million
2027-2028	$10 million
2028-2029	$10 million
2029-2030	$10 million
2030-2031	$9 million

Fiscal Sustainability

This strategic plan maintains approximately $8.3 million in system reserves (3 months of operations), ensuring fiscal sustainability while optimizing the future use of these accumulated funds. The Chancellor's Office will provide annual updates on the uses of carryover funds to the Board of Trustees.

Recommended Action

The following resolution is recommended for approval:

> **RESOLVED**, by the Board of Trustees of the California State University, that the 2026-2027 lottery budget totaling $74 million is approved for implementation by the chancellor, with the authorization to make transfers between components of the lottery budget and to adjust expenditures in accordance with receipt of lottery funds; and be it further
>
> **RESOLVED**, that the chancellor is hereby granted authority to adjust the 2026-2027 lottery budget approved by the Board of Trustees to the extent that revenue is greater or less than budgeted revenue to respond to opportunities or exigencies; and be it further
>
> **RESOLVED**, that a report of the 2026-2027 lottery budget revenue and expenditures be made to the Board of Trustees.

COMMITTEE ON FINANCE

California State University Quarterly Investment Report

Presentation By

Patrick J. Lenz
Interim Executive Vice Chancellor and
Chief Financial Officer

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

Summary

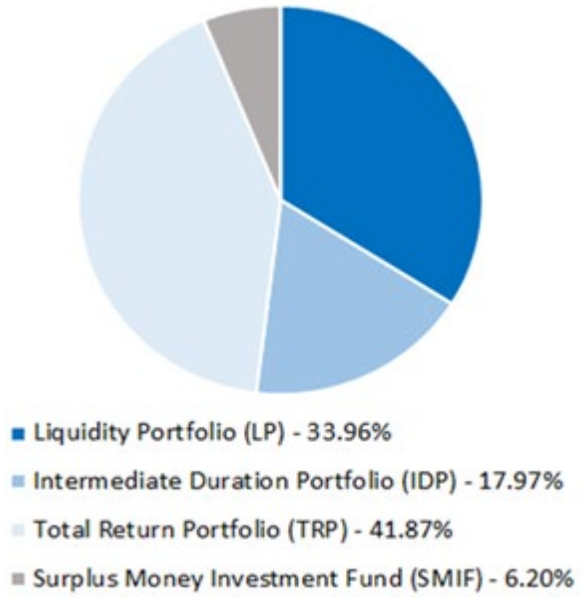
This item provides the quarterly investment report to the California State University Board of Trustees for the quarter ended September 30, 2025. The information in Attachment A provides the entire quarterly investment report regarding CSU investments as required by Education Code § 89726.

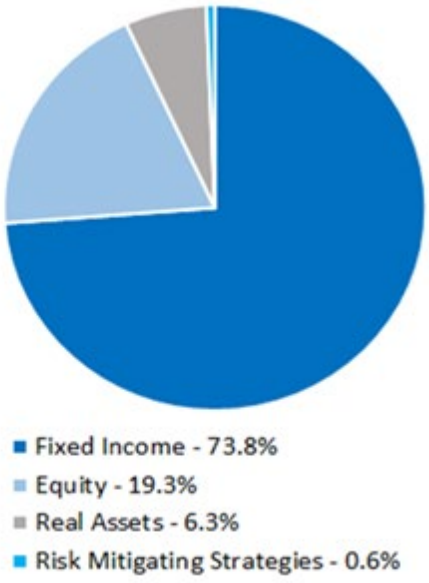
Background

Pursuant to the CSU Master Investment Policy, which can be found at https://calstate.policystat.com/policy/11691689/latest, CSU investments as of September 30, 2025, consisted of investments in the Liquidity Portfolio (LP), the Intermediate Duration Portfolio (IDP), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). Except for amounts held at the state in SMIF, all CSU investments are held by US Bank, the custodian bank for the CSU. Neither state general fund nor CSU auxiliary funds are included in the figures reported. In addition, this report does not include approximately $2.19 billion in bond proceeds, which by state law are required to be held by the state and are invested in SMIF.

CSU Investments – Balances, Allocations, and Returns
September 30, 2025

	Balance	% of CSU Investments	Twelve Month Returns
Liquidity Portfolio (LP)	$2.698 billion	33.96%	4.40%
Intermediate Duration Portfolio (IDP)	$1.428 billion	17.97%	4.33%
Total Return Portfolio (TRP)	$3.326 billion	41.87%	9.83%
CSU Investment Portfolios	**$7.452 billion**		
Surplus Money Investment Fund (SMIF)	$0.493 billion	6.20%	4.24%
Total CSU Investments	**$7.945 billion**	**100%**	





CSU Investment Performance

For detailed information on the investment performance and characteristics of the CSU investment portfolios and funds invested in SMIF please see Attachment A.

CSU Liquidity Portfolio (LP)

The purpose of the LP is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objectives are safety of principal and liquidity.

The LP is managed through contracts with two investment management firms, BlackRock Financial Management and Payden & Rygel, each of whom provides investment management services for the program. While the custodian, US Bank, holds the funds invested in the LP for investment management purposes, additions to the portfolio are split evenly between the investment managers and invested according to permitted investments outlined in the Government Code of the state and the LP investment policy. Consistent with state law, the LP is restricted to high quality, fixed income securities.

CSU Intermediate Duration Portfolio (IDP)

The purpose of the IDP is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives are safety of principal, liquidity, and return.

The IDP is managed through contracts with two investment management firms, PGIM Fixed Income, and Income Research & Management, each of whom provides investment management services for the program. While the custodian, US Bank, holds the funds invested in the IDP, for investment management purposes, additions to the portfolio are split evenly between the investment managers and invested according to permitted investments outlined in the Government Code of the state and the IDP investment policy. Consistent with state law, the IDP is restricted to high quality, fixed income securities.

CSU Total Return Portfolio (TRP)

The purpose of the TRP is to provide the opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level. Under State law, investment of funds in the TRP is subject to the CSU meeting certain conditions regarding investment oversight, reporting, and use of earnings, and may not be more than 65% of eligible CSU investments. The CSU Investment Advisory Committee (IAC), established by the Board of Trustees in September 2017, oversees the TRP and focuses on key issues such as investment policy, asset allocation, investment manager oversight, and investment performance.

The TRP investment policy provides a framework for the investment of portfolio funds in the TRP and includes the following key elements as further described in the TRP Investment Policy:

- Investment Objectives
- Spending Policy
- Time and Investment Horizon
- Risk Tolerance
- Expected Return
- Asset Allocation
- Benchmarks
- Investment Manager Selection
- Roles & Responsibilities
- Environmental, Social and Governance Framework
- Risk Management
- Monitoring and Control Procedures

With the passage of AB 2422, effective January 1, 2023, up to 65% of CSU investments may be invested in the TRP and the TRP may additionally invest in commingled funds and exchange-traded funds. Considering these legislative changes, in January of 2023 the IAC took two actions and in March of 2023 the Board of Trustees took one action. First, the IAC approved a recommendation to the Board of Trustees to revise the CSU Master Investment Policy. These recommended revisions were presented to and approved by the Board of Trustees at the March 2023 meeting. The IAC also approved a revised funding schedule for the TRP calling for an additional $1.25 billion to be invested in the TRP from January of 2023 to December of 2024. At present, $950 million of the additional $1.25 billion has been invested in the TRP, with $300 million set aside to fund future investment strategies subject to approval by the IAC. The investment schedule may also be adjusted by the IAC at any time depending on market conditions and staff will ensure the TRP does not exceed its statutory limit as a percentage of CSU investments.

Since the TRP Inception date[1] through September 30, 2025, the TRP investment earnings were approximately $1.047 billion. During this period, the TRP total return exceeded the LP total return by 5.13% annualized (net of fees) or a cumulative $728.2 million, which was about 3.3 times higher than LP investment earnings.

Surplus Money Investment Fund (SMIF)

The State Treasurer also provides investment vehicles that may be used for CSU funds. The Surplus Money Investment Fund (SMIF) is used by the State Treasurer to invest state funds, or funds held by the state on behalf of state agencies, in a short-term pool. To facilitate certain expenditures, the CSU maintains modest amounts of funds with the state. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

[1] The TRP Inception Date was April 1, 2018.

Reporting Requirements

California Education Code § 89726 requires quarterly investment reports to the Board of Trustees and an annual report to the State Legislature and the Department of Finance.

Recent Actions/Next Steps

In October, 2025, the IAC approved the seventh annual TRP distribution to the system of approximately $125.6 million, bringing total TRP distributions to the system since inception to $439 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with state law, specifically Education Code § 89726, earnings from the TRP shall be used only for capital outlay or maintenance and shall not be used for ongoing operations.

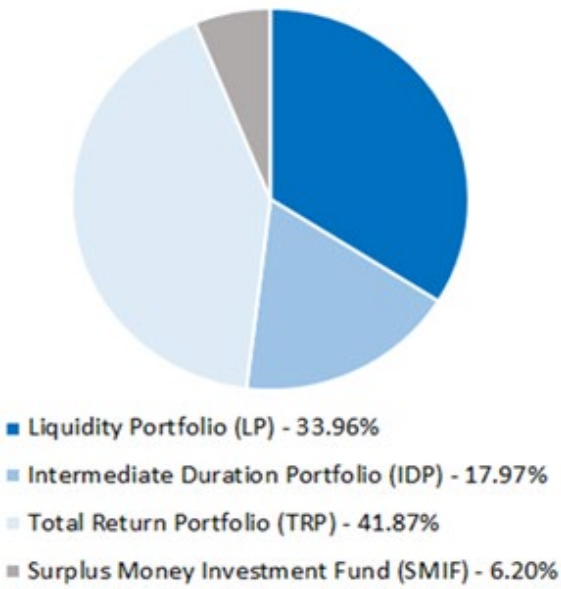
The next investment report to the Board of Trustees is scheduled for the May 2026 meeting and will provide information on the CSU Quarterly Investment Report for the fiscal quarter ending December 31, 2025.

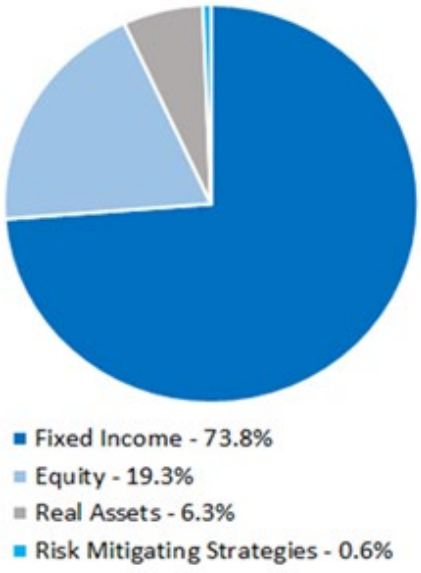
CSU Quarterly Investment Report
For the Fiscal Quarter Ended September 30, 2025

California State University investments as of September 30, 2025, consisted of investments in the CSU Liquidity Portfolio (LP), the Intermediate Duration Portfolio (IDP), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). All CSU investments (except for funds invested in SMIF) are held by US Bank, the custodian bank for the CSU. Neither state general fund nor CSU auxiliary funds are included in CSU investments. In addition, this report does not include approximately $2.19 billion in bond proceeds, which by state law are required to be held by the state and are invested in SMIF.

Balances and Allocations as of September 30, 2025

	Balance	**% of CSU Investments**
Liquidity Portfolio (LP)	$2.698 billion	33.96%
Intermediate Duration Portfolio (IDP)	$1.428 billion	17.97%
Total Return Portfolio (TRP)	$3.326 billion	41.87%
Surplus Money Investment Fund (SMIF)	$0.493 billion	6.20%
CSU Investments	**$7.945 billion**	**100 %**





For the three months ending September 30, 2025, direct investment management fees[1], advisory, and custodial fees totaled just under $0.9 million, or about 0.01% on CSU investments' average balance for the three months ending September 30, 2025.

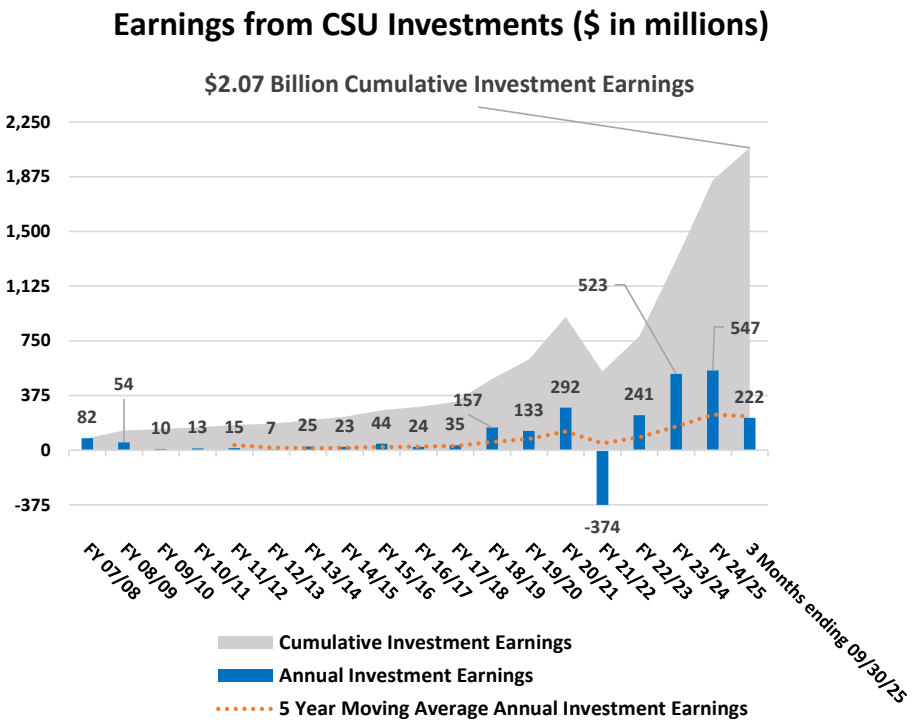
[1] Direct investment management fees exclude TRP mutual fund investment management fees. TRP mutual fund investment management fees are included as mutual fund expenses and reported as a percent of total fund assets. See TRP Fund Expense Ratio (Fee) in the table on page 6.

CSU Consolidated Investment Portfolio

The following table displays performance returns for the CSU Consolidated Investment Portfolio which includes the LP, IDP, and TRP.[2]

	CSU Consolidated Investment Portfolio	CSU Total Return Portfolio (TRP)	CSU Intermediate Duration Portfolio (IDP)	CSU Liquidity Portfolio (LP)
1 Year Return	6.89%	9.83%	4.33%	4.40%
3 Year Annualized Return	8.23%	14.30%	5.82%	4.88%
5 Year Annualized Return	4.26%	8.09%	N/A	2.34%
10 Year Annualized Return	3.16%	N/A	N/A	2.07%
Since Inception Annualized Return[3]	2.35%	7.61%	1.01%	1.75%

As of September 30, 2025, the TRP since inception investment earnings were approximately $1.047 billion. During this period, the TRP total return exceeded the LP total return by 5.13% annualized (net of fees) or a cumulative $728.2 million, which was about 3.3 times higher than LP investment earnings.



[2] CSU Consolidated Investment Portfolio returns exclude SMIF.
[3] Inception Dates for the CSU portfolios were: Consolidated Investment Portfolio, July 1, 2007; LP, July 1, 2007; IDP, October 1, 2021; and TRP, April 1, 2018. CSU Consolidated Investment Portfolio, LP, and IDP returns reported gross of fees and as total return, including income and gains (realized and unrealized).

CSU Liquidity Portfolio (LP)

The purpose of the LP is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objectives are safety of principal and liquidity. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

	CSU Liquidity Portfolio	Benchmark[4]
1 Year Return[5]	4.40%	4.04%
3 Year Annualized Return	4.88%	4.50%
5 Year Annualized Return	2.39%	1.98%
10 Year Annualized Return	2.07%	1.83%
Annualized Since Inception Return[6]	1.75%	1.83%
Yield	3.62%	3.73%
Duration (Years)	1.30	1.42
Average Credit Rating	AA-	AA+

Holdings by Asset Type (% of CSU Liquidity Portfolio):

Treasuries	44.2%	Certificates of Deposit	6.7%
U.S. Corporate Bonds	23.5%	Cash Equivalents	0.8%
Commercial Paper	17.0%	Agency MBS	0.8%
U.S. Government Agencies	6.8%	CA Municipal Obligations	0.2%

[4] Benchmark for the LP is the Bank of America Merrill Lynch 0-3 Year Treasury Index.
[5] LP Returns reported gross of fees and as total return, including income and gains (realized and unrealized).
[6] Inception Date for the LP was July 1, 2007.

CSU Intermediate Duration Portfolio (IDP)

The purpose of the IDP is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives are safety of principal, liquidity, and return. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

	CSU Intermediate Duration Portfolio	Benchmark[7]
3 Months Return[8]	2.02%	1.93%
1 Year Return	4.33%	4.07%
3 Year Return	5.82%	5.58%
Annualized Since Inception Return[9]	1.01%	0.90%
Yield	4.44%	4.32%
Duration (Years)	4.55	4.50
Average Credit Rating	A+	AA-

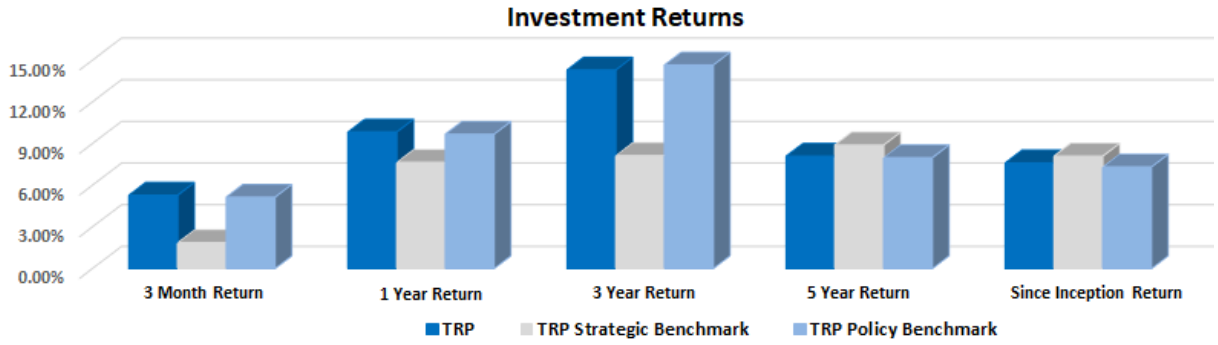
Holdings by Asset Type (% of CSU Intermediate Duration Portfolio):

U.S. Corporate Bonds	51.4%	CA Municipal Obligations	0.9%
Agency MBS	29.2%	U.S. Government Agencies	0.9%
Treasuries	13.6%	Cash Equivalents	0.7%
Agency ABS	3.2%	Supranationals	0.1%

[7] Benchmark for the IDP is 50% Bloomberg Barclays US Corporate 1-10 Year A or Better Ex-Yankee / 30% Bloomberg Barclays US MBS / 20% Bloomberg Barclays US Intermediate Treasury Index.
[8] IDP Returns reported gross of fees and as total return, including income and gains (realized and unrealized).
[9] Inception Date for the IDP was October 1, 2021.

CSU Total Return Portfolio (TRP)

The purpose of the TRP is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level. Consistent with state law, the TRP is invested in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission; institutional commingled funds offered by investment advisors registered with, and under the regulatory authority of the United States Securities and Exchange Commission; or in publicly traded United States registered real estate investment trusts.



	CSU Total Return Portfolio	Strategic Benchmark[10]	Policy Benchmark[11]
3 Months Return	5.28%	1.86%	5.14%
1 Year Return	9.83%	7.64%	9.67%
3 Year Annualized Return	14.30%	8.13%	14.65%
5 Year Annualized Return	8.09%	8.89%	7.98%
Annualized Since Inception Return[12]	7.61%	8.09%	7.31%

In October 2025, the CSU Investment Advisory Committee approved the seventh annual TRP distribution to the system of approximately $125.6 million, bringing total TRP distributions to the system since inception to $439 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with Education Code Section § 89726, additional moneys earned through investments in the TRP shall be used only for capital outlay or maintenance and shall not be used for ongoing operations.

[10] The TRP Strategic Benchmark is inflation (Core Consumer Price Index) plus 4.5% per annum. The long-term rate of inflation is assumed at 2.7% per annum. TRP Investment Returns have trailed the Strategic Benchmark over various time periods. Underperformance versus the Strategic Benchmark for the 5 year and Since Inception time periods is primarily due to extraordinarily high inflation from April 2021 to May of 2023 when Core CPI averaged 5.79% per annum. Source: Bloomberg

[11] The TRP Policy Benchmark is a blend of passive indices whose weights match the TRP target asset allocation.

[12] TRP Inception Date was April 1, 2018.

Holdings by Asset Type (% of CSU Total Return Portfolio):

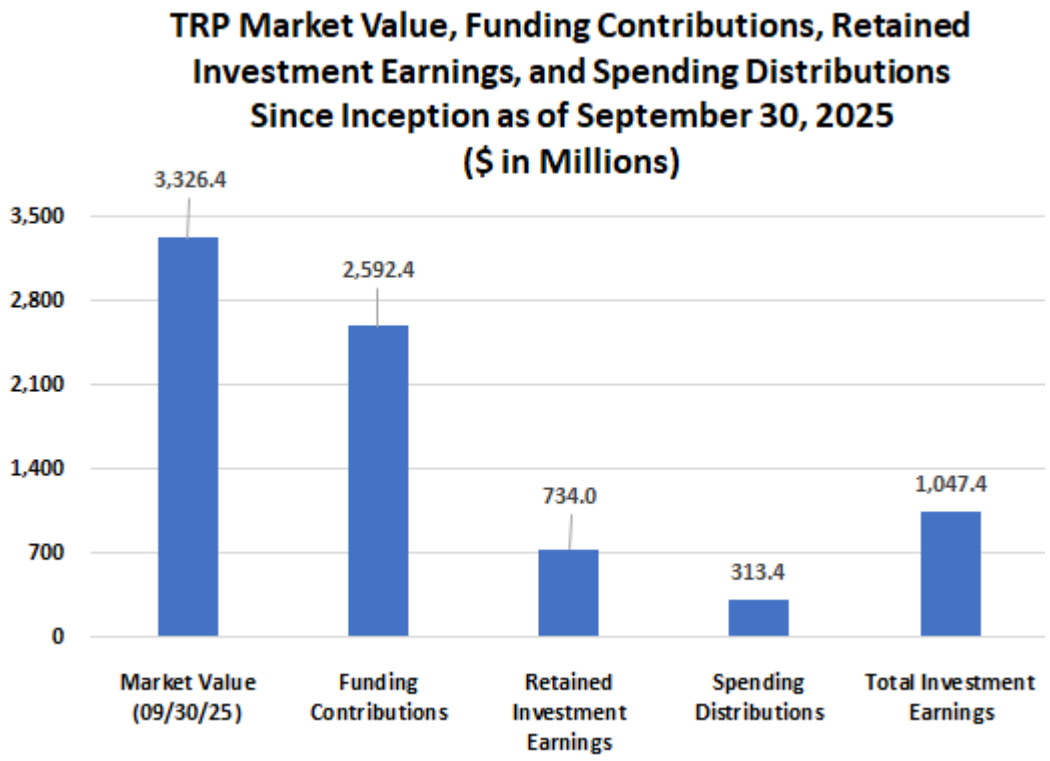
Equity Mutual Funds	46.1%	Passive Index Mutual Funds	74%
Fixed Income Mutual Funds	37.4%	Actively Managed Mutual Funds	26%[13]
Real Asset Mutual Funds	15.0%		
Risk Mitigating Strategies	1.5%		

Values, Holdings & Fees (CSU Total Return Portfolio)

Asset Class	Strategy Name	Ticker	Value (millions)	% of Total Return Portfolio	TRP Fund Expense Ratio (Fee)	Median Fee Per Asset Class
Fixed Income						
	Vanguard Total Bond Market Index Fund	VBMPX	679.7	20.43%	0.02%	0.44%
	Vanguard Inflation-Protected Securities Fd	VIPIX	165.3	4.97%	0.07%	0.44%
	American Century High Income Fund	NPHIX	141.7	4.26%	0.59%	0.78%
	Brigade High Yield Fund	N/A	37.6	1.13%	0.30%	0.78%
	Polen Opportunistic High Yield	DDJIX	19.8	0.60%	0.79%	0.78%
	Aristotle Floating Rate Income Fund	PLFRX	99.8	3.00%	0.71%	0.76%
	Payden Emerging Markets Bond Fund	PYEIX	49.8	1.50%	0.69%	0.80%
	T. Rowe Emerging Markets Bond Fund	PRXIX	49.8	1.50%	0.70%	0.80%
Equity						
	Vanguard Total Stock Market Index Fund	VSMPX	806.9	24.26%	0.02%	0.75%
	Vanguard Developed Markets Index Fund	VDIPX	398.9	11.99%	0.02%	0.89%
	Driehaus Emerging Markets Growth Fund	DIEMX	196.4	5.90%	0.98%	1.01%
	DFA Emerging Markets Value Fund	DFEVX	99.3	2.98%	0.44%	1.01%
	Redwheel Global Emerging Equity Fund	RWCEX	32.8	0.98%	1.24%	1.01%
Real Assets						
	Vanguard Real Estate Index Fund	VGSNX	233.3	7.01%	0.10%	0.87%
	Vanguard Materials Index Fund	VMIAX	133.1	4.00%	0.09%	0.92%
	First Sentier Global Listed Infrastructure Fd	FLIIX	132.5	3.98%	0.95%	0.97%
Risk Mitigating Strategies						
	Fidelity Long Term Treasury Bond Index Fd	FNBGX	49.8	1.50%	0.03%	0.20%
Cash			0.0	0.00%	NA	NA
Total			**3,326.4**	**100%**	**0.22%**	**0.73%**

[13] The percent of Actively Managed Mutual Funds is likely to increase in the future while the percent of Passive Index Mutual Funds would decrease consistent with the TRP implementation plan. The total TRP Fund Expense Ratio and total Median Fee Per Asset Class are weighted averages using the percent of the TRP shown in the table for each fund and their respective asset class.

The following chart shows the TRP market value, total funded contributions, total retained investment earnings, total spending distributions, and total investment earnings since inception as of September 30, 2025. Total TRP investment earnings equal total TRP spending distributions plus total TRP retained investment earnings.



Surplus Money Investment Fund (SMIF)

The Surplus Money Investment Fund (SMIF) is managed by the State Treasurer to invest State funds, or funds held by the State on behalf of State agencies, in a short-term pool. The portfolio includes Certificates of Deposit, Treasuries, Commercial Paper, Corporate Bonds, and U.S. Government Agencies.

Apportionment Annual Yield[14]	
Trailing 12 month as of 9/30/25	4.24%
Average (FYE 06/30/07 – 9/30/25)	1.48%

[14] Annual Yield calculated by CSU Treasury Operations based on the quarterly apportionment yield rates published by the State Controller's Office.

COMMITTEE ON FINANCE

2026-2027 CSU Budget Priorities

Presentation By

Patrick J. Lenz
Interim Executive Vice Chancellor and
Chief Financial Officer

Mark Martin
Assistant Vice Chancellor
Budget Planning and Advocacy

Jeni Kitchell
Assistant Vice Chancellor/Controller
Finance and Budget Administration

Summary

This item continues the Board of Trustees' discussion from January 2026 regarding 2026–2027 budget priorities and provides details to inform the systemwide advocacy efforts to advance the California State University's (CSU) ability to serve California students and support the state's economic vitality. This item will cover the Board of Trustees' revenue and expenditure assumptions, the Governor's proposed 2026-2027 CSU funding, and the need to invest in CSU Forward for the success of our students and the economic viability of California.

2026-2027 CSU Operating Budget

In September 2025, the Board approved a 2026-2027 budget plan with a request for state General Fund that included:

- Restoration of the $143.8 million base budget reduction
- Year 4 compact funding of $252.3 million
- $1.1 billion in one-time funding for deferred maintenance

The Governor's January budget proposes funding for the CSU in 2026-2027 as follows:

- Restores the $143.8 million 2025-2026 base budget reduction
- Provides $100.9 million in partial Year 4 Compact funding, and continues to defer the remaining $151.4 million until 2028-2029
- Provides $264.8 million for full Year 5 Compact funding
- Offers a $143.8 million zero-interest "one-time" loan, with repayment due June 30, 2027

- The net result is an additional $113 million in unallocated funds, as shown in the following table.

	Budget Request	Governor's Proposal
REVENUE		
State General Fund: Restore 2025-26 Reduction	$144	$144
State General Fund: Compact Year 4	$252	101
State General Fund: Compact Year 5		265
Tuition: 6% Rate Increase	$176	176
Tuition: 1% Enrollment Growth	25	25
Subtotal, New Revenue	**$597**	**$711**
BASELINE COMMITMENTS		
State University Grant - Tuition Rate Increase	$59	$59
Health Premiums	22	22
Maintenance of New Facilities	13	13
Liability & Property Insurance Premiums	5	5
Utilities	18	18
Inflation of Non-Personnel Costs	28	28
2024-2025 Faculty & Staff Compensation	159	159
2025-2026 CSUEU Steps Implementation	20	20
ESSENTIAL PRIORITIES		
Enrollment Growth (1%)	58	58
State University Grant - Enrollment Growth	8	8
Faculty & Staff Compensation Pool (3%)	177	177
Debt Service: Facilities & Infrastructure	25	25
CSU Strategic Plan Priorities	5	5
Subtotal, New Uses	**$597**	**$597**
Unallocated Funds	**$0**	**$113**

CSU Funding Priorities

CSU's funding priorities are shaped by Compact requirements, historical mandatory costs, and unfunded mandates. These obligations have created growing cost pressures that require significant investment in key areas, including student success, striving to become the employer of choice, the need for state-of-the-art facilities, and meeting the goals of the systemwide strategic plan, CSU Forward. To facilitate the Board of Trustees' discussion regarding the potential use of these funds, should they be appropriated, there will be an overview of each opportunity and the related known cost.

Student Success: The CSU expects to enroll more than 394,000 California full-time equivalent students (FTES) by the end of 2025-2026, approximately 3,400 FTES above the overall funded target. This excess enrollment results in about $38 million in unfunded FTES. CSU anticipates enrolling an additional 3,500 FTES in the 2026-2027 academic year, consistent with the Board of Trustees budget recommendation and the state Compact funding at a cost of $58 million.

Student access remains a high priority. However, any additional investment needs to recognize that the success of our students is conditioned on course availability, affordability, counseling services, basic needs support, and updated facilities to prepare students for today's workplace environment. The CSU is also committed to ensuring that 100% of students from families with incomes below $75,000 graduate debt-free, while securing increases in per-student state funding.

CSU Employer of Choice, Compensation: CSU Forward supports the university's goal to be the employer of choice relative to salary, benefits, and a welcoming work environment. In this effort, CSU has spent nearly $1.2 billion on salary and health benefits for employees over the previous four years. CSU is also recommending the use of $143.8 million associated with a zero-interest one-time General Fund loan to provide a one-time 3% bonus to all CSU employees.

The 2026-2027 CSU budget recommends investing $176.6 million as a 3% compensation pool recommendation for all CSU employees. The Governor's proposed January budget would provide an opportunity for the Board of Trustees to support additional funding to address a higher compensation pool (1% equals $59 million) or other issues identified at the collective bargaining table. In addition, in alignment with the CSU Compensation Philosophy, the Chancellor has committed to a faculty and staff salary study to be completed in June that will inform the level of compensation funding needed in the 2026-2027 CSU budget plan.

Data Analytics and Infrastructure: Investment is needed to address antiquated data reporting and establish "real-time data" as a core part of the decision-making process in support of CSU Forward, the systemwide strategic plan. This includes a common set of technology tools with a governance process to ensure data elements are treated the same way across the CSU system.

This proactive approach will allow people, processes, and technology to be coordinated with specific issues by investing in ongoing training and professional development for data teams across the CSU system.

Facility and Infrastructure Needs: CSU's aging facility infrastructure and need for workforce-ready, state-of-the-art buildings are an overwhelming challenge, with a deferred maintenance backlog of $8.6 billion and a $31 billion five-year capital facilities plan. The CSU has not been part of a statewide General Obligation bond in the last 20 years and lacks the local debt service financing option afforded to K-12 and the California Community Colleges. While multiple statewide bond measures are under consideration by the legislature, CSU must be proactive to immediately address these capital facility deficiencies.

The 2026-2027 budget plan builds in debt service of $25 million that would address about $300 million for deferred maintenance and new capital projects. The Governor's January budget could allow CSU to invest $50 million to generate over $600 million and make progress on a deferred maintenance backlog that is currently growing at $402 million per year.

CSU Forward, Systemwide Strategic Plan: Advances the CSU's mission of promoting social mobility and economic impact on behalf of our students, universities, and state. Achieving the plan's goals, including enhancing student success, becoming an employer of choice, modernizing technology, strengthening student services, and demonstrating CSU's role in meeting California's workforce needs, will require sustained investment. While the 2026-2027 budget plan includes an initial $5.6 million for CSU Forward, fully realizing the plan's potential will require additional resources. Future initiatives will be presented to the Board of Trustees, along with the investment needed to support these efforts.

Conclusion

The Governor's January budget provides a deeply needed investment to address some of CSU's most pressing budget issues, and the university community is grateful for this recognition and support. As the CSU advocates for its adoption, it is important to emphasize that even with this additional funding, the dollars available would not fully support CSU priorities, including anticipated recommendations from staff and faculty compensation studies and the full implementation of CSU Forward.

The 2026-2027 CSU budget plan makes important steps toward reducing the $2.3 billion structural deficit, dedicates funding associated with the $8.6 billion deferred maintenance backlog, and provides the ability to fund new capital construction identified in the $31 billion five-year capital facility plan. However, the scale of need to support student access, competitive compensation, state-of-the-art facilities, and broader student success remains significant.

In short, the unallocated funds offer a much-needed boost to CSU priorities, but a strong advocacy effort by CSU stakeholders will be essential to ensure the full amount is appropriated in the final budget. Given uncertainties around overall state revenue assumptions and the competing budget priorities the legislature will face, this outcome is not guaranteed.