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California State University

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

Background

The California State University (CSU) system oversees more than 480,000 students at 23 campuses throughout the State. The Chancellor is CSU's chief executive officer and has the authority and responsibility for ensuring that the system functions properly, developing and overseeing its budget, and issuing executive orders on CSU policy, such as policies regarding its investments and parking programs. CSU can deposit and invest money in financial accounts outside of the state treasury (outside accounts) and has established its own central banking and investing system to ensure that it pools and invests surplus money. For CSU parking operations and transportation, each campus determines its needs and can generally set parking fees to support the parking operations. We conducted an audit of CSU's outside accounts and its campus parking programs.

Key Recommendations

- The Legislature should require the Chancellor's Office to do the following:
 - » Provide information about current balances and projections of CSU's accumulated surplus and an estimate of how much tuition contributed to the surplus no later than November 30 each year.
 - » Include relevant information related to parking and alternative transportation strategies in the five-year capital improvement plan it submits annually.
- The Chancellor's Office should improve its transparency and publish information annually about CSU's surplus for operations and instruction, including how much tuition contributed to it.
- The Chancellor's office should require campuses that request to build new parking facilities to submit information on whether implementing alternate transportation strategies reduced parking demand and their plans for future strategies.

Key Findings

- Although required to identify its available financial resources to legislators and disclose alternatives to tuition increases, the Chancellor's Office did not fully disclose CSU's surplus held in outside accounts as CSU increased tuition and received more state funding.
 - » From fiscal years 2008–09 through 2017–18, CSU's surplus grew by more than 400 percent—it accumulated a discretionary surplus of more than \$1.5 billion, primarily from tuition.
 - » From fiscal year 2008–09 through fiscal year 2011–12, CSU raised the cost of tuition by about 80 percent and, from fiscal years 2012–13 through 2017–18, when CSU's surplus almost doubled, its General Fund appropriation grew by 60 percent.
 - » CSU did not disclose the surplus when it provided the student association with information about raising tuition for the 2017–18 academic year—it only presented two alternatives to raising tuition: increasing state funding or reducing programs and services.
- The Chancellor's Office has not ensured that campuses fully explore options for alternative transportation programs such as public transportation, shuttles, or bike share programs before investing in expensive parking facilities.
 - » The four campuses we reviewed built expensive new parking facilities that committed them to significant long-term debt, resulted in increased parking permit fees, and only minimally increased parking capacity.
 - » One campus built a parking facility not intended for students, despite using students' permit fees to pay for the construction, and three campuses provided more parking spaces per person for faculty and staff than for students.
 - » The four campuses did not perform key steps required by CSU policy to ensure that they used the most cost-effective blend of parking and alternative transportation programs to improve access to campuses.

Growth of CSU's Discretionary Surplus

