

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
January 28-29, 2020

Time*	Committee	Location ¹
TUESDAY, JANUARY 28, 2020		
7:30 a.m.	<u>Call to Order</u>	
7:30 a.m.	<u>Committee on Educational Policy</u> <u>Subcommittee on Honorary Degrees—Closed Session</u> Government Code §11126(c)(5)	Munitz Conference Room
8:00 a.m.	<u>Committee on Educational Policy</u> <u>and Board of Trustees—Closed Session</u> Government Code §11126(c)(5) <i>Action</i> 1. Honorary Degree Nominations and Subcommittee Recommendations	Munitz Conference Room
8:15 a.m.	<u>Board of Trustees—Closed Session</u> Executive Personnel Matters Government Code §11126(a)(1) Pending Litigation Government Code §11126(e)(1) Marissa Freeman v. CSU, et al. John Doe v. White, et al.	Munitz Conference Room
9:45 a.m.	<u>Committee on Collective Bargaining—Closed Session</u> Government Code §3596(d)	Munitz Conference Room
10:00 a.m.	<u>State of the California State University</u>	

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

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TUESDAY, JANUARY 28, 2020 (cont.)

11:00 a.m. Committee on Institutional Advancement

Consent

Action 1. Approval of Minutes

Discussion

Action 2. Naming of the Grimm Family Center for Agricultural Business – California State University, Bakersfield

Action 3. Annual Report on Donor Support for 2018-2019

11:45 a.m. Committee on Collective Bargaining—Open Session

Consent

Action 1. Approval of Minutes

Action 2. Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Unit 3, the California Faculty Association

Action 3. Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Units 2, 5, 7, and 9, the California State University Employees Union

12:15 p.m. Luncheon

1:00 p.m. Committee on Governmental Relations

Consent

Action 1. Approval of Minutes

Discussion

Information 2. State Legislative Update

Information 3. Federal Update

1:45 p.m. Joint Committees on Finance and Campus Planning, Buildings and Grounds

Consent

Action 1. Approval of Minutes

Discussion

Action 2. San Diego State University - Certification of the Final Environmental Impact Report for the Proposed Mission Valley Campus Master Plan; Approval of the Proposed Mission Valley Campus Master Plan; Authorize the Chancellor to Execute a Purchase and Sale Agreement for the Mission Valley Campus Real Property Acquisition Within the Terms and Parameters Set forth in this Action Item; Approval to Amend the Capital Outlay Program for the Proposed Real Property Acquisition and Site Development; and Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the Proposed Project

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TUESDAY, JANUARY 28, 2020 (cont.)

2:45 p.m. Committee on Finance

Consent

- Action* 1. Approval of Minutes
- Action* 2. 2020-2021 Lottery Budget and Report

Discussion

- Information* 3. CSU Fee Policy and 2019-2020 Student Fee Report
- Information* 4. 2020-2021 Operating Budget Update

3:25 p.m. Committee on Organization and Rules

Consent

- Action* 1. Approval of Minutes
- Information* 2. Proposed California State University Board of Trustees Meeting Dates for 2021

3:30 p.m. Committee on University and Faculty Personnel

Consent

- Action* 1. Approval of Minutes

Discussion

- Action* 2. Update to Policies and Procedures for Review of Presidents
- Action* 3. Compensation for Executives

4:00 p.m. Committee on Audit

Consent

- Action* 1. Approval of Minutes
- Information* 2. Status Report on Current and Follow-up Internal Audit Assignments

Discussion

- Action* 3. Calendar Year 2020 Audit Plan
- Information* 4. Status Report on the California State Auditor Report on Accounts Outside the State Treasury and Campus Parking Programs
- Information* 5. Audited Financial Statements and Single Audit Report

4:30 p.m. Joint Committees on Institutional Advancement and Educational Policy

Discussion

- Information* 1. The Wang Family Excellence Awards

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WEDNESDAY, JANUARY 29, 2020

8:00 a.m. Committee on Educational Policy

Consent

Action 1. Approval of Minutes

Discussion

Information 2. Amendments to Title 5 Regarding Occupational Therapy
Doctorate Degree Programs

Information 3. Research, Scholarship and Creative Activities

Action 4. Admission Requirements: Quantitative Reasoning

10:30 a.m. Board of Trustees

Call to Order

Roll Call

Public Speakers

Chair'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 the Minutes of the Board of Trustees Meeting of November 20, 2019

Action 2. Approval of Committee Resolutions as follows:

Committee on Institutional Advancement

2. Naming of the Grimm Family Center for Agricultural Business – California State University, Bakersfield
3. Annual Report on Donor Support for 2018-2019

Joint Committees on Finance and Campus Planning, Buildings and Grounds

2. San Diego State University - Certification of the Final Environmental Impact Report for the Proposed Mission Valley Campus Master Plan; Approval of the Proposed Mission Valley Campus Master Plan; Authorize the Chancellor to Execute a Purchase and Sale Agreement for the Mission Valley Campus Real Property Acquisition Within the Terms and Parameters Set forth in this Action Item; Approval to Amend the Capital Outlay Program for the Proposed Real Property Acquisition and Site Development; and Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the Proposed Project

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Committee on Finance

2. 2020-2021 Lottery Budget and Report

Committee on University and Faculty Personnel

2. Update to Policies and Procedures for Review of Presidents
3. Compensation for Executives

Committee on Educational Policy

4. Admission Requirements: Quantitative Reasoning

11:45 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.

Security practices at the Chancellor's Office are continually reviewed and improved to ensure safety for all employees, trustees, students and visitors. Information about security practices during board meetings may be found at: <https://www2.calstate.edu/csu-system/board-of-trustees/Pages/information-for-bot-attendees.aspx>

Trustee Secretariat
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802
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AGENDA

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Meeting: 11:00 a.m., Tuesday, January 28, 2020
Glenn S. Dumke Auditorium

Jean P. Firstenberg, Chair
Wenda Fong, Vice Chair
Larry L. Adamson
Debra S. Farar
Maryana Khames
Lillian Kimbell
Jeffrey R. Krinsk
Hugo N. Morales

- Consent** 1. Approval of Minutes of the Meeting of September 24, 2019, *Action*
- Discussion** 2. Naming of the Grimm Family Center for Agricultural Business – California State University, Bakersfield, *Action*
3. Annual Report on Donor Support for 2018-2019, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON INSTITUTIONAL ADVANCEMENT**

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

September 24, 2019

Members Present

Jean P. Firstenberg, Chair
Wenda Fong, Vice Chair
Larry L. Adamson
Debra S. Farar
Lillian Kimbell
Thelma Meléndez de Santa Ana
Hugo N. Morales
Timothy P. White, Chancellor
Adam Day, Chair of the Board

Trustee Firstenberg called the meeting to order.

Approval of Minutes

The minutes of July 23, 2019, were approved as submitted.

Naming of The Lynda and Stewart Resnick Student Union – California State University, Fresno

Garrett Ashley, vice chancellor for university relations and advancement, reported that the proposed naming recognizes the \$10 million gift from the Resnick Family for the design, construction and operation of the new student union. The new facility will be 85,000 gross square feet and will include dynamic meeting spaces, healthy dining options, dedicated meeting space for student organizations and an outdoor terrace.

Mr. Resnick was present, and Fresno State President Joe Castro and Chancellor Timothy P. White thanked the Resnicks for their generosity and contributions to the university and the community.

The committee recommended approval by the board of the proposed resolution (RIA 09-19-09) that the new student union at California State University, Fresno be named as The Lynda and Stewart Resnick Student Union.

Naming of the Viasat Engineering Pavilion – California State University San Marcos

Mr. Ashley reported that the proposed naming recognizes the \$1.5 million pledge from Viasat and its employees. Funds will be used for space renovation, equipment, instrumentation, faculty recruitment and student support for the proposed engineering degree program.

Mr. Simon Kuo and Ms. Tracie Davee represented Viasat, and Cal State San Marcos President Ellen Neufeldt and Chancellor White thanked Viasat for their contributions in support of STEM education.

The committee recommended approval by the board of the proposed resolution (RIA 09-19-10) that the Foundation Classroom Buildings at California State University San Marcos be named as the Viasat Engineering Pavilion for a period of 20 years.

2019-2020 California State University Trustees' Award for Outstanding Achievement

Trustee Firstenberg shared that each year the CSU Board of Trustees provides scholarships to students who demonstrate superior academic performance, personal accomplishments, community service and financial need.

Chancellor White thanked trustees and members of the CSU Foundation board for their contributions to the CSU Trustees' scholarships. He introduced Trustee Emeritus Ali C. Razi, CSU Foundation Board of Governors member and CSU Trustees' Award selection committee chair, whose leadership and dedication has allowed the program to thrive. He then introduced the top Razi scholar, Cheng Yu, from San Francisco State University.

The board recognized the 23 recipients of the 2019-2020 CSU Trustees' Award for Outstanding Achievement. Trustee Fong called each student forward to receive their certificate and read a brief description of their accomplishments.

Trustee Firstenberg adjourned the meeting.

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Naming of the Grimm Family Center for Agricultural Business – California State University, Bakersfield

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Lynnette Zelezny
President
California State University, Bakersfield

Summary

This item will consider the naming of the Grimm Family Center for Agricultural Business at California State University, Bakersfield.

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

Background

The proposed naming of the Grimm Family Center for Agricultural Business recognizes the recent \$5 million pledge by Barbara Grimm Marshall and Kari Grimm Anderson to California State University, Bakersfield. By bestowing this generous gift upon CSUB, the Grimm family is investing in the next generation of agricultural leaders in the southern San Joaquin Valley, where crops grown in the rich soil feed the world, innovative farming practices increase yields to alleviate hunger, and respect for the land is a model for principled stewardship.

This contribution will be used to establish the Grimm Family Center for Agricultural Business, which will educate, guide and inspire agri-business students in the breadbasket of California, ensuring Kern County's continued leadership in agriculture, the top driver of our community's economy and a proud way of life that knits together Valley families from one generation to the next.

The Grimm Family Center for Agricultural Business will establish curriculum that emphasizes experimental and experiential learning. Students will learn about agriculture with their own hands, in the fertile soil of the southern San Joaquin. In addition to the science of agriculture, they will learn how to operate a successful business amid California's array of regulations, water restrictions and environmental policies. Students also will explore the science and engineering opportunities that are improving crop yields and the quality of the food supply.

Mrs. Grimm Marshall and Mrs. Grimm Anderson have built on the rich agricultural legacy left to them by their husbands, Rod and Bob Grimm, who came to Kern County in 1981, launching an agribusiness empire through visionary practices and leadership. Today, Grimmway Farms is the world's largest producer of carrots and the nation's largest producer of organic vegetables, with operations that extend throughout the United States.

Mrs. Grimm Marshall and Mrs. Grimm Anderson are philanthropists whose commitment to their community is unmatched. Guided by their faith, Mrs. Grimm Marshall and Mrs. Grimm Anderson have gifted millions to charitable and philanthropic initiatives and lead their own foundations dedicated to enriching the lives of their neighbors in the San Joaquin Valley.

Mrs. Grimm Marshall is founder and CEO of the Grimm Family Education Foundation, which operates a number of charter schools that provide rural Kern County schoolchildren with a first-rate education and the experience of growing their own food in the edible schoolyard, a dynamic, innovative concept that is inspiring other educational institutions throughout the nation. Mrs. Grimm Marshall also has served on the CSU Bakersfield Foundation Board, among a long list of appointments and volunteer work.

Mrs. Grimm Anderson has contributed her time and passion to the community and beyond, serving on a multitude of boards over the decades, including the Junior League of Bakersfield and the Board of Regents at Concordia University in Irvine. Through the Robert Grimm Family Foundation, Mrs. Grimm Anderson provided funding for the Robert A. Grimm Children's Pavilion for Emergency Services at Bakersfield Memorial Hospital and has given transformational gifts to a number of faith-based organizations and schools.

Mrs. Grimm Marshall and Mrs. Grimm Anderson have become rooted in the community they joined nearly 40 years ago, and have passed down their love of place to their own children, who have leadership roles in Grimmway Farms today. Through ethical, principled business practices, innovative, bold vision, and their servant hearts, Mrs. Grimm Marshall and Mrs. Grimm Anderson are exemplars to CSUB students – and the community at large – of what is possible through engagement, hard work and enterprise. Their belief in CSUB students will help ensure that the region remains a powerhouse and innovator in agribusiness, and that generations of Valley sons and daughters will have the opportunity to work the land, a time-honored expression of Valley heritage.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Grimm Family Center for Agricultural Business be established at California State University, Bakersfield.

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Annual Report on Donor Support for 2018-2019

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Lori A. Redfearn
Assistant Vice Chancellor
Systemwide Advancement

Summary

This item presents information on donor support to the California State University from July 1, 2018 to June 30, 2019. Section 89720 of the Education Code requires that an annual gift report be submitted to the California Joint Legislative Budget Committee and the California Department of Finance.

A full report is available at <http://www.calstate.edu/donorsupport>.

Overview

In 2018-2019, the California State University received almost \$570 million in new gift commitments and more than \$370 million in gift receipts, with both figures surpassing previous all-time highs.

Sixteen campuses and the Chancellor's Office had increases in giving. The CSU also had over 268,000 individual donors, the most ever.

Gifts Received

Such record-setting support testifies to the confidence that donors have in the power of the CSU to propel the state of California forward and create positive change in our communities. Donors' generosity resulted in over \$370 million in new gifts and pledge payments received for 2018-2019. Of that total, less than 2%, or \$7 million, was unrestricted.

Endowments grew by over \$87 million in new contributions, which will provide support in perpetuity. More than half of endowment gifts are designated to scholarships.

For long-term capital projects, campuses received \$35 million for major facility construction and renovation.

Donor designated support for current operations of \$237 million included:

- \$88 million for faculty support and academic enrichment
- \$33 million for student scholarships
- \$16 million for athletics
- \$53 million for public service programs
- \$5 million for equipment and facility improvements
- \$42 million for additional university priorities

Donors committed an additional \$4.8 million in irrevocable deferred gifts.

Performance Benchmarking

Gift receipts are the national standard used by the Council for Advancement and Support of Education to compare fundraising results across universities. National peer groups are based on classification groups developed by the Carnegie Commission on Higher Education.

Among public master's institutions across the nation, CSU campuses in the top twenty for fundraising include: San Luis Obispo (first), San José (ninth), Northridge (11th), Long Beach (12th) and Sacramento (15th). San Diego State ranked third among high research activity (R2) public doctoral institutions. San Francisco State, Fresno State and Cal State Fullerton ranked first, fourth and eighth, respectively, among public doctoral institutions with moderate research activity (R3). Cal Maritime ranked first among maritime academies.

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Annual Report on Donor Support for 2018-2019 be adopted for submission to the California Joint Legislative Budget Committee and the California Department of Finance.

AGENDA

COMMITTEE ON COLLECTIVE BARGAINING

Meeting: 9:45 a.m., Tuesday, January 28, 2020
Munitz Conference Room—Closed Session
Government Code §3596(d)

11:45 a.m., Tuesday, January 28, 2020
Glenn S. Dumke Auditorium —Open Session

Lateefah Simon, Chair
Douglas Faigin, Vice Chair
Debra S. Farar
Lillian Kimbell
Jack McGrory
Christopher Steinhauser
Peter J. Taylor

Open Session– Glenn S. Dumke Auditorium

- Consent**
1. Approval of Minutes of the Meeting of September 25, 2019, *Action*
 2. Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Unit 3, the California Faculty Association, *Action*
 3. Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Units 2, 5, 7, and 9, the California State University Employees Union, *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**

September 25, 2019

Members Present

Douglas Faigin, Vice Chair
Debra S. Farar
Lillian Kimbell
Jack McGrory
Christopher Steinhauser
Peter J. Taylor
Adam Day, Chair of the Board
Timothy P. White, Chancellor

Vice Chair Faigin called the Committee on Collective Bargaining to order.

Public Speakers

The Committee heard from 9 public speakers who spoke on various topics.

Consent Agenda

The minutes of the July 24, 2019 meeting were approved as submitted.

The initial proposals for successor collective bargaining agreement with Unit 6 was approved as submitted.

Vice Chair Faigin then adjourned the committee meeting.

COMMITTEE ON COLLECTIVE BARGAINING

Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Unit 3, the California Faculty Association

Presentation By

Evelyn Nazario
Vice Chancellor
Human Resources

Summary

The initial proposals for a successor collective bargaining agreement between the California State University and Bargaining Unit 3, the California Faculty Association, will be presented to the Board of Trustees for adoption. The proposals are attached to this item.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the initial proposals for a successor collective bargaining agreement between the California State University and Bargaining Unit 3, the California Faculty Association, is hereby adopted.



**The California State University's
Initial Collective Bargaining
Proposals**

Between

The Board of Trustees

Of

The California State University

And

California Faculty Association

(Bargaining Unit 3)

January 2020

**Bargaining Unit 3
2020 Successor Agreement Negotiations
California State University Bargaining Proposals**

Preamble

- Review the terms of the preamble to the extent that it references matters within the scope of representation.

ARTICLE 2 – Definitions

- Review existing contractual definitions against campus operational needs.
- Update definitions to reflect any substantive changes elsewhere in the Agreement.

ARTICLE 6 – CFA’s Rights

- Review and amend as appropriate current procedures in relation to the provision of information to the union; contractual provisions relating to union leave; and the provision of resources for union business.

ARTICLE 10 – Grievance Procedure

- The CSU will make proposals to amend grievance procedure to increase efficiency and effectiveness.

ARTICLE 11 – Personnel File

- Review and amend as appropriate current contractual provisions in relation to the procedures and usage of personnel files.

●

ARTICLE 12 – Appointment

- The CSU will seek to conduct a comprehensive review of Article 12 including, but not limited to, the appointment of temporary faculty; evaluation of temporary faculty; the order of assignment of work; and range elevation.

ARTICLE 15 – Evaluation

- The CSU will make proposals in relation to the evaluation process for faculty.

ARTICLE 16 – Non-Discrimination

- Review current language against prevailing law.

ARTICLE 17 – Temporary Suspension

- The CSU will make proposals to increase operational effectiveness with regards to temporary suspensions.

ARTICLE 18 – Reprimands

- The CSU will make proposals related to clarity and consistency of reprimands.

ARTICLE 19 – Disciplinary Action Procedure

- The CSU will make proposals to amend disciplinary action procedure to increase efficiency and effectiveness.

ARTICLE 20 – Workload

- The CSU will seek to conduct a comprehensive review of Article 20 including, but not limited to, assignment of professional responsibilities; probationary faculty instructional assignments; and exceptional service assigned time pools.

ARTICLE 21 – Summer Term Employment

- The CSU will make proposals to amend provisions relating to Summer Term Employment.

ARTICLE 22 – Leaves of Absence without Pay

- Review and amend as appropriate current contractual provisions in relation to use and reporting of employee leaves without pay.

Article 23 – Leaves of Absence with Pay

- Review and amend as appropriate current contractual provisions in relation to use and reporting of employee leaves with pay.

Article 26 – Fee Waiver

- Review and amend as appropriate current contractual provisions in relation to fee waiver.

ARTICLE 27 – Sabbatical Leave

- Review and amend as appropriate provisions of sabbatical leave.

ARTICLE 29 – Faculty Early Retirement Program

- Review and amend as appropriate provisions of the Faculty Early Retirement Program.

ARTICLE 31 – Salary

- The CSU will make proposals to amend the salary Article, including but not limited to employee salary rates.

ARTICLE 32 – Benefits

- The CSU will make proposals in relation to employee benefits.

ARTICLE 36 – Additional Employment

- The CSU will make proposals in relation to additional employment.

ARTICLE 39 – Intellectual Property Rights

- The CSU will propose a full revision of the way that the Agreement deals with intellectual property rights.

ARTICLE 40 – Extension For-Credit Employment

- The CSU will make proposals in relation to extension employment.

ARTICLE 41 – Duration and Implementation

- The CSU will make proposals on the duration of any successor Agreement.

Side Letters and Memoranda of Understanding

The CSU will review all Appendices, Memoranda of Understanding; and Forms and make proposals to amend, retain, or delete as appropriate.

The University reserves the right to add to, modify, or delete proposals for any/all Articles during the course of negotiations, in accordance with applicable laws.

**Public Notice for the California Faculty Association (CFA) Contract Proposals
For a Successor Collective Bargaining Agreement**

CFA's Board of Directors has adopted a set of initial bargaining proposals for a successor Unit 3 contract for presentation to the California State University (CSU) Board of Trustees at its January 2020 board meeting.

In preparing our proposals we consulted widely with our members. We conducted an extensive survey and collected input at open meetings with members at all twenty-three of the CSU campuses. Faculty are concerned about the state of public higher education, about fair access for the students of California, and about equity and racial and social justice issues within the CSU.

We propose a successor agreement that improves compensation, and ensures fairness and equity. Further, CFA seeks to bargain over terms that provide dignity to the educational professions of faculty in the CSU. In successor negotiations, CFA intends to bargain with CSU management to:

Improve salaries at all ranks and in all ranges.

Ameliorate salary equity problems such as compression, inversion, outdated starting salaries, and the salary structure itself.

Address salary inequities correlated with race, gender, and other identities.

Provide stability in appointments and assignments for temporary and permanent employees.

Define workload for all faculty based on pedagogically appropriate class sizes, professionally recognized counselor to student ratios, contemporary librarian responsibilities, and coaching duties (both on and off the field).

Increase provisions and improvements for faculty and students of color, women, people with disabilities, and LGBTQI+ individuals, in accordance with CFA's anti-racism and social justice mission.

Fully recognize (in compensation and assignments) faculty who serve the needs of California's diverse and deserving student population.

Enhance support for academic freedom, the indispensable requisite for unfettered teaching and research in institutions of higher education.

Ensure that the CSU is sufficiently resourced to provide a quality public higher education that is affordable for California's families.

Develop and implement evaluation processes that are fair, appropriate, and that acknowledge and address biases and overreliance on student opinions.

Improve paid leaves, including but not limited to sabbaticals and family leave.

Improve parental and family support for all faculty.

Provide for campus safety, particularly for marginalized faculty, students, and staff, and for increased environmental health and safety.

Revise the grievance and discipline appeals processes to provide for more efficiency and execution of due process.

Revise the Maritime Academy Cruise Memorandum of Understanding (MOU) to increase pay and benefits of cruise faculty to levels commensurate with the nature of the cruise assignment, the level of faculty responsibility for students aboard ship and in ports of call, and the level of responsibility for the safety of the ship and the crew.

Revise the Maritime Academy Cruise MOU to address the Golden Bear's health, safety, and environmental conditions to acceptable, contemporary levels.

CFA's mission is to strengthen the cause of higher education for the public good; to promote and maintain the standards and ideals of the profession; to provide a democratic voice for employees in higher education; to provide legislative advocacy; and to maintain collective bargaining agreements covering salaries, working conditions, and other items and conditions of employment. In this, CFA continues to advocate for explicit guarantees of academic freedom, tenure, and academic due process; orderly and clear procedures for prompt consideration of problems and grievances; to promote and protect the professional and economic interests of CFA and all bargaining unit members; to promote unity among employees and thereby enhance the effectiveness of the CFA in representing these employees; and to promote racial and social justice and thereby challenge systems of racial oppression and social inequity.

COMMITTEE ON COLLECTIVE BARGAINING

Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Units 2, 5, 7, and 9, the California State University Employees Union

Presentation By

Evelyn Nazario
Vice Chancellor
Human Resources

Summary

The initial proposals for a successor collective bargaining agreement between the California State University and Bargaining Units 2, 5, 7, and 9, the California State University Employees Union, will be presented to the Board of Trustees for adoption. The proposals are attached to this item.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the initial proposals for a successor collective bargaining agreement between the California State University and Bargaining Units 2, 5, 7, and 9, the California State University Employees Union, is hereby adopted.



**The California State University's
Initial Collective Bargaining
Proposals**

Between

The Board of Trustees

Of

The California State University

And

California State University Employees Union

(Bargaining Units 2, 5, 7 & 9)

January 2020

**Bargaining Units 2, 5, 7 & 9
2020 Successor Agreement Negotiations
California State University Bargaining
Proposals**

Article 1 – Recognition

- Review classifications and propose amendments as appropriate.

Article 2 – Definitions

- Review existing contractual definitions against campus operational needs.
- Update definitions to reflect any substantive changes elsewhere in the Agreement.

Article 5 – Union Rights

- Review and amend as appropriate current procedures and provisions related to providing information to the union, union leave, and resources for union business.

Article 7 – Grievance Procedure

- The CSU will make proposals to amend grievance procedure to increase efficiency and effectiveness.

Article 8 – Complaint Procedure

- The CSU will make proposals to amend complaint procedure to increase efficiency and effectiveness.

Article 9 – Employee Status

- Review and amend as appropriate current contractual provisions in relation to the posting of vacant positions; the recruitment and filling of positions within the bargaining units; the types of appointment within the bargaining units; procedures for employees rejected during probation; and provisions relating to granting permanent status in the bargaining units by the president.

Article 10 – Employee Performance

- The CSU will make proposals to amend the employee performance evaluation process.

Article 12 – Corrective Action

- Review and amend as appropriate current contractual provisions related to reprimands.

Article 14 – Vacations and Holidays

- Review and amend as appropriate current contractual provisions in relation to holidays and accrued employee vacation.

Article 15 – Leaves of Absence with Pay

- Review and amend as appropriate current contractual provisions in relation to use and reporting of employee leaves with pay.

Article 16 – Leaves of Absence without Pay

- Review and amend as appropriate current contractual provisions in relation to use and reporting of employee leaves without pay.

Article 17 – Assignment/Reassignment

- Review and amend as appropriate current contractual provisions in relation to permanent and temporary employee assignments and reassignments.

Article 18 – Hours of Work

- Review and amend as appropriate current contractual provisions in relation to establishing and assigning work schedules for exempt and non-exempt employees consistent with prevailing law and campus operational needs.
- Review and amend as appropriate current contractual provisions in relation to use of meal periods and clean-up time.

Article 19 – Overtime

- Review and amend as appropriate current contractual provisions in relation to the use of overtime and Compensatory Time Off consistent with prevailing law and campus operational needs.

Article 20 – Salary

- The CSU will make proposals to amend the salary Article, including but not limited to ways to address salary inversion and compression.

Article 21 – Benefits

- The CSU will make proposals in relation to employee benefits.

Article 25 – Non-Discrimination

- Review and amend as appropriate current contractual provisions in relation to non-discrimination so as to be consistent with CSU Executive Order processes and prevailing law.

Article 26 – Cruise Employees

- Review and amend as appropriate current contractual provisions in relation to cruise employees consistent with campus operational needs.

Article 28 – Family and Medical Leave and Pregnancy Disability Leave

- Review and amend as appropriate current contractual provisions in relation to use and reporting of employee leaves consistent with campus operational needs and prevailing law.

Article 29 – Duration and Implementation

- The CSU will make proposals on the duration of any successor Agreement.

Appendices and Side Letters

- The CSU will review all Appendices and Side Letters, and make proposals to amend, retain, or delete as appropriate.

The University reserves the right to add to, modify, or delete proposals for any/all Articles during the course of negotiations, in accordance with applicable laws.

CSUEU Public Notice – Successor Contract Agreement
<i>The California State University Employees Union (CSUEU) submits this public notice of our intention to modify the collective bargaining agreement between CSUEU and the California State University (CSU). CSUEU reserves the right to add to, modify, or delete these proposals and to introduce new proposals in the course of negotiations.</i>
Article 2 – Definitions
CSUEU will propose amendments to the definitions of terms within the agreement.
Article 3 – Management Rights
CSUEU will reopen this article in order to impose limits on contracting out decisions and require uniform application of management decisions.
Article 9 – Employee Status
CSUEU will reopen this article to require an independent and objective review of out-of-class work. CSUEU will reopen this article to limit temporary employment.
Article 10 – Employee Performance
CSUEU will reopen this article to improve the accuracy, consistency and fairness of the evaluation process and grant the right to remove a negative review after one year.
Article 12 – Corrective Action
CSUEU will reopen this article to strengthen the rights of employees to representation.
Article 14 – Vacations and Holidays
CSUEU will reopen this article to improve vacation accrual. CSUEU will reopen this article to address pay-out of vacation over the maximum accrual.
Article 15 – Leaves of Absence With Pay
CSUEU will reopen this article to improve leave procedures.

Article 17 – Assignment/Reassignment

CSUEU will reopen this article to revise provisions related to assignment, classification, and non-represented employees performing bargaining unit work.

Article 20 - Salary

CSUEU will reopen this article to provide for step movement through the salary scale. CSUEU will propose other modifications to salary provisions.

Article 23 – Health and Safety

CSUEU will reopen this article to require designation of essential personnel in emergencies, procedures for the leaves of employees impacted by emergencies, and other emergency measures.

Article 25 – Non-Discrimination

CSUEU will reopen this article to address bullying and civility in the workplace in order to promote a safe and productive work environment.

AGENDA

COMMITTEE ON GOVERNMENTAL RELATIONS

Meeting: 1:00 p.m., Tuesday, January 28, 2020
Glenn S. Dumke Auditorium

Silas H. Abrego, Chair
Juan F. Garcia, Vice Chair
Douglas Faigin
Debra S. Farar
Jean P. Firstenberg
Jeffrey R. Krinsk
Jack McGrory
Romey Sabalius

- Consent** 1. Approval of Minutes of the Meeting of September 25, 2019, *Action*
- Discussion** 2. State Legislative Update, *Information*
3. Federal Update, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON GOVERNMENTAL RELATIONS**

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

September 25, 2019

Members Present

Silas H. Abrego, Chair
Juan F. Garcia, Vice Chair
Douglas Faigin
Debra S. Farar
Jean P. Firstenberg
Jack McGrory
Romey Sabalius
Timothy P. White, Chancellor
Adam Day, Chair of the Board

Trustee Abrego called the meeting to order.

Approval of Minutes

The minutes of May 21, 2019, were approved as submitted.

State Legislative Update

Garrett Ashley, vice chancellor for university relations and advancement, reported that the legislature concluded their work for the year and have adjourned until January. More than 700 bills now await the governor's signature or veto; approximately 25 are relevant to the CSU. He thanked the Advocacy and State Relations team, campuses and Chancellor's Office colleagues who have all contributed to the advocacy efforts over the past nine months.

Nichole Muñoz-Murillo, director of state relations, provided an overview of notable developments in the final months of session, an update on legislation that could impact the CSU and a preview of fall advocacy activities.

AB 48: Public Preschool, K-12, and College Health and Safety Bond Act of 2020

Mr. Ashley presented an endorsement for the board's consideration of the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 (AB 48.) A statewide general obligation bond is a critical element to address the academic infrastructure and deferred maintenance needs reflected in the CSU five-year capital outlay plan. Endorsement by the board will allow the campus auxiliary organizations to support the bond campaign. In addition, the CSU will engage in educational and informational activity as soon as possible to ensure the public is aware of the bond's impact.

Mr. Ashley expressed thanks to senator and former trustee Steve Glazer, campuses, presidents, trustees, the chancellor and the Advocacy and State Relations staff.

Kathleen Chavira, assistant vice chancellor for advocacy and state relations, provided background on AB48 and details on specific elements in the bond.

If signed by the governor, the proposed bond will go before the voters in March, with K-12 receiving \$9 billion in funding and each segment of higher education receiving \$2 billion. As a condition of receiving bond funds, the UC and CSU are required to adopt a five-year affordable student housing plan for each campus.

The committee recommended approval by the board of the proposed resolution (RGR 09-19-04) that the board supports the education bond act authorized by AB 48, which will appear on the March 3, 2020, Primary Election ballot.

Trustee Abrego adjourned the meeting.

COMMITTEE ON GOVERNMENTAL RELATIONS

State Legislative Update

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Nichole Muñoz-Murillo
Assistant Vice Chancellor
Advocacy and State Relations

Summary

The Legislature reconvened from interim recess on January 6. Consistent with the rules of each house, bills introduced in 2019 have until January 31 to pass out of the house of origin in order to remain active. This will be the final opportunity for these bills to advance during this legislative session. At the same time, members continue to develop proposals for consideration in 2020 and have until February 21 to introduce new legislation.

This report provides an update on bills introduced in the first year of the session that are still active and that have the greatest potential impact on the CSU.

This report is organized as follows:

1. Active Senate Bills
2. Active Assembly Bills
3. Newly Introduced Bills

All bill summaries are accurate as of January 14, 2020.

Active Senate Bills

SB 2 (Glazer) – Statewide Longitudinal Student Database

This bill, subject to an appropriation, establishes the Statewide Longitudinal Student Database to collect and store individual student P-20 and workforce data, and creates a review committee that includes the CSU and other education leaders to advise on its establishment and administration.

- **CSU Position:** Tracking
- **Status:** This bill is awaiting hearing in the Assembly Education Committee.

SB 3 (Allen) – Office of Higher Education Coordination, Accountability, and Performance

This bill establishes the Office of Higher Education Coordination, Accountability, and Performance for the purposes of statewide postsecondary education planning, oversight, data collection and coordination.

- **CSU Position:** Tracking
- **Status:** This bill is on the Assembly Appropriations Committee Suspense File.

SB 148 (Glazer) – Public Postsecondary Education: The California Promise: Student Success and On-time Completion Fund

This bill authorizes the trustees to provide specified grants to students who participate in the Promise program subject to the provisions of funding for this purpose. The bill also requires the CSU to waive systemwide tuition fees for a participating student unable to complete their degree within 4 years, due to limited space or no course offerings.

- **CSU Position:** Neutral
- **Status:** This bill is on the Assembly Appropriations Committee Suspense File.

SB 461 (Roth) – Student Financial Aid: Cal Grants: Summer Term Students

This bill creates a Summer Cal Grant award for eligible students to take up to nine units of courses during the summer term.

- **CSU Position:** Support
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

SB 493 (Jackson) – Education: Sex Equity

This bill requires colleges to have specified protections from sexual harassment in place for their students.

- **CSU Position:** Oppose Unless Amended
- **Status:** This bill is on the Assembly Appropriations Committee Suspense File.

SB 660 (Pan) – Postsecondary Education: Mental Health Counselors

This bill requires the CSU Board of Trustees and each community college district to adopt a goal of having a ratio of one mental health counselor per every 1,500 students. The bill also defines mental health counselor and contains reporting requirements.

- **CSU Position:** Oppose
- **Status:** This bill is on the Assembly Appropriations Committee Suspense File.

SB 776 (Skinner) – College Admissions: Criminal History Inquiry: Prohibition

This bill prohibits colleges from inquiring about a prospective student's criminal history during the admissions process.

- **CSU Position:** Pending
- **Status:** This bill is awaiting hearing in the Senate Appropriations Committee.

Active Assembly Bills

AB 369 (Weber) – CSU: Support Staff Employees: Merit Salary Adjustments

This bill requires the CSU to use existing resources to provide a 5% annual step in salary to each support staff employee and incorporate said provision into any pertinent collective bargaining agreement entered into or renewed by the CSU, and sunsets these provisions in July 2030.

- **CSU Position:** Oppose
- **Status:** This bill is on the Senate Inactive File.

AB 151 (Voepel) – Student Financial Aid: Cal Grant Program: California Community College Transfer Entitlement Program

This bill raises the age of eligibility for the Cal Grant CCC Transfer Entitlement Program from 28 to 30 years.

- **CSU Position:** Neutral
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

AB 260 (Quirk-Silva) – Postsecondary Education: Student Financial Aid: Cal Grant Program Awards

This bill repeals the age and time out of high school requirements for the Cal Grant program.

- **CSU Position:** Tracking
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

AB 313 (Frazier) – Road Maintenance and Rehabilitation Account: UC and CSU Reports

This bill requires the UC and the CSU to annually submit a report detailing expenditures for state funded transportation research to the Transportation Agency and the legislature.

- **CSU Position:** Neutral
- **Status:** This bill is awaiting referral in the Senate Rules Committee.

AB 532 (Weber) – CSU Parking Fairness Act

This bill requires that the purchase price of a student parking permit be less than the purchase price of a similar parking permit for any CSU staff, faculty or administrator.

- **CSU Position:** Pending
- **Status:** This bill was held on the Assembly Appropriations Committee Suspense File.

AB 534 (Mayes) – Social Services: Access to Food

This bill requires various state agencies to develop a plan to end hunger by January 1, 2021. It requires the CSU and CCC, and requests the UC, to develop systems that allow EBT cards to be used on campus.

- **CSU Position:** Neutral
- **Status:** This bill was held on the Assembly Appropriations Committee Suspense File.

AB 541 (Gabriel) – Student Financial Aid: Students Exempt from Paying Nonresident Tuition

This bill expands eligibility for competitive Cal Grants to all students who qualify for state-based aid, including students exempt from paying nonresident tuition under the provisions of AB 540.

- **CSU Position:** Neutral
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

AB 542 (Gabriel) – Student Financial Aid: Competitive Cal Grant A and B Awards

This bill increases the total number of competitive Cal Grant A and B awards granted annually by 3,000.

- **CSU Position:** Neutral
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

AB 863 (Cervantes) – Postsecondary Education: Student Financial Aid Verification

This bill prohibits the Student Aid Commission or an institution of higher education from verifying eligibility for state financial aid on a student more than once, unless specified.

- **CSU Position:** Tracking
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

AB 930 (Gloria) – CSU: Executive Compensation: Campus Budget Quarterly Reporting

This bill prohibits the CSU Board of Trustees from considering an increase in executive compensation in a year when student tuition has increased.

- **CSU Position:** Oppose
- **Status:** This bill is on the Senate Appropriations Committee Suspense File.

AB 1154 (Bonta) – CSU: Early Care and Education Major Pilot Program

This bill establishes the Early Care and Education Degree five-year pilot program at four CSU campuses in order to provide BA degrees in childcare and education.

- **CSU Position:** Pending
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

AB 1155 (Rodriguez) – Postsecondary Education: Campus-Affiliated Sorority and Fraternity Transparency Act

This bill requires each higher education institution to annually collect information from each sorority and fraternity and to make the information available on the institution's website.

- **CSU Position:** Pending
- **Status:** This bill is awaiting hearing in the Assembly Appropriations Committee.

AB 1229 (Wicks) – End Foster Youth Student Hunger in California Act of 2019

This bill establishes the Transition Age Foster Youth Meal Plan Program, to be administered by the Student Aid Commission, to provide foster youth enrolled at a public postsecondary educational institution with a monetary award equal to the cost of campus-based fees and a campus meal plan.

- **CSU Position:** Tracking
- **Status:** This bill was held in the Senate Appropriations Committee Suspense File.

AB 1314 (Medina) – Student Financial Aid: Cal Grant Reform Act

The bill enacts legislation, known as the Cal Grant Reform Act, to accomplish specified goals as it pertains to expanding the eligibility and duration of Cal Grant awards.

- **CSU Position:** Pending
- **Status:** This bill is awaiting hearing in the Senate Education Committee.

AB 1358 (Melendez) - Postsecondary Education: Campus Free Speech Act

This bill establishes the Campus Free Speech Act, which, among other provisions, requires the governing boards of each higher education institution to adopt a policy on free expression that contains specified components.

- **CSU Position:** Pending
- **Status:** This bill is awaiting hearing in the Assembly Higher Education Committee.

AB 1364 (Rubio) – Nursing: Schools and Programs: Exemptions

This bill exempts a nursing school or program that is nationally accredited from receiving additional licensure from the California Board of Nursing if the school or program meets the parameters and reporting requirements as specified.

- **CSU Position:** Pending
- **Status:** This bill is on the Assembly Appropriations Committee Suspense File.

AB 1460 (Weber) – CSU: Graduation Requirement: Ethnic Studies

This bill requires CSU students to complete a 3-unit course in ethnic studies in order to graduate.

- **CSU Position:** Oppose
- **Status:** This bill is on the Senate Appropriations Committee Suspense File.

AB 1620 (Santiago) – Public Postsecondary Education: Exemption from Payment of Nonresident Tuition

This bill reduces from three to two years the length of residency required to be eligible for resident tuition to be waived for AB 540 students.

- **CSU Position:** Tracking
- **Status:** This bill is on the Assembly Appropriations Committee Suspense File.

Newly Introduced Bills

AB 1836 (Quirk-Silva) – Public Postsecondary Education: CSU: Reporting

This bill requires the CSU to annually report on specified parking and transportation-related information and discretionary account information.

- **CSU Position:** Pending
- **Status:** This bill is awaiting referral to committee.

AB 1862 (Santiago) – Public Postsecondary Education: CSU: Tuition

This bill prohibits the CSU from charging mandatory systemwide tuition or fees for two academic years to any California Community College transfer student who has completed an Associate Degree for Transfer or received a fee waiver under the California College Promise while at the CCC.

- **CSU Position:** Pending
- **Status:** This bill is awaiting referral to committee.

COMMITTEE ON GOVERNMENTAL RELATIONS

Federal Update

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

James M. Gelb
Assistant Vice Chancellor
Federal Relations

Summary

This item provides an update on significant developments related to the system's 2019-2020 federal priorities.

Background

Last year, the Board approved a Federal Agenda encompassing six broad areas of priority:

- Improve College Access and Timely Completion through Aid to Students
- Prepare Students for College Success
- Foster Degree Completion for California's Diverse Population
- Educate Students for Tomorrow's Workforce
- Solve Societal Problems through Applied Research
- Enhance Campus Health, Safety and Infrastructure

Consistent with these priorities, the CSU was particularly active in four key areas in 2019: seeking robust funding for priority programs in Fiscal Year (FY) 2020; renewing an expiring program benefiting Hispanic-Serving Institutions (HSI) and Asian American and Native American Pacific Islander-Serving Institutions (AANAPISI); advocating in support of Dreamers; and preparing for the reauthorization of the Higher Education Act.

Funding for Key Programs

The new Congress started the year facing a set of severe caps on both defense and non-defense discretionary spending for FY 2020 (October 1, 2019 – September 30, 2020.) The caps were mandated by the Budget Control Act of 2011 for nine years, but Congress had previously

adjusted them through a series of two-year compromises. Without another such deal this year, overall non-defense spending would be cut by \$54 billion, which would put all of the system's priority programs at serious risk. Indeed, with that limit in mind, the Trump administration proposed cuts totaling \$10.7 billion (15%) to Department of Education programs. Earlier this year, after much effort by the CSU and others, a bipartisan deal was reached to raise the caps – setting the stage for a \$27 billion increase in non-defense funding for FY 2020. Still, that did not necessarily mean that education programs would benefit in a meaningful way. While House appropriators had sought significant increases in higher education programs, their Senate counterparts had been aiming for relatively flat funding. Therefore, the CSU continued to advocate for robust increases to key higher education programs.

In December, the Congress and the White House agreed on a spending plan that was highly favorable to CSU priority programs. For example, the maximum Pell Grant was boosted by \$150, to \$6,345, for the upcoming academic year. Other essential aid programs, such as the Supplemental Educational Opportunity Grant (SEOG) and Federal Work-Study programs, received additional funding. Grant programs that support HSI and AANAPISI were increased by 15%. TRIO and GEAR UP, pipeline programs that enhance college readiness, also saw increases, as did the Teacher Quality Partnership program. In addition, several CSU priority programs at the National Science Foundation (NSF) and US Department of Agriculture also received increases, in some instances for the first time in years.

Renewal of an Expiring Program Benefiting Hispanic-Serving Institutions and Asian American and Native American Pacific Islander-Serving Institutions

Twenty-one CSU campuses are designated as Hispanic-Serving Institutions (HSI) and 14 are designated as Asian American and Native American Pacific Islander-Serving Institutions (AANAPISI), meaning they serve large numbers of low-income and minority students. For the last decade, a significant amount of funding for competitive grants that help build capacity at HSI and AANAPISI came from a dedicated stream of mandatory appropriations that greatly supplemented annual discretionary appropriations for these and other minority-serving institutions. This funding totaled \$255 million per year and accounted for over 40% of Education Department HSI grant funding and over 55% of AANAPISI funding in recent years. However, this mandatory funding expired after September 30, 2019.

Over the past decade, 17 CSU campuses successfully competed for 28 grants funded by this stream (22 HSI/6 AANAPISI), totaling more than \$120 million dollars. These grants have helped increase the number of students entering Science, Technology, Engineering and Math (STEM) fields through enhanced partnerships with community colleges, and supported mentoring and other programming to bolster student success.

After considerable advocacy by the CSU and other minority-serving institutions around the country, in December 2019, the Congress passed HR 5363, the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act, which permanently renews the annual stream of \$255 million in mandatory funding. CSU campuses should be well positioned to compete for these funds in future grant cycles, and institutions no longer need to worry about their expiration.

Supporting Dreamers

The CSU has continued to advocate for legislation to permanently protect and support Dreamers. In June, the House passed CSU-supported HR 6, the American Dream and Promise Act of 2019, on largely partisan lines. The legislation provides for conditional permanent residency and an earned path to citizenship for Dreamers. The bill would also provide potential protection from deportation and a pathway to citizenship for certain beneficiaries of the Temporary Protected Status (TPS) program. However, despite ongoing efforts by the CSU and many others in the higher education community, the Senate has shown no interest in moving legislation related to Dreamers while waiting for the Supreme Court to rule on the Deferred Action for Childhood Arrivals (DACA) cases it heard in November. The CSU joined an amicus brief in support of Dreamers in those cases. A ruling is expected by the end of June.

Reauthorization of the Higher Education Act

The Higher Education Act (HEA) was first enacted in 1965 “to strengthen educational resources of our colleges and universities and to provide financial assistance for students in postsecondary education.” The HEA authorizes the vast majority of direct aid programs to students and institutions of higher education, programs to aid minority-serving institutions, pipeline programs to support at-risk K-12 students, and some teacher preparation programs, among others. Last reauthorized in 2008, the HEA is now past due for renewal.

During the past year, the CSU reiterated its major reauthorization priorities on the Hill. These include putting the Pell Grant program on long-term sustainable footing, and indexing the maximum grant to inflation; reforming the Supplemental Opportunity Educational Grant (SEOG) and Work-Study programs’ outdated funding formula to better target resources to needy students at campuses serving large numbers of low-income individuals; and ensuring that both mandatory and discretionary funding streams for minority-serving institutions, such as Hispanic-Serving and Asian American and Native American Pacific Islander-Serving Institutions, are maintained.

In October, House Democrats on the Committee on Education and Labor took an initial step in the long reauthorization process by passing HR 4674, the College Affordability Act. Drafted without Republican input, the bill includes positive treatment of many CSU priorities, such as a big boost to the maximum Pell Grant and annual inflationary increases; reform of campus-based

aid programs; and elimination of loan origination fees and restoration of subsidies for graduate student loans. But there are also some worrisome provisions, including expanding Pell to short-term programs; new state partnership funding that emphasizes community colleges but not four-year institutions; numerous new regulatory requirements; and big changes to accreditation. Plus, it is very expensive and a funding source has yet to be identified. The road ahead in the House is uncertain, though committee leadership wants to bring the bill to the floor early this year.

In the Senate, members of the Health, Education Labor and Pensions (HELP) committee have been working to write their own bill. Because the Senate generally needs 60 votes to pass legislation, it typically works to produce bi-partisan measures, especially in the education realm, meaning any proposal it produces will look vastly different from the House effort, particularly with regard to hot button issues and overall costs.

Finally, passage of the FUTURE Act (HR 5363), discussed above, took care of the only time-sensitive piece of HEA reauthorization by permanently renewing recently expired mandatory funding for a range of programs benefiting HSI, AANAPISI and other minority-serving institutions. The FUTURE Act also included changes to simplify the financial aid application process and the Free Application for Federal Student Aid (FAFSA) form.

AGENDA

JOINT COMMITTEES ON FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 1:45 p.m., Tuesday, January 28, 2020
Glenn S. Dumke Auditorium

Committee on Finance

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

Committee on Campus Planning, Buildings and Grounds

Rebecca D. Eisen, Chair
Romey Sabalius, Vice Chair
Larry L. Adamson
Jane W. Carney
Wenda Fong
Maryana Khames
Jeffery R. Krinsk
Jack McGrory
Peter J. Taylor

- Consent** 1. Approval of Minutes of the Meeting of November 19, 2019, *Action*
- Discussion** 2. San Diego State University - Certification of the Final Environmental Impact Report for the Proposed Mission Valley Campus Master Plan; Approval of the Proposed Mission Valley Campus Master Plan; Authorize the Chancellor to Execute a Purchase and Sale Agreement for the Mission Valley Campus Real Property Acquisition Within the Terms and Parameters Set forth in this Action Item; Approval to Amend the Capital Outlay Program for the Proposed Real Property Acquisition and Site Development; and Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the Proposed Project, *Action*

**MINUTES OF THE JOINT MEETING OF THE
COMMITTEES ON FINANCE AND
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**

November 19, 2019

Committee on Finance

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

**Committee on Campus Planning,
Buildings and Grounds**

Rebecca D. Eisen, Chair
Romey Sabalius, Vice Chair
Larry L. Adamson
Jane W. Carney
Wenda Fong
Jack McGrory
Jeffrey R. Krinsk
Peter J. Taylor

Trustee Rebecca D. Eisen called the meeting to order.

Public Comment

Public comment was made related to funding for facilities and deferred maintenance.

Approval of Minutes

The minutes of the September 24, 2019 joint committee meeting were approved as submitted.

San Diego State University, Potential Mission Valley Campus Expansion Status Update

An update was provided on San Diego State University's Mission Valley campus expansion efforts, including site acquisition details and proposed uses for the site. The trustees expressed gratitude to the members of the San Diego State University Mission Valley advisory committee for their work.

**JOINT COMMITTEES ON FINANCE AND
CAMPUS PLANNING, BUILDINGS AND GROUNDS**

San Diego State University - Certification of the Final Environmental Impact Report for the Proposed Mission Valley Campus Master Plan; Approval of the Proposed Mission Valley Campus Master Plan; Authorize the Chancellor to Execute a Purchase and Sale Agreement for the Mission Valley Campus Real Property Acquisition Within the Terms and Parameters Set forth in this Action Item; Approval to Amend the Capital Outlay Program for the Proposed Real Property Acquisition and Site Development; and Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the Proposed Project.

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Adela de la Torre
President
San Diego State University

Tom McCarron
Senior Vice President
San Diego State University

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

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

Summary

This agenda item requests the following actions by the California State University Board of Trustees with regard to the proposed Mission Valley Campus Master Plan (Master Plan) and proposed Mission Valley Real Property Acquisition and Site Development (the “Project”), which will expand San Diego State University at a proposed site in Mission Valley:

- Certification of the Final Environmental Impact Report dated January 17,2020; adoption of the Findings of Fact and Statement of Overriding Considerations; and approval of approximately \$40 million for CSU’s payment for on-site and off-site traffic improvements, including required mitigation, project features, and additional community benefit improvements;
- Approval of the Proposed Campus Master Plan, included as Attachment C;
- Authorize the Chancellor to execute the proposed Purchase and Sale Agreement (“PSA”) to acquire the proposed Project site from the City of San Diego (the “City”), consistent with the terms of the revised Offer to Purchase Mission Valley Campus Master Plan Project (“Offer”) dated and submitted to the City on October 28, 2019, included as Attachment B; and subject to the terms of Measure G as approved by City voters on November 6, 2018, and the final terms and conditions of the PSA;
- Approval to Amend the Capital Outlay Program for the proposed Real Property Acquisition from the City of San Diego and Site Development
- Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the proposed Project.

Approval of the above actions will further the process for the overall development of the proposed Master Plan. When fully built-out, the proposed Master Plan will provide academic and research space supporting up to 15,000 full-time equivalent students (FTES) with other related campus-supporting facilities including a 35,000-capacity multi-purpose stadium, housing, retail, park space, and hotel and conference facilities.

The potential financing and schematic design of the proposed multi-purpose stadium is planned for presentation to the Board of Trustees at their March 2020 meeting. Additional actions to further develop the site and generate revenue to fund the property acquisition and site development, such as the approval of public-private partnerships for the housing, retail, hospitality and campus research and innovation facilities will be presented at future Board of Trustees’ meetings.

The Board of Trustees must certify that the Final Environmental Impact Report (Final EIR) is adequate and complete under the California Environmental Quality Act (CEQA) and the Guidelines for Implementation of the California Environmental Quality Act (CEQA Guidelines) in order to approve the proposed Master Plan. The Final EIR with Findings of Fact and Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program (MMRP) are available for public review at <http://missionvalley.sdsu.edu/community-engagement.html>.

Attachment A provides a summary of the CEQA analysis, public comments received and CSU/SDSU’s responses, and alternatives considered. Attachment B is the Term Sheet/Offer presented to the City on October 28, 2019. Attachment C is the Master Plan for the proposed SDSU Mission Valley campus.

The Final EIR concluded that the proposed Project would result in significant and unavoidable impacts on air quality, historic resources, noise, population and housing, public services, and transportation. The remaining significant and unavoidable transportation impacts relate primarily to California Department of Transportation (Caltrans) facilities and issues relating to remainder fair-share funding, i.e., whether adequate funding programs are in place to provide the necessary remainder funding. The impacts on City facilities have been resolved through negotiations in which the City agreed to provide future access and permitting to complete the proposed mitigation measures. Significant and unavoidable impacts on Caltrans facilities will be subject to CSU's proportionate fair share, and assistance to Caltrans in its efforts to obtain necessary approvals for the recommended improvements.

Potential Contested CEQA Issues

Pursuant to the Board of Trustees' request that contested issues be noted early in the agenda item, the following description summarizes key issues raised during the Draft EIR public comment period:

Transportation Mitigation

Concerns were raised about impacts on parking and traffic congestion in neighboring communities; requests to study additional intersections or disagreements with the campus conclusions on level of transportation impacts; and concerns about mitigations identified as "infeasible" and "significant and unavoidable" related to working in City and Caltrans rights-of-way. In addition, there were requests to improve bike and pedestrian connectivity to neighborhoods, reduce/eliminate parking to force use of transit, incentivize/subsidize the use of transit, and provide more transit service in terms of connections and frequency, particularly between the campuses. Comments were also received that not enough parking is being provided.

To address bike connectivity concerns, the proposed Master Plan will improve gaps in an existing bike connection between the campuses. The proposed Master Plan identifies a maximum parking count with the flexibility for private development partners to provide less parking. The campus added information on the proposed changes to their Transportation Demand Management (TDM) Program which provides a transportation coordinator, will require each on-site employer to provide a minimum number of subsidized transit passes to employees, and clarified that campus transit pass programs will also apply to campus employees and students on the Mission Valley Campus.

Prior to and following release of the Draft EIR, SDSU representatives met separately with representatives of the City of San Diego and Caltrans to discuss the EIR transportation analysis, including proposed mitigation measures. The meetings provided a forum to discuss the EIR's proposed mitigation improvements, including CSU/SDSU's role in implementing the mitigation (i.e., pay full-share or fair-share of improvement costs, or directly construct the improvements). A brief summary of the relevant meetings with each agency is provided below. Additional information regarding the meetings is provided in the Final EIR, Thematic Response PD-3, Mitigation Negotiations.

City of San Diego

Representatives of SDSU and the City of San Diego began discussions regarding transportation-related issues in May 2019. Specific to mitigation, these meetings culminated in a December 2019 meeting during which SDSU presented proposed revisions to the Draft EIR traffic mitigation measures for City facilities made in response to the City's request. As revised, the traffic mitigation measures provide that CSU/SDSU will either: (1) pay the City the full cost of the recommended mitigation improvement; or (2) construct/install the necessary improvements to the reasonable satisfaction of the City Engineer. See Final EIR Mitigation Measures MM-TRA-2, MM-TRA-3, MM-TRA-4, MM-TRA-8, MM-TRA-9, MM-TRA-10, MM-TRA-11, and MM-TRA-13. Based on the negotiations, SDSU agreed that for those mitigation improvements for which CSU/SDSU's fair-share percentage at the subject location is less than 100%, SDSU nevertheless will fully fund the improvements, for the limited purpose of this Master Plan only, in light of the substantial benefits that would accrue to the community. Additionally, the City submitted comments relating to these issues in response to the Draft EIR. Those comments have been responded to in the Final EIR.

At the last meeting, the City noted preliminary approval of the revised mitigation measures and the final EIR has been revised to indicate the mitigation measures are now feasible. A table prepared by transportation engineers Fehr & Peers (F&P) that includes the estimated SDSU corresponding proportionate fair-share percentage, is provided in the Final EIR.

California Department of Transportation (Caltrans)

SDSU representatives met with Caltrans on June 25, 2019, prior to release of the Draft EIR, to provide Caltrans with an overview of the Master Plan and related transportation features. Various subjects were discussed at the meeting, including bicycle and pedestrian circulation, potential interstate interchange improvements, parking, and traffic distribution. Following release of the Draft EIR, Caltrans submitted comments relating to the mitigation measures proposed in the Draft EIR specific to Caltrans facilities. In response, on January 15, 2020, SDSU representatives met again with Caltrans to commence negotiations regarding CSU's fair-share mitigation obligations relative to the Project's identified significant impacts to Caltrans facilities. At the meeting, SDSU provided Caltrans with information prepared by F&P that included the estimated proportionate fair-share at each significantly impacted Caltrans facility. Following the meeting, SDSU coordinated with Caltrans to review SDSU's responses to Caltrans comments on the Draft EIR and subsequently continue. SDSU expects the negotiations to be completed in the near-term.

The Final EIR clarified that the transportation improvements are only infeasible with respect to needing to obtain approvals, rights of entry and funding from another jurisdiction. The campus has resolved concerns related to the City's jurisdiction over its own facilities. The state highway improvements will need support, planning, approvals, and co-funding from Caltrans.

San Diego River and Murphy Canyon Creek

Comments related to impacts on the San Diego River and Murphy Canyon Creek include concerns about adjacent park activities (lights, dogs chasing wildlife, maintaining buffers) impacting wildlife; the continuity of habitat corridors between the two waterways; and requests to widen, naturalize, and otherwise improve Murphy Canyon Creek. To reduce impacts on the San Diego River and Murphy Canyon Creek, the campus relocated a road further from Murphy Canyon Creek and created an underpass to allow for human and wildlife connectivity under the new road. The refined site plan includes more setbacks and buffers that will reduce spillover of light and minimize invasive plants within the river and creek. Additional detail on specific agency and organization comments is provided in the CEQA summary section, Attachment A.

Background and Educational Benefit

The SDSU campus, situated on 288 acres, has little opportunity for expansion due primarily to the surrounding residential development and geographic constraints. The Mission Valley property provides a key location and opportunity for SDSU to grow, prosper, and meet continuing higher education needs. In addition, it will create positive economic impact on the community and surrounding region of San Diego by increasing employment opportunities and sales tax and other applicable tax revenues from future real property developments through public-private partnerships.

In July 2018, the CSU Board of Trustees endorsed Measure G, a City of San Diego ballot initiative which authorizes the City of San Diego to sell the existing San Diego County Credit Union Stadium site, formerly known as Qualcomm Stadium, and real property totaling 135 acres (the “Mission Valley property”) to the CSU Trustees. The measure was passed on November 6, 2018 and subsequently codified into law as a municipal code section (SDMC 22.0908) with certain conditions, including, but not limited to, the construction of a river park for the City, new football/multi-purpose stadium, campus academic and research complex, and primarily public-private development of mixed-use and multi-family housing projects to serve the campus community.

Following the passage of Measure G, SDSU and the City of San Diego met regularly for nearly a year to discuss key terms of the land acquisition and jointly commissioned a fair market value appraisal, which was the basis of the formal purchase offers made by SDSU.

On October 14, 2019, a formal purchase offer for the Mission Valley property was delivered to the City, and pursuant to further discussions with the City, a revised Offer was submitted on October 28, 2019 (Attachment B). At its November 18, 2019 meeting, the San Diego City Council voted unanimously to direct the City Attorney to draft a PSA based on SDSU’s October 28, 2019 Offer, and to bring forward the draft PSA in January 2020.

On November 19, 2019, the CSU Board of Trustees was provided with updates on the proposed Project Master Plan, draft Environmental Impact Report, and key terms of the October 28, 2019 Offer submitted by SDSU to the City. The San Diego City Council received an update from city staff in mid-December 2019 and a memo from the City Attorney issued January 9, 2020 informed the City Council that a draft PSA is planned for presentation to the City Council at its public meeting on January 27, 2020. Final terms and conditions of the proposed PSA remain under negotiation.

The proposed Master Plan will enable the creation of undergraduate, graduate, teaching and research facilities to directly reduce space demands on the main campus, and provide critically needed main campus seat capacity for more traditional academic learning spaces (i.e. classrooms and laboratories). The SDSU Mission Valley Campus Master Plan would accommodate up to 15,000 FTES over time. In addition, it will provide SDSU with an opportunity to construct improved athletic and recreational facilities, expand affordable housing, create a university innovation district, and contribute to the long-term development of the Mission Valley community.

Proposed SDSU Mission Valley Campus Master Plan

The proposed Real Property Acquisition is situated south of Friars Road, west of Interstate 15, and north of Interstate 8. It is approximately 5 miles from downtown San Diego and 2.5 miles west of the main campus. The existing San Diego Metropolitan Transit System (MTS) Trolley Green Line and Stadium Trolley Station are situated adjacent to the southern border of the site. The Green Line connects SDSU's main campus directly to the proposed Mission Valley campus. The San Diego River is located directly south of the proposed site and intended to be a key community aspect of the proposed Campus Master Plan development.

Parks, Recreation and Open Space

The campus will include development of approximately 80 acres of park and open space, including a River Park as envisioned by past community planning efforts, such as the San Diego River Park Master Plan and the Mission Valley Community Plan. The River Park will include approximately 34 acres that will remain in City ownership to fulfill the requirements of SDMC 22.0908.

- The River Park will include active recreation facilities such as flexible use turf and play areas, play structures, and multi-purpose fields; hike and bike trail connections; native planted areas to serve as water treatment and animal habitat; instructional and observational opportunities; and a site reserved for a future City-funded community recreation center located adjacent to the River Park and trolley station.
- In addition to the River Park and additional parks and open space to be shared with the community, the proposed Mission Valley Campus Master Plan will include an open turf area located in the northwest corner of the proposed site that will be used for recreation and open space most of the time, and for temporary parking during certain capacity events in the multi-

purpose stadium. It will also include two primary campus outdoor malls and green space around campus academic buildings with pedestrian connections and hike and bike loops to promote wayfinding and navigation across the proposed site.

Campus Research and Innovation District

The 1.6 million gross square feet campus research and innovation district will include up to 15 buildings containing office, research, and teaching space to support the teaching, education, and research mission of the university. These buildings will allow for new research partnerships with private companies and public entities, provide opportunities for student internships, create an incubator for new and innovative business and academic uses, and enhance regional economic development. Thirteen of these buildings would be located south of the new multi-purpose Stadium and two would be located east of the new multi-purpose Stadium. Up to 5,000 garage parking spaces would be provided beneath the buildings to serve students, faculty, staff, and visitors and will also support stadium events.

These buildings will be developed primarily through public-private partnerships. These public-private partnership buildings will support the university's educational, research, entrepreneurial, and technology programs in collaboration with the private partners who will fund, construct and maintain the buildings. Over time, the buildings will transition to university ownership in accordance with the terms of the ground lease.

Multi-purpose Stadium

The proposed new multi-purpose Stadium could accommodate 35,000 attendees and support collegiate football and bowl games, professional and collegiate soccer, concerts, and other university, community and corporate events. The multi-purpose Stadium will be located in the northwest corner of the proposed Master Plan. It would include spectator facilities such as food service, concessions, and retail facilities, along with campus, lecture and meeting space, team facilities, and administrative offices and operations.

Residential Uses

The residential area is on the eastern half of the proposed Campus Master Plan. It is comprised of up to 18 buildings totaling up to 4,600 residential units with 5,662 parking spaces. The residential area would provide housing for students, faculty, staff, and the larger community, with the affordable units constructed on-site. Over time, the buildings will transition to university ownership in accordance with the terms of the ground lease. SDMC 22.0908 requires the proposed development to follow the City's current affordable housing policy, which is 10 percent of all units at 60% percent average median income.

Hotel Uses

The proposed Campus Master Plan will include a hotel located north of the new Stadium. This hotel will have up to 400 rooms, approximately 70 for-sale units, 40,000 square feet of conference space, and approximately 425 parking stalls.

Retail Uses

The proposed Master Plan includes 95,000 square feet of campus-servicing retail uses located within the residential and campus buildings, primarily along the main entry drive (Street D). These retail uses will support the daily needs of employees and residents as well as stadium events.

Fiscal Impact

The total value of all capital that will be required to fully develop the Mission Valley Campus Master Plan is currently estimated at approximately \$3 billion, however, the bulk of that development capital will be provided by third parties through agreements, such as public-private partnerships. To set the stage for the long-term development of the site through such partnerships, it is proposed that CSU and SDSU make an initial investment utilizing campus and system resources. This initial investment will be comprised of two components. The first is the property acquisition and the site infrastructure development. The cost of this component is \$350 million and will be financed through a combination of system debt and campus and auxiliary resources with long term repayment coming primarily from public-private partnership ground rent revenues. The proposed public-private partnerships will return to the board for consideration at a later date.

The second component will be the construction of a new multi-purpose stadium, currently estimated at \$300 million. While the stadium is treated as a separate component for board approvals, such as schematics and financing, it is a critical part of the initial site preparation investment, since the new multi-purpose stadium will allow for the demolition of the old stadium, which sits in the heart of the site and must be removed to fully prepare the site for development. Construction of the multi-purpose stadium is expected to be financed with system debt, acquisition gifts from premium seat holders, advance ticket revenue, and philanthropy, with debt repaid from annual gifts, sponsorships, ticket revenues, naming rights, and concession revenues. Approvals for the multi-purpose stadium will be presented to the Board of Trustees for consideration at the March 2020 meeting.

California Environmental Quality Act (CEQA) Action

Prior to formal adoption and approval of the Mission Valley Campus Master Plan, and execution of the proposed PSA, CSU, as lead agency, is required to prepare an EIR that analyzes the potential significant environmental impacts of the proposed Mission Valley Master Plan and considers all feasible project alternatives and mitigation measures. Moreover, CEQA requires that a Final EIR

be completed and certified prior to authorizing or committing to approve or undertake the Real Property Acquisition and Site Development Project, or proceed with any particular use or development of the Master Plan, including the River Park.

The proposed future PSA will provide a framework for conveyance of the property from the City to the CSU, and reserves to the CSU all necessary discretionary authority to approve, deny or condition the development of the Master Plan, including the authority to adopt any feasible mitigation measures or alternatives necessary to avoid or substantially lessen significant impacts to the environment. Because any approval of the Master Plan is expressly conditioned upon the completion of environmental review in compliance with CEQA, the PSA will be executed as authorized by CEQA Guidelines section 15004(b)(2)(A), which provides “that agencies may designate a preferred site for CEQA review and may enter into land acquisition agreements when the agency has conditioned the agency’s future use of the site on CEQA compliance.”

The Final EIR has been prepared to analyze the potential environmental effects of the proposed Master Plan in accordance with CEQA requirements and Guidelines. The Final EIR is presented to the Board of Trustees for review and certification, and fully discusses all issue areas, impacts, and alternatives which have been analyzed as required by law. Where a potentially significant impact is identified, feasible mitigation measures, if any, have been proposed to reduce the impact.

The Draft EIR was distributed for comment for a 60-day period concluding on October 3, 2019. The final documents are available online at: <http://missionvalley.sdsu.edu/community-engagement.html>. The Final EIR is a “Project EIR” and comprehensively analyzes all phases of development and operation of the proposed Master Plan; no further CEQA review will be required prior to implementation of the Master Plan. This includes the proposed Site Development including roadways, utilities, parks, recreation and open space, the Campus Research and Innovation District, a Multi-purpose Stadium, and Residential, Hotel and Retail Uses.

The Final EIR concluded that the proposed Master Plan would result in significant and unavoidable impacts relating to air quality, cultural resources, noise, population and housing (cumulative), public services (cumulative) (i.e., fire protection/emergency services and schools impacts), and transportation. CEQA requires CSU, the decision-making lead agency, to balance, as applicable, the economic, legal, social, technological, or other benefits of the proposed Master Plan against its significant and unavoidable environmental impacts when determining whether to approve a project. If the specific benefits of the proposed Master Plan outweigh the unavoidable adverse environmental effects, those effects may be considered “acceptable” and the agency is then required to adopt a Statement of Overriding Considerations in order to approve the Final EIR. Because the Final EIR concludes that the proposed Master Plan would result in significant and unavoidable impacts, a Statement of Overriding Considerations has been prepared for Board of Trustees’ consideration and adoption.

Please see Attachment A for the CEQA summary of issues identified through public review of the Draft Environmental Impact Report, public comments and SDSU responses, and alternatives considered.

Amend the Capital Outlay Program

SDSU wishes to amend the 2020-2021 Capital Outlay Program for the proposed Mission Valley development real property acquisition and site development. The estimated cost of the proposed Project is \$350 million and includes:

Acquisition	\$87,700,000
Site Development Infrastructure ¹	\$169,000,000
On- and off-site traffic improvements	\$40,000,000
Fees, Contingency, Services	<u>\$53,300,000</u>
 Total Proposed Project Cost	 \$350,000,000

Real Property Acquisition – Offer to Purchase and Purchase and Sale Agreement Key Terms

Since the approval of the Measure G initiative on November 6, 2018 (SDMC 22.0908), SDSU has been in active negotiations with the City on the acquisition of the site. The initiative, and resulting municipal code, require the development of many of the features of the Master Plan noted above.

On October 14, 2018, SDSU, on behalf of the Trustees of the California State University, delivered a formal offer to the San Diego City Council followed by delivery of a revised offer on October 28, 2019 (Attachment B). At the time of this board item preparation, the revised offer proposed by SDSU contains the following terms:

- **Property:** 135.12 acres, acquire “as is.”
- **Purchase Price:** \$86.2 million plus an estimated \$1.5 million time-based escalation provision relating to the public utilities-owned portion of the property, for an estimated total of \$87.7 million.
- **Murphy Canyon Creek:** Approximately 2 acres of Murphy Canyon Creek will be included in the proposed acquisition of 135.12 acres and purchased “as is”. SDSU will not be required to make any improvements to Murphy Canyon Creek.
- **Stadium Demolition and Maintenance:** Upon closing, SDSU will assume responsibility for ongoing maintenance, up-keep and demolition of the existing stadium.

¹ Includes SDSU park space and River Park completed in this phase. Excludes residential park and campus open space to be completed with future phases.

- **Fenton Parkway Bridge:** The City will pursue the Fenton Parkway Bridge as a separate City facility in the future, and will remain a separate City project for CEQA and all other purposes. Subject to CEQA compliance, SDSU will construct a 2-lane at grade Bridge and fund its environmental review, design, permitting and construction subject to partial reimbursement. SDSU estimates the campus share of bridge traffic at 25%, or \$6.75 million. SDSU will construct the bridge before occupancy of more than 65% of planned equivalent dwelling units. Therefore, SDSU proposed the following in order to receive partial reimbursement from the City:
 - \$1.3 million from the City's Capital Improvement Fund
 - \$8.5 million of the property purchase price funds be provided by the City.
 - City to provide Development Impact Fees as noted below.
- **Development Impact Fees:** SDSU's non-state private partners constructing non-SDSU facilities will pay development impact fees (DIF). SDSU and other publicly developed and occupied facilities will be exempt. Because SDSU is constructing the River Park and additional park improvements, it is anticipated that no party will be required to pay park DIF fees. SDSU shall be entitled to cash reimbursement or DIF credits for the reimbursable costs expended by SDSU and approved by the City in accordance with the PSA and Mission Valley Impact Fee Study.
- **Additional Project Improvements:** SDSU requests the City allocate \$1.5 million of the purchase price to be held in a joint account for other improvements to the property.
- **Transportation Improvements:** In addition to the transportation mitigation responsibilities under the Final EIR, SDSU will provide \$5,000,000 for additional traffic improvements in coordination with the City.
- **River Park:** SDSU will design, construct and maintain in perpetuity, the 34-acre River Park. The River Park will be completed no later than seven years after the Purchase and Sale Agreement's effective date and prior to occupancy of any building on the Property, other than the new multi-purpose stadium.
- **Additional 22 acres of Parks:** SDSU will design, construct and maintain at least 22 acres of population-based park facilities owned by SDSU and available for general community use.
- **Future City Recreation Center Site:** SDSU will reserve an approximate one-acre site for the City to construct and operate a recreation center in the future.
- **Affordable Housing:** SDSU will provide 10% of the total number of housing units developed to be set aside as affordable housing units, which may include student housing units.
- **Groundwater Management:** SDSU will grant easements for the City to install groundwater wells for monitoring. City also retains Pueblo water rights.
- **Removal of Kinder Morgan Wells:** City to use reasonable efforts to cause Kinder Morgan to timely remove and close all monitoring extraction wells and related facilities.
- **Environmental Contamination:** SDSU will defend and indemnify the City against all claims regarding the Property's condition and waive all environmental claims against the city. The City will tender written claims to Kinder Morgan for reimbursement of any property remediation costs arising from their environmental contamination.

- **Compliance with CEQA:** SDSU will comply with CEQA, including CSU Board of Trustees certification of the Final EIR.
- **Possessory Interest and Other Taxes:** Non-state private development partners will pay sales tax, possessory interest tax, and/or transit occupancy tax, as required by applicable law.
- **Legal Challenges:** SDSU will defend and indemnify the City for all legal challenges with respect to the Final EIR, PSA, and Campus Master Plan.
- **Sovereignty:** Consistent with Section 22.0908 and CSU's status as a sovereign state agency, nothing in the PSA will abrogate the authority of the CSU Board of Trustees. CSU will issue all development related permits and collect all DIFs (for disbursement to the City if required) for all aspects of the Master Plan.
- **Measure G Compliance:** The PSA will incorporate all other conditions and requirements as required by SDMC section 22.0908 and related Measure G campaign promises.
- **CSU Approval:** The Board of Trustees must approve the Final EIR, Campus Master Plan and PSA.
- **Council Approval:** City Council must accept and approve the Final EIR findings and related mitigation measures and PSA.
- **Closing Date:** The target closing date is March 27, 2020
Potential Delay in Closing: (a) City will lease Property to SDSU for \$1.00 per month; (b) SDSU will assume all on-going and maintenance and operational costs; (c) unless the delay is the City's fault, the purchase price will increase applying a rate of 2.149% per year.

Site Development

Rough Grading

Rough grading will be completed for all areas of the Project including the development pads for future residential and research/innovation buildings, as well as all streets. This grading will raise the residential development pads and associated streets above the 100-year flood plain to prepare them for development by public-private partners.

In the interim condition, rough graded building pads will be surfaced with gravel and used as temporary parking for the stadium. Drivable, gravel access routes to the fully constructed streets will be provided through these temporary parking areas, and temporary storm water infiltration basins will be provided. These parking areas and temporary access connections will be modified over time as development occurs on the residential and research/innovation pads.

Utilities

Main utility service lines for electricity and telecommunications, natural gas, storm and sanitary sewer and domestic cold water will be provided in the center and west portions of the site. These utilities will provide adequate capacity for the entire build-out and will be ready for connection by developers of the residential parcels. In addition, primary storm water treatment and retention basins will be constructed.

Streets and Circulation elements

The proposed Project will develop primary streets or segments of streets as part of the site development package. These include connections to Friars Road, Fenton Parkway, Rancho Mission Road, and San Diego Mission Road, and access to the existing Trolley Station. These streets or segments will be constructed in their entirety, including sidewalks, bicycle facilities, medians, light fixtures and other furniture, street trees and other landscaping. In addition, a hike/bike loop that circumnavigates the raised development area of the campus will be constructed.

Parks and Open Space

Over 80 acres of park land will be developed, primarily at the south and east edges of the site as well as the tailgate park areas west of the Stadium will be developed. Of this amount, approximately 34 acres will be developed as the River Park and remain in City of San Diego ownership. Additional park space will be developed in the residential area as those parcels are built-out.

The River Park, located along the south and east edges of the site will be constructed, maintained and operated by SDSU, and will be designed as one park with no demarcation of the land ownership boundaries. It will include four open multi-use field areas will be suitable for a variety of community and university sports activities. Other activity areas will include basketball courts, fitness areas, outdoor games and a skate area. The park will also include children's playgrounds and restroom facilities. Two additional multi-use natural turf fields, located adjacent to the new Stadium, will be reinforced so it can be used for overflow parking to accommodate approximately 1,000 cars for capacity events at the Stadium.

Gathering and event areas will include a terraced amphitheater and a central plaza adjacent to the trolley station with adequate hard surfaces to support a variety of community events. Passive recreation will include native planting, water treatment and retention, wetland, and habitat area with pedestrian and multi-use trails. The site provides a vegetated flood plain for the 100-year flood condition and connects through an underpass that will allow for habitat corridor between Murphy Canyon Creek and the San Diego River. Improvements include overlook platforms to support educational and contemplative use. Picnic tables and other seating will be distributed throughout to support a range of activities and use of the park.

Timing

Working Drawings Completed

April 2020

Construction Start

April to June 2020

Site Development Completion (including River Park)

August 2023

Financing

The financing of the CSU and SDSU's investment in the Mission Valley development can be separated into two pieces. The first is the acquisition of the site and the infrastructure improvements (the proposed Project), which will be required to prepare for further long-term development of the site. Financing approval for this piece is being requested herein and is discussed in further detail below. The second piece is the stadium, the financing for which will be supported by stadium revenues and will be presented for financing approval at a later meeting of the Board of Trustees.

As noted, the total cost of the proposed Project is estimated at \$350 million and will be funded from the following sources:

Systemwide Revenue Bonds supported by Project/campus revenues:	\$250 million
Systemwide Revenue Bonds supported by system revenues:	\$ 60 million
Campus and auxiliary resources:	<u>\$ 40 million</u>
Total	\$350 Million

The long-term source of repayment for the Systemwide Revenue Bonds supported by proposed Project/campus revenues will come from ground lease revenue from future public-private partnership development of the housing, retail, hospitality, and the campus research and innovation components. However, because the site needs to be acquired and the infrastructure prepared before vertical development can begin, revenues from public-private partnership projects are not expected to begin materializing until 2023 and will not reach full development until 2037. In the meantime, other non-operating campus and auxiliary revenues of up to \$17.2 million will be used to meet the annual debt service requirements and serve as a cash flow bridge to the public-private partnership revenues.

As public-private partnership projects come online, the campus and auxiliary revenues will be supplanted by public-private partnership revenues until the campus and auxiliary revenues are no longer required and the annual debt service is being fully paid by public-private partnership revenues. In addition, as public-private partnership revenues grow beyond those levels required to meet debt service requirements, excess revenues will be available to meet general campus operating needs and replenish campus resources that were utilized to meet earlier debt service payments.

The source of repayment for the Systemwide Revenue Bonds supported by system revenues is proposed from existing system cash flow allocated for capital financing. Upon board approval of the proposed Project, it will be submitted to the California Department of Finance for review consistent with the academic capital project approval process.

In order to match the expected cash flow generated by the public-private partnership projects, the debt will be structured as interest only for a number of years, most likely fifteen to twenty years, with principal payments due in later years. The final structure of the principal payments will be determined at the time of debt issuance depending upon market conditions, but could include bullet maturities, with or without formal sinking funds. Following the interest only period, the campus will begin setting aside public-private partnership revenues in excess of the interest payments in amounts that will allow for full repayment of all principal when due. At present, the financial plan calls for the full repayment of the debt within thirty-five years, however to increase structuring flexibility, this item requests authorization to issue the debt for as long as forty years. The structure will also call for taxable debt due to the levels of private use expected to be generated by the public-private partnership developments and the stadium.

The proposed total amount of Systemwide Revenue Bonds or related debt instruments (both those supported by proposed Project/campus revenues and those supported by system revenues) will be issued at a not-to-exceed par amount of \$317,000,000 on a fully taxable basis. The not-to-exceed amount is based on a total Project budget of \$350 million with a contribution of \$40 million from campus and auxiliary reserves. A portion of the bonds will also fund approximately \$2.9 million in additional net financing and issuance costs.

The not-to-exceed amount, interest-only payments, principal payments, and debt service coverage ratios shown below are based on an all-in interest cost of 4.55 percent, inclusive of a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold.

Based upon the available campus and system revenues, the debt service coverage for the interest only period of the debt is forecast to be 1.40 per year, which exceeds the CSU minimum benchmark of 1.10. The final schedule of principal payments will not be determined until the debt is issued, however, debt service coverages have been analyzed under a number of different principal payment schedules and demonstrate the ability to pay off the debt. Under a conservative scenario where the principal payments are made over a 14-year period from 2042 through 2055, the debt service coverage ratio starts at 1.08 and increases to 1.46, levels that compare favorably to the CSU minimum benchmark of 1.10. When combining these revenue stream projections with 2018-2019 actuals for other campus pledged revenue programs, the campus' overall net revenue debt service coverage for the first year of the interest only period is projected to be 1.43, which exceeds the CSU campus benchmark of 1.35. With respect to the campus' overall net revenue debt service coverage when principal repayment begins, the debt service coverage ratios compare favorably to the CSU campus benchmark of 1.35 under different scenarios and assuming conservative growth assumptions for other campus pledged revenue programs.

Recommendation

The following resolutions are presented for approval:

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

1. The Board of Trustees finds that the January 17, 2020 Final EIR has been prepared in accordance with the requirements of the California Environmental Quality Act, and the Guidelines for Implementation of the California Environmental Quality Act.
2. The Final EIR addresses the proposed Mission Valley Campus Master Plan, the proposed Real Property and Site Development Project, other near-term projects, and all discretionary actions related to the proposed Master Plan as identified in the Final EIR.
3. The Board of Trustees hereby certifies the January 17, 2020 Final EIR for the San Diego State University Mission Valley Campus Master Plan.
4. Prior to the certification of the Final EIR, the Board of Trustees reviewed and considered the Final EIR and found it to reflect the independent judgment of the Board of Trustees. The Board of Trustees hereby certifies the Final EIR as complete and adequate and finds that it addresses all potentially significant environmental impacts of the proposed Master Plan, and fully complies with the requirements of CEQA. For purposes of CEQA and the CEQA Guidelines, the administrative record includes the following:
 - a. The 2019 Draft EIR for the San Diego State University Mission Valley Campus Master Plan;
 - b. The Final EIR, including comments received on the Draft EIR, responses to comments, and revisions to the Draft EIR in response to comments received;
 - c. The CEQA Findings of Fact, Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program, including the mitigation measures identified therein for Agenda Item 2 of the January 28-29, 2020 meeting of Joint Committees on Finance and Campus Planning, Buildings and Grounds, which identifies the specific impacts of the proposed Mission Valley Campus Master Plan and related mitigation measures.
 - d. The proceedings before the Board of Trustees relating to the subject Mission Valley Campus Master Plan, including testimony and documentary evidence introduced at such proceedings; and
 - e. All attachments, documents incorporated, and references made in the documents as specified in items (a) through (d) above.

5. This resolution is adopted pursuant to the requirements of Section 21081 of the California Public Resources Code and Section 15091 of the CEQA Guidelines which require the Board of Trustees to make findings prior to the approval of the project.
6. The Board of Trustees hereby adopts the CEQA Findings of Fact and Statement of Overriding Considerations stating that the proposed Master Plan, including the Real Property Acquisition and Site Development Project, and other near-term projects' benefit to the California State University outweigh the remaining significant and unavoidable air quality, cultural resources, noise, population and housing, public services, and transportation impacts.
7. The Board of Trustees hereby adopts the Mitigation Monitoring and Reporting Program, including the mitigation measures identified therein for Agenda Item 2 of the January 28-29, 2020 meeting of Joint Committees on Finance and Campus Planning, Buildings and Grounds, which identifies the specific impacts of the proposed Mission Valley Campus Master Plan and related mitigation measures, which are hereby incorporated by reference. The mitigation measures identified in the Mitigation Monitoring and Reporting Program shall be monitored and reported in accordance with the Mitigation Monitoring and Reporting Program which meets the requirements of CEQA.
8. The Board of Trustees hereby adopts the Statement of Overriding Considerations stating that the proposed Master Plan, including the Real Property Acquisition and Site Development Project, and other near-term projects' benefit to the California State University outweigh the remaining significant and unavoidable air quality, cultural resources, noise, population and housing, public services, and transportation impacts.
9. The Final EIR has identified potentially significant impacts that may result from implementation of the proposed Mission Valley Campus Master Plan, Real Property Acquisition and Site Development Project and other near-term projects. However, the Board of Trustees, by adopting the Findings of Fact, finds that the inclusion of certain mitigation measures as a part of the Master Plan approval will reduce most, but not all, of these effects to less than significant levels. Those impacts which are not reduced to less than significant levels are identified as significant and unavoidable and are overridden due to specific Master Plan benefits to the CSU identified in the Findings of Fact and Statement of Overriding Considerations.
10. The Board of Trustees approves the use of approximately \$40 million for its share of future off-site mitigation for the City of San Diego and the California Department of Transportation. The funds are expected to be provided from future state capital or operation budget funding, the CSU, self-support entities, private developers, the City, and/or other entities.
11. The proposed Master Plan will benefit the California State University.

12. The Board of Trustees hereby acknowledges the Final Environmental Impact Report for the Mission Valley Campus Master Plan dated January 17, 2020 as complete and in compliance with CEQA.
13. The San Diego State University Mission Valley Campus Master Plan is approved.
14. The Chancellor or his designee is requested under Delegation of Authority granted by the Board of Trustees to file the Notice of Determination for the Final EIR for the San Diego State University Mission Valley Campus Master Plan, and the Real Property Acquisition and Site Development Project.
15. The 2019-2020 Capital Outlay Program is amended to include \$350 million for acquisition, preliminary plans, working drawings, and construction for the Mission Valley Real Property Acquisition and Site Development project.
16. The Trustees hereby authorize the Chancellor to execute the final Purchase and Sale Agreement (“PSA”) for the purchase and acquisition of the Mission Valley site from the City of San Diego subject to the following conditions:
17. If the Chancellor and the Chair of the Board of Trustees agree that the terms and conditions of the PSA do not materially deviate from the terms of the October 28, 2019 Offer to Purchase (Attachment B), the Chancellor shall execute the PSA.
18. If the Chancellor or the Chair believe that there are material differences between the PSA and Attachment B, the Chancellor shall not execute the PSA and shall instead forward it to the Board of Trustees for their review and approval at a future meeting.
19. Financing for the Mission Valley Real Property Acquisition and Site Development Project as described in this Agenda Item 2 of the Joint Committees on Finance and Campus Planning, Buildings and Grounds at the January 28-29, 2020 meeting of the CSU Board of Trustees is approved. Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the Project described in this Agenda Item 2 and provide for the following:
 - a. 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 \$255,977,000 and certain actions relating thereto.
 - b. 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 \$61,023,000 and certain actions relating thereto, subject to the California Department of Finance approval of the project.

- c. Authorize the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the revenue bonds, bond anticipation notes, or related debt instruments.

Summary of California Environmental Quality Act (CEQA) Analysis and Findings

This attachment provides information on the actions taken in compliance with CEQA, identifies potentially contested issues, and unavoidable significant impacts with regard to the proposed Mission Valley Campus Master Plan (Master Plan) for San Diego State University (SDSU):

The Board of Trustees must certify that the Final Environmental Impact Report (Final EIR) is adequate and complete under the California Environmental Quality Act (CEQA) in order to approve the proposed physical Master Plan for the site, the proposed Real Property Acquisition and Site Development (Project), and near-term projects such as the multi-use stadium. The Final EIR with Findings of Fact and Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program (MMRP) are available for review by the Board of Trustees and the public at:

<http://missionvalley.sdsu.edu/community-engagement.html>.

The Final EIR concluded that the Master Plan would result in significant and unavoidable impacts on air quality, historic resources, noise, population and housing, public services, and transportation. The remaining significant and unavoidable transportation impacts relate primarily to California Department of Transportation (Caltrans) facilities and issues relating to remainder fair-share funding, i.e., whether adequate funding programs are in place to provide the necessary remainder funding. The impacts on City facilities have been resolved through negotiations in which the City agreed to provide future access and permitting to complete the proposed mitigation measures. Significant and unavoidable impacts on Caltrans facilities will be subject to CSU's proportionate fair share, and assistance to Caltrans in its efforts to obtain necessary approvals for the recommended improvements.

Potential Contested CEQA Issues

The following issues were raised during the Draft EIR public comment period:

Transportation Mitigation

Concerns were raised about impacts on parking and traffic congestion in neighboring communities; requests to study additional intersections or disagreements with the campus conclusions on level of transportation impacts; and concerns about mitigations identified as “infeasible” and “significant and unavoidable” related to working in City and Caltrans rights-of-way. In addition, there were requests to improve bike and pedestrian connectivity to neighborhoods, reduce/eliminate parking to force use of transit, incentivize/subsidize the use of transit, and provide more transit service in terms of connections and frequency, particularly between the campuses. Comments were also received that not enough parking is being provided.

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To address bike connectivity concerns, the proposed Master Plan will improve gaps in an existing bike connection between the campuses. Requests to improve connectivity to neighborhoods to the south are beyond the scope of the proposed Master Plan due to the high costs to bridge across the river and Interstate 8. The proposed Master Plan identifies a maximum parking count with the flexibility for private development partners to provide less parking. The campus added information on the proposed changes to their Transportation Demand Management (TDM) Program which provides a transportation coordinator, will require each on-site employer to provide a minimum number of subsidized transit passes to employees, and clarified that campus transit pass programs will also apply to campus employees and students on the Mission Valley Campus.

Prior to and following release of the Draft EIR, SDSU representatives met separately with representatives of the City of San Diego and Caltrans to discuss the EIR transportation analysis, including proposed mitigation measures. The meetings provided a forum to discuss the EIR's proposed mitigation improvements, including CSU/SDSU's role in implementing the mitigation (i.e., pay full-share or fair-share of improvement costs, or directly construct the improvements). A brief summary of the relevant meetings with each agency is provided in the agenda item body. Additional information regarding the meetings is provided in the Final EIR, Thematic Response PD-3, Mitigation Negotiations.

The Final EIR clarified that the transportation improvements are only infeasible with respect to needing to obtain approvals, rights of entry and funding from another jurisdiction. The state highway improvements will need support and co-funding from Caltrans.

San Diego River and Murphy Canyon Creek

Comments related to impacts on the San Diego River and Murphy Canyon Creek include concerns about adjacent park activities (lights, dogs chasing wildlife, maintaining buffers) impacting wildlife; the continuity of habitat corridors between the two waterways; and requests to widen, naturalize, and otherwise improve Murphy Canyon Creek.

The proposed project does not propose any improvement, facility, construction, or staging within any portion of Murphy Canyon Creek; and therefore, while the existing creek is within the project boundary, no project element, component, improvement, or feature is contemplated within the creek. Construction would also not necessitate or result in any alteration to Murphy Canyon Creek or the San Diego River. No structures would be built within the Murphy Canyon Creek floodway or within any other portion of the 100-year flood zone.

To reduce impacts on the river and Murphy Canyon Creek, the campus relocated a proposed road further away from Murphy Canyon Creek and created an underpass to allow for human and wildlife connectivity under the new road. The refined site plan includes more setbacks and open space buffers that will reduce spillover of light and minimize potential for disturbance and invasive plants within the river and creek. Further, the EIR includes mitigation measures to enhance the

ecological function of the river and creek relative to the project. Mitigation measures require temporary installation of construction fencing to delineate the limits of grading; the measures also provide biological monitoring and a monitoring report during construction. In addition, mitigation measures require signage/barriers between the River Park and shared parks and open space along the San Diego River and Murphy Canyon Creek. These same measures restrict the landscape planting to minimize invasive plants within the river and creek. The measures also require compliance with buffer setbacks and a lighting plan.

California Environmental Quality Act (CEQA) Action

A Final EIR has been prepared to analyze the potential environmental effects of the proposed SDSU Mission Valley Campus Master Plan in accordance with CEQA requirements and State CEQA Guidelines. The Final EIR is presented to the Board of Trustees for review and certification. The Final EIR fully discusses all issue areas, impacts, and alternatives which have been analyzed as required by law. Where a potentially significant impact is identified, feasible mitigation measures, if any, have been proposed to reduce the impact. The Draft EIR was distributed for comment for a 60-day period concluding on October 3, 2019. The final documents are available online at: <http://missionvalley.sdsu.edu/community-engagement.html>.

The Final EIR is a “Project EIR” and comprehensively analyzes all phases of development and operation of the proposed Mission Valley Campus Master Plan; no further CEQA review will be required prior to Master Plan implementation, including near-term projects.

The Final EIR concluded that the Master Plan would result in significant and unavoidable impacts relating to air quality (project and cumulative impacts), cultural (historical) resources (project impact), noise (project construction and cumulative operational impacts), population and housing (cumulative impacts), public services (cumulative fire protection/emergency services and schools impacts), and transportation (Existing Plus Stadium Event, intersection, freeway segment, ramp metering, stadium parking) impacts. CEQA requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of the project against its unavoidable environmental risks when determining whether to approve a project. If the specific benefits of the Master Plan outweigh the unavoidable adverse environmental effects, those effects may be considered “acceptable” and the agency is then required to adopt a Statement of Overriding Considerations in order to approve the Master Plan, including near-term projects. Because the Campus Master Plan Final EIR has determined that the Master Plan would result in significant and unavoidable effects, a Statement of Overriding Considerations has been prepared for Board of Trustees’ consideration.

Issues Identified Through Public Review of the Draft EIR

A Notice of Preparation (NOP) of the Draft EIR was mailed to state and local agencies and comments were received. The campus held three public scoping meetings to discuss the NOP and

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EIR process and provide the public an opportunity to identify environmental issues that should be addressed. Notices were mailed to the required state and local agencies announcing the meeting and the campus community was notified via e-mail. Based on the NOP and public/agency comments, the following environmental topics were deemed to require study in the Draft EIR: Aesthetics, Air Quality, Biological Resources, Cultural Resources, Energy, Geology/Soils, Greenhouse Gas Emissions, Hazards & Hazardous Materials, Hydrology/Water Quality, Land Use/Planning, Mineral Resources, Noise, Population/Housing, Public Services, Recreation, Transportation, Tribal Cultural Resources, Utilities, and Wildfire.

One hundred and thirty-four Draft EIR comment letters or emails were received from individuals. Following the close of the public comment period, 10 additional letters from individuals were received. Though not required under CEQA, written responses to the late comments are available for public review at: <http://missionvalley.sdsu.edu/community-engagement.html>.

Ten comment letters were received from government agencies. At the federal level, comments were submitted by Federal Emergency Management Agency (FEMA). At the state level, comments were submitted by the California Department of Fish and Wildlife (DFW), the California Department of Transportation (Caltrans), the California Public Utilities Commission (PUC), and acknowledgment of NOP receipt from the State Clearinghouse. At the local and regional levels, comment letters were submitted by the City of San Diego (multiple departments in a single combined letter) (CSD), San Diego Unified School District (SDUSD), San Diego Regional Water Quality Control Board (SDRWQCB), San Diego Association of Governments (SANDAG), and San Diego Metropolitan Transit System (MTS).

Four Native American Tribal Agencies or organizations submitted comment letters including the Manzanita and Viejas Bands of the Kumeyaay Nation, the Campo Band of Mission Indians, and the Kumeyaay Diegueño Land Conservancy Organization.

Fifteen organizations submitted comment letters including Normal Heights (NHPG), North Park (NPPG), Serra Mesa (SMPG), Navajo (NPG), Allied Gardens/Grantville (AGGPG), and Mission Valley (MVPG) (2 letters) Planning Groups, Citizens Coordinate for Century 3 (C-3), The San Diego River Park Foundation, (SDRPF), the San Diego Green Building Council (SDGBC), The Environment + Design Council (ED+C), the Sierra Club, The Audubon Society (2 letters), the San Diego County Archeological Society (SDCAS), Promise Posterity, and the SDSU Associated Students Green Love Commission (Green Love).

Volumes I (Public Comments) and II (Responses to Comments) of the EIR contain copies of each of the comment letters and detailed responses to each of the comments raised in the letters. Volume III contains corrections and clarifications to the Draft EIR in response to public comments and minor Master Plan changes.

Agency Comments

California Department of Fish and Wildlife (CDFW) raised biological resource issues of concern, specifically the potential direct and indirect impacts to the San Diego River and Murphy Canyon Creek, and potential impacts to wildlife corridor functionality and flora and fauna therein. CDFW noted that the Draft EIR includes a 100-foot buffer from City Multi-Habitat Planning Area (MHPA), and reemphasized the importance of riparian buffers. CDFW believes that 100 feet is a reasonable minimum buffer for this portion of the San Diego River. CDFW also encouraged SDSU to consider returning Murphy Canyon Creek to a more natural configuration, and keeping the development footprint outside the 100-year floodway as well as a 35-foot-wide area on either side of the floodway.

SDSU Response: The Master Plan has been designed with a 100-foot buffer between the San Diego River and active uses within the River Park. Further, most passive trail uses have been removed from the 100-foot buffer; however, stretches of the river pathway encroach as close as approximately 86 feet to the river, which is outside the San Diego River Park Master Plan prescribed 35 feet. As to Murphy Canyon Creek, the Master Plan would not impact the creek, and as shown in EIR Figure 2-5, multiple existing constraints adjacent to the creek preclude expansion or reconfiguration of the creek. However, as requested, the proposed campus buildings are set back from the creek and the river to allow for natural flooding of these features. Further, the Master Plan has been revised to eliminate Street “H,” which formerly ran parallel to the creek, and thereby provide an additional buffer between Master Plan development and the creek. As to the 100-year floodway, the Master Plan was designed to avoid installation of buildings or habitable structures within the river influence area; the non-River Park portions of the vertical development are located outside of the 100-year floodway and 35 feet beyond the floodway.

California Department of Transportation (Caltrans) raised various comments related to traffic mitigation statements, the Draft EIR Traffic Impact Study, the Vehicle Miles Traveled (VMT) analysis, air quality, hazardous waste/materials, noise, visual resources, hydrology and drainage studies, transit, complete streets and mobility network, land use and smart growth, campus mitigation, and right-of-way.

SDSU Response: SDSU provided detailed technical responses to the Caltrans questions and comments, including the Master Plan’s Transportation Demand Management (TDM) program, strategies to reduce VMT, and the Transportation and Parking Management Plan. As to mitigation, the EIR discusses mitigation measures relative to Caltrans facilities and demonstrates CSU’s recognition of its responsibility to feasibly mitigate Master Plan impacts to these facilities. The EIR includes appropriate mitigation relative to state highways, would provide public benefits that reduce traffic congestion on state highways, and includes Master Plan features that would reduce impacts to Caltrans facilities to the extent feasible.

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SDSU representatives met with Caltrans on June 25, 2019, prior to release of the Draft EIR, to provide Caltrans with an overview of the Master Plan and related transportation features. Various subjects were discussed at the meeting, including bicycle and pedestrian circulation, potential interstate interchange improvements, parking, and traffic distribution. Following release of the Draft EIR, Caltrans submitted comments relating to the mitigation measures proposed in the Draft EIR specific to Caltrans facilities. In response, on January 15, 2020, SDSU representatives met again with Caltrans to commence negotiations regarding CSU's fair-share mitigation obligations relative to the Project's identified significant impacts to Caltrans facilities. At the meeting, SDSU provided Caltrans with information prepared by F&P that included the estimated proportionate fair-share at each significantly impacted Caltrans facility. Following the meeting, SDSU coordinated with Caltrans to review SDSU's responses to Caltrans comments on the Draft EIR and subsequently continue negotiations. SDSU expects the negotiations to be completed in the near-term.

The Final EIR clarified that the transportation improvements are only infeasible with respect to needing to obtain approvals, rights of entry and funding from another jurisdiction. The state highway improvements will need support and co-funding from Caltrans.

California Public Utilities Commission (CPUC) states that the Master Plan site has existing rail tracks within the Master Plan area and that the development proposes construction and modification of rail crossings, over which CPUC has jurisdiction. CPUC requests to be included on future notices and states that construction or modification of public crossing of rail transit requires authorization from the CPUC.

SDSU Response: The Final EIR has been revised to clarify that improvements to Street I and connection to Fenton Parkway would include cross the existing MTS Trolley Green Line, and that such improvements would be subject to authorization of the CPUC. In addition, SDSU has met with CPUC and will include CPUC on all future environmental notices.

Federal Emergency Management Agency (FEMA) presented information and comments concerning floodplain mapping and floodplain management building requirements.

SDSU Response: The Master Plan has been designed in accordance with FEMA's direction that buildings within the river floodplain must be elevated so the lowest floor is at or above the Base Flood Elevation in accordance with the effective Flood Insurance Rate Map. CSU/SDSU also anticipates processing a Conditional Letter of Map Revision/Letter of Map Revision (CLOMR/LOMR) to remove portions of the vertical development out of the Base Flood Elevation. In addition, no structures would be built within the floodway or within any other portion of the 100-year flood zone. The River Park will serve as a floodplain buffer between the San Diego River and the developed portions of the proposed Master Plan, which will be constructed on pads elevated above the floodplain depths. Therefore, all structures would be set back from the natural

floodplain. As a result, the proposed Master Plan would not impede or redirect flood flows at the site.

Metropolitan Transit System (MTS) commented that MTS would not be supportive of SDSU's proposed Purple Line alignment adjacent to Interstate 15 for several reasons. MTS also wants to ensure that the Mission Village Drive Extension (Street "D") is designed with the necessary parameters required for a future elevated transit guideway. MTS also raised comments regarding the existing trolley Green Line, MTS bus service, and roadway connections.

SDSU Response: As to the planned Purple Line transit, SDSU is working with both MTS and SANDAG on the Purple Line alignment and station location. The Master Plan accommodates the Purple Line alignment shown in SANDAG's January 2017 Purple Line Conceptual Planning Study; this alignment would run up the middle of the new campus's "Street D." The Street D median width has been designed to accommodate footings for the potential elevated trolley in the general alignment shown on the 2017 SANDAG planning study. As to the trolley Green Line, adequate trolley capacity is expected to be available to serve the additional riders that would be generated by the Master Plan. As to bus service, SDSU has met with MTS regarding potential future bus operations at the Master Plan site; SDSU understands that no new service currently is planned, but the proposed site plan has been designed to accommodate a bus transfer center adjacent to the Green Line trolley station, with space for up to four stop/layover spaces. As to roadway connections, MTS commented that a more direct connection of Rancho Mission Road into the eastern end of Street "3" would provide better access for potential future bus routes; in response, the Final EIR includes a revised site plan that includes the requested connection.

San Diego Associated Governments (SANDAG) submitted comments based on the policies included in San Diego Forward: The Regional Plan (2015 Regional Plan), noting that SDSU must include every feasible mitigation measure, including paying its fair share for traffic mitigation projects, to reduce VMT and GHGs in compliance with the Regional Plan. SANDAG's specific comments focused on trolley, parking, bus service, and bicycle infrastructure issues. SANDAG also noted that the alignment of the planned Purple Line through the center of the Master Plan should be incorporated into the design and construction of the site.

SDSU Response: The EIR summarizes SANDAG's 2015 Regional Plan and associated Sustainable Communities Strategy. The Master Plan would not conflict with these plans because of the Master Plan's location on an in-fill site in Mission Valley served by transit; the Master Plan's implementation of Transportation Demand Management programs that reduce VMT at a level consistent with the objectives of SB 743 and SANDAG's 2015 Regional Plan and Sustainable Communities Strategy; and the Master Plan's exceedance of existing regulatory compliance standards. As to the planned Purple Line, the Master Plan's design accommodates the planned and proposed alignments of this future transit line.

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San Diego Regional Water Quality Control Board (RWQCB) provided comments on hazards and hazardous materials, and hydrology and water quality. As to hazards and hazardous materials, RWQCB clarified the existing groundwater and vapor monitoring well network and piping conveyance system located on the stadium property. RWQCB noted that the existing groundwater and vapor monitoring networks on the stadium property pose a continuing threat to water quality resulting from all current activities allowed by the City of San Diego and the future construction at the property. As hydrology and water quality, RWQCB generally agrees with the evaluation methodologies presented in the Draft EIR and does not anticipate significant impacts on receiving water quality from the Master Plan. However, RWQCB finds that the Master Plan does not adequately include design features that are effective and efficient to adapt to climate change and improve water quality. Also, the Master Plan should consider stream restoration opportunities in Murphy Canyon Creek and the San Diego River. Further, RWQCB provided numerous comments concerning technical aspects of the hydrology and water quality analysis, including relating to bacteria Total Maximum Daily Load (TMDL), non-structural best management practices (BMPs), potential trash and debris pollution, biofiltration BMP sizing requirements, water quality modeling results, and demolition and post-demolition activities.

SDSU Response: SDSU considered and provided detailed responses to RWQCB's comments, and revised the Final EIR accordingly, including EIR Appendix 4.9-1, Water Quality Technical Report.

The City of San Diego letter included comments from several departments. The City:

1. Took issue with the identification of traffic mitigation improvements to areas outside of CSU jurisdiction as infeasible.
2. Noted concerns with SDSU's commitment to construct and maintain best management practices against future hydrology, water quality and flooding impacts.
3. Requested that the Fenton Parkway Bridge, as noted in the Mission Valley Community Plan Update (MVCPU) and Impact Fee Study, be included as a traffic mitigation.
4. Requested a robust TDM monitoring program as part of the Final EIR to ensure the TDM program's traffic impact reduction potential.
5. Requested construction of a Class IV cycle track along Friars Road as outlined in the Mission Valley Community Plan Update.
6. Stated that the Master Plan did not adequately plan for a proposed MTS Purple Line trolley alignment.
7. Requested that the EIR use the city's adopted thresholds for potential GHG impacts.
8. States that the TDM Program as presented (lacking a detailed monitoring program) is inadequate to support a conclusion of less than significant GHG impacts.
9. Requested that the Final EIR fully reflect any additional design features, mitigations, or other commitments noted in the PSA as well as analysis of environmental impacts of above.
10. Expressed concern that the Draft EIR was not adequate to serve as the environmental document for the PSA.

SDSU Response:

1. Clarified the rationale behind the statement of infeasibility, and agreed with the city that the infeasibility with respect to city owned facilities would be removed through the negotiated terms of the PSA.
2. Modified the property boundary in Final EIR to reflect SDSU ownership of Murphy Canyon Creek. Added text to the Final EIR to clarify that SDSU would be responsible for funding, construction, and maintaining permanent BMPs.
3. Clarified that the Fenton Parkway Bridge is not a component or element of the campus Master Plan because it was not proposed or required to implement the campus Master Plan, nor was it identified as a required mitigation measure. The bridge is not a required mitigation measure because the Draft EIR analysis determined that the Master Plan's significant impacts could be mitigated without the bridge. Nonetheless, CSU/SDSU understands that the City desires the bridge as a separate facility that is part of its long-term traffic circulation plan for the Mission Valley Community Plan area; and therefore, the City believes that the bridge has independent utility without regard to the Master Plan. As a result, CSU/SDSU has offered to fund, design and construct the bridge as a community benefit a separate environmental review process.
4. Clarified that the TDM program will be included in the Master Plan's Mitigation Monitoring and Reporting Program (MMRP) in order to provide transparent and robust monitoring. Moreover, the TDM Program provides for a TDM Program Coordinator to ensure the TDM strategies are implemented and effective. In addition, a TDM Monitoring Plan has been prepared to further ensure program implementation.
5. Noted that the proposed project design is consistent with the Mission Valley Community Plan Update identification of a Class IV bicycle track along Friars Road, including the segment adjacent to the northern boundary of the project site, as it does not preclude it from being added in the future. The proposed project design includes maintaining the existing bike lane on Friars Road along the project frontage, and includes a bikeway with a median separating bicycle and vehicle traffic that is parallel to the proposed cycle track.
6. Noted that the Draft EIR site plan provides two potential alignments for a future Purple Line trolley and future bus access to the site. The roadway infrastructure supports bus access and provides four loading/layover bays immediately adjacent to the existing Green Line trolley station. In subsequent conversations with MTS, the two agencies have identified an alignment along the west side of the site that appears to be more feasible than any previously assessed alternatives. This new alignment has been added to the Final EIR diagrams.
7. Noted that the GHG thresholds and analysis contained in the Draft EIR were substantially similar to the City's GHG thresholds; provided additional details in the Final EIR regarding how the proposed Master Plan would be consistent with the City's Mission Valley Community Plan Update Final Program EIR regarding the GHG emission reduction benefits of increased density in Mission Valley; and, further described the proposed project's consistency with the City's Climate Action Plan.
8. Noted that the TDM Program is a Master Plan feature and that substantial detail is provided in the Master Plan description regarding the program. Identified the Transportation Coordinator

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as the person responsible for measurement and monitoring. Noted that the TDM Master Plan features would be included in the MMRP to provide a record of the monitoring. Prepared a TDM Monitoring Plan to further ensure program implementation.

9. Noted that the Draft EIR was prepared in accordance with CEQA and has evaluated all potential environmental impacts associated Master Plan, including its near-term projects. Mitigation measures have been applied where feasible in order to reduce potential impacts and alternatives to the proposed Master Plan have been analyzed accordingly.
10. CSU/SDSU believes the EIR is adequate as it stands, but has proposed in the PSA to indemnify the city of legal action against the EIR or the PSA to ease the city's concern about using an EIR certified under a different sovereign authority.

Representatives of SDSU and the City of San Diego began discussions regarding transportation-related issues in May 2019. Specific to mitigation, these meetings culminated in a December 2019 meeting during which SDSU presented proposed revisions to the Draft EIR traffic mitigation measures for City facilities made in response to the City's request. As revised, the traffic mitigation measures provide that CSU/SDSU will either: (1) pay the City the full cost of the recommended mitigation improvement; or (2) construct/install the necessary improvements to the reasonable satisfaction of the City Engineer. See Final EIR Mitigation Measures MM-TRA-2, MM-TRA-3, MM-TRA-4, MM-TRA-8, MM-TRA-9, MM-TRA-10, MM-TRA-11, and MM-TRA-13. Based on the negotiations, SDSU agreed that for those mitigation improvements for which CSU/SDSU's fair-share percentage at the subject location is less than 100%, SDSU nevertheless will fully fund the improvements, for the limited purpose of this Master Plan only, in light of the substantial benefits that would accrue to the community. Additionally, the City submitted comments relating to these issues in response to the Draft EIR. Those comments have been responded to in the Final EIR.

At the last meeting, the City noted preliminary approval of the revised mitigation measures and represented they would communicate any suggested revisions to SDSU following further review. At the time of publication of this agenda item, the City has not provided any requested revisions. A table prepared by transportation engineers Fehr & Peers (F&P) that includes the estimated SDSU corresponding proportionate fair-share percentage, is provided in the Final EIR.

San Diego Unified School District (SDUSD) raised comments concerning technical aspects of the Draft EIR's public services analysis. SDUSD stated that the Draft EIR relies on outdated information from the MVCPU EIR, even though SDUSD sent SDSU a letter in May 2019 with up-to-date student enrollment, capacity, and generation data. SDUSD also commented on the Draft EIR's findings that the Master Plan would not result in direct impacts to school facilities, but would result in a cumulatively considerable impact on schools.

SDSU Response: SDSU clarified and, where appropriate, revised its public services analysis in response to the SDUSD comments. Specifically, SDSU identified where the Draft EIR incorporated SDUSD's student enrollment information from its May 2019 correspondence. In addition, in the Final EIR Public Services section, SDSU updated and clarified various tables and

discussions to reflect the additional information from SDUSD. The revisions did not change the analysis or conclusions of the Final EIR. As to SDUSD's comments on the EIR's findings concerning school impacts, SDSU's responses note that the EIR is consistent with SDUSD's comments.

State Clearinghouse (SCH) provided a closure letter, acknowledging the Master Plan has complied with the SCH review requirements for draft environmental documents under CEQA, and providing information on comments received by SCH on the Draft EIR.

SDSU Response: The closure letter is included in the Final EIR.

SDSU provided documents and additional technical detail in response to specific technical questions/comments.

Tribal Governments and Organizations

Kumeyaay tribal representatives expressed concern for the sensitivity of the proposed project area. Due to the immediate proximity of the proposed project to the San Diego River, the Kumeyaay trail system, and the prehistoric village of Nipawai/Nipaguay, there is an increased potential that buried tribal cultural resources are located within the proposed project area. The Kumeyaay bands and organizations have expressed concerns about disturbance and treatment of cultural resources during construction and requested that qualified Kumeyaay monitors be present. In addition, they have requested some expression of Kumeyaay history in the design of the Master Plan.

SDSU Response: No California Register of Historical Resources (CRHR) listed or eligible cultural resources, and no known archaeological resources, were identified through the records searches, Native American Heritage Commission (NAHC) and tribal correspondence and consultation, or an intensive pedestrian survey of the area. However, construction related to the proposed project may impact previously unidentified CRHR eligible cultural resources; and, there is still the potential for unanticipated archaeological finds during construction of the proposed project. The EIR provides mitigation measures that would reduce the potential for impacts on tribal cultural resources to less-than-significant levels. The mitigation measures outline procedures for proper treatment of unanticipated Tribal Cultural finds that comply with the CEQA Guidelines. The mitigation measures also outline procedures to ensure proper treatment of unanticipated human remains finds during construction activities, and compliance with applicable regulations. The mitigation measures require that a qualified Kumeyaay Cultural Monitor and a qualified archaeological monitor shall be present full-time during all initial ground-disturbing activities. After construction is finished, operational/permanent activities would not result in significant impacts to tribal cultural resources. In response to comments, SDSU conducted additional investigations to better inform SDSU's understanding of the resource sensitivity of the proposed project area of potential effect (APE), and revised the Final EIR accordingly. SDSU has also agreed to provide Kumeyaay monitors to be rotated through the bands that have expressed interest.

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The campus has a River Park Advisory Group to identify locations and opportunities to incorporate site and Kumeyaay history through interpretive elements in the park and site open space. SDSU will work with Kumeyaay organizations to design specific elements.

Organization Comments

The Normal Heights Planning Group (NHPG). Comments from the community group focused on roadway connections to the site. These included connectivity at the four corners of the site; connections to the south across the river and I-8 (specifically mentioning the Fenton Parkway Bridge) and non-motorized connections to the site, specifically to the I-15 Bikeway. The group also commented on one specific intersection of interest to the community and noted that the planned MTS Purple Line (transit facility) should be expedited.

SDSU Response: The response noted that connections are provided at all four corners of the site and that the site provides significant non-motorized transportation facilities that connect to planned facilities in the Mission Valley including the San Diego River Park trail. The Master Plan does not preclude or prevent any of the specific connections proposed by the group, nor are these improvements required to mitigate the impacts of the Master Plan. As to the Fenton Parkway Bridge, the response notes that this bridge is not required to mitigate the impacts of the Master Plan but that the University has agreed to fund it as a separate project with separate review and approval through the city as part of the proposed PSA being negotiated. As to the specific intersection, the EIR reviewed that intersection and the Master Plan does not result in a significant impact at that intersection, thus no mitigation is required. The response also noted that the Purple Line is not part of the Master Plan, but that the Master Plan does accommodate multiple possible alignments through the site for this future project by MTS.

The North Park Planning Group represents a community to the southwest but not immediately adjacent to the site. Their comments focused on encouraging the city to grant authorization for SDSU to make traffic improvements to city facilities, utilizing VMT as a method to determine transportation impacts, consistency with the MVCPU and four requested specific traffic improvements.

SDSU Response: SDSU noted continued conversations with the City regarding traffic improvements and obtaining authorization for those improvements. SDSU directed the commenter to the section of the EIR where a VMT analysis is contained. SDSU notes that the Master Plan and its proposed mitigation measures are substantially compliant with the MVCPU. SDSU notes that at two of the intersections where a specific improvement was requested, the Draft EIR proposed mitigations reduce the impacts to less than significant, thus no additional mitigation is required. At the other two intersections, the analysis did not identify a significant impact, so no mitigation is required.

The Serra Mesa Planning Group represents communities located directly north of the Master Plan site. Serra Mesa's comments were primarily concerned with traffic, parking and stadium noise in the neighborhoods located to the north of the site. The traffic and parking impact comments reflect those summarized in the Potential Contested CEQA Issues summary above.

SDSU Response: As to the noise comments, SDSU clarified the duration and frequency of events that may cause noise exceedance and noted that the events will not be significantly different in schedule than what is in the current stadium, that the new stadium has half of the seats of the existing one, and thus the crowd size and noise will be less than what exists today. The response to the traffic comments is summarized in the Potential Contested CEQA Issues discussion above.

The Navajo Community Planners represents neighborhoods to the east and northeast of the site. This group's comments focused on provision of parks for this community, and traffic. The comment letter requested information on traffic mitigations at three specific locations.

SDSU Response: SDSU clarified the park space provided and indicated that the 34 acres of City-owned park covered the noted deficit in this community as well as the Mission Valley Community. The response explained that for one of the locations, mitigation is infeasible due to existing structures and limited right of way. For the second identified location, mitigation will be implemented as authorized by the City of San Diego per the PSA terms under negotiation. For the third traffic impact location, the mitigation at this location is infeasible due to being under Caltrans jurisdiction. The response notes that SDSU will fund its fair share and support Caltrans in pursuing co-funding for this improvement. The response also highlights the Master Plan's TDM measures and how those will reduce trips to the site by 14 percent.

The Allied Gardens/Grantville Planning Group represents neighborhoods to the east and north of the site. Their comments were primarily concerned with the omission of five roadway segments that were not evaluated for traffic impacts and proposed mitigations. The letter also notes three additional locations where a.m. and p.m. peak and stadium event traffic currently impacts the neighborhood negatively, particularly as vehicles cut through neighborhood streets.

SDSU Response: SDSU noted that at the five identified locations increased traffic did not meet the threshold for requiring additional analysis. As to the three additional locations, the response notes that additional traffic on these streets does not meet the threshold requiring additional analysis. As to stadium traffic, the new stadium is half the size of the existing one, and thus will produce less traffic before and after events.

The Mission Valley Planning Group (MVPG) represents the community in which the site is located. The MVPG comments focused on air quality impacts during construction (recommended requiring Tier 4 equipment and altering Master Plan schedule), additional photovoltaic panels to reduce operational emissions, additional measures to encourage transit (less parking and more transit pass incentives), the loss of the Stadium as a historical resource, noise levels during

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construction and stadium operations, and the need to make a fair share commitment to traffic infrastructure to mitigate transportation impacts.

SDSU Response: The response noted the mitigation measure requires Tier 4 equipment where feasible and clarified that not all construction equipment presently is available in the market as Tier 4. The response also explained that the Master Plan schedule was delineated to meet the Master Plan goals and the timelines outlined in City of San Diego Municipal Code (SDMC) Section 22.0908. The Master Plan's sustainability commitments have been refined to include more photovoltaic panels to the maximum extent possible, considering the available roof area and lack of surface parking. The response noted the approximately 14 percent reduction in trips achieved through TDM measures provided (including requiring some transit pass subsidies) in the EIR, and clarified that the amount of parking proposed on the site is less than typical for the Mission Valley. SDSU acknowledged the significant and unavoidable impact on cultural resources due to the proposed demolition of the stadium, and highlighted the measures put in place to mitigate this impact. SDSU clarified the noise levels and timing and noted that the events in the new stadium will not differ significantly in type or schedule than those in the current stadium, other than having a smaller potential audience size.

Citizens Coordinate for Century 3 (C-3) is a non-profit San Diego organization dedicated to preserving and improving the region's natural and built environments. C-3 provided comments on the Draft EIR's Master Plan description, cumulative projects and methods, biological resources, cultural resources, energy, greenhouse gas emissions, land use and planning, population and housing, public services and recreation, transportation, other environmental considerations, and alternatives sections. In particular, C-3 states that the Draft EIR fails to adequately describe the PSA, as well as the actual, as opposed to possible, physical elements of the Master Plan. C-3 also states that the EIR should identify and discuss the possibility of future NFL games in the proposed stadium.

The biological resources comments focused on the Murphy Canyon Creek corridor, including noise and light impacts. The energy comments state that the Master Plan layout does not comply with the model to get LEED-ND credit for solar; also, the north-south orientation does not provide optimal layout for solar efficiency. In addition, C-3 states there is inadequate discussion of possible water reuse. C-3 also states that that plan and environmental analysis are isolated from the goals and underlying principles of the MVCPU. As to Master Plan alternatives, C-3 states the EIR fails to consider highly plausible alternatives and improperly dismisses the stadium reuse alternative.

SDSU Response: SDSU prepared the Draft EIR in accordance with CEQA and evaluated all potential environmental impacts associated with the Master Plan. Mitigation measures have been applied where feasible and alternatives have been analyzed accordingly. The EIR includes information about the PSA being negotiated, and also provides extensive detail concerning the proposed Master Plan and its characteristics. The EIR does not analyze the future potential of expanding the proposed stadium to accommodate a future NFL franchise because such expansion

is not part of the Master Plan and is not reasonably foreseeable. As to the Murphy Canyon Creek corridor, the Final EIR was revised to clarify the issue. As to energy and LEED-ND, the Master Plan design includes enforceable commitments to: (i) achieve LEED-ND designation; and (ii) install on-site photovoltaic panels. In addition, the EIR discusses the types of water efficiency features that may be incorporated to maximize water efficiency under the LEED system. As to the MVCPU, as described in the EIR, the MVCPU designates the Master Plan site as a site that will be redeveloped through a Campus Master Plan, which will include detailed information on the land uses, mobility system, and recreation facilities; further, the MVCPU assumed land uses for the existing SDCCU Stadium site (i.e., the Master Plan site), and the Master Plan's land uses fall within the envelope identified in the MVCPU. As to Master Plan alternatives, the Draft EIR appropriately considered the alternatives referenced by C-3; the Stadium Re-Use Alternative was selected for analysis but was determined to be infeasible and not meet the Master Plan objectives.

San Diego Environment + Design Council (ED+C) is a coalition of organizations whose primary interest is to promote environmentally-sustainable land use policies that create healthy, green neighborhoods and great public spaces in the San Diego-Tijuana region. ED+C did not comment on Master Plan specifics because it believes SDSU did not put forward a Master Plan with sufficient detail; however, ED+C is in general agreement with the C-3 comments. ED+C also expresses agreement with a September 27, 2019 Voice of San Diego Op-Ed article, which is included in ED+C's comment letters.

SDSU Response: EIR Section 2.0, Project Description, contains extensive detail concerning the project and its characteristics, and the comment does not indicate what details are lacking.

Promise Posterity is an organization concerned about the protection and preservation of the environment, in light of the global climate crisis. Promise Posterity commented that the Project will have significant adverse impacts on both biological and human systems. They note that the Project site is bordered by the San Diego River and Murphy Canyon Creek, and is located 5 miles upstream from the mouth of the San Diego River, which provides important habitat for special-status species under the federal and California Endangered Species Acts. Promise Posterity claims that the Draft EIR fails to consider the project's reasonably foreseeable impacts to biological resources, including resources downstream from the site. They also state that the project site is located in an area of "extreme flood hazard" and with the effects of climate change, the magnitude for flood hazard will only worsen. Finally, Promise Posterity notes the Master Plan's proximity to the Kinder Morgan Mission Valley Terminal and states that the Master Plan may pose a fire hazard and threat to the individuals carrying out construction.

SDSU Response: The EIR fully analyzes the potential impacts to biological resources, including the referenced special-status species and their habitats. The EIR notes that while none of these species has the potential to occur on site or in the surrounding habitats, these species will likely benefit from the Master Plan, which will reduce the impervious surface runoff and associated contaminant discharge into the San Diego River. The Project also incorporates low impact

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development (LID) design and best management practices (BMPs), and would comply with all applicable permit requirements to reduce or eliminate potential water quality-related impacts. As to flood hazards and climate change, the EIR hydrology analysis acknowledges that current climate projections for the San Diego region suggest an increase in extremes in the future, with the potential for increased rainfall intensity during the biggest storms, but do not predict wetter winters or an increase in annual precipitation overall. As to the Project's proximity to the Mission Valley Terminal, the EIR provides an extensive hazards analysis in Section 4.8, Hazards and Hazardous Materials, and recommends mitigation measures to reduce potentially significant impacts to a less-than-significant level.

SDSU Associated Students Green Love Sustainability Commission (Green Love) provided comments identifying key areas SDSU should improve upon regarding the Master Plan, including sustainability goals & Climate Action Plan, Leadership in Energy & Environmental Design (LEED), energy, safety, air quality, transportation, water, and zero waste.

SDSU Response: In response to comments, SDSU added and refined Project Design Features (PDFs) to further limit natural gas usage, electrify buildings and vehicles, increase recycling, and increase solar photovoltaic energy generation. Importantly, one of the new PDFs require SDSU to include "Sustainability" as part of the scoring system for each new building in the SDSU Mission Valley campus. The new and/or refined PDFs result in quantified and qualitative benefits, including lower GHG and criteria air pollutant emissions, and lower natural gas, gasoline and diesel consumption, as compared to the information presented in the Draft EIR. SDSU has also met with Green Love on various occasions and Green Love expressed a positive reaction to the responses and refined PDFs.

San Diego Green Building Council (SDGBC) is a 501(c)3 environmental nonprofit made up of a community of building industry professionals and sustainability advocates. SDGBC's comments focus on green building strategies. SDGBC states that the building and street layout does not "fit" LEED-ND credit for solar due to the project layout's north/south orientation. SDGBC also encourages SDSU to investigate water capture and reuse to reduce water demand.

SDSU Response: The Master Plan would achieve LEED Version 4 at a Silver or better certification level for non-stadium buildings and LEED Version 4 at a Gold or better certification level for the stadium, as well as a LEED-ND designation for sitewide design. LEED certification is based on standards that encourage the development of energy-efficient and sustainable buildings. The layout of the Master Plan's development areas has been designed to maximize the unique infill opportunity presented at this Mission Valley location. This includes benefits from the existing MTS trolley Green Line that runs through the project, as well as the planned Purple Line transit line and station. The Master Plan is designed to install photovoltaic panels that are expected to generate a quantity of electricity that is equivalent to approximately 15 percent of the Master Plan's total electricity demand. The design commitments contained in the EIR ensure that the Master Plan's buildings would achieve "beyond code" sustainability and efficiency targets, and result in

less-than-significant energy impacts. Further, those design commitments establish a “floor” for project-related development; additional sustainability and efficiency enhancements will be evaluated and considered during the building-specific design phase. As to water capture and reuse, the Final EIR includes a new PDF regarding installation of “purple pipes” for future connection to a reclaimed water system should the City of San Diego develop such a system.

San Diego County Archaeological Society reviewed the cultural resources aspects of the Draft EIR and their only comment is to note that Mitigation Measure MM-CUL-1 calls for Historic American Buildings Survey (HABS) documentation and asks for clarification regarding the level of documentation required. The comment also notes that efforts should be made to include interior spaces not normally accessible to the public.

SDSU Response: SDSU provided clarifying information regarding HABS documentation levels. In addition, the proposed HABS photography will include both exterior and interior views and details of the stadium.

The San Diego River Park Foundation is a non-profit dedicated to protecting and enhancing the river’s valuable natural and cultural resources and implementing a vision of a river-long park system. Their comments focused on compliance with the City’s Multi-Species Conservation Plan (MSCP), Biological Guidelines and Sensitive Lands Ordinance and specifically concern regarding buffers from wetlands, a 100-foot buffer between the river and any active development uses and potential impacts from amplified noise in park areas.

SDSU Response: SDSU states that although it is not a permittee under the City’s MSCP Subarea plan, or the Biological and Sensitive Lands Ordinance it does intend the Master Plan to be as consistent with regional planning programs as possible. An analysis was performed and indicated that the Master Plan is substantially consistent with both documents to the extent that the city would require in order to use the Final EIR for any action leading to approval of the PSA. Specific to the amplified noise concern, the response notes that the areas with amplified noise are 500 feet or more from the river and separated from the river by a berm that is tall enough to buffer noise. In addition, the response highlights two mitigation measures that address noise and activity buffers.

The Sierra Club, San Diego Chapter focused its comments on 15 environmental recommendations that it previously raised in response to the Notice of Preparation (NOP) of the Draft EIR. Sierra Club requested additional information concerning: (1) the Master Plan’s recreational and cultural components, including the riparian habitat along Murphy Canyon Creek; (2) recycling of the existing Qualcomm/SDCCU Stadium; (3) a 10-inch active fuel pipeline along the eastern project boundary; (4) electrification of buildings; (5) eliminating the use of natural gas and related energy consumption issues; (6) renewable energy generation; (7) availability of recycling bins, and maintenance and emptying of recycling bins during stadium events; (8) compatibility of the River Park and the San Diego River, including adequacy of the 100-foot buffer and removal of non-native species; (9) River Park designs and amenities; (10) plans to protect proposed buildings

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during flooding, and evacuation plans that would be needed during these events; (11) plans to mitigate the high water traditional to Mission Valley; (12) analysis and mitigation of greenhouse gas generated by the Master Plan; (13) plans to reduce VMT, including dividend account parking, plans for other (non-trolley) transit, and reconsideration of the amount of parking provided; (14) California’s “Buy Clean” law; and (15) detailed plans and logistics of the proposed affordable housing units.

SDSU Response: SDSU provided detailed responses to each of the 15 requests for more information and carefully considered the input provided. In response to this comment letter and those of several other environmental organizations, as well as input provided by SDSU’s Associated Students’ organization Green Love as noted above, additional Project Design Features (PDFs) have been added to the Master Plan to further limit natural gas usage, electrify buildings and vehicles, increase recycling including of the existing SDCCU Stadium demolition debris, and increase solar photovoltaic energy generation. The new and/or refined PDFs result in environmental benefits including reduced GHG and criteria air pollutant emissions and reduced natural gas, gasoline and diesel consumption compared to the information presented in the Draft EIR. SDSU has also revised the Master Plan to relocate a proposed road away from Murphy Canyon Creek and elevate it to create an additional buffer along the creek and facilitate pedestrian and wildlife connectivity.

The San Diego Audubon Society expressed concerns over impacts on Murphy Canyon Creek and its function as a wildlife corridor, as well as concerns with migrating birds flying into glass buildings. The Audubon Society requested that the Master Plan include improvements to the creek either as project features or as alternative mitigations to those proposed in the Draft EIR. The Audubon Society provided multiple technical comments and questions on the timeline, process and qualifications of staff involved in identifying and developing measures to avoid and mitigate impacts to nesting birds as well as how construction staff will be qualified or trained to implement and monitor the mitigation measures. The Audubon Society also commented on potential light and noise impacts on wildlife and nesting birds once the project is in operation.

SDSU Response: See Murphy Canyon Creek comments summary in the Potential Contested CEQA Issues section which addresses why the Master Plan does not require or propose improvements to the creek. SDSU clarified that while a portion of Murphy Canyon Creek is included within the Master Plan site boundaries and River Park, no work is planned within the creek nor are any capital improvements required as a condition of SDSU ownership, and therefore permanent, direct impacts to Murphy Canyon Creek are not anticipated as a result of the proposed Master Plan. The response directed the commenter to the specific mitigation measures required to reduce this potential impact to migrating birds. The response acknowledges the potential impacts of light and noise on wildlife and nesting birds, and noted that adequate mitigation measures limiting light spill-over and adjacent uses have been included. Some minor revisions to these mitigations were made to clarify and strengthen the measures in response to the comment, specifically to clarify the timeline, process and qualifications of biologists involved in

the surveys, identification of impacts and development of measures to avoid or mitigate the impacts as well as training and qualification of construction staff to implement and monitor the mitigation measures.

Alternatives Studied in the EIR

The Final EIR evaluated 16 alternatives in accordance with the CEQA Guidelines. Eleven alternatives were initially considered but ultimately eliminated from further consideration. The alternatives were considered but rejected from further analysis because they either failed to reduce environmental impacts, failed to comply with most of the Master Plan objectives, or are not considered feasible. The eleven alternatives rejected from further consideration include the following:

City Stadium Reconstruction EIR Project (Alternatives 1 through 7): These alternatives were originally studied in the City of San Diego’s own Stadium Reconstruction EIR for the Mission Valley property (SCH No. 2015061061, City of San Diego, 2015) and re-evaluated. These alternatives included a park-only option, a stadium for up to 72,000 seats, a stadium plus parking structure, and alternatives that considered different timelines for demolition and replacement of the stadium. These were evaluated in the interest of considering the broadest possible range of project alternatives to determine whether any changes in existing conditions, etc., had occurred since their initial consideration by the City.

NFL Stadium (Alternative 8): This alternative would be similar to the proposed Master Plan but would have included an NFL stadium in lieu of the currently proposed 35,000-person capacity stadium.

All Park (Alternative 9): This alternative would have developed the entire Master Plan site for parks, recreational uses, and open space.

“Single Channel” Murphy Canyon Creek (Alternative 10): This alternative would have widened the channelized Murphy Canyon Creek south of San Diego Mission Road, where it crosses the project site and proposed River Park, to accommodate the projected 100-year flood flows.

Existing SDSU On-Campus Project Location (Alternate 11): This alternative would have developed certain components of the proposed Master Plan on the existing SDSU campus.

Five alternatives were analyzed in detail in the Draft EIR, including the following:

- (1) A “No Project Alternative” which assumes the proposed Master Plan is not approved or implemented. This alternative fails to meet one of the primary goals of the Master Plan, which is to provide for the long-term growth of SDSU. In addition, this alternative is inconsistent with the City’s MVCPU and the San Diego River Master Plan, and the City’s

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Climate Action Plan (CSDCAP), which calls for development of the Master Plan site with a density and variety of land uses, similar to the proposed Master Plan.

- (2) A “*Stadium Re-Use Alternative*” would restore SDCCU Stadium to the original configuration of approximately 51,000 seats, as first constructed in 1968. The proposed Master Plan would be re-configured around the existing SDCCU Stadium to the extent feasible based on existing grades, topography, and accommodating the floodplain. This alternative would be inconsistent with the City’s planning documents noted in the No Project Alternative above. In addition, this alternative would significantly reduce the potential growth of SDSU and would not accommodate 15,000 FTE students.
- (3) The “*Reduced Density Alternative*” would develop a similar mix of uses as the Master Plan, but with specific uses reduced in size. Under this alternative, the following would be developed:
- a. Stadium with a capacity of 35,000 (same as the proposed Master Plan)
 - b. Up to 550 apartment units compared to 4,600 units under the proposed Master Plan
 - c. Up to 10,000 square feet of neighborhood commercial space compared to 95,000 under the proposed Master Plan
 - d. Up to 130,000 square feet of campus/office space compared to 1.6 million square feet under the proposed Master Plan
 - e. Up to 100 hotel rooms (300 less rooms than the proposed project)
 - f. Similar Parks, recreation and open space as the proposed Master Plan

This alternative was evaluated to address transportation and GHG emissions. It would not accommodate the long-term growth for SDSU. This alternative would also be inconsistent with the City planning documents noted above such as the MVCPU, River Park Master Plan, and CSDCAP, each of which addresses a considerably higher density on the site.

- (4) The “*Stadium and River Park Only Alternative*” would develop a 35,000-person capacity multipurpose Stadium and a surface parking lot containing approximately 6,050 parking spaces, with the remainder of the project site developed as the River Park. This alternative was evaluated to address air quality, greenhouse gas, and transportation impacts. It would not be consistent with the City’s MVCPU, River Park Master Plan, or Climate Action Plan.
- (5) The “*Alternative Stadium Location Alternative*” would construct a new 35,000-person capacity multipurpose Stadium on SDSU’s existing main campus, in a location east of College Avenue and north of Interstate 8. The remainder of the proposed Master Plan’s non-stadium land uses would still be developed on the Mission Valley property, including 4,600 residential units, up to 1.6 million square feet of office space, approximately 95,000 square feet of commercial/retail uses, up to 400 hotel rooms, and 86 acres of parks, recreational spaces, and open space. To accommodate these land uses, the existing SDCCU Stadium would be demolished. This alternative would still result in significant

transportation impacts at local intersections, roadway segments, and freeway segments by promoting an increase in traffic in the project area, and result in additional traffic at off-site roadways and intersections near the existing SDSU campus due to the operation of a new stadium at the existing campus. Overall, project impacts would not be avoided under the Alternative Stadium Location Alternative and may increase compared to the proposed project.

Environmentally Superior Alternative

The Stadium and River Park Only Alternative was identified as the Environmentally Superior Alternative because it would reduce impacts to the greatest degree, particularly transportation impacts, which would be reduced from significant and unavoidable to less than significant with mitigation. However, as previously stated, this alternative would not support the long-term growth of SDSU or be consistent with the City's planning documents for the Mission Valley Campus, including the MVCPU, River Park Master Plan, or Climate Action Plan.

Preferred Project

The five alternatives evaluated in detail in the EIR were ultimately rejected because they conflicted with applicable City planning documents for the Mission Valley Campus or did not achieve the Master Plan's underlying purpose, to implement a SDSU Mission Valley campus, including a new multi-purpose Stadium and a range of land uses, to support SDSU's academic, educational and cultural mission, and/or a majority of Master Plan objectives. For these reasons, the proposed Master Plan, as defined in the EIR Project Description and evaluated in detail in the EIR's technical chapters, is recommended for adoption as the Master Plan for the Mission Valley Campus.



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THE PRESIDENT

October 28, 2019

Mayor Kevin Faulconer
City of San Diego
202 C Street
11th Floor
San Diego, CA 92101

Subject: Proposed Sale of the Mission Valley Stadium Property

(Please note an earlier version of this letter had a clerical error, which has been fixed in this updated version.)

Dear Mayor Faulconer,

San Diego State University (“SDSU”) wants to thank you and your staff for a tremendous amount of work since the passage of Measure G. SDSU has listened to the comments of the City Council and greatly values the input of our City leaders. SDSU believes a great opportunity awaits the citizens of San Diego with the transformation of the Mission Valley stadium site into a vibrant campus community. SDSU’s proposed Mission Valley Campus Master Plan project (“Project”) has the opportunity to provide our region with increased educational access, advance our innovation economy and realize a vision that will serve San Diego for generations to come.

It is with these thoughts in mind, that SDSU offers the following revisions to the terms of the “Offer to Purchase Mission Valley Stadium Site” delivered to the City on October 14, 2019.

- **Parties:** The City of San Diego, as seller, and San Diego State University/California State University (“CSU”),¹ as buyer.
- **Property:** Contains 135.12 acres, as generally depicted on the map attached to the Measure G initiative and in the appraisal from David Davis dated October 11, 2019 (“Property”).
- **Purchase Price:** \$86,200,000, plus a time value adjustment on the Public Utilities Department 37% portion of the Property, using a 2.149% annual index factor from 9/30/17 through the actual close of escrow (“Closing Date”) (estimated adjustment of \$1,500,000).
- **Murphy Canyon Creek:** The Murphy Canyon Creek parcel will be included in the sale “as is”, and SDSU will not be required to make any improvements to Murphy Canyon Creek.

¹ The Board of Trustees of the California State University, the State of California acting in its higher education capacity, on behalf of San Diego State University.

- Stadium Demolition and Maintenance: Upon the Closing Date, SDSU will assume responsibility for ongoing maintenance, up-keep and demolition of the existing stadium.
- Fenton Parkway Bridge: The Draft Environmental Impact Report (“DEIR”) does not include the Fenton Parkway Bridge (“Bridge”) as a Project component. Nevertheless, SDSU understands the City desires the Bridge as a separate facility, that is part of its long-term traffic circulation plan for the Mission Valley Community Plan area, and the City therefore believes that the Bridge has independent utility without regard to the Project. SDSU does not have detailed information from the City regarding the Bridge. With the cooperation, collaboration and support of SDSU, the City will pursue the Fenton Parkway Bridge as a separate City facility in the future and the Bridge must be and remain a separate City project for CEQA and all other purposes. Subject to the necessary CEQA compliance having been completed by or through the City and all other necessary parties, SDSU will construct a 2-lane, all weather, at grade with the trolley crossing (with turn lane) Bridge and fund its environmental review, design, permitting and construction. SDSU believes the Project’s share of future traffic under the DEIR’s “with bridge” scenario is approximately 25%, and on that basis, SDSU’s allocated contribution for Bridge costs would be approximately 25% of the total costs. SDSU will receive development impact fee credits. SDSU will also be entitled to use the City’s existing capital improvement project funds allocated to the Bridge (approximately \$1.3 million) for Bridge costs. The City will grant SDSU an easement, license and/or other rights necessary for SDSU to construct the Bridge. SDSU agrees it will construct the Bridge before occupancy of more than 65% of planned equivalent dwelling units for the Project. SDSU requests that the City allocate a maximum \$8.5 million of the purchase price proceeds towards construction of the Bridge. This represents the maximum City contribution for the bridge apart from applicable DIF credits.
- Additional Project Improvements: SDSU requests that the City allocate \$1.5 million of the purchase price proceeds in a separate account jointly controlled by the City and SDSU to be held for other related Project improvements.
- Transportation Improvements: In addition to the transportation mitigation responsibilities under the Final Environmental Impact Report (“FEIR”), SDSU will provide \$5,000,000 for additional traffic improvements in coordination with the City.
- River Park: SDSU will design, construct and maintain in perpetuity, the 34-acre River Park, and pay 100% of those costs. The River Park improvements will be completed no later than seven (7) years after the Purchase and Sale Agreement’s (“PSA”) effective date and prior to occupancy of any building on the Property, other than the new stadium.
- Additional 22 Acres of Parks: SDSU will design, construct and maintain at least 22 acres of population-based park facilities, owned by SDSU and available for general community use and enjoyment.
- Future City Recreation Center Site: SDSU will reserve an approximately one-acre site upon which the City may construct and operate a recreation center in the future, as called for in the Mission Valley Community Plan.

- Development Impact Fees: SDSU's non-state private development partners constructing non-SDSU facilities will pay development impact fees ("DIF"), but SDSU and other publicly developed and occupied facilities will be exempt. Because of the timing of construction of the River Park and the additional park improvements, it is anticipated the Project will contain completed parks in excess of the City's requirements and therefore it is anticipated no party constructing any improvements in the Project will be required to pay park DIF fees. SDSU shall be entitled to cash reimbursement or DIF credits for the reimbursable costs expended by SDSU and approved by the City in accordance with the PSA and the Mission Valley Impact Fee Study.
- Affordable Housing: SDSU will provide onsite, 10% of the total number of housing units developed to be set aside as affordable housing units, which may include student housing units. Affordable housing units will be reasonably phased in to coincide with market-rate units.
- Groundwater Management: SDSU will grant appropriate easements to the City, without expense to the City, to install groundwater wells and related facilities within the agreed upon easement location on the Property, and to allow retention of two existing monitoring wells. SDSU will also acknowledge the City's continued retention of its Pueblo water rights.
- Removal of Kinder Morgan Wells: The City will use reasonable efforts to cause Kinder Morgan to timely remove and close all monitoring and extraction wells and related facilities on the Property.
- Environmental Contamination: SDSU will purchase the Property "as is", with all faults. SDSU will defend and indemnify the City against all claims regarding Property's condition and waive all environmental claims against the City. Without incurring any expense or liability, the City will tender written claims to Kinder Morgan for reimbursement of any Property remediation costs arising from Kinder Morgan's environmental contamination.
- Compliance with CEQA: The execution and closing of the PSA is conditioned upon compliance with CEQA, which will include the Board of Trustees of the California State University's certification of the Mission Valley Campus Master Plan FEIR and the City's making of responsible agency findings under the FEIR, among other things. SDSU, by delivering this offer, and the City, by accepting this offer, are not bound or committed to a definite course of action with respect to the PSA or the Project. Consistent with CEQA Guidelines 15004(b)(4), nothing in this offer shall commit or be interpreted to commit SDSU or the City formally or as a practical matter to a definite course of action, to preclude the consideration of feasible mitigation measures and alternatives, or to restrict denial of the PSA or the Project, prior to the certification or approval of said FEIR. The terms proposed in this offer are subject to CEQA compliance through the DEIR and FEIR, and do not constrain meaningful consideration during the CEQA review process of all feasible mitigation measures or alternatives, including the "No Project" alternative required by CEQA.
- Possessory Interest and Other Taxes: SDSU's non-state private development partners constructing improvements in the Project solely for private use and not for the benefit of or in support of SDSU's governmental mission will be required to pay sales tax, possessory interest tax, and/or transit occupancy tax, as required by applicable law. SDSU and other publicly developed property will be exempt from paying property or possessory interest taxes.

- Legal Challenges: SDSU will defend and indemnify the City for all legal challenges with respect to approval of the FEIR, PSA, and Campus Master Plan.
- Sovereignty: Consistent with SDMC section 22.0908 and CSU's status as a sovereign state public agency, nothing in the PSA will abrogate the authority of the California State University Board of Trustees. CSU alone will issue all development related permits and collect all DIFs (for disbursement to the City if required by SDMC section 22.0908) for all aspects of the Project.
- Measure G Compliance: The PSA will incorporate all other conditions and requirements as required by SDMC section 22.0908 and related Measure G campaign promises.

Other proposed PSA details will include:

- CSU Approval: The California State University Board of Trustees must accept and approve if at all, the FEIR, Campus Master Plan and PSA. The target date for such California State University Board of Trustees action is January 28, 2020.
- Council Approval: The City Council must accept and approve if at all, the Final EIR findings and related mitigation measures, and PSA. The target month for such City Council action is February 2020. Such action will require the introduction and adoption of a Charter section 221 ordinance.
- Closing Date: The closing will occur shortly after the parties enter into the PSA with a target Closing Date of no later than March 27, 2020.
- Potential Delay in Closing: If the Closing Date does not occur by June 30, 2020, through no fault (including unreasonable delays) of either party, (a) the City will lease the Property to SDSU for \$1.00 per month; (b) SDSU will assume all ongoing costs of maintaining and operating the Property, including the stadium; and (c) unless the delay is the City's fault, the purchase price will increase on prorated basis, applying an index factor of 2.149% from July 1, 2020 until the Closing Date.

SDSU is truly excited about the opportunity to purchase the Property and develop this transformational Project. We are hopeful the changes we are proposing to our offer will be acceptable. We stand ready to move forward and again, we appreciate all the hard work you, the Council and the City staff have provided to get us to this point.

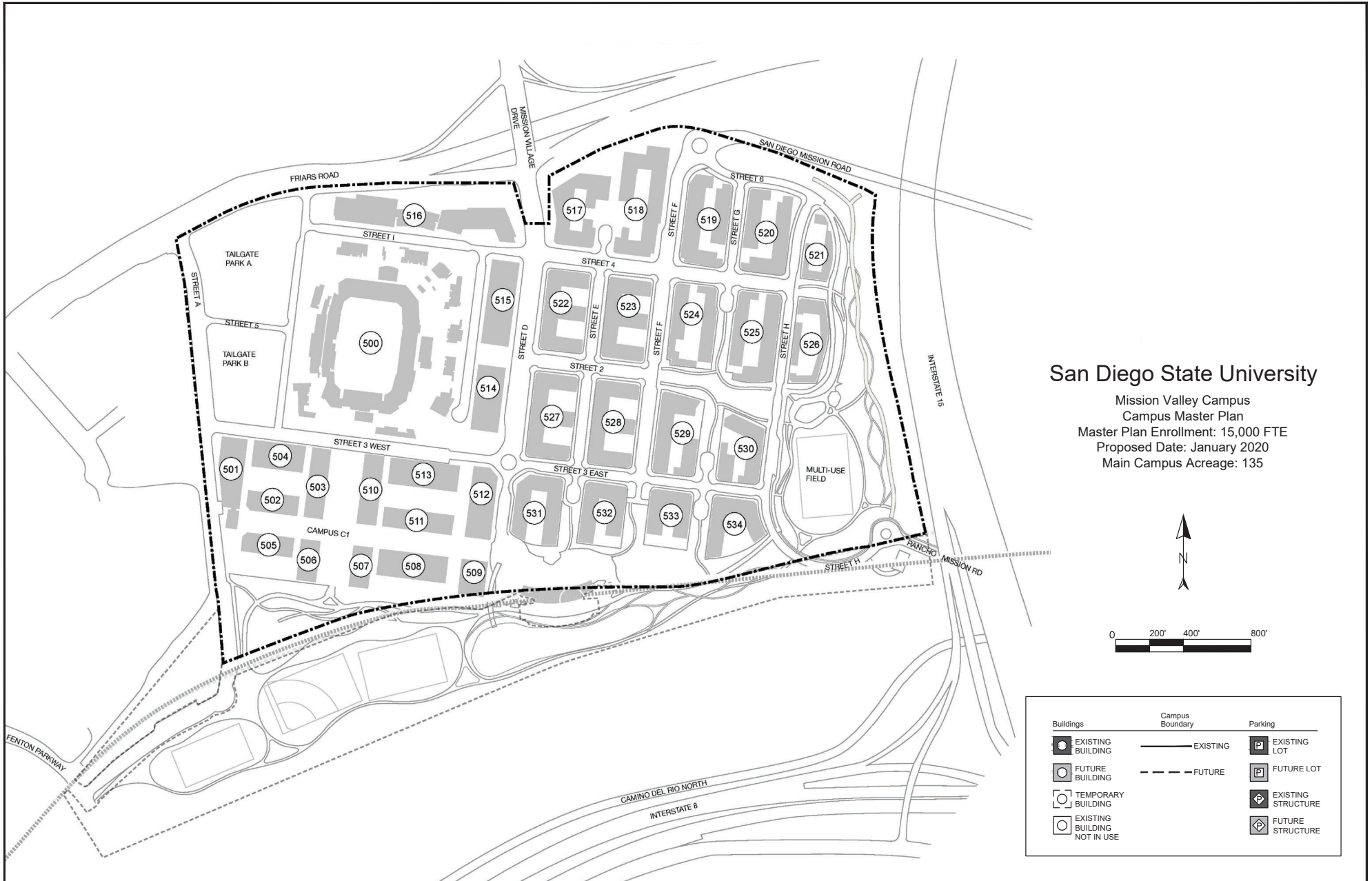
Sincerely,



Adela de la Torre, Ph.D.
President
San Diego State University

cc:

Honorable Council President Georgette Gómez
Council President Pro-Tem Barbara Bry
Councilmember Jennifer Campbell
Councilmember Chris Ward
Councilmember Monica Montgomery
Councilmember Mark Kersey
Councilmember Chris Cate
Councilmember Scott Sherman
Councilmember Vivian Moreno
Mara Elliott, City Attorney
Aimee Faucett, Chief of Staff
Kris Michell, Chief Operating Officer
Mike Hansen, Director, Planning Department
Cybele Thompson, Director, Real Estate Assets
Kevin Reisch, Senior Chief Deputy City Attorney
Melissa Ables, Deputy City Attorney



San Diego State University

Mission Valley Campus

Master Plan Enrollment: 15,000 FTE

- | | |
|---|-------------------------------------|
| 500. Stadium | 531. Campus Residential/Retail |
| 501. Campus Office/Research and Innovation | 532. Campus Residential |
| 502. Campus Office/Research and Innovation | 533. Campus Residential |
| 503. Campus Office/Research and Innovation | 534. Campus Residential |
| 504. Campus Office/Research and Innovation | (Garage parking structures integral |
| 505. Campus Office/Research and Innovation | to Campus Residential buildings) |
| 506. Campus Office/Research and Innovation | |
| 507. Campus Office/Research and Innovation | |
| 508. Campus Office/Research and Innovation | |
| 509. Campus Office/Research and Innovation/Retail | |
| 510. Campus Office/Research and Innovation | |
| 511. Campus Office/Research and Innovation | |
| 512. Campus Office/Research and Innovation/Retail | |
| 513. Campus Office/Research and Innovation | |
| 514. Campus Office/Research and Innovation/Retail | |
| 515. Campus Office/Research and Innovation/Retail | |
| (Garage parking structure below Campus Office/Research Buildings) | |
| 516. Campus Hospitality | |
| 517. Campus Residential | |
| 518. Campus Residential | |
| 519. Campus Residential | |
| 520. Campus Residential | |
| 521. Campus Residential | |
| 522. Campus Residential/Retail | |
| 523. Campus Residential | |
| 524. Campus Residential | |
| 525. Campus Residential | |
| 526. Campus Residential | |
| 527. Campus Residential/Retail | |
| 582. Campus Residential | |
| 529. Campus Residential | |
| 530. Campus Residential | |

LEGEND:
Existing Facility / Proposed Facility

NOTE: Existing building numbers correspond with building numbers in the Space and facilities Data Base (SFDB)

AGENDA

COMMITTEE ON FINANCE

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

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

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

**MINUTES OF THE MEETING OF THE
COMMITTEE ON FINANCE**

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

November 19, 2019

Members Present

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

Trustee Lillian Kimbell called the meeting to order.

Public Comment

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

Approval of Minutes

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

Approval of the 2020-2021 Operating Budget Request

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

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

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

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

California State University Annual Investment Report

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

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

Trustee Kimbell adjourned the meeting on Finance Committee.

COMMITTEE ON FINANCE

2020-2021 Lottery Budget and Report

Presentation By

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

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

Background

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

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

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

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

2020-2021 Lottery Budget Proposal

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

Systemwide Programs

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

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

Campus-Based Programs

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

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

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

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

2019-2020 Adopted and 2020-21 Proposed Lottery Budget

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

Reporting Requirement

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

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

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

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

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

Recommendation

The following resolution is presented for approval:

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

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

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

COMMITTEE ON FINANCE

CSU Fee Policy and 2019-2020 Student Fee Report

Presentation By

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

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

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

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

Overview

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

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

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

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

The current policy includes six fee categories:

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

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

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

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

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

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

2019-2020 CSU Student Fee Report

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

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

2019-2020 CSU Comparison Institution Tuition and Fees

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

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

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

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

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

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

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

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

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

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

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

COMMITTEE ON FINANCE

2020-2021 Operating Budget Update

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

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

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

California's Fiscal Outlook

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

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

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

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

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

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

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

Governor's Budget Proposal - State Overview

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

CSU Budget Plan and the Governor's Budget Proposal

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

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

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

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

Conclusion

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

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

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

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

AGENDA

COMMITTEE ON ORGANIZATION AND RULES

Meeting: 3:25 p.m., Tuesday, January 28, 2020
Glenn S. Dumke Auditorium

Larry L. Adamson, Chair
Jean P. Firstenberg, Vice Chair
Silas H. Abrego
Douglas Faigin
Maryana Khames
Jeffrey R. Krinsk
Lateefah Simon
Christopher Steinhauser

Consent

1. Approval of Minutes of the Meeting of March 20, 2019, *Action*
2. Proposed California State University Board of Trustees' Meeting Dates for 2021, *Information*

**MINUTES OF THE MEETING OF THE
COMMITTEE ON ORGANIZATION AND RULES**

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

March 20, 2019

Members Present

Thelma Meléndez de Santa Ana, Chair
Lillian Kimbell, Vice Chair
Silas H. Abrego
Jane W. Carney
Jean P. Firstenberg
Lateefah Simon
Adam Day, Chair of the Board
Timothy P. White, Chancellor

Trustee Thelma Meléndez de Santa Ana called the meeting to order.

Consent Agenda

The minutes of the January 23, 2019 meeting were approved as submitted.

Approval of the California State University Board of Trustees' Meeting Dates for 2020

Trustee Meléndez de Santa Ana presented agenda item 2 as a consent action item. The committee recommended approval of the proposed resolution (ROR 03-19-01).

Trustee Meléndez de Santa Ana adjourned the meeting.

COMMITTEE ON ORGANIZATION AND RULES

Proposed California State University Board of Trustees' Meeting Dates for 2021

Presentation By

Larry L. Adamson
Committee Chair

Summary

The following schedule of the CSU Board of Trustees' meetings for 2021 is presented for information and will be proposed for action at the March 2020 meeting.

Proposed 2021 Meeting Dates

January 26-27, 2021	Tuesday – Wednesday	Chancellor's Office
March 23-24, 2021	Tuesday – Wednesday	Chancellor's Office
May 18-19, 2021	Tuesday – Wednesday	Chancellor's Office
July 13-14, 2021	Tuesday – Wednesday	Chancellor's Office
September 14-15, 2021	Tuesday – Wednesday	Chancellor's Office
November 9-10, 2021	Tuesday – Wednesday	Chancellor's Office

AGENDA

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Meeting: 3:30 p.m., Tuesday, January 28, 2020
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 November 19, 2019, *Action*
Discussion 2. Update to Policies and Procedures for Review of Presidents, *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**

November 19, 2019

Members Present

Debra S. Farar, Chair
Christopher Steinhauser, Vice Chair
Rebecca D. Eisen
Juan F. Garcia
Hugo N. Morales
Romey Sabalius
Adam Day, Chair of the Board
Timothy P. White, Chancellor

Trustee Farar called the meeting to order.

Public Comment

Several speakers commented on the policy for compensation and its intent to compensate all employees fairly and equitably. Union representatives remarked on restoring salary steps and advocated for the university to request funding specifically in support of a step program. Comments were also received from students who expressed their concern with the ongoing discussion surrounding executive compensation while they deal with campus pressures, including meeting basic needs, student and faculty housing, and a shortage of mental health and wellness resources.

Consent Agenda

Trustee Farar presented the consent agenda consisting of the minutes of the September 25, 2019 meeting; an action item to approve the Annual Report on Outside Employment for Senior Management Employees as cited in item 2 (RUF 11-19-09); and information on the Annual Report on Vice President Compensation, Executive Relocation, and Executive Transition. The consent agenda was approved as submitted.

Policy on Compensation

Recommended changes to the Policy on Compensation were presented by Chair Adam Day, Chancellor Timothy P. White, and Vice Chancellor Evelyn Nazario.

Chair Day emphasized the importance of having a compensation policy that is fair for all employees and acknowledged the board has worked hard, and will continue to work hard, to increase compensation for all employee groups with the resources provided by the state. He remarked that past discussions surrounding executive compensation have been challenging and implementing a policy across the system complex. He explained that the proposed policy recommends that presidential compensation be considered for adjustment during performance reviews by the trustees beginning January 1, 2020. He also noted that the change is a measured and reasonable approach, responsive to the concerns voiced at previous meetings.

Chancellor White summarized presentations from past meetings when trustees were presented with data indicating that compensation levels for CSU presidents lagged significantly behind that of established comparators. He remarked that the proposed policy change was in response to concerns about adopting a blanket policy that would address pay inequities systemwide through a one- or three-step pay adjustment.

The proposed item recommends a salary assessment be conducted as part of the presidential triennial and six-year performance review. The assessment would consider market data and the president's performance. Chancellor White explained that similar to other CSU employee groups, the board will also be given the right to make salary adjustments if a significant equity or retention issue is identified. Recommendations for salary adjustments will be subject to board approval during open session. He shared that the proposed policy provides a measured, deliberate and flexible case-by-case approach for implementing a fair and transparent executive compensation policy.

Vice Chancellor Nazario highlighted the performance review process for CSU presidents. She iterated the proposed changes to the policy and noted that the updated policy provides a vehicle for trustees to review and adjust salaries on a case-by-case basis.

The presentation was followed by comments that encouraged the same consideration be given to faculty, staff and administration with regards to the compensation pool budget.

There was general agreement among committee members that the recommended policy and the ability to review case-by-case, provided a better solution rather than a blanket approach. Chancellor White and Chair Day were acknowledged for their work.

Remarks encouraged the ongoing evaluation of comparable institutions; the analyses of other employee groups and looking at differences in pay between employee groups – all information will be important to the board in making informed decisions.

Trustee Farar read the amended agenda item; changes were non-substantive, and the committee recommended approval of the proposed resolution as stated in the amended item.

(RUF 11-19-10)

Trustee Farar adjourned the committee meeting.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Update to Policies and Procedures for Review of Presidents

Presentation By

Timothy P. White
Chancellor

Evelyn Nazario
Vice Chancellor
Human Resources

Summary

The Board of Trustees Policy on Compensation was updated in November 2019 and is codified in RUFPP 11-19-10. Policy changes necessitate an update to the Policies and Procedures for Review of Presidents.

The trustee's policy on compensation clarified that presidential compensation may be considered for adjustment during the triennial and six-year performance reviews by the board of trustees, in addition to other times for compelling reasons. The following proposed language amends paragraph IV of the Policy by adding section C addressing Salary Assessment:

C. Salary Assessment

1. During the triennial and six-year performance reviews, or at other times for compelling reasons, a salary assessment will be conducted by the chancellor.
2. The assessment will be based on criteria established in the November 2019 Board of Trustees Policy on Compensation (codified in RUFPP 11-19-10).
3. Following completion of the triennial and six-year reviews, the chancellor will report the findings of the salary assessment to the Board of Trustees and the trustees may evaluate the appropriateness of any salary adjustment.
4. The chancellor, with the concurrence of the board, shall present the recommended salary adjustment later during that meeting or at the next open meeting of the Board of Trustees. The salary adjustment will be retroactive to the presidential appointment anniversary date.

Attachment A is the final policy with the change incorporated.

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Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the “Policies and Procedures for Review of Presidents” be amended as cited in Item 2 of the Committee on University and Faculty Personnel at the January 28-29, 2020 meeting of the Board of Trustees.

POLICIES AND PROCEDURES FOR REVIEW OF PRESIDENTS

I. Coverage:

This document establishes policies and procedures for the review of presidents in the California State University.

II. Responsibilities:

Decisions regarding appointment, salary, and continuity of presidents are made by the Board of Trustees upon recommendation of the chancellor.

III. Objectives:

The objectives of the review are to provide the chancellor and the Board of Trustees with an understanding of the unique characteristics of the campus, a continuing assessment of campus operations and educational effectiveness, and an assessment of the leadership and management performances of the executive.

The review provides the presidents with an evolving understanding of their roles, their rights and their responsibilities; the plans, goals and expectations mutually agreed to by the president and the chancellor; and the criteria against which progress is measured. The review is also to provide an opportunity for open and frank discussions between the president and the chancellor of the conditions or state of the campus accomplishments, desirable courses of action, progress, and ideas for improvement or redirection of effort.

The review also provides the chancellor with information upon which to reassess CSU missions, goals, policies and the resources needed to facilitate and enhance campus activities.

IV. Procedures:

A. Frequency of Review

1. The scheduling of reviews will be determined by the date of assumption of duties.

2. Newly Appointed Presidents:

Newly appointed presidents meet with the chancellor during the first year of service (preferably between the third and ninth month of the executive's incumbency). The president discusses his/her assessment of the state of the campus, goals and objectives and possible plan(s) for their implementation. During this meeting the president makes an assessment of the needs of the campus and proposes goals and objectives and plans for action; after discussion with the chancellor an agreement is reached on needs and expectations.

One year later, there is a discussion between the president and the chancellor on progress, achievements, any changes in original plans or directions and general performance.

Approximately two years later, the president becomes part of the regular three-year review process.

3. Annual Conference:

Each president has a review conference with the chancellor once a year. These meetings focus on progress toward meeting campus missions and goals, program accomplishments, campus activities, problems and proposed solutions, the state of the campus and supplement the continuing interchanges about campus and system events between the president and the chancellor. The chancellor, following completion of an annual conference, may report results and findings to the Board of Trustees.

4. Triennial Review:

At the outset of the third academic year of the president's tenure, and every three years thereafter, the chancellor will conduct a review based upon the information collected pursuant to B.1. below which will be discussed with the president concerned in the annual conference (A.3. above). The chancellor, following completion of the triennial review, will report results and findings to the Board of Trustees. The chancellor will distribute to the board a summary document which also defines goals and criteria for subsequent reviews.

Depending on the circumstances, the board or the chancellor, with the concurrence of the board, may initiate a brief meeting of the board with the president in conjunction with the review.

5. Six-Year Review

A regular review of the campus and the stewardship of the president, involving an off-campus committee, occurs approximately every six years.

The chancellor, the board, or the president may request accelerated reviews.

B. Background Information and Its Collection

1. Triennial Review:

The triennial review is based on information about activities of the campus collected by the chancellor in whatever manner is deemed appropriate. The president being reviewed presents information about the progress being made and the state of the campus.

The chancellor will request factual information from appropriate sources in the CSU community including, but not limited to, the ongoing leadership of the local academic senate, the student association, the alumni organization and the appropriate community-based advisory group. The chancellor will also request information from other faculty of distinction, alumni or community individuals, campus administrators, and Chancellor's Office personnel. The chancellor may utilize information gained from such sources as everyday working relations with the president, and internal and external reports on programs, operations and achievements.

The chancellor will issue an "open letter" to the affected campus to inform of the routine review, the time frame, the criteria, and the methodology. The letter will also give direction to anyone who is not contacted either randomly or by virtue of office held but feels compelled to participate. Petitions and unsigned letters will continue to be disregarded.

After the Board of Trustees has received and discussed a triennial review, the chancellor will prepare a brief report to the campus community that brings conclusion to the review and informs the campus community of the major findings and the goals for the president and the campus for the next period.

The chancellor and the president have the option to augment the triennial review framework when deemed beneficial for the president, the campus, or both. Aspects of the six-year review methodology or other models may be appropriate.

Confidentiality:

Confidentiality will be preserved in obtaining information and in preparing the report.

2. Six-Year Review:

The six-year review will utilize assessments made by an advisory committee composed of individuals from off-campus. The chancellor, in consultation with the president, will appoint three persons to an advisory committee, two of whom may be from outside the CSU. The chair of the Board of Trustees will appoint a fourth member from the current membership of the board to the advisory committee.

When assessing a campus, the advisory committee utilizes information obtained from visits to the campus, review of written reports and interviews with members of the campus community, the community at large and appropriate CSU personnel. The advisory committee's assessment is directed toward the review of campus operations and the president's stewardship. The review shall be in the same academic year as the WASC review, whenever possible.

Questionnaires:

Questionnaires or other survey instruments will not be used.

Report of the Advisory Committee:

The advisory committee makes a confidential written report of its findings to the chancellor. Prior to submitting its final report to the chancellor, the committee furnishes a draft copy of its findings to the president of the campus being reviewed, and affords an opportunity for the president to make a written response and to discuss the findings with the committee. Upon receipt of the committee's final report, the chancellor furnishes a copy of the final report to the president and affords the president an opportunity to make a written response. The chancellor discusses the committee's findings and the response with the president.

Following completion of a six-year review of a campus, the president of that campus will be invited to meet with the Board of Trustees in closed session.

Confidentiality:

Confidentiality will be preserved in obtaining information, in implementation of the procedures, and in the reporting procedure.

C. Salary Assessment

1. During the triennial and six-year performance reviews, or at other times for compelling reasons, a salary assessment will be conducted by the chancellor.
2. The assessment will be based on criteria established in the November 2019 Board of Trustees Policy on Compensation (codified in RUF 11-19-10).
3. Following completion of the triennial and six-year reviews, the chancellor will report the findings of the salary assessment to the Board of Trustees and the trustees may evaluate the appropriateness of any salary adjustment.
4. The chancellor, with the concurrence of the board, shall present the recommended salary adjustment later during that meeting or at the next open meeting of the Board of Trustees. The salary adjustment will be retroactive to the presidential appointment anniversary date.

V. CRITERIA FOR PRESIDENTIAL ASSESSMENT

General criteria for consideration of both the operations and condition of the campus as well as the leadership and management effectiveness of the president include, but are not limited to, such factors as the following:

1. General Administrative Effectiveness Including Management of Human, Fiscal and Physical Resources:

Evidence in campus operations of effective planning and decision making; development of and delegation to a management team; accomplishment of plans and objectives; flexibility in approach to solving problems and willingness to change programs and methods to keep up with current needs and developments; commitment to equal employment and programmatic opportunities and wise utilization of faculty and staff.

2. Working Relations with the System and the Campus:

Evidence in campus operations that there are open lines of communications; work is accomplished effectively with and through others; the suggestions of others are solicited and considered in good faith and that the executive and the management team have established credibility.

Evidence that the president, in serving as executive officer of the campus, maintains a perspective of the mission of the CSU and cognizance of the special demands placed on the system; participates productively in deliberations in systemwide academic and administrative matters.

3. Educational Leadership and Effectiveness:

Evidence in campus operations of development, maintenance and renewal of academic plans and programs that meet long-range needs; periodic evaluation of educational progress and accomplishments; the establishment of an environment that stimulates teaching, learning, scholarship, professional development and the pursuit of support to enhance academic programs and innovation.

4. Community Relations:

Evidence in campus operations of community understanding of and support for the campus; good relations with the media; service to and from the community, alumni support, effective “Town and Gown” activities; local, regional and national reputation; and an effective institutional advancement program, including fundraising.

5. Major Achievements of the Campus and the President.

6. Personal Characteristics:

Evidence in campus operations of the president’s knowledge of the job, judgment, leadership, planning and organizing ability, drive, vision, human relations and communications skills, objectivity and fairness, ability to articulate ideas and concepts, ability to innovate, ability to take into account the public relations and political implications of his/her actions, ability to deal with many different problems and events at the same time, ability to withstand any criticism and to direct opposition into productive channels, ability to get to the key parts of complex problems, evidence of having facts before making decisions and ability to promote coordination and efficiency of programs and operations.

Adopted January 25-26, 1994
Modified November 13-14, 2001
Modified January 28-29, 2020
Board of Trustees CSU

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Compensation for Executives

Presentation By

Adam Day
Chair, Board of Trustees

Timothy P. White
Chancellor

Summary

Recommendations for executive compensation adjustments will be presented.

Background

Under the trustee's policy on compensation as codified in RUF 11-19-10, the board retains the right to make salary adjustments when a significant equity or compelling issue is identified.

AGENDA

COMMITTEE ON AUDIT

Meeting: 4:00 p.m., Tuesday, January 28, 2020
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 November 19, 2019, *Action*
 2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
- Discussion**
3. Calendar Year 2020 Audit Plan, *Action*
 4. Status Report on the California State Auditor Report on Accounts Outside the State Treasury and Campus Parking Programs, *Information*
 5. Audited Financial Statements and Single Audit Report, *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**

November 19, 2019

Members Present

Jack McGrory, Chair
Hugo N. Morales, Vice Chair
Silas Abrego
Jane W. Carney
Douglas Faigin
Jean P. Firstenberg
Wenda Fong
Lateefah Simon
Adam Day, Chair of the Board

Trustee Jack McGrory called the meeting to order.

Approval of Minutes

The minutes of September 25, 2019, were approved as submitted.

Status Report on Current and Follow-up Internal Audit Assignments

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

Status Report on Consideration of Opportunities for Continued Program Enhancement of the Institutional Control Environment

Mr. Mandel provided a summary of the four observations and opportunities for continued program enhancement related to the institutional control environment contained in the January 2019 Report on the Results of the Quality Assessment Review (QAR) of the California State University System Internal Audit Program. 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 Institute of Internal

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Auditors, observations and opportunities for continued program enhancement related to the institutional control environment were also noted. The review team was cognizant of the strong control environment at the CSU because of the effect it can have on audit work and did not detect weaknesses in the control environment.

Mr. Mandel provided a status update on each of the four opportunities for continued program enhancement. There is one item remaining for board consideration—a systemwide code of ethics. It was noted that a draft systemwide statement on ethical values and expectations is anticipated to be prepared for the January 2020 meeting of the Committee on Audit.

Trustee Carney asked several questions pertaining to the CSU whistleblower complaint process and average number of complaints and Chancellor White and Mr. Mandel clarified that the quality assurance review items being discussed were suggestions to consider as opposed to traditional audit recommendations.

Trustee McGrory 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 49 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. Twenty-eight campus reports have been completed, report writing is being completed for six campuses, and five 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. Six campus reports have been completed, report writing is being completed for three campuses, 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. Four campus reports have been completed and report writing is being completed for one campus.

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. Three campus reports have been completed, report writing is being completed for 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 1/23/2020)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Bakersfield	Const. - Humanities Office Bldg. & Humanities Classrooms	2019	AC	4/4	-
	Health and Safety	2019	AC	2/10	4
	Student Union	2019	AI		
Channel Islands	Health and Safety	2019	AI		
	Faculty Reassigned Time & Addtl. Employ.	2019	RW		
Chico	Special Investigation - Misuse of Campus Resources and Improper Reim. Claims	2018	AC	0/7	2
	Health and Safety	2019	AC	0/11	5
	Housing and Residential Services	2019	AC	0/11	3
Dominguez Hills	International Activities	2018	AC	8/9	15 ¹
	Health and Safety	2019	AC	0/15	2
East Bay	Educational Foundation	2019	AC	3/3	-
	Health and Safety	2019	AC	0/13	3
	IT Disaster Recovery	2019	RW		
Fresno	Information Security	2019	AC	4/10	5
	Health and Safety	2019	AC	3/12	4
	Associated Students, Inc.	2019	AI		
Fullerton	Sponsored Programs	2019	AC	4/4	-
	Health and Safety	2019	AC	9/9	-
	Associated Students, Inc.	2019	AC	0/11	2
	Accessible Technology	2019	RW		
Humboldt	Health and Safety	2019	AC	10/17	7
Long Beach	The Forty-Niner Shops, Inc.	2018	AC	18/18	-
	Information Security	2019	AC	3/4	7
	Health and Safety	2019	AC	11/15	6
	Emergency Management	2019	AC	0/6	3
	Special Investigation - Inaccuracies in Time Reporting for Grant Program	2019	AC	0/5	1
Los Angeles	Const. - College of Continuing Professional Education Classroom Bldg.	2019	RW		
	Health and Safety	2019	AC	10/10	-
	Const. - Rongxiang Xu Bioscience Inn. Cntr. Foundation	2019	AC	0/3	2
Maritime Academy	Health and Safety	2019	AC	7/7	-
	IT Disaster Recovery	2019	RW		
Monterey Bay	University Corporation	2019	AC	9/9	-
	Sponsored Programs - Post Award	2019	AC	4/4	-
	Health and Safety	2019	AI		
Northridge	Health and Safety	2019	AC	8/11	7
	Cloud Computing	2019	AI		
	Emergency Management	2019	RW		
Pomona	Const. - Student Services Building	2019	AC	5/5	-
	Professional & Continuing Education	2019	AC	0/7	2
	Health and Safety	2019	RW		

**Status Report on Current and Past
Audit Assignments
(as of 1/23/2020)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Sacramento	Associated Students of CSU, Sacramento	2018	AC	9/10	11 ²
	Cashiering	2019	AC	4/7	9
	Emergency Management	2019	AC	0/7	5
	Health and Safety	2019	AI		
San Bernardino	Health and Safety	2019	AC	17/17	-
	Information Security	2019	AC	0/4	3
San Diego	Decentralized Computing	2018	AC	11/11	-
	The Campanile Foundation	2019	AC	4/4	-
	Health and Safety	2019	AC	2/6	5
	Sponsored Programs - Pre Award	2019	AC	1/1	-
San Francisco	Health and Safety	2019	AC	11/11	-
	Information Security	2019	AI		
	Emergency Management	2019	AI		
San Jose	Health and Safety	2019	AC	11/12	8
	Const. - Spartan Golf Complex, Phase I	2019	AC	4/5	7
	Information Security	2019	AC	0/4	2
	Facilities Management	2019	RW		
San Luis Obispo	Health and Safety	2019	AC	9/9	-
	Sponsored Programs	2019	AC	0/5	1
San Marcos	Health and Safety	2019	AC	6/9	5
	IT Disaster Recovery	2019	AC	0/4	2
Sonoma	Health and Safety	2019	RW		
Stanislaus	Health and Safety	2019	AC	6/11	5
	Foundation	2019	AC	7/7	-
	Sponsored Programs - Post Award	2019	RW		
Chancellor's Office	Accessible Technology	2019	AC	0/7	7 ³
	Health and Safety	2019	AI		
Systemwide	Student Organizations	2017	AC	1/1	-

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

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 4/30/20.

² Approved extended completion date of 5/1/20.

³ Approved extended completion date of 1/31/20.

Numbers/letters in green are updates since the agenda mailout.

COMMITTEE ON AUDIT

Calendar Year 2020 Audit Plan

Presentation By

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

Background

Education Code Section 89045, enacted by Chapter 1406 of the Statutes of 1969, provides for the establishment of an internal auditing function reporting directly to the Trustees of the California State University. Audit and Advisory Services assists university management and the 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. Additionally, Audit and Advisory Services serves the university in a manner that is consistent with the *International Professional Practices Framework* and the *Code of Ethics* as promulgated by the Institute of Internal Auditors.

Summary

Audit and Advisory Services presents its audit plan for the calendar year at the January meeting of the Board of Trustees' Committee on Audit for review and approval. The following item is an audit plan for calendar year 2020.

Audit Plan

AUDITS – 66% of Plan

As part of the annual audit planning process, customized individual campus audit plans are created and are aligned with campus and auxiliary organization risks and systemwide goals. The plan provides coverage in seven distinct organizational areas: academic administration; finance and administration; information technology; student activities and services; human resources; risk management; and auxiliary organizations.

Academic Administration

Audits planned in this area include professional and continuing education, post-award administration, intercollegiate athletics, service learning, and internships.

Finance and Administration

Audits planned in this area include construction management, conference services, facilities management, credit cards, and accounts payable and disbursements.

Information Technology

Audits planned in this area include information security, information technology disaster recovery, accessible technology, and cloud computing.

Student Activities and Services

Audits planned in this area include student organizations, scholarships, and housing and residential services.

Human Resources

Audits planned in this area include academic personnel and faculty reassigned time and additional employment.

Risk Management

Audits planned in this area include minors on campus, emergency management, and business continuity.

Auxiliary Organizations

While auxiliary operations will be included within the scope of the various audits being performed within the aforementioned six organizational areas, stand-alone auxiliary organization audits will also be performed as part of the audit plan. Audits planned in this area include foundations, student unions, and corporations.

Continuous Auditing

Continuous auditing techniques are employed using data analytics tools and techniques to analyze large volumes of data, look for anomalies and trends, and complement the existing audit process. Building upon the continuous audit reviews of credit card data that took place in 2018 and 2019, credit card information management tools are being finalized, which will be used to provide periodic updates and information to campus management on campus credit card programs. Additionally, continuous audit tests will be piloted on human resources and payroll data to identify potential risks and anomalies. Reviews in this area will be performed on a limited number of campuses during the latter half of the year.

ADVISORY SERVICES – 16% of Plan

Audit and Advisory Services will partner 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.

INVESTIGATIONS – 8% of Plan

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 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 of the CSU 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.

COMMITTEES/SPECIAL PROJECTS – 1% of Plan

Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or participate in CSU affinity groups and serve on committees such as those related to information technology and policy development, and to perform special projects.

AUDIT SUPPORT – 9% of Plan

Annual Audit Planning Process

Audit and Advisory Services performs an annual audit planning process using risk questionnaires and other surveys, management interviews, audit history, and other factors. 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 Audit and Advisory Services includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system, audit planning database, SharePoint website, and department quality assurance and improvement.

The following resolution is recommended for approval:

RESOLVED, By the Committee on Audit of the California State University Board of Trustees that the Calendar Year 2020 Audit Plan, as detailed in Agenda Item 3 of the Committee on Audit at the January 28-29, 2020 meeting, be approved.

COMMITTEE ON AUDIT

Status Report on the California State Auditor Report on Accounts Outside the State Treasury and Campus Parking Programs

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer

Summary

In June 2019, the California State Auditor (State Auditor) issued its report on the California State University's (CSU's) financial accounts invested outside the state treasury and campus parking programs. The State Auditor requires follow-up responses 60 days, six months, and one year after the report is issued.

The 60-day response was submitted to the State Auditor on August 19, 2019, and was included in the board packet at the September meeting of the Committee on Audit. The CSU asserted full implementation of one of the eight recommendations. While the State Auditor confirmed that the two examples provided in support of the CSU's assertion were exactly what they were looking for, they want to see more repetition. Additional examples will be provided to the State Auditor as they become available. The State Auditor considers this recommendation to be partially implemented.

The six-month response was submitted to the State Auditor on December 20, 2019, and is included as Attachment A. The CSU asserted full implementation of two additional recommendations. The State Auditor is currently reviewing the submission and it is anticipated that updated information will be available in time for the March board meeting.

6-Month Responses to CSA Audit #2018-127 Parking Programs and Outside Accounts Submitted December 20, 2019

Note: The audit report included 10 total recommendations. Recommendation numbers 1 and 4 were made to the Legislature.

Report Recommendation #2:

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.

60-Day Response:

Estimated completion date: November 2019

Status: Not fully implemented.¹

CSA Assessment of 60-Day Response: Pending

The Chancellor's Office is drafting policy updates to implement the recommendation. We anticipate being able to update our policy and website by October 2019 and make a report to the trustees at the November 2019 meeting.

6-Month Response:

First month of full implementation: November 2019

Status: Fully implemented

At the September 24-25, 2019 Board of Trustees meeting, the trustees were presented with information on the operating fund designated balances and reserves, which

¹ The State Auditor's website, where we upload these responses, provides three status options: fully implemented, not fully implemented, or will not implement.

included a breakdown of total amounts related to short term obligations, capital, and operating activities. The information was presented again at the November 19-20, 2019 meeting, and estimated the portion of reserves that came from tuition by stating that the designated balances and reserves were accumulated primarily from tuition. Because state statutes require that we spend the general fund appropriation throughout the year, any designated balances or reserves available on June 30 of each year are derived primarily from tuition and fee revenue. The information presented also noted that the reserve policy was revised. The revised policy requires that the designated balances and reserve information be shared with the trustees at least annually and included on the CSU's transparency portal so it is publicly available to stakeholders. Further, included in the 2020-2021 Tuition Proposal Prepared for the California State Student Association is a discussion about the use of operating fund designated balances and reserves as one of the alternatives for addressing a potential operating budget shortfall. This discussion further demonstrates the California State University's commitment to financial transparency.

Report Recommendation #3:

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:

- 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.

60-Day Response:

Estimated completion date: October 2019

Status: Not fully implemented.

CSA Assessment of 60-Day Response: Pending

The Chancellor's Office is drafting policy updates to implement the recommendation.

6-Month Response:

First month of full implementation: November 2019

Status: Fully implemented.

The Chancellor's Office revised the reserve policy to require the publication of information about the designated balances and reserves and include information about a minimum sufficient level for reserves for economic uncertainty. The policy was presented at the November 2019 Board of Trustees meeting. Oversight of the reserve balances is achieved via the annual reporting requirements and sharing the information with the trustees annually. With regard to approval for the use of reserves for economic uncertainty, Executive Order 1000, *Delegation of Fiscal Authority and Responsibility*, issued pursuant to Standing Orders of the Board of Trustees and the California

Education Code, delegates authority to the campus president for effective oversight of all state funds held by the campus and all funds held in a fiduciary capacity. In addition, campuses prepare an annual budget submission that includes information about their reserves for economic uncertainty and this information is reviewed by the systemwide budget office and must be approved by the chief financial officer at the Chancellor's Office.

Moreover, each year since 2016, the Chancellor's Office has provided a tuition proposal report to the California State Student Association. The proposal includes a discussion about the use of operating fund designated balances and reserves, including the reserves for economic uncertainty and further demonstrates the California State University's commitment to financial transparency. The designated balances and reserves are listed as one alternative for addressing a potential operating budget shortfall.

Report Recommendation #5:

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.

60-Day Response:

First month of full implementation: July 2019

Status: Fully implemented.

CSA Assessment of 60-Day Response: Partially implemented

In July 2019, Chancellor's Office representatives met with campus parking directors to discuss the implementation of the audit recommendations. In addition, the CSU's division of Capital Planning, Design and Construction (CPDC) has taken steps to ensure more meticulous implementation of CSU policy. For example, for a proposed parking structure at the Fullerton campus, CPDC notified campus representatives of the additional information they needed to provide in order to proceed with the process. Further, for a proposed parking structure at the Dominguez Hills campus, CPDC sent a detailed memo to the campus interim vice president outlining additional issues the campus must address before proceeding further with the project.

CSA Assessment of 60-Day Response: Partially Implemented

The Chancellor's Office has demonstrated that it is taking steps to implement the recommendation. For one campus requesting to build a new parking structure, the Chancellor's Office provided information on to what extent their alternate transportation strategies decreased parking demand. The Chancellor's Office also provided evidence that it followed up with another campus to provide additional information related to parking demand and alternate transportation. The Chancellor's

Office should continue this practice and provide additional examples in its six-month response to our recommendations.

Auditee did not substantiate its claim of full implementation

6-Month Response:

First month of full implementation: July 2019

Status: Fully implemented.

The Chancellor's Office continues to assert that this recommendation is fully implemented. We will continue the practice of enforcing the policy requirements, but there have been no additional submissions from campuses requesting to build new parking structures and we do not know when any future submissions may occur.

Report Recommendation #6:

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.

60-Day Response:

Estimated completion date: October 2019

Status: Not fully implemented.

CSA Assessment of 60-Day Response: Pending

The Chancellor's Office has drafted and communicated for review policy updates to implement the recommendation with the primarily affected campus staff and their management. Comments on the policy were solicited to ensure the feasibility of the specific requirements in the drafted policy. Final adoption of the policy is expected in October 2019.

6-Month Response:

First month of full implementation: January 2020

Status: Not fully implemented.

The Chancellor's Office has drafted a revised policy to address the recommendation. The draft policy is undergoing review and is expected to be finalized by the end of January 2020. In addition, the division of Capital Planning, Design, and Construction at the Chancellor's Office has hired a transportation analyst whose primary job duty is to

analyze the effectiveness of campus transportation and parking programs and promote the lowest cost/preferred alternatives.

Report Recommendation #7

The Chancellor's Office should not approve any request to build a new parking facility unless the requesting campus has submitted this information (recommendations 5 and 6) and the Chancellor's Office has reviewed and approved it.

60-Day Response:

Estimated completion date: January 2020

Status: Not fully implemented.

CSA Assessment of 60-Day Response: Pending

The Chancellor's Office is already requiring the information outlined in recommendation 5 and has used those experiences to draft and circulate updated policy in response to recommendation 6. Once the draft policy and programs have been reviewed and accepted, we will formalize all of the new requirements for requests to build a parking facility.

6-Month Response:

Estimated completion date: January 2020

Status: Not fully implemented.

The Chancellor's Office previously provided examples of follow up with two campuses to request additional information before the Chancellor's Office would approve requests to build new parking facilities. Since that time, the Chancellor's Office has drafted a revised policy to further address the information campuses must provide when requesting to build a new parking facility. The draft policy is undergoing review and is expected to be finalized by the end of January 2020.

Report Recommendation #8:

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.

60-Day Response:

Estimated completion date: October 2019

Status: Not fully implemented.

CSA Assessment of 60-Day Response: Pending

The Chancellor's Office is drafting policy updates to implement the recommendation and will notify campuses of the new requirements once the policies are in place.

6-Month Response:

Estimated completion date: January 2020

Status: Not fully implemented.

The Chancellor's Office has drafted a revised policy to address the recommendation. The draft policy is undergoing review and is expected to be finalized by the end of January 2020.

Report Recommendation #9:

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

60-Day Response:

Estimated completion date: October 2019

Status: Not fully implemented.

CSA Assessment of 60-Day Response: Pending

6-Month Response:

Estimated completion date: January 2020

Status: Not fully implemented.

The Chancellor's Office has drafted a revised policy to address the recommendation. The draft policy is undergoing review and is expected to be finalized by the end of January 2020.

Report Recommendation #10:

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.

60-Day Response:

Estimated completion date: October 2019

Status: Not fully implemented.

CSA Assessment of 60-Day Response: Pending

The Chancellor's Office is drafting policy updates to implement the recommendation and will notify campuses of the new requirements once the policies are in place.

6-Month Response:

Estimated completion date: January 2020

Status: Not fully implemented.

The Chancellor's Office has drafted a revised policy to address the recommendation. The draft policy is undergoing review and is expected to be finalized by the end of January 2020.

COMMITTEE ON AUDIT

Audited Financial Statements and Single Audit Report

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Mary Ek
Assistant Vice Chancellor/Controller
Financial Services

Summary

Financial statement audits are performed annually for the California State University (CSU) and for its discretely presented component units (i.e., auxiliary organizations) that separately issue stand-alone audited financial statements by 19 certified public accounting firms. The CSU systemwide financial statements for fiscal year ended June 30, 2019, included as Attachment A, were issued with an unmodified opinion on December 12, 2019. There was an audit finding related to the CSU systemwide financial statements regarding the employee census data used in the calculations of other post employment benefits (OPEB). Highlights of the systemwide financial statements and significant changes from last year will be presented at the January 2020 Board of Trustees meeting.

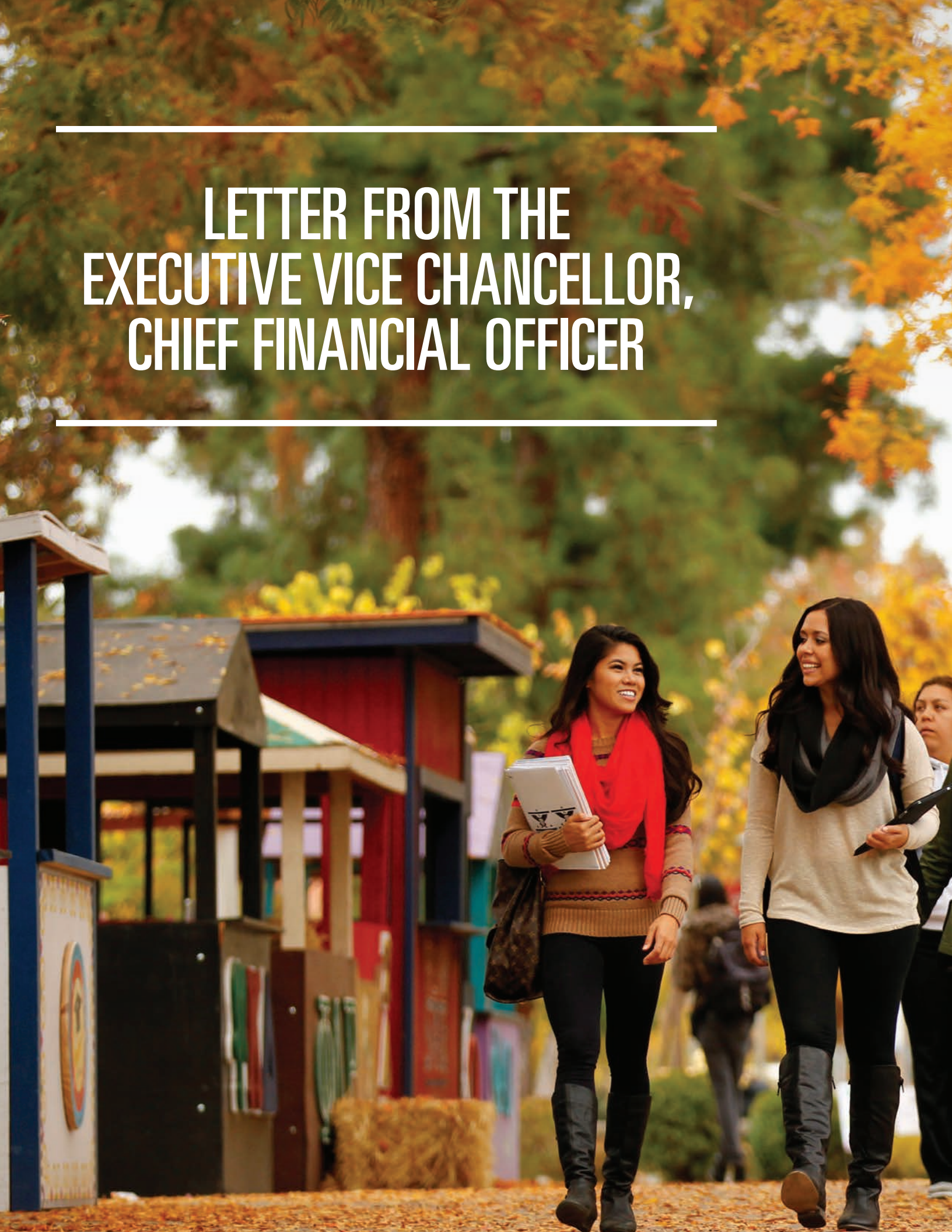
The CSU Single Audit Report was also issued on December 12, 2019, and is included as Attachment B. The Single Audit Report covers federal awards received by the CSU, including student financial aid, subject to both compliance and internal control audit procedures as required by the Office of Management and Budget Compliance Supplement and the Uniform Guidance. There were two audit findings related to internal controls over administration of federal financial aid programs at several campuses. Corrective actions are in progress and a status update will be provided at a future board meeting.



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LETTER FROM THE EXECUTIVE VICE CHANCELLOR, CHIEF FINANCIAL OFFICER



LETTER FROM THE EXECUTIVE VICE CHANCELLOR, CHIEF FINANCIAL OFFICER



The California State University is the largest and most ethnically and economically diverse four-year university in the United States. We educate more than 475,000 students across 23 campuses spanning 800 miles, from Humboldt State in the north to San Diego State in the south. By bringing the life-changing opportunities of an affordable, high-quality education to a student population as dynamically diverse as California itself, the CSU is a powerful driver of social mobility.

The CSU drives California's economy, as well. One in 10 California employees is a CSU graduate. With more than 125,000 annual graduates, we award approximately half of the state's bachelor's degrees, fueling innovation and prosperity in fields such as information technology, agriculture, education, engineering, healthcare, business, public administration, media and entertainment.

But we are committed to doing more for Californians from all walks of life, for whom a college degree has never been more important, and to increasing our educated workforce to sustain economic growth.

To that end, we are continuing to increase our enrollment capacity, hiring additional tenure-track faculty and adding course sections. We've introduced a new admission redirection policy to ensure that no eligible student is turned away from the CSU.

However, we know that merely opening the door to higher education is not enough. So, as we work to provide increased access for California's diverse citizenry, we are also committed to ensuring that all our students succeed and graduate in a timely manner. By providing holistic student support, the CSU's flagship Graduation Initiative 2025 is designed to do exactly that, and the results have been truly remarkable. Graduation rates are at all-time highs for all students, regardless of race, ethnicity or financial background. Record numbers of degrees are being awarded.

Indeed, we are gaining momentum at the CSU. We have worked hard to streamline our operations so that we can direct more resources toward student success. Our financial position is strong. The state has demonstrated its belief in the CSU by investing boldly in our work.

Our commitment to the people of California is to build upon this momentum – to do more than ever before to ensure authentic access to an affordable quality education for all – and to help propel California toward its brightest future.

A handwritten signature in black ink, appearing to read 'Steve Relyea', written in a cursive style.

Steve Relyea
Executive Vice Chancellor, CFO
The California State University

INDEPENDENT AUDITORS' REPORT

GRANT M. BROWN
ENGINEERING
BUILDING

41

CALIFORNIA POLYTECHNIC
SAN LUIS OBISPO
COLLEGE OF ENG



KPMG LLP
Suite 700
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Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
California State University:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the California State University (the University), an agency of the State of California (the State), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 88 of the 90 aggregate discretely presented component units, which reflect total assets constituting 95% and total revenues constituting 94% of the aggregate discretely presented component units totals. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 88 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of 39 discretely presented component units were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the California State University, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5-24, the Schedules of University's proportionate share of the net pension liability and related ratios, and employer contributions related to pension in Schedules 1 and 2, and the Schedule of University's net other postemployment benefits liability and related ratios, and employer contributions related to other postemployment benefits in Schedules 3 and 4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information included in Schedules 5 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Schedule 5 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 5 is fairly stated in all material respects, in relation to the basic financial statements that collectively comprise the University's basic financial statements.

Schedules 6 and 7 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Orange County, California
December 19, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

The discussion and analysis below provides an overview of the financial position and performance of the California State University (the University) as of and for the year ended June 30, 2019, including 23 campuses and the Office of the Chancellor (collectively referred to as the University), and 90 discretely presented component units. The discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The California State University

The University promotes student success through high-quality education that prepares students to become leaders in the changing workforce, making the University a vital economic engine for California.

The University was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses.

The discretely presented component units of the University consist of primarily recognized auxiliary organizations. These not-for-profit organizations are separate legal entities created to perform essential functions. These functions are classified into the following categories:

- Student self-governance
- Student body center, union, and recreation center
- Externally supported research and sponsored programs
- Commercial services such as bookstores, food services, housing, or real estate development
- Philanthropic activities

Financial Statements

The financial statements of the University as of and for the year ended June 30, 2019 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the University is considered a special-purpose government engaged in business-type activities.

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are designed to provide readers with a broad overview of the University's finances from all revenue sources, in a manner similar to the private sector. The University's discretely presented component units are presented in a separate column to enable the reader to distinguish between the University and these separate but related not-for-profit organizations.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Statement of Net Position

The Statement of Net Position is the University's balance sheet. It presents information on all of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four reported as net position (equity). Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally reported at book value, except investments, which are reported at fair value. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the University. The University's net position is classified as net investment in capital assets, restricted or unrestricted.

Changes from one fiscal year to the next in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position is the University's income statement. Revenues earned and expenses incurred during the fiscal year on an accrual basis are classified as either operating or nonoperating. This distinction results in operating deficits, as the GASB Statement No. 35 reporting model requires classification of state appropriations, a significant revenue stream to fund current operations, as nonoperating revenue.

Statement of Cash Flows

The Statement of Cash Flows presents the changes in the University's cash and cash equivalents during the most recent fiscal year. This Statement is prepared using the direct method. The Statement breaks out the sources and uses of the University's cash and cash equivalents into four categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The University's routine activities appear in the operating and noncapital financing categories. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. The proceeds from the issuance of Systemwide Revenue Bonds (SRB) that will be passed through to the discretely presented component units for capital purposes are reported as noncapital financing activities.

Capital and related financing sources include debt proceeds, state capital appropriations, capital grants and gifts, proceeds from sale of capital assets, and principal and interest payments received on capital leases. Within the capital and related financing activities, uses of funds consist of acquisition of capital assets, and debt repayments. Sales and purchases of investments are part of investing activities.

The Statement of Cash Flows for the discretely presented component units is not included in the University's financial statements.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Financial Position

The Statement of Net Position presents the financial position of the University and its discretely presented component units. The major components of the Statement of Net Position include assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. A condensed comparative Statements of Net Position follows:

	University		Discretely presented component units	
	2019	2018	2019	2018
	(In thousands)			
Assets:				
Current assets	\$ 4,076,294	3,788,535	1,585,507	1,559,753
Capital assets, net	9,538,377	9,056,572	912,577	833,650
Other noncurrent assets	2,017,426	1,915,548	2,487,979	2,358,674
Total assets	15,632,097	14,760,655	4,986,063	4,752,077
Deferred outflows of resources	2,456,788	3,752,587	32,520	37,782
Liabilities:				
Current liabilities	1,502,157	1,426,526	493,517	517,734
Noncurrent liabilities	28,279,755	29,756,004	1,034,713	1,014,903
Total liabilities	29,781,912	31,182,530	1,528,230	1,532,637
Deferred inflows of resources	2,888,140	1,504,986	52,189	45,034
Net position:				
Net investment in capital assets	3,438,964	3,485,290	295,177	259,778
Restricted:				
Nonexpendable	1,693	1,708	1,336,916	1,274,214
Expendable	194,812	135,223	1,146,945	1,025,148
Unrestricted	(18,216,636)	(17,796,495)	659,126	653,048
Total net position	\$ (14,581,167)	(14,174,274)	3,438,164	3,212,188

The University's net position decreased by \$406.89 million in 2019. The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. This change in accounting policy in 2018 was the primary reason for the deficit in the unrestricted net position. Despite the deficit, the University's current ratio, which measures its ability to pay-off short-term obligations, remains positive for both years at an average of 2.68.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

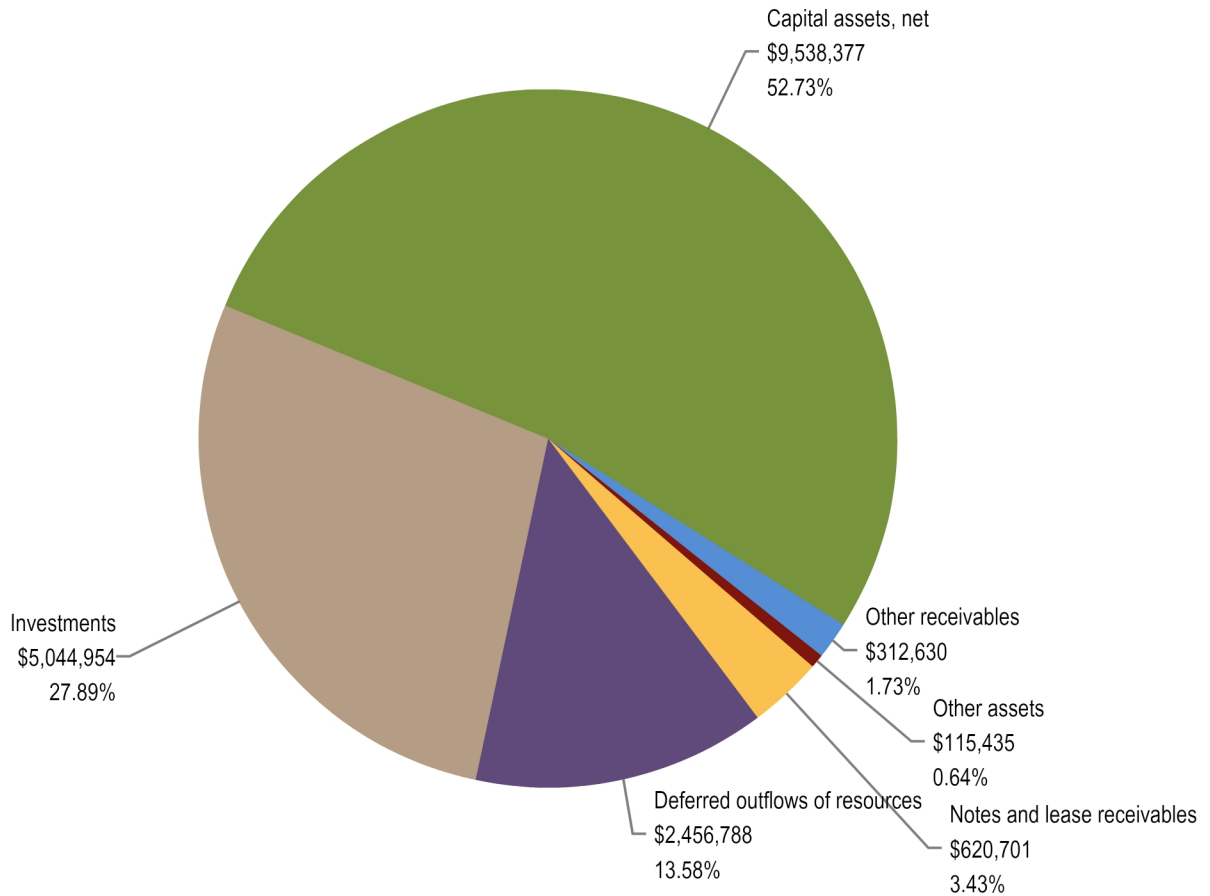
(Unaudited)

The University's Financial Position

Assets and Deferred Outflows of Resources

Total assets increased from \$14.76 billion in 2018 to \$15.63 billion in 2019. Deferred outflows of resources decreased from \$3.75 billion in 2018 to \$2.46 billion in 2019.

Assets and Deferred Outflows of Resources
(In thousands)



Current and other noncurrent assets of the University are assets that are not capital assets and are used to meet current and noncurrent obligations. These assets consist of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, capital leases receivable, student loans receivable, pledges receivable, prepaid expenses, and other assets.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Capital Assets, Net

The University's capital assets, net of accumulated depreciation and amortization, represents the largest portion of total assets. The University's net capital assets are as follows:

	2019	2018
	(In thousands)	
Land and land improvements	\$ 281,916	273,340
Buildings and building improvements	6,861,632	6,468,331
Improvements other than buildings	213,164	211,300
Infrastructure	658,566	648,478
Equipment	228,913	232,830
Library books and materials	29,578	30,877
Works of art and historical treasures	50,100	47,231
Intangible assets	57,870	59,928
Construction work in progress	1,156,638	1,084,257
Total	\$ 9,538,377	9,056,572

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. The capital spending includes constructing and renovating academic buildings, student union and recreation centers, and housing facilities. Major projects in 2019 included the Dominguez Hills Center for Science and Innovation, the Long Beach Student Success Center/Peterson Hall 2 renovation, the Los Angeles Student Housing East and Parking Structure E, the Monterey Bay Academic Building III and Student Union, the Pomona Student Housing Replacement, the San Bernardino College of Extended Learning expansion, and the San Jose Student Recreation and Aquatics Center.

Investments

The University invests its funds mainly in the Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT), and the Total Return Portfolio (TRP), collectively referred herein as CSU Consolidated Investment Pool. The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the University. The investment objective for TRP is to achieve prudent return within a moderate risk level. In addition, funds are invested in Surplus Money Investment Fund (SMIF), which is managed and invested by the State Treasurer in a short-term pool. The proceeds from the sale of Systemwide Revenue Bonds (SRB) are held by the State and invested in SMIF, as required by state law. The investment balances are as follows:

	2019	Percentage of total	2018	Percentage of total
	(In thousands)		(In thousands)	
Liquidity Portfolio	\$ 3,655,041	72.45%	\$ 3,780,477	80.13%
Total Return Portfolio	559,192	11.08	126,033	2.67
State's Surplus Money Investment Fund	830,721	16.47	811,514	17.20
Total	\$ 5,044,954	100.00%	\$ 4,718,024	100.00%

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Investments increased from \$4.72 billion in 2018 to \$5.04 billion in 2019. Investments increased due to proceeds from issuance of SRB Series 2018A/B and Bond Anticipation Notes (BAN), investment gains/earnings, and increase in operating resources provided by the State through noncapital appropriations. This is offset by capital project spending and debt service payments.

Notes Receivable

The University has a program utilizing discretely presented component units to support a broad range of functions. In certain cases, the discretely presented component units are involved in the financing of campus facilities as well as off-campus facilities serving the needs of the campus. These facilities are mostly financed by SRB using either lease or loan arrangements.

In the loan arrangement, facilities are financed or refinanced by a loan of SRB proceeds from the University to the discretely presented component units pursuant to a loan agreement. Under the terms of the loan agreement, in return for the loan from the University, the component unit agrees to acquire, construct and/or maintain the facility and repay the loan to the University. The outstanding loan balance is carried by the University as notes receivable. Notes receivable from discretely presented component units increased from \$376.75 million in 2018 to \$400.38 million in 2019. The increase of \$23.63 million is due mainly to the new loan agreements for construction of facilities on the University amounting to \$90.28 million, net of current year collections of \$66.65 million.

Deferred Outflows of Resources

Deferred outflows of resources are consumption of assets that are applicable to a future reporting period, which has a positive effect on the net position. Deferred outflows of resources consist of the following transactions:

- *Pension* - Increases in the net pension liability that are not recognized as pension expenses for the reporting period are reported as deferred outflows of resources. This includes the difference between expected and actual experience with regard to economic or demographic factors used by an actuary to determine total pension liability; and increases in the University's proportionate share of net pension liability, which are recognized as pension expenses over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current period. The employer contributions subsequent to measurement date are recognized as deferred outflows of resources related to pensions and reduction of net pension liability in the following year.
- *Other Postemployment Benefits (OPEB)* - The employer contributions subsequent to measurement date are recognized as deferred outflows of resources and a reduction of total OPEB liability in the following year.
- *Loss on Debt Refunding* - The defeasance of previously outstanding systemwide revenue bonds results in deferring refunding losses. These deferred losses are recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows of resources decreased by \$1.30 billion from \$3.75 billion in 2018 to \$2.46 billion in 2019. This is mainly due to the decrease in deferred outflows related to net pension liability. In 2018, the University recognized a one-time supplemental pension contribution of \$876.84 million which was applied against net pension liability in 2019. In addition, there was an amortization of \$467.55 million for deferred outflows of resources related to net pension liability.

CALIFORNIA STATE UNIVERSITY

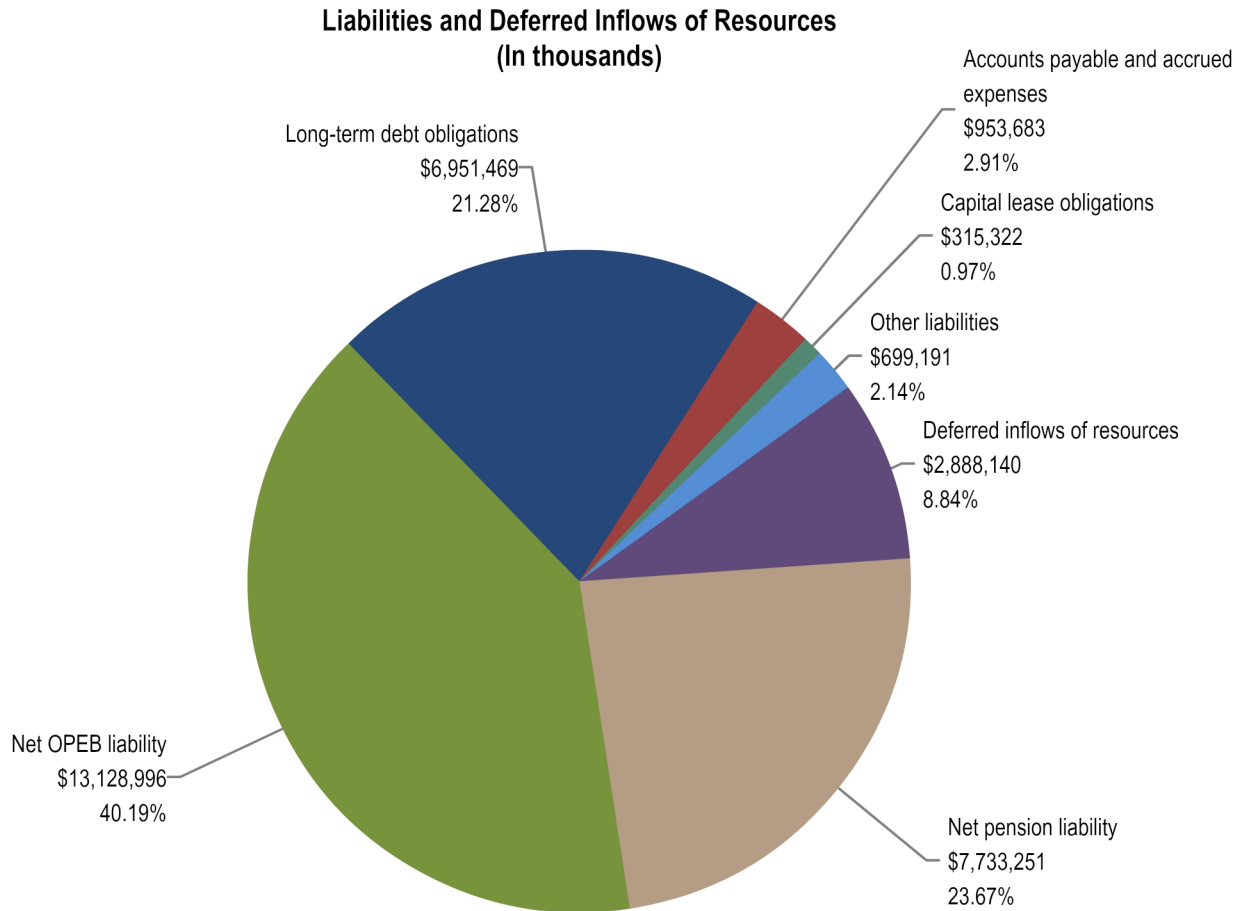
Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Liabilities and Deferred Inflows of Resources

Total liabilities of \$29.78 billion represent a decrease of \$1.40 billion compared to \$31.18 billion in 2018. Deferred inflows of resources increased from \$1.50 billion in 2018 to \$2.89 billion in 2019.



Current liabilities (liabilities due within one year) and noncurrent liabilities (liabilities due in more than one year) include major components such as net pension liability, long-term debt obligations, accounts payable and accrued expenses, total OPEB liability, capital lease obligations, and other liabilities.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Total OPEB Liability

The State has a Retiree Health Benefits Program with CalPERS as an agent multiple-employer defined-benefit plan and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's Retiree Health Benefits Program.

The University implemented the accounting standard for other postemployment benefits in 2018 which requires recognition of the total OPEB liability. The ending total OPEB liability, recognized as a result of the implementation of GASB Statement No. 75, was \$13.13 billion. The OPEB benefits are funded on a pay-as-you-go basis as eligible participants retire and receive those benefits.

The total OPEB liability decreased from \$13.92 billion as of June 30, 2018 to \$13.13 billion as of June 30, 2019. The key factors contributing to this decrease include (a) favorable healthcare claims experience resulting in lower average per member claim cost, (b) change in trend rates, (c) update on pension related assumptions based on the December 2017 experience study, and (d) higher discount rate from 3.56% to 3.62%.

Net Pension Liability

The State's pension plans with CalPERS are agent multiple-employer defined-benefit pension plans and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's pension plans. The plans act as cost-sharing, multiple-employer defined-benefit pension plans for the University. The University's share in the net pension liability, which is actuarially determined, is based on its proportionate share in the total pensionable compensation of all the participating state agencies for the measurement period.

The net pension liability decreased from \$8.90 billion in 2018 to \$7.73 billion in 2019. The \$1.17 billion decrease is primarily due to the favorable impact of stronger than expected net investment returns on the pension plan assets of \$1.43 billion. Furthermore, the contributions both by the University and its employees of \$1.95 billion reduced the net pension liability. Changes in assumptions reduced the net pension liability by \$332.25 million, offset by \$2.54 billion additional pension liability which included the impact of service costs, interest and unfavorable experience compared to the expected.

Long-Term Debt Obligations

The University's capital assets are financed using the State's capital appropriations, SRB, leases, and reserves. BANs provide short-term financing for capital assets during the construction period. The University's total long-term debt obligations increased by \$500.80 million in 2019. The University's long-term debt obligations are summarized as follows:

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

	2019	2018
	(In thousands)	
Systemwide revenue bonds	\$ 6,211,333	5,692,563
Bond anticipation notes	109,659	169,205
Other long-term debt obligations	10,046	12,813
Total	6,331,038	5,874,581
Unamortized net bond premium	620,431	576,084
Total long-term debt obligations	6,951,469	6,450,665
Less current portion	(171,813)	(144,174)
Long-term debt obligations, net of current portion	\$ 6,779,656	6,306,491

- *Systemwide Revenue Bonds*

The University's SRB program issues revenue bonds to finance housing, parking, health centers, student body centers, continuing education facilities, and other special projects related to the educational mission of the University. The following revenues have been pledged as a security for outstanding SRB: student tuition fees, student housing fees, student body center fees, parking fees, health center facility fees, and fees from the continuing education program, as well as payments from various auxiliary organizations and special purpose government entities.

Moody's Investors Service currently provides an intrinsic rating of Aa2, with a stable outlook, for the SRB. Standard & Poor's Ratings Services currently provides an intrinsic rating of AA-, with a stable outlook, for the SRB. All maturities in SRB Series 2007B, and 2007C are insured. Since the middle of fiscal year 2008, some providers of insurance for SRB have been downgraded to ratings below Aaa/AAA. Those bonds that are uninsured bear the intrinsic ratings of the SRB, which are Aa2 from the Moody's Investors Service and AA- from the Standard & Poor's Ratings Services.

The long-term debt obligations related to SRB increased by \$518.77 million due to issuance of Series 2018A/B with proceeds amounting to \$663.69 million offset by \$144.92 million of combined payments and refunding of SRB Series 2008A.

- *Bond Anticipation Notes*

BANs are used as short-term financing to acquire and construct capital assets. The BAN payable decreased by \$59.55 million from a prior year's ending balance of \$169.21 million, based on additional BANs amounting to \$111.20 million, offset by redemption of \$170.75 million using proceeds from sale of SRB Series 2018 A/B and campus revenue.

- *State General Obligation Bonds*

The State's GO Bond program has provided capital funding for various projects of the University. The debt related to these projects is not allocated to the University by the State and is not recorded in the University's financial statements. The total GO Bonds carried by the State related to University projects decreased from \$2.24 billion in 2018 to \$2.14 billion in 2019. As a result of the enactment of Education Code Section 89770, the University's share continues to decrease as bonds are paid by the State with no new debt issued for capital facilities.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Deferred Inflows of Resources

Deferred inflows of resources are related to certain changes in net pension liability and total OPEB liabilities. Deferred inflows of resources increased by \$1.39 billion from \$1.50 billion in 2018 to \$2.89 billion in 2019. This is mainly due to changes in the actuarial OPEB assumptions and the favorable healthcare claims experience as the member claims cost is lower than assumed.

Net Position

Net position may serve over time as a useful indicator of the University's financial position. Net position represents the residual interest in the University's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted.

Net position by category is as follows:

	<u>2019</u>	<u>2018</u>
	(In thousands)	
Net investment in capital assets	\$ 3,438,964	3,485,290
Restricted:		
Nonexpendable	1,693	1,708
Expendable	194,812	135,223
Unrestricted	<u>(18,216,636)</u>	<u>(17,796,495)</u>
Total net position	<u>\$ (14,581,167)</u>	<u>(14,174,274)</u>

- *Net Investment in Capital Assets*

The net position category "Net investment in capital assets" represents the University's capital assets, net of accumulated depreciation and amortization, and also net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources. The net investment in capital assets slightly decreased from \$3.49 billion in 2018 to \$3.44 billion in 2019.

- *Restricted*

Restricted net position has constraints on its use that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for specific purposes. Such restrictions are primarily related to endowments, scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted net position category consists of two subcategories: "Restricted nonexpendable" and "Restricted expendable".

- i. *Restricted Nonexpendable*

The restricted nonexpendable net position is made up of the permanent endowment funds, the corpus of which may not be expendable. The University's foundations, which are discretely presented component units, hold the significant majority of the University-related endowments.

- ii. *Restricted Expendable*

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Restricted expendable net position represents resources that are subject to external restrictions on how they may be used. Such restrictions are primarily related to scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted expendable net position increased due to spending for capital outlay projects and debt service payments.

- *Unrestricted*

The unrestricted net position represents all other net resources available to the University for general and educational obligations. Under U.S. generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, the predominant portions of the unrestricted net position are designated by statute for specific programs or projects related to certain revenue sources. The University, an agency of the State of California, considers statutory restrictions as internally imposed restrictions rather than externally imposed restrictions.

These resources are derived from fee collections and other activities that are designated for very specific purposes and are not to be repurposed and spent for other activities. For example, students pay fees, including housing, parking, and campus activities fees, all of which are to be used for specific designated purposes as described in the State of California Education Code. The University also has certain designated resources that represent amounts pledged to support the SRB program.

At June 30, 2019, unrestricted net position reflects a deficit of \$18.22 billion due primarily to the implementation of GASB Statement No. 68 (pension) during 2015, and the implementation of GASB Statement No. 75 (OPEB) in 2018. Unrestricted net position decreased \$420.14 million in 2019. These Statements require the University to record its share of the State's actuarially determined liabilities for pension and OPEB.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Discretely Presented Component Units' Financial Position

In 2019, the discretely presented component units (DPCUs) managed \$4.99 billion of assets, representing 24.18% of the University's \$20.62 billion combined total assets. In 2018, \$4.75 billion of assets were managed by the discretely presented component units, representing 24.35% of the combined total assets.

The philanthropic activities of the University are managed mostly by the discretely presented component units. The restricted cash and cash equivalents, pledges receivables, and endowment investments increased from \$1.86 billion in 2018 to \$2.00 billion in 2019. This represents 9.71% and 9.53% of the combined total assets for 2019 and 2018, respectively.

The claims liability for losses and loss adjustment expenses decreased from of \$68.69 million in 2018 to \$60.45 million in 2019. These are mainly the liabilities from the California State University Risk Management Authority, a discretely presented component unit.

The restricted net position, expendable and nonexpendable, of the discretely presented component units was \$2.48 billion, representing 92.67% of the combined restricted net position in 2019. In 2018, the restricted net position of discretely presented component units was \$2.30 billion, representing 94.38% of the combined restricted net position.

The combined University and discretely presented component units' net position reflects a deficit of \$11.14 billion in 2019 when compared to \$10.96 billion deficit in 2018.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Results of Operations

The Statement of Revenues, Expenses and Changes in Net Position represents the University's and its discretely presented component units' result of operations. Major components are operating revenues, operating expenses, and nonoperating revenues (expenses). A condensed comparative presentation of the results of operations follows:

	University		Discretely presented component units	
	2019	2018	2019	2018
	(In thousands)			
Operating revenues:				
Student tuition and fees, net	\$ 2,197,925	2,220,797	191,565	186,827
Grants and contracts, noncapital	79,131	77,792	596,454	569,289
Sales and services of educational activities	47,655	52,403	47,906	51,367
Sales and services of auxiliary enterprises, net	560,234	523,504	498,896	511,877
Other operating revenues	254,648	229,550	256,013	242,584
Total operating revenues	3,139,593	3,104,046	1,590,834	1,561,944
Operating expenses	9,683,523	9,726,004	1,784,670	1,768,584
Operating loss	(6,543,930)	(6,621,958)	(193,836)	(206,640)
Nonoperating revenues (expenses):				
State appropriations, noncapital	4,102,570	4,486,584	—	—
Financial aid grants, noncapital	1,980,562	1,928,555	2,746	3,285
Grants and gifts, noncapital	59,029	65,411	189,943	194,827
Investment income, net	204,813	67,351	66,692	64,081
Endowment income, net	20	—	59,479	69,622
Interest expense	(259,621)	(224,909)	(23,033)	(21,343)
Other nonoperating expenses	(45,449)	(64,009)	(7,667)	(37,347)
Net nonoperating revenues	6,041,924	6,258,983	288,160	273,125
Income (loss) before other revenues (expenses)	(502,006)	(362,975)	94,324	66,485
State appropriations, capital	34,972	—	—	—
Grants and gifts, capital	60,141	73,953	31,413	13,643
Additions to permanent endowments	—	—	100,239	96,080
Change in net position	(406,893)	(289,022)	225,976	176,208
Net position – beginning of year	(14,174,274)	(13,885,252)	3,212,188	3,035,980
Net position – end of year	\$ (14,581,167)	(14,174,274)	3,438,164	3,212,188

CALIFORNIA STATE UNIVERSITY

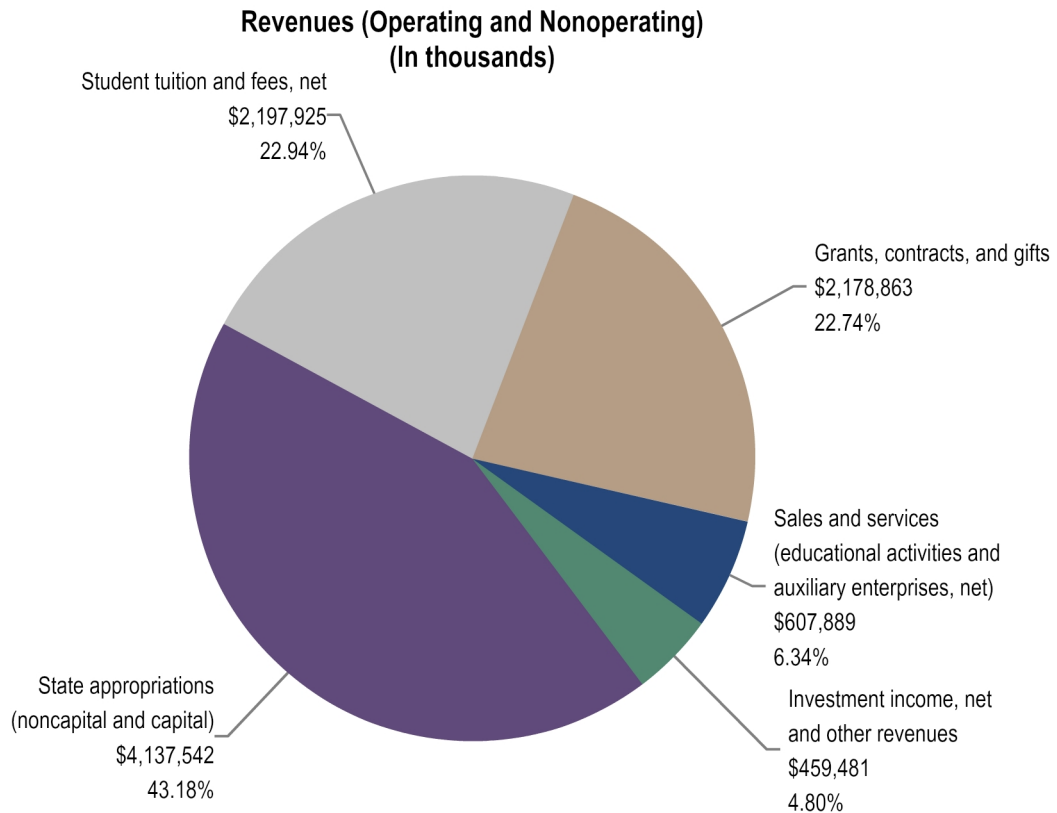
Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Revenues (Operating and Nonoperating)

The University's two largest sources of revenues are state appropriations and student tuition and fees, net, which accounted for a combined 66.12% and 68.96% of total revenues in 2019 and 2018, respectively. State appropriations are received for both noncapital and capital purposes.



The University's total revenues consisted of the following:

	<u>2019</u>	<u>Percentage of total</u>	<u>2018</u>	<u>Percentage of total</u>
	(In thousands)		(In thousands)	
State appropriations (noncapital and capital)	\$ 4,137,542	43.18%	\$ 4,486,584	46.13%
Student tuition and fees, net	2,197,925	22.94	2,220,797	22.83
Grants, contracts, and gifts	2,178,863	22.74	2,145,711	22.06
Sales and services (educational activities and auxiliary enterprises), net	607,889	6.34	575,907	5.92
Investment income, net and other revenues	459,481	4.80	296,901	3.06
Total revenues (operating and nonoperating)	\$ 9,581,700	100.00%	\$ 9,725,900	100.00%

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

State Appropriations (Noncapital and Capital)

The University's state appropriations (noncapital and capital) consisted of the following:

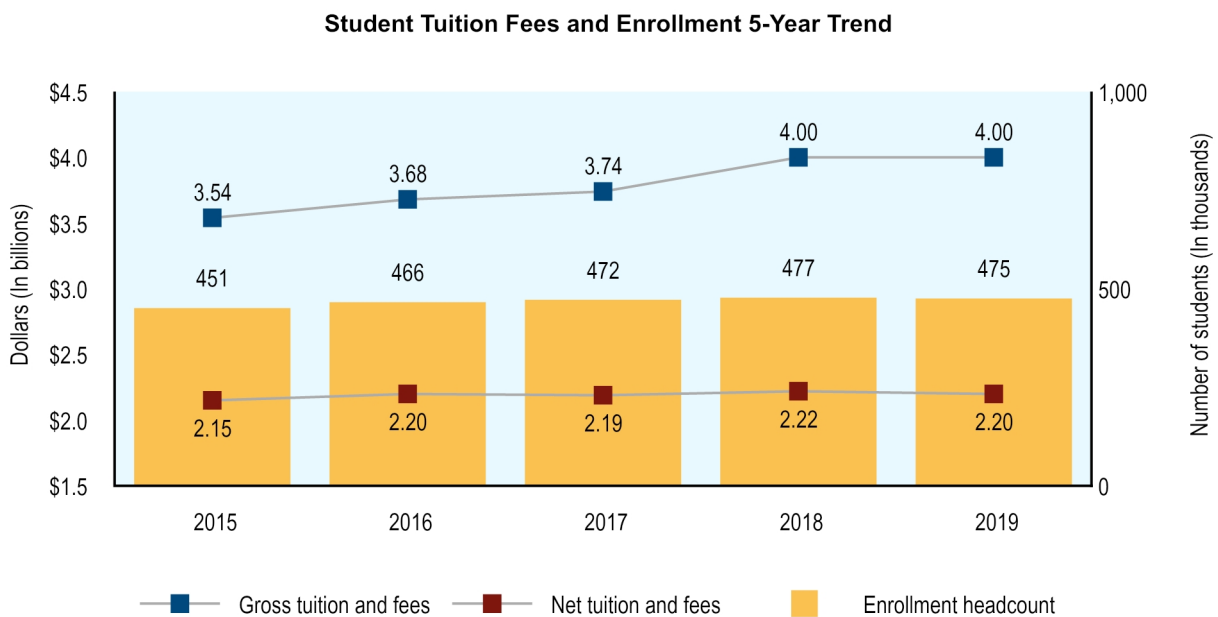
	2019	2018
	(In thousands)	
State appropriations, general fund	\$ 3,776,457	3,451,874
State's contribution on behalf of the University for pension benefits	—	720,559
State's contribution on behalf of the University for OPEB	326,113	314,151
Total state appropriations, noncapital	4,102,570	4,486,584
State appropriations, capital	34,972	—
Total state appropriations (noncapital and capital)	<u>\$ 4,137,542</u>	<u>4,486,584</u>

The state general fund appropriations increased from \$3.45 billion in 2018 to \$3.78 billion in 2019. The increase of \$324.58 million was to augment funding for the graduation initiative 2025, employee compensation, SPWB capital lease obligations debt service, mandatory cost increases, and other miscellaneous support.

In 2018, the State, on behalf of the University, had a one-time supplemental pension contribution amounting to \$720.56 million to help reduce the net pension liability in accordance with Government Code Section 20825. No similar contributions were made in 2019.

Student Tuition and Fees, Net

The student tuition and fees (before scholarship allowances) remained consistent with prior year at \$4 billion. The following chart displays the five-year trend between enrollment headcount and student tuition and fees:



CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

The gross student tuition fees revenue reflects an increasing trend over the last five years. This is mainly driven by student enrollment growth in the last five years. In addition to student enrollment growth, the increase in tuition rates effective in academic year 2017-2018 resulted in the upward trend in 2018.

The University offers eligible students fee waivers and institutional grants to be applied against student tuition and fees. This is in addition to federal agencies, state agencies, and nongovernmental grantor's student financial aid grants. Collectively, these are referred to as scholarship allowance; an offset to the gross student tuition and fees. The increasing gap between the gross and net student tuition and fees reflects growth in the waivers and financial aid grants made available to students. In 2019 and 2018, approximately half of the student tuition and fees were paid through waivers and financial aid grants, as shown in the table below.

	<u>2019</u>	<u>2018</u>
	(In thousands)	
Gross student tuition and fees	\$ 3,998,779	3,993,233
Less: Institutional grants	(802,370)	(783,690)
Less: Financial aid grants	(998,484)	(988,746)
Net student tuition and fees	<u>\$ 2,197,925</u>	<u>2,220,797</u>

Sales and Services (Educational Activities and Auxiliary Enterprise)

Sales and services of educational activities include revenues related incidentally to the conduct of instruction, research, and public service, and revenues for activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to faculty, students, staff, and the general public. Net revenues from sales and services of educational activities amounted to \$47.66 million, a decrease from \$52.40 million in 2018.

Auxiliary enterprises exist predominantly to furnish goods or services to students, faculty, or staff, for a fee. Net revenues from sales and services of auxiliary enterprises, which are primarily for student housing and parking, amounted to \$560.23 million, which is a \$36.73 million increase when compared to 2018. The increase is due mainly to new student housing facilities which operated for the first time in 2019 and increases in housing occupancy, space rentals, and parking permits issued to students, faculty, and employees.

Grants, Contracts and Gifts

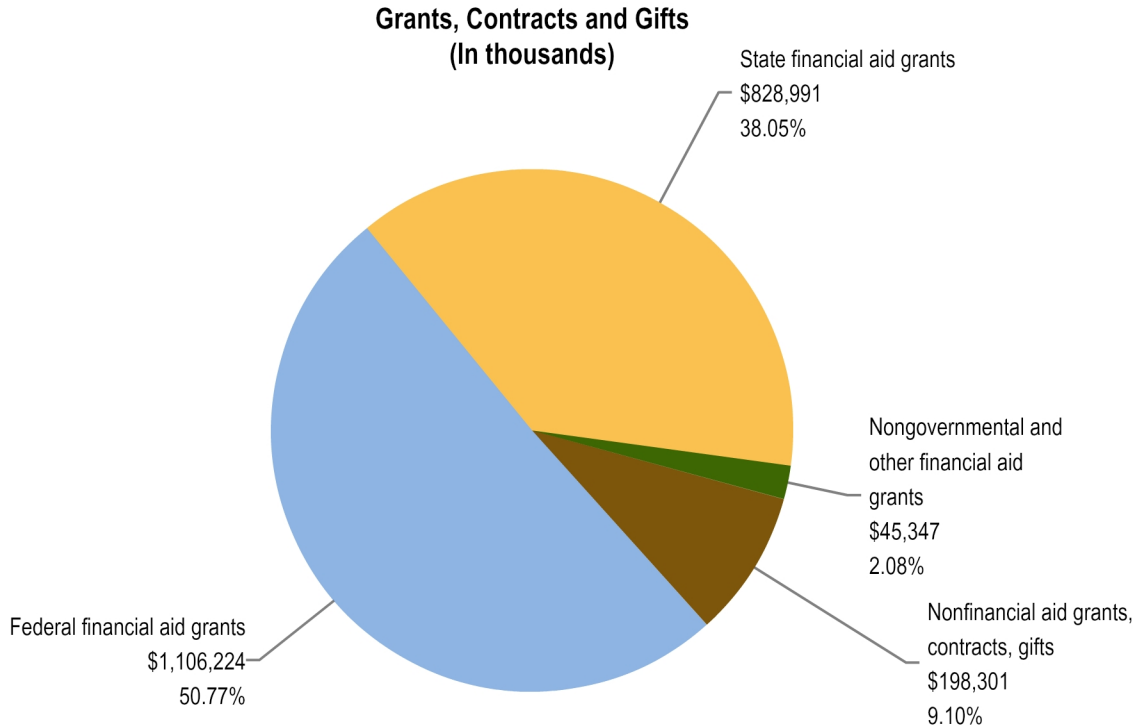
Grants, contracts and gifts revenues are derived substantially from the student financial aid grants from federal agencies, state agencies, and nongovernmental grantors. Major federal financial aid grants came from the Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study. Major state financial aid grants came from Cal Grants and Middle Class Scholarship.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)



Student financial aid grants of \$1.98 billion represent 90.90% of the University's total grants, contracts, and gifts revenues of \$2.18 billion for 2019. Federal and state agencies contributed \$1.94 billion in 2019 and \$1.89 billion in 2018. The financial aid increases are due to more eligible students and higher aid per student.

The remainder of the grants, contracts and gifts include non-financial aid grants, contracts, changes to permanent endowments, and gifts (capital and noncapital), which amounted to \$198.30 million, or 9.10%, of total grants, contracts, and gifts. Further, gifts received from discretely presented component units amounted to \$75.54 million.

Investment and Endowment Income, Net

Investment and endowment income for 2019 is \$204.83 million, which is \$137.48 million higher when compared to the prior year. This is mainly attributable to favorable market conditions in 2019.

Expenses (Operating and Nonoperating)

The University's total expenses of \$9.99 billion is comprised of operating expenses of \$9.68 billion, or 96.95%, and nonoperating expenses of \$305.07 million, or 3.05%.

Operating Expenses

When the mission-critical educational support activities of student services, academic support, student grants and scholarships, public service, and research are added to direct classroom instruction, the total instruction and educational support activities account for 70.31% and 70.60% of the 2019 and 2018 total operating expenses of the University, respectively.

CALIFORNIA STATE UNIVERSITY

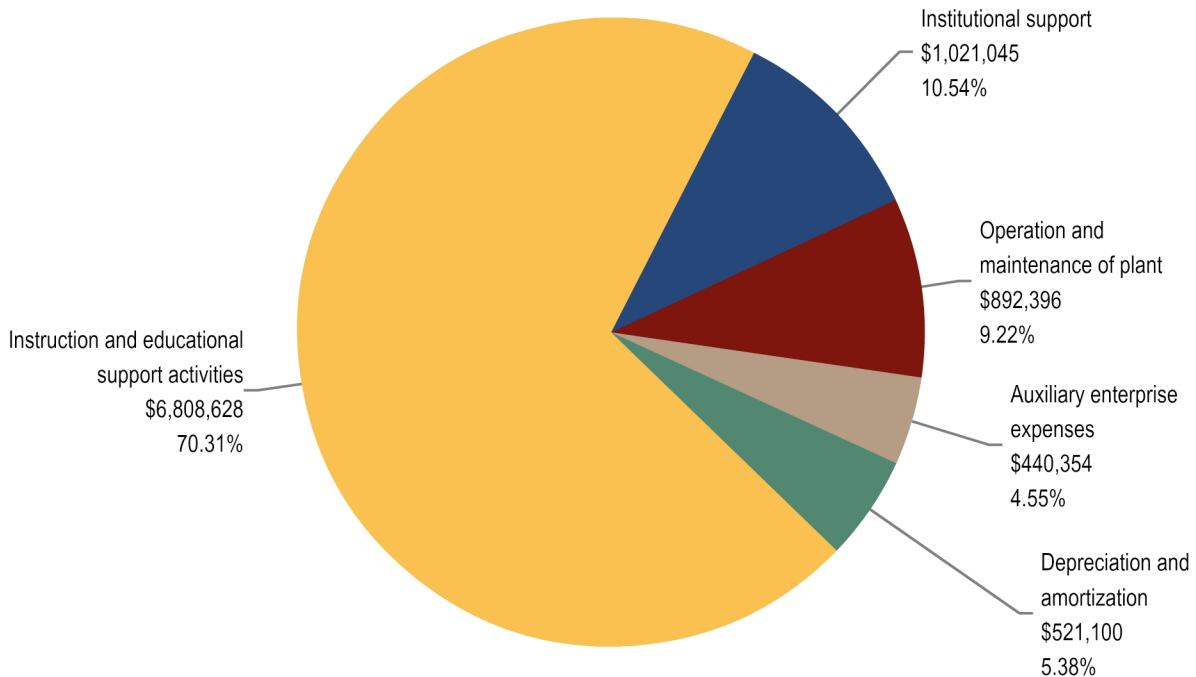
Management's Discussion and Analysis

June 30, 2019

(Unaudited)

	2019 (In thousands)	Percentage of total	2018 (In thousands)	Percentage of total
Instruction	\$ 3,614,639	37.33%	\$ 3,767,929	38.74%
Research	80,580	0.83	71,377	0.74
Public service	71,870	0.74	61,543	0.63
Academic support	1,042,756	10.77	982,493	10.10
Student services	1,083,497	11.19	1,091,912	11.23
Student grants and scholarships	915,286	9.45	891,169	9.16
Total instruction and educational support activities	6,808,628	70.31	6,866,423	70.60
Institutional support	1,021,045	10.54	1,045,903	10.75
Operation and maintenance of plant	892,396	9.22	861,988	8.86
Auxiliary enterprise expenses	440,354	4.55	449,959	4.63
Depreciation and amortization	521,100	5.38	501,731	5.16
Total operating expenses	\$ 9,683,523	100.00%	\$ 9,726,004	100.00%

**Operating Expenses
(In thousands)**



CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

- *Salaries*

The University's salaries increased from \$3.61 billion in 2018 to \$3.72 billion in 2019. The increase is due mainly to employee salary rate increases during the year and higher employee headcount. The majority of the increase in salaries are in instruction and education support of \$79.97 million, in institutional support of \$19.94 million, and in operation and maintenance of plant of \$17.22 million.

- *Benefits*

The University's benefits decreased from \$3.19 billion in 2018 to \$2.91 billion in 2019. The majority of the decrease in benefits are in instruction and educational support \$179.43 million, in institutional support of \$53.12 million, and in operation and maintenance of plant of \$28.27 million. The overall decrease was related to changes in OPEB and pension expenses.

The OPEB expense decreased by \$268.66 million in 2019, due mainly to the smoothing effect of the changes in the assumptions and differences between actual and expected experience. The pension related benefits expense decreased by \$100.82 million in 2019, due mainly to higher earnings from the pension plan investments, and favorable changes in assumptions which offset the increase in the service costs, interest on net pension liability, and other related costs. The other benefits expense increased by \$87.66 million due to increase in benefits rates and employee headcount.

- *Scholarships and Fellowships*

The scholarship and fellowships, which represent financial aid directly paid to students, increased from \$891.17 million in 2018 to \$915.29 million in 2019. The increase is mainly due to an increased number of students eligible for financial aid.

- *Supplies and Other Services*

The University's supplies and other services increased from \$1.53 billion in 2018 to \$1.61 billion in 2019. The increase of \$81.02 million is mainly comprised of \$17.55 million for instruction and educational support, \$8.32 million for institutional support, \$41.46 million for operation and maintenance of plant, and \$13.69 million for auxiliary enterprise.

Discretely Presented Component Units' Results of Operations

The discretely presented component units managed \$2.04 billion of revenues, representing 17.56% of the University's \$11.62 billion combined total revenues. This is higher compared to the 17.08% in prior year due to increase grants, gifts and contracts.

The discretely presented component units managed \$820.56 million grants contracts, and gifts revenues, representing 27.36% of the \$3 billion combined total. Discretely presented component units fund many student co-curricular activities, administer research programs, raise funds, operate student unions, offer recreational programs, coordinate commercial enterprises, and develop public-private partnerships on behalf of the University.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Factors Impacting Future Periods

University Support Budget Plan for Fiscal year 2019-2020

The University's \$7.15 billion total operating budget for fiscal year 2019-2020 is funded primarily from two sources: \$3.98 billion from State general fund appropriations and \$3.17 billion of tuition and fee revenues.

The fiscal year 2019-2020 budget includes an augmentation of \$379.07 million for the following:

- \$45 million for the Graduation Initiative 2025
- \$131.16 million for enrollment funding
- \$147.83 million for employee compensation
- \$131.16 million for increased enrollment
- \$9.80 million for facilities and infrastructure projects
- \$42.27 million for mandatory cost increases (e.g., health benefits, operations and maintenance of new facilities)
- \$3 million for other programs

Subsequent Events

The following information describes significant events that occurred subsequent to June 30, 2019, but prior to the date of the auditors' report.

- *SRB Issuance*

In August 2019, the University issued \$449.43 million of SRB Series 2019A (Tax Exempt) and \$81.34 million of SRB Series 2019B (Taxable). The new bonds were issued to fund various capital projects, redeem maturing BANs, refund outstanding SRB Series 2010A bonds.

- *BAN Issuance*

In September 2019, the University issued \$43.26 million of BANs for the San Diego State University Aztec Recreation Center expansion.

In October 2019, \$43.35 million of BANs were issued for the Long Beach Housing expansion - Parkside North project and \$30 million for the San Jose State University South Campus Parking Structure and Sports Field Facility Project.

In November 2019, the University issued \$98.30 million of BANs for the Capital Outlay Program and Five-Year Facilities Renewal and Improvement Plan.

BASIC FINANCIAL STATEMENTS



CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2019

(In thousands)

Assets	University	Discretely presented component units	Total
Current assets:			
Cash and cash equivalents	\$ 17,492	263,232	280,724
Short-term investments	3,765,526	799,035	4,564,561
Accounts receivable, net	196,894	270,150	467,044
Capital lease receivable, current portion	11,868	1,914	13,782
Notes receivable, current portion	13,057	109,772	122,829
Pledges receivable, net	2,000	99,217	101,217
Prepaid expenses and other current assets	69,457	42,187	111,644
Total current assets	<u>4,076,294</u>	<u>1,585,507</u>	<u>5,661,801</u>
Noncurrent assets:			
Restricted cash and cash equivalents	103	55,798	55,901
Accounts receivable, net	54,245	18,990	73,235
Capital lease receivable, net of current portion	208,216	59,361	267,577
Notes receivable, net of current portion	387,560	20,827	408,387
Student loans receivable, net	59,491	385	59,876
Pledges receivable, net	—	124,274	124,274
Endowment investments	1,693	1,722,462	1,724,155
Other long-term investments	1,277,735	446,270	1,724,005
Capital assets, net	9,538,377	912,577	10,450,954
Other assets	28,383	39,612	67,995
Total noncurrent assets	<u>11,555,803</u>	<u>3,400,556</u>	<u>14,956,359</u>
Total assets	<u>15,632,097</u>	<u>4,986,063</u>	<u>20,618,160</u>
Deferred Outflows of Resources			
Deferred outflows of resources	2,456,788	32,520	2,489,308
Liabilities			
Current liabilities:			
Accounts payable	292,087	112,912	404,999
Accrued salaries and benefits	421,634	31,675	453,309
Accrued compensated absences, current portion	127,417	15,310	142,727
Unearned revenues	321,194	92,184	413,378
Capital lease obligations, current portion	20,108	11,944	32,052
Long-term debt obligations, current portion	171,813	125,217	297,030
Claims liability for losses and loss adjustment expenses, current portion	—	16,466	16,466
Depository accounts	10,238	14,835	25,073
Other liabilities	137,666	72,974	210,640
Total current liabilities	<u>1,502,157</u>	<u>493,517</u>	<u>1,995,674</u>

CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2019

(In thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Total</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	\$ 112,545	6,065	118,610
Unearned revenues	8,048	18,333	26,381
Grants refundable	69,007	4,038	73,045
Capital lease obligations, net of current portion	295,214	226,301	521,515
Long-term debt obligations, net of current portion	6,779,656	460,989	7,240,645
Claims liability for losses and loss adjustment expenses, net of current portion	—	43,980	43,980
Depository accounts	2,101	19,025	21,126
Total other postemployment benefits liability	13,128,996	119,708	13,248,704
Net pension liability	7,733,251	83,557	7,816,808
Other liabilities	150,937	52,717	203,654
Total noncurrent liabilities	28,279,755	1,034,713	29,314,468
Total liabilities	29,781,912	1,528,230	31,310,142

Deferred Inflows of Resources

Deferred inflows of resources	2,888,140	52,189	2,940,329
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Net Position

Net position:			
Net investment in capital assets	3,438,964	295,177	3,734,141
Restricted for:			
Nonexpendable – endowments	1,693	1,336,916	1,338,609
Expendable:			
Scholarships and fellowships	23,057	241,878	264,935
Research	110	26,323	26,433
Loans	20,715	2,853	23,568
Capital projects	93,460	123,457	216,917
Debt service	38,975	6,625	45,600
Others	18,495	745,809	764,304
Unrestricted	(18,216,636)	659,126	(17,557,510)
Total net position	\$ (14,581,167)	3,438,164	(11,143,003)

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019

(in thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:				
Operating revenues:				
Student tuition and fees (net of University scholarship allowances of \$1,800,854)	\$ 2,197,925	191,565	(3,685)	2,385,805
Grants and contracts, noncapital:				
Federal	46,896	384,184	(144)	430,936
State	12,116	115,491	(367)	127,240
Local	3,996	24,129	(25)	28,100
Nongovernmental	16,123	72,650	(4,797)	83,976
Sales and services of educational activities	47,655	47,906	(299)	95,262
Sales and services of auxiliary enterprises (net of University scholarship allowances of \$114,846)	560,234	498,896	(3,256)	1,055,874
Other operating revenues	254,648	256,013	(8,555)	502,106
Total operating revenues	<u>3,139,593</u>	<u>1,590,834</u>	<u>(21,128)</u>	<u>4,709,299</u>
Expenses:				
Operating expenses:				
Instruction	3,614,639	134,551	(3,543)	3,745,647
Research	80,580	233,089	(673)	312,996
Public service	71,870	201,581	(37)	273,414
Academic support	1,042,756	100,315	(15,131)	1,127,940
Student services	1,083,497	188,006	(12,311)	1,259,192
Institutional support	1,021,045	246,939	(20,612)	1,247,372
Operation and maintenance of plant	892,396	47,515	(5,223)	934,688
Student grants and scholarships	915,286	92,095	(40,579)	966,802
Auxiliary enterprise expenses	440,354	486,536	(6,940)	919,950
Depreciation and amortization	521,100	54,043	—	575,143
Total operating expenses	<u>9,683,523</u>	<u>1,784,670</u>	<u>(105,049)</u>	<u>11,363,144</u>
Operating loss	<u>(6,543,930)</u>	<u>(193,836)</u>	<u>83,921</u>	<u>(6,653,845)</u>

CALIFORNIA STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019

(in thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Eliminations</u>	<u>Total</u>
Nonoperating revenues (expenses):				
State appropriations, noncapital	\$ 4,102,570	—	—	4,102,570
Federal financial aid grants, noncapital	1,106,224	1,181	—	1,107,405
State financial aid grants, noncapital	828,991	1,347	(1)	830,337
Local financial aid grants, noncapital	—	36	—	36
Nongovernmental and other financial aid grants, noncapital	45,347	182	(24,355)	21,174
Other federal nonoperating grants, noncapital	4,026	—	—	4,026
Gifts, noncapital	55,003	189,943	(48,877)	196,069
Investment income, net	204,813	66,692	—	271,505
Endowment income, net	20	59,479	—	59,499
Interest expense	(259,621)	(23,033)	—	(282,654)
Other nonoperating expenses	(45,449)	(7,667)	15,976	(37,140)
Net nonoperating revenues	<u>6,041,924</u>	<u>288,160</u>	<u>(57,257)</u>	<u>6,272,827</u>
Income (loss) before other revenues	(502,006)	94,324	26,664	(381,018)
State appropriations, capital	34,972	—	—	34,972
Grants and gifts, capital	60,141	31,413	(26,664)	64,890
Additions to permanent endowments	—	100,239	—	100,239
Increase (decrease) in net position	<u>(406,893)</u>	<u>225,976</u>	<u>—</u>	<u>(180,917)</u>
Net position:				
Net position at beginning of year	<u>(14,174,274)</u>	<u>3,212,188</u>	<u>—</u>	<u>(10,962,086)</u>
Net position at end of year	<u>\$ (14,581,167)</u>	<u>3,438,164</u>	<u>—</u>	<u>(11,143,003)</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2019

(In thousands)

	<u>University</u>
Cash flows from operating activities:	
Student tuition and fees	\$ 2,186,027
Federal grants and contracts	44,091
State grants and contracts	6,659
Local grants and contracts	3,666
Nongovernmental grants and contracts	15,984
Payments to suppliers	(1,610,979)
Payments to employees	(3,692,890)
Payments for benefits	(1,838,672)
Payments to students	(918,947)
Collections of student loans	4,090
Sales and services of educational activities	46,779
Sales and services of auxiliary enterprises	554,746
Other receipts	229,591
	<hr/>
Net cash used in operating activities	(4,969,855)
 Cash flows from noncapital financing activities:	
State appropriations	3,775,647
Federal financial aid grants	1,103,570
State financial aid grants	830,127
Nongovernmental and other financial aid grants	45,379
Other federal nonoperating grants	4,024
Gifts and grants received for other than capital purposes	54,615
Federal loan program receipts	1,458,384
Federal loan program disbursements	(1,448,015)
Monies received on behalf of others	154,811
Monies disbursed on behalf of others	(157,657)
Transfers to escrow agent	(8,865)
Proceeds from long-term debt	89,815
Principal paid on long-term debt	(20,204)
Interest paid on long-term debt	(29,814)
Issuance of notes receivable	(90,276)
Principal collections on capital leases	5,486
Interest collections on capital leases	3,978
Principal collections on notes receivable	66,778
Interest collections on notes receivable	19,315
Other noncapital financing activities	(39,587)
	<hr/>
Net cash provided by noncapital financing activities	5,817,511

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2019

(In thousands)

	<u>University</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	\$ 762,076
State appropriations	14,549
State appropriations – SPWB Lease Revenue Bond program	1,153
Capital grants and gifts	52,337
Proceeds from sale of capital assets	13,051
Acquisition of capital assets	(954,173)
Transfers to escrow agent	(1,654)
Principal paid on capital debt and leases	(307,107)
Interest paid on capital debt and leases	(278,257)
Principal collection on capital leases	3,908
Interest collection on capital leases	5,179
	<hr/>
Net cash used in capital and related financing activities	(688,938)
	<hr/>
Cash flows from investing activities:	
Proceeds from sales of investments	10,308,412
Purchases of investments	(10,573,282)
Investment income proceeds	120,924
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Net cash used in investing activities	(143,946)
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Net increase in cash and cash equivalents	14,772
Cash and cash equivalents at beginning of year	2,824
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Cash and cash equivalents at end of year	\$ 17,596
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Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	\$ 17,492
Restricted cash and cash equivalents	103
	<hr/>
Total cash and cash equivalents at end of year	\$ 17,595
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CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2019

(In thousands)

	<u>University</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (6,543,930)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	521,100
Change in assets and liabilities:	
Accounts receivable, net	(25,365)
Student loans receivable, net	135
Pledges receivable, net	240
Prepaid expenses and other current assets	(3,375)
Other assets	(6,190)
Deferred outflows of resources	1,615,763
Accounts payable	13,516
Accrued salaries and benefits	26,225
Accrued compensated absences	13,968
Unearned revenues	(7,253)
Depository accounts	(4)
Total other postemployment benefits liability	(789,529)
Net pension liability	(1,166,711)
Other liabilities	(1,600)
Deferred inflows of resources	1,383,154
Net cash used in operating activities	<u>\$ (4,969,856)</u>

Supplemental schedule of noncash transactions:

State's contribution for OPEB	\$ 326,113
Notes receivable paid through long-term debt	89,670
Amortization of net bond premium	32,159
Acquisition of capital assets through capital lease	24,599
Change in accrued capital asset purchases	9,835
Contributed capital assets	7,825
Amortization of loss on debt refundings	6,147

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS



CALIFORNIA STATE UNIVERSITY

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June 30, 2019

(In thousands)

(1) Organization

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2019:

- California State University, Bakersfield
- California State University Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, East Bay
- California State University, Fresno
- California State University, Fullerton
- Humboldt State University
- California State University, Long Beach
- California State University, Los Angeles
- California State University Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, Sacramento
- California State University, San Bernardino
- San Diego State University
- San Francisco State University
- San José State University
- California Polytechnic State University, San Luis Obispo
- California State University San Marcos
- Sonoma State University
- California State University, Stanislaus

CALIFORNIA STATE UNIVERSITY

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The University provides instruction for baccalaureate, masters', doctorate, and certificate programs, and operates various auxiliary enterprises, such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs that are funded primarily through state and federal programs.

(2) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, the accompanying financial statements present the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows of the 23 campuses and the Office of the Chancellor of the University.

In addition, the accompanying financial statements include the accounts of the 90 discretely presented component units, which are primarily University-related recognized auxiliary organizations. These discretely presented component units are legally separate entities that provide services primarily to the University and its students. Recognized auxiliary organizations include foundations, associated students, student unions, auxiliary services, university corporations, and similar organizations. Foundations, whose net position comprises approximately 78.84% of the discretely presented component unit totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research, as well as soliciting and accepting donations, gifts, and bequests for University-related use. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The discretely presented component units are as follows:

- California State University, Bakersfield Foundation
- Associated Students, California State University, Bakersfield, Inc.
- California State University, Bakersfield Student Union
- California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
- California State University Foundation
- California State University Institute
- California State University Risk Management Authority
- California State University, Channel Islands Foundation
- Associated Students of California State University Channel Islands, Inc.
- CI University Auxiliary Services, Inc.
- California State University Channel Islands Financing Authority
- California State University Channel Islands Site Authority
- Chico State Enterprises (formerly The CSU, Chico Research Foundation)
- The University Foundation, California State University, Chico

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- Associated Students of California State University, Chico
- California State University, Dominguez Hills Foundation
- California State University, Dominguez Hills Philanthropic Foundation
- Associated Students, Inc., California State University, Dominguez Hills
- The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
- Cal State East Bay Educational Foundation, Inc.
- California State University, East Bay Foundation, Inc.
- Associated Students, Inc. of California State University, East Bay
- California State University, Fresno Foundation
- The Agricultural Foundation of California State University, Fresno
- The Bulldog Foundation (Fresno)
- Associated Students California State University, Fresno
- California State University, Fresno Athletic Corporation
- California State University, Fresno Association, Inc.
- Fresno State Programs for Children, Inc.
- Cal State Fullerton Philanthropic Foundation
- Associated Students, California State University, Fullerton, Inc.
- CSU Fullerton Auxiliary Services Corporation
- Humboldt State University Foundation
- Humboldt State University Sponsored Programs Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center Board of Directors
- California State University, Long Beach Research Foundation
- CSULB 49er Foundation
- Associated Students, Inc., California State University, Long Beach
- Forty-Niner Shops, Inc. (Long Beach)
- California State University, Los Angeles Foundation
- Associated Students of California State University, Los Angeles, Inc.
- University-Student Union at California State University, Los Angeles

CALIFORNIA STATE UNIVERSITY

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- Cal State L.A. University Auxiliary Services, Inc.
- California Maritime Academy Foundation, Inc.
- Associated Students of the California Maritime Academy
- Foundation of California State University, Monterey Bay
- University Corporation at Monterey Bay
- Otter Student Union at CSU Monterey Bay
- California State University, Northridge Foundation
- Associated Students, California State University, Northridge, Inc.
- University Student Union California State University, Northridge
- The University Corporation (Northridge)
- North Campus - University Park Development Corporation (Northridge)
- Cal Poly Pomona Foundation, Inc.
- Associated Students, Inc., California State Polytechnic University, Pomona
- The University Foundation at Sacramento State
- Associated Students of California State University, Sacramento
- University Union Operation of California State University, Sacramento
- University Enterprises, Inc. (Sacramento)
- Capital Public Radio, Inc. (Sacramento)
- CSUSB Philanthropic Foundation
- Associated Students, Incorporated, California State University, San Bernardino
- Santos Manuel Student Union of California State University, San Bernardino
- University Enterprises Corporation at CSUSB
- San Diego State University Research Foundation
- The Campanile Foundation (San Diego)
- Associated Students of San Diego State University
- Aztec Shops, Ltd. (San Diego)
- San Francisco State University Foundation
- Associated Students of San Francisco State University
- The University Corporation, San Francisco State
- San José State University Research Foundation

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(In thousands)

- Tower Foundation of San José State University
- Associated Students of San José State University
- The Student Union of San José State University
- Spartan Shops, Inc. (San José)
- California Polytechnic State University Foundation (San Luis Obispo)
- Associated Students, Inc., California Polytechnic State University, San Luis Obispo
- Cal Poly Corporation (San Luis Obispo)
- California State University San Marcos Foundation
- Associated Students, Inc. of California State University San Marcos
- California State University San Marcos Corporation
- Sonoma State University Foundation
- Associated Students of Sonoma State University
- Sonoma State Enterprises, Inc.
- California State University, Stanislaus Foundation
- Associated Students Incorporated of California State University, Stanislaus
- University Student Union of California State University, Stanislaus
- California State University, Stanislaus Auxiliary and Business Services

These component units are presented in the accompanying financial statements as discretely presented component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to their close affiliation with the University. These organizations are discretely presented to allow the financial statement users to distinguish between the University and the component units. None of the component units are considered individually significant to the total discretely presented component units. All significant nonexchange transactions between the University and discretely presented component units have been eliminated from these financial statements.

The accompanying financial statements also include the Stockton Center Site Authority, and Fullerton Arboretum Authority, which are included as blended component units. These organizations primarily provide services to the University in the areas of asset management and student support. The University is financially accountable for these organizations.

(b) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CALIFORNIA STATE UNIVERSITY

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(In thousands)

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statements Nos. 34 and 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by aggregated financial information for the discretely presented component units, as discussed above. The effects of internal activities between funds or groups of funds have been eliminated from these financial statements.

(c) New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefits) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust fund or equivalent arrangement that meets specific criteria. The University is evaluating the effect GASB Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2020. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University is evaluating the effect GASB Statement No. 87 will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the University's fiscal year beginning July 1, 2020. This Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The University is evaluating the effect GASB Statement No. 89 will have on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, effective for the University's fiscal year beginning July 1, 2019. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. When a majority equity interest meets the definition of an investment as defined by GASB, the equity interest is to be reported as an investment for financial reporting purposes and measured using the equity method. Majority equity interests that do not meet the definition of an investment are to be reported as a component unit. This Statement also provides guidance for valuing the acquisition of assets and liabilities of 100% equity interests that remain legally separate, and brings this reporting in line with existing standards that apply to acquisitions that do not remain legally separate. The University is evaluating the effect GASB Statement No. 90 will have on its financial statements.

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In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the University's fiscal year beginning July 1, 2021. This Statement clarifies the definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. The University is evaluating the effect GASB Statement No. 91 will have on its financial statements.

(d) Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The University considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the Statement of Net Position date. Liabilities that reasonably can be expected, as part of normal University business operations, to be liquidated within 12 months of the Statement of Net Position date are considered to be current. All other assets and liabilities are considered noncurrent. For classification of current and noncurrent investments, refer to note 2(f).

(e) Cash and Cash Equivalents and Statement of Cash Flows

The University considers highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The University considers amounts included in the California State University (CSU) Consolidated Investment Pool to be investments.

The Statement of Cash Flows does not include the cash flows of the discretely presented component units. Certain discretely presented component units are also participants in the CSU Consolidated Investment Pool. The University considers changes in the equity in the CSU Consolidated Investment Pool as investing cash flows of the University in the accompanying Statement of Cash Flows.

(f) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt obligations, and restricted as to the liquidity of the investments are classified as other long-term investments.

The University invests in the Surplus Money Investment Fund (SMIF), an external investment pool. The State Treasurer invests the SMIF funds through the Pooled Money Investment Account (PMIA). PMIA policy sets as primary investment objectives safety, liquidity, and yield. The Investment Division of the State Treasurer's Office manages the PMIA under statutory authority granted by California Government Code Sections 16430 and 16480.4. The Pooled Money Investment Board governs the PMIA. The State Treasurer chairs this Board, which also includes the State Controller and the State Director of Finance.

(g) Accounts Receivable

The University maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable based on types of receivables and expectations of repayment. In establishing the required allowance, management considers one or more of the following: types of receivable, state guidelines, historical losses

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(In thousands)

adjusted to take into account current market conditions, the amount of receivable in dispute, the current receivable aging, and current payment patterns. The University reviews its allowance for doubtful accounts annually. Past-due balances over 90 days and over a specified amount are reviewed individually for collectibility.

(h) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased, or, if donated, at estimated acquisition value (an entry price) at date of donation. Capital assets, including infrastructure and intangible assets, with an original value of five thousand dollars or more and with a useful life of over one year, are capitalized. Such cost includes, where applicable, interest capitalized as part of the cost of constructed capital assets. Title to all University assets, whether purchased, constructed, or donated, is held by the State. Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets in the accompanying financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures, construction work in progress, and certain intangible assets, are depreciated or amortized on a straight-line basis over their estimated useful lives, which ranges from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost, if purchased, or the acquisition value (an entry price) at the date of donation, if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation and amortization expense is shown separately in the Statement of Revenues, Expenses, and Changes in Net Position rather than being allocated among other categories of operating expenses.

(i) Unearned Revenues

Unearned revenues consist primarily of fees collected in advance for summer and fall terms and continuing education programs.

(j) Compensated Absences

Compensated absences are recognized, as either current or noncurrent liabilities, when the right to receive the compensation is earned by the employees from vested unpaid vacation and other paid leave programs. Unused sick leave balances are not included in the compensated absences because they do not vest to employees. Vacation is accrued on a monthly basis. The University uses an employee's current pay rate as of July 1, 2019 to calculate the liability for accrued compensated absences. The University provides vacation based on length of service and job classifications.

(k) Grants Refundable

The University periodically receives contributions from the federal government in support of its operation of the Federal Perkins and Nursing Loan programs, both Title IV Loan programs. The federal government has the ability to terminate its support of these programs at any time and to request that the University return those contributions on a cumulative basis, such as the Federal Perkins Loan Program which has expired in fiscal year 2018. Accordingly, the federal contributions received and retained by the University at year-end are considered liabilities of the University and are reflected as such in the accompanying Statement of Net Position.

CALIFORNIA STATE UNIVERSITY

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(In thousands)

(l) Claims Liability for Losses and Loss Adjustment Expenses

The claims liability for losses and loss adjustment expenses included in the aggregate discretely presented component units column of the financial statements includes California State University Risk Management Authority's (CSURMA) estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2019. The liability includes the estimated amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurance that is related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In the estimate of the unpaid losses and loss adjustment expenses, CSURMA and its consulting actuary have employed methods and assumptions they considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

(m) Deferred Outflows of Resources and Deferred Inflows of Resources

The University classifies losses on debt refundings as deferred outflows of resources and amortizes it as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience and related to change in the University's proportionate share of pensionable compensation made subsequent to the measurement date are amortized over a closed period equal to the average employees' remaining service lives. The deferred outflows and inflows of resources related to differences between projected and actual earnings on pension plan investments are netted and amortized over a closed 5-year period.

Changes in total OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average employees' remaining service lives.

(n) Net Position

The University's net position is classified into the following categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources.

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(In thousands)

- **Restricted:**

Nonexpendable: Net position subject to externally imposed conditions that the University retains in perpetuity. Net position in this category consists of endowments held by the University or its related discretely presented component units.

Expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

- **Unrestricted:** All other categories of net position. In addition, unrestricted net position may have legislative or bond indenture requirements associated with their use or may be designated for use by management of the University. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expenses incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding University assets available to pay such obligations.

(o) Classification of Revenues and Expenses

The University considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions and from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include the University's capital and noncapital appropriations from the State, financial aid grants, net investment income, noncapital gifts, interest expense, capital grants and gifts, and changes in permanent endowments.

The State appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue in general when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fees revenue, and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship and fellowships are paid directly to, or refunded to, the student and are reflected as operating expenses.

(p) Total Other Postemployment Benefits (OPEB) Liability

The University records the total OPEB liability equal to its share of the State's total OPEB liability. The total OPEB liability is an actuarial accrued liability that reflects the present value of future healthcare benefits earned by employees up to June 30, 2019. The University's total OPEB liability is determined by discounting the projected benefit for current active employees and retirees based on the discount rate required by GASB Statement No. 75

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(In thousands)

for OPEB plans which do not have assets residing in a qualified trust. The University and the State fund their current OPEB expenses on a "pay-as-you-go" basis.

(q) Net Pension Liability

The University records a pension liability equal to the net pension liability for its proportionate share in the State's defined-benefit plans: the State's Miscellaneous Plan and the Peace Officers and Firefighters Plan (Agent Multiple-Employer Defined-Benefit Pension Plans). The net pension liability is measured as the University's proportionate share of the State's total pension liability, less the University's proportionate share of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the cost sharing defined-benefit plans has been measured consistent with the accounting policies used by the plans.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, information about the fiduciary net position of the pension plan, and additions to/ deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

(r) Grant Revenues and Expenses

The University records grant revenue when all applicable grant eligibility requirements are met. Expenses are recorded as expenditures are incurred. Expenditure-driven grant revenue is recorded as the expenditures are incurred, in amounts equal to the expenditures.

(s) Internal Services Activities

Certain institutional internal service providers offer goods and services to University departments, as well as to external customers. These include activities such as copy centers, postal services, and telecommunications. All significant internal service activities provided to University departments have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the internal service sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the fiscal year.

(t) Income Taxes

The University is an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes. The component units are either exempt governmental entities or not-for-profit organizations exempt under IRC Section 501(c)(3). However, the University and its component units remain subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded. If there is net income from any unrelated trade or business, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

(u) Eliminations

All significant nonexchange transactions between the University and its discretely presented component units have been eliminated from the total column and are separately presented in the eliminations column in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

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Notes to Financial Statements

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(In thousands)

(v) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

(3) **Cash, Cash Equivalents, and Investments**

The University's cash, cash equivalents, and investments as of June 30, 2019 are classified in the accompanying Statement of Net Position as follows:

Cash and cash equivalents	\$ 17,492
Restricted cash and cash equivalents	103
Total cash and cash equivalents	17,595
Short-term investments	3,765,526
Endowment investments	1,693
Other long-term investments	1,277,735
Total investments	5,044,954
Total cash, cash equivalents, and investments	\$ 5,062,549

(a) **Cash and Cash Equivalents**

At June 30, 2019, cash and cash equivalents consist of demand deposits held at the State Treasury, commercial banks, and petty cash. Total cash and cash equivalents of \$17,595 had a corresponding carrying balance with the State Treasury and commercial banks of \$21,056 at June 30, 2019. The difference was primarily related to deposits in transit and outstanding checks.

Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

(i) *Custodial Credit Risk for Deposits*

Custodial credit risk for deposits is the risk that in the event of the failure of the custodian, the deposits may not be returned to the University. The University deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation secured. As a result, custodial credit risk for deposits is remote.

(b) **Investments**

The University's investment portfolio consists primarily of investments in the CSU Consolidated Investment Pool and SMIF. Separate accounting is maintained as to the amounts allocable to the various University funds and programs.

(i) *Investment Policy*

State law and regulations require that surplus monies of the University be invested. The objectives of the University's investment policy are to safeguard the principal, to meet liquidity needs of the University, and to obtain the best possible return commensurate with the degree of risk the University is willing to assume in

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obtaining such return. These objectives may be weighted or prioritized differently for individual portfolios depending on the purpose of the portfolio.

The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430, and Education Code Sections 89724 and 89725, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the Federal and California state governments, certificates of deposit, high-quality domestic corporate fixed-income securities, and certain other investment instruments.

Effective January 1, 2017, changes to the Education and Government Code of the State expanded the permitted investments to include mutual funds, including equity mutual funds, subject to registration by, and under the regulatory authority of the United States Securities and Exchange Commission (SEC), or in United States registered real estate investment trusts, resulting in the establishment of the CSU Total Return Portfolio (TRP). Under State law, investment of funds in the TRP is subject to the University meeting certain conditions regarding investment oversight, reporting, and use of earnings, and is to be phased in at no more than \$600,000 as of June 30, 2019, and thirty percent of eligible investments thereafter. TRP investments amounted to \$559,192 as of June 30, 2019.

Additional earnings (if any) from TRP investments shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations.

(ii) *Interest Rate Risk*

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University's investment guidelines manage its interest rate risk by limiting an eligible investment to maximum effective maturity and by limiting the average duration of the portfolio, however, there are no restrictions on the duration for the investments in the TRP. The effective maturity date reflects a bond with embedded options such as a call, put, or reset date, and prepayment speed resulting in the maturity of a bond being less than the final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates. Durations of the University's investment portfolio for each investment type, except for SMIF in which weighted average life is used, as of June 30, 2019 are presented in the following table:

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(In thousands)

Investment type	Fair value	Duration
Money market funds	\$ 28,638	—
Repurchase agreements	10,352	0.00268
Certificates of deposit	151,165	0.12452
U.S. agency securities	1,053,102	0.58573
U.S. Treasury securities	1,197,884	1.25118
Municipal bonds	49,911	0.19506
Corporate bonds	1,008,970	1.02102
Asset-backed securities	152,372	0.50418
Mortgage-backed securities	202	1.99645
Mutual funds	561,637	5.48082
SMIF	830,721	0.47397
Total	<u>\$ 5,044,954</u>	

Another way the University manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity over time as necessary to provide cash flow and liquidity needed for operations.

(iii) Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The University, except for investments in the TRP, invests in low credit risk securities such as U.S. government securities, securities of federally sponsored agencies, highly rated domestic corporate bonds, prime-rated commercial paper, repurchase and reverse repurchase agreements, banker's acceptance, and negotiable certificates of deposit. Therefore, the credit risk is low and occurrence of default risk is remote.

Investments in the TRP include SEC registered mutual funds invested per a target asset allocation which includes investment grade bonds, higher credit risk bonds (i.e. high yield bonds, bank loans, and emerging market bonds), equities and real assets. Risk for the TRP is viewed holistically and in the context of the overall CSU Consolidated Investment Pool, incorporating quantitative and qualitative assessments into oversight of the TRP. The University accepts a level of risk commensurate with the long-term investment goals of the TRP. The mutual fund investment managers are responsible for assessing the credit risk of the individual securities held in the mutual funds for the TRP. Moreover, certain passive index funds in the TRP will seek to replicate the credit risk of the underlying indices to which the index funds are benchmarked.

Ratings of the University's investment portfolio for each investment type as of June 30, 2019 are presented in the following table:

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

Investment type	Fair value	AAA	AA	A	BBB	BB	B	Not rated
Money market funds	\$ 28,638	—	—	—	—	—	—	28,638
Repurchase agreements	10,352	10,352	—	—	—	—	—	—
Certificates of deposit	151,165	58,994	3,445	88,726	—	—	—	—
U.S. agency securities	1,053,102	37,879	1,015,223	—	—	—	—	—
U.S. Treasury securities	1,197,884	—	1,197,884	—	—	—	—	—
Municipal bonds	49,911	19,813	27,524	2,574	—	—	—	—
Corporate bonds	1,008,970	7,779	113,792	877,282	10,117	—	—	—
Asset-backed securities	152,372	152,372	—	—	—	—	—	—
Mortgage-backed securities	202	—	202	—	—	—	—	—
Mutual funds	561,637	30,826	120,919	—	—	8,407	57,975	343,510
SMIF	830,721	—	—	—	—	—	—	830,721
Total	\$ 5,044,954	318,015	2,478,989	968,582	10,117	8,407	57,975	1,202,869

The mutual funds credit ratings are based on average credit ratings of the underlying mutual funds. Credit ratings for mutual fund related to equity and real estate asset are not applicable.

By law, the SMIF only invests in U.S. government securities, securities of federally sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit, and loans to various bond funds.

(iv) Concentration Risk

Concentration risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counterparty, or sovereign nation, and is best mitigated by diversification. The University's investment policy has concentration limits that provide sufficient diversification. As such, the concentration risk is remote.

As of June 30, 2019, the following investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the University's investment portfolio: Federal Home Loan Banks (\$445,939 or 8.84%) and Federal National Mortgage Association, Inc. (\$300,631 or 5.96%).

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

(v) *Risk and Uncertainties*

The University may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that the changes could materially affect the amounts reported in the Statement of Net Position.

The University, through the CSU Consolidated Investment Pool, invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(vi) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned to the University. Substantially all of the University's securities are registered in the University's name by the custodial bank as an agent for the University. As a result, custodial credit risk for such investments is remote.

(vii) *Fair Value Measurements*

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The University groups its assets and liabilities measured at fair value in three levels, based on markets in which the asset and liabilities are traded and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy with which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset and liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2019:

Investment type	Fair value	Level 1	Level 2	NAV
Money market funds	\$ 28,638	—	—	28,638
Repurchase agreements	10,352	—	10,352	—
Certificates of deposit	151,165	—	151,165	—
U.S. agency securities	1,053,102	—	1,053,102	—
U.S. Treasury securities	1,197,884	—	1,197,884	—
Municipal bonds	49,911	—	49,911	—
Corporate bonds	1,008,970	—	1,008,970	—
Asset-backed securities	152,372	—	152,372	—
Mortgage-backed securities	202	—	202	—
Mutual funds	561,637	561,637	—	—
SMIF	830,721	—	—	830,721
Total	\$ 5,044,954	561,637	3,623,958	859,359

The following discussions describe the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair value are affected by the assumptions used.

Investments are classified in Level 1 as fair value is obtained at the last sale price on the last business day of the current fiscal year, as quoted on a recognized exchange or an industry standard pricing, when available. Investments for which no sale was reported as of the close of the last business day of the current fiscal year are valued at the quoted bid price provided by the University's external investment managers or their custodians.

Investments are classified in Level 2 as fair value is calculated using valuations that include observable market quoted prices for similar assets or liabilities. Observable inputs other than quoted prices such as price services or indices, estimates, appraisals, assumptions, and other methods that are reviewed by management. Changes in market conditions and economic environments may impact the net asset value (NAV) and consequently, the fair value of the University's interests in the funds.

There were no assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Certain money market funds are not categorized under the fair value hierarchy and are shown at NAV. These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

(viii) Foreign Currency Risk

Foreign Currency Risk, also known as exchange rate risk, is the risk arising from fluctuations in the value of a base currency (U.S. dollar) against foreign currencies related to the underlying currency denomination of securities held for investment.

The majority of the Consolidated Investment Pool is invested in U.S. dollar denominated securities without foreign currency risk.

However, the TRP includes allocations to non-U.S. equities and non-dollar-denominated bonds in the underlying mutual funds for the TRP. The TRP Investment Policy includes an asset allocation policy with targets and acceptable ranges for each asset class included in the TRP, including non-U.S. equity and emerging markets bonds. Additionally, mutual funds utilized in other asset classes within the TRP may also have some foreign currency exposure.

(viii) Discretely Presented Component Units' Investments

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2019:

Investment type	Current	Noncurrent	Total
Money market funds	\$ 39,781	36,118	75,899
Repurchase agreements	141	5	146
Certificates of deposit	19,691	23,784	43,475
U.S. agency securities	15,515	11,638	27,153
U.S. Treasury securities	112,381	25,341	137,722
Municipal bonds	1,972	11,153	13,125
Corporate bonds	62,569	96,766	159,335
Asset-backed securities	2,079	9,979	12,058
Mortgage-backed securities	20	19,574	19,594
Mutual funds	208,751	976,549	1,185,300
Exchange-traded funds	41,331	146,737	188,068
Equity securities	50,834	445,074	495,908
Alternative investments:			
Private equity (including limited partnerships)	5,616	57,878	63,494
Hedge funds	4,731	128,435	133,166
Real estate investments (including real estate investment trust)	2,627	37,854	40,481
Commodities	94	7,374	7,468
Other alternative investments	—	56,842	56,842
Other external investment pools	—	23,728	23,728
Other investments	14,360	50,693	65,053
Local Agency Investment Fund (LAIF)	216,542	3,210	219,752
Total	\$ 799,035	2,168,732	2,967,767

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

The following table presents investments of the discretely presented component units that are measured at fair value on a recurring basis at June 30, 2019:

Investment type	Fair value	Level 1	Level 2	Level 3	NAV
Money market funds	\$ 75,899	67,781	6,079	—	2,039
Repurchase agreements	146	—	141	5	—
Certificates of deposit	43,475	24,425	18,976	74	—
U.S. agency securities	27,153	8,387	18,250	516	—
U.S. Treasury securities	137,722	55,700	81,435	587	—
Municipal bonds	13,125	3,370	9,731	24	—
Corporate bonds	159,335	108,868	46,504	494	3,469
Asset-backed securities	12,058	3,923	8,060	75	—
Mortgage-backed securities	19,594	9,616	9,978	—	—
Mutual funds	1,185,300	1,119,997	8,101	37,177	20,025
Exchange-traded funds	188,068	150,171	37,897	—	—
Equity securities	495,908	479,882	3,068	1,009	11,949
Alternative investments:					
Private equity (including limited partnerships)	63,494	—	—	9,044	54,450
Hedge funds	133,166	14,332	47	4,218	114,569
Real estate investments (including real estate investment trust)	40,481	1,433	3,127	14,122	21,799
Commodities	7,468	297	—	—	7,171
Other alternative investments	56,842	—	—	—	56,842
Other external investment pools	23,728	—	—	23,728	—
Other investments	65,053	49,009	14,935	1,032	77
LAIF	219,752	—	—	—	219,752
Total	\$ 2,967,767	2,097,191	266,329	92,105	512,142

For additional information regarding the investments and investment policies of the individual discretely presented component units, refer to their separately issued financial statements.

Investments reported by the University of \$55,972 are invested under contractual agreements on behalf of the discretely presented component units of the University.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

(4) Accounts Receivable

Accounts receivable of the University at June 30, 2019 consisted of the following:

	Current	Noncurrent	Total
State appropriations	\$ 5,785	47,944	53,729
State appropriations – SPWB Lease Revenue Bond program	—	1,462	1,462
Discretely presented component units	48,441	1,207	49,648
Student accounts	69,425	—	69,425
Government grants and contracts	32,118	—	32,118
Others	50,397	3,632	54,029
	<u>206,166</u>	<u>54,245</u>	<u>260,411</u>
Less allowance for doubtful accounts	(9,272)	—	(9,272)
Total	<u>\$ 196,894</u>	<u>54,245</u>	<u>251,139</u>

(5) Capital Lease Receivable

The University has entered into capital lease agreements with certain discretely presented component units using proceeds from issuance of SRB and BANs to lease existing and newly constructed facilities to the discretely presented component units amounting to \$211,560. Interest rates range from 2% to 5.55%. Lease payments are due twice a year on May 1 and November 1. Under the capital lease agreements, payments are due to the University as follows:

Fiscal year ending June 30:

2020	\$ 23,665
2021	19,809
2022	20,053
2023	22,228
2024	22,271
2025 - 2029	96,957
2030 - 2034	77,782
2035 - 2039	24,894
Total minimum lease payments to be received	<u>307,659</u>
Less amounts representing interest	(87,575)
Present value of future minimum lease payments to be received	220,084
Less current portion	<u>(11,868)</u>
Capital lease receivable, net of current portion	<u>\$ 208,216</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

(6) Notes Receivable

The University has entered into note agreements with certain discretely presented component units to finance existing and newly constructed facilities for the discretely presented component units amounting to \$400,380. Interest rates range from 2% to 6.48%. Note payments are due twice a year, on May 1 and November 1.

Under the agreements, payments are due to the University as follows:

Fiscal year ending June 30:

2020	\$	32,579
2021		32,235
2022		32,112
2023		32,102
2024		31,748
2025 - 2029		153,760
2030 - 2034		137,033
2035 - 2039		106,618
2040 - 2044		69,276
2045 - 2049		37,879
		<hr/>
Total minimum note payments to be received		665,342
Less amounts representing interest		(264,725)
		<hr/>
Present value of future minimum note payments to be received		400,617
Less current portion		(13,057)
		<hr/>
Notes receivable, net of current portion	\$	<u><u>387,560</u></u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

(7) Capital Assets

Capital assets activity for the University for the year ended June 30, 2019 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable/nonamortizable capital assets:					
Land and land improvements	\$ 273,340	8,576	—	—	281,916
Works of art and historical treasures	47,231	2,869	—	—	50,100
Construction work in progress	1,084,257	866,819	(8,821)	(785,617)	1,156,638
Intangible assets	37,349	3,796	(5)	(2,143)	38,997
Total nondepreciable/ nonamortizable capital assets	1,442,177	882,060	(8,826)	(787,760)	1,527,651
Depreciable/amortizable capital assets:					
Buildings and building improvements	12,405,402	58,801	(11,417)	716,502	13,169,288
Improvements other than buildings	721,739	6,820	(363)	24,097	752,293
Infrastructure	1,201,967	16,610	(1,763)	33,759	1,250,573
Personal property:					
Equipment	871,706	45,815	(24,209)	11,259	904,571
Library books and materials	392,153	5,310	(11,440)	—	386,023
Intangible assets	276,147	2,233	(5,042)	2,143	275,481
Total depreciable/ amortizable capital assets	15,869,114	135,589	(54,234)	787,760	16,738,229
Total cost	17,311,291	1,017,649	(63,060)	—	18,265,880
Less accumulated depreciation/ amortization:					
Buildings and building improvements	(5,937,071)	(379,275)	8,690	—	(6,307,656)
Improvements other than buildings	(510,439)	(28,742)	52	—	(539,129)
Infrastructure	(553,489)	(39,354)	836	—	(592,007)
Personal property:					
Equipment	(638,876)	(59,314)	22,532	—	(675,658)
Library books and materials	(361,276)	(6,365)	11,196	—	(356,445)
Intangible assets	(253,568)	(8,050)	5,010	—	(256,608)
Total accumulated depreciation/amortization	(8,254,719)	(521,100)	48,316	—	(8,727,503)
Net capital assets	\$ 9,056,572	496,549	(14,744)	—	9,538,377

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

Capital assets activity of the discretely presented component units of the University for the year ended June 30, 2019 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable/nonamortizable capital assets:					
Land and land improvements	\$ 129,245	5,220	(1,489)	—	132,976
Works of art and historical treasures	12,474	1,842	(5,103)	—	9,213
Construction work in progress	55,434	105,315	(1,365)	(13,832)	145,552
Intangible assets	5,098	4,933	—	—	10,031
Total nondepreciable/ nonamortizable capital assets	202,251	117,310	(7,957)	(13,832)	297,772
Depreciable/amortizable capital assets:					
Buildings and building improvements	766,431	7,085	(6,452)	6,975	774,039
Improvements other than buildings	164,721	5,398	(2,151)	2,848	170,816
Infrastructure	67,693	—	—	—	67,693
Personal property:					
Equipment	221,120	17,237	(11,819)	3,879	230,417
Intangible assets	9,288	104	(1,478)	130	8,044
Total depreciable/ amortizable capital assets	1,229,253	29,824	(21,900)	13,832	1,251,009
Total cost	1,431,504	147,134	(29,857)	—	1,548,781
Less accumulated depreciation/ amortization:					
Buildings and building improvements	(315,797)	(25,653)	3,768	—	(337,682)
Improvements other than buildings	(88,739)	(9,489)	1,217	—	(97,011)
Infrastructure	(22,549)	(1,691)	—	—	(24,240)
Personal property:					
Equipment	(163,151)	(17,303)	9,659	—	(170,795)
Intangible assets	(7,618)	(336)	1,478	—	(6,476)
Total accumulated depreciation/amortization	(597,854)	(54,472)	16,122	—	(636,204)
Net capital assets	\$ 833,650	92,662	(13,735)	—	912,577

For additional information regarding the capital assets of the individual discretely presented component units of the University, refer to their separately issued financial statements.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

(8) Lease Obligations

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals. A substantial amount of the capital leases are a result of the University's participation with the State in the SPWB Lease Revenue Bond program. The University has participated in this program since 1986 in connection with the construction of campus facilities and related equipment.

As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required lease payments. The capital lease obligations related to the SPWB Lease Revenue Bond program amounted to \$149,180 at June 30, 2019. Total capital assets related to these capital leases have a carrying value of \$176,503 at June 30, 2019. The leases have terms expiring in various years through 2035. The University also enters into capital leases with financial institutions and via commercial paper issued by the California State University Institute (the Institute), a discretely presented component unit of the University. These capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency equipment, and telecommunications equipment. Total capital assets related to these capital leases have a carrying value of \$172,134 at June 30, 2019. The leases bear interest at rates ranging from 0.04% to 10% and have terms expiring in various years through 2041.

Operating leases consist primarily of leases for the use of real property. The University's operating leases expire in various years through 2099. The leases can be canceled if the State does not provide adequate funding. Some of these leases are with discretely presented component units for the rental of office space used in the operations of the University. Total operating lease expenditures for the year ended June 30, 2019 were \$33,888 of which \$23,074 was paid to related discretely presented component units.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2019 are as follows:

CALIFORNIA STATE UNIVERSITY

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June 30, 2019

(In thousands)

	<u>Capital leases</u>	<u>Operating leases</u>
Fiscal year ending June 30:		
2020	\$ 37,303	40,126
2021	35,970	30,828
2022	34,606	26,678
2023	33,462	15,756
2024	32,500	13,350
2025 - 2029	141,958	46,856
2030 - 2034	126,095	14,234
2035 - 2039	39,648	3,579
2040 - 2044	4,775	1,885
2045 - thereafter	—	1,465
Total minimum lease payments	<u>486,317</u>	<u>\$ 194,757</u>
Less amount representing interest	<u>(171,546)</u>	
Present value of future minimum lease payments	314,771	
Unamortized net premium	551	
Total capital lease obligations	<u>315,322</u>	
Less current portion	<u>(20,108)</u>	
Capital lease obligations, net of current portion	<u>\$ 295,214</u>	

(9) Long-Term Debt Obligations

(a) State's General Obligation Bond Program

The General Obligation Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among the University, the University of California, and the Community Colleges. Financing provided to the University through the State's General Obligation Bonds is not allocated to the University by the State. This debt remains as obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements. The total General Obligation Bonds carried by the State related to the University projects is approximately \$2,141,932 as of June 30, 2019.

(b) Systemwide Revenue Bond Program

The State University Revenue Bond Act of 1947, Sections 90010 through 90091 of the Education Code of the State of California (the Bond Act) authorizes the Trustee to issue revenue bonds to finance projects that support the University's educational mission. The University's financing program, referred to as the SRB Program, is designed to provide lower cost debt and greater flexibility to finance projects at the University than would be possible if projects were financed separately. Rather than relying on specific pledged revenues to support specific debt obligations, the SRB program pools multiple sources of revenue as the security for the debt. The University's total outstanding balance of revenue bond indebtedness under the SRB program was \$6,211,333 at June 30,

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

2019. Under the Bond Act authority, the University has constructed or acquired facilities located at its 23 campuses and the Office of the Chancellor.

In 2014, the State enacted legislation that granted additional capital financing authorities to the University, leading to the SRB program expanding to allow the financing of academic facilities and energy conservation projects. Allowable academic projects include construction and equipping of new and existing academic facilities; infrastructure; deferred maintenance; and refunding of SPWB lease revenue bonds (which funded the construction of certain academic facilities of the University).

Systemwide Revenue Bonds are not secured by mortgages on the facilities constructed or acquired and therefore the facilities do not act as security for the debt. Revenues pledged under the SRB program include program fees from continuing education, health center facilities, housing, parking, and student union; student tuition and fees; and designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay the bonds.

The SRB Indenture (The Indenture) contains provisions that define events of default related to punctuality of the payment of the outstanding principal and interest. Additionally, the Indenture describes the process for which other events of default by the Board related to covenants, agreements, or conditions of the Indenture occur for a period of sixty (60) days after written notice by bondholders (of not less than twenty-five percent (25%) in aggregate principal amount of the bonds outstanding) requiring remediation. Further, the Indenture specifies the process which the Trustees may undertake, at the request of the majority of the bondholders, to declare the principal of all of the bonds then outstanding and the interest accrued to be immediately due and payable.

(c) Bond Anticipation Notes

The Trustees have authorized the issuance of BANs to provide short-term financing to the University for certain projects. The BANs are purchased by CSU Institute with proceeds from the commercial paper issued by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. BAN interest is variable and changes based upon the cost of the Institute's commercial paper program. The maximum and minimum weighted average interest rates for the year ended June 30, 2019 were 2.25% and 1.27%, respectively. The University's BANs totaled \$109,659 at June 30, 2019. The authorized amounts totaled \$868,630, of which \$756,950 has not been issued and \$111,680 has been issued.

CSU Institute, a discretely presented component unit of the University, manages the commercial paper program. The commercial paper program is bound by certain agreements, including the Trust Indenture with the Trustee/ paying agent and the Reimbursement Agreement with the letter of credit banks. Under certain provision of the Trust Indenture, in the event of a default, the Trustees shall take actions set forth by the BAN Resolution to effect the sale of long-term bonds to refinance outstanding BANs. Upon the occurrence of certain events of default specified in the Reimbursement Agreement, the right of the CSU Institute and the University to issue notes may be terminated or be suspended by the banks.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

Long-term debt obligations of the University as of June 30, 2019 consisted of the following:

Description	Interest rate percentage	Final maturity date	Original issue amount	Amount outstanding
Systemwide Revenue Bonds:				
Housing Series J - K	3.00%	2019/20	\$ 8,558	\$ 363
Housing Series L - M	3.00	2020/21	5,510	475
Housing Series N & Q	3.00	2021/22	6,695	700
Series 2007-B	5.45-5.55	2037/38	13,165	9,385
Series 2007-C	5.00	2028/29	63,275	30,750
Series 2010-A	3.50-5.00	2031/32	146,950	85,205
Series 2010-B	5.45-6.48	2041/42	205,145	205,145
Series 2011-A	3.00-5.25	2042/43	429,855	325,325
Series 2012-A	3.00-5.00	2042/43	436,220	406,115
Series 2012-B	2.79-4.17	2036/37	16,700	14,465
Series 2013-A	3.00-5.00	2026/27	308,855	227,535
Series 2014-A	3.00-5.00	2044/45	747,740	718,615
Series 2015-A	2.00-5.00	2047/48	1,032,920	949,090
Series 2015-B	1.98-4.41	2035/36	29,305	21,955
Series 2016-A	2.00-5.00	2045/46	1,133,105	1,121,755
Series 2016B-1	3.00	2047/48	50,000	50,000
Series 2016B-2	4.00	2049/50	100,000	100,000
Series 2016B-3	4.00	2051/52	100,000	100,000
Series 2017-A	3.00-5.00	2047/48	812,030	800,815
Series 2017-B	1.55-3.90	2047/48	335,155	334,495
Series 2017-C	3.25-5.00	2037/38	49,175	45,455
Series 2018-A	4.00-5.00	2050/51	492,690	492,690
Series 2018-B	2.45-4.25	2050/51	171,000	171,000
			<u>\$ 6,694,048</u>	6,211,333
Bond Anticipation Notes	Various			109,659
Others	Various			10,046
Total				<u>6,331,038</u>
Unamortized net bond premium				620,431
Total long-term debt				<u>6,951,469</u>
Less current portion				(171,813)
Long-term debt, net of current portion				<u>\$ 6,779,656</u>

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Long-term debt principal and interest are payable in the following fiscal years:

Fiscal year ending June 30:	Principal	Interest
2020	\$ 171,813	289,485
2021	168,576	282,251
2022	180,706	273,950
2023	183,742	265,197
2024	189,480	256,591
2025 - 2029	1,085,177	1,139,361
2030 - 2034	1,257,982	858,027
2035 - 2039	1,214,935	562,105
2040 - 2044	973,495	303,031
2045 - 2049	731,820	101,741
Thereafter	173,312	8,548
	\$ 6,331,038	4,340,287

Long-term debt obligations of the individual discretely presented component units have been issued to purchase or construct facilities for University-related uses. For additional information regarding long-term debt obligations of the individual discretely presented component units, refer to their separately issued financial statements.

The Board of Trustees does not have a specified debt limit or debt margin, as noted in the University's Policy for Financing Activities. However, the Board finds it appropriate to establish the lowest cost debt financing programs for the University, and to use the limited debt capacity in the most prudent manner.

As of June 30, 2019, the Board had approved SRB and BANs that were authorized but unissued in the aggregate principal amount of \$2,026,108 for projects including academic, infrastructure, housing, and parking facilities. As of June 30, 2019, there are approximately \$470,840 of remaining authorized and unissued debt for the purpose of refunding certain bonds of the SPWB not previously refunded. The Board may issue all or a portion of these authorized bonds as well as other additional bonds for other new money projects or refunding purposes. The Board expects to authorize the issuance of additional Systemwide Revenue Bonds from time to time in the future. There is no limit on the amount of SRB that the Board may authorize.

(10) Long-Term Debt Refunding

In August 2018, the University issued SRB Series 2018A (Tax-Exempt), a portion of the proceeds was applied for a current refunding of SRB Series 2008A. The defeasance will reduce the University's total financing cost by approximately \$2,079 over the life of the refunded bonds. The economic gain (difference between net present values of the debt service payments on the old debt and new debt) from these transactions was approximately \$1,733. Accordingly, the refunded bonds have been considered defeased and, therefore, removed as a liability from the accompanying financial statements. The total par amount of bonds outstanding as of date of refunding totaled \$10,335. The entire outstanding balance was paid as of June 30, 2019.

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(11) Long-Term Liabilities Activity

Long-term liabilities activity of the University for the year ended June 30, 2019 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 225,993	136,658	(122,689)	239,962	127,417
Capital lease obligations (note 8)	309,928	25,709	(20,315)	315,322	20,108
Long-term debt obligations (note 9):					
Systemwide revenue bonds	5,692,563	663,690	(144,920)	6,211,333	149,458
Bond anticipation notes	169,205	111,199	(170,745)	109,659	21,146
Other	12,813	—	(2,767)	10,046	1,209
	<u>5,874,581</u>	<u>774,889</u>	<u>(318,432)</u>	<u>6,331,038</u>	<u>171,813</u>
Unamortized net bond premium	576,084	76,471	(32,124)	620,431	—
Total long-term debt obligations	<u>6,450,665</u>	<u>851,360</u>	<u>(350,556)</u>	<u>6,951,469</u>	<u>171,813</u>
Total long-term liabilities	<u>\$ 6,986,586</u>	<u>1,013,727</u>	<u>(493,560)</u>	<u>7,506,753</u>	<u>319,338</u>

Long-term liabilities activity of the aggregated discretely presented component units of the University for the year ended June 30, 2019 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 20,978	14,043	(13,646)	21,375	15,310
Claims liability for losses					
and loss adjustment expenses	68,688	32,552	(40,794)	60,446	16,466
Capital lease obligations	248,932	128	(10,815)	238,245	11,944
Long-term debt obligations:					
Revenue bonds	20,710	—	(920)	19,790	970
Commercial paper, including principal rollovers	169,205	558,822	(618,368)	109,659	107,805
Notes payable	323,086	83,724	(58,560)	348,250	11,245
Other	73,591	241	(5,503)	68,329	5,197
	<u>586,592</u>	<u>642,787</u>	<u>(683,351)</u>	<u>546,028</u>	<u>125,217</u>
Unamortized net bond premium	27,431	14,502	(1,755)	40,178	—
Total long-term debt obligations	<u>614,023</u>	<u>657,289</u>	<u>(685,106)</u>	<u>586,206</u>	<u>125,217</u>
Total long-term liabilities	<u>\$ 952,621</u>	<u>704,012</u>	<u>(750,361)</u>	<u>906,272</u>	<u>168,937</u>

The University has entered into note agreements with certain discretely presented component units to finance existing and newly constructed facilities, using proceeds from issuance of SRB and BANs, for the discretely presented

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component units amounting to \$348,250 included in notes payable and \$52,130 in other long-term debt obligations as of June 30, 2019.

The University has also entered into capital lease agreements with certain discretely presented component units using proceeds from issuance of SRB and BANs to lease existing and newly constructed facilities to the discretely presented component units amounting to \$210,092 as of June 30, 2019.

For additional information regarding the long-term liabilities of the individual discretely presented component units of the University, refer to their separately issued financial statements.

(12) Pension Plan

(a) Pension Plan Description

The University participates in the State's Public Employee's Retirement Fund A (PERF A). PERF A is comprised of agent multiple-employer plans, which includes the State. CalPERS acts as an investment and administrative agent for participating employers. State employees served by PERF A includes the University's Miscellaneous Tier 1 employees and Peace Officers and Firefighters.

(b) Benefits Provided

The plan also provides survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits. The benefit provisions are established by the Public Employee's Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA).

A full description of the pension plans regarding numbers of employees covered, benefit provision, assumptions, and membership information are listed in the June 30, 2017 State Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report.

In general, retirement benefits are based on a formula using member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous or peace officers and firefighters)
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

CalPERS issues a publicly available Actuarial Valuation Report and Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. Copies of the CalPERS Actuarial Valuation Report and CAFR may be obtained at www.CalPERS.ca.gov or from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

(c) Pensionable Compensation

For the University, the plan acts as cost sharing multiple-employer defined-benefit pension plan, which provides a defined-benefit pension and postretirement program for substantially all eligible University employees. The University's proportion of the State's net pension liability was calculated based on its proportionate share of the State's pensionable compensation. The pensionable compensation has a measurement period of July 1, 2017 through June 30, 2018.

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(d) Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the measurement period ended June 30, 2018, the average State's active employee contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 6.77% and 11.41% of annual payroll, respectively. For the measurement period ended June 30, 2018, the State's contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 28.40% and 44.25% of annual payroll, respectively.

State Miscellaneous Plan members of the University are required to contribute 5% of their annual earnings in excess of \$513 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Miscellaneous Plan members contribute 7.25% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

State Peace Officers and Firefighters Plan members of the University are required to contribute 8% of their annual earnings in excess of \$238 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Peace Officers and Firefighters Plan members contribute 11% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

The contribution requirements of the plan members are established and may be amended by CalPERS. The contractual maximum contribution required for the University is determined by the annual CalPERS compensation limit(s), which are based on provisions of Assembly Bill (AB) 340 and the IRC 401(a) 17 limits. The University's contributions to CalPERS for the most recent three fiscal years ended June 30 were equal to the required contributions and were as follows:

	<u>University's contributions</u>	
Fiscal year ending June 30:		
2019	\$	928,987
2018		1,734,716
2017		757,170

In 2018, the State made a supplemental pension contribution of \$876,842 to CalPERS on behalf of the University as authorized by Government Code Section 20825. The University shall repay \$156,283 amount contributed through June 30, 2030, while the remainder was recognized as State appropriations, noncapital in 2018.

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(e) *Actuarial Methods and Assumptions*

The total pension liability was measured as of June 30, 2018 (measurement date), by rolling forward the total pension liability determined by the June 30, 2017 actuarial valuation (valuation date), based on the following actuarial methods and assumptions:

Valuation date:	June 30, 2017
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%, net of pension plan investment expense but without reduction for administrative expenses including inflation
Mortality rate of return	Derived using CalPERS' membership data for all funds
Postretirement benefit increase:	Contract cost of living allowance up to 2.00% until purchasing power protection allowance floor on purchasing power applies; 2.50% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study), based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained from www.CalPERS.ca.gov under Forms and Publications.

(f) *Discount Rate*

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the plans tested, none of the plan assets were exhausted. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the PERF. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test result is presented in the GASB Crossover Testing Report, which can be obtained from www.CalPERS.ca.gov under GASB Statement No. 68 section.

(g) *Investment Rate of Return*

The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, but without reduction for administrative expenses, and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Taking into account historical returns of all the PERF's asset classes (which includes the agent plant and two cost-sharing plans), expected compound

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(geometric) returns were calculated over the short term (first 10 years) and the long term (11– 60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation used to measure the total pension liability.

Asset class	Current target allocation %	Real return years 1–10 ¹ %	Real return years 11–60 ² %
Global equity	50	4.80	5.98
Fixed income	28	1.00	2.62
Inflation assets	0	0.77	1.81
Private equity	8	6.30	7.23
Real estate	13	3.75	4.93
Liquidity	1	0.00	(0.92)
Total	100		

¹ An expected inflation of 2% used for this period

² An expected inflation of 2.92% used for this period

(h) Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of net pension liability of the State Miscellaneous and Peace Officers and Firefighters Plans (collectively the Plans) as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.15%) or one-percentage point higher (8.15%) than the current rate:

Plan	Discount rate -1% (6.15%)	Current discount rate (7.15%)	Discount rate + 1% (8.15%)
Miscellaneous Plan	\$ 10,852,766	\$ 7,570,177	\$ 4,819,309
Peace Officers and Firefighters Plan	240,703	163,074	99,482
Net pension liability	\$ 11,093,469	7,733,251	4,918,791

(i) Changes in Net Pension Liability

The University reported a liability of \$7,733,251 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation as of June 30, 2017 rolled forward to the measurement date. The University's proportion of the State's net pension liability was calculated based on its

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proportionate share of the State's pensionable compensation. The State considered this a practical, systematic, and rational approach. At measurement date June 30, 2018, the University's proportionate share of the total State net pension liability for the State Miscellaneous and Peace Officers and Firefighters Plans were 24.09757% and 1.17223%, respectively.

The following table presents the changes in net pension liability of the University recognized over the measurement period for the Plans:

	State Miscellaneous Plan	State Peace Officers and Firefighters Plan	Total
Balance at June 30, 2017 (measurement date)	\$ 8,723,068	176,894	8,899,962
Changes in proportionate share	81,105	2,035	83,140
Balance at June 30, 2017, adjusted	8,804,173	178,929	8,983,102
Changes recognized for the measurement period:			
Service cost	470,809	11,857	482,666
Interest on total pension liability	1,824,667	37,343	1,862,010
Recognized difference between expected and actual experience	107,413	4,151	111,564
Recognized changes of assumptions	(331,957)	(294)	(332,251)
Employee contributions	(209,746)	(4,943)	(214,689)
Employer contributions	(1,697,520)	(35,967)	(1,733,487)
Net investment income	(1,476,642)	(29,564)	(1,506,206)
Plan to plan resource movement	323	1	324
Administrative expenses	27,132	539	27,671
Other miscellaneous expense	51,524	1,023	52,547
Net changes	(1,233,997)	(15,854)	(1,249,851)
Balance at June 30, 2018 (measurement date)	\$ 7,570,176	163,075	7,733,251

(j) Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation.

(k) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The University recognized pension expense of \$1,256,584 for State Miscellaneous Plan and \$30,112 for State Peace Officers and Firefighters Plan, which were reported as benefits expense.

The following table presents deferred outflows and inflows of resources as of June 30, 2019. Deferred outflows and inflows of resources are recognized for the difference between expected and actual experience and changes in assumptions. Deferred outflows of resources are recognized for the University's retirement contributions made subsequent to the measurement date of June 30, 2018 which will be recognized as a reduction of the net pension

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liability in the next measurement date. Net deferred outflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods. Net deferred outflows of resources are recognized for changes in the University's proportionate share of pensionable compensation.

	Deferred outflows of resources	Deferred inflows of resources
University's retirement contributions subsequent to the measurement date	\$ 928,987	—
Differences due to changes in assumptions	701,691	251,227
Net differences between projected and actual earnings on pension plan investments	79,471	—
Differences due to changes in proportionate share	207,813	—
Differences between expected and actual experience	85,356	54,809
Total	<u>\$ 2,003,318</u>	<u>306,036</u>

The deferred outflows of resources will be recognized as pension expense as follows:

(i) Schedule of Differences due to Changes in Assumptions

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase in pension expense arising from the recognition of the effects of changes in assumptions (measurement dates)				Total
			2019	2020	2021	2022	
Miscellaneous Plan:							
2017	\$ 1,365,745	4	\$ 341,436	341,436	—	—	682,872
Peace Officers and Firefighters Plan:							
2017	30,580	5.2	5,881	5,881	5,881	1,176	18,819
Increase in pension expense			<u>\$ 347,317</u>	<u>347,317</u>	<u>5,881</u>	<u>1,176</u>	<u>701,691</u>

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(ii) Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase (decrease) in pension expense arising from the recognition of the differences between projected and actual earnings on pension plan investments (measurement dates)				
			2019	2020	2021	2022	Total
Miscellaneous Plan:							
2015	\$ 876,490	5	\$ 175,298	—	—	—	175,298
2016	1,152,642	5	230,529	230,529	—	—	461,058
2017	(636,487)	5	(127,297)	(127,297)	(127,297)	—	(381,891)
2018	(220,320)	5	(44,064)	(44,064)	(44,064)	(44,064)	(176,256)
Peace Officers and Firefighters Plan:							
2015	16,611	5	3,322	—	—	—	3,322
2016	22,191	5	4,438	4,438	—	—	8,876
2017	(12,398)	5	(2,480)	(2,480)	(2,480)	—	(7,440)
2018	(4,370)	5	(874)	(874)	(874)	(874)	(3,496)
Increase (decrease) in pension expense			<u>\$ 238,872</u>	<u>60,252</u>	<u>(174,715)</u>	<u>(44,938)</u>	<u>79,471</u>

(iii) Schedule of Changes in Proportionate Share

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase in pension expense arising from the recognition of the effects of changes in proportionate share (measurement dates)				
			2019	2020	2021	2022	Total
Miscellaneous Plan:							
2016	\$ 7,628	4	\$ 1,907	—	—	—	1,907
2017	291,636	4	72,909	72,909	—	—	145,818
2018	69,770	4.1	17,017	17,017	17,017	1,702	52,753
Peace Officers and Firefighters Plan:							
2015	7,537	5.1	1,478	148	—	—	1,626
2016	10,242	5.2	1,970	1,970	391	—	4,331
2017	10	5.2	2	2	2	—	6
2018	1,713	5	343	343	343	343	1,372
Increase in pension expense			<u>\$ 95,626</u>	<u>92,389</u>	<u>17,753</u>	<u>2,045</u>	<u>207,813</u>

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(iv) Schedule of Differences between Expected and Actual Experience

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase in pension expense arising from the recognition of the effects of differences between expected and actual experience (measurement dates)				
			2019	2020	2021	2022	Total
Miscellaneous Plan:							
2018	\$ 107,413	4.1	\$ 26,199	26,199	26,199	2,620	81,217
Peace Officers and Firefighters Plan:							
2015	3,382	5.1	663	66	—	—	729
2016	215	5.2	41	41	8	—	90
2018	4,151	5	830	830	830	830	3,320
Increase in pension expense			<u>\$ 27,733</u>	<u>27,136</u>	<u>27,037</u>	<u>3,450</u>	<u>85,356</u>

The deferred inflows of resources will be recognized as pension expense as follows:

(v) Schedule of Differences between Expected and Actual Experience

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Decrease in pension expense arising from the recognition of the differences between projected and actual earnings on pension plan investments (measurement dates)				
			2019	2020	2021	2022	Total
Miscellaneous Plan:							
2016	\$ 24,430	4	\$ 6,108	—	—	—	6,108
2017	93,268	4	23,317	23,317	—	—	46,634
Peace Officers and Firefighters Plan:							
2017	3,359	5.2	646	646	646	129	2,067
Decrease in pension expense			<u>\$ 30,071</u>	<u>23,963</u>	<u>646</u>	<u>129</u>	<u>54,809</u>

(vi) Schedule of Differences due to Changes in Assumptions

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Decrease in pension expense arising from the recognition of the effects of changes in assumptions (measurement dates)				
			2019	2020	2021	2022	Total
Miscellaneous Plan:							
2018	\$ 331,957	4.1	\$ 80,965	80,965	80,965	8,096	250,991
Peace Officers and Firefighters Plan:							
2018	295	5	59	59	59	59	236
Decrease in pension expense			<u>\$ 81,024</u>	<u>81,024</u>	<u>81,024</u>	<u>8,155</u>	<u>251,227</u>

*Adjusted for any changes in University's proportionate share

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(13) Other Postemployment Benefits (OPEB)

(a) OPEB Plan Description

The State provides retiree health and dental benefits to annuitants of retirement systems through an agent multiple-employer defined benefit plan which operates as a single-employer defined benefit plan for the University. The design of health and dental benefit plans can be amended by CalPERS Board of Administration and the California Department of Human Resources (CalHR), respectively.

To be eligible for these benefits, first-tier plan annuitants must retire on or after age 50 with at least five years of service, and second-tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits.

(b) Benefits Provided

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties). For dental benefits, a Dental Maintenance Organization (DMO) and dental indemnity plans are offered to the University's retirees. Health plans offered, covered benefits, monthly rates, and co-payments are determined by the CalPERS Board of Administration, which reviews health plan contracts annually. At measurement date, the count of retired and active employees covered by the benefit terms were:

	Headcount
Retirees elected to receive healthcare benefits	30,757
Active employees	47,995
Total	<u>78,752</u>

(c) Contributions

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution toward the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University. The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts. Historically, the State has funded approximately 95% of the cost of the benefits.

The University is responsible for paying the cost of dental benefits for all University retirees using funds provided by the State through general fund appropriations. The University makes payments directly to Delta Dental for the

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

retiree's monthly dental premiums. The University is paying these benefits on a pay-as-you-go basis. The State's contribution to the retirees' health benefits are recorded as State appropriations, noncapital.

In addition to the explicit University contribution provided to retirees, there is an "implicit rate subsidy". The gross premium for retired members not eligible for Medicare who are charged a premium based on the experience of both active and retired members will be receiving a subsidy because the average healthcare costs of retired members is generally higher than the blended average costs of a group comprised of both active and retired members. The subsidy is referred to as the implicit rate subsidy. The implicit subsidy associated with the retiree health costs paid during the past year is also considered to be a contribution from the University.

(d) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

Significant actuarial methods and assumptions used to calculate the University's total OPEB liability were:

Valuation date:	June 30, 2018
Actuarial cost method:	Entry Age Normal Actuarial Cost Method and the blended discount rates in accordance with the requirements of GASB Statement No. 75
Actuarial assumptions:	
Discount rate	3.62%
Price inflation	2.50%
Wage inflation	2.75%
Healthcare-related:	Based on an experience review for the period July 1, 2007 to June 30, 2014, performed by State Actuary, which were first adopted beginning with the June 30, 2015 actuarial valuation. Assumptions were updated based on experience through June 30, 2017
Healthcare trend rate:	
Pre-Medicare cost trend rate	7.5%, graded down to an ultimate 4.5% over 6 years
Post-Medicare cost trend rate	8.0%, graded down to an ultimate 4.5% over 7 years
Participation rate	On average approximately 95% of all eligible retirees elect healthcare coverage
Per capita claim costs	A retiree healthcare actuarial valuation depends on the retired member's expected healthcare claim at a given age indexed for healthcare inflation
Pension-related:	Assumptions were updated based on the December 2017 Experience Study conducted by CalPERS which includes rates of decrement, salary increase rates, and economic assumptions. Assumptions were first adopted beginning with the June 30, 2018, actuarial valuation

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

Study), based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained from www.CalPERS.ca.gov under Forms and Publications.

(e) Sensitivity of the University's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

One of the key assumptions influencing costs is the assumed growth or trend in healthcare costs. The healthcare trend assumption for OPEB actuarial valuations spans over the lifetime of a covered retiree, which could extend to over 30 years. This is in contrast to the short-term healthcare inflation used to develop premiums for the next fiscal year. This long-term healthcare assumption is by far the most difficult to set.

The following table presents the University's total OPEB liability as of the measurement date, calculated using the ultimate trend rate of 4.50%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower (3.5%) or one-percentage point higher (5.5%) than the current rate:

	Trend rate -1% (3.5%)	Current trend rate (4.5%)	Trend rate + 1% (5.5%)
Total OPEB liability	\$ 11,525,389	13,128,996	15,171,779

(f) Discount Rate

The discount rate used to estimate the total OPEB liability as of measurement dates June 30, 2018 and 2017 was 3.62% and 3.56%, respectively. The discount rates were based on Fidelity Index's 20-Year Municipal GO AA Index since the University has no plan assets sufficient to make benefit payments.

(g) Sensitivity of the University's Total OPEB Liability to Changes in the Discount Rate

The following table presents the University's total OPEB liability as of the measurement date, calculated using the discount rate of 3.62%, as well as what the total other postemployment benefits liability would be if it were calculated using a discount rate that is one-percentage point lower (2.62%) or one-percentage point higher (4.62%) than the current rate:

	Discount rate -1% (2.62%)	Current discount rate (3.62%)	Discount rate + 1% (4.62%)
Total OPEB liability	\$ 15,372,355	13,128,996	11,329,989

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

(h) Changes in Total OPEB Liability

The following table presents the changes in total OPEB liability of the University recognized over the measurement period:

Balance at June 30, 2017 (Measurement Date)	\$ 13,918,525
Changes recognized for the measurement period:	
Service cost	680,934
Interest on total OPEB liability	513,512
Recognized changes of assumptions	(519,714)
Differences between expected and actual experience (non-investment)	(1,111,239)
Employer contribution	<u>(353,022)</u>
Net changes	<u>(789,529)</u>
Balance at June 30, 2018 (Measurement Date)	<u>\$ 13,128,996</u>

(i) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The University recognized OPEB expense of \$721,167 which was reported as benefits expense.

The following table presents deferred outflows and inflows of resources. Deferred outflows of resources are recognized for the University's retirement contributions made subsequent to the measurement date of June 30, 2018 which will be recognized as a reduction of total OPEB liability on the subsequent measurement date. The deferred inflows of resources are recognized for the change in assumptions.

	Deferred outflows of resources	Deferred inflows of resources
University's contributions subsequent to the measurement date	\$ 362,261	—
Differences due to changes in assumptions	—	1,625,833
Differences between expected and actual experience (non-investment)	—	956,271
Total	<u>\$ 362,261</u>	<u>2,582,104</u>

The University's contributions subsequent to the measurement date includes \$326,113 contributed by the State on behalf of the University as authorized by Government Code Section 22871. The State's contributions are recognized as State appropriations, noncapital.

The deferred inflows of resources due to changes in assumptions will be recognized as OPEB expense as follows:

Measurement Period ended June 30	Initial difference	Recognition period (year)	Decrease in OPEB expenses arising from changes of assumptions (measurement dates)								Total
			2020	2021	2022	2023	2024	2025	2026		
2017	\$ 1,663,194	6.84	\$ 242,299	242,299	242,299	242,299	209,400	—	—	1,178,596	
2018	519,714	7.17	<u>72,477</u>	<u>72,477</u>	<u>72,477</u>	<u>72,477</u>	<u>72,477</u>	<u>72,477</u>	<u>12,375</u>	<u>447,237</u>	
Decrease in OPEB expenses			<u>\$ 314,776</u>	<u>314,776</u>	<u>314,776</u>	<u>314,776</u>	<u>281,877</u>	<u>72,477</u>	<u>12,375</u>	<u>1,625,833</u>	

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

**Decrease in OPEB expenses arising from differences between expected and actual experience
(non-investment)
(measurement dates)**

Measurement Period ended June 30	Initial difference	Recognition period (year)	2020	2021	2022	2023	2024	2025	2026	Total
2018	\$ 1,111,239	7.17	\$ 154,968	154,968	154,968	154,968	154,968	154,968	26,463	956,271
Decrease in OPEB expenses			\$ 154,968	154,968	154,968	154,968	154,968	154,968	26,463	956,271

(14) Deferred Outflows and Inflows of Resources

The composition of deferred outflows and inflows of resources at June 30, 2019 is summarized as follows:

	Deferred outflows of resources	Deferred inflows of resources
Related to:		
Net pension liability (note 12)	\$ 2,003,318	306,036
Total other postemployment benefits liability (note 13)	362,260	2,582,104
Unamortized loss on SRB debt refunding	91,210	—
Total	\$ 2,456,788	2,888,140

(15) Claims Liability for Losses and Loss Adjustment Expenses

The University and certain auxiliary organizations have established the CSURMA, a discretely presented component unit of the University, to centrally manage workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The claims liability included in the discretely presented component unit column reflects the estimated ultimate cost of settling claims related to events that have occurred on or before June 30, 2019. The liability includes estimated amounts that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not yet been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is a reasonable estimate at June 30, 2019.

The information of the change in claims liability for losses and loss adjustment expenses may be obtained from the separate financial statements issued for CSURMA.

(16) Commitments and Contingencies

The State is a defendant in multiple lawsuits involving University matters not covered by the CSURMA as discussed in note 15. Management of the University is of the opinion that the liabilities, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

Authorized but unexpended costs for construction projects as of June 30, 2019 totaled \$1,005,007. These expenditures will be funded primarily by State appropriations and bond proceeds.

In order to secure access to electricity used for normal operation, the University participates in forward purchase contract of electricity operated by Shell Energy North America. The University's obligations under these special purchase arrangements require it to purchase an estimated total of \$14,768 of electricity at fixed prices through December 2020. The University estimates that the special purchase contract in place represent approximately 10.82% of its total annual electricity expenses.

(17) Classification of Operating Expenses

The University has elected to report operating expenses by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position, and to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2019, operating expenses by natural classification consisted of the following:

	Salaries	Benefits	Scholarships and fellowships expense	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$ 1,947,517	1,448,746	—	218,376	—	3,614,639
Research	29,221	29,323	—	22,036	—	80,580
Public service	30,025	25,071	—	16,774	—	71,870
Academic support	442,503	391,521	—	208,732	—	1,042,756
Student services	469,099	373,524	—	240,874	—	1,083,497
Institutional support	456,017	318,716	—	246,312	—	1,021,045
Operation and maintenance of plant	258,977	241,781	—	391,638	—	892,396
Student grants and scholarships	—	—	915,286	—	—	915,286
Auxiliary enterprise expenses	89,172	83,872	—	267,310	—	440,354
Depreciation and amortization	—	—	—	—	521,100	521,100
Total	\$ 3,722,531	2,912,554	915,286	1,612,052	521,100	9,683,523

(18) Transactions with Related Entities

The University is an agency of the State and receives approximately 43% of total revenues through state appropriations. State appropriations allocated to the University aggregated \$4,137,542 for the year ended June 30, 2019. State appropriations receivable is \$55,191 at June 30, 2019.

State appropriations allocated to the University for the year ended June 30, 2019 consisted of the following:

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2019

(In thousands)

	<u>2019</u>
State appropriations, noncapital	\$ 3,776,457
State's contribution on behalf of the University for OPEB	326,113
State appropriations, capital	<u>34,972</u>
Total state appropriations	<u>\$ 4,137,542</u>

(19) Subsequent Events

The following information describes significant events that occurred subsequent to June 30, 2019, but prior to the date of the auditors' report.

- *SRB Issuance*

In August 2019, the University issued \$449,430 of SRB Series 2019A (Tax Exempt) and \$81,335 of SRB Series 2019B (Taxable). The new bonds were issued to fund various capital projects, redeem maturing BANs, refund outstanding SRB Series 2010A bonds, and pay related issuance costs.

- *BAN Issuance*

In September 2019, the University issued \$43,255 of BANs for the San Diego State University Aztec Recreation Center expansion.

In October 2019, \$43,345 of BANs were issued for the Long Beach Housing expansion - Parkside North project and \$30,000 for the San Jose State University South Campus Parking Structure and Sports Field Facility Project.

In November 2019, the University issued \$98,300 of BANs for the Capital Outlay Program and Five-Year Facilities Renewal and Improvement Plan.

REQUIRED SUPPLEMENTARY INFORMATION



CALIFORNIA STATE UNIVERSITY

Schedule of University's Proportionate Share of the Net Pension Liability and Related Ratios

June 30, 2019

(Unaudited)

(In thousands)

Last Ten Fiscal Years ⁽¹⁾

State of California Miscellaneous Plan	2018⁽²⁾	2017⁽²⁾	2016⁽²⁾	2015⁽²⁾	2014⁽²⁾
University's proportion of the net pension liability	24.09757%	23.87558%	22.87662%	22.84970%	22.72891%
University's proportionate share of the net pension liability	\$ 7,570,176	8,723,068	7,575,326	6,453,200	5,411,439
University's proportionate share of covered payroll	\$ 2,900,140	2,780,552	2,567,251	2,407,821	2,209,786
University's proportionate share of the net pension liability as a percentage of covered payroll	261.02795%	313.71711%	295.07539%	268.00996%	244.88521%
Plan fiduciary net position as a percentage of the total pension liability	71.82994%	66.41644%	66.81100%	70.68274%	74.17418%
 State of California Peace Officers and Firefighters Plan					
University's proportion of the net pension liability	1.17223%	1.15890%	1.15882%	1.07094%	1.00623%
University's proportionate share of the net pension liability	\$ 163,075	176,894	158,599	124,994	102,216
University's proportionate share of covered payroll	\$ 41,153	38,632	37,528	33,341	30,160
University's proportionate share of the net pension liability as a percentage of covered payroll	396.26516%	457.89066%	422.61507%	374.89140%	338.91247%
Plan fiduciary net position as a percentage of the total pension liability	70.53476%	65.89199%	66.09678%	69.61241%	72.18915%

⁽¹⁾ The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.

⁽²⁾ The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions Related to Pension

Year ended June 30, 2019

(Unaudited)

(In thousands)

Last Ten Fiscal Years⁽¹⁾

	2019	2018	2017	2016	2015
State of California Miscellaneous Plan					
Actuarially determined contribution	\$ 902,330	836,450	737,766	641,710	588,353
Contributions in relation to the actuarially determined contributions	(909,834)	(839,367)	(740,571)	(644,679)	(589,385)
Contribution excess	<u>\$ (7,504)</u>	<u>(2,917)</u>	<u>(2,805)</u>	<u>(2,969)</u>	<u>(1,032)</u>
University's covered payroll	\$ 3,079,834	2,953,043	2,768,770	2,559,878	2,431,410
Contributions as a percentage of covered payroll	29.54166%	28.42380%	26.74729%	25.18397%	24.24046%
State of California Peace Officers and Firefighters Plan					
Actuarially determined contribution	\$ 18,374	17,762	15,858	14,027	11,737
Contributions in relation to the actuarially determined contributions	(19,153)	(18,442)	(16,600)	(14,647)	(13,610)
Contribution excess	<u>\$ (779)</u>	<u>(680)</u>	<u>(742)</u>	<u>(620)</u>	<u>(1,873)</u>
University's covered payroll	\$ 42,022	41,696	39,372	37,568	33,363
Contributions as a percentage of covered payroll	45.57851%	44.22966%	42.16194%	38.98797%	40.79369%

⁽¹⁾ The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions Related to Pensions

Year ended June 30, 2019

(Unaudited)

Notes to required supplementary information schedule for the most recent fiscal year presented:

Valuation date	Actuarially calculated contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Methods and assumption used to determine contribution rates:	
Actuarial cost method	Entry age normal in accordance with the requirement of GASB Statement No. 68.
Amortization method/period	For details, see June 30, 2017 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.625%
Salary increases	Varies by entry age and service
Payroll growth	2.875%
Investment rate of return	7.25%, net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of retirement are based on 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016. For more details, please refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report.
Significant factors affecting contribution rates	For details, see June 30, 2017 Funding Valuation Report.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Schedule of University's Total Other Postemployment Benefits Liability and Related Ratios

June 30, 2019

(Unaudited)

(In thousands)

Last Ten Fiscal Years (1)

	2018 ⁽²⁾	2017 ⁽²⁾
University's total other postemployment benefits liability at beginning of the year	\$ 13,918,525	14,683,420
Changes recognized for the measurement period:		
Service cost	680,934	795,696
Interest on total other postemployment benefits liability	513,512	436,431
Recognized changes of assumptions	(519,714)	(1,663,194)
Recognized differences between Expected and Actual Experience (Non-Investment)	(1,111,239)	—
Employer contributions	(353,022)	(333,828)
Net changes	(789,529)	(764,895)
University's total other postemployment benefits liability at end of the year	\$ 13,128,996	13,918,525
University's covered payroll	\$ 3,121,856	2,994,739
University's total other postemployment benefits liability as a percentage of covered payroll	420.55098%	464.76588%

(1) The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

(2) The date in the column heading represents the end of the measurement period of the total OPEB liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions Related to Other Postemployment Benefits

Year ended June 30, 2019

(Unaudited)

(In thousands)

Last Ten Fiscal Years ⁽¹⁾

	2019	2018
Actuarially determined contributions	\$ 743,648	754,550
Contributions in relation to the actuarially determined contributions	(362,260)	(349,487)
Contribution deficiency	<u>\$ 381,388</u>	<u>405,063</u>
University's covered payroll	\$ 3,121,856	2,994,739
Contributions as a percentage of covered payroll	11.60399%	11.67003%

Notes to required supplementary information schedule for the most recent fiscal year presented:

Valuation date Actuarially calculated contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

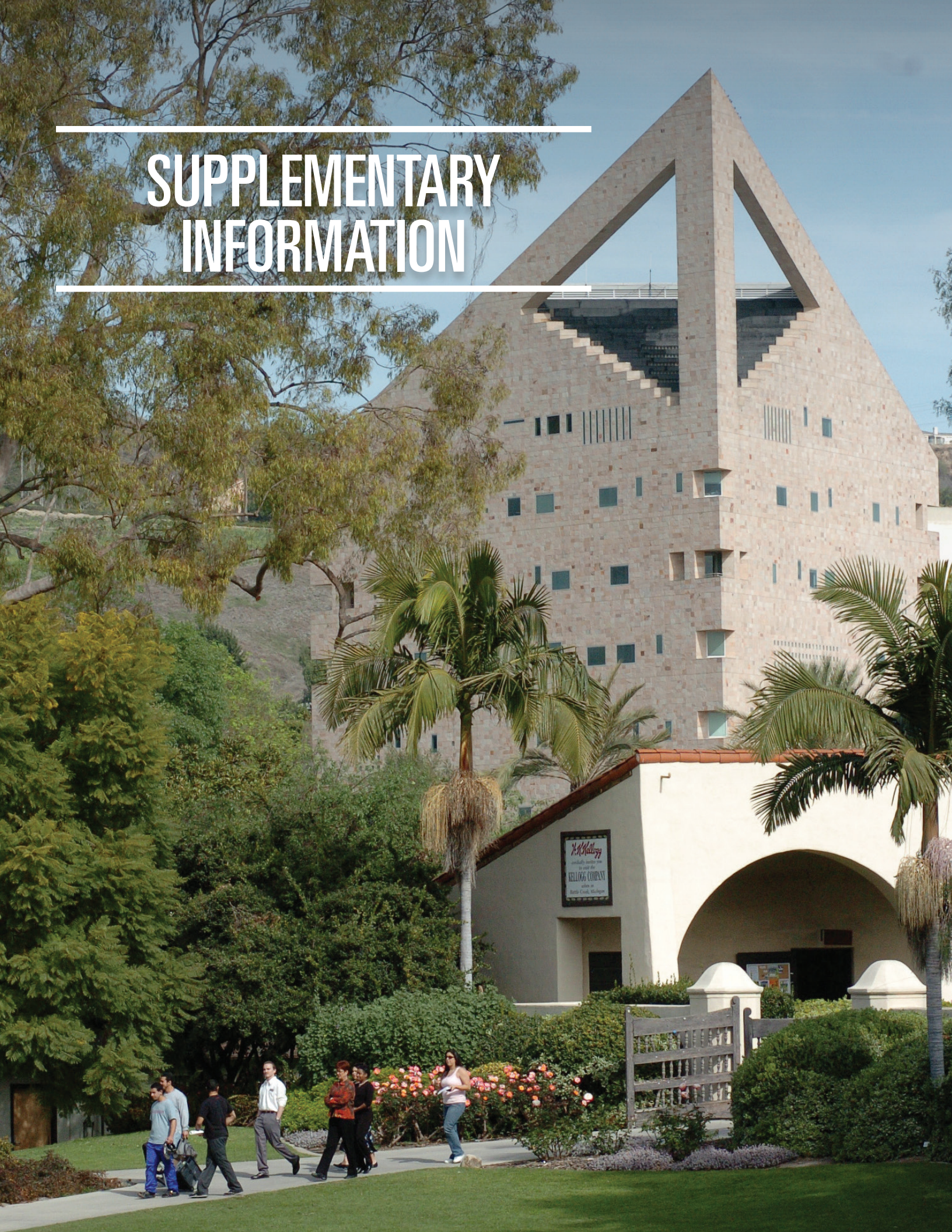
Methods and assumption used to determine actuarially determined contributions:

Actuarial cost method	Entry Age Normal Actuarial Cost Method and the blended discount rates as required by GASB Statements No. 74 and 75. The Normal Cost and Actuarial Accrued Liability for purpose of calculating the Actuarially Determined Contribution were developed using the Entry Age Normal Actuarial Cost Method and a full-funding discount rate of 7.00 percent.
Inflation	2.5%
Payroll growth	2.75%
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the mortality rates, the revised rates include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

⁽¹⁾ The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION



CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Net Income Available for Debt Service

Year ended June 30, 2019

(In thousands)

Gross revenues:

Tuition fees	\$	3,353,956
Student housing		546,895
Student unions/recreation centers		253,990
Parking		128,644
Health centers		10,719
Extended and continuing education		412,537
Auxiliary organizations ¹		611,924
Other related entity ²		7,070
Total gross revenues		<u>5,325,735</u>

Maintenance and operation expenses³:

Academic facilities		313,261
Student housing		343,334
Student unions/recreation centers		121,464
Parking		76,105
Health centers		6,079
Extended and continuing education		408,998
Auxiliary organizations ¹		493,907
Total maintenance and operation expenses		<u>1,763,148</u>
Net income available for debt service	\$	<u>3,562,587</u>

Debt service:

Systemwide revenue bonds debt	\$	382,001
Designated auxiliary organizations debt		2,010
Total debt service	\$	<u>384,011</u>

The purpose of this schedule is to meet bond reporting covenants covering the operations of the projects showing the gross revenues and maintenance and operation expenses for the fiscal year ended.

- (1) This included gross revenues and maintenance and operation expenses of 17 auxiliary organizations that have financed with SRB through lease or loan arrangements. This excludes research grants and contracts activity and restricted gifts. Gross revenues under the SRB Indenture are a smaller amount derived from payments under certain leases or with the Board of Trustees.
- (2) This includes gross revenues derived from leases with California State University, Channel Islands Site Authority which are used solely to pay debt service. The maintenance and operation expenses are excluded as these are not paid by the pledged gross revenues.
- (3) Maintenance and operation expenses for the year ended June 30, 2019 include extraordinary maintenance and repair projects, which are generally paid from existing program fund balances of \$105,836, other postemployment benefits expense of \$46,532 pursuant to GASB Statement No. 75, and pension expense of \$52,187 pursuant to GASB Statement No. 68.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus ⁽¹⁾

Year ended June 30, 2019

(Unaudited)

	(In thousands)						
	Operating and other revenues	Operating expenditures	Excess of revenues over expenditures	Design capacity	Operational capacity ⁽²⁾	Average number of spaces occupied	% of spaces occupied ⁽³⁾
California State University, Bakersfield	\$ 5,276	\$ 4,337	\$ 939	578	562	364	65%
California State University Channel Islands	17,187	9,787	7,400	1,529	1,683	1,529	91
California State University, Chico	24,110	17,879	6,231	2,235	2,256	2,171	96
California State University, Dominguez Hills	5,257	3,637	1,620	712	712	687	96
California State University, East Bay	13,280	9,697	3,583	1,296	1,666	1,632	98
California State University, Fullerton	29,836	17,028	12,808	1,918	2,039	1,960	96
Humboldt State University	15,605	10,071	5,534	2,049	2,075	1,967	95
California State University, Long Beach	23,205	17,589	5,616	1,826	2,050	1,952	95
California State University, Los Angeles	10,036	6,722	3,314	1,069	1,061	1,017	96
California State University Maritime Academy	10,666	9,070	1,596	992	992	722	73
California State University, Northridge	27,800	14,925	12,875	3,595	3,271	3,171	97
California State Polytechnic University, Pomona	27,662	10,526	17,136	2,440	2,468	2,410	98
California State University, Sacramento	25,865	20,640	5,225	2,088	2,128	2,086	98
California State University, San Bernardino	11,505	11,475	30	1,950	1,852	1,044	56
San Diego State University	62,696	40,823	21,873	3,721	4,798	4,306	90
San Francisco State University	62,676	18,313	44,363	3,825	3,911	3,859	99
San José State University	60,503	35,964	24,539	3,939	4,059	3,906	96
California Polytechnic State University, San Luis Obispo	69,112	35,512	33,600	7,755	8,144	7,556	93
Sonoma State University	30,104	17,854	12,249	3,146	3,286	2,917	89
California State University, Stanislaus	5,145	5,847	(701)	460	472	459	97
	<u>\$ 537,526</u>	<u>\$ 317,696</u>	<u>\$ 219,830</u>	<u>47,123</u>	<u>49,485</u>	<u>45,715</u>	<u>92%</u>
California State University, Office of the Chancellor (Systemwide Office)	—	3	(3)				
Interest income	8,482	—	8,482				
Total	<u><u>\$ 546,008</u></u>	<u><u>\$ 317,699</u></u>	<u><u>\$ 228,309</u></u>				

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus ⁽¹⁾

Year ended June 30, 2019

(Unaudited)

(In thousands)

Average annual rates per academic year ⁽⁴⁾

	Residence Halls			Apartments		
	Single	Double	Suite	Single	Double	Suite
California State University, Bakersfield	\$ 12	10	—	—	—	—
California State University Channel Islands	11	10	—	13	11	—
California State University, Chico	9	8	—	9	8	—
California State University, Dominguez Hills	—	—	—	7	10	—
California State University, East Bay	—	—	9	11	9	—
California State University, Fullerton	—	12	—	13	10	—
Humboldt State University	8	6	—	8	6	—
California State University, Long Beach	9	8	—	—	—	—
California State University, Los Angeles	—	—	—	10	8	—
California State University Maritime Academy	8	6	—	—	—	—
California State University, Northridge	—	—	7	12	7	—
California State Polytechnic University, Pomona	11	10	13	—	—	—
California State University, Sacramento	8	7	—	9	8	9
California State University, San Bernardino	8	7	—	9	—	11
San Diego State University	13	11	—	10	8	—
San Francisco State University	—	9	10	13	10	—
San José State University	10	9	—	14	11	—
California Polytechnic State University, San Luis Obispo	—	8	—	10	9	—
Sonoma State University	9	7	—	11	8	—
California State University, Stanislaus	8	—	—	8	7	—
Average annual rates	\$ 6	6	2	8	7	1

⁽¹⁾ Housing facilities at the Fresno, Monterey Bay, and San Marcos campuses are operated by Auxiliary Organizations.

⁽²⁾ This column reflects capacity adjusted for increase or decrease in permanent conversions and temporary adjustments.

⁽³⁾ Percentage of spaces occupied is based on Operational Capacity. In certain cases, percentage occupancy by Design Capacity is over 100%.

⁽⁴⁾ This section primarily reflects an average of the more traditional rates to students. Each campus has different rates depending on accommodations, such as super doubles, cluster occupancy, etc.

⁽⁵⁾ The operational capacity does not include 423 apartment units, of which 417 units were occupied by students, faculty, and staff. The annual rates for the one-bedroom, two-bedroom, or three-bedroom units (not bed spaces) vary between \$1 and \$4.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Statement of Insurance Coverage

Year ended June 30, 2019

(Unaudited)

(In thousands)

Expiration date ⁽¹⁾	Insurance Coverage	Coverage Limit	Insurance Company	Policy number
Property Insurance:				
July 1, 2019	CSU Master Property Policy, "All Risk" Building, Equipment, Rental Income (excluding earthquake)	\$1,000,000 per occurrence	Alliant Property Insurance Program	017471590/05
July 1, 2019	CSU Master Property Policy, Boiler & Machinery	100,000	Alliant Property Insurance Program	017471590/05
General Liability Insurance:				
July 1, 2019	Bodily Injury & Property Damage Liability (Primary)	5,000	CSU Risk Management Authority (self-insured portion)	CSURMA-LIAB-1819
July 1, 2019	Bodily Injury & Property Damage Liability (Reinsurance)	5,000	Multiple	Multiple
July 1, 2019	Bodily Injury & Property Damage Liability (Reinsurance)	5,000	Ironshore Indemnity	000541308
July 1, 2019	Bodily Injury & Property Damage Liability (Reinsurance)	10,000	Multiple	Multiple
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	5,000	Great American	1827346
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	5,000	Brit Syndicate	PEXS1012518
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	5,000	Peleus	2902082-01
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	15,000	Gemini	CEX09600368-05
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	50,000	Multiple	Multiple
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	50,000	Multiple	Multiple
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	50,000	XL Catlin	IE00018836L118A
July 1, 2019	Bodily Injury & Property Damage Liability (Excess)	100,000	Multiple	Multiple
Workers' Compensation and Employer's Liability Insurance:				
July 1, 2019	Workers' Compensation and Employer's Liability	California Workers' Compensation Statutes	CSAC Excess Insurance Authority	EIA-PE 18 EWC-143
July 1, 2019	Workers' Compensation and Employer's Liability	2,500	Safety National Casualty Corporation	SP 4058381

⁽¹⁾ Additional insurance policies are maintained for the period from July 1, 2019 through July 1, 2020. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.



CSU The California State University

401 Golden Shore, Long Beach, CA 90802

www.calstate.edu

CSU The California
State University

SINGLE AUDIT REPORTS

2018–2019



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INDEPENDENT AUDITORS' REPORT





KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
California State University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements, and have issued our report thereon dated December 19, 2019. Our report refers to other auditors who audited 88 of the 90 aggregate discretely presented component units, which statements reflect total assets constituting 95% and total revenues constituting 94% of the aggregate discretely presented component units totals. The reports of the other auditors have been furnished to us, and our opinion, insofar as they relate to the amounts included for the 88 aggregate discretely presented component units, are based solely on the reports of the other auditors. The financial statements of 39 discretely presented component units are not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters in accordance with *Government Auditing Standards* for the discretely presented component units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California State University's internal control. Accordingly, we do not express an opinion on the effectiveness of California State University's internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,



regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's Response to Findings

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the California State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the California State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Orange County, California
December 19, 2019



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
California State University:

Report on Compliance for Each Major Federal Program

We have audited the California State University's (the University) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's basic financial statements include the operations of the University's discretely presented component units, which expended federal awards totaling \$385,364,704, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform audits in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with the federal status, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the California State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing corrective action plan to address each audit findings included in our auditors' report. The University's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003 that we consider to be significant deficiencies.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.²



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University, an agency of the State of California, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 19, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Orange County, California
December 19, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended of June 30, 2019

Student Financial Assistance Cluster:

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
Department of Education	84.007	Student Financial Aid	Federal Supplemental Educational Opportunity Grants (FSEOG)	Direct Award		\$ 18,804,294	\$ -
	84.033	Student Financial Aid	Federal Work-Study Program (FWS)	Direct Award		20,787,626	-
	84.038	Student Financial Aid	Federal Perkins Loan Program (PERKINS LOAN)	Direct Award		68,742,345	-
	84.063	Student Financial Aid	Federal Pell Grant Program (PELL)	Direct Award		1,056,846,962	-
	84.268	Student Financial Aid	Federal Direct Student Loans (DIRECT LOAN)	Direct Award		1,434,162,882	-
	84.379	Student Financial Aid	Teacher Education Assistance for College and Higher Education Grants (TEACH)	Direct Award		2,811,029	-
	84.408	Student Financial Aid	Postsecondary Education Scholarships for Veteran's Dependents (VETERANS)	Direct Award		5,717	-
Department of Education Total						2,602,160,855	-
Department of Health and Human Services	93.364	Student Financial Aid	Nursing Student Loans (NURSING LOAN)	Direct Award		2,922,371	-
Department of Health and Human Services Total						2,922,371	-
Student Financial Assistance Cluster Total						\$ 2,605,083,226	\$ -

Other Programs and Clusters:

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients			
U.S. Department of Agriculture	10.001		Agricultural Research Basic and Applied Research	Direct Award		\$ 92,860	\$ -			
	10.220		Higher Education - Multicultural Scholars Grant Program	Direct Award		59,128	14,628			
	10.558		Child and Adult Care Food Program	Pass-through California Department of Education	04346-CACFP-12-HU-CS	37,791	-			
	10.561	SNAP CLUSTER	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Pass-through CSU Chico Research Foundation	SUB18-018	8,555	-			
				Sub 18-027		16,358	-			
				Pass-through California State University, Chico Research Foundation	SUB18-043	18,504	-			
			SNAP CLUSTER Total	Pass-through The CSU, Chico Research Foundation	SUB18-046	13,977	-			
10.561 Total						57,394	-			
U.S. Department of Agriculture Total						247,173	14,628			
U.S. Department of Commerce	11.420		Coastal Zone Management Estuarine Research Reserves	Direct Award		17,268	4,792			
	11.999		Marine Debris Program	Direct Award		37,731	-			
U.S. Department of Commerce Total						54,999	4,792			
U.S. Department of Defense	12.550		The Language Flagship Grants to Institutions of Higher Education	Pass-through The Institute of International Education, Inc.	0054-SFSU-8-CHN-280-PO1	320,441	-			
					0054-SFSU-8-link-280-PO5	200,162	52,493			
					0054-SFSU-8-SSC-280-PO4	68,690	-			
12.550 Total						589,293	52,493			
U.S. Department of Defense Total						589,293	52,493			
U.S. Department of the Interior	15.224		Cultural and Paleontological Resources Management	Direct Award		28,030	-			
					15.904	Historic Preservation Fund Grants-In-Aid	Pass-through Historic Preservation, Office of (OHP)	C8961513	1,000	-
							Pass-through California Office of Historic Preservation	C1810006	2,000	-
15.904 Total						3,000	-			
U.S. Department of the Interior Total						31,030	-			
U.S. Department of Justice	16.922		Equitable Sharing Program	Pass-through Orange County Sheriff's Department - Regional Narcotics Suppression Program	RNSP 07252013	54,183	-			
U.S. Department of Justice Total						54,183	-			
U.S. Department of Labor	17.277		WIOA National Dislocated Worker Grants / WIA National Emergency Grants	Pass-through Consortium, Inc	GC022 2011	317,910	-			
	17.282		Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	Direct Award		845,539	131,461			
U.S. Department of Labor Total						1,163,449	131,461			
U.S. Department of Transportation	20.215		Highway Training and Education	Pass-through California Department of Transportation	88A0121	50,895	-			
	20.819		Ballast Water Treatment Technologies	Direct Award		16,045	-			
	20.UNK		U.S. Department of Transportation (not classified elsewhere)	Pass-through Transportation, Department of (DOT, Caltrans)	43A0342	18,053	-			
					04A5368	25,290	-			
20.UNK Total						43,343	-			
U.S. Department of Transportation Total						110,283	-			

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2019

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
Office of Personnel Management	27.011		Intergovernmental Personnel Act (IPA) Mobility Program	Direct Award		\$ 82,280	\$ -
Office of Personnel Management Total						82,280	-
General Services Administration	39.UNK		General Services Administration (not classified elsewhere)	Direct Award		19,479	-
General Services Administration Total						19,479	-
National Aeronautics and Space Administration	43.001		Science	Pass-through Association of Universities for Research in Astronomy, Inc.	STI-509915	290,122	-
	43.008		Education	Direct Award		48,045	6,910
National Aeronautics and Space Administration Total						338,167	6,910
National Endowment for the Humanities	45.149		Promotion of the Humanities Division of Preservation and Access	Direct Award		1,912	-
	45.160		Promotion of the Humanities Fellowships and Stipends	Direct Award		25,200	-
	45.169		Promotion of the Humanities Office of Digital Humanities	Direct Award		26,894	-
National Endowment for the Humanities Total						54,006	-
National Endowment for the Arts	45.024		Promotion of the Arts Grants to Organizations and Individuals	Direct Award		10,471	-
	45.025		Promotion of the Arts Partnership Agreements	Pass-through Western States Arts Federation	TW20180055	2,500	-
					TW20180156	2,500	-
	45.025 Total					5,000	-
National Endowment for the Arts Total						15,471	-
National Science Foundation	47.049		Mathematical and Physical Sciences	Direct Award		16,065	-
	47.050		Geosciences	Pass-through University of Connecticut	322618	72,630	-
	47.076		Education and Human Resources	Direct Award		9,521	-
				Pass-through University Enterprises, Inc.	HRD-1302873	26	-
				Pass-through Univ Enterprises, CSU Sacramento	HRD-1826490	10,000	-
				Pass-through Missouri State University	16043-007	38,246	-
				Pass-through Regents of the University of California	9400	33,697	-
	47.076 Total					91,490	-
National Science Foundation Total						180,185	-
U.S. Department of Environment Protection Agency	66.461		Regional Wetland Program Development Grants	Direct Award		49,788	-
				Pass-through Association of Bay Area Governments	CD-99T66201	5,255	-
	66.461 Total					55,043	-
	66.UNK		U.S. Department of Environment Protection Agency (not classified elsewhere)	Pass-through Environmental Quality Management Inc.	13-017_021003	3,599	-
U.S. Department of Environment Protection Agency Total						58,642	-
U.S. Department of Energy	81.087		Renewable Energy Research and Development	Pass-through Alliance for Sustainable Energy, LLC	AFC-7-70044-02	3,940	-
					AHQ-9-92092-11	9,126	-
	81.087 Total					13,066	-
	81.117		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Direct Award		215,856	-
U.S. Department of Energy Total						228,922	-
U.S. Department of Education	84.031		Higher Education Institutional Aid	Direct Award		6,522,835	259,515
				Pass-through Santa Barbara City College	12131.4070.562000.60	207,403	-
				Pass-through Ventura Community College District	P0103046	117,553	-
				Pass-through San Mateo County Community College District	P031S160245	226,854	-
					681233	32,333	-
	84.031 Total					7,106,978	259,515
	84.042	TRIO CLUSTER	TRIO Student Support Services	Direct Award		1,769,365	-
	84.044	TRIO CLUSTER	TRIO Talent Search	Direct Award		724,086	-
	84.047	TRIO CLUSTER	TRIO Upward Bound	Direct Award		2,341,447	-
	84.217	TRIO CLUSTER	TRIO McNair Post-Baccalaureate Achievement	Direct Award		434,213	-
		TRIO CLUSTER Total				5,269,111	-
	84.103		TRIO Staff Training Program	Direct Award		523,694	-
	84.129		Rehabilitation Long-Term Training	Direct Award		344,638	-
	84.325		Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Direct Award		806,121	53,662
	84.326		Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Direct Award		547,024	-
	84.335		Child Care Access Means Parents in School	Direct Award		471,100	-
	84.336		Teacher Quality Partnership Grants	Pass-through CSU Chico Research Foundation	14-042	38,819	-
					15-034	2,385	-
	84.336 Total					41,204	-

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended of June 30, 2019

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
U.S. Department of Education	84.365		English Language Acquisition State Grants	Direct Award		\$ 647,651	\$ -
	84.367		Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Pass-through Regents of the University of California	ESSA18-CGEP-SONOMA	40,000	-
				Pass-through Regents of the University of California	ESSA18-CMP-SONOMA	26,018	-
					ESSA18-CMP-Stanislus	24,223	-
					ESSA-18-CWP Turlock	39,082	-
	84.367 Total					129,323	-
	84.382		Strengthening Minority-Serving Institutions	Direct Award		167,418	-
	84.411		Education Innovation and Research (formerly Investing in Innovation (I3) Fund)	Direct Award		667,870	-
U.S. Department of Education Total						16,722,132	313,177
National Archives and Records Administration	89.003		National Historical Publications and Records Grants	Pass-through CSU Dominguez Hills Foundation	PO F18-008	3,000	-
National Archives and Records Administration Total						3,000	-
U.S. Department of Health and Human Services	93.157		Centers of Excellence	Pass-through The Regents of the University of California, San Francisco	11245sc	16,912	-
	93.243		Substance Abuse and Mental Health Services Projects of Regional and National Significance	Direct Award		2,882	-
	93.558	TANF CLUSTER	Temporary Assistance for Needy Families	Pass-through San Joaquin County	A-18-188	477,934	-
	93.575		Child Care and Development Block Grant	Pass-through California Department of Education	CCTR-8043	53,606	-
				Pass-through City and County of San Francisco	CSPP-8105	9,555	-
					268108	523,243	-
	93.575 Total					586,404	-
	93.596		Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Pass-through California Department of Education	CCTR-8043	116,614	-
					CSPP-8105	20,803	-
	93.596 Total					137,417	-
	93.600		Head Start	Pass-through California Department of Education	15291, 15292, 15298	190,364	-
	93.658		Foster Care Title IV-E	Pass-through Regents of UC, Berkeley	Agreement No. 00009243	50,708	-
					Agreement No. 00009894	1,279,785	-
				Pass-through The Regents of the University of California, Berkeley	9898	947,965	-
				Pass-through Regents of the University of California	16-IA-007745	7,147	-
				18-3028	1,331,926	-	
93.658 Total					3,617,531	-	
93.732		Mental and Behavioral Health Education and Training Grants	Pass-through The Regents of the University of California, Berkeley	9668	60,000	-	
93.859		Biomedical Research and Research Training	Direct Award		479,401	-	
			Pass-through The Regents of the University of California, San Francisco	10339SC	85,129	-	
93.859 Total					564,530	-	
U.S. Department of Health and Human Services Total						5,653,974	-
Corporation for National and Community Service	94.006		AmeriCorps	Direct Award		161,219	-
				Pass-through Jumpstart for Young Children, Inc.	100200	203,850	-
	94.006 Total					365,069	-
	94.013		Volunteers in Service to America	Direct Award		24,436	-
Corporation for National and Community Service Total						389,505	-
U.S. Department of Homeland Security	97.012		Boating Safety Financial Assistance	Pass-through CA Div of Boating & Waterways	C8962333	1,825	-
	97.036		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Pass-through Historic Preservation, Office of (OHP)	C1710004	642	-
U.S. Department of Homeland Security Total						2,467	-
Other Programs and Clusters Total						\$ 25,998,640	\$ 523,461

Research and Development (R&D) Cluster

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
U.S. Department of Agriculture	10.326	R&D	Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	Direct Award		\$ 65,204	\$ 21,034
	10.561	R&D	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Pass-through California Department of Public Health	16-10234	518,770	-
	10.664	R&D	Cooperative Forestry Assistance	Direct Award		34,038	-
	10.699	R&D	Partnership Agreements	Direct Award		15,896	-
	10.961	R&D	Scientific Cooperation and Research	Direct Award		1,496	-
U.S. Department of Agriculture Total						635,404	21,034

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2019

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
U.S. Department of Commerce	11.012	R&D	Integrated Ocean Observing System (IOOS)	Pass-through Monterey Bay Aquarium Research Institute	1611290	\$ 94,557	\$ -
	11.417	R&D	Sea Grant Support	Pass-through The Regents of the University of California, San Diego	71780057	407	-
	11.419	R&D	Coastal Zone Management Administration Awards	Pass-through Rhode Island Department of Environmental Management	COOP Agreement 2019	4,717	-
				Pass-through University of Michigan	SUBK00009742	106,166	-
	11.419 Total					110,883	-
	11.420	R&D	Coastal Zone Management Estuarine Research Reserves	Direct Award		570,902	-
				Pass-through Merkel & Associates, Inc.	05-024-35	41,638	-
				GS-10F-0060T/AB-133F-14NC-1535	24	-	
11.420 Total					612,564	-	
11.429	R&D	Marine Sanctuary Program	Direct Award		40,668	-	
U.S. Department of Commerce Total						859,079	-
U.S. Department of Defense	12.106	R&D	Flood Control Projects	Direct Award		(848)	-
	12.300	R&D	Basic and Applied Scientific Research	Direct Award		35,800	-
				Pass-through Regents of the University of California	A18-0896-S001-P06921	20,594	-
				Pass-through National Marine Mammal Foundation	SSU-2773	27,544	-
				Pass-through University of St. Andrews	112717 Agreement	15,643	-
	12.300 Total					99,581	-
12.630	R&D	Basic, Applied, and Advanced Research in Science and Engineering	Direct Award		71,935	-	
12.800	R&D	Air Force Defense Research Sciences Program	Pass-through George Mason University	E2043361	177,541	-	
U.S. Department of Defense Total						348,209	-
U.S. Department of the Interior	15.231	R&D	Fish, Wildlife and Plant Conservation Resource Management	Direct Award		112,365	-
	15.246	R&D	Threatened and Endangered Species	Direct Award		50,000	-
	15.608	R&D	Fish and Wildlife Management Assistance	Direct Award		108,074	55,047
	15.615	R&D	Cooperative Endangered Species Conservation Fund	Direct Award		29,078	-
				Pass-through California Department of Fish and Wildlife	P168007	316	-
					P1680032	33	-
	15.615 Total					29,427	-
	15.634	R&D	State Wildlife Grants	Pass-through California Department of Fish and Wildlife	P1640010	84,926	-
	15.650	R&D	Research Grants (Generic)	Direct Award		22,988	-
	15.657	R&D	Endangered Species Conservation – Recovery Implementation Funds	Pass-through Regents of the University of California	A18-0450-S001	31,488	-
	15.678	R&D	Cooperative Ecosystem Studies Units	Direct Award		4,556	-
	15.807	R&D	Earthquake Hazards Program Assistance	Direct Award		48,512	-
	15.808	R&D	U.S. Geological Survey Research and Data Collection	Direct Award		208,278	-
	15.923	R&D	National Center for Preservation Technology and Training	Direct Award		18,682	-
	15.945	R&D	Cooperative Research and Training Programs – Resources of the National Park System	Direct Award		33,594	-
	15.UNK	R&D	U.S. Department of the Interior (not classified elsewhere)	Direct Award		9,722	-
	U.S. Department of the Interior Total						762,612
National Aeronautics and Space Administration	43.001	R&D	Science	Direct Award		347,117	167,893
				Pass-through Space Telescope Science Institute	HST-GO-12950.03-A	11,078	-
				Pass-through Childrens' Creativity Museum	09/06/18 Agreement	40,784	-
43.001 Total					398,979	167,893	
National Aeronautics and Space Administration Total						398,979	167,893
National Endowment for the Humanities	45.129	R&D	Promotion of the Humanities Federal/State Partnership	Pass-through California Humanities	HFAP17-11	5,841	-
	45.160	R&D	Promotion of the Humanities Fellowships and Stipends	Direct Award		12,600	-
National Endowment for the Humanities Total						18,441	-
National Science Foundation	47.041	R&D	Engineering Grants	Direct Award		198,620	-
				Pass-through University of Southern California	94901347	54,525	-
	47.041 Total					253,145	-
	47.049	R&D	Mathematical and Physical Sciences	Direct Award		1,009,022	-
				Pass-through Occidental College	OXY-CURM0013	5,260	-
	47.049 Total					1,014,282	-
47.050	R&D	Geosciences	Direct Award		514,472	-	
			Pass-through Yale University	GR104085(CON-80001397)	3,540	-	
47.050 Total					518,012	-	

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2019

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
National Science Foundation	47.070	R&D	Computer and Information Science and Engineering	Direct Award		\$ 108,831	\$ 33,668
				Pass-through The University of Texas at El Paso	226100998E	28,162	-
	47.070 Total					136,993	33,668
	47.074	R&D	Biological Sciences	Direct Award		1,380,541	62,228
				Pass-through The Regents of the University of California, San Francisco	9807sc	386,012	-
	47.074 Total					1,766,553	62,228
	47.075	R&D	Social, Behavioral, and Economic Sciences	Direct Award		44,167	-
	47.076	R&D	Education and Human Resources	Direct Award		2,141,860	348,525
				Pass-through Villanova University	525838-2	38,137	-
				Pass-through Regents of the University of California	KK1627	1,095	-
				Pass-through The Regents of the University of California, San Diego	A00-1696S004-P056579	45,733	-
				Pass-through California State University, Sacramento University Enterprise	1726932	1,500	-
				Pass-through Northeastern University	533001	8,504	-
				Pass-through Smith-Kettlewell Eye Research Institute	502277-78050	151,157	-
				Pass-through University Enterprises, Inc. Sacramento State	8201301-SFSU	36,050	-
				Pass-through CSU Sacramento University Enterprises Inc	532841	15,000	-
				Pass-through University of Texas at El Paso	1826490/532851	15,000	-
					2261009558	290,346	-
	47.076 Total					2,744,382	348,525
National Science Foundation Total						6,477,534	444,421
U.S. Department of Veterans Affairs	64.054	R&D	Research and Development	Direct Award		11,947	-
U.S. Department of Veterans Affairs Total						11,947	-
U.S. Department of Environment Protection Agency	66.202	R&D	Congressionally Mandated Projects	Pass-through California Coastal Conservancy	CONTRACT NO. 10-030	18,050	-
U.S. Department of Environment Protection Agency Total						18,050	-
U.S. Department of Energy	81.049	R&D	Office of Science Financial Assistance Program	Direct Award		219,828	-
	81.117	R&D	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Pass-through The Regents of the University of California, Lawrence Berkeley National Laboratory	7403049	21,250	-
U.S. Department of Energy Total						241,078	-
U.S. Department of Education	84.120	R&D	Minority Science and Engineering Improvement	Pass-through San Mateo County Community College District	P120A150014	22,133	-
	84.324	R&D	Research in Special Education	Direct Award		370,722	294,484
U.S. Department of Education Total						392,855	294,484
U.S. Department of Health and Human Services	93.070	R&D	Environmental Public Health and Emergency Response	Pass-through California Department of Public Health	13-20878	11,250	-
	93.084	R&D	Prevention of Disease, Disability, and Death by Infectious Diseases	Pass-through The Regents of the University of California, Davis	A18-0612-S004	24,750	-
	93.113	R&D	Environmental Health	Pass-through University of Southern California	93352808	44,194	-
	93.136	R&D	Injury Prevention and Control Research and State and Community Based Programs	Pass-through California Department of Public Health	13-20878	20,000	-
	93.143	R&D	NIEHS Superfund Hazardous Substances Basic Research and Education	Pass-through The Regents of the University of California, Berkeley	9676	11,980	-
	93.173	R&D	Research Related to Deafness and Communication Disorders	Pass-through Boston University	4500002980	587	-
	93.242	R&D	Mental Health Research Grants	Direct Award		843,260	101,801
				Pass-through Boston University	4500002320	36,510	-
	93.242 Total					879,770	101,801
	93.243	R&D	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Pass-through Regents of the University of California	10989sc	8,619	-
	93.268	R&D	Immunization Cooperative Agreements	Pass-through California Department of Public Health	13-20878	7,500	-
	93.307	R&D	Minority Health and Health Disparities Research	Direct Award		292,939	-
				Pass-through The board of Trustees of the University of Illinois	17063	15,542	-
					17233-00	27,940	-
	93.307 Total					336,421	-
	93.310	R&D	Trans-NIH Research Support	Direct Award		4,145,263	903,961
	93.732	R&D	Mental and Behavioral Health Education and Training Grants	Pass-through The Regents of the University of California, Berkeley	9668	438	-
	93.758	R&D	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Pass-through California Department of Public Health	13-20878	319,325	-
	93.837	R&D	Cardiovascular Diseases Research	Direct Award		607,888	152,567
	93.847	R&D	Diabetes, Digestive, and Kidney Diseases Extramural Research	Pass-through The Regents of the University of California, San Francisco	8109sc	52,896	-
	93.855	R&D	Allergy and Infectious Diseases Research	Direct Award		19,800	-
				Pass-through University of Pittsburgh	0052385 (128239-1)	33,843	-
	93.855 Total					53,643	-

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended of June 30, 2019

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services	93.859	R&D	Biomedical Research and Research Training	Direct Award		\$ 2,731,958	\$ 15,177
				Pass-through St. John's University	35712	45,648	-
	93.859 Total					2,777,606	15,177
	93.865	R&D	Child Health and Human Development Extramural Research	Direct Award		122,938	-
				Pass-through Research Foundation for Mental Hygiene, Inc. Columbia University	25999	141,668	-
	93.865 Total					264,606	-
	93.866	R&D	Aging Research	Direct Award		169,034	-
				Pass-through The Regents of the University of California, San Francisco	10295SC	79,060	-
					9913C	50,475	-
				Pass-through Stanford University	61593292-45510	32,150	-
					61933281-133224	9,678	-
	93.866 Total					340,397	-
93.879	R&D	Medical Library Assistance	Pass-through Stanford University	61100260-12656-A	91,793	-	
U.S. Department of Health and Human Services Total					9,998,928	1,173,506	
Research and Development (R&D) Cluster Total					\$ 20,163,116	\$ 2,156,385	
Total expenditures of federal awards						\$ 2,651,244,982	\$ 2,679,846

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CALIFORNIA STATE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(1) General

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all federal award programs of the California State University (the University). The University does not consider itself a subrecipient of federal funds when those funds are received as payments for services rendered from individual campus foundations, which are discretely presented component units in the basic financial statements of the University. Accordingly, these amounts are not reflected in the accompanying Schedule.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the University and agencies and departments of the federal government and pass-through agencies. The awards are classified into program categories in accordance with the provisions of the Uniform Guidance.

(2) Basis of Accounting

The information in the accompanying Schedule is prepared on the accrual basis of accounting and is also presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Loan Programs

Total loans outstanding under the Federal Perkins Loan Program and the Nursing Student Loan Program are \$55,320,028 and \$2,450,983, respectively, at June 30, 2019. The amounts included in the accompanying Schedule consist of the beginning balances of the loans, loans advanced to students during the year and the administrative cost allowance for the year ended June 30, 2019.

(4) Administrative Cost Allowances

Administrative cost allowances included in the accompanying Schedule are summarized as follows:

Federal Pell Grant Program	\$	799,325
Federal Work-Study Program		881,561
Federal Supplemental Educational Opportunity Grant Program		421,656
		<hr/>
Total administrative cost allowances	\$	<u>2,102,542</u>

(5) Indirect Cost Rate

The University did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For all sponsored programs where indirect costs are allowed to be claimed, the rates approved by the University's cognizant agency were used.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



CALIFORNIA STATE UNIVERSITY
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2019

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes ___ None Reported

Noncompliance material to the financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? ___ Yes X No
- Significant deficiencies in internal control over major programs X Yes ___ None Reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings that are required to be reported in accordance with 2 CFR 200.516 of Uniform Guidance X Yes ___ No

Identification of Major Programs

CFDA number(s)	Name of federal program or cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, and 93.364	Student Financial Assistance Cluster
84.042, 84.044, 84.047, and 84.217	TRIO Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,384,853

Auditee qualified as low-risk auditee? X Yes ___ No

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2019-001

Missing Control over the Review of Employee Census Data used to Calculate Other Post-Employment Benefits

Condition and Context

The University records the net other postemployment benefits (OPEB) liability based on the projected benefit for current and active employees and retirees based on various assumptions and employee census data elements. Errors were identified in the census data file for the active employees, resulting in the OPEB expenses and liability being calculated using erroneous information. While the University submits changes to the census data elements for active employees to the State, there is a missing control over the review of the accuracy of census data used by the actuary in estimating OPEB expense and liability.

Criteria

A significant deficiency in internal control is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements will not be prevented or detected.

Potential Cause and Effect

Due to the lack of controls over the review to ensure completeness and accuracy of census data used by the actuary in estimating OPEB, this resulted in a projected overstatement of OPEB obligations in the amount of \$265 million. This error was not corrected in the June 30, 2019 financial statements.

Recommendation

While the University started its review of policies and procedures, we recommend that the University continues its process and take the necessary action to improve its control over the review of census data used in estimating OPEB liability.

View of Responsible Officials and Planned Corrective Action

The University concurs with the recommendation. The University will review the policies and procedures and develop appropriate internal controls to ensure the completeness and accuracy of the census data used by the actuary in estimating the net OPEB liability.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

(3) Findings and Questioned Costs Relating to Federal Awards

2019-002

Compliance requirement:	Enrollment Reporting
Campus:	Fresno, Long Beach, Pomona, Sacramento, San Francisco, and San Marcos
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.268 Federal Direct Student Loans 84.038 Federal Perkins Loan Program
Federal agency:	U.S. Department of Education
Passed through entity:	None
Award year:	July 1, 2018 through June 30, 2019

Criteria or Specific Requirement

Per 34 CFR Section 685.309, institutions with direct loan programs must complete and return to the National Student Loan Data System for Students (NSLDS) within 30 days the enrollment reporting roster file provided by NSLDS, unless the school expects to complete the next roster within 60 days, then they must return it within 60 days. The institution must update changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and then submit changes electronically to the NSLDS, for the purpose of providing complete and accurate data to lenders regarding enrollment status so they may properly determine when repayment of the loans should begin.

Condition Found and Context

During our testwork, we haphazardly selected 132 students from 12 campuses that withdrew or graduated during the year that have direct loans that we tested for reporting the change of status to NSLDS and noted the following:

- We identified 15 students from six campuses where their changes in status were not reported to the NSLDS within the 30/60-day reporting period. For these students, status changes were communicated between 8-239 days late.

Since this is a repeat finding and that non-compliance was identified at multiple campuses, we consider this to be a significant deficiency in internal control over the compliance requirement for enrollment status reporting.

Cause and Effect

The non-compliance with the 30/60-day reporting period was caused by not having sufficient procedures, such as queries to include all graduated and credential students and not scheduling and submitting degree transmissions on a monthly basis, and controls in place to report graduated and credential students to the National Student Clearinghouse (NSC) in a timely manner.

Sampling

Not statistical

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

Isolated or Systemic

Systemic

Questioned Costs

None noted

Repeat Finding

Yes

Recommendation

We recommend the University update its procedures to verify that all graduated and credential students are included in the NSC submissions and that degree transmissions to NSC are made in a timely manner to comply with the 30/60-day reporting period to NSLDS.

Views of Responsible Officials

The University concurs with the recommendation. Campuses will further review and refine their policies and procedures and strengthen internal controls, to ensure the timely and accurate reporting of student status changes to NSLDS.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

2019-003

Compliance requirement:	Pell Reporting
Campus:	Sacramento and San Francisco
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.063 Federal Pell Grant Program
Federal agency:	U.S. Department of Education
Pass-through entity:	None
Award year:	July 1, 2018 through June 30, 2019

Criteria or Specific Requirement

Schools submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD). Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no earlier than (1) 7 calendar days prior to the disbursement date under the Advance or Heightened Cash Monitoring 1 payment methods, or (2) the date of the disbursement under the Reimbursement or Heightened Cash Monitoring 2 payment methods (see ED Notice, June 27, 2017, Federal Register (82 FR 29061)). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. In testing the Pell Payment origination and disbursement data, engagement teams should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 15 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly, weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition Found and Context

During our testwork, we haphazardly selected 66 students from 6 campuses that had Pell disbursements where we compared the COD records to the University's records as well as verifying that the campuses reported disbursements within the 15 day reporting period. We noted the following:

- We identified 10 students from 1 campus where the Pell disbursement dates were not the same in the COD's records as they were in the University's records.
- We identified 2 students that did not have disbursement record reported within the 15 day reporting period.

Based on the number of instances of non-compliance identified, we consider this to be a significant deficiency in internal control over the compliance requirement for Pell disbursement reporting.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

Cause and Effect

The non-compliance with the Pell reporting was caused by not having sufficient procedures and controls around the timely submission of disbursement records when the Pell disbursement date was different than initially scheduled for that semester.

Sampling

Not statistical

Isolated or Systemic

Systemic

Questioned Costs

None noted

Repeat Finding

No

Recommendation

We recommend the University update its procedures to verify that all Pell disbursements are reported to COD in a timely manner.

Views of Responsible Officials

The University concurs with the recommendation. Campuses will review their policies and procedures and enhance internal controls, to ensure the timely and accurate reporting of Pell disbursements to COD.



CSU The California State University

401 Golden Shore, Long Beach, CA 90802

www.calstate.edu

AGENDA

JOINT COMMITTEES ON INSTITUTIONAL ADVANCEMENT AND EDUCATIONAL POLICY

Meeting: 4:30 p.m., Tuesday, January 28, 2020
Glenn S. Dumke Auditorium

Committee on Institutional Advancement

Jean P. Firstenberg, Chair
Wenda Fong, Vice Chair
Larry L. Adamson
Debra S. Farar
Maryana Khames
Lillian Kimbell
Jeffery R. Krinsk
Hugo N. Morales

Committee on 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
Maryana Khames
Lillian Kimbell
Romey Sabalius
Christopher Steinhauser

Discussion 1. The Wang Family Excellence Awards, *Information*

**JOINT COMMITTEES ON INSTITUTIONAL ADVANCEMENT AND
EDUCATIONAL POLICY**

The Wang Family Excellence Awards

Presentation By

Timothy P. White
Chancellor

Background

More than 20 years ago, the Wang Family Excellence Award was established when then-California State University (CSU) Trustee Stanley T. Wang provided \$1 million to recognize the remarkable contributions of four CSU faculty members and one staff member annually over a 10-year period. Each selected recipient received an award of \$20,000.

In 2014, Trustee Emeritus Wang pledged a \$300,000 gift to the CSU to reinstate the Wang Family Excellence Award, continuing this recognition for faculty and staff through 2017. And, at the January 2017 Board of Trustees meeting, Chancellor Timothy P. White announced that Trustee Emeritus Wang had gifted an additional \$2.5 million, allowing the Wang Family Excellence Award to continue in perpetuity.

The Wang Family Excellence Award recognizes and celebrates CSU faculty members who have distinguished themselves through extraordinary dedication and exemplary achievements in their academic disciplines, while significantly contributing to the success of students. A staff administrator is also recognized for extraordinary accomplishments in her or his university assignment.

The selection process for the award begins with each campus president nominating one probationary or tenured faculty member for each of the award categories. Award categories are:

- a) Outstanding Faculty Teaching;
- b) Outstanding Faculty Innovator in Student Success;
- c) Outstanding Faculty Scholarship; and
- d) Outstanding Faculty Service.

Campus presidents also nominate one staff administrator from their respective campuses for the Outstanding Staff Performance Award.

Nominations are considered by the Wang Family Excellence Award Selection Committee, appointed by Chancellor White in consultation with Trustee Emeritus Wang. This committee includes two members of the Board of Trustees, the executive vice chancellor for Academic and Student Affairs, the vice chancellor for Human Resources, chair of the Academic Senate CSU and a CSU faculty member who was previously awarded the Wang Family Excellence Award.

Nominees are reviewed and considered for selection based on the following criteria:

- Nominees should have made truly remarkable contributions to the advancement of their respective universities and/or the CSU system.
- Nominees should have a demonstrated record of unusually meritorious achievements documented by evidence of superior accomplishments and contributions to their academic discipline or university assignment.
- A nominee's activities must advance the mission of the university, bring benefit and credit to the CSU and contribute to the enhancement of the CSU's excellence in teaching, learning, research, scholarly pursuits, student support and community contributions.

The Wang Family Excellence Awards will be presented during a ceremony at the January 2020 Board of Trustees meeting.

AGENDA

COMMITTEE ON EDUCATIONAL POLICY

Meeting: 8:00 a.m., Wednesday, January 29, 2020
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
Maryana Khames
Lillian Kimbell
Romey Sabalius
Christopher Steinhauser

- Consent** 1. Approval of Minutes of the Meeting of November 20, 2019, *Action*
- Discussion** 2. Amendments to Title 5 Regarding Occupational Therapy Doctorate Degree Programs, *Information*
3. Research, Scholarship and Creative Activities, *Information*
4. Admission Requirements: Quantitative Reasoning, *Action*

**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**

November 20, 2019

Members Present

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
Adam Day, Chair of the Board
Timothy P. White, Chancellor

Trustee Taylor called the meeting to order.

Approval of Minutes

The minutes from September 24, 2019 were approved as submitted.

Amendment to Title 5 Regarding Student Organizations

Loren J. Blanchard, executive vice chancellor for Academic and Student Affairs, introduced the action item, reminding trustees that the Title 5 amendments were presented as an information item during the July and September meetings.

The Title 5 amendment updates the policy prohibiting recognized student organizations from discriminating on the basis of any protected status. The amendment would align CSU policies as defined by federal and state law by adding as protected status: religious creed, medical condition, genetic information, sex, gender identity, gender expression and veteran and military status.

Following the presentation, trustees had no question. The committee recommended approval of the proposed resolution. **(REP 11-19-02)**

Amendment to Title 5 Regarding Admissions Requirements: Quantitative Reasoning

Loren J. Blanchard, executive vice chancellor for Academic and Student Affairs, introduced the item, noting the improvements that have strengthened the CSU quantitative reasoning proposal and implementation, based upon consultation with stakeholders since the July 2019 board meeting.

James T. Minor, assistant vice chancellor and senior strategist for Academic and Student Affairs, presented and reviewed the results of CSU's recent data analysis based upon the provision of student data from the California Department of Education. The analysis showed that 93% of admitted CSU first-year applicants in fall 2018 had completed a course which would meet the proposed requirement. He reviewed elements of the proposal, highlighting that the change expands the a-g requirements that determine minimum eligibility for CSU admission beginning in 2027 to require the completion of one additional quantitative reasoning course. The course could be fulfilled with a high school science course, an elective with a quantitative reasoning foundation, such as personal finance or computer science, or a more traditional mathematics course beyond Algebra 2. It could also be met with a quantitatively-based course offered through Career and Technical Education or through dual enrollment in partnership with a local community college.

Marquita Grenot-Scheyer, assistant vice chancellor for Educator Preparation and Public School Programs, provided specific details about the breadth of and timeline for consultation on the quantitative reasoning proposal. She also reviewed the specific improvements to both the proposal and implementation plan which were as a result of consultation. These included the automatic exemption policy, the extended seven-year implementation timeline, the inclusion of a steering committee and CSU support and investments in curricular development, the teacher workforce and student outreach and enrichment.

Following the presentation, trustees had a number of questions and comments. These questions included, but were not limited to: outcomes for current students who currently complete a qualifying course versus those who do not, support for the proposal by CSU faculty, course sequences in high school that would satisfy the proposal, teaching and curricular capacity of schools to offer courses, measuring efficacy of educational policy changes, experiences when previous changes to admission standards were made and the experience of Long Beach Unified School District in implementing a similar course requirement.

The public was given notice 45 days prior to this meeting of the proposed Title 5 amendment and the opportunity to present statements orally or in writing relevant to the amendment. Approximately 24 members of the public addressed the committee regarding the proposed amendment. Following the public comment and the ensuing discussion among the trustees, a vote by trustees on the proposed Title 5 amendment was deferred until the January 2020 meeting.

Graduation Initiative 2025

Loren J. Blanchard, executive vice chancellor for Academic and Student Affairs, introduced the information item. He noted that the 2019-20 academic year nears the mid-point of Graduation Initiative 2025, and that it is a critical time for the success of the initiative. He reviewed the five pillars serving as operational priorities for the initiative, academic preparation, enrollment management, student engagement and well-being, financial support, data-informed decisions making, and administrative barriers. He also highlighted the success of the Graduation Initiative 2025 Symposium, held in October, 2019.

Jeff Gold, assistant vice chancellor for Student Success, Research and Innovation presented an overview of the final 2019 graduation rate data. For the 2018-19 academic year, more than 107,000 students earned a bachelor's degree. This record number of degrees represents 20,000 more graduates compared to 2015, the year before the initiative was launched. Graduation rates improved for all students; however, equity gaps increased slightly from the prior year.

Maria Angelica Garcia, a fourth-year student at Humboldt State University (HSU), shared her personal experience at HSU as a first-generation Latina student. She discussed the impact of programs that have supported her interest in STEM and her role as a peer mentor on campus, both of which were funded through Graduation Initiative 2025.

Following the presentation, trustees inquired about the Graduation Initiative 2025, disaggregated outcomes data, specific strategies undertaken by campuses to address equity gaps and the allocation process for Graduation Initiative 2025 resources to campuses.

Trustee Taylor adjourned the Committee on Educational Policy.

COMMITTEE ON EDUCATIONAL POLICY

Amendments to Title 5 Regarding Occupational Therapy Doctorate Degree Programs

Presentation By

Loren J. Blanchard
Executive Vice Chancellor
Academic and Student Affairs

Alison M. Wrynn
Associate Vice Chancellor
Academic Programs, Innovations, and Faculty Development

Summary

Recent changes in legislation amended the California Education Code to add Education Code Sections 66043 and 66043.1, which grant the California State University (CSU) the authority to offer the doctoral degree in occupational therapy, called the Occupational Therapy Doctorate (OTD) degree. The purpose of this information item is to propose amendments to Title 5 which will implement and align with the provisions of Education Code Sections 66043 and 66043.1.

Background

Occupational therapists are skilled health care professionals who use research and scientific evidence to treat patients through the therapeutic use of everyday activities. Common occupational therapy interventions include helping children with disabilities to participate fully in school and social situations, helping people recovering from injury to regain skills and providing support for older adults experiencing physical and cognitive changes. Practitioners utilize a holistic perspective, in which the focus is on adapting the environment to fit the client.

According to the U.S. Bureau of Labor Statistics, employment of occupational therapists is projected to grow 18 percent from 2018 to 2028, much faster than the average for all occupations. Additionally, a 2015 study in Physical Medicine and Rehabilitation forecasts growing shortages of occupational therapists nationwide, with California projected to be one of the states with the largest shortages. As the population continues to age, the need for occupational therapists is expected to increase. Occupational therapists play a role in the treatment of conditions commonly associated with aging – such as arthritis and stroke – and can help senior citizens maintain their independence by recommending home modifications and strategies to support their daily life.

In California, only two public universities – San Jose State University and CSU Dominguez Hills – offer accredited master’s programs in occupational therapy. These programs have existed since 1960 and 2004, respectively. These programs educate approximately 30 percent of California’s occupational therapists and have developed community partnerships that provide students with service-learning models. Program graduates fare extremely well in the workforce. For example, CSU Dominguez Hills reports their occupational therapy graduates typically have more than four employment offers at graduation and are frequently offered sign-on bonuses.

The American Council for Occupational Therapy– the accrediting body for the profession of occupational therapy – determined that the doctorate will become the primary entry degree in order to become a certified occupational therapist. The CSU Board of Trustees sponsored legislation – Assembly Bill 829, *California State University: Doctor of Occupational Therapy Program* (Bloom) – to give the CSU OTD degree-granting authority. This legislation was signed into law by Governor Newsom on August 30, 2019.

Correspondingly, additions of the following Title 5 sections are recommended:

- **§ 40050.5 Function: Instruction Leading to the Occupational Therapy Doctorate Degree.**
This addition will establish that CSU has been granted independent authority to offer OTD degrees.
- **§ 40519 The Occupational Therapy Doctorate Degree.**
This addition will establish the OTD degree program scope and the minimum number of degree units, and reflect professional conventions regarding the doctoral capstone.
- **§ 40519.1 The Occupational Therapy Doctorate Degree: Requirements.**
This addition will establish the minimum requirements for completion of the program.
- **§ 41024 Admission to Occupational Therapy Doctorate Programs.**
This addition will establish admission requirements for the degree program.

An item will be presented at the March 2020 meeting for board action to adopt the following recommended additions to Title 5.

Title 5, California Code of Regulations
Division 5 – Board of Trustees of the California State Universities
Chapter 1 – California State University
Subchapter 2 – Educational Programs
Article 1 – General Function

§ 40050.5. Function: Instruction Leading to the Occupational Therapy Doctorate Degree.

Notwithstanding Section 40050, the Occupational Therapy Doctorate degree may be awarded independently of any other institution of higher education, provided that the program leading to the degree satisfies the criteria in section 40519.

Note: Authority cited: Sections 66043, 66043.1, 66600, 89030 and 89035, Education Code.
Reference: Sections 66043, 66043.1, 66600 and 89030, Education Code.

Title 5, California Code of Regulations
Division 5 – Board of Trustees of the California State Universities
Chapter 1 – California State University
Subchapter 2 – Educational Programs
Article 7 – Graduate Degrees

§ 40519. The Occupational Therapy Doctorate Degree.

(a) A California State University program leading to an Occupational Therapy Doctorate degree may be offered independently of any other institution of higher education. California State University Occupational Therapy Doctorate programs shall:

(1) provide curriculum grounded in evidence-based practice;
(2) prepare graduates to participate in the field of occupational therapy; and
(3) be consistent with the requirements of a professional accrediting body and California state licensure laws.

(b) Each campus offering a program leading to an Occupational Therapy Doctorate degree shall establish requirements for admission to the program. The requirements for admission shall include, at a minimum, the requirements stated in Section 41024.

(c) The program leading to the Occupational Therapy Doctorate degree shall conform to the following specifications:

(1) The curriculum shall include learning experiences that balance research, theory, clinical education and practice. The core curriculum shall provide professional preparation focusing on critical thinking and decision making, including but not limited to: foundational sciences, clinical sciences and behavioral sciences; professional practice; patient/client management; and practice management.

(2) The postbaccalaureate pattern of study shall be composed of at least 110 semester units earned in graduate standing.

(3) At least 60 semester units shall be completed in residence at the campus awarding the degree. At the discretion of the appropriate campus authority, courses required for California State University Occupational Therapy Doctorate programs that are completed at another CSU campus may apply toward the residency requirement at the CSU campus that awards the degree.

(4) A qualifying assessment shall be required.

(5) The pattern of study shall include successful completion of a doctoral capstone in accordance with accreditation standards that is expected to contribute to knowledge in occupational therapy science or to an improvement in occupational therapy practice, policy or client outcomes.

(A) The doctoral capstone shall demonstrate the student's doctoral-level mastery of research skills, occupational science and/or current evidence-based practice. It shall demonstrate critical and independent thinking and a command of the research literature.

(B) The written component of the doctoral capstone shall demonstrate originality, evidencing critical and independent thinking. It shall be organized in an appropriate form and shall identify the research problem and question(s), state the major theoretical perspectives, explain the significance of the undertaking, relate it to the relevant scholarly and professional literature, identify the methods of gathering and analyzing the data, analyze and interpret data and offer a conclusion or recommendation.

(C) An oral defense or presentation of the doctoral capstone may be required.

(D) No more than fifteen semester units shall be allowed for the doctoral capstone.

Note: Authority cited: Sections 66043, 66043.1, 66600, 89030 and 89035, Education Code.
Reference: Sections 66043, 66043.1, 66600, 89030 and 89035, Education Code.

Title 5, California Code of Regulations
Division 5 – Board of Trustees of the California State Universities
Chapter 1 – California State University
Subchapter 2 – Educational Programs
Article 7 – Graduate Degrees

§ 40519.1 The Occupational Therapy Doctorate Degree: Requirements.

(a) Advancement to Candidacy. For advancement to candidacy for the Occupational Therapy Doctorate degree, the student shall have achieved classified graduate standing and met such particular requirements as the chancellor and appropriate campus authority may prescribe. The requirements shall include a qualifying doctoral assessment.

(b) To be eligible for the Occupational Therapy Doctorate degree, the candidate shall have completed a program of study that includes: a qualifying examination or other qualifying doctoral assessment, and a doctoral capstone that is consistent with the specifications in section

40519 and is approved by the appropriate campus authority. A grade point average of 3.0 (grade of B) or better shall have been earned in aggregate in courses taken to satisfy the requirements for the degree, except that a course in which no letter grade is assigned shall not be used in computing the grade point average.

(c) The student shall have completed all requirements for the degree within five years of achieving classified standing in the doctoral program. The appropriate campus authority may extend the time for completion of the requirements if:

(1) the student is in good standing,

(2) the extension is warranted by compelling individual circumstances, and

(3) the student demonstrates current knowledge of research and practice in occupational therapy, as required by the campus.

Note: Authority cited: Sections 66043, 66043.1, 66600, 89030 and 89035, Education Code.

Reference: Sections 66043, 66043.1, 66600, 89030 and 89035, Education Code.

Title 5, California Code of Regulations
Division 5 – Board of Trustees of the California State Universities
Chapter 1 – California State University
Subchapter 3 – Admission Requirements
Article 8 – Admission of Post-Baccalaureate and Graduate Students

§ 41024. Admission to Occupational Therapy Doctorate Programs.

(a) An applicant may be admitted with classified graduate standing to a program leading to an Occupational Therapy Doctorate degree established pursuant to Section 40519 if the applicant satisfies the requirements of each of the following numbered subdivisions:

(1) The applicant holds an acceptable baccalaureate degree earned at an institution accredited by a regional accrediting association or the applicant has completed equivalent academic preparation as determined by the appropriate campus authority.

(2) The applicant has an overall cumulative grade point average of at least 3.00 in upper-division baccalaureate study, postbaccalaureate and master's study combined.

(3) The student has completed all campus-required prerequisite coursework.

(4) The applicant must have been in good academic standing at the last institution.

(5) The applicant has met any additional requirements established by the chancellor in consultation with the faculty and any additional requirements prescribed by the appropriate campus authority.

Note: Authority cited: Sections 66043, 66043.1, 66600, 89030 and 89035, Education Code.

Reference: Sections 66043, 66043.1, 66600, 89030 and 89035, Education Code.

COMMITTEE ON EDUCATIONAL POLICY

Research, Scholarship and Creative Activities

Presentation By

Ganesh Raman
Assistant Vice Chancellor
Research

Ariana Gonzalez
Alumna
California State University, Los Angeles

Summary

Research, scholarship and creative activity touch every part of the California State University (CSU) – enhancing learning and preparing students for the workplace of the future. The breadth and depth of this work spans 23 campuses and 10 multi-campus affinity groups through shared expertise, facilities and resources.

Background

As the CSU continues the fourth year of Graduation Initiative 2025, its ambitious effort to improve student success, increase graduation rates and eliminate equity gaps, “high-impact practices” – including research and creative activities – connect students to the university and increase the likelihood of a student earning a degree. The CSU offers a wide scope of high-quality, hands-on research opportunities to undergraduate students. With the mentorship of outstanding CSU faculty, students develop critical skills that support their learning and prepare them for future careers. This is particularly critical for students from historically underserved communities. CSU campuses pursue external funding grants specifically aimed at engaging and retaining underrepresented students in scientific and technical fields.

The myriad of research, scholarship and creative activity opportunities also help attract and retain outstanding faculty, sustain their engagement and provide opportunities for their continued growth in their field. Through peer-reviewed awards, journal publications, presentations and performances, faculty have the opportunity to demonstrate their leadership. As a result, CSU faculty create new knowledge and experiences across all academic disciplines.

Additionally, research, scholarship and creativity activities in the CSU advance California's most pressing needs. From agriculture, biotechnology and oceanography to palliative care and social science, faculty experts and students are conducting research that impacts communities, the state, the nation and the world.

External Funding Accomplishments

Several of the most prestigious grants and contracts received by CSU faculty during the 2018-19 academic year are included below.

National Institutes of Health: Building Infrastructure Leading to Diversity (BUILD)

Many of the CSU's larger federal awards relate to community improvement and to student success, especially among historically underserved students, supporting the CSU goal of closing equity gaps.

The biotechnology and diversity foci of the National Institutes of Health (NIH)-funded Building Infrastructure Leading to Diversity (BUILD) grants are one example. The BUILD program supports the educational success of historically underserved students in educational programs that prepare graduates for biomedical research careers and graduate school.

Six years ago, three CSU campuses—Long Beach, Northridge and San Francisco—won three of the ten BUILD grants awarded nationally, for a combined total of more than \$61 million. In 2019, these three campuses competed for, and were successful in receiving, renewal grants for more than \$54 million dollars. These renewal grants will enable the campuses to continue to support the success of historically underserved students in biomedical sciences.

California State University, Northridge

Funding Amount: \$19.3 million

At CSU Northridge, the campus' BUILD effort, known as BUILD PODER, is rooted in critical race theory, uniting educational social justice and health equity to make biomedical research meaningful and relevant. The second phase funded through the renewal grant, BUILD PODER II, will sustain best practices through partnerships with community colleges and research institutions, faculty training and research infrastructure. It will also be supported through the Health Education Research and Education Center in CSU Northridge's first building dedicated to research, Lilac Hall.

California State University, Long Beach

Funding Amount: \$19.8 million

CSU Long Beach's BUILD II Program (the second phase of its work funded with the renewal grant) prioritizes enhancement, institutionalization and sharing of the evidence-based practices that were created during the first phase of the program. As part of BUILD II, the university has developed a plan to share these best practices in collaboration with CSU Northridge and San Francisco State, creating a CSU BUILD Alliance.

San Francisco State University

Funding Amount: \$14.8 million

With the NIH grant renewal, San Francisco State partnered with the University of California (UC), San Francisco, to continue to implement, investigate and share their transformative institutional efforts to enhance diversity of the biomedical research workforce. The partnership's BUILD efforts focus on students, faculty and institutional practices to create change that will transform teaching and research environments.

National Science Foundation CAREER Award

The National Science Foundation (NSF) Faculty Early Career Development Program award – or CAREER award – is the foundation's most prestigious award in support of early-career faculty who have the potential to serve as academic role models in research and education. Four CSU faculty members received this award in 2018-19:

- Alicia Kinoshita, associate professor, Department of Civil, Construction and Environmental Engineering, San Diego State: \$226,083 to understand and predict changes in vegetation, soil and stream processes that occur after fires;
- Susan Cohen, assistant professor, Department of Biological Sciences, CSU Los Angeles: \$330,239 to gain a near comprehensive understanding of the cyanobacterial circadian clock, and help set the foundation for leveraging these bacteria for broad ranging applications including bioremediation, biotechnology, and ecological/environmental issues;
- Kimberly Blisniuk, assistant professor, Geology Department, San José State: \$313,619 to re-evaluate the seismic hazard potential of individual faults that make up the southern San Andreas Fault system; and
- Chantal Stieber, assistant professor, Department of Chemistry and Biochemistry, Cal Poly Pomona: \$195,448 to study small molecule reactions at metal centers as mimics for existing biological processes involved in agricultural nitrogen fixation (such as in legumes) or for reducing the health effects of automobile pollutants.

National Science Foundation's Centers of Research Excellence in Science and Technology II (CREST II)

Funding Amount: \$5 million

CSU San Bernardino received a CREST II grant – one of only five CREST awards announced nationwide this year – to further extend the campus' Center for Advanced Functional Materials' capacity for discovery, innovation and student success in STEM fields. The funds also help broaden the campus' capacity to recruit and retain diverse students pursuing STEM degrees and careers as well as strengthen research collaborations with institutions and local community colleges to help students advance through the academic pipeline.

California Education Learning Lab

In 2018, California Assembly Bill 1809 established the California Education Learning Lab in order to increase learning outcomes and close equity and achievement gaps across California's public higher education segments, particularly in science, technology, engineering and mathematics (STEM) disciplines. The following CSU campuses partnered intersegmentally to receive these state-based research grants:

- CSU Fullerton, UC Berkeley, Santa Ana College: \$1,300,000 to improve outcomes for STEM learners in targeted courses by deploying and improving open, adaptive courseware;
- Humboldt State, UC Irvine, Foothill-De Anza Community College District, Modesto Junior College: \$1,300,000 to enact a three-year plan to initiate a systemic shift in the culture of online and hybrid STEM instruction across California public higher education institutions;
- CSU Los Angeles, UCLA, Los Angeles Pierce College: \$1,300,000 to develop, implement and continuously improve an online interactive textbook for introductory statistics;
- Cal Poly San Luis Obispo, UC Santa Barbara, Allan Hancock College: \$1,300,000 to eliminate equity and performance gaps in mechanics courses by developing a suite of adaptive web-based tools that incorporate videos while leveraging cognitive tools and interventions to establish a sense of belonging, a strong STEM identity and deep conceptual understanding;
- CSU San Marcos, MiraCosta College: \$1,038,000 to address the high rates of students not passing introductory computer science classes; and
- Sonoma State, UC Berkeley, College of Marin, Diablo Valley College: \$1,300,000 to disrupt pervasive narratives and misplaced assessments of what defines scientific brilliance through materials to help both instructors and students view science as an expansive and inclusive set of practices.

National Science Foundation

San Francisco State University

Funding Amount: \$1.3 million

San Francisco State received funding from the National Science Foundation (NSF) to develop and implement a computing applications minor that promotes an inclusive learning environment. The project seeks to increase the number of students who are proficient in data and computer science and to increase diversity in data and computational science to advance the diversification of the workforce.

California State University, Dominguez Hills

Funding Amount: \$1.3 million

CSU Dominguez Hills was awarded an NSF Improving Undergraduate STEM Education: Hispanic-Serving Institution (HSI) Award, which seeks to enhance the quality of undergraduate STEM education at HSIs and to increase retention and graduation rates of undergraduate students pursuing degrees in STEM at HSIs. The project seeks to broaden STEM faculty's use of inclusive pedagogy and welcoming environments in STEM courses, improve alignment between courses offered at the community colleges and the universities, and support the development of a diverse faculty.

California State University Channel Islands

Funding Amount: \$2.5 million (over five years)

CSU Channel Islands was also awarded an NSF Improving Undergraduate STEM Education: HSI Award for their project that aims to increase graduation rates and reduce the time to degree completion for all STEM majors and to reduce the gap existing between Latinx and non-Latinx white students as well as between female and male students. This program aims to create a self-propagating student community as Latinx and female students move through advising workshops and introductory courses and are looped back into the learning and research assistantship programs as they proceed toward graduation.

California State University, Fresno

Funding Amount: \$1.4 million

Fresno State was awarded an NSF Robert Noyce Teacher Scholarship Program Award, which seeks to encourage talented STEM majors and professionals to become K-12 mathematics and science teachers. With the award, the campus will provide scholarships to help majors in the integrated credential option pay tuition and other costs, so that the students can concentrate on earning a degree. The project is a collaboration between Fresno, Clovis and Sanger unified school districts and 14 community colleges to strengthen the teacher preparation pipeline.

National Institutes of Health

Dr. Marcelo E. Tolmasky, professor of biological science and director for the Center for Applied Biotechnology Studies at CSU Fullerton, was awarded \$1.3 million by the National Institutes of Health (NIH) to support the “LA Basin CSU Minority Health and Health Disparities Research Training Program.” Among a number of goals, this program works to increase the number of individuals from historically underserved communities who pursue advanced degrees and careers in the fields of biomedical, behavioral, clinical and social sciences research. The program is a consortium of seven CSU campuses – Fullerton, Dominguez Hills, Northridge, Long Beach, Los Angeles, Pomona and San Marcos – in addition to Charles R. Drew University of Medicine and Science.

National Aeronautics and Space Administration (NASA)

CSU Northridge received a \$3 million NASA award for an interdisciplinary team led by Dr. Nhut Ho. In partnership with the NASA Armstrong Flight Research Center and Jet Propulsion Lab, this award will establish the Autonomy Research Center for STEM, which will contribute to NASA’s research, further develop the STEM workforce and begin commercializing research results to address pressing societal needs.

California Arts Council

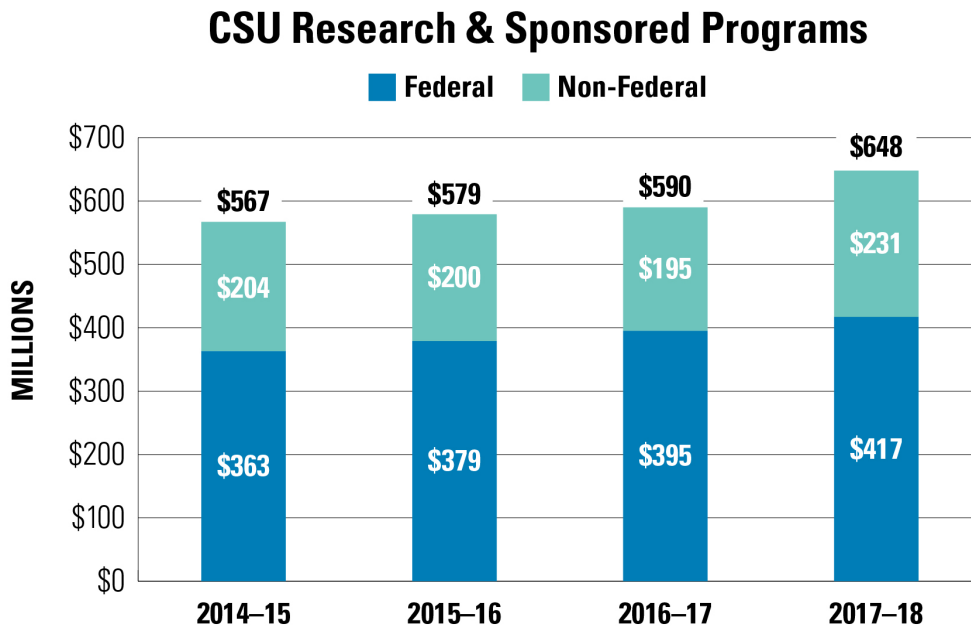
The PRAXIS City ArtS Parks program at CSU Dominguez Hills has received a \$135,000 award from the California Arts Council. The award will be used to provide art workshops taught by working artists at additional parks throughout the City of Carson and to create two public arts projects in the city. The PRAXIS City ArtS Parks program works to expand narratives of South Los Angeles with afterschool art and mentoring programs. The award was given to Devon Tsuno and Aandrea Stang, co-directors of PRAXIS.

California Department of Education

Dr. Carola Oliva Olson, an associate professor of early childhood studies at CSU Channel Islands, received a \$1.1 million grant from the California Department of Education for her project that provides continuous and comprehensive professional development focused on dual language learning to teachers, assistant teachers, administrators and coaches via online instruction.

External Funding

As demonstrated in the chart below, total external funding – grant and contract revenue – for CSU research and sponsored programs has increased steadily over the past several years. In 2017-18, the most recent year for which data are available, the total amount was \$648 million. This is an increase from the previous year’s \$590 million in external funding.



Unlike state funds that are used exclusively for basic university operations, faculty compete for these external funds, which are used for innovative projects that benefit local communities and prepare students for 21st century careers.

These external funds include approximately \$72 million to cover institutional overhead, also known as indirect costs. Programs in research, scholarship and creative activities have associated infrastructure expenses that are recovered with indirect costs budgeted into the application for external funding.

Research in the CSU

Examples of faculty-led and student-led research can be found at all 23 CSU campuses. The following research focuses on addressing the needs facing local communities, California, the nation and the world. Some examples are included below.

California State University, Sacramento

Dr. Kimberly Mulligan, an assistant professor of biological sciences at CSU Sacramento, is conducting research on whether three common environmental chemicals used in the synthesis of plastics exacerbate neurodevelopmental phenotypes in a *Drosophila* model of fragile X syndrome and autism spectrum disorder. The purpose of the research is to identify environmental factors that may confer risk or increase the severity of neurodevelopmental disorders (NDD), like autism and Fragile X syndrome, in individuals that have genetic risk factors for NDDs.

California State University Maritime Academy

Dr. Alejandro Cifuentes-Lorenzen, an assistant professor of oceanography at Cal Maritime, is conducting research aimed at developing a better understanding of the complex process of energy transfer across the air-sea interface. The research project is a collaboration with the University of Connecticut, Woods Hole Oceanographic Institution, the University of Rhode Island and other research academics. Dr. Cifuentes-Lorenzen is overseeing all aspects of the technical research equipment deployment and retrieval in the North Atlantic Ocean. The study results will be shared in peer-reviewed journals and through presentations with students in California high schools and community colleges.

California State University, Fullerton

Dr. JeeLoo Liu, a professor and department chair of the Department of Philosophy at CSU Fullerton, is pursuing research on “Confucian Robotic Ethics.” The research explores the possibility of implementing Confucian ethical codes in robots and considers what ethical precepts could be incorporated into robot morality. Dr. Liu was named a 2019 Andrew Carnegie Fellow for her work, and was the only one of the 32 fellows chosen for a project that focuses on philosophy.

California State University, East Bay

Dr. Brian Perry, an associate professor and department chair of the Department of Biological Sciences at CSU East Bay, is conducting research on fungal biodiversity and molecular phylogenetic analyses with data from disciplines such as genetics, ecology and geography. The goal is to address broad questions about how biological and physical processes interact to drive evolution. His research has focused on regions with high levels of endemic, endangered plants and wildlife including Hawaii, Borneo and Micronesia. Most recently, his attention has been on Vanuatu where graduate student, Jonathan del Rosario and Dr. Perry have been on a survey of mushrooms and other fungi.

Scholarship and Creative Activities in the CSU

Faculty scholarship benefits students, particularly as faculty weave their research into curricula and include students in the research and scholarship process. From 2014-19, CSU faculty authored 38,000 journal publications, the majority of which included student coauthors.

Creative activities are subject to discipline-specific standards for judging academic excellence. Faculty artistic contributions undergo peer evaluation, can qualify for funding from nationally competitive grants, may be included in scholarly conferences and journals and may be judged by specific criteria for tenure and promotion.

Below are some prime examples of those creative works at the CSU.

California State University, Fullerton

Dr. Jamila Moore Pewu, an assistant professor of digital humanities and new media in history at CSU Fullerton, demonstrates to her students that books are not the only avenue for exploring history. An example of one of her compelling history projects is the study of Santa Ana's public murals. Funded by Cal Humanities, Dr. Moore Pewu collaborates with students, delves into local history and collects data that informs the community of the artist's vision. Her students interview artists, community members and archivists to map the location of the murals and provide information that was then adapted to a coloring book for youth and an app-based walking tour of 21 mural sites, provided in English and Spanish.

California State University, Sacramento

Dr. Kathryn Kasic, assistant professor of communication studies at CSU Sacramento, is a collaborator on an NSF grant that is examining the physical and biological characteristics of Subglacial Lake Mercer, a lake that lies 1200 meters beneath the West Antarctic Ice Sheet. Dr. Kasic oversees the education and outreach components, including the production of a short film series and creation of accessible learning modules for K-12 students.

California State University, Fresno

Dr. Vadim Keyser, assistant professor of philosophy at CSU Fresno, fuses art, philosophy and science to develop measurement puzzles that increase student engagement in science education. His transdisciplinary research brings together the humanities and STEM to develop empirical applications of measurement theory. His work involves models of reliable measurement in biology, ecology, biophysics and the social sciences and how to systemically make sense of producing new phenomena in science and technology.

California State University Channel Islands

Heather Castillo, an assistant professor of performing arts at CSU Channel Islands, founded Arts Under the Stars to bring awareness to the collaboration between the performing arts and research disciplines, including nursing, mathematics, environmental science and resource management, education and communication. With her students and in consultation with faculty researchers at CSU Channel Islands, Dr. Castillo choreographs pieces that interpret the significance of current research on campus with performances on an outdoor stage that are inclusive and express a commentary on subjects ranging from diversity to the environment to mental health.

Systemwide Collaborations

The CSU is uniquely positioned to have a statewide impact through collaborative research across disciplines and campuses. The CSU has a number of multi-campus partnerships, bringing together researchers from across the 23 campuses to share expertise, initiatives and facilities. Through these collaborations, faculty advance knowledge and expose their students to diverse perspectives, regional issues and innovative partnerships. These multi-campus partnerships share expertise, resources and facilities.

Affinity Groups

The CSU has ten multi-campus affinity groups that support research collaborations on a breadth of topics that are important to California.

Agricultural Research Institute

The Agricultural Research Institute (ARI) supports and funds applied agriculture and natural resource research within the CSU, which improves the economic efficiency and sustainability of California agriculture. Additionally, ARI is helping develop a highly-trained professional workforce for California agricultural and natural resource industries through student participation in research projects.

Six campuses comprise ARI: Chico, Fresno, Humboldt, Monterey Bay, Pomona and San Luis Obispo; however, faculty from all 23 campuses participate in ARI research programs. ARI faculty work on projects to develop and examine methods of maintaining or increasing California's contributions to the agriculture industry and the provision of healthy food resources in response to changes in weather, climate and political trends.

Students are the backbone of the research conducted by the ARI. In 2017-18, students were involved in 81 percent of ARI-funded projects. One hundred and seventy-nine CSU students benefited from 53,000 hours of career mentoring and scientific training that prepared them to enter the workforce with necessary experience and skills.

In one example, Dr. Nathaniel Jue (CSU Monterey Bay) and his students are studying genetic material to understand how microbial soil communities can be used to break down pesticides in soils. Another example, at Humboldt State, Dr. Matt Johnson and his students are conducting research with the goal of using barn owls to control rodents in vineyards in the Sonoma and Napa Valley vineyards.

Council on Ocean Affairs, Science and Technology

The CSU Council on Ocean Affairs, Science and Technology (COAST) is the umbrella organization for marine, coastal and coastal watershed-related activities within the CSU. COAST promotes research and education to advance knowledge of marine and coastal resources and the processes that affect them. COAST also shares scientific information with stakeholders for informed decision making and the development of responsible policy across California.

COAST is piloting a new program to connect CSU undergraduate students with graduate students for a mutually beneficial partnership in which the graduate students receive assistance with their research and the undergraduate students gain new skills and experience to prepare them for the workforce.

COAST projects are both rapid responses to urgent marine-related issues as well as longitudinal projects to study long-term impacts. In 2018-19, COAST provided more than \$290,000 to faculty to address a number of critical issues including ocean acidification, invasive species, water quality and microplastics.

CSU Program for Education and Research in Biotechnology

The CSU Program for Education and Research in Biotechnology (CSUPERB) mission is to develop a professional biotechnology workforce by catalyzing and supporting collaborative CSU student and faculty research, innovating educational practices and partnering with the life science industry. CSUPERB faculty are committed to ensuring that all CSU biotechnology students have access to an education that integrates experiential learning, especially team-based research or entrepreneurial projects.

As an example, Omar Apolinar, a first-generation college student at CSU San Marcos, was funded as a CSUPERB Presidents' Commission Scholar for summer research with chemistry professor Dr. Robert Iafe. Following the conclusion of his research, Mr. Apolinar published his discoveries, recently graduated, won a prestigious NSF Graduate Research fellowship and is pursuing a joint Ph.D./D.Phil degree through the Skaggs-Oxford program. Like Mr. Apolinar, more than 87 percent of the Presidents' Commission Scholars pursue life science-related graduate programs or careers.

Additionally, CSU I-Corps is a CSUPERB program in partnership with San Diego State that provides entrepreneurial training opportunities. Through this program, 12 start-up companies are active today, five teams have won \$50,000 NSF I-Corps Teams grants and CSU participants have won more than \$500,000 in commercialization grants and investment funding.

California Desert Studies Consortium

The CSU Desert Studies Consortium is a collection of seven campuses – Dominguez Hills, Fullerton, Los Angeles, Long Beach, Northridge, Pomona, and San Bernardino – that operate the CSU Desert Studies Center (DSC), located in the Mojave National Preserve. The DSC serves as a premier location and resource for research and education in the geology, hydrology and biology – among other areas – of California's desert and the American West.

In 2018-19, the Desert Studies Center hosted 22 research groups, typically externally-funded research projects. In addition, more than 30 CSU courses used the Desert Studies Center as a field laboratory.

Two CSU-led projects that exemplify this important resource are the 20-year investigation of the population dynamics of the Desert Holly (a shrub that is the most drought tolerant saltbush in North America) led by Cal Poly Pomona professors Drs. Christine Hartney and Sara Garver, and the continuation of the longest-known demographic record of a Mojave Desert reptile community led by CSU Fullerton professor Dr. William Presch and alumnus Jason Wallace. These projects have contributed to innumerable undergraduate research experiences.

CSU Shiley Institute for Palliative Care

As the population ages, the CSU Shiley Institute for Palliative Care works to train professionals with evidence-based, online and in-person programs for the variety of disciplines related to palliative care. The institute, located at CSU San Marcos, includes Fresno, Fullerton, Long Beach and Los Angeles as members, and collaborations are supported with other campuses throughout the CSU.

With funding from the California Health Care Foundation, the institute is collaborating with CSU San Marcos, Fresno State and CSU Monterey Bay on the development of a Faculty Toolkit for Palliative Care Curriculum Integration. The toolkit is a web-based repository of teaching and learning resources – slide sets, reading lists, case studies, discussion questions and role plays – that can be used in any classroom. Faculty directors on each of the campuses recruited 11 faculty across a variety of disciplines to pilot the toolkit for 684 students in kinesiology, gerontology, human development, health administration, nursing, social work, sociology and psychology.

Moss Landing Marine Laboratories

Moss Landing Marine Laboratories (MLML) is both a marine science field station with state-of-the-art research equipment and a satellite campus that administers the Master of Science in marine science program for CSU campuses in northern and central California. MLML is known for its hands-on, field-oriented approach that places students, faculty, researchers and staff at the forefront of marine science worldwide.

MLML received more than \$3 million in funding from the Ocean Protection Council/California Sea Grant to support monitoring of Marine Protected Areas (MPAs) off California. MLML-San José State graduate students and CSU Monterey Bay undergraduates are monitoring the surf zone and sandy beaches inside and outside of MPAs at eight sites. There, they are measuring beach profiles and physical characteristics, conducting beach seines to catch and measure fish sizes, and deploying surf zone remote video systems to characterize the fish living in the surf.

Ocean Studies Institute

The Ocean Studies Institute (OSI) is a consortium of CSU campuses that decided to pool resources to more effectively explore the ocean and coastal regions. It is based out of the Los Angeles Harbor and includes nine campuses – Channel Islands, Dominguez Hills, Fullerton, Long Beach, Los Angeles, Northridge, Pomona, San Bernardino, and San Marcos – addressing research and education on urban ocean and coast sciences.

A recent example of OSI research is an investigation on the spawning of giant sea bass and sound production conducted by Dr. Larry Allen, professor and chair of the Department of Biology at CSU Northridge. Alongside students, Dr Allen completed the acoustic monitoring of captive giant sea bass through two breeding seasons using handheld and underwater hydrophones. The sounds made by the male giant sea bass were found to be in the sound range of concert bass drums.

Social Science Research and Instructional Center

The CSU Social Science Research and Instructional Center (SSRIC) supports the development and use of quantitative research skills among CSU students, faculty and staff. SSRIC provides a range of quantitative-skill teaching modules and exercises that faculty members can incorporate into classes, and which faculty, students, and staff can use to review specific topics.

Among other activities, SSRIC covers registration fees for faculty members to participate in training programs to improve their quantitative skills; awards faculty members funding that allows them to place questions on the CalSpeaks public opinion survey of Californians; and awards stipends to faculty for developing new instructional modules. SSRIC continues to provide CSU users with access to some of the most widely used subscription databases.

Science, Technology, Engineering, and Mathematics Network (STEM-NET)

Today's students must have a strong foundation in STEM to meet tomorrow's workforce needs and the needs of California's innovation economy. The CSU is the state's largest supplier of engineers and is the leading supplier of top-tier talent to California's renowned high-tech companies. Additionally, the CSU produces more than 1,500 K-12 STEM teachers annually – the most of any institution in the country.

Recognizing the need for a systemwide affinity group to empower faculty to share campus best practices and produce scholarship and advancements that power California's future, in 2018-19, the CSU launched STEM-NET. This network will open up pathways for students to pursue STEM careers and to become STEM teachers through involvement in directed research and other scholarly activities. Through their engagement, students will learn teamwork and problem solving while also gaining the technical skills required to be successful in their future studies and careers.

Water Resources and Policy Initiatives (WRPI)

Founded in 2008, this systemwide affinity group is developing and executing solutions for sustainable water resource management that changes the way California manages water. It is composed of more than 250 water experts from all 23 campuses across the CSU and is focused on developing water management solutions through research, partnerships, education and training, while providing students directed research opportunities. Through WRPI, the CSU has developed internship programs with the U.S. Department of Agriculture and the Environmental Protection Agency so that students can enter the workforce ready to develop solutions for business, government and the public.

In 2018-2019, WRPI provided more than 210 individuals from 20 CSU campuses with faculty research incentives, internship programs and an annual conference. Additionally, WRPI collaborated with other water agencies to co-host symposia on arsenic in water, homelessness and juvenile salmon Bioenergetics. WRPI also commercializes new ideas and services in water industries that are making irrigation more efficient than ever. Finally, WRPI and partners are working with communities to promote water education with a WaterTalks toolkit program in the Los Angeles and Ventura area.

Conclusion

CSU research, scholarship and creative activities contribute to the intellectual and creative vibrancy of campus life while offering solutions to real-world problems. As a high-impact practice, these activities are critical to the success of Graduation Initiative 2025 and to fulfilling the CSU mission of student success, faculty excellence and service to California and beyond.

COMMITTEE ON EDUCATIONAL POLICY

Admission Requirements: Quantitative Reasoning

Presentation By

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Summary

As the largest and most diverse four-year public university system in the nation, the California State University (CSU) is committed to completely eliminating equity gaps – the gaps between degree attainment for students from historically underserved communities and their peers – at all levels of the university. One of the greatest hurdles to college degree attainment is a student’s level of academic preparation for college-level coursework upon entry.

Quantitative reasoning skills represent one of the greatest disparities among incoming college students. Too often, quantitative reasoning preparation disparities in PK-12 schools exacerbate equity gaps that follow students to college and influence their academic and career options. Students with additional quantitative reasoning preparation in high school – in every region of the country and across all ethnic groups – experience greater success in college. This preparation also readies students for the workforce, regardless of their field of interest.

The CSU’s ability to produce a greater number of diverse college graduates prepared for a range of professions is not only important for individual students but also for the future of California. This ability determines who participates in high-paying industries and influences the strength of our democracy.

Improving student success and closing equity gaps across a large university system require leadership and bold action that advance the mission of the institution. The CSU Quantitative Reasoning proposal will help achieve educational equity by ensuring that a greater number of

students from all backgrounds arrive at the CSU better prepared for a diverse range of majors and career paths. The goal is to expand access and equity for all students to achieve their personal and professional goals rather than limiting their opportunities at the point of college admission because of a lack of preparation for particular majors during high school.

The CSU proposes that graduating high school students, beginning with the entering first-year class of 2027, complete one additional course in quantitative reasoning to meet the minimum qualifications for CSU first-year admission. It will be possible for students to fulfill this requirement through high school coursework in mathematics, science or an elective course with a quantitative reasoning foundation. Students may also meet the requirement with a range of qualifying career and technical education courses or with appropriate dual enrollment courses at a local community college. Students who would otherwise be CSU eligible, but are unable to meet this requirement because of course limitations at their high school, will be automatically provided an exemption during the initial implementation of the requirement. This practice is consistent with prior phase-in processes of “a-g” course requirements for admission.

The proposed implementation term was extended to fall 2027 to ensure ample time for planning, communication and capacity building, particularly at high schools that currently have fewer course options. The CSU will continue to collaborate with PK-12 districts in every region of the state – building on decades-long partnerships – to expand curricular offerings in subjects that align with this requirement. Consistent with Governor Gavin Newsom’s 2020-21 proposed K-12 budget supporting approximately \$900 million for educator recruitment and training, the CSU has committed an additional \$10 million over the next four years to its Mathematics and Science Teacher Initiative to double (from 1,000 to 2,000) the number of mathematics, science and computer science teachers prepared at the CSU. Additionally, the university will continue to expand the co-development of transitional courses currently offered at more than 160 high schools across the state, and will tailor and expand existing student outreach and enrichment programs to support PK-12 student learning.

The proposal has benefited from significant consultation with stakeholders, the public and trustees. As a result of this consultation, a number of improvements have been made to the proposal. Each of these elements is detailed in greater detail throughout this agenda item, but they include:

- A seven-year phased implementation timeline to provide sufficient time to support school districts in developing course capacity and to educate counselors, students and their families about the changes.
- A shift from requiring the additional quantitative reasoning course in a student’s senior year to recommending it be completed in the senior year. This shift reflects a recognition that maximum flexibility will best serve students and high schools.
- An exemption that is automatic through a partnership with the California Department of Education (CDE) to remove the burden from students.

- Additional investments in teacher preparation to double the number of mathematics, science and computer science teachers prepared at the CSU. The Chancellor's Office and campuses will play a supportive role with CDE and local educational agencies to place these new math and science teachers in California's highest need public high schools.
- A plan to increase and expand student outreach and enrichment programs to support students' success in high school quantitative reasoning courses.
- An implementation steering committee, to meet biannually, that will be convened to provide implementation guidance and develop and monitor metrics to assess the impact and effectiveness of the requirement.
- An external review by a nonpartisan research organization, to inform the implementation by the CSU Board of Trustees.
- An annual report to trustees including implementation updates, progress toward the stated goals and a summary of first-time freshman applicants with attention to changes to student demographics. The draft of the report shall be reviewed by the steering committee.

The board discussed this matter as an information item during the March 2019 and July 2019 meetings, the August 29, 2019 special forum, and the September 2019 and November 2019 meetings. The board is now being asked to consider approving a phased implementation of a quantitative reasoning requirement and Title 5 change by spring 2022 to be effective fall 2027.

Background

All 23 CSU campuses are recognized as being among the top universities in the nation for creating opportunities for students to improve their lives, according to multiple social mobility indices. The CSU's longstanding commitment to access remains unwavering today. However, it is earning a college degree – not simply being admitted – that positions students to transform their lives.

Since the 1950s, educators have examined the level of high school preparation required for admission to postsecondary institutions. In 1981, noting that many CSU students were taking fewer traditional college preparatory courses and that the courses failed to adequately equip students for university study, the Board of Trustees modified first-time, first-year student eligibility requirements to include preparatory study in English and mathematics. A 1984 CSU Taskforce on Entry-level Math Skills recognized the importance of progressive preparation, writing: "Today all students, not just those who major in technical fields, need to enter the CSU having mastered arithmetic as well as elementary algebra and geometry. More and more majors require mathematics courses."

During the same period, the board requested that a comprehensive pattern of college preparatory subjects be developed as a requirement for admission requirement. In 1988, amidst controversy and opposition, the board implemented a 15-unit high school college preparatory course pattern requirement for first-time, first-year students. Today, those courses are commonly known as the 'a-g' requirements that establish minimum eligibility for the CSU.

The current ‘a-g’ requirements for CSU admission have remained unchanged for more than 20 years. Yet, the preparation needed to be successful in a range of degree programs, the workforce and virtually every aspect of life *has* changed for this generation of students, and will continue to do so going forward.

Recognizing the incongruence in admission criteria and college readiness, the Academic Senate of the CSU created a task force in 2014, to examine academic preparation and quantitative reasoning. The task force included, among others, then-Lieutenant Governor Gavin Newsom and former California Department of Education Deputy Superintendent Keric Ashley. After two years of extensive consultation and investigation, one of the four recommendations was to revise quantitative reasoning requirements for CSU admission. The recommendation called for a “revised policy that evaluates the general quantitative reasoning ability of students entering and graduating from the CSU.”

At the same time, nearly one-third of regularly admitted CSU students were arriving underprepared for college-level mathematics and quantitative reasoning courses. These students were relegated to non-credit developmental education courses lengthening the time to earn a degree, costing them additional money and essentially excluding them from many science, technology, engineering and mathematics (STEM) degree programs. These students were disproportionately African American and Latinx.

One-in-four students who were assigned to developmental education courses did not return for their second year. Only 10 percent earned a degree in four years and fewer than half graduated within six years. In response to these findings, the CSU Office of the Chancellor issued Executive Order 1110 in August 2017. It addressed three main issues: a) it changed the way the CSU assessed students at entry and placed them in first-year courses; b) it strengthened the Early Start Program to allow students who need additional support to earn credit in the summer before their first term; and c) it discontinued stand-alone developmental education courses.

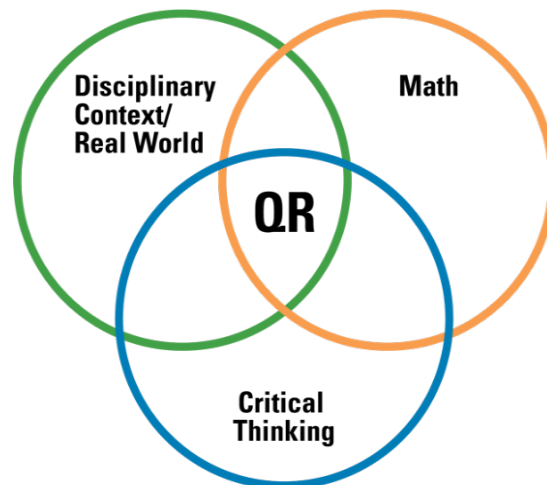
The CSU’s commitment is to “meet students where they are” and work to systematically increase the level of academic preparation and college-readiness for all incoming students. The first year of Executive Order 1110 implementation has shown positive outcomes for students; however, the policy was not intended to be the sole counterbalance for students arriving underprepared for various college-level quantitative reasoning courses.

The proposed quantitative reasoning admission requirement is a progressive step toward ensuring equity and authentic access for all CSU students. The proposal is not 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 so that they may participate in a range of majors and career fields.

Defining 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.



The ASCSU Quantitative Reasoning Task Force also proposed a general definition for quantitative reasoning:

“The ability to reason quantitatively is a stable combination of skills and practices involving: (i) the ability to read, comprehend, interpret, and communicate quantitative information in various contexts in a variety of formats; (ii) the ability to reason with and make inferences from quantitative information in order to solve problems arising in personal, civic, and professional contexts; (iii) the ability to use quantitative methods to assess the reasonableness of proposed solutions to quantitative problems; and (iv) the ability to recognize the limits of quantitative methods.”

One common misconception is that quantitative reasoning skills are exclusively taught in mathematics classes. While the ability to reason quantitatively utilizes mathematical skills for calculation, deriving real-world meaning and the application of findings are equally important. Quantitative reasoning extends beyond the ability to follow a mathematical procedure without error or memorize a formula. It invites students to think critically about problems in real-life contexts and intelligently develop and test solutions.

Quantitative reasoning is necessary to be a valued employee and an educated citizen in modern society. Planning for retirement, interpreting sports statistics, understanding economic forecasts, analyzing political arguments and making investment decisions all require strong quantitative reasoning skills. Critical thinking about quantitative data is increasingly necessary in many occupations, particularly for careers in STEM fields.

Proposal to Require an Additional Course in Quantitative Reasoning

The CSU proposes that incoming high school students, beginning with the entering first-year class of 2027, complete one additional course in quantitative reasoning in high school to meet the minimum eligibility for CSU admission as a first-year student. The proposal strongly recommends that the additional quantitative reasoning course be completed during the senior year of high school. No changes are proposed for transfer admission eligibility.

The CSU is proposing to expand the ‘a-g’ requirements that determine minimal eligibility for CSU admission by including the completion of an additional course in quantitative reasoning, which could be fulfilled from area ‘c – mathematics,’ area ‘d – laboratory science’ or a quantitative reasoning course from area ‘g – college preparatory elective.’ Such college preparatory courses in area ‘g’ could include computer science, coding, personal finance and career and technical education courses with quantitative reasoning content. Students can satisfy this requirement with course-taking beginning in middle school.

As shown in the charts on the next page, under the CSU proposal, the area ‘c – mathematics’ requirement will not change. It is recommended that area ‘g – college preparatory elective’ be expanded from one to two courses to include an additional course in quantitative reasoning selected from area ‘c – mathematics’, area ‘d – laboratory science’, or a quantitative reasoning course from area ‘g – college preparatory elective.’ The objective of this change is that students take the next appropriate quantitative reasoning course to strengthen fluency and preparation for college-level coursework.

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 2 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 1 California ‘a-g’ list)	1
Total Required Courses		15

Proposed CSU College Preparatory Course Requirements for First-Year Admission
 (The proposed change is indicated in red.)

Area	Subject	Courses
a.	History and Social Science (including 1 year of U.S. history or 1 semester of 2 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

In fall 2018, new CSU first-year students enrolled having completed an average of 20.7 ‘a-g’ courses—20.2 and 20.6 for African American and Latinx students, respectively. This demonstrates students’ ability to exceed the minimum number of courses, 15, currently required for admission. Incoming students are also exceeding the minimum number of courses in each subject area—mathematics, laboratory science, language other than English, visual and performing arts, and college preparatory electives. This proposal is intended to ensure that the distribution of those courses includes additional quantitative reasoning preparation to support postsecondary success.

The University of California (UC) maintains the database of approved ‘a-g’ college preparatory courses submitted by public and private high schools. Similar to previous enhancements to support the review and identification of career and technical education courses for the CSU, modifications will be made to the database to more clearly identify qualifying high school courses that satisfy the requirement.

Exemptions and Commitment to Do No Harm

The proposal is designed to improve the level of preparation of incoming students, not create a barrier to the CSU. During the development of this proposal, the CSU has maintained a commitment to avoid placing an undue hardship on students who are unable to fulfill the new requirement because of limited course offerings in their high school.

Despite the multiple pathways available to meet the requirement and the CSU’s commitment to support capacity building over the next seven years, the university acknowledges that some students may experience unique circumstances requiring an exemption. The CSU will provide an automatic exemption for any student, who is otherwise eligible, who cannot fulfill the new requirement due to lack of resources and/or course availability at their high school.

To facilitate this process, the CSU will seek a working partnership with the UC and the California Department of Education (CDE) to classify schools with limited qualifying course offerings related to the implementation of this proposal in 2027. These schools would be internally identified in Cal State Apply, the CSU online application for admission, to ensure any student applying for the CSU from an identified high school receives the exemption. This will automate the exemption for students applying from these schools.

School course offerings and waiver information will be catalogued to more effectively target support with the expectation that, as with the initial implementation of the ‘a-g’ requirements, waivers will be phased out over time. The existing admission by exception policies already codified in Title 5 will remain.

Preparation in Quantitative Reasoning Matters for College Success

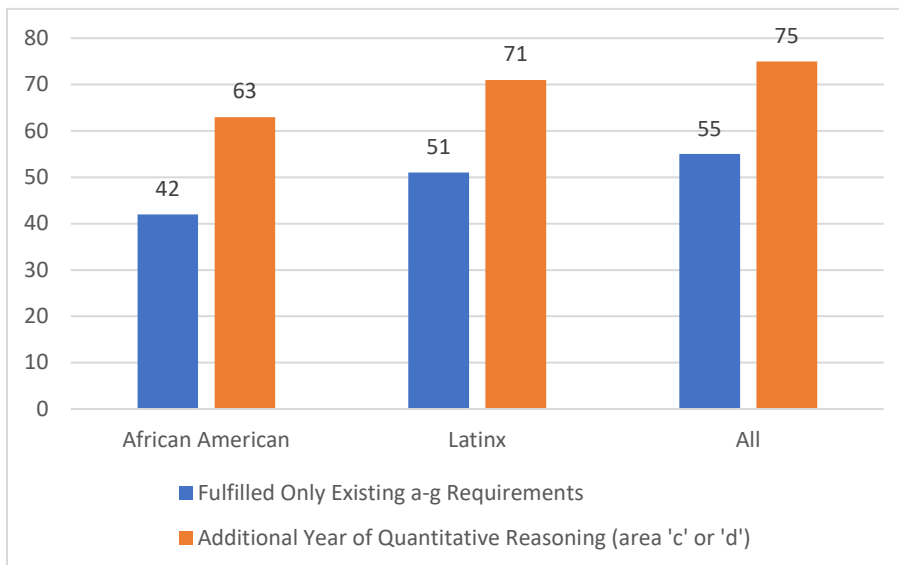
CSU-specific data and a growing body of national research suggest that additional quantitative reasoning preparation is associated with improved outcomes in college. While no single factor alone can be attributed to all student outcomes, the body of evidence clearly demonstrates the importance of academic preparation in improving retention and graduation outcomes.

CSU-Specific Data

This section includes CSU student data – as previously shared with the board – and, where applicable, the CDE data that has been analyzed by the CSU.

Successful Completion of the Quantitative Reasoning General Education Requirement

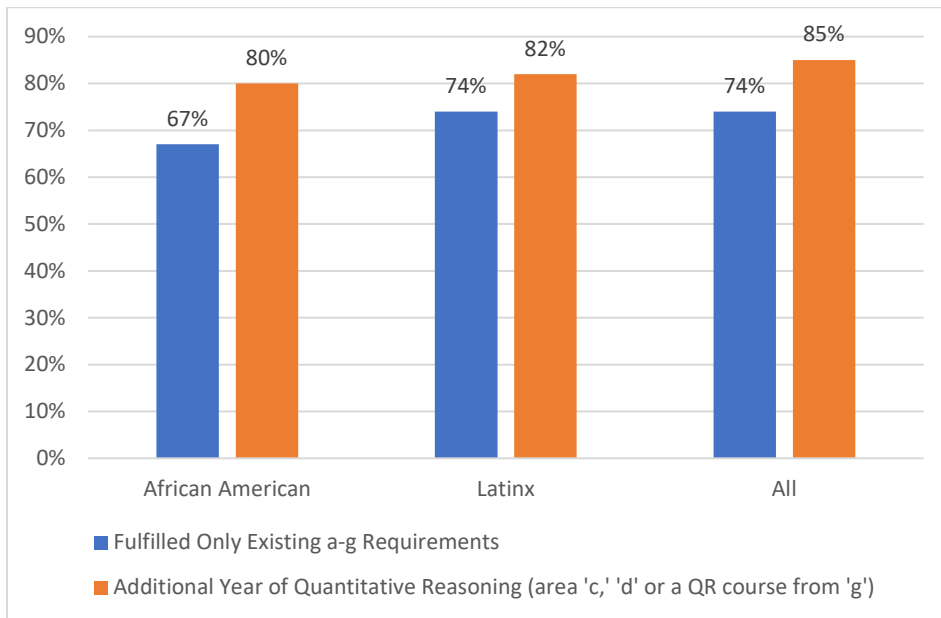
Additional quantitative reasoning preparation in high school dramatically increases the likelihood that a CSU student will complete the college-level quantitative reasoning (Subarea B4) general education requirement during their first year – a significant student success milestone associated with degree completion. A review of fall 2018 first-year CSU student data indicates that students with an additional course of quantitative reasoning (from areas ‘c’ or ‘d’) had a 20 percentage point higher pass rate in Subarea B4 as compared to peers with less preparation. This is consistent across all ethnic groups, including African American and Latinx students.



CSU Institutional Research & Analyses: Fall 2018 First-Year Students

First-Year Retention

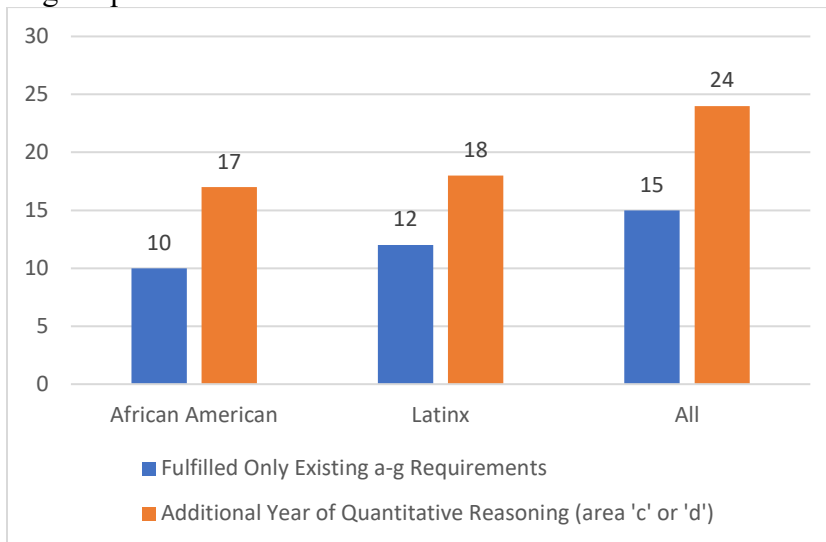
Students taking an additional quantitative reasoning course in high school are more likely to return for their second year of college. As shown below using CDE data, there is an 11-point gap in one-year retention rates for enrolled regularly admitted fall applicants between those meeting the proposed standard (85 percent retained after one year) and those not meeting the standard (74 percent retained after one year). These gaps hold across ethnic groups, as is shown in the chart below.



CSU Analysis of California Department of Education California Longitudinal Pupil Achievement Data System:
Fall 2018 CSU First-Time Enrolled Regularly Admitted Students

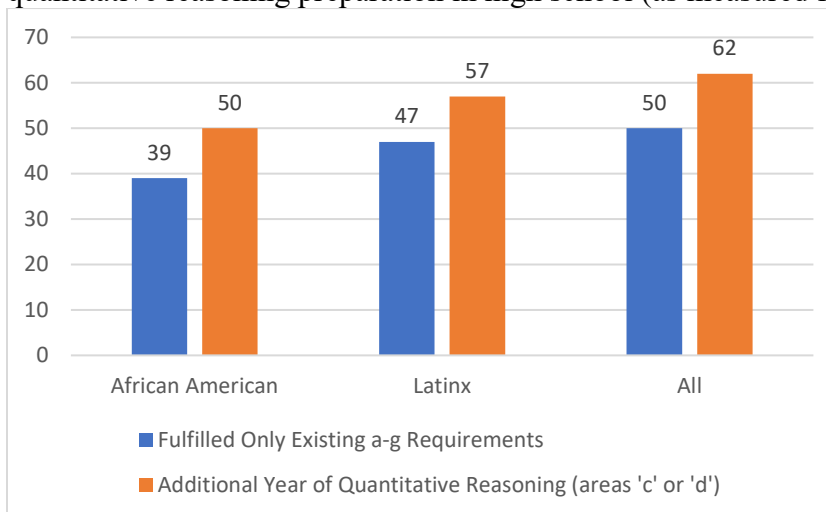
4- and 6-Year Graduation

Taking an additional quantitative reasoning course in high school is also linked to improved 4- and 6-year college graduation rates. As shown in the chart below (based on CSU data), there is a seven percentage point difference in the 4-year graduation rate for CSU African American students – and a six percentage point difference for Latinx students – who took an additional quantitative reasoning course in high school (from areas ‘c’ or ‘d’) versus those who fulfilled only the existing ‘a-g’ requirements.



CSU Institutional Research & Analyses: Fall 2014 Student Cohort

The chart below (based on CSU data) shows that 6-year graduation rates are also higher for all CSU students – including African American and Latinx students – who receive additional quantitative reasoning preparation in high school (as measured from areas ‘c’ or ‘d’).



CSU Institutional Research & Analyses: Fall 2012 First-Year Students

National Data

National data also support the relationship between increased quantitative reasoning preparation and college success. More than a decade ago, Cliff Adelman – 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.”

Adelman’s findings on the association between high school mathematics course taking and college completion (not simply admission) 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

In 2014, a Policy Analysis for California Education (PACE) brief examined course-taking patterns of community college-bound students and verified Adelman’s 2005 research. 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.

The College Board, the organization that administers the SAT, found that high school seniors who take four or more years of mathematics have higher scores on college admission tests. Students who took four years of mathematics in high school averaged 518 in the mathematics section of the SAT. Those who took more than four years of mathematics averaged 572.

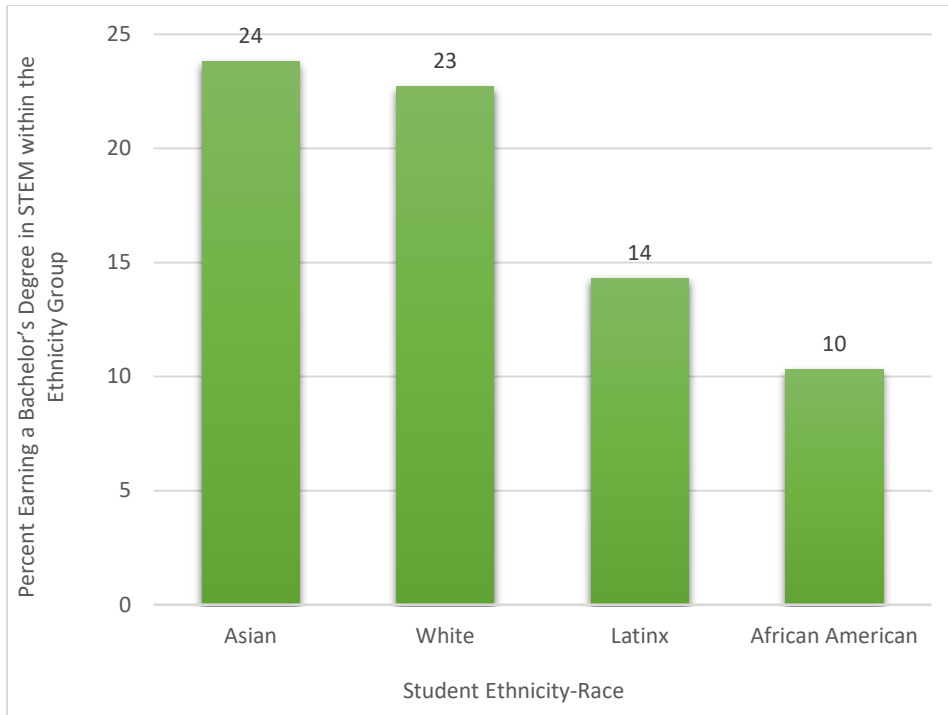
In addition, analysis from the ACT demonstrated a similar finding based on ACT student scores. Students who took four years of mathematics demonstrated higher percentages of proficiency levels in mathematics on the ACT exam (62 percent) than students who took fewer than four years of mathematics (16 percent).

Overall, the research on mathematics and quantitative reasoning course taking in high school and college success is clear. Additional mathematics and quantitative reasoning preparation in high school better prepares students to pursue a multitude of pathways once they begin their postsecondary studies. The national findings are consistent and present across all ethnic groups with sample sizes large enough to cancel selection biases or notions that the outcomes are simply correlational.

A list of other relevant studies can be found in attachment A.

Data Related to Disparities in STEM

Based on current trends in quantitative reasoning preparation, it is not surprising that persistent disparities exist at the CSU for students seeking degrees in STEM, despite progress in closing equity gaps. In 2017-18, 24 percent of students who self-identified as Asian and 23 percent who identified as white earned a baccalaureate degree in a STEM field. However, only 14 percent of Latinx students and 10 percent of African American students earned a similar degree. These data are reflected in the graph below.



CSU Institutional Research & Analyses: 2017-18 CSU Degrees Granted

This problem is not unique to the CSU. 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.”

The equity gap continues into the workplace despite the fact that 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 “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.”

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 the Latinx community comprises 16% of the U.S. workforce but only 7% of STEM workers.”

CSU-specific data and a growing body of national research are clear that mathematics and quantitative reasoning preparation matter for college success and that the disparities in preparation can follow students across sectors, limiting their opportunities.

Many Public Comprehensive Universities Have Already Moved to Address Quantitative Reasoning Preparation

Recognizing the need to improve preparation for postsecondary success, many universities now require additional mathematics and/or quantitative reasoning preparation. States with at least one public comprehensive university that have such a requirement include:

- Alaska
- Arizona
- Arkansas
- Colorado
- Florida
- Georgia
- Hawaii
- Idaho
- Indiana
- Kansas
- Louisiana
- Maryland
- Massachusetts
- Minnesota
- Mississippi
- New Mexico
- North Carolina
- Oklahoma
- Oregon
- South Carolina
- Tennessee
- Texas
- Utah
- Virginia
- Washington
- Wisconsin
- Wyoming

In 2006, North Carolina began requiring at least four years of mathematics for admission to any of its 15 public universities. Meanwhile, students seeking admission to the Twin Cities, Duluth, Morris and Rochester campuses of the University of Minnesota are required to have taken four years of mathematics in high school. 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 graduation rates at the University of Minnesota are higher for students who have taken four years of math.”

Effective in 2015, students in Maryland were required to complete four years of mathematics in high school for entry to any of the state’s public universities, and 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. Maryland is the home of Bowie State University, Morgan State University, Coppin State University and University of Maryland Eastern Shore – four historically black universities – dispelling the notion that such a requirement harms historically underserved student of color. The University of Maryland Baltimore County (UMBC) has become a national model for preparing African American STEM graduates. UMBC’s undergraduate admissions requirements are shown in the figure below:



Undergraduate Admissions

Application Requirements for Freshmen Students

The Admissions Committee weighs a number of factors in making its decision. In addition to grade point average and standardized test scores, the strength of your curriculum, class rank and other achievements as well as your essay will be considered. Reviewing the 2018 Freshman Class Profile in UMBC's **Fast Facts** may give you an idea of the students who are admitted to UMBC. UMBC expects applicants to have completed a strong college preparatory program of study from an accredited high school. The minimum program of study should include:

- **English:** four years
- **Mathematics:** four years including Algebra I, Geometry, and Algebra II. Additionally, applicants are expected to be enrolled in an eligible mathematics course in their senior year of high school study.
- **Social Science/History:** three years
- **Science:** three years
- **Language other than English:** two years

How to Apply for Freshman Admission

1. **Complete the Common Application in its entirety.**
[Apply Online](#)
2. **Complete the residency questions.** This information is located in the Member Questions section for applicants seeking in-state residency for tuition purposes.
3. **Submit the Common Application and \$75 non-refundable application fee.** You must submit all sections for UMBC to receive your Common Application. Prior to the deadline, make sure that there are green "complete"

Additionally, in 2016, both the Massachusetts State University and the University of Massachusetts systems began requiring entering students to complete four years of mathematics, including one course during the final year of high school.

California PK-12 School Districts

Many California school districts have graduation requirements that align with the CSU proposal. Every student graduating from those districts has already fulfilled the quantitative reasoning requirement. While not an exhaustive list, examples include:

- San Diego Unified
- Long Beach Unified
- Elk Grove Unified
- Fresno Unified
- San Bernardino City Unified
- Oakland Unified
- Stockton Unified (beginning in 2023)
- La Cañada (beginning in 2021)
- Rocklin Unified
- Lake Elsinore Unified
- Murrieta Valley Unified
- Perris Union
- San Jacinto Unified

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 Latinx 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 increased quantitative reasoning preparation.

San Diego Unified School District

In 2011, the San Diego Unified School District Board of Education adopted new, more rigorous graduation requirements that align with the district’s mission. The district is the second largest in California with more than 124,000 students, of which 23 percent are English Language Learners, 59 percent qualify for free or reduced lunch and 77 percent are non-white. The new requirements include specific high school courses that are aligned to the minimum subject-area course requirements for CSU and UC admission and are aligned to the California Next Generation Science Standards.

The high school graduating class of 2016 was the first class required to meet the new graduation requirements, which include three years of science (one year of life science, one year of physical science and one additional year of science coursework). Since adopting the new requirements, the percentage of graduates completing all ‘a-g’ requirements in the district has increased 10 percentage points over five years, from 46 percent in 2013 to 56 percent in 2018.

PK-12 Institutions in Other 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

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

Understanding California School District Capacity

Given the CSU’s longstanding partnerships with school districts across the state, there is a working knowledge of existing capacity disparities and regional variations, which will be used to target implementation support to the districts and schools that are most in need.

A Review of the University of California ‘a-g’ Database

Data from the University of California’s ‘a-g’ database indicate that 99.7 percent (or 1,448 of 1,453) of California comprehensive high schools offer a course that would satisfy the proposed quantitative reasoning requirement. In addition, 88 percent of California comprehensive high schools offer a qualifying quantitative reasoning course in area ‘g-college preparatory elective,’ demonstrating the variety of curricular options which currently exist beyond traditional mathematics or science courses.

Still, CSU staff acknowledge the concerns about sufficient access to qualifying courses. A preliminary analysis of approved 2019-20 ‘a-g’ courses provides a clearer picture of course accessibility to meet the proposed requirement:

- Select charter schools with low enrollments presently have the least capacity. In many cases, these schools currently recommend students complete online courses or community college courses if they are seeking to satisfy the existing ‘a-g’ requirements. Several have since closed or have only recently begun enrolling students.
 - Five schools with 136 students combined earning their diplomas (2017-18) currently do not offer courses that would meet the proposed requirement.
 - Six schools, two with 56 students earning their diplomas (2017-18) and four charter schools with 112 students earning their diplomas (2017-18), had only area ‘c-mathematics’ courses that would meet the proposed requirement.
 - Seven schools, one with fewer than 10 students earning their diplomas (2017-18) and six charter schools with a combined 89 students earning their diplomas (2017-18), had only one area ‘d’ or ‘g’ course that would meet the proposed requirement.
- The remaining 1,435 schools offer multiple courses to satisfy the proposed requirement.

The table below summarizes these findings:

Method to Meet Proposed Requirement	Charter School		Not a Charter School		Grand Total	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Can meet with area ‘c’ course or 2 or more courses from areas ‘d’ or ‘g’	380	89.8%	1,018	98.8%	1,398	96.2%
Can meet with area ‘c’ course or 1 area ‘g’ course	3	0.7%	2	0.2%	5	0.3%
Can meet with area ‘c’ course or 1 area ‘d’ course	11	2.6%	4	0.4%	15	1.0%
Can only meet with 2 or more courses from areas ‘d’ or ‘g’	14	3.3%	3	0.3%	17	1.2%
Can only meet with an area ‘c’ course	4	0.9%	2	0.2%	6	0.4%
Can only be met with 1 course in areas ‘d’ or ‘g’	6	1.4%	1	0.1%	7	0.5%
Does not meet proposed requirement	5	1.2%	--	--	5	0.3%
Grand Total	423	100%	1,030	100%	1,453	100%

A Review of CSU Data

In other school contexts, ample course offerings are available, but student course-taking behavior may need to be examined. Preliminary assessment of CSU fall 2018 first-time student data (through a review of high school course-taking behavior in areas ‘c-mathematics’ and ‘d-laboratory science’) identified the districts (shown below) that have 20 or more students who entered the CSU not having met the proposed standard and where the overall percentage of students meeting the requirement was well below the average (91 percent).

- Baldwin Park Unified
- Calexico Unified
- Central Unified
- Central Union High
- Chico Unified
- Coachella Valley Unified
- Delano Joint Union High
- Kern County Office of Education
- Kern High
- Lodi Unified
- Manteca Unified
- Merced Union High
- Oceanside Unified
- Salinas Union High
- San Gabriel Unified
- San Juan Unified
- Santa Rosa High
- Turlock Unified
- Visalia Unified
- Wasco Union High
- Washington Unified

These districts account for one in 14 of new fall 2018 enrollees from California public high schools while also accounting for one in six students who would not have met the proposed standard. The CSU recognizes it will need to work closely with these districts to build capacity and/or change course-taking behavior.

A Review of CDE Data

The CDE data analyzed by the CSU as part of the data-sharing agreement found that 360 of the 469 school districts (77 percent) with at least one CSU regular admit for fall 2018 would have 20 or fewer students who would not have met the proposed quantitative reasoning requirement. Only 13 of the 469 districts (3 percent) would have had 100 or more students who would not have met the standard.

Three districts (Los Angeles Unified, Long Beach Unified and Chaffey Joint Union High) had 150 or more students who would not have met the standard in 2018. A close examination of Los Angeles Unified indicates that 91 percent of the 15,167 regularly admitted students from the district met the proposed standard.

With the CDE data as a guide, the CSU has identified 42 California high schools that will be the immediate focus for partnership and implementation support, to support the schools in preparing for the quantitative reasoning admission requirement.

To be clear, considering the existing course completion and the intervening seven years to provide adequate curricular and advisement capacity for students, the proposed requirement will require limited changes in some high schools. The CSU is committed to working with all districts to meet this challenge.

Implementation

With the data from the University of California ‘a-g’ database, the CSU and the CDE providing a clearer picture of how best to support PK-12 school districts, students and families, the CSU has identified four areas of focus for implementation partnership and investment: curriculum, teaching capacity, communication, and student outreach and enrichment.

Curriculum

The CSU will help expand curriculum in quantitative reasoning in California high schools by supporting and expanding existing partnerships and programs.

The California Mathematics Readiness Challenge Initiative (CMRCI)

The CSU will continue collaborating with school districts and PK-12 schools that need assistance developing qualifying courses. Since 2016, the staff at the CSU Center for the Advancement of Instruction in Quantitative Reasoning (CAIQR) have been working with the CDE 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 (ERWC) for English language arts, five CMRCI sites (four at CSU campuses, one at a UC campus) are working with more than 150 high schools to offer such courses. In addition, CSU Northridge is currently offering a transitional mathematics course developed with the Los Angeles Unified School District.

The table below lists the current transitional courses developed at each CSU site, the number of school districts and schools at which the course is currently being taught, and the approximate number of students participating. Currently, more than 10,000 students are enrolled in a CSU transitional course annually.

CSU Campus and Course Title	Districts	Schools	Students (approximate)
CSU Monterey Bay: <i>Transition to College Level Mathematics</i>	5	8	197
CSU Northridge: <i>Transition to College Mathematics and Statistics</i>	1	48	2,131
CSU Sacramento: <i>Quantitative Reasoning with Advanced Math Topics</i>	20	52	4,293
CSU San Bernardino; Cal Poly Pomona; CSU Long Beach; San José State <i>Mathematical Reasoning with Connections</i>	20	48	2,963
San Diego State: <i>Discrete Mathematics for Pre-College Students</i>	1	12	1,204
Totals	47	168	10,788

These courses are approved in area ‘c’ of the ‘a-g’ requirements. The CSU will continue to partner with school districts to ensure that an ample supply of courses are available by 2027, the proposed implementation year, in the schools where they are most needed. Further, the CAIQR is assisting and supporting school districts in building their capacities of qualified teachers to teach these courses.

The ERWC Model for Capacity Building

The CSU will use a capacity-building framework for quantitative reasoning modeled on its work in reading and writing. The CSU’s Center for the Advancement of Reading and Writing, in partnership with California’s county offices of education, supports curricular development and integration, professional development for teachers and administrators, and evaluation frameworks. High school English language arts teachers have the opportunity to register for a four-day workshop to become an ERWC-certified instructor, at no cost for registration or materials. A council of CSU faculty representatives and an advisory board made up of faculty and public stakeholders provide direction for the center’s activities.

The CSU is utilizing a parallel approach in supporting quantitative reasoning course capacity development across California, centered in the CAIQR and leveraging the existing CMRCI bridge course pilot programs that currently operate in 168 high schools. The university will be expanding these efforts to include the schools and districts identified as most in need of capacity-building support.

Professional Development and In-Service Opportunities for PK-12 Teachers and Schools

The CSU will help expand curriculum in quantitative reasoning through professional development and in-service opportunities for new and veteran PK-12 teachers. Many of these opportunities will be conducted by the CSU CAIQR. Additionally, the CSU will continue to partner with the University of California, including the California Subject Matter Project in Computer Science, to provide support for high schools that are developing new courses and to clearly identify courses that meet the quantitative reasoning requirement.

Teaching Capacity

The CSU will address teaching capacity by leveraging the existing success of the CSU's colleges and schools of education in growing the teacher workforce. Consistent with Governor Gavin Newsom's 2020-21 proposed budget supporting approximately \$900 million for educator recruitment and training, the CSU has articulated several specific strategies to address teacher shortages in communities and disciplines of greatest need.

The CSU Mathematics and Science Teacher Initiative (MSTI)

The CSU is committed to increasing its annual production of credentialed teachers in STEM fields. Since 2005, the California legislature has provided ongoing support to the CSU's Mathematics and Science Teacher Initiative (MSTI), preparing mathematics and science teachers today and developing the next generation of California's STEM teacher-leaders. This work encompasses many components, including:

- Recruiting new students;
- Developing new credential pathways;
- Providing financial support to attract outstanding candidates and facilitate credential completion;
- Ensuring program alignment with California community colleges;
- Developing partnerships with federal agencies, laboratories and industry leaders; and
- Identifying the most successful approaches across the CSU system.

MSTI has enabled the CSU to increase its annual preparation of mathematics and science teachers from 700 to approximately 1,000. Through its recently announced commitment of an additional \$10 million investment over the next four years, the CSU is committed to doubling the number of mathematics, science and computer science teachers prepared at the university from 1,000 to 2,000 annually.

It is particularly noteworthy that the mathematics and science teachers prepared by CSU campuses often go on to teach in the state's high-need schools where 25 percent or more students come from families in poverty and mathematics achievement rates are significantly below statewide averages. As a result, these new mathematics and science teachers are contributing markedly to reducing the disparities in access to qualified teachers that have been found in the state for the past three decades and that have contributed to continued equity gaps in these fields. The Chancellor's Office and campuses will support CDE and local educational agencies' efforts to place new math and science teachers in California's highest need public high schools.

Communication

The CSU will engage in a significant communication campaign to ensure educators, families and prospective students are aware of – and prepared for – the admission change. This includes:

- **CSU Counselor Conferences** – The CSU will communicate directly about the admission change with more than 5,000 high school counselors and other educators across the state during these annual conferences.
- **Campus Outreach and Recruitment Offices** – All 23 CSU campuses operate outreach and recruitment offices designed to share information about the CSU and support students in applying to the university. Updated information about the quantitative reasoning admission requirement will be shared by these offices with students and families.
- **“How to Get to College” Campaign** – An educational campaign aimed at students, parents, teachers and counselors, “How to Get to College” provides critical information on preparing for – and pursuing – a CSU education. Information about the admission requirement will be included in these materials, which are available in English and Spanish.
- **California College Guidance Initiative (CCGI)** – A partnership between the California Community Colleges and the CSU, CCGI works to ensure that all 6-12 grade students in California have access to guidance and support as they plan, prepare and pay for postsecondary education and training. The CSU will ensure information about the new admission requirement is included in CCGI materials, and will increase its support for the expansion of CCGI, so that students in a greater number of geographical regions have access to these resources.

Student Outreach and Enrichment

The CSU continues to work with PK-12 schools and community partners to address educational attainment disparities. Each year, the university spends more than \$70 million on these student outreach efforts, engaging with more than 1.1 million elementary, middle and high school students. Through additional investment and a focus on quantitative reasoning preparation, the CSU will leverage existing efforts to provide student support related to this new admission requirement.

CSU Summer Algebra Institute

The CSU Summer Algebra Institute (SAI) is a six-week mathematics enrichment program for rising 9-12 grade students. Currently, approved SAI sites receive \$30,000 in funding, program administration training for site coordinators and mathematics instructors, learning community check-ins to support successful program outcomes and support from the Office of the Chancellor to partner with local CSU campuses. The CSU will scale the SAI through the awarding of additional regional grants to build quantitative reasoning capacity across the state.

Early Assessment Program

The Early Assessment Program includes a dedicated employee on each CSU campus who engages directly with high schools in their respective region regarding English and mathematics preparation. This includes workshops and professional development for students and teachers. These efforts, which currently total an approximately \$4 million investment, would be tailored to specifically address quantitative reasoning in the coming years.

College Student Placements

The CSU will engage its existing VISTA grants to support the placement of volunteer college students in communities needing additional support in quantitative reasoning preparation. This includes the engagement of STEM VISTA, a program that place volunteers in CSU campus STEM departments and institutes to encourage STEM success in students from historically underserved communities. And, through the Center for Community Engagement and campus-based service-learning programs, additional college student placements are also possible.

External Review

The CSU will engage a nonpartisan research organization to conduct an independent study examining the potential impacts and informing implementation. The findings of the report, due by March 2021, will be provided to the Board of Trustees.

Safety Valves

The proposal includes multiple reflection points and “safety valves” that would allow the implementation timeline to be extended – or halted – if the policy is resulting in unintended consequences. These safety valves include the seven-year implementation timeline and annual reports by staff from the Office of the Chancellor to the Board of Trustees. These reports, which would commence in 2021, with final report by January 2022 shall include: a. a third party independent analysis of the planned implementation and potential impact of the proposed requirement, b. the progress to-date on doubling the number of STEM qualified teachers from the CSU, c. the establishment of a Steering Committee, comprised of the Chair of the Board’s Committee on Educational Policy Committee, Superintendent of Public Instruction, Governor’s Office Higher Education advisor, President of the State Board of Education, chair of the Academic Senate, CSU, the California Community College chief academic officer, a CSU student, public school district superintendent, and senior leader of an community-based education group, d. Clarity on exemptions and subsequent accommodations for students whose public schools are unable to provide sufficient courses, and e. the progress on increased outreach and awareness of the proposed requirement with schools, counselors, and families.

Conclusion

For decades, the CSU has served as a beacon of opportunity for students, families and the state of California, 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 ERWC, now offered in more than 1,000 California high schools, provides high school seniors the opportunity to complete a fourth-year course in English language arts that was co-developed by the CSU and high school faculty to more closely align with college-level writing expectations.

Most recently, the CSU implemented new academic preparation policies associated with Executive Order 1110. These policy changes were also met with opposition, critical public comments and concern about the implications for historically underserved students. Yet, the CSU’s guiding question, “Is this the right thing to do for students?” remained central. One year later, the number of students passing credit-bearing courses, which count toward their degree, has increased eightfold. And historically underrepresented students experienced the greatest gains.

Similar opposition were associated with the CSU’s 1988 adoption of the ‘a-g’ courses. But today, a record number of students are meeting the ‘a-g’ requirements and are eligible for study at the CSU and UC. A recent report by the Public Policy Institute of California noted that “high school graduation rates increased from 75% in 2009–10 to 83% in 2015–16. Much of this increase has come from rising graduation rates among students of color: rates for both Latino students and African American students have increased 12 percentage points (to 80% and 73%, respectively).”

This proposal to modify the necessary academic preparation for first-year admission to the CSU continues the progress made to ensure equity and authentic access for all CSU students. The CSU has proposed a seven-year timeframe before implementation to allow for capacity-building and communication to students and families. The CSU also remains committed to access and takes seriously the responsibility to do no harm to students who may be attending schools with limited access to qualifying courses. And the university is committed to partnering with districts, schools and community organizations to build the necessary capacity for successful implementation.

There is widespread agreement that students continue to need – and deserve – access to better preparation for college. The workforce and world have changed significantly in the last 30 years and most certainly will continue to do so in the years ahead. The evidence is clear—additional quantitative reasoning preparation improves college success and access to a range of majors and career choices. Continued progress on behalf of students’ academic preparation requires the CSU to be the catalyst for change.

Because academic preparation matters for enhanced college student success and completion, and because analytical and quantitative skills are becoming increasingly important in all careers today and of the future, the following resolution for a phased implementation plan is presented for approval:

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

1. The Board of Trustees seeks to have all incoming first year students complete, in addition to the current ‘a-g’ high school course requirements, a fourth year quantitative reasoning course, selecting from a wide range of courses as described in this agenda item, and will consider approving such a requirement and Title 5 change by spring 2022 to be effective fall 2027.
2. The Chancellor shall submit to the Board a progress report in March 2021 and a final report by January 2022 that includes:
 - a. a third-party independent analysis of the planned implementation and potential impact of the proposed requirement on high school students’ application to the CSU,
 - b. the progress on doubling the number of STEM qualified teachers annually prepared by the CSU,
 - c. clarity of the charge, role and composition of a steering committee that reports to the EVC of Academic and Student Affairs,
 - d. clarity on exemptions for students whose public schools do not provide sufficient courses, and
 - e. the progress on increasing outreach and awareness of the proposed requirement with schools, counselors, and families.

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.”

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

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

January 29, 2020

Presiding: Adam Day, Chair

10:30 a.m. Board of Trustees

Dumke Auditorium

Call to Order

Roll Call

Public Speakers

Chair'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 November 20, 2019
Action 2. Approval of Committee Resolutions as follows:

Committee on Institutional Advancement

2. Naming of the Grimm Family Center for Agricultural Business – California State University, Bakersfield
3. Annual Report on Donor Support for 2018-2019

Joint Committees on Finance and Campus Planning, Buildings and Grounds

2. San Diego State University - Certification of the Final Environmental Impact Report for the Proposed Mission Valley Campus Master Plan; Approval of the Proposed Mission Valley Campus Master Plan; Authorize the Chancellor to Execute a Purchase and Sale Agreement for the Mission Valley Campus Real Property Acquisition Within the Terms and Parameters Set forth in this Action Item; Approval to Amend the Capital Outlay Program for the Proposed Real Property Acquisition and Site Development; and Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the Proposed Project

Committee on Finance

2. 2020-2021 Lottery Budget and Report

*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. Update to Policies and Procedures for Review of Presidents
3. Compensation for Executives

Committee on Educational Policy

4. Admission Requirements: Quantitative Reasoning

*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.

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**

November 20, 2019

Trustees Present

Adam Day, Chair
Lillian Kimbell, Vice Chair
Silas H. Abrego
Larry L. Adamson
Jane W. Carney
Rebecca D. Eisen
Doug Faigin
Debra Farar
Jean Picker Firstenberg
Wenda Fong
Juan F. Garcia
Maryana Khames
Jeffrey R. Krinsk
Jack McGrory
Thelma Meléndez de Santa Ana
Romey Sabalius
Lateefah Simon
Christopher Steinhauser
Peter J. Taylor
Timothy P. White, Chancellor
Lieutenant Governor Kounalakis
Superintendent Tony K. Thurmond

Chair 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:

Maria Linares, Student, CSU Fullerton (SQE); Gabi Cuna, Student, CSU Fullerton (SQE); Ileana Lugo, Student, CSU Fullerton (SQE); Fernanda (last name inaudible), Transfer Student, CSU Fresno; Melissa Jerez, Student, CSU Chico (SQE); Michelle Cerecerez, Parent of CSU Northridge

student (CFA); Sandy Dixon, Professor, Cal Poly Pomona (CFA); Dr. Leis Rodriguez, Professor, CSU Dominguez Hills (CFA); Monique C. Castro, Owner/Psychotherapist, Indigenous Circle of Wellness and CSULA Alumni; Rocky Sanchez, VP for Representation (CSUEU); Tessy Reese, Chair Bargaining Unit 2 (CSUEU); Tony Spraggins, Chair Bargaining Unit 7 (CSUEU); Rich McGee, Chair Bargaining Unit 9 (CSUEU); Neil Jacklin, President (CSUEU); Martin Brenner, Vice Chair Bargaining Unit 9 (CSUEU); Drew Scott, Teamsters Local 2010; Christopher Rooney, Teamsters Local 2010; Alex Vermie, Teamsters Local 2010; Samantha Gonzalez, Teamsters Local 2010; Camila Rivera, Teamsters Local 2010; Fabia Salazar, Teamsters Local 2010; Anna Christensen, Friends of Puvungna, Long Beach Area Peace Network, Sierra Club; and Karen Harper, Friends of Puvungna, Long Beach.

Chair's Report

Chair 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/november-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/november-20-2019.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 Michael Wiafe'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

The Alumni Council deferred their report to the next Board meeting.

Board of Trustees

The minutes of the meeting of September 25, 2019 were approved as submitted.

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Prior to the approval of the consent agenda, there was a request that Item 3, Approval of the 2020-2021 Operating Budget Request - from the Committee on Finance - be removed from the consent agenda for separate discussion. Chair Day asked to move all the remaining consent agenda items for approval. There was a second. The Board of Trustees approved the following resolutions:

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

Approval of the 2020-2021 through 2024-2025 Five-Year Capital Plan (RCPBG 11-19-06)

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

1. The 2020-2021 through 2024-2025 Five-Year Plan totaling \$22.2 billion is approved.
2. The chancellor is authorized to proceed in 2019-2020 with design and construction to fast-track projects in the 2020-2021 through 2024-2025 Five-Year Plan.
3. The chancellor is requested to explore all reasonable funding methods available and communicate to the Board of Trustees, the governor, and the legislature the need to provide funds to develop the facilities necessary to serve the academic program and all eligible students.
4. If funds from the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 (the Bond Act) are available to fund the projects in the Five-Year Plan, those funds may be used in-lieu of other identified fund sources.
5. The priority ranking of the academic projects will be contingent on campuses submitting an approved affordable housing plan as outlined in the Bond Act. The chancellor will report on campus affordable housing plans in March 2020 in order for the board to re-consider or re-affirm the priority ranking of academic projects to be funded from the Bond Act.
6. The chancellor is authorized to adjust the scope, phase, project cost, total budget request priority sequence, and funding source for the capital program and report budget adjustments in the subsequent Five-Year Plan.
7. The chancellor is authorized to adjust the projects to be financed as necessary to maximize use of the limited financing resources and in consideration of the CSU's priorities for funding capital outlay projects.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

**Annual Report on Outside Employment for Senior Management Employees
(RUF 11-19-09)**

RESOLVED, by the Board of Trustees of the California State University, that the 2018 Senior Management Outside Employment Disclosure Report, as cited in Item 2 of the Committee on University and Faculty Personnel at the November 19-20, 2019 meeting of the Board of Trustees, is approved.

**Policy on Compensation
(RUF 11-19-10)**

RESOLVED, by the Board of Trustees of the California State University, that effective January 1, 2020, the Policy on Compensation, as cited in Item 4 of the Committee on University and Faculty Personnel at the November 19-20, 2019 meeting of the Board of Trustees is adopted; and be it further

RESOLVED, all previous versions of policies related to compensation for employees and presidents are superseded.

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Committee on Committees

Amendment to Board of Trustees' Committee Assignments for 2019-2020 (RCOC 11-19-05)

RESOLVED, By the Board of Trustees of The California State University, on recommendation by the Committee on Committees that the following amendments be made to the Standing Committees for 2019-2020 effective January 1, 2020:

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
Larry L. Adamson
Jane W. Carney
Wenda Fong
Maryana Khames
Jeffrey R. Krinsk
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
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
Maryana Khames
Lillian Kimbell
~~Thelma Meléndez de Santa Ana~~
Romey Sabalius
Christopher Steinhauser

FINANCE

Lillian Kimbell, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
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
Jeffrey R. Krinsk
Jack McGrory
Romey Sabalius

INSTITUTIONAL ADVANCEMENT

Jean P. Firstenberg, Chair
Wenda Fong, Vice Chair
Larry L. Adamson
Debra S. Farar
Maryana Khames
Lillian Kimbell
Jeffrey R. Krinsk
~~Thelma Meléndez de Santa Ana~~-Hugo
N. Morales

ORGANIZATION AND RULES

~~Thelma Meléndez de Santa Ana, Chair~~
Larry L. Adamson, Chair
Jean P. Firstenberg, Vice Chair
Silas H. Abrego
Douglas Faigin
Maryana Khames
Jeffrey R. Krinsk
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

COMMITTEE ON EDUCATIONAL POLICY

**Recommended Amendment to Title 5 Regarding Student Organizations
(REP 11-19-02)**

RESOLVED by the Board of Trustees of the California State University that Title 5, California Code of Regulations sections 41500, 41503, 41504 and 41505 be amended as follows:

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
5 CCR § 41500 Withholding of Recognition

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§ 41500. Withholding of Recognition.

No campus shall recognize any fraternity, sorority, ~~living group~~, honor society, or other student organization ~~which~~ that discriminates on the basis of race or ethnicity (including color and ancestry), religion (or religious creed), nationality, citizenship, national 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.

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
5 CCR § 41503 Filing Requisites

§ 41503. Filing Requisites.

Each student organization shall deposit with the Vice President of Student Affairs or equivalent officer of the campus ~~by~~, copies of all constitutions, charters or other documents relating to its policies. The student organizations shall also deliver to the Vice President of Student Affairs or equivalent officer a statement signed by the president or similar officer of the local student organization attesting that the organization has no rules or policies that ~~which~~ discriminate ~~on the basis of race, religion, national origin, ethnicity, color, age, gender, marital status, citizenship, sexual orientation, or disability,~~ on the basis of the protected categories set forth in Section 41500, except as excepted above. This statement shall be renewed annually and the other documents required by this section shall be refiled within 90 days after any substantive change or amendment.

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

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
5 CCR § 41504 Penalties

§ 41504. Penalties.

Should the national governing body of any organization described in Section 41500 take any action that ~~which~~ has the effect of penalizing or disciplining any branch or chapter at a campus in order to enforce a policy of discrimination based on the protected categories set forth in Section 41500 ~~race, religion, national origin, ethnicity, color, age, gender, marital status, citizenship, sexual orientation, or disability~~, ~~except as excepted above~~, recognition of that organization by any campus shall be immediately withdrawn.

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

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
5 CCR § 41505 Athletic and Other Intercollegiate Activities

§ 41505. Athletics and Other Intercollegiate Activities.

No campus shall enter into intercollegiate activities that ~~which~~ will subject its students directly or indirectly to discrimination or segregation on the basis of protected categories set forth in Section 41500 ~~race, religion, national origin, ethnicity, color, age, gender, marital status, citizenship, sexual orientation, or disability~~. The prohibition against discrimination on the basis of gender does not apply to membership on intercollegiate athletic teams, facilities, or competition.

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

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COMMITTEE OF THE WHOLE

Conferral of the Title of Trustee Emerita—Thelma Meléndez de Santa Ana (RCOW 11-19-08)

RESOLVED, by the Board of Trustees of the California State University, that this board confers the title of Trustee Emerita on Trustee Thelma Meléndez de Santa Ana, with all the rights and privileges thereto.

Prior to the approval of the consent agenda, there was a request that Item 3, Approval of the 2020-2021 Operating Budget Request - from the Committee on Finance - be removed from the consent agenda for separate discussion.

Chair Day moved to approve the committee resolution, there was a second. Trustee Sabalius expressed his disappointment that the budget request was less than the 2019-2020 budget request and was not adequately increasing funding for salaries and benefits. Chair Day called for the vote. The resolution passed; there was one opposed (Trustee Sabalius) and no abstentions. The following resolution was approved:

COMMITTEE ON FINANCE

Approval of the 2020-2021 Operating Budget Request (RFIN 11-19-06)

RESOLVED, that the Board of Trustees of the California State University acknowledges and expresses its appreciation to the governor and legislature for their consistent, multi-year investment in the CSU since the end of the Great Recession; and be it further

RESOLVED, that the Board of Trustees understands there are numerous competing interests for budgetary support given policy priorities and possible fiscal constraints under which California operates; and be it further

RESOLVED, that the future of California rests on CSU's ability to provide a high-quality, affordable, and accessible education to nearly 500,000 students each year; and be it further

RESOLVED, by the Board of Trustees that the proposed CSU 2020-2021 Operating Budget Request is approved as submitted by the chancellor; and be it further

RESOLVED, that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that any changes made by the chancellor be communicated promptly to the trustees; and be it further

RESOLVED, that copies of this resolution and the 2020-2021 Operating Budget Request as reflected in this agenda item be transmitted to the governor, to the director of the Department of Finance, and to the legislature.