

AGENDA

COMMITTEE ON FINANCE

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

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

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

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

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

May 21, 2019

Members Present

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

Trustee Peter Taylor called the meeting to order.

Public Comment

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

Consent Agenda

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

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

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

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

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

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

2019-2020 Operating Budget Update

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

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

Admission Application Fee Proposal

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

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

CSU Financial Transparency Portal

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

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

Trustee Taylor adjourned the meeting on Finance Committee.

COMMITTEE ON FINANCE

Appointment of the California State University Investment Advisory Committee Chair

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

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

Summary

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

Background

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

Information Regarding the Appointment of the Investment Advisory Committee Chair

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

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

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

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

COMMITTEE ON FINANCE

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

Presentation By

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

Summary

This item requests that the California State University Board of Trustees authorize the issuance of long-term Systemwide Revenue Bond (SRB) financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and bond anticipation notes (BANs) to support interim financing under the CSU commercial paper (CP) program, in an aggregate amount not-to-exceed \$175,125,000 to provide financing for two campus projects:

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

The Board of Trustees is being asked to approve the resolutions related to this financing.

Background

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

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

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

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

The following table summarizes key information about this financing transaction.

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

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

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

2. San Diego State University, Aztec Recreation Center Expansion

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

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

The following table summarizes key information about this financing transaction.

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

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

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

Trustee Resolutions and Recommendation

In coordination with CSU's Office of General Counsel, Orrick, Herrington & Sutcliffe LLP, as outside bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects described in this agenda. The proposed resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$175,125,000 and certain actions relating thereto.
2. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes, the revenue bonds, and the related debt instruments.

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

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

San Diego State University, Aztec Recreation Center Expansion

COMMITTEE ON FINANCE

Admission Application Fee Proposal and Title 5 Revision

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

April Grommo
Director of Enrollment Management Services
Student Academic Services

Summary

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

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

Background

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

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

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

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

Application Fee Proposal

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

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

Adjustments to the Criteria for the Application Fee Waiver

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

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

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

Investments in Cal State Apply

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

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

Implementation of the New Redirection Policy

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

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

Comparator Institutions

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

California Comparators

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

National Comparators

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

Proposed Title 5 Revision

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

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

Article 3. Fees
§ 41800.1 Application Fees

(a) Definitions.

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

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

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

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

(d) Exclusions. This section shall not apply:

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

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

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

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

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

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

Conclusion

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

Recommendation

The following resolution is proposed for approval:

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

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

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

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

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

COMMITTEE ON FINANCE

2019-2020 Final Budget

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

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

Background

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

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

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

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

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

CSU and the Final Budget Agreement

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

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

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

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

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

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

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

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

Conclusion

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

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