COMMITTEE ON FINANCE

Sustainable Financial Model Workgroup

Presentation By

Trustee Julia Lopez

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Summary

The Sustainable Financial Model Workgroup submitted its report with recommendations to the Chancellor on May 9, 2023. Attachment A is the final report and related documents.

During the past eight months, the Workgroup conducted a thorough and disciplined examination of California State University (CSU) expenditures and revenues. Members of the Workgroup participated in robust discussions of the issues, informed by analysis, experience, and different perspectives of members from different stakeholders and constituencies.

CSU's financial position is strong, thanks to the continuing support of the state legislature and the governor's multi-year compact. Looking ahead, increasing cost pressures identified in the report are a cause for concern. The Workgroup reached a sobering conclusion: long-term sustainability requires adequate revenues for CSU to fulfill its functions. To thrive, the Workgroup concludes the CSU must regularly conduct systematic and comprehensive assessments to ensure that the CSU can provide a quality, affordable, and accessible education to Californians in the 21st century. A list of the report's recommendations follow.

Principal recommendation for the Board and the Chancellor:

- The Board and Chancellor should adopt an action plan that sets forth a vision for the CSU as a 21st Century regional, comprehensive university, addressing priorities for which students to serve;
- How best to provide a quality and affordable education to students;
- The appropriate role of research and scholarship in the CSU;

- How best to function as a system;
- How to align costs with revenues consistent with the above vision, by 2030, with annual milestones which are reported to the Board.

This vision and action plan will guide resource allocations, policies, and practices so that the CSU can align its costs with its revenues and assure its long-term financial sustainability. The new Chancellor should present this plan to the board no later than one year after assuming office.

Supporting recommendations for system policies:

1. Adopt a multi-year approach to system budgeting for operating and capital budgets
2. Adopt a tuition policy
3. Appoint a financial aid workgroup to develop a comprehensive financial aid policy
4. Refine policies for campus allocations
5. Review and revise system policies that affect campus capacity to raise revenues and use resources effectively

Supporting recommendations for system practices:

1. Adapt internal budgeting practices in support of multi-year budgeting
2. Engage in state budget advocacy on the basis of well-developed cost information and priorities
3. Develop the means to assess instructional costs across the system
4. Provide systemwide guidance and assistance to implement a CSU financial aid program
5. Continue to identify opportunities for cost savings
6. Invest in capacity-building to raise non-state funds

The California State University
OFFICE OF THE CHANCELLOR

May 9, 2023

Jolene Koester
Interim Chancellor
California State University
401 Golden Shore
Long Beach, CA 90802

Dear Interim Chancellor Koester,

The Sustainable Financial Model Workgroup is pleased to submit its report with recommendations.

During the past eight months, the Workgroup conducted a thorough and disciplined examination of California State University (CSU) expenditures and revenues. Everyone participated in robust and animated discussions of the issues, informed by analysis, experience, and different perspectives of members from different stakeholders and constituencies.

Everyone agrees on a sobering conclusion: long-term sustainability requires adequate revenues for CSU to fulfill its functions, but to thrive, the Workgroup believes the CSU needs to do a systematic and comprehensive assessment of how the CSU can provide a quality, affordable, and accessible education to Californians in the 21st century. The report's principal recommendation is that the Board and the Chancellor engage in such a process in a thorough and participatory way. The report frames the issues and challenges confronting the CSU and recommends specific system policies and practices that should be examined in reference to its sense of purpose going forward.

You specifically charged us to look for stable and predictable revenues, which our analysis confirmed are needed. The Workgroup focused on General Fund and tuition revenues because they are the principal sources of revenue. Effective advocacy in Sacramento is essential to ensure that our General Fund appropriations realistically consider our needs. The Workgroup believes that this report's analysis of costs and expenditures can support more effective advocacy in Sacramento.

The report also recommends adopting a tuition policy that will govern future increases so they are modest, gradual, and predictable for both the CSU and for students and their families. Moreover, should you decide to proceed with a tuition increase, the Workgroup recommends a cohort or hybrid model.

Finally, the Workgroup recommends continued efforts to identify cost savings and make investments to increase philanthropic and other public and private support.

The Workgroup thanks you for the opportunity to participate in this important effort. We hope that the report is helpful to you, your staff, and the Board as you consider ways to ensure CSU's future vitality and excellence.

Sincerely,

Julia Lopez
Trustee
California State University

Steve Relyea (May 9, 2023 16:09 PDT)

Steve Relyea
Executive Vice Chancellor/CFO
California State University

Attachment A

The California State University
OFFICE OF THE CHANCELLOR

Sustainable Financial Model Workgroup Report May 2023

Prepared for

Interim Chancellor Jolene Koester

The California State University
Office of the Chancellor
May 2023

www.calstate.edu

Sustainable Financial Model Workgroup Report

May 2023

Executive Summary

Charge to the Workgroup

On July 25, 2022, the Interim Chancellor appointed a Workgroup and charged it to recommend a multi-year strategy to achieve stable and predictable revenues to support the California State University (CSU) mission, maintain affordability for its students, and recognize the differing needs of its 23 universities. The Workgroup quickly came to understand that increasing revenues is only part of the solution. At its first meeting, the Workgroup agreed to pursue its charge in the context of long-term financial sustainability, rather than solely pursue means to increase revenues.

How the Workgroup Reframed the Issue

Financial sustainability requires a concerted effort, at all levels of the institution, to have a shared sense of how CSU can best embody its mission as a regional, comprehensive university *system* in the twenty-first century, and how it can bring revenues into alignment with the costs of the shared vision. The Workgroup reached this conclusion after estimating costs to operate the CSU, comparing those costs to actual expenditures, projecting future year costs, and modeling various realistic scenarios for increasing the two core revenue sources – state General Fund and tuition. It was evident to the Workgroup that the gaps between revenues and costs cannot be closed with existing revenue trends, even before specifically accounting for the costs of unfunded mandates and the estimated $5.8 billion of critical capital renewal backlog.

Especially in the context of the rapidly changing social and economic environments of higher education, it became clear to the Workgroup that the CSU is under real financial stress, with growing cost pressures that well exceed current revenues. The prevailing approach to financing and budgeting within the system is not adequate for current circumstances. Long-standing policies and practices need to be re-examined and new ones developed. A top priority is establishing policies for setting or raising tuition and ensuring affordability for given tuition rates and changes.

Students are increasingly from underrepresented groups and first in their families to go to college, requiring additional educational and support services, including financial aid. The increased demand for graduates in high-cost science, technology, engineering and mathematics (STEM) and health occupations, a larger proportion of transfer students, and growing demand from adults with some college but no degree all translate into increased costs. Campuses are facing very different circumstances regarding enrollment, recruitment and retention of faculty and staff, curricular mix, and ability to generate revenues, among other factors. The current methods for funding enrollments and allocating resources to campuses capture neither these added costs nor the differential impacts of current trends on campuses.

Addressing these issues will require a strategic, multi-year approach to understanding costs, establishing predictable streams of revenues, setting clear priorities, advocating for resources on the basis of costs and priorities, and aligning system policies and practices to support these elements of financial sustainability.

Workgroup Recommendations

The Workgroup recognizes the critical role of system policies and practices to create the right environment and incentives for campuses to excel in the pursuit of their mission, to raise sufficient revenues, address costs, and bring the two into alignment over the next several years. In recognition of the rapidly changing social and economic environment of higher education in the nation, and the ever-growing cost pressures facing the CSU, the Workgroup concluded that such changes to system policies and practices must be guided by a refreshed vision of the CSU in terms of its priorities for how to best serve the needs of students, regions, and the state. Accordingly, the recommendations of the Workgroup consist of one principal recommendation and several supporting recommendations to review, revise, and adopt new policies and practices.

Principal recommendation for the Board and the Chancellor:

- The Board and Chancellor should adopt an action plan that sets forth a vision for CSU as a 21st century regional, comprehensive university, addressing: Priorities for which students to serve;
- How best to provide a quality and affordable education to students;
- The appropriate role of research and scholarship in the CSU;
- How best to function as a system;
- How to align costs with revenues consistent with the above vision, by 2030, with annual milestones which are reported to the Board.

This vision and action plan will guide resource allocations, policies, and practices so that the CSU can align its costs with its revenues and assure its long-term financial sustainability. *The new Chancellor should present this plan to the board no later than one year after assuming office.*

Supporting recommendations for system policies:

1. Adopt a multi-year approach to system budgeting for operating and capital budgets
2. Adopt a moderate, gradual, and predictable tuition policy with principles that should apply to campus-based fees as well
3. Appoint a financial aid workgroup to develop a comprehensive financial aid policy
4. Refine policies for campus allocations
5. Review and revise system policies that affect campus capacity to raise revenues and use resources effectively

Supporting recommendations for system practices:

1. Adapt internal budgeting practices in support of multi-year budgeting
2. Engage in state budget advocacy on the basis of well-developed cost information and priorities

3. Develop the means to assess instructional costs across the system
4. Provide systemwide guidance and assistance to implement a CSU financial aid program
5. Continue to identify opportunities for cost savings
6. Invest in capacity-building to raise non-state funds

Workgroup Charge and Content

On July 25, 2022, the Interim Chancellor appointed a Workgroup and charged it to recommend a multi-year strategy to achieve stable and predictable revenues to support the CSU mission, maintain affordability for its students, and recognize the differing needs of its 23 universities. Stable and predictable long-term revenues are sorely needed. Continual and growing cost pressures are acutely felt across the system as it adapts to changing student populations, increased pressure to expand degree offerings for higher cost degrees, unfunded mandates, and finally, human and physical infrastructure needs that accumulate over time.

At its first meeting, the Workgroup agreed to pursue its charge in the context of long-term financial sustainability. They understood that a stream of predictable revenue is part of the solution but is not the answer for something more fundamental: preserving, protecting, and nurturing CSU's ability to continue providing an affordable, accessible, and quality education for the next generation of Californians. This will require a concerted effort, at all levels of the institution, to have a shared sense of mission and how the CSU will go about accomplishing its mission, and then how to pay for doing so.

CSU has two principal sources of revenue – state General Fund and tuition. The state General Fund is the CSU's largest revenue source, but it is volatile, wholly dependent on the state economy. Recessions, even mild ones, often result in state funding shortfalls, which in turn translate into budget cuts or recissions. Tuition is the second largest source of revenue. Historically, significant tuition increases followed state cuts; however, for eleven of the past twelve years there has been no tuition increase. Instead, thanks to a strong economy, General Fund support has grown. The net effect is that, since the last tuition increase, the General Fund revenue share grew 34 percent, while tuition revenue share of total system level funds decreased slightly (-1 percent).

Enrollment growth has been the antidote for increasing costs. As long as enrollments were growing, CSU could expect additional revenue. The additional revenue, however, did not address the fundamental problems created by mounting cost pressures. Faced with costs in excess of revenues, the system and campuses have relied on enrollment growth funds to pay for a portion of ongoing operational costs. When growth funds fall short of new needs, funds are redirected away from basic activities in ways that can erode quality over time. With enrollment having declined during the pandemic and demographic trends pointing to likely declining enrollments, the reliance on growth funds to address growing costs is a highly risky proposition.

Cost pressures continue to grow as the context of higher education in California is changing. Students are increasingly from underrepresented groups and first in their families to go to

college, requiring additional educational and support services. The increased demand for graduates in high-cost STEM and health occupations, a larger proportion of transfer students, and growing demand from adults with some college but no degree all translate into increased costs. The current metric used to fund all enrollments - Full Time Equivalent Students (FTES) - does not capture the added costs of these growing demands.

The CSU's mission is to provide access to an affordable, quality education to Californians; however, CSU is not immune to the changing context of higher education nationally. Increasingly, prospective students are questioning the value of a college degree. There are more competitors, with many reputable online providers aggressively recruiting students in California. CSU's competitive advantage remains its quality, affordability, and regional presence for both families and employers. Nevertheless, the national environment adds another dimension to the financing challenge facing the CSU, as it positions itself to compete successfully for students, maintain the high-quality faculty and staff needed to fulfill its mission, and continue to deliver on its graduation goals to meet California's workforce needs.

Financial Sustainability Requires a Strategic and Multi-year Approach to Budgeting and Financing the CSU

While responsive to the importance of identifying new revenues, the Workgroup, at its first meeting, agreed that strategies for additional revenues to cover projected future costs must be part of a broader effort to assure CSU's long-term financial sustainability. To do this, the group discussed the importance of having a financing and budgeting system that is geared toward effective decision-making, and includes the following elements:

1. A statement of purpose that clearly states how CSU intends to fulfill its mission to provide an affordable, accessible, quality education to meet changing state needs in the 21st century.
2. Five-year action plans that have (a) specific short, medium, and long-term goals with strategic objectives and timelines; (b) projected revenues and costs to implement these plans, and (c) alternatives to respond to social, economic, or political changes.
3. Annual budgets that clearly articulate priorities to guide performance expectations and allocation of resources, with metrics to assess results.
4. Spending plans that match revenues with ongoing operational costs and necessary investments in physical and human infrastructure to maintain quality and future capacity.
5. A diversified source of revenues, including General Fund, tuition and fees, and other public and private sources, to (a) cover costs and (b) build a reserve to provide institutional resilience to manage economic cycles.
6. Campus budget allocations that reflect different campus missions, costs, circumstances, and demographics, with sufficient autonomy to raise and manage resources to further CSU priorities.

7. Detailed knowledge of costs, spending and performance across the system and its universities to encourage collaborations, dissemination of best practices, and effective use of resources across institutions.
8. Effective advocacy with lawmakers and other stakeholders about priorities and costs, with information that is easily accessible to all stakeholders.

Setting the context of the Workgroup's task in terms of financial sustainability, not just revenues, opened the doors to discussions about policies and practices that can help or hinder the ability of the system to maximize all revenues, be more cost-effective, or avoid unnecessary costs.

Specifically, the Workgroup concluded that the Board and the incoming Chancellor need to engage in a participatory process that will articulate a vision for CSU success in the 21st century and commit to a process of informed and transparent decision-making that will set clear goals, objectives, priorities and performance expectations across the system. This will guide resource allocations, policies and practices, so that the CSU can align its costs with its revenues and assure its long-term financial sustainability.

See the principal recommendation for the Board and the Chancellor.

Additional Revenue Needed for CSU Operating Costs

To address why there is a universal sense that the CSU needs more money, the Workgroup began by asking the question: how much does it cost to operate the CSU? The CSU budget reflects expenditures and the revenues it receives, that is, CSU spends what it gets, but these expenditures do not capture what it costs to operate the system.

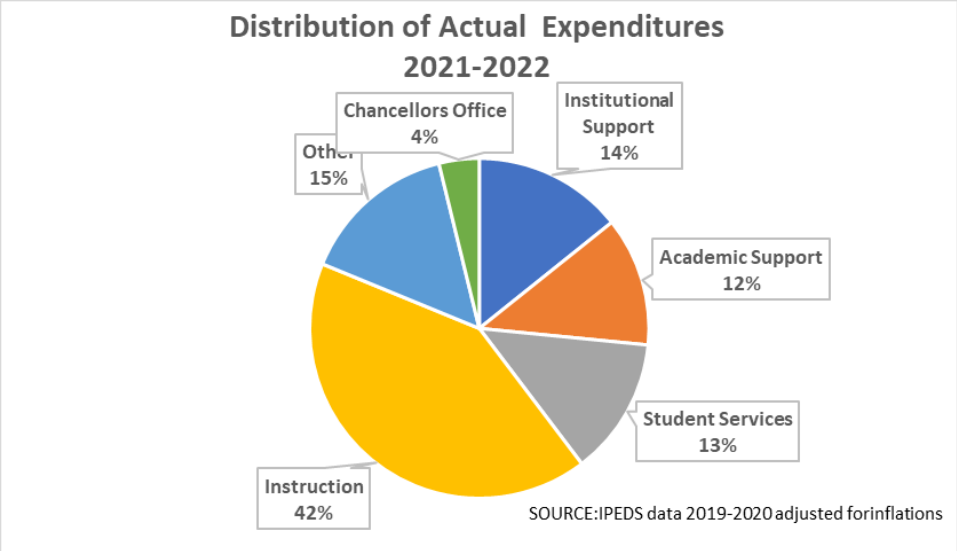
When the CSU receives less revenue than it requests, two things happen: (1) some costs go unaddressed (e.g., critical capital renewal projects, vacant positions, up-to-date instructional equipment) and (2) costs that cannot be deferred are accommodated by redirecting funds from other purposes, which can be short-changed. These two actions result in major disconnects between costs and expenditures.

To better understand costs, not just expenditures, the Workgroup constructed a budget of estimated costs consistent with the CSU's mission, student characteristics, and curriculum. The estimate of costs relies heavily on a model developed for the state of Virginia by the National Center for Higher Education Management Systems (NCHEMS), a leading national organization that consults on higher education finance. It builds the budget in layers, which is in contrast to the current approach that builds annual budget requests using an incremental, "base-plus" budgeting approach. The Workgroup's estimate of costs uses the Department of Education's Integrated Postsecondary Education Data System (IPEDS) expenditure categories (e.g., institutional support, academic support, student services). The Workgroup concluded, from the model of current and projected costs, that bringing revenues in line with costs will require a multi-year strategy for financial sustainability.

Refer to Recommendations for System Policies #1 and Recommendations for System Practices #1.

Summary of the Cost Model

The model uses the CSU's actual expenditures for 2019-20, (the most recent IPEDS data) adjusted for inflation to get to a 2021-2022 base to make comparisons with actual expenditures and to make projections of future costs. The following chart shows the relative distribution of these expenditures, which remained almost the same when the cost model was completed.



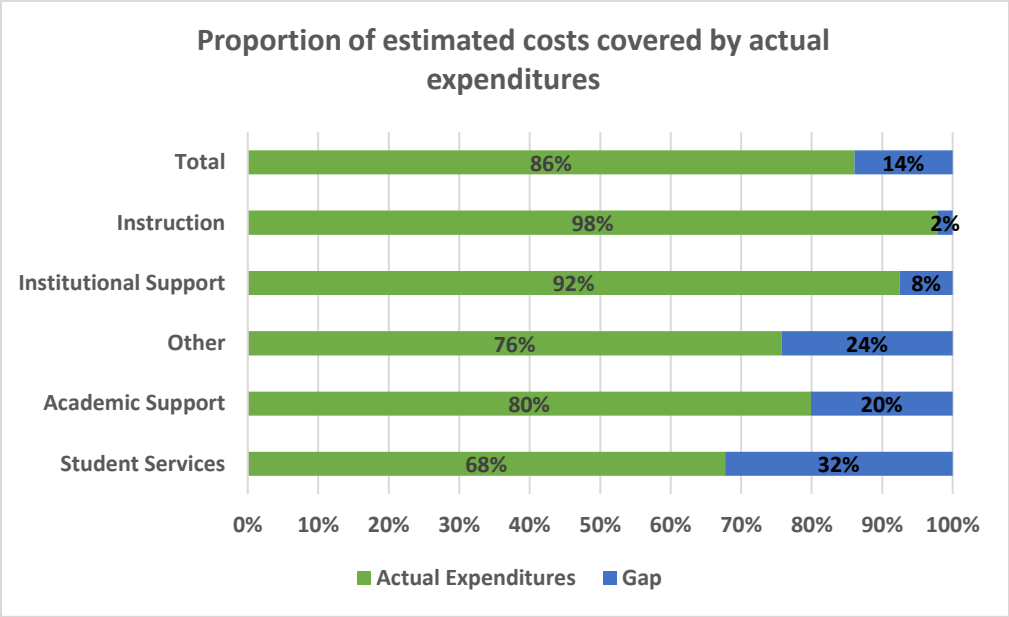
Using the IPEDS categories, the model estimated costs as follows:

- Structural baseline – the institutional, academic, student, and instruction supports necessary to maintain a core infrastructure of operations and preserve human and physical assets at all 23 universities. An amount for capital renewal was included, sufficient to curtail any major increase in deferred maintenance costs.
- Enrollment and Student Support – An estimate of the cost to serve the actual enrollments above the structural baseline (institutional support, academic support, and student services). A premium was added to serve students from underrepresented groups for whom it is well-documented that additional support is required.
- Instructional Costs – an adjustment to instructional costs which came from an analysis of academic offerings and expenditures. The Workgroup examined expenditures and student credit hours by discipline and level of instruction to identify patterns across the CSU system. As a result, the Workgroup made a relatively small upward adjustment to actual reported expenditures to account for underfunding of high-cost, high-need disciplines.
- Other Costs – the model includes other costs such as debt service and capital renewal that reflect reasonable amounts that should be paid rather than what the system is typically able to spend.

See Appendix A for the detailed cost model.

There is a Significant Gap between Costs and Expenditures.

The model explains why there never seems to be enough money to pay for what the universities think they need. For example, the model includes the costs associated with supporting the CSU student population and their needs. It also includes funds for capital renewal to prevent the capital renewal backlog from growing. And it adds costs associated with high-demand degrees in health and STEM fields. The following chart illustrates the proportion of total costs modeled for 2021-22 that were reported as actual expenditures that year.



Three factors bear highlighting. First, it's important to acknowledge the efforts made by the Chancellor's Office Cost Reduction Initiatives. As reported in the March 2023 Finance Committee the initiative resulted in $352 million in cost savings between 2020 and 2022. Individual campuses have undertaken cost savings initiatives, and pursued outside funding vigorously, especially for capital costs, as evidenced by the numerous naming opportunities celebrated at Board meetings. These efforts to identify cost savings and pursue nonstate funding must continue.

Refer to Recommendations for System Policy #5 and Recommendations for System Practices #5 and #6

Second, expenditures include activities required by federal or state law, even if there were no funds appropriated for those purposes. The model does not identify specific expenditures for such unfunded mandates, or foregone activities that were not undertaken to pay for these unfunded mandates. Consequently, the model may be understating actual costs. See Appendix B for a listing of major unfunded mandates and estimates of their fiscal impacts.

Documenting the opportunity costs of unfunded mandates should be a routine systemwide task, to help with priority-setting and advocacy at both the state and federal levels. Approximating spending on unfunded mandates is challenging and therefore the conservative estimates provided should be considered a minimum amount, which could understate the actual costs.

Refer to Recommendations for System Practices #2

Third, the model *excludes* any provision for addressing the backlog of critical capital renewal projects, which the Legislative Analyst's Office (LAO) reports would cost $750 million annually for ten years. This backlog remains a critical issue that, if not addressed, will continue to get worse as capital renewal dollars are spent to address emergency deferred maintenance repairs. Leaky roofs, obsolete heating, ventilation and air conditioning (HVAC) systems, and 50-year-old buildings in need of repair seriously impede universities' ability to provide an appropriate educational environment. Consistent with the recommendations of the LAO, the Workgroup discussed the importance of having a financing plan to clear the existing backlog over ten years and identifying amounts in the annual budget for capital renewal to prevent more deferred maintenance from accumulating.

Refer to Recommendations for System Practices #2

Existing Revenue Sources Will Not Close the Gap between Costs and Expenditures

The existing gap between costs and revenues is substantial and will likely continue to grow without concerted action to align costs with revenues. The Workgroup's charge to identify stable and predictable revenues is part of the answer; but not the only answer. In this section, we turn to potential revenue sources and the policy and practice changes necessary to capture these funds.

Realistic General Fund and/or tuition increases will not close the gap.

Comparing the cost model and the 2021-2022 actual expenditures shows that the CSU would need to increase its revenues substantially to close the existing gap. In 2022 it would have required an increase in core revenues (state General Fund plus systemwide tuition) of 21 percent. Extensive modeling of revenues showed that, even with aggressive assumptions about increases in state General Fund and tuition, the gap between revenues and costs cannot be totally closed. Projecting current costs into 2030 and projecting additional salary costs, would result in a gap that is 29 percent to 41 percent of 2022 core funding.

General Fund, under the Governor's compact, is projected to grow by 5 percent every year until 2026-27. This assurance stabilizes an otherwise volatile source of funds; however, as the LAO noted in this year's budget analysis, this increase is insufficient to cover CSU's estimated operating costs, which have risen significantly due to inflation, capital renewal needs, and other cost pressures.

Additional revenues to narrow the gap are needed.

Tuition is the second-largest component of core revenues and is critical to meet costs. In fact, the LAO notes that the main reason the University of California (UC) can meet operating budget needs with the compact, but CSU cannot, is because the UC is able to draw on significantly more tuition revenue.

The Workgroup discussed the need for a tuition policy that will guide any proposed increases going forward. Such a policy should clearly state CSU's commitment to affordability by ensuring that tuition increases are modest, gradual, and predictable. A portion of any increase in tuition revenues, to be determined by Board policy, should be dedicated to financial aid.

The Workgroup reviewed two different examples of how a policy might be implemented and discussed the implications of each example for students as well as for CSU revenues. Understanding that the choice and specifics of a tuition proposal would be developed as part of the system's budget process, the Workgroup expressed its preference for a cohort-based tuition model. (See Appendix C for different tuition options and revenues).

The Workgroup recognizes that campus-based fees are the purview of the campuses, with appropriate consultation. Since campus fees can constitute significant costs for students above tuition, the Workgroup discussed the need to review system policies governing fees so they balance campus flexibility in setting such fees with the same attention to principles of modest, gradual, and predictable fee levels that the Workgroup recommends for a tuition policy.

The Workgroup strongly endorsed the need to develop a companion financial aid policy that commits the CSU to maximize federal and state financial aid grants and using its State University Grant (SUG) to further promote affordability where state or federal programs fall short. In a few words, policy, practice, and messaging should be clear about CSU's commitment to maximize financial aid for students in need and minimize loans for all students.

Due to recent changes to the federal financial needs methodology (i.e., Free Application for Federal Student Aid (FAFSA)), the Middle Class Scholarship program, and pending changes to Cal Grant that may come into effect in 2024-25, developing a meaningful financial aid policy and program requires further discussion (see Appendix D).

Refer to Recommendations for System Policies #2, #3 and Recommendations for System Practices #4

Other Revenue Sources.

The Workgroup considered other possible revenues sources; 45 percent of CSU's total revenues in 2021-22 were comprised of other revenues: bond and note proceeds (13 percent), sales and services (7 percent), other revenues (4 percent), gifts, grants and contracts (13 percent), and all the other fees combined (7 percent). Much of this revenue has constraints on its use and would not significantly help to close the identified operational gap. For example, fees for special purposes such as health, housing or student activity centers, and grant revenues are restricted for those purposes.

General obligation bonds were discussed for capital projects. Unless the state issues the bond, the CSU is responsible for the debt service as part of its operating budget, adding to existing cost pressures. Attempts to have a general obligation bond for educational facilities put on the ballot are ongoing.

Similarly, the group touched on the need to increase philanthropic giving, public-private partnerships, and increased research grants with associated overhead. Individual campuses take advantage of these opportunities; however, significantly increasing these efforts would

require investments to support development infrastructure. Each campus should assess the likely return of such an investment since results vary depending on the economic conditions of their regions.

Refer to Recommendations for System Practices #6

A Thorough Review of System Policies and Practices is Needed to Explore more Revenue Options and Encourage Effective Allocation of Resources

Bringing costs in line with revenues will also require a thorough review of system policies and practices, some of which may constrain exploring revenue-generating opportunities or could better encourage more effective use of resources. The Workgroup discussed three major topics related to such a review of policies and practices.

I. Assess Costs of Instructional Expenditures Systemwide

Instruction is a core function at the CSU and appropriately receives the largest share of funding. To understand the difference between the costs and expenditures in instruction, the Workgroup conducted an extensive analysis of instructional expenditures by discipline and level of instruction (lower division, upper division, and graduate) using a data set supplied by the Chancellor's Office of every class offered in the 2021-22 academic year. These analyses highlighted some questions about priorities, policies governing class size, and the capacity of campuses to finance increased enrollments in higher-cost, high-demand disciplines.

Decisions about curriculum and instruction are made at the campus level as part of shared governance processes. The analysis of systemwide offerings, however, led to an important discussion. The Workgroup observed that some disciplines run programs with exceedingly small average class sizes, which are inherently more expensive to offer, raising the question of whether system policies on course classification, class size, and faculty workload could be preventing a more financially sustainable approach to delivering instruction. Moreover, the changing educational landscape with greater offerings online or through hybrid instruction calls for a systemwide review of policies governing instruction and strategic academic plans to determine whether to eliminate or modify policies based on outmoded practices and less pertinent to new modalities.

There is no regular analysis of systemwide instructional expenditures across all campuses. While extensive and informative, the data currently collected has limitations. The analyses in the cost model were done with systemwide average data which masks important differences across campuses. The Workgroup concluded that there should be some method or tool to collect comparable cost information across campuses. This would provide valuable information to inform systemwide priorities and strategic academic plans, allow for ongoing review of instructional costs systemwide, and better identify true costs that should be taken into account in allocation methodologies. The group recognized that individual campuses conduct their own cost studies, but the Workgroup also believed it would be helpful to have systemwide information that could be used to inform and compare differences across the system.

Refer to Recommendations for System Practices #3

II. Policies that impede or discourage pursuing revenue-generating opportunities

The Workgroup identified a partial list of policies that may be constraining campus and system capacity to raise non-General Fund, non-tuition revenues and to use these revenues in ways that could alleviate cost pressures on operating budgets. These include:

- Development of executive and other programs to meet regional needs;
- Incentives or disincentives for inter-campus or intersegmental cooperation on majors, course offerings, or other areas;
- Dual enrollment with community college and high school students;
- Fee waivers;
- Restriction on the use of revenues generated through Extended Education and Parking funds beyond overhead charges;
- Athletic funding and costs.

The Workgroup reviewed data that showed variation across universities in approaches to financing, the use of Extended Education for graduate programs, athletics, and the generation of grant and contract revenue. See Appendix E for a full listing and discussion of policies that should be reviewed.

These disparities in approach led the Workgroup to ask whether some approaches are more beneficial to campus finances and if so, whether system policies might be adopted or revised to encourage more financially beneficial practices.

Refer to Recommendations for System Policies #5

III. Sustainable funding for campuses needs a refined allocation model

The Workgroup is concerned that the current internal allocation model is not equitable and will not address the existential issues facing some campuses. Existing allocations, built on historical base budgets, exacerbate inherent inequities between older and newer campuses, and larger and smaller campuses. Today's realities suggest that campus differences in student characteristics, cost of living, opportunities to achieve economies of scale, faculty demographics, potential for enrollment growth, and ability to generate non-state revenues should influence allocations. Different patterns of expenditure and revenue generation across campuses can also provide insight to help the system as a whole adapt to the new financial realities. Similar to the discussion about instruction, using a tool like the cost model at the campus level, or another template, would provide comparable cost data to inform allocation decisions.

Refer to Recommendations for System Policies Recommendation #4 and Recommendations for System Practices #3

Concluding Thoughts

The Workgroup is concerned that the CSU is under real financial stress that needs to be addressed in the context of the current fiscal and enrollment realities. The enrollment-growth funding paradigm that the system has relied on for years has already strained campus budgets. Moreover, it is not sustainable in view of new enrollment trends, new expectations and new mandates**. Financial sustainability depends on reimagining the CSU in the 21st century, having clarity and specificity about what it can do, who it serves, and how to pay for it.**

The Workgroup found the NCHEMS approach to building a cost model to be extremely useful, as it presents financial information in new and helpful ways and provides insights into total costs and not just incremental growth. Developing detailed cost information for the Board of Trustees to consider when approving budgets, and for the Chancellor's Office staff to have in its advocacy efforts, will be essential to any effort to align costs with revenues.

The Workgroup grappled with important cost information, such as the differential costs between lower- and upper-division instruction and the implication for increasing transfer enrollments, the extent to which graduate education is subsidized by undergraduate education, the under-funding of student services and the cost premium to serve certain under-represented populations. The group concluded that the system and the universities need to develop a rich reservoir of cost data to aid priority-setting choices, internal allocations, and budget advocacy.

The NCHEMS model that the Workgroup adapted suggests that there needs to be a common understanding between the state, the CSU, and all its stakeholders about responsibility for funding various parts of the institution's budget. The structural baseline should be a clear responsibility of the state to protect its assets. The cost of serving enrollments, with the premium to serve underrepresented populations, is a shared responsibility of the state and the institutions. Beyond that, there are special initiatives tied to state goals and performance expectations whose costs and the responsibility for paying for them should be appropriately identified at the outset.

The annual cost and revenue projections are daunting even without accounting for the huge backlog in capital renewal projects, the growing need to build and update facilities to stay abreast of the educational needs of students, and the full impact of unfunded mandates. The expectations that the CSU produce more high-cost degrees, meet a growing set of student needs, increase graduation rates and reduce time-to-degree carry higher price tags that have not been fully recognized and funded in the past. External and internal communities will have to be re-educated as to the financial circumstances of the CSU if costs and revenues are to be brought into balance over the coming years.

Recommendations

Principal recommendation for the Board and the Chancellor:

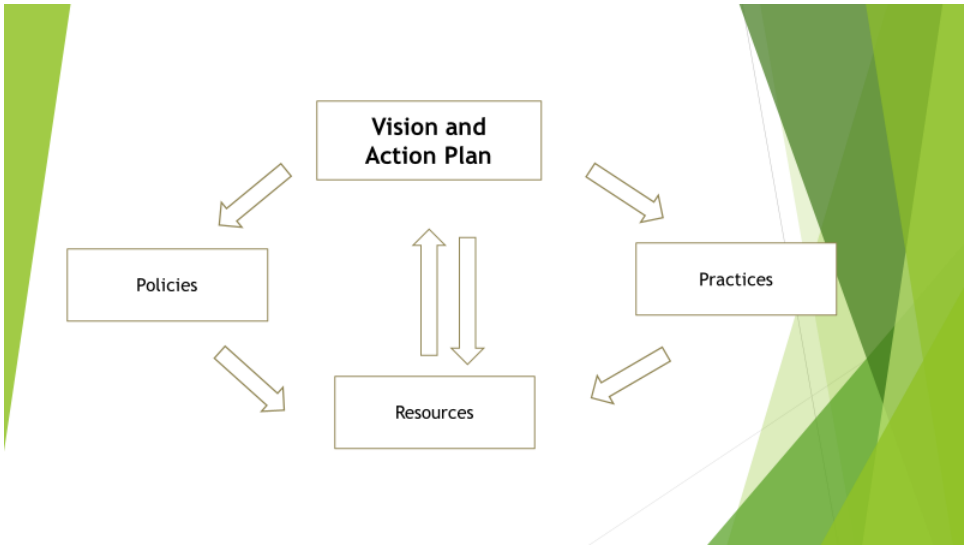
The Board and Chancellor should adopt an action plan that sets forth a vision for CSU as a 21st century regional, comprehensive university, addressing:

- Priorities for which students to serve;
- How best to provide a quality and affordable education to students;
- The appropriate role of research and scholarship in the CSU;
- How best to function as a system;
- How to align costs with revenues consistent with the above vision, by 2030, with annual milestones which are reported to the Board.

The new Chancellor should present this plan to the board no later than one year after assuming office.

The policies and practices internal to the CSU must be aligned with the vision and action plan, as represented in Figure 1.

Figure 1 Vision and Action Plan



System policies and practices fundamentally affect the resource environment in which the CSU operates and, therefore, the ability to generate resources sufficient to implement the vision. As Figure 1 suggests, the vision must drive the pursuit of resources, yet if system policies and practices do not yield sufficient resources, the vision will need to be revisited to bring it in line with available resources.

The Workgroup has found that a number of policies and practices are either lacking (e.g., no tuition policy) or in need of revision to support the vision and development of the action plan.

Accordingly, the Workgroup makes the following recommendations for revisions in policies and practices needed to guide and implement the principal recommendation:

Recommendations for System Policies:

1. Adopt a multi-year approach to system budgeting for operating and capital budgets

   The annual base-plus budgeting used today discourages multi-year planning and fails to recognize the time horizon for priorities to be implemented successfully. Campuses need predictability over more than a one-year horizon to be able to plan how best to allocate resources across campus programs and facilities. Within the constraints of the annual state budget process, the CSU needs to set multi-year priorities and adopt a rolling, multi-year budget that reflects those priorities for academic, human, and physical infrastructures, as well as for ensuring or restoring reserves. Operating budgets should specify amounts for capital renewal. Capital costs of capital renewal and new construction should have their own multi-year plans to identify revenues to (a) eliminate the capital renewal backlog; and (b) construct new educational facilities.

2. Adopt a tuition policy

   The Chancellor should recommend a tuition policy to the Board to guide any proposed tuition increases. The policy should clearly state the CSU's commitment to affordability by ensuring that tuition increases are modest, gradual, and predictable. A portion of any increase in tuition revenues, to be determined by Board policy, should be dedicated to financial aid.

   After appropriate consultation with student representatives, the Board should adopt by September 2023 a tuition policy that provides guidance for gradual, moderate, and predictable increases for students effective the fall of 2024. The Workgroup expressed a preference for a cohort-based model.

   To inform the Chancellor's Office review of this recommendation, the revenue modeling developed by the consultants comparing the revenues from an example of a cohort-based tuition model, a universal annual tuition increase model, and a flat tuition rate projected to 2030 is included in the report as Appendix C. Messaging should be developed in support of the policy to ensure that prospective students understand the CSU commitment to affordable education.

   Consistent with its commitment to affordability, the Workgroup recommends that policies governing campus-based fees be reviewed to ensure that such policies balance campus flexibility in setting fees with the principles of moderate, gradual, and predictable fees that guide tuition policy.

3. Appoint a financial aid workgroup to develop a comprehensive financial aid policy

   The Chancellor should immediately appoint a Workgroup to offer guidance and recommendations on a comprehensive financial aid policy for the CSU and provide recommendations for discussion at the July 2023 board meeting. The adopted comprehensive financial aid policy should set forth its purpose, its target audience, its costs and impact on system finances, and means for publicizing the program to potential students.

The policy should specify how the State University Grant is awarded, and what its policy priorities are, especially in relation to other available federal and state financial aid sources. In addition to a financial aid policy, the Workgroup should consider how potential 2024 changes in Cal Grant will impact the CSU and its students and develop possible legislative proposals to address any adverse effects.

4. Refine policies for campus allocations

   Policies for allocating funds across campuses must be more refined so as to recognize key campus differences such as cost of living, curriculum, student body, and capacity to generate revenues. Allocation policies should contain incentives for nonstate revenue generation and inter-campus collaboration on instruction and other operating aspects.

5. Review and revise system policies that affect campus capacity to raise revenues and use resources effectively

   Policies should be thoroughly reviewed and revised to provide campuses with incentives to increase revenues; campuses should be encouraged to take advantage of each one's unique circumstances and comparative advantages for raising revenues, whether the focus is on grants and contracts, philanthropy, business partnerships, or other sources. Guidelines should be developed to allow campuses to pilot revenue-generating activities, and capture results and lessons to inform other campuses as well as future ideas. Additionally, policies that may be constraining campus' ability to collaborate and otherwise use state and non-state revenues most effectively to alleviate cost pressures on operating budgets should be reviewed and revised accordingly.

Recommendations for System Practices:

1. Adapt internal budgeting practices in support of multi-year budgeting

   A multi-year budgeting policy (recommended in #1 above) requires new practices for obtaining information from campuses on progress, using appropriate metrics, toward campus and system priorities for operating and capital budgets. Rather than solicit new annual budget requests each year from campuses, the Chancellor's Office will need regular information from campuses on progress towards goals and priorities and implications for the current multi-year budget plans. A three-year rolling budget projection and assessment of progress from campuses in priority areas would support multi-year budgeting and help the system move more predictably to satisfying its stated priorities. Internal budgeting review should also acknowledge the cost savings that campuses accomplish as they strive continually to direct resources to priority areas.

2. Engage in state budget advocacy on the basis of well-developed cost information and priorities

   The Chancellor's Office should determine costs of key priorities in order to improve its budget advocacy for state General Fund. This should include determination of the cost of producing *degrees* (not cost per FTES) in high-demand fields required by the state, the costs of serving different student populations and different levels of instruction, and costs to maintain and construct facilities in support of effective instruction and service. The

Chancellor's office should also document unfunded mandates on operations, including, whenever possible, the impact that redirected dollars to meet mandates have on activities, programs or services that are delayed, curtailed or eliminated.

3. Develop the means to assess instructional costs across the system

   The Chancellor's Office should, in consultation with campuses, develop and use templates that allow for analyses and assessment of instructional costs across the system. Comparable data from all 23 universities can assist campuses to determine priorities for course and program offerings that best meet student demand and regional needs, consistent with available resources. In addition to helping campuses manage their instructional resources, this information could be useful to inform Trustees of potential future costs and savings in academic plan changes.

4. Provide systemwide guidance and assistance to implement a CSU financial aid program

   In anticipation of future recommendations from the Workgroup on financial aid policy or possible changes in the Cal Grant program, the Chancellor's office should conduct a review of financial aid capacity and practices across campuses to determine what changes or guidance is needed to improve the effectiveness of financial aid marketing, timely awards, and annual renewals.

5. Continue to identify opportunities for cost savings

   The CSU should continue to identify prospects for cost savings that could arise from the consolidation of certain administrative functions and from inter-campus cooperation and collaboration in the offering of programs and services.

6. Invest in capacity-building to raise non-state funds

   The system should invest in strategies for raising federal, philanthropic, and other funds where it finds that such investment is more than offset by the potential to raise funds.

Workgroup Membership

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CSU Trustee

Co-Chair
Steve Relyea
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Jack McGrory
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Beth Steffel
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Appendix A

Draft Cost Model for the CSU

Assumptions and Principles for Modeling Estimated Costs for the CSU

Sources of Information

- In the absence of good data or information on costs, expenditure data must be the basis for making informed estimates of costs.
- Other sources to help us construct informed cost estimates are appropriate comparisons with other states, academic and professional literature on higher education finance and current and former members of the CSU faculty and staff with on-the-ground experience.
- The categories from the Integrated Postsecondary Education System (IPEDS) for reporting expenditures, by campus, provide the best template for constructing an estimated budget. The major categories for CSU campuses are instruction, institutional support, academic support, student services, and debt service.[1]

Interpreting Expenditure Data

- A history of unallocated state budget cuts and unfunded mandates is a primary reason why expenditures may under-state actual costs in certain areas, as campuses have had to divert funds to accommodate cuts and mandates.
- At the same time, some expenditures may overstate costs, since expenditure patterns can atrophy in the face of shifting needs and priorities, expenditure decisions may reflect factors other than costs, and campuses face constraints, both political and budgetary, on the reallocation of resources.
- Differences in campus expenditure patterns must be interpreted in light of differences in mission, enrollment, acreage, facilities and infrastructure, student characteristics, cost of living, regional economies, access to resources, different cost-reporting practices and other factors. These differences may also reflect inequities that have built up where allocations to campuses have not adequately accounted for changing circumstances, and inequities in funding approaches to newer and older campuses that persist today.
- Despite these differences, variations across campuses provide an opportunity to consider more optimal uses of funds, as some campuses have likely found effective ways to stretch their budgets in certain areas.

Characteristics of A Cost Model

- The model must recognize the structural baseline costs that are incurred by all campuses, regardless of size, which lead to higher expenditures per FTE for smaller campuses.
- The model must recognize the costs that vary with enrollment, mission, student characteristics, and curriculum.

[1] Category definitions are included below as each category is discussed. For complete IPEDS definitions, see https://ceds.ed.gov/element/001659.

- A cost model must be convincing to the external audiences whose support is vital to the financial sustainability of the CSU.

Overview of the Model

The purpose of the model is to estimate costs for the CSU as a means to shed light on the financial circumstances facing the system. The model is not intended in any prescriptive sense as a budget for the system or a guide to campus allocations.

We have taken considerable guidance from the work of a leading national organization in higher education finance, National Center for Higher Education Management Systems (NCHEMS), and in particular, from a project done for the state of Virginia to develop a cost estimate for the CSU. That approach builds a budget in layers, beginning with a structural baseline that represents the minimal costs to preserve the state's investment in its campus human and physical infrastructure, also described as the cost of keeping the doors open regardless of enrollment levels. The next layer adds the costs for operating the CSU at actual enrollment levels. We address this separately for non-instructional IPEDS categories and for instruction. Following the precepts of the NCHEMS model, the estimate of instructional costs includes adjustments for the nature of the curriculum and student population.

Estimating Structural Baseline Costs

We use the expenditure data reported by the CSU campuses to IPEDS for the 2019-20 academic year to analyze and estimate reasonable structural baseline costs.

Among the 22 CSU campuses,[2] there are four that are especially small, with enrollments below 10,000 FTE. Data on actual costs show that the four smallest CSU campuses spend more per FTE for all major expenditure categories: institutional support, academic support, student services, and instruction. These higher costs are incurred because, independent of enrollment, a campus needs to have an infrastructure for executive management, facility maintenance,[3] library and technology support, basic student service functions such as advising, counseling, admissions and records, financial aid, and faculty governance.

Based on that finding, we estimate the cost of protecting the state's assets of 22 campuses by estimating the costs as if the CSU consisted of 22 small campuses with structural baseline costs resembling those of Sonoma, Channel Islands, Humboldt, and Monterey Bay. In a later step, we add in the estimated costs of actual enrollment for the system.

We do this similarly for the categories of Institutional Support, Academic Support, and Student Services. The estimate for Instruction is computed differently.

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[2] We treat Maritime Academy separately because an examination of the data showed a very different expenditure pattern than that of the 22 other campuses. Its special mission will require a separate analysis of costs.

[3] IPEDS data includes a portion for facility maintenance in each of the major categories. Hence, we capture the cost of facility maintenance in our estimates of these categories. Costs of the replacement value of buildings and instructional materials are not captured in these categories; hence, we address that separately in an amount intended not to reduce existing deferred maintenance costs but to ensure that those costs do not increase further.

Institutional Support

This category includes expenses for general administrative services, executive-level activities, and operations such as legal and fiscal, space management, personnel, purchasing, public relations, and prorated costs of operations and maintenance related to these areas.

- Average institutional support expenditures per FTE of Channel Islands, Humboldt, Monterey Bay, and Sonoma: $3,757
- Average FTE of those same four campuses: 6,641
- Cost for all 22 campuses to have that level of a structural baseline budget:
    - $3,757 per FTE for 6,641 FTE x 22 campuses (146,102 FTE): $548.9 million
    - Adjusted for inflation to put in 2021-22 dollars: ***$620.6 million***

Academic Support

This category includes activities and services that support the primary missions of instruction, research, and public service such as libraries, media services, instructional technology, academic deans, and prorated costs of operations and maintenance related to these areas.

- Average academic support expenditures per FTE of Channel Island, Humboldt, Monterey Bay, and Sonoma: $3,452
- Average FTE of those same four campuses: 6,641
- Cost for all 22 campuses to have that level of structural baseline budget:
    - $3,452 per FTE for 6,641 FTE x 22 campuses: $504.3 million
    - Adjusted for inflation to put in 2021-22 dollars: ***$570.2 million***

Student Services

Includes expenses for admissions and records and activities whose primary purpose is to contribute to students' emotional, physical, and cultural well-being and development, such as student activities, intramural athletics, counseling and advising, and prorated costs of operations and maintenance related to these areas.

- Average student services expenditures per FTE of Channel Island, Humboldt, Monterey Bay, and Sonoma: $3,836
- Average FTE of those same four campuses: 6,641
- Cost for all 22 campuses to have that level of structural baseline budget:
    - $3,836 per FTE for 6,641 FTE x 22 campuses: $560.4 million
    - Adjusted for inflation to put in 2021-22 dollars: ***$633.6 million***

Instruction

Includes general academic instruction in all colleges, schools, and departments, excluding academic administration where the primary function is administration (e.g., academic deans).

The notion of a structural baseline for instruction (i.e., instructional costs regardless of enrollment) rests on the premise that there is an infrastructure of faculty activity that must exist regardless of enrollment. We base our estimate of the instructional infrastructure costs on the three units of a full-time faculty member's 15-unit workload that are outside of the courseload requirement. These are often referred to as the 13th, 14th, and 15th weighted teaching units (WTU). Full-time faculty are expected to use the time associated with these units for curriculum development, committee service, advising, research, public service, and other non-instructional activities. Not all of these activities can reasonably be assumed to form the instructional infrastructure equivalent to the infrastructures for institutional support, academic support, and student services. Our estimate assumes that 75% of that available time meets the standard of an instructional structural baseline.

We used the four small campuses to estimate this baseline, as we did for the other categories.

- Average number of tenure/tenure-track faculty at Channel Island, Humboldt, Monterey Bay, and Sonoma: 202
- Average tenure-track faculty salary at those four campuses: $130,000
- Salary plus staff benefits @ 40%: $182,000
- Cost of a faculty's 13th, 14th, and 15th teaching units: $36,400
- Cost for all 22 campuses to have a structural baseline budget:
    - 75% of $36,400 x 202 faculty x 22 campuses = $121.3 million
    - Adjusted for inflation: ***$137.1 million***

We deduct this amount from the cost estimate for instruction, later in this document, but wanted to recognize it here as an important part of the structural baseline.

Maintenance and Renewal

The final piece of the structural baseline budget, again, taking our guidance from the NCHEMS budget modeling for Virginia, is maintenance and renewal. This estimate represents the replacement value of buildings (excluding auxiliaries) and the costs of maintaining instructional equipment. This can be thought of as the upkeep costs for buildings and instructional materials necessary to keep the deferred maintenance backlog from getting any worse, and general use and replacement of materials. CSU provided one piece of data which gives an estimate of $313 million per year to prevent any other buildings from falling into disrepair, noting that this amount does not reduce the $5.8 billion deferred maintenance backlog.[4]

[4] CSU, Critical Facilities Renewal PowerPoint provided by CSU staff.

Summing up the Structural Baseline

This yields an estimate for the costs of basic maintenance of the infrastructure of the state's 22-campuses without accounting for costs to support any enrollments above 6,641, that is, for a barebones systemwide enrollment of 146,102:

Figure 1 Estimate of Structural Baseline Costs

Institutional Support	$620.6 million
Academic Support	$570.2 million
Student Services	$633.6 million
Instruction	$137.1 million*
Maintenance and Renewal	$313.0 million
Total Structural Baseline	$2,274.5 million

* This accounts for *none* of the teaching workload of faculty.

Estimating Non-Instructional Costs to Budget for Actual Enrollments

This section of the cost model builds up the categories of Institutional Support, Academic Support, and Student Services to estimate costs for *actual* systemwide enrollments of 443,135. Instructional costs will be discussed separately after this section.

This step involves two major tasks:

1. Adjusting the support categories (institutional, academic, and student services) for *actual* enrollments, since the previous computation treated all 22 campuses as if they had an FTE of 6,641.
2. Further adjusting the support categories to recognize the additional needs of traditionally underrepresented students.

Adjusting Support Categories for Campus Enrollments

In adjusting the structural baseline upward to account for actual enrollments, we reasoned that a benchmark for institutional support should be efficiency, whereas, for academic support and student services, that benchmark should be institutional performance. We applied those benchmarks to the computations.

Institutional Support

Reflecting the goal of efficiency in administration, we built the Institutional Support budget using the average of the five lowest-spending campuses in terms of Institutional Support per FTE. Those campuses are Long Beach, Dominguez Hills, Pomona, San Diego, and Northridge and the average is $1,620 per FTE.

Institutional Support calculation: $1,620 x 297,033 FTE = $481.2 million

Adjusted for inflation***: $544.1 million***

Academic Support and Student Services

Performance, not efficiency, should be the goal of budgeting for these student-directed spending categories. Accordingly, we took the average of the five highest performers in improving graduation rates (Bakersfield, Los Angeles, Northridge, San Diego, and Monterey Bay). Interestingly, with the exception of Monterey Bay, those campuses were not among the higher-spending campuses in expenditures per FTE in either academic support or student services, with rankings of 4,8,12,13,14 for spending on academic support and 1,5,7,12,22 on spending on student services. We apply the resulting per-FTE expenditures (the figure differs for academic support and student services) to the additional 297,033 FTE that remains to be budgeted, on top of the structural baseline number of 146,102 FTE.

Figure 2 Adjustment for Full Enrollment

	Academic Support	Student Services
Average expenditure per FTE	$2,288	$2,759
Cost to fund full enrollment* (in millions)	$680	$820
Increased for inflation	***$768.4***	***$926.6***

*297,033 above "small campus" baseline

Adjusting the support categories to recognize additional needs of traditionally underrepresented students

It is well known from the academic literature that certain groups of students (traditionally underrepresented, low-income, first-generation) typically require more support in order to be as successful as their better-prepared and more traditional counterparts. One well-known example of documented success attributed to increased spending on under-prepared students is the ASAP program at the City University of New York (CUNY), where they spent 60% more on such students.

To provide for the extra costs that research shows help traditionally underrepresented students succeed, we add costs to serve the 49% of CSU enrollments who were traditionally underrepresented students in Fall, 2020.[5] That is equal to about 240,000 students. Using a conservative amount of extra spending – 33% instead of the 60% spent by CUNY – we get the following additional estimated student services costs:

- 240,000 headcount students
- 33% of $2,042 average expenditures per student[6] (adjusted for inflation) = $762
- 240,000 headcount students x $762 per student = $182.9 million[7]

[5] Data from CSU Research and Analyses website.
[6] Average of the 18 colleges other than the higher-cost four small campuses.
[7] As confirmation that this is a reasonable adjustment, we note that the NCHEMS study on Virginia provides weights for Pell Grant recipients and students from underrepresented minorities between $300 and $500 per headcount. Higher costs of living in California (plus an inflation adjustment) would justify a number at the upper above their range. Additionally, a research study concluded that a common feature of effective strategies is to have dedicated counselors with a maximum 250 student caseload. The figure we use above is cost of this in the CSU with a caseload of 200.

Figure 3 shows the estimates, before any consideration of direct instructional costs, which range from $3.5 to $4.8 billion.

Figure 3 Cost Estimates Before Consideration of Instruction (dollars in millions)

	Institutional Support	Academic Support	Student Services	Instruction	Maitenance and Renewal	Total
Structural Baseline	$ 620.6	$ 570.2	$ 633.6	$ 137.1	$ 313.0	$ 2,274.5
Adjust for Actual Enrollments	$ 544.1	$ 768.4	$ 926.6			$ 2,239.0
Adjust for Student Characteristics			$ 182.9			$ 182.9
Total						$ 4,696.4

Estimating Instructional Costs

Before we can begin to estimate what costs might or should be, to complete the main missing part of the cost model, we need to understand current instructional expenditures. From analyzing current expenditures, we hope to produce some insights about how adequate and justifiable costs might deviate from current expenditure patterns. This section is organized as follows:

- Brief review of the approach to the analysis of instructional expenditures
- Presentation of four metrics for analyzing patterns
- Additional analyses and data:
    - Impaction and average class size
    - Numbers of degrees offered by campus
- Implications of analyses for estimating instructional costs
- Summary of instructional cost estimates

Review of Approach to Analysis of Instructional Expenditures

The bulk of our analysis is based on a data set provided by the CSU, consisting of complete course data for the 2021-22 academic year. The data that serves our purposes includes, for each of the 172,004 courses, the campus, discipline, level of instruction (lower division, upper division, graduate), course enrollment, student credit units, and the average faculty cost for the course (by campus), including salary and benefits. The course data is collected in thirty-two discipline categories which we have collapsed into nineteen categories to facilitate analyses and presentation. The left side of Figure 4 shows the full set of categories used for data collection; the right side shows the shorter set of categories into which we have combined them. We kept separate two small categories – Reserve Officers' Training Corps (ROTC) and Maritime/Aviation – because they were significantly different from the other categories. Maritime/Aviation consists only of courses offered at the Maritime Academy and the Aviation program at San José State University. We also separated out a number of disciplines that could well be classified as "Humanities" but if included, the Humanities category became so large as to prevent meaningful analysis. Figure 5 shows our selected set of disciplines along with the number of course sections for each, in the 2021 academic year, to provide a sense of the relative magnitudes of the 19 disciplines.

Figure 4 Mapping CSU Categories to Disciplines for Analysis

CSU Data Reporting Category	Discipline
VISUAL AND PERFORMING ARTS.	Fine/Performing Arts
BIOLOGICAL AND BIOMEDICAL SCIENCES.	Biological Sciences
NATURAL RESOURCES AND CONSERVATION.	Biological Sciences
AGRICULTURAL/ANIMAL/PLANT/VETERINARY SCIENCE AND RELATED FIELDS.	Biological Sciences
BUSINESS, MANAGEMENT, MARKETING, AND RELATED SUPPORT SERVICES.	Business
COMMUNICATION, JOURNALISM, AND RELATED PROGRAMS.	Communications
EDUCATION.	Education
ARCHITECTURE AND RELATED SERVICES.	Engineering/Technology
COMMUNICATIONS TECHNOLOGIES/TECHNICIANS AND SUPPORT SERVICES.	Engineering/Technology
COMPUTER AND INFORMATION SCIENCES AND SUPPORT SERVICES.	Engineering/Technology
ENGINEERING.	Engineering/Technology
ENGINEERING/ENGINEERING-RELATED TECHNOLOGIES/TECHNICIANS.	Engineering/Technology
ENGLISH LANGUAGE AND LITERATURE/LETTERS.	English
FOREIGN LANGUAGES, LITERATURES, AND LINGUISTICS.	Foreign Languages
HEALTH PROFESSIONS AND RELATED PROGRAMS.	Health
HISTORY.	History/Philosophy
PHILOSOPHY AND RELIGIOUS STUDIES.	History/Philosophy
AREA, ETHNIC, CULTURAL, GENDER, AND GROUP STUDIES.	Ethnic/Cultural
CITIZENSHIP ACTIVITIES.	Humanities
FAMILY AND CONSUMER SCIENCES/HUMAN SCIENCES.	Humanities
LIBERAL ARTS AND SCIENCES, GENERAL STUDIES AND HUMANITIES.	Humanities
LIBRARY SCIENCE.	Humanities
MULTI/INTERDISCIPLINARY STUDIES.	Humanities
(blank)	Humanities
TRANSPORTATION AND MATERIALS MOVING.	Maritime/Aviation
MATHEMATICS AND STATISTICS.	Math
PARKS, RECREATION, LEISURE, FITNESS, AND KINESIOLOGY.	PE (Parks etc.)
PHYSICAL SCIENCES.	Physical Sciences
PSYCHOLOGY.	Psychology
MILITARY SCIENCE, LEADERSHIP AND OPERATIONAL ART.	ROTC
HOMELAND SECURITY, LAW ENFORCEMENT, FIREFIGHTING AND RELATED PROTECTIVE SERVICES.	Social Sciences
PUBLIC ADMINISTRATION AND SOCIAL SERVICE PROFESSIONS.	Social Sciences
SOCIAL SCIENCES.	Social Sciences

Figure 5 Number of Couse Sections by Discipline

Discipline	2021 Academic Year
Engineering/Technology	18,828
Art	16,831
Social Sciences	16,747
Education	14,676
Business	11,417
Biological Sciences	11,381
Humanities	10,088
Physical Sciences	10,065
Health	8,432
Math	7,844
Communications	7,807
PE (Parks etc.)	7,378
English	7,165
Psychology	6,940
History/Philosophy	5,766
Ethnic/Cultural	5,363
Foreign Languages	4,665
Maritime/Aviation	312
ROTC	298
Total Number of Course Sections	172,003

We limit our analysis of the data to the systemwide level, with the exception of an analysis of average class size in impacted campuses relative to other campuses. We suggest, with some specific recommendations at the end of this section, that data of this sort, collected by the Chancellor's Office every year, is a powerful and valuable source of data that the system and campuses should use routinely to guide their allocation of instructional resources.

Note that the expenditures contained in the data exclude instructional expenditures for instructional equipment and supplies, and other instructional expenditures beyond faculty salaries and benefits. Therefore, this data is inconsistent with IPEDS data on instruction which includes a portion of instructional equipment and supplies as well as other instructional-related items such as faculty travel.

We use the 2021-22 course data solely to examine patterns, suggest analyses for campuses to do with actual, not average, data, and see if any adjustments should be made to the IPEDS actual data, such as we did for the other IPEDS categories.

Limitations of the Data, and Refinements to Minimize Limitations

CSU uses the *average* faculty salary and benefits *for each campus* to determine the cost of each class. There are two primary limitations of analyzing average faculty salaries. First, it does not reflect salary differentials across disciplines beyond the small differences across most campuses in the mix of disciplines taught. Second, it does not account for the fact that lower division courses are more often taught by lower-paid lecturers and junior faculty while upper division and graduate courses are more often taught by more highly-paid senior faculty.

We have adjusted the data to account for these two factors. To adjust for higher salaries in certain disciplines, we used data from Higher Ed Jobs that revealed three disciplines with significantly higher average salaries: Business (+39%), Engineering/technology (+28%), and Health (+13%). We adjusted faculty expenditures upward for those three disciplines and prorated other disciplines accordingly to retain the actual total expenditure for the system. The average salaries for all other disciplines were close enough to one another not to warrant any adjustment.

Adjusting for the different teaching patterns by rank by rank of faculty is less straightforward. It requires making an assumption about the mix of courses, by level, taught by each rank of faculty that, when applied to the 172,003 courses offered during the 2021 academic year, roughly matches the *actual* number of faculty, by rank available to teach these courses, according to the CSU Employee Profile. This estimate, while admittedly rough, certainly improves the accuracy of the analyses of expenditures by discipline that would result from unadjusted single average course cost per campus. Figure 6 below shows the assumptions that produce the approximately correct number of available faculty at each rank.

Figure 6 Assumed Distribution of Faculty Rank, by Level of Instruction

	Lower Division	Upper Division	Graduate
Lecturers	60%	40%	10%
Asst/Assoc Professor	25%	40%	30%
Professor	15%	20%	60%
	100%	100%	100%

Figure 6 totals 100% by the level of the course. For example, we assume that 60% of lower division courses are taught by lecturers, while 25% are taught by associate or assistant professors and 15% are taught by senior faculty. This method assumes that this same distribution of teaching load applies across all disciplines, as we have no data to vary these assumptions by discipline. It would be next-to-impossible to produce this estimate separately for each discipline.

Figure 7 shows the implication of these assumptions for the distribution of the teaching load by rank of faculty. It shows, for example, that the teaching workload of professors consists of 19% lower division courses, 41% upper division courses, and 40% graduate courses. Put otherwise, the workload of professors, systemwide, is assumed to consist of 60% undergraduate courses and 40% graduate courses.

Figure 7 Distribution of Couse Level of Teaching, by Faculty Rank

	Lower Division	Upper Division	Graduate	Courses
Lecturers	46%	50%	4%	100%
Asst/Assoc Professor	23%	62%	15%	100%
Professor	19%	41%	40%	100%

To help consider if these assumptions are reasonable, Figure 8 shows the number of courses offered in academic year 2021, by level.

Figure 8 Number of Courses, by Level

Lower Division	54,726	32%
Upper Division	88,941	52%
Graduate	28,336	16%
Total	172,003	100%

The above assumption about the distribution of courses, by level, across faculty, by rank, is then applied to each discipline in accordance with the number of courses offered at each level of instruction. Figure 9 is an example for the Art discipline. It shows, using our above assumption, how many classes at each level are assumed to be taught by each rank of faculty.

Figure 9 Assumed Teaching Pattern for Discipline of Art

	Lower Div.	Upper Div.	Graduate
Professor	931	1,823	904
Assist/Assoc Prof	1,552	3,647	452
Lecturer	3,725	3,647	151
# of Art Courses	6,208	9,117	1,506

We do the same for each of the nineteen disciplines and then multiply the number of courses by the systemwide average salary, per course, for each rank of faculty, per the CSU Employee Profile. This method unavoidably requires us to treat each course as if it were a three-unit course – costing one-eighth of a full-time faculty salary and one-tenth of a lecturer's salary.[8] Assuming that there is a reasonably similar distribution of courses of variable unit length across disciplines and levels, this necessary assumption should yield reasonable expenditures by discipline and level that account for faculty teaching patterns and salary differences by rank. This method does not further disaggregate the course data by mode of instruction (lab, lecture, activity), because that data was not available to us.

[8] We do not, out of practicality, consider different campus practices of reducing full-time faculty teaching workload from four courses to three for selected faculty.

Analysis of Instructional Data – Using Four Metrics

This section presents an analyses of four basic metrics.

1. Total expenditures by discipline and level

   This shows how the CSU instructional budget is distributed across disciplines, and within each discipline, how expenditures are distributed across levels (lower division, upper division, and graduate).

2. Total student credit units (SCU) by discipline and level (no adjustment required)

   This shows the distribution of student course enrollments, across disciplines and levels, indicating the current priorities of the CSU in balancing student demand and state needs with faculty workload and other institutional resources.

3. Comparing expenditures and student credit units

   We show the relationship between expenditures and SCUs in two ways:

   a. Percentage of total expenditures accounted for by each discipline compared to the percentage of SCUs. This is one way to show the relative cost of the disciplines in relation to enrollments served.

   b. Expenditures per student credit unit (SCU) by discipline and level. This is a productivity measure, showing, for each level in each discipline, the expenditure made to produce a student credit unit. Of course, there are expected differences across disciplines and levels related to different pedagogy, student demand, and curricular requirements.

4. Average class size

   This is another productivity measure but focuses on the class as the unit of analysis instead of the discipline. As with the previous metric, class size is dependent on curricular and pedagogical requirements, but it also reflects campus decisions and constraints relative to student demand, faculty workload, and classroom availability.

Together, analyses using these metrics can help the Workgroup understand whether some areas of instruction appear to be requiring too many resources or are receiving too few resources. The analyses, being at the systemwide level, will help to identify questions that may warrant further analysis at the campus level, later on in this project.

Metric 1: Total Expenditures by Discipline and Level

This metric shows where the money goes, by discipline and level. It says nothing about expenditures per student or per credit unit. Rather, it simply displays how the system allocates its faculty salary and benefit dollars across the disciplines, to manage student demand, faculty availability, state priorities, and workforce needs. These data exclude instructional equipment, supplies, and other non-faculty expenses that are reported in the IPEDS instructional category.

Figure 10 Expenditures by Discipline and Level (Ranked by Total)

Discipline	Lower Division*	Upper Division	Graduate	TOTAL
Engineering/Technology	$ 72,420,466	$ 193,293,034	$ 65,339,462	$ 331,052,963
Social Sciences	$ 40,302,816	$ 141,253,145	$ 50,809,345	$ 232,365,306
Fine/Performing Arts	$ 74,955,028	$ 123,720,331	$ 25,506,291	$ 224,181,650
Education	$ 13,245,114	$ 86,456,315	$ 122,077,919	$ 221,779,348
Business	$ 23,915,459	$ 168,104,405	$ 25,424,996	$ 217,444,861
Biological Sciences	$ 43,816,333	$ 76,550,004	$ 35,752,842	$ 156,119,179
Humanities	$ 42,922,862	$ 68,380,689	$ 38,203,222	$ 149,506,773
Health	$ 12,101,832	$ 68,636,897	$ 58,735,094	$ 139,473,823
Physical Sciences	$ 61,697,840	$ 50,101,509	$ 21,390,734	$ 133,190,084
Communications	$ 38,902,239	$ 57,117,349	$ 6,368,105	$ 102,387,693
Math	$ 67,203,558	$ 22,716,665	$ 10,229,615	$ 100,149,837
Psychology	$ 11,023,508	$ 59,627,853	$ 27,657,220	$ 98,308,581
PE/Parks/Recreation	$ 38,298,542	$ 50,929,297	$ 7,672,211	$ 96,900,050
English	$ 49,635,973	$ 32,677,257	$ 10,940,946	$ 93,254,176
History/Philosophy	$ 29,110,273	$ 39,801,659	$ 7,147,181	$ 76,059,113
Ethnic/Cultural	$ 31,730,318	$ 34,821,363	$ 2,828,387	$ 69,380,068
Foreign Languages	$ 29,726,044	$ 25,987,105	$ 4,877,697	$ 60,590,845
Maritime/Aviation	$ 1,883,535	$ 2,116,965	$ -	$ 4,000,500
ROTC	$ 1,811,091	$ 2,008,403	$ -	$ 3,819,494
Total	$ 684,702,831	$ 1,304,300,246	$ 520,961,266	$ 2,509,964,343
Percent	27%	52%	21%	100%

* Includes courses identified as remedial.

Figure 11 Expenditures by Discipline and Level (expressed in percentages of total)

Grey shade:

At least 2% of total

Gold shade:

At least 5% of total

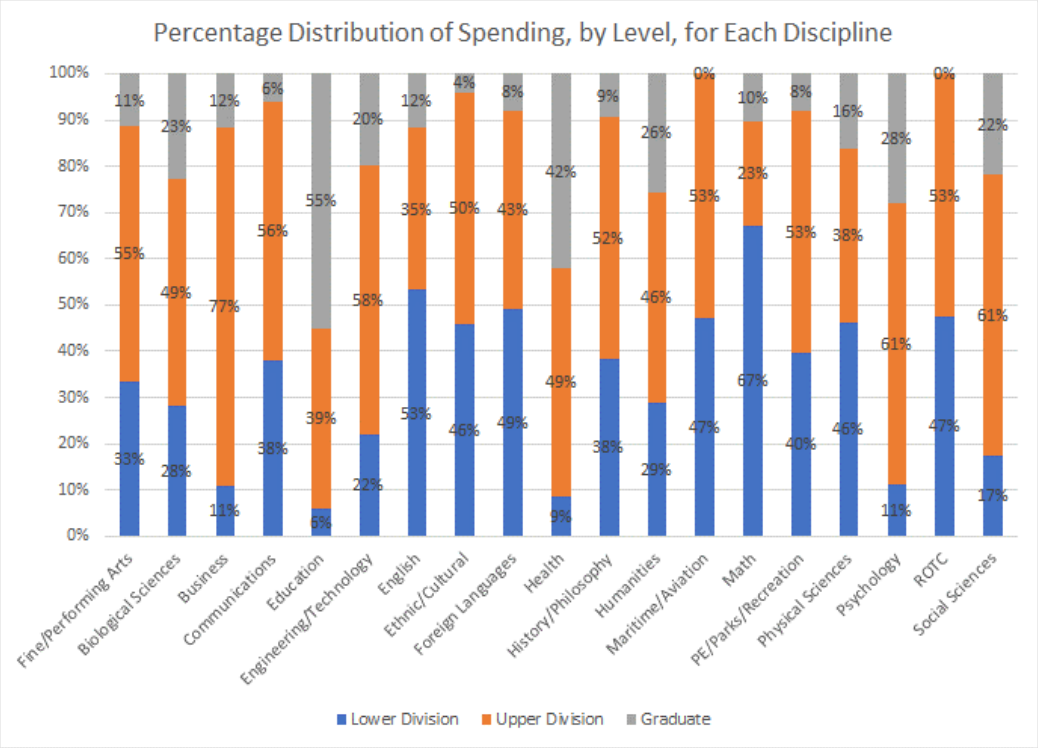
Discipline	Lower Division	Upper Division	Graduate	TOTAL
Engineering/Technology	2.9%	7.7%	2.6%	13.2%
Social Sciences	1.6%	5.6%	2.0%	9.3%
Fine/Performing Arts	3.0%	4.9%	1.0%	8.9%
Education	0.5%	3.4%	4.9%	8.8%
Business	1.0%	6.7%	1.0%	8.7%
Biological Sciences	1.7%	3.0%	1.4%	6.2%
Humanities	1.7%	2.7%	1.5%	6.0%
Health	0.5%	2.7%	2.3%	5.6%
Physical Sciences	2.5%	2.0%	0.9%	5.3%
Communications	1.5%	2.3%	0.3%	4.1%
Math	2.7%	0.9%	0.4%	4.0%
Psychology	0.4%	2.4%	1.1%	3.9%
PE/Parks/Recreation	1.5%	2.0%	0.3%	3.9%
English	2.0%	1.3%	0.4%	3.7%
History/Philosophy	1.2%	1.6%	0.3%	3.0%
Ethnic/Cultural	1.3%	1.4%	0.1%	2.8%
Foreign Languages	1.2%	1.0%	0.2%	2.4%
Maritime/Aviation	0.1%	0.1%	0.0%	0.2%
ROTC	0.1%	0.1%	0.0%	0.2%
Total	27.3%	52.0%	20.8%	100.0%

Figure 12 Distribution of Total Expenditures Within Each Level, By Discipline

Distribution of Total Expenditures Within Each Level, by Discipline				
Discipline	Lower Division	Upper Division	Graduate	Total
Engineering/Technology	10.6%	14.8%	12.5%	13.2%
Social Sciences	5.9%	10.8%	9.8%	9.3%
Fine/Performing Arts	10.9%	9.5%	4.9%	8.9%
Education	1.9%	6.6%	23.4%	8.8%
Business	3.5%	12.9%	4.9%	8.7%
Biological Sciences	6.4%	5.9%	6.9%	6.2%
Humanities	6.3%	5.2%	7.3%	6.0%
Health	1.8%	5.3%	11.3%	5.6%
Physical Sciences	9.0%	3.8%	4.1%	5.3%
Communications	5.7%	4.4%	1.2%	4.1%
Math	9.8%	1.7%	2.0%	4.0%
Psychology	1.6%	4.6%	5.3%	3.9%
PE/Parks/Recreation	5.6%	3.9%	1.5%	3.9%
English	7.2%	2.5%	2.1%	3.7%
History/Philosophy	4.3%	3.1%	1.4%	3.0%
Ethnic/Cultural	4.6%	2.7%	0.5%	2.8%
Foreign Languages	4.3%	2.0%	0.9%	2.4%
Total	99%*	100%	100%	100%
*ROTC and Maritime/Aviation together (not shown) account for just over .5%.				

Figure 13 shows, for each discipline, how expenditures distribute – to 100% - across the three levels of instruction.

Figure 13 Percentage Distribution of Spending, by Level, for Each Discipline



To pick two contrasting disciplines from Figure 13, Business has 77% of expenditures at the upper division level and only 11% at the lower division level; Math has 67% of expenditures at the lower division level and only 23% at the upper division level. Only Education and Health have large percentages of expenditures at the graduate level.

Metric 2: Total Credit Units by Discipline and Level

This metric shows where the students are – not where the money goes. Figures 14, 15, 16, 17, and 18 are the equivalent to Figures 10-15 but for student credit units (SCU), instead of expenditures. The relationship among the disciplines in the share of SCUs across levels differs from that of expenditures because some disciplines are more expensive, owing to differences in average class size.

Figure 14 shows that by far most SCUs are at the upper division level, reflecting the CSU's role in serving community college transfer students. The three largest disciplines in order, each producing over one million student credit units, were Social Sciences, Business, and Engineering/Technology. Of these three largest disciplines, Engineering/Technology and Social Sciences were the two highest-spending disciplines, as seen in Figure 10 above, but Business was fifth. We will explore the relationship between relative expenditures and SCUs, by discipline, more thoroughly in the next section, with Metric 3.

Figure 14 Student Credit Units (SCU) by Discipline and Level, Ranked by Total SCU

Discipline	Lower Division*	Upper Division	Graduate	TOTAL
Social Sciences	447,476	900,601	114,665	1,462,742
Business	165,808	952,112	68,885	1,186,804
Engineering/Technology	307,097	736,034	100,472	1,143,603
Education	95,426	395,664	266,396	757,487
Fine and Performing Arts	359,480	362,225	11,850	733,555
Biological Sciences	342,552	328,970	20,336	691,858
Psychology	143,461	477,725	43,351	664,537
Physical Sciences	437,011	178,676	10,786	626,473
Math	467,323	104,557	11,282	583,163
Communications	249,128	309,217	7,499	565,845
Humanities	207,994	315,073	21,746	544,813
History/Philosophy	286,221	218,667	8,169	513,057
Health	76,217	327,953	103,423	507,593
Ethnic/Cultural	277,531	205,577	2,336	485,444
English	255,941	173,339	15,387	444,667
PE/Parks/Recreation	124,192	273,512	8,979	406,683
Foreign Languages	183,547	120,224	6,186	309,956
Maritime/Aviation	6,330	4,974		11,304
ROTC	2,109	2,956		5,065
Grand Total	4,434,844	6,388,055	821,749	11,644,648
Percent of Total, by Level	38%	55%	7%	100%
* Includes courses identified as "Pre-collegiate/remedial"				

Figure 15 Distribution of SCUs by Discipline and Level

Distribution of SCUs by Discipline and Level				
Discipline	Lower Division	Upper Division	Graduate	TOTAL
Social Sciences	3.8%	7.7%	1.0%	12.6%
Business	1.4%	8.2%	0.6%	10.2%
Engineering/Technology	2.6%	6.3%	0.9%	9.8%
Education	0.8%	3.4%	2.3%	6.5%
Fine Arts	3.1%	3.1%	0.1%	6.3%
Biological Sciences	2.9%	2.8%	0.2%	5.9%
Psychology	1.2%	4.1%	0.4%	5.7%
Physical Sciences	3.8%	1.5%	0.1%	5.4%
Math	4.0%	0.9%	0.1%	5.0%
Communications	2.1%	2.7%	0.1%	4.9%
Humanities	1.8%	2.7%	0.2%	4.7%
History/Philosophy	2.5%	1.9%	0.1%	4.4%
English	2.2%	1.5%	0.1%	3.8%
PE/Parks/Recreation	1.1%	2.3%	0.1%	3.5%
Foreign Languages	1.6%	1.0%	0.1%	2.7%
Maritime/Aviation	0.1%	0.0%	0.0%	0.1%
ROTC	0.0%	0.0%	0.0%	0.0%
Grand Total	38.1%	54.9%	7.1%	100.0%

Grey Shade: At least 2% of total
Gold Shade: At least 5% of total

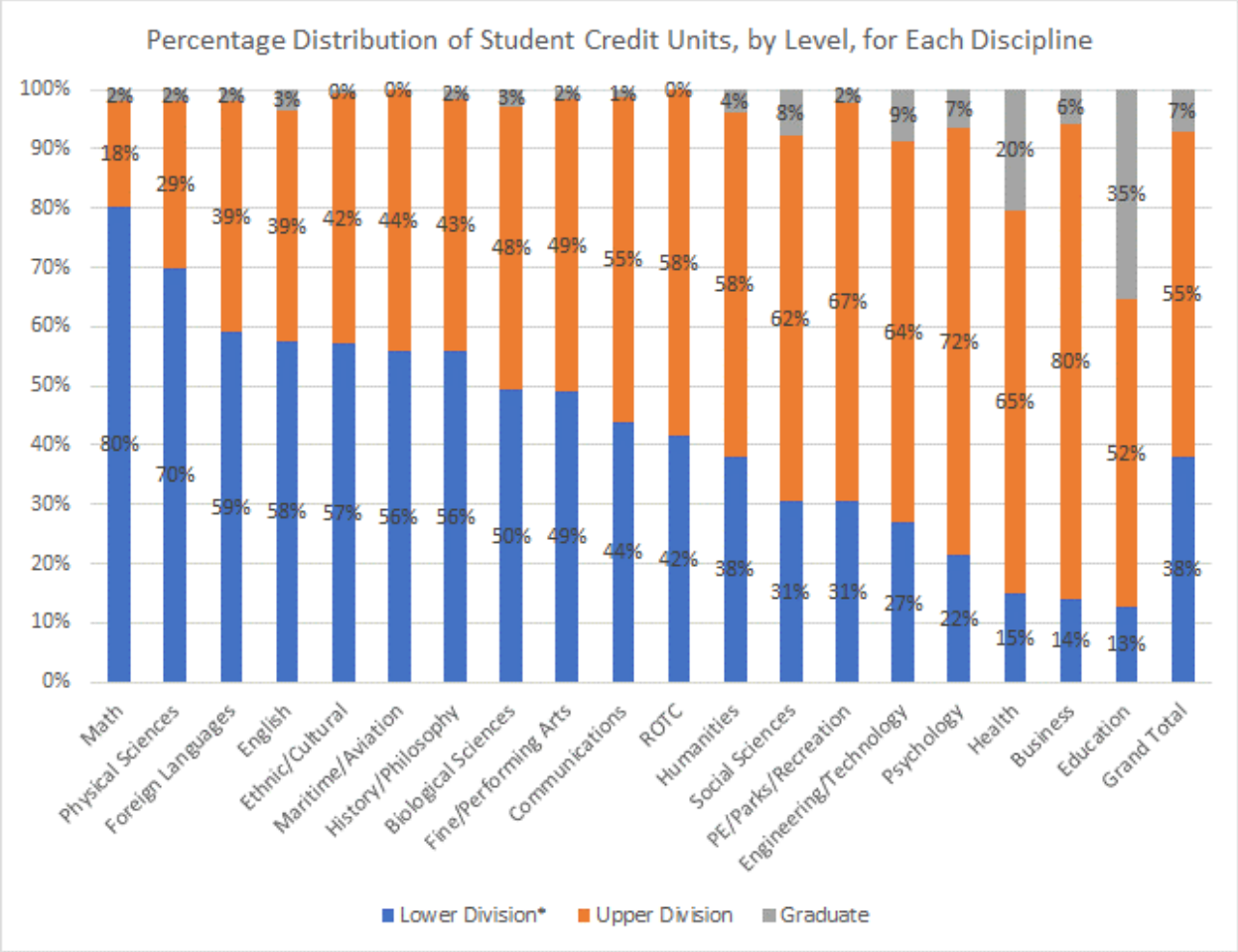
Figure 16 shows, in percentage terms, how each discipline contributes to each level of instruction. Social Sciences, Physical Sciences, and Math, together, account for over 30 percent of SCUs at the lower division level. At the upper division level, Social Sciences, Business, and Engineering/Technology account for over 40 percent of credit units. Education alone accounts for one-third of graduate student credit units.

Figure 16 Distribution of SCUs within each Level, by Discipline

Discipline	Lower Division	Upper Division	Graduate	TOTAL
Social Sciences	10%	14%	14%	13%
Business	4%	15%	8%	10%
Engineering/Technology	7%	12%	12%	10%
Education	2%	6%	32%	7%
Fine and Performing Arts	8%	6%	1%	6%
Biological Sciences	8%	5%	2%	6%
Psychology	3%	7%	5%	6%
Physical Sciences	10%	3%	1%	5%
Math	11%	2%	1%	5%
Communications	6%	5%	1%	5%
Humanities	5%	5%	3%	5%
History/Philosophy	6%	3%	1%	4%
Health	2%	5%	13%	4%
Ethnic/Cultural	6%	3%	0%	4%
English	6%	3%	2%	4%
PE/Parks/Recreation	3%	4%	1%	3%
Foreign Languages	4%	2%	1%	3%
Total	100%	100%	100%	100%

Figure 17 shows how the SCUs in each discipline divide among levels to total 100%. The figure lists disciplines from left to right in rank order of its percentage of lower division SCUs, with the systemwide total at the right. It is clear which disciplines differ substantially from the systemwide total distribution of SCUs of 38% lower division, 55% upper division, and 7% graduate. Math and Physical Sciences have the largest portion of SCUs at the lower division level, with several other disciplines above the system average. Business has the largest portion of SCUs at the upper division level, with Psychology, PE/Parks/Recreation, Health, and Engineering/Technology high as well. At the graduate level, Education and Health are the only two disciplines that far exceed the systemwide average of 7% of SCUs.

Figure 17 Percentage Distribution of Student Credit Units, by Level, for Each Discipline



Metric 3: Comparing Expenditures and Student Credit Units

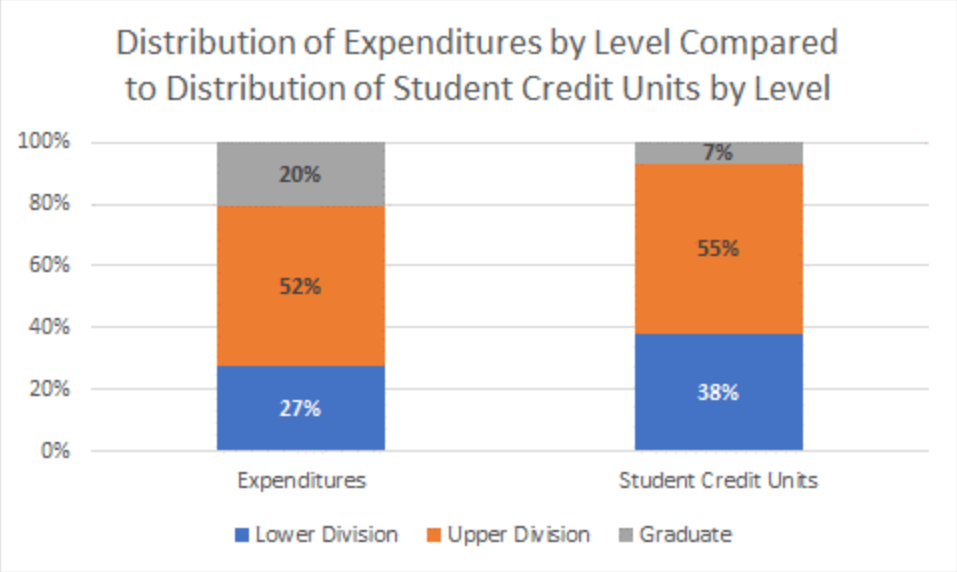
In this section we bring together the data from the first two metrics to compare expenditures and student credit units in total, and for the disciplines. We show two types of metrics: one set of figures that compare a discipline's share of total spending to its share of total SCUs, and another set that shows expenditures per SCU. The first would be helpful in efforts to align budgets with enrollments because it helps understand the enrollment implications of increasing or decreasing expenditures in certain disciplines. The second is a basic productivity measure of

the faculty salary and benefit expenditure required in various disciplines to produce a student credit unit.

3A. Comparing Shares of Expenditures to Shares of Student Credit Units

Figure 18 compares the systemwide distribution of expenditures by level to the distribution of SCUs by level. While the graduate level accounts for only seven percent of student credit units, it accounts for a much larger share (20%) of expenditures. This is not surprising, as graduate education is more expensive, both because of smaller class sizes and the predominance of more senior faculty. Lower division, as would be expected, accounts for a much smaller portion of expenditures than of credit units, because of generally larger class sizes and lower-cost faculty.

Figure 18 Distribution of Expenditures by Level Compared to Distribution of Student Credit Units by Level



Figures 19 through 22 compare each discipline's share of expenditures to its share of SCUs – for the discipline total and each level of instruction. A variance between a discipline's share of SCUs and its share of expenditures does not necessarily imply that it is excessively costly. Disciplines vary in cost for many justifiable reasons. These detailed data are presented just to see if there are any unexpected variations that need to be further explored.

Figure 19 Share of Expenditures v. Share of SCUs, for Each Discipline Total of All Levels

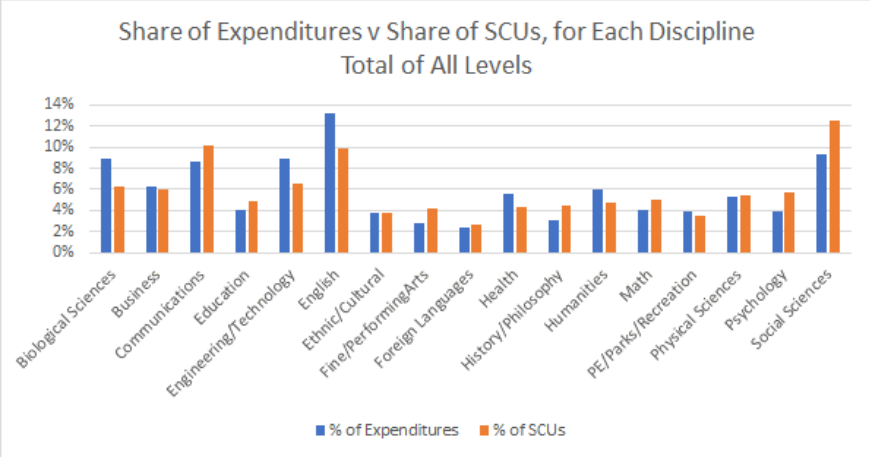


Figure 20 Share of Expenditures v. Share of SCUs, for Each Discipline Lower Division

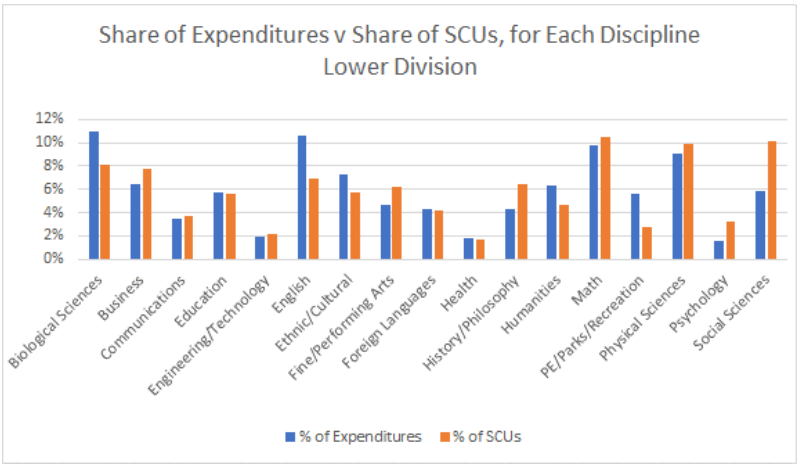


Figure 21 Share of Expenditures v. Share of SCUs, for Each Discipline Upper Division

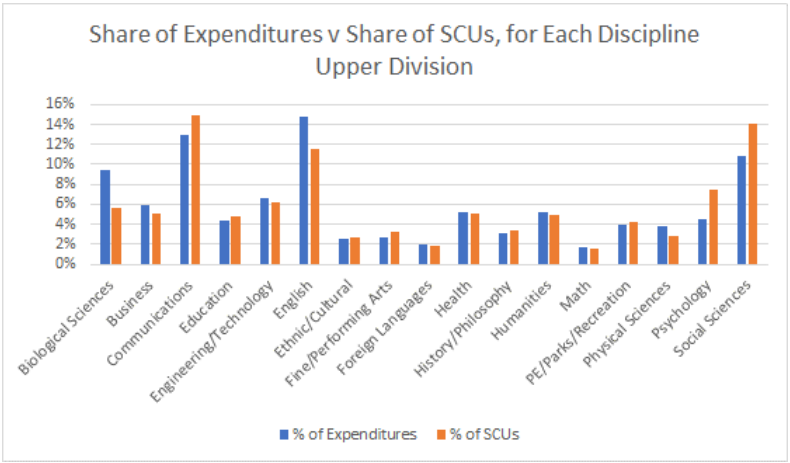
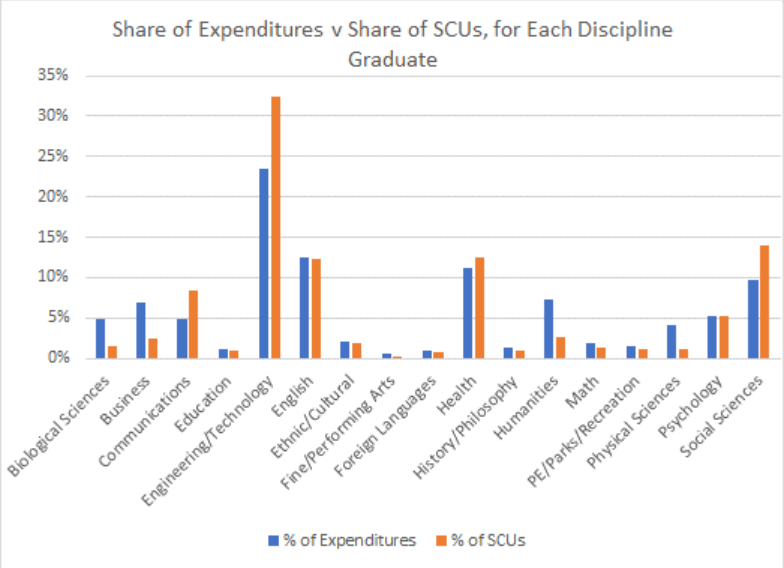


Figure 22 Share of Expenditures v. Share of SCUs, for Each Discipline Graduate



3B. Expenditures per Student Credit Unit

Figure 23 shows, for each discipline, the expenditure per student credit unit for lower division, upper division, and graduate, respectively.

Figure 23 Expenditures per Student Credit Unit, by Level Ranked by Lower Division

Expenditures per SCU, by Level	Lower Division	Upper Division	Graduate
ROTC	$ 859	$ 679	
PE/Parks/Recreation	$ 308	$ 186	$ 854
Maritime/Aviation	$ 298	$ 426	
Engineering/Technology	$ 236	$ 263	$ 650
Fine/Performing Arts	$ 209	$ 342	$ 2,152
Humanities	$ 206	$ 217	$ 1,757
English	$ 194	$ 189	$ 711
Foreign Languages	$ 162	$ 216	$ 789
Health	$ 159	$ 209	$ 568
Communications	$ 156	$ 185	$ 849
Business	$ 144	$ 177	$ 369
Math	$ 144	$ 217	$ 907
Physical Sciences	$ 141	$ 280	$ 1,983
Education	$ 139	$ 219	$ 458
Biological Sciences	$ 128	$ 233	$ 1,758
Ethnic/Cultural	$ 114	$ 169	$ 1,211
History/Philosophy	$ 102	$ 182	$ 875
Social Sciences	$ 90	$ 157	$ 443
Psychology	$ 77	$ 125	$ 638
System Average	$ 154	$ 204	$ 634

Figure 24 presents these data in ratios, setting the lowest-cost per SCU discipline at a value of 1.0 and displaying the others in terms of their proportion to the lowest.

Figure 24 Ratios of Cost per SCU in relation to Lowest-cost Discipline in Each Level

	Lower Division
ROTC	11.2
PE/Parks/Recreation	4.0
Maritime/Aviation	3.9
Engineering/Technology	3.1
Fine/Performing Arts	2.7
Humanities	2.7
English	2.5
Foreign Languages	2.1
Health	2.1
Communications	2.0
Business	1.9
Math	1.9
Physical Sciences	1.8
Education	1.8
Biological Sciences	1.7
Ethnic/Cultural	1.5
History/Philosophy	1.3
Social Sciences	1.2
Psychology	1.0

	Upper Division
ROTC	5.4
Maritime/Aviation	3.4
Fine/Performing Arts	2.7
Physical Sciences	2.2
Engineering/Technology	2.1
Biological Sciences	1.9
Education	1.8
Math	1.7
Humanities	1.7
Foreign Languages	1.7
Health	1.7
English	1.5
PE/Parks/Recreation	1.5
Communications	1.5
History/Philosophy	1.5
Business	1.4
Ethnic/Cultural	1.4
Social Sciences	1.3
Psychology	1.0

	Graduate
Fine/Performing Arts	5.8
Physical Sciences	5.4
Biological Sciences	4.8
Humanities	4.8
Ethnic/Cultural	3.3
Math	2.5
History/Philosophy	2.4
PE/Parks/Recreation	2.3
Communications	2.3
Foreign Languages	2.1
English	1.9
Engineering/Technology	1.8
Psychology	1.7
Health	1.5
Education	1.2
Social Sciences	1.2
Business	1.0

Metric 4: Average Class Size

Average class size is another productivity metric, provided that it is interpreted with proper regard for differences in pedagogy, student demand, availability of classrooms of different sizes and CSU mission. Figure 28 shows average class size across all disciplines in each of the three levels. The next three figures present the average class size in graphical form for each level, for easier comparison.

Figure 25 Average Class Size by Discipline and Level (Ranked by Lower Division Class Size)

	Lower Division	Upper Division	Graduate
Psychology	54	37	9
Social Sciences	46	29	13
Business	41	36	22
History/Philosophy	40	25	12
Biological Sciences	37	22	4
Ethnic/Cultural	35	27	5
Physical Sciences	33	18	4
Health	31	26	12
Engineering/Technology	30	26	12
Education	29	20	12
Math	28	21	7
Communications	27	25	7
PE/Parks/Recreation	24	27	7
Humanities	24	22	5
Foreign Languages	22	21	7
Fine/Performing Arts	22	15	3
English	21	24	8
Maritime/Aviation	18	13	
ROTC	9	8	

Figure 26 Average Class Size: Lower Division

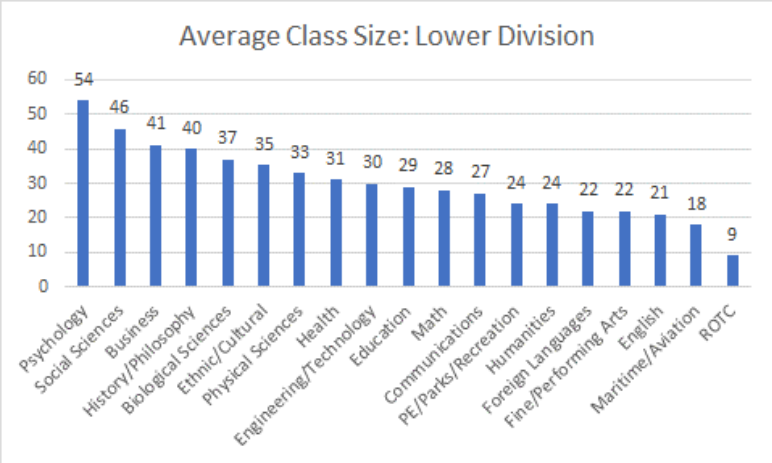


Figure 27 Average Class Size: Upper Division

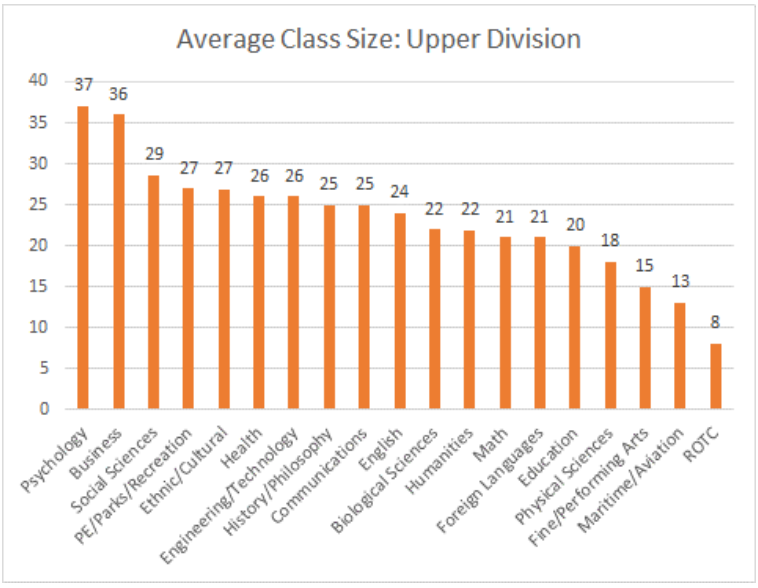
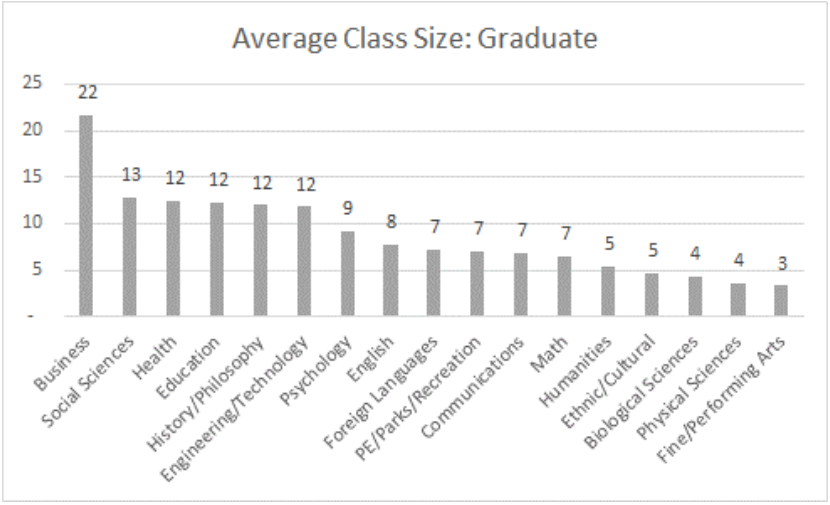


Figure 28 Average Class Size: Graduate



Additional Analyses and Data

This section presents some data not previously presented to further help the Workgroup consider what level of instructional expenditures might be included in a sustainable cost model. An analysis of impacted programs suggests one reason why actual instructional expenditures are lower than what they reasonably should be. In contrast, the analysis of degrees offered suggests that actual expenditures are inflated from what they would be if campuses controlled the number of majors offered. Finally, a comparison of CSU instructional expenditures per FTE suggests that expenditures might be too low.

Impacted Programs

One of the cost pressures facing the CSU is impaction. If impacted campuses and impacted programs in other campuses are facing pressures to accommodate more students than they would ideally admit into certain majors, we might expect class sizes to be larger than in non-impacted programs. Our analysis indicates that this is, indeed the case. In the 2021 academic year, which is the year of all of our analyses, seven campuses are fully impacted and five other campuses have impacted programs in the four high-need areas where we examined the effects of impaction on average class size. Figure 29 shows the campuses and areas of impaction.

Figure 29 Impacted Campuses and Programs, 2021 Academic Year

Campus	Fully Impacted	Biological Sciences	Business	Engineering/ Technology	Health
Fresno	X				
San Luis Obispo	X				
San Diego	X				
San Jose	X				
Long Beach	X				
Fullerton	X				
Los Angeles	X				
Northridge		X	X		
Pomona		X	X	X	
San Marcos		X	X	X	
Sacramento			X		X
San Bernardino					X

Figures 30 and 31 show average class sizes in these four disciplines for lower division and upper division, comparing the campuses where programs in these disciplines are impacted to campuses with no impaction in these disciplines. The higher average class sizes in the impacted campuses are clear. The difference is greater at the lower division level with the exception of upper division Business. The largest difference is in lower division Biological Sciences.

Figure 30 Average Lower Division Class Sizes
for Impacted v. Non-Impacted Programs in Four Key Disciplines

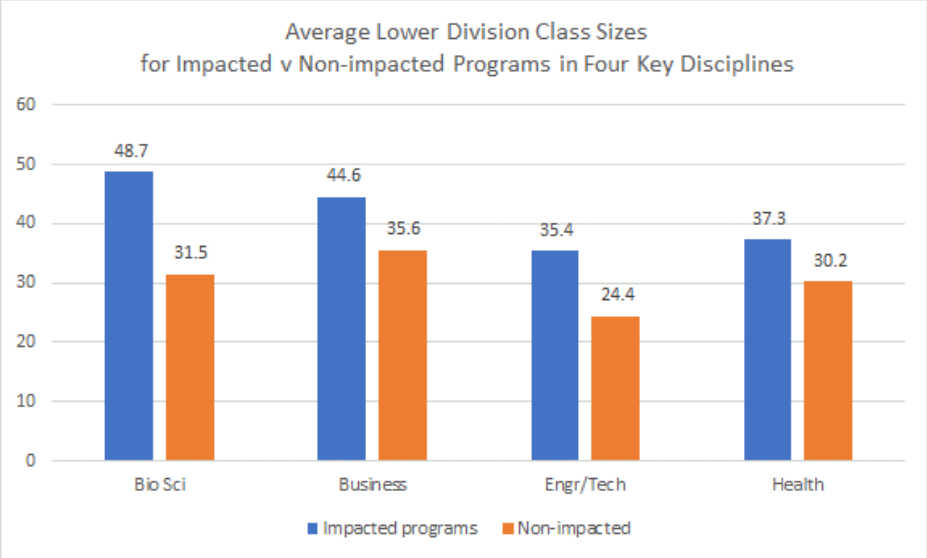
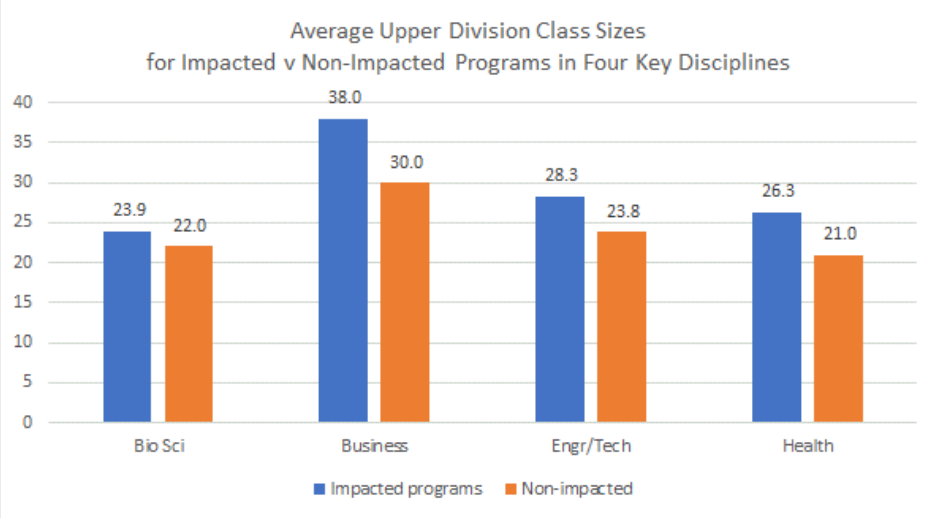


Figure 31 Average Upper Division Class Sizes
for Impacted v. Non-Impacted Programs in Four Key Disciplines



Using the data on expenditures by level in these four disciplines, we estimated the cost of reducing average class sizes in these impacted programs to the non-impacted average class size to be about $92 million. This is the cost of adding the equivalent number of classes to bring the average class sizes down to the non-impacted discipline average. Of this total, $29 million is for Business and $63 million for the three STEM fields.

Numbers of Degrees Offered

Figure 32 # Degrees Offered by Campus Enrollment

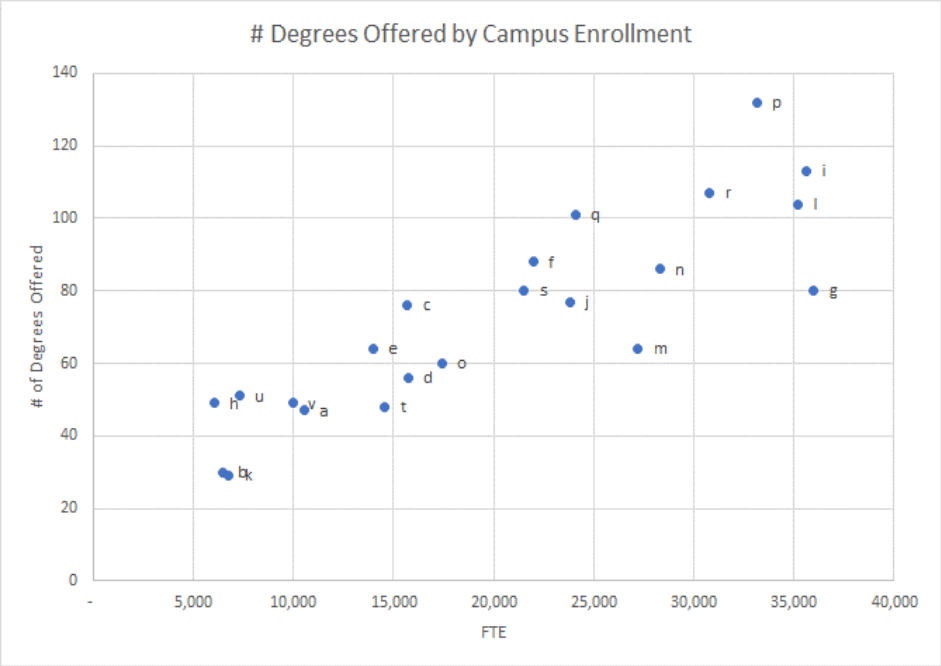
Campus		Fall 2020 Enrollment	# of degrees*
San Diego	p	33,167	132
Long Beach	i	35,598	113
San Jose	r	30,795	107
Northridge	l	35,203	104
San Francisco	q	24,122	101
Fresno	f	21,979	88
Sacramento	n	28,295	86
Fullerton	g	35,998	80
San Luis Obispo	s	21,524	80
Los Angeles	j	23,828	77
Chico	c	15,682	76
East Bay	e	13,974	64
Pomona	m	27,195	64
San Bernardino	o	17,461	60
Dominquez Hills	d	15,774	56
Sonoma	u	7,283	51
Humboldt	h	6,026	49
Stanislaus	v	9,955	49
San Marcos	t	14,559	48
Bakersfield	a	10,538	47
Channel Islands	b	6,493	30
Monterey Bay	k	6,760	29

* Source: https://www.calstate.edu/attend/campuses/campus-match/Pages/campus-match.aspx

Figure 32 shows that five campuses offer over one hundred different degrees and that there is a very large variation in the number of degrees offered across the campuses. Figure 33 graphs the number of degrees against campus enrollment and shows a clear pattern of the larger campuses offering more degrees.

We suggest that the Workgroup consider whether this is a reasonable pattern. While larger campuses might reasonably offer some additional degrees, it seems that larger campuses would mostly offer a normal comprehensive set of degrees but with much larger enrollments in each degree program. Offering so many degrees obligates campuses to guarantee that courses be offered even when very low-enrolled, so that students can complete the degree requirements for the many degree programs.

Figure 33 # Degrees Offered by Campus Enrollment



Graduate Degrees and Concentrations

Figures 34 and 35 look specifically at graduate degrees offered. This data is from a different source than the data used in Figures 32 and 33, so cannot be directly compared. This source allows us to examine just graduate degrees but counts *concentrations* within degrees as separate "degrees." Figure 34 lists the number of graduate degrees and concentrations, along with campus FTE. It is clear that the number of degrees/concentrations offered is not directly related to campus size, as some of the middle-sized campuses offer among the highest numbers. Figure 34 also shows the number of graduate degrees that are offered through extension. Figure 35 shows a wide variation in the portion of graduate degrees that campuses choose to offer through self-support Extension.

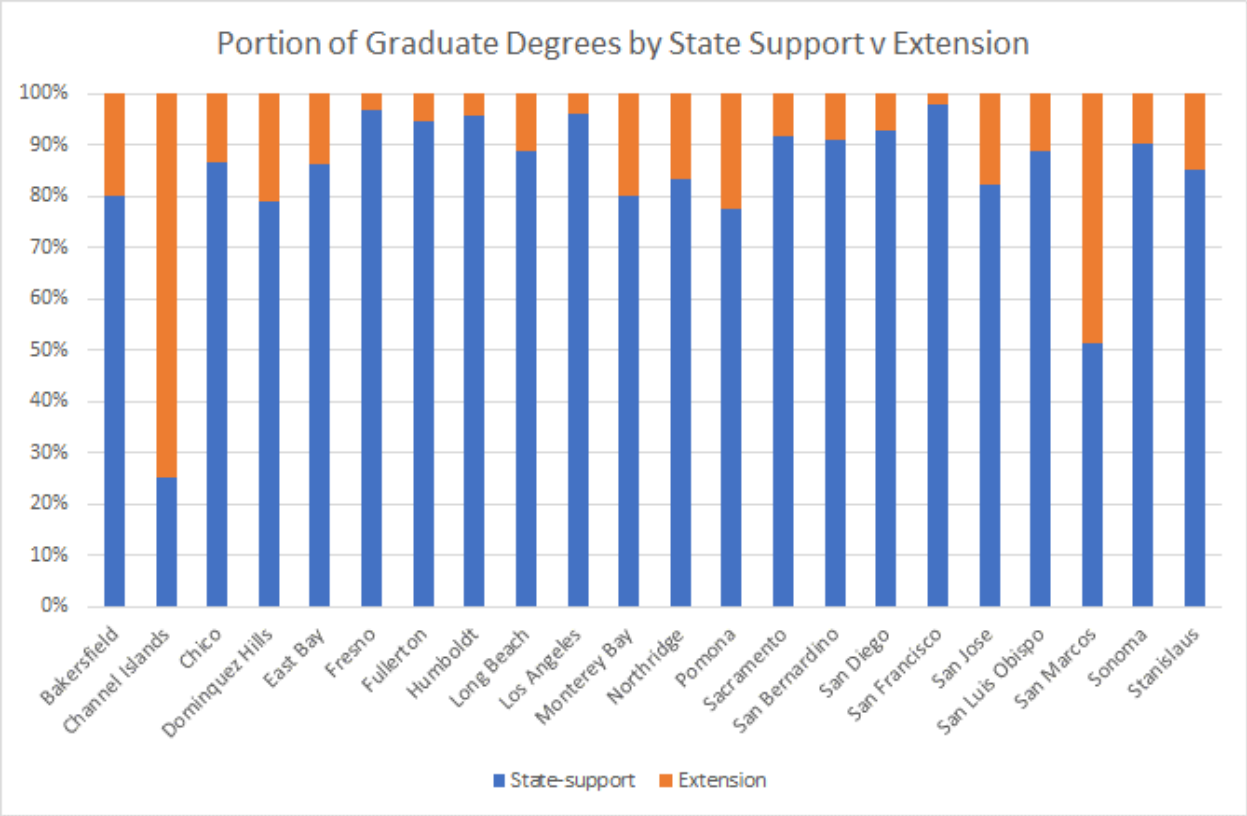
These data raise two questions: the sustainability of offering so many graduate programs and whether more of them might be offered via extension if students are willing to pay full costs.

Figure 34 Graduate Degrees and Concentrations, by Campus FTE Rank

Campus	Fall 2020 Enrollment (FTE)	Number of Grad degrees*	Extension
Fullerton	35,998	148	8
Long Beach	35,598	95	12
Northridge	35,203	90	18
San Diego	33,167	200	15
San Jose	30,795	97	21
Sacramento	28,295	89	8
Pomona	27,195	38	11
San Francisco	24,122	104	2
Los Angeles	23,828	121	5
Fresno	21,979	60	2
San Luis Obispo	21,524	40	5
San Bernardino	17,461	62	6
Dominquez Hills	15,774	34	9
Chico	15,682	39	6
San Marcos	14,559	19	18
East Bay	13,974	57	9
Bakersfield	10,538	20	5
Stanislaus	9,955	35	6
Sonoma	7,283	19	2
Monterey Bay	6,760	8	2
Channel Islands	6,493	3	9
Humboldt	6,026	22	1
*Including concentrations but excluding Extension			

Source: https://www.calstate.edu/attend/degrees-certificates-credentials/Pages/search-degrees-results.aspx?campuses

Figure 35 Portion of Graduate Degrees by State Support v. Extension



Implications of Analyses for Estimating Instructional Costs

There are two overriding questions to address in considering implications of the above analyses for estimating reasonable and sustainable instructional costs.

1. Are there opportunities to better allocate available instructional resources across disciplines, levels, and campuses to serve more students with the same dollars?
2. Is the overall budget available for instruction adequate, given any potential for reallocation?

1. Opportunities for Reallocation

There is ample evidence that the instructional budget is not allocated and/or expended in an optimal manner. There are justifiable variations across disciplines in expenditures per student credit unit and class size but in some cases, there is an obvious need for a more strategic use of faculty resources. The very small class sizes in some disciplines likely relate in part to the large number of degrees offered, which can require campuses to schedule classes even when low-enrolled. A related explanation for low course enrollments is the class schedule, as classes may not be offered at times that accommodate student demand. Further, student attrition may reduce demand for upper division courses in majors with healthy lower division enrollments.

In addition to opportunities to use instructional resources more efficiently within disciplines, by attending to the class schedule and class sizes, there are broader issues relating to the distribution of CSU investments among disciplines, given the mission of the CSU and the needs of the state. Reallocation of instructional resources across disciplines could, among other

advantages help address the estimated $92 million cost of adding classes in impacted programs to reduce the excessive class sizes in those programs.

One approach to gain a better understanding of where the existing distribution of instructional resources may be less than optimal is to look for guidance from several other states that have produced information on relative expenditures or costs by discipline by level. We would not want to compare costs from other states, given all the reasons why costs vary across states. However, a number of states have produced ratios of cost per student credit unit across disciplines and levels that we have compared to the actual expenditure ratios at the CSU.

It is difficult, if not impossible, to do a comprehensive comparison across all disciplines because each state categorizes disciplines differently. But we can draw some conclusions by looking at selected disciplines and overall expenditure ratios across levels of instruction.

Figure 36 shows the ratios we have computed for the CSU that become the basis for comparison with other states. It is the same idea as shown in Figure 24, but instead of a separate display for each level of instructions, Figure 36 shows all ratios with respect to lower division Psychology, which is the lowest expenditure per SCU discipline/level pair. This allows us to make some comparisons with other states that use this method to examine the relative cost of disciplines and levels.

Figure 36 Ratios of Expenditure per SCU relative to lowest-expenditure lower-division discipline

Ratios of Expenditure per SCU relative to lowest-expenditure lower-division discipline			
Psychology - $77 per SCU			
Discipline	Lower Division	Upper Division	Graduate
ROTC	11.2	8.8	
PE/Parks/Recreation	4.0	2.4	11.1
Maritime/Aviation	3.9	5.5	
Engineering/Technology	3.1	3.4	8.5
Fine/Performing Arts	2.7	4.4	28.0
Humanities	2.7	2.8	22.9
English	2.5	2.5	9.3
Foreign Languages	2.1	2.8	10.3
Health	2.1	2.7	7.4
Communications	2.0	2.4	11.1
Business	1.9	2.3	4.8
Math	1.9	2.8	11.8
Physical Sciences	1.8	3.6	25.8
Education	1.8	2.8	6.0
Biological Sciences	1.7	3.0	22.9
Ethnic/Cultural	1.5	2.2	15.8
History/Philosophy	1.3	2.4	11.4
Social Sciences	1.2	2.0	5.8
Psychology	1.0	1.6	8.3

We compared these to the ratios found in Texas and Louisiana universities. At the lower division level, excluding the high costs of ROTC and Maritime/Aviation, the ratios are in the approximate range of the other two states with the exception of Fine/Performing Arts and PE/Parks/Recreation (which we compared to the discipline of “Physical Training” in the other states).

At the upper division level, ratios in the other two states exceeded 3.0 for comparable disciplines only for Engineering and Nursing in Louisiana and not at all in Texas. That points to Fine/Performing Arts and Physical Sciences as outliers in the CSU data.

It is at the graduate level (where we used only the “masters” category in the other states) where we see a huge discrepancy between the CSU ratios and those of Texas and Louisiana, with CSU ratios far exceeding those of the other states in Fine/Performing Arts, Sciences (grouped together in the other states), and most of the CSU liberal arts disciplines (grouped together in the other states as “Liberal Arts”). As two examples, the ratio for masters-level Fine Arts is 7.55 in Texas and 5.41 in Louisiana, compared to 28 at the CSU; the ratio for masters-level Science is 7.37 in Texas and 7.97 in Louisiana, compared to CSU’s 22.9 for Biological Sciences and 25.8 for Physical Sciences.

This rough means of comparison suggests that there may be considerable opportunity to improve the use of instructional dollars that are currently allocated to some graduate programs at the CSU.

There are myriad reasons why reallocation of instructional dollars is severely constrained. Among those constraints:

- Tenured faculty cannot easily be retrained or reassigned from low- to high-enrollment areas, a constraint exacerbated by the dearth of funding for faculty professional development.
- Low-enrolled classes often need to be offered to allow students to meet graduation requirements.
- Some campuses lack classrooms that can accommodate large classes.
- Campuses face difficulty recruiting and retaining faculty in certain fields, leading to lower-than optimal course offerings and higher-than optimal class sizes.
- Campuses could achieve more optimal class sizes through collaboration or cross-enrollment but the current financing models make cross-enrollment models difficult.

Nevertheless, with the goal of this project to develop a financially sustainable budget, it seems advisable for the system and its campuses to address opportunities for reallocation without delay. Some suggestions for the kinds of analyses that would be helpful are:

- System analyses of the health of enrollments in majors that could be shared among campuses via technology or other arrangements.
- Campus analyses of the distribution of class sizes within and across disciplines.

- Campus analyses of the impact of larger class sizes on student performance and success.
- System and campus analyses of the distribution of instructional dollars related to changes in student demand.
- Campus analyses of trends in numbers of majors and future projections.

2. Is the Overall Instructional Budget Adequate?

It is difficult to address this question without knowing how well, and how soon, reallocation could relieve some of the cost pressures. Putting aside the prospects for reallocation, the data presented above provide justification for concluding that the available instructional budget is inadequate.

Underfunded Programs

Some programs appear to be underfunded. Business may be one of those, as seen in its very high class sizes and low expenditures per SCU. Other under-funded programs may include graduate programs in Health and Education – both high-need areas for the state. We know that additional enrollments in STEM fields are needed to meet state needs. The low relative enrollments at the upper division levels of STEM disciplines suggests that those programs need more funding to increase enrollments, including funding for faculty recruitment and for student recruitment and retention, since those programs are losing students between the lower- and upper-division.

Figure 37 shows increasing expenditures in these areas by 5% would cost about $44 million. This number does not need to be adjusted for inflation since it was derived from the 2021-22 course data set.

Figure 37 ($ in millions)

Discipline	Level	Cost of 5% Increase
Business	All levels	$ 10.9
Engineering	All levels	$ 16.6
Biological Sciences	Upper Division	$ 3.8
Physical Sciences	Upper Division	$ 2.5
Math	Upper Division	$ 1.2
Health	Graduate	$ 2.9
Education	Graduate	$ 6.1
Total		$ 44.0

Non-salary, Non-benefit Instructional Costs

The analysis thus far has not addressed any instructional costs beyond those of faculty salaries and benefits. While non-faculty expenditures accounted for only eight percent of instructional expenditures,[9] that is in large part because of the accumulated cuts that have been made to those "discretionary" items in the instructional budget.

The total non-faculty expenditures in the instruction category in the 2019-20 academic year was about $245 million. Of that, expenditures for instructional travel, equipment, library materials, operating expenses, and information technology combined to total $169 million, equal to five percent of instructional expenditures. These expenditures that provide direct support for faculty have been severely reduced over recent years. Increasing this expenditure by 20 percent would cost about $34 million, before inflation, or $38.4 million after adjusting for inflation.

Adding up just these two items yields a total of "underfunding" (again, without any consideration of opportunities for reallocating instructional dollars) of $82.4 million.

Summary of Instructional Cost Estimate

There are undoubtedly other areas of under-funding that could be brought to our attention and included in this analysis. At the same time, there has been ample evidence presented of opportunities (over time) to reallocate instructional resources. Therefore, for purposes of constructing an instructional cost estimate, we add the "under-funding" amount of $78 million to the actual instructional expenditures, per 2019-20 IPEDS, as we have done for the other expenditure categories.

Figure 38 Instructional Cost Estimate (in millions)

2019-20 Instructional Expenditures (IPEDS)	$	3,794.8
Selected "Under-funding"	$	82.4
Deduct Structural Baseline	$	(137.1)
Estimated 2021-22 Instructional Cost	$	3,740.1

Putting the Cost Model Together

Figure 39 shows the full cost model, adjusted to 2021-22 dollars. We use actual expenditures from the 2021 academic year for expenditure categories for which we have no analytical basis for adjusting these figures at this time. A few of these categories are small (public service and research) but some are quite large and need further investigation. These include scholarships, debt, and "other."

We add in actual Maritime Academy expenses, as a separate "campus mission" adjustment, as we have excluded it from the rest of the analyses given its unique mission. We have included a blank line to allow for decisions to make further campus mission adjustments, per the NCHEMS approach. As we have adjusted for student characteristics and based instructional analyses on existing disciplinary mixes, it is not clear that there is a need for further campus mission adjustments at this point.

[9] Per Chancellor's Office "FIRMS" data.

We have included a placeholder for “capacity building/performance incentives.” Under the NCHEMS approach, this falls outside the cost model, as it would require special state funding for specific initiatives. We put it here as a reminder that some initiatives should not be expected to be accommodated within the base CSU budget.

Figure 39 Estimated Cost Model for 2021-22 Dollars in Millions

	Cost Model Compared to Actual Expenditures, 2021-22 (a) Dollars in Millions											
	Institutional Support		Academic Support		Student Services		Instruction		Other			Total
COST MODEL												
Structural Baseline	$ 620.6		$ 570.2		$ 633.6		$ 137.1					$ 1,961.5
Actual Enrollments	$ 544.1		$ 768.4		$ 926.6		$ 3,740.1	b				$ 5,979.1
Adjust for Student Characteristics					182.9	c						182.9
Chancellor's Office	$ 239.7		$ 74.0		$ 29.8		$ 8.8		$ 1.4	d		$ 353.6
Maritime Academy	$ 18.4		$ 5.0		$ 12.3		$ 22.2		$ 5.4	d		$ 63.3
Other IPEDS									$ 1,498.1	e		$ 1,498.1
Capital Renewal									$ 313.0	f		$ 313.0
Debt									$ 357.5	g		$ 357.5
Total, Cost Model 2021-22	$ 1,422.8		$ 1,417.5		$ 1,785.1		$ 3,908.3		$ 2,175.4			$ 10,709.1
ACTUAL EXPENDITURES												
Actual IPEDS (w/o Maritime and CO)	$ 1,057.7		$ 1,053.2		$ 1,166.7		$ 3,794.8					$ 7,072.5
Chancellor's Office	$ 239.7		$ 74.0		$ 29.8		$ 8.8		$ 1.4	d		$ 353.6
Maritime Academy	$ 18.4		$ 5.0		$ 12.3		$ 22.2		$ 5.4	d		$ 63.3
Other IPEDS									$ 1,498.1	e		$ 1,498.1
Debt									$ 228.8	g		$ 228.8
Total, Actual 2021-22	$ 1,315.8		$ 1,132.1		$ 1,208.8		$ 3,825.8		$ 1,733.7			$ 9,216.3
Gap: Model less Actual	$ 107.0		$ 285.4		$ 576.3		$ 82.5		$ 441.7			$ 1,492.8

a. Based on 2019-20 IPEDS data; cost estimates have been adjusted to 2021-22 equivalents based on California CPI (increased by 13.1%).

b. Consists of actual 2019-20 IPEDS, adjusted for inflation, plus $82.4 for identified areas of under-funding, less structural baseline.

c. 33% extra per-student expenditures to recognize support needed for basic needs as well as for general academic and student support.

d. "Other" for Chancellor's Office consists of $150,000 of Research and $1.2 million Public Service; for Maritime Academy consists of $4.0 million for research; $44,000 for public service; $1.4 million for Scholarship. "Other Expenses Deductions" category of IPEDS not included for either.

e. Totals below reflect CPI adjustment from reported 2019-20 IPEDS expenditures (Excludes amounts for Chancellor's Office and Maritime Academy.)
- Research - $77.4 million
- Public Service – $71.0 million
- Scholarships – $1,349.7 million

Excludes all of "Auxiliary Enterprises" category.

Excludes "Other Expenses Reductions" category except for GO Bond Payments (shown under "Debt)". Excluded amounts: $2,287.9 for pension and other post-employment benefits, which are future liability costs not paid by the CSU under current state budget practices, and $715.0 for interagency transfers.

f. Cost provided by Chancellor's Office to prevent deferred maintenance from increasing - does not include costs to address any deferred maintenance.

g. 2021-22 University and GO Bond debt payments, excluding auxiliary enterprises. Actual expenditures also total $357.7 million but the portion for university debt payments for academic projects is included in other IPEDS categories (academic support, student services, etc.).

Appendix B

Memorandum

TO: **CSU Trustee Julia Lopez and EVC, CFO Steve Relyea**

FROM: **Patrick Lenz and Leroy Morishita**

UPDATED: **March 8, 2023**

RE: **CSU Unfunded Costs and Mandates**

This memorandum outlines a list of historic policy changes and unfunded mandates that have resulted in increased cost pressures on the California State University (CSU) budget. While state General Fund support for the CSU has nearly doubled over the past 10 years changing costs pressures from compensation to facility renewal have challenged the CSU budget with each passing year. Often times, these cost pressures will benefit from the state investment of "one-time funding" to address capital facility debt service, deferred maintenance, or ever increasing energy/utility costs. However, there are issues identified below outside the annual operating costs of the CSU that are driven by changes in state budget policy or unintended consequences of enacted legislation.

We have reviewed and discussed the nature of these changes, political implications for pursuing remedies, and recommendations for additional data that may warrant a request for future policy and fiscal consideration. We're highlighting budget issues not necessarily in order of priority, but clearly representing unfunded costs and/or state mandated responsibility to the CSU budget. In addition, there are other issues we've identified that also impact the CSU operating budgets but may have other considerations (political or internal) and should be part of the future cost model assumptions being considered by the Financial Sustainability Workgroup. An example of these cost pressures and unfunded mandates are not limited to the list below but represent future funding priorities that will need to be addressed.

- **High-cost programs/majors** – Unknown to Significant
- **Employee step increases** – $45 million (2021-23) up to $1 billion
- **Capital facility debt service** – Unknown to Significant
- **Retirement cost increases since FY2014/15** – $43.6 million and increasing annually
- **Private Attorney General Act** – $7.8 million to $1 billion
- **CSU Risk Management insurance premium costs** – Up $44 million or 55%
- **Energy/utilities** – Unknown, increasing annually
- **Title IX Officer/Clery Officer** – $17.7 million
- **Facilities renewal: deferred maintenance** – Currently $5.8 billion, $284 million annual increase

UNFUNDED COSTS AND MANDATES

1) **High-cost programs/majors** – This relates to an expectation by the state that CSU will continue to increase high-cost STEM related course sections. While clearly not an unfunded mandate, CSU often commits to increasing high costs programs to meet California's workforce shortage and most recently has agreed to this approach as part of the Governor's Compact Funding. A deeper dive to have a clear recommendation of the true cost for science, technology, engineering, and medical courses to identify a strategic approach for each campus offering all these high-cost programs is currently under way.

   The Financial Sustainability Working Group consultants are working on a future cost model to identify the overall fiscal impact of high-cost programs/majors.

2) **Employee step increases** – Employee step increases were built into the state funding for the CSU (through the Orange Book) and somewhere around the early 1990's the state forgoes funding step increases in place of staff salary merit increases. The challenge for the CSU has been the high and low funding from the state to maintain and even make progress for all employee compensation. The legislature appropriated $2 million in 2020 for a staff salary study which was released in May of this year indicating the first-year price tag would cost $287 million and a 5-year implementation cost of nearly $1 billion. The CSU should look at a multi-year implementation plan recognizing the progress that could be achieved within the Governor's Compact funding and a reasonable approach with a state funding increase over the current Compact Agreement. (CSU is also working on a faculty salary study, without funding from the state, that will be released in the spring with similar expectations).

   Historically, the CSU has been able to meet its Collective Bargaining Agreements (CBA) with funding provided by the state General Fund. However, the most recent 2021-23 CBA's required CSU to absorb $45 million in ongoing funding from the campuses to meet an average 7 percent salary increase. In addition, a staff salary study released in May 2022 indicated the CSU would need $287 million to implement the first year compensation recommended in the study with a potential out-year costs of $1.1 billion. This may be compounded by a faculty salary study recommending additional compensation costs that are soon to be released.

3) **Capital facility debt service** – In 2008 Governor Brown faced a $26 billion structural deficit and mounting state indebtedness and essentially froze all further state debt financing including the use of General Obligation bonds and lease-revenue bonds for higher education capital facilities (where the state paid the debt service). Since that time both CSU and UC have relied on creative ways to address new capital facilities and deferred maintenance through financing mechanisms that have increased operating budget debt service obligations. (The CSU Trustees are looking to collaborate with UC on a 2024 G.O. bond measure and better understand a range of capital funding and the debt service obligation.)

   Historically, the CSU has benefited from the state financed debt service through voter approved General Obligation bonds or lease-revenue bonds to support the growing need to address aging capital facilities. However, the last state supported bond occurred in 2006 with a voter approved $690 million in state General Obligation bond funding. In addition, the Governor proposed at that time an additional $2.7 billion in future G.O.

bond recommendations to address CSU capital facilities that unfortunately were never placed on the ballot. In 2014, CSU received expanded debt financing authority to address critical capital funding through the sales of statewide revenue bonds. The ability to restructure CSU debt in addition to one-time state General Fund dollars have significantly increased CSU's ability to address both deferred maintenance and new capital facility needs. However, with 50 percent of CSU facilities being over 40 years old the challenge to provide funding, even through debt service, to reduce ongoing deferred maintenance and fund new capital facility needs is massive.

4) **Retirement cost increases since FY2014/15** – Again, as part of the state's effort to shift annual cost increases tied to compensation the CSU was required to provide additional funding for retirement obligations out of the CSU operating budget. It would be helpful to have a clear understanding of the cost of this obligation to the CSU budget and any potential projects based on the newly released Staff Salary Study and possibly some projections/assumptions when the Faculty Salary Study is released next spring or other compensation issues that may increase future CSU retirement obligations.

   Beginning with the 2014-15 fiscal year, the legislature placed a limit on the state's obligation to adjust CSU retirement funding due to annual changes in CalPERS rates. The estimated unfunded costs to date are $43.6 million including $28 million in the 2022-23 fiscal year. To put this in perspective, for every $1 million salary cost increase in the future for current or new employees the CSU will be obligated to contribute $100,000 as part of their retirement obligation.

5) **Private Attorney General Act -** PAGA was enacted in 2003 and grants an aggrieved employee a private right of action to file lawsuits seeking civil penalties on behalf of themselves, other employees, and the State of California. The legislature passed PAGA in response to growing underground businesses in California operating outside the state's tax and licensing requirements at a time when regulatory agency staffing levels had dramatically decreased. Under PAGA, an aggrieved employee files a notice with the Labor and Workforce Development Agency detailing Labor Code violations. LWDA has 65 days to decide whether to take the case, and if they do not, or if a division under LWDA fails to complete an investigation and issue a citation within 120 days, the employee can proceed with a PAGA lawsuit. Civil penalties from PAGA are relatively low with most of the money divided between LWDA (25 percent) and the General Fund (50 percent) and only 25 percent divided between all identified employees aggrieved by the violation.

   The main issue stems from clarity from a regulatory standpoint and the current Court of Appeals interpretation of the statute that has driven excessive cost in attorney's fees and the discovery process, all at the expense of the CSU. The Court of Appeals has upheld $7.8 million in attorney fees for one case and in a second case the plaintiff contends historical penalties against the CSU could exceed $200 million. CSU's exposure in this second case for potential damages, attorney fees, and overall costs could exceed $1 billion. CSU is currently working with the Governor's Office and the legislature to seek either regulatory or statutory clarification and relief from the current PAGA statutes.

6) **CSU Risk Management insurance premium costs** – Universally, from homeowner to various business, insurance premium costs have risen dramatically over the past 5 years. Systemwide insurance premium cost increases have been driven by natural

disasters outside the control of the CSU such as everything from major wildfires to industry liability concerns including the rise in the number of claims and inflated settlements. California higher education faces some of the toughest challenges in the liability insurance market due to higher physical abuse, sexual abuse, law enforcement related claims and employment practice exposures.

Insurance premium costs have increased from $80.6 million to nearly 125 million or 55 percent over the past 5 years.

7) **Energy/utilities** – While not an unfunded state mandate this is a mandatory campus operating budget cost clearly outside of the control of each CSU campus and a mandated cost with few alternative energy options to natural gas or energy market increases. Natural gas costs have been impacted by the war in Ukraine and the COVID pandemic and other energy costs have increased due to refinery issues and major fires where utilities have been held financially responsible but passed their liability costs off to the consumer. While CSU has invested in renewable energy such as solar and battery storage, it has been funded mostly by third-party financing.

   Utility costs including electricity, gas, oil, water, sewage, and hazardous waste have increased from $137 million to $166 million over the past 6 years.

8) **Title IX Officer and Clery Officer** – No federal or state funding has ever been allocated to defray the cost of complying with federal requirements to implement Title IX compliance placed on higher education institutions receiving federal funds. Title IX compliance prohibits sex-based discrimination and disclosure of information about certain crimes that occur on or near the campus. The CSU Title IX practices are currently under review by the California State Auditor and additional recommendations are anticipated to support this effort once the reports are finalized.

   The best cost estimate at this time for the CSU Title IX compliance is $11.9 million including a Title IX coordinator/director, investigator, assistant, benefits and operational costs at each CSU campus. In addition, campus costs for a Clery Officer are estimated to be an additional $6.8 million.

9) **Facilities renewal: deferred maintenance** – More than half of the CSU campus facilities are 40 years and older. The current facility renewal is approximately $5.8 billion and growing $284 million annually. The state has provided some debt restructuring options and one-time funding to address facility renewal and deferred maintenance abandoned and we've even had a few "failed" starts and stops on the federal government budget front that unfortunately didn't come to fruition. The state has ownership in many of the CSU facilities and at a minimum should address those buildings where seismic or fire-life-safety pose a risk to our students, faculty, and staff.

   The CSU has received $450 million in state "one-time" General Fund dollars for Capital Renewal needs and is currently requesting $1.3 billion in one-time funding for the 2023-24 CSU Budget. The CSU has identified $5.8 billion in Capital Renewal needs with over half of campus facilities being 40 years or older and critical facility renewal growing at $284 million per year.

INCREASING SYSTEM AND CAMPUS OBLIGATIONS

There's been a historical shift in services provided by the county and state that are now the presumed obligation of higher education. While the kinds of services provided to our students

are fundamental and necessary, they have come at a cost not fully reimbursed by the state or federal government. In addition, we have identified funding issues internal to the CSU that come with a cost, but we're established through the collective bargaining process or need to be addressed with policy changes.

1) **Basic Needs Programs** – The growing need to ensure students have access to nutrition and services, particularly considering the recent pandemic, needs to be assessed as to the funding and program level at each campus. There are CSU campuses concerned Basic Needs Programs are currently meeting the needs of their students and any additional funding should be redirected to other student services areas.

   Over three fiscal years, the CSU has invested a total of $140 million for Basic Needs Programs, primarily housing and food security, including $84 million ongoing; $27 million in one-time; and $29 million in one-time external funding.

2) **Mental Health Counselors** – Part of this issue has to do with the unfunded approach to ensuring CSU campuses have professionally trained counselors to address the needs of our students. A secondary issue, internal to the CSU, is the classification of mental health counselors as faculty including workday and time commitments established in the collective bargaining process.

   The CSU has dedicated $63 million for student mental health counselors as part of the Basic Needs Program funding.

3) **Tuition forgiveness** – The CSU established a policy to provide "free tuition" to all employees seeking a doctoral degree. May want to revisit this policy to see if an income test is worth consideration.

   The cost of doctorate, graduate and other post-baccalaureate tuition waivers provided to CSU employees and their dependents was roughly $5.2 million in 2020-21 for 1,400 students. Employee and employee dependents on waivers for all fee categories have increased by about 27 percent over the past 10 years.

Appendix C

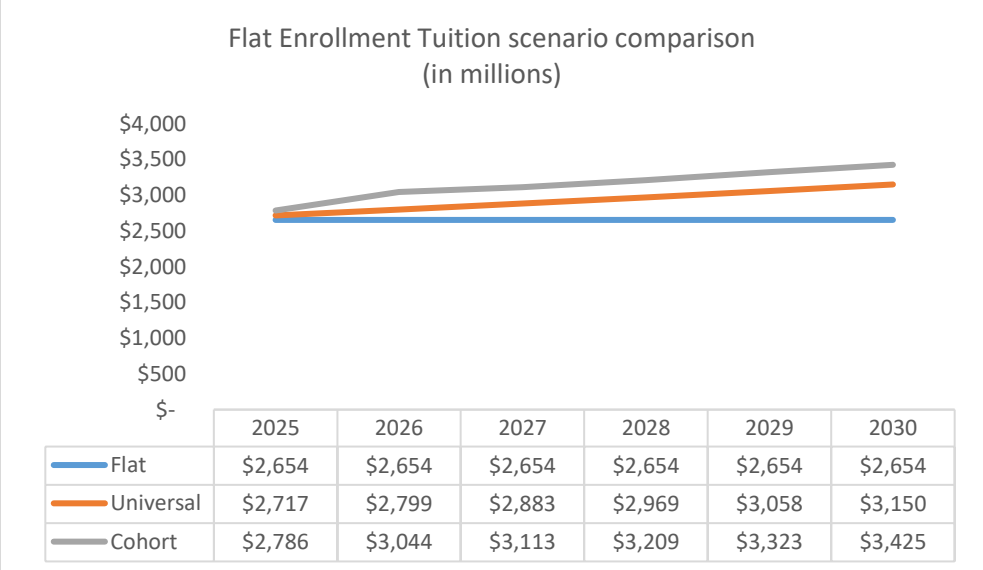
Tuition Revenue Scenarios Overview

The CSU has two major sources of revenue: General Fund and student tuition. This appendix summarizes the revenue potential of different models (under certain enrollment scenarios) for tuition increases. The Workgroup considered the models from two perspectives – CSU's revenue needs to meet its future costs, and the cost to individual students as well as for the entire student body.

CSU Revenue Projections

The variables for tuition revenue are enrollment, tuition rates, and the timing of the change. Since 2011-12, tuition rates only changed once—in 2017-18—so any fluctuation in tuition revenue over the past 12 years is primarily due to changes in enrollment. Since 2018-19, total tuition revenue has slightly but steadily declined, primarily due to fluctuations in enrollment. For 2024-25, projected tuition revenue under the current policy will depend on enrollment levels.

Status Quo: If there is no change in tuition rates and if enrollment declines (similar to the projected decline in high school graduates), we can expect tuition revenue to further decline. Under this scenario, an annual 1.8 percent decline in enrollment from 2025 to 2030 would reduce total tuition revenue by almost nine percent. Conversely, an annual one percent enrollment increase would grow revenue by five percent. Consequently, there could be meaningful tuition revenue changes due either to year-over-year gradual enrollment increases or decreases.



	2025	2026	2027	2028	2029	2030
Flat	$2,654	$2,654	$2,654	$2,654	$2,654	$2,654
Universal	$2,717	$2,799	$2,883	$2,969	$3,058	$3,150
Cohort	$2,786	$3,044	$3,113	$3,209	$3,323	$3,425

Tuition Increase Models and Scenarios: This paper projects tuition revenue for two different enrollment scenarios through 2030 and compares the difference with the status quo—or Flat—model with other models.

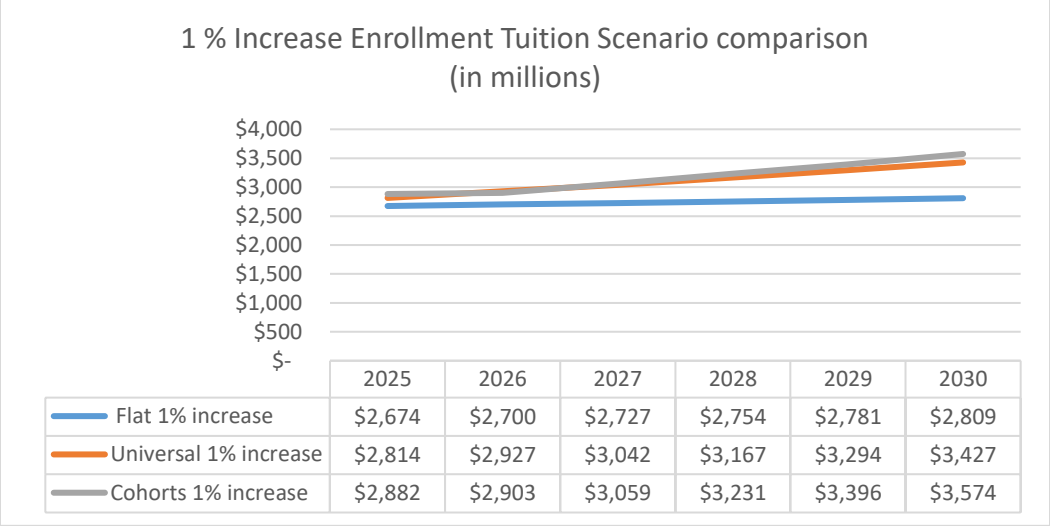
- The first model is a Universal tuition increase model, that is, tuition for every student increases moderately three percent year over year until graduation.

- The second model is a Cohort model. In 2024-25, all new and continuing students would pay a five percent tuition increase, but their tuition would remain flat until they graduate. Incoming students (both first-time first-year and new transfer) enrolling in 2025-26 would begin a new cohort that would pay a five percent higher tuition rate than continuing students, and the rate for these students would remain flat until they graduate. This pattern would continue; tuition would increase by five percent for every subsequent cohort and then would remain flat until they graduate.

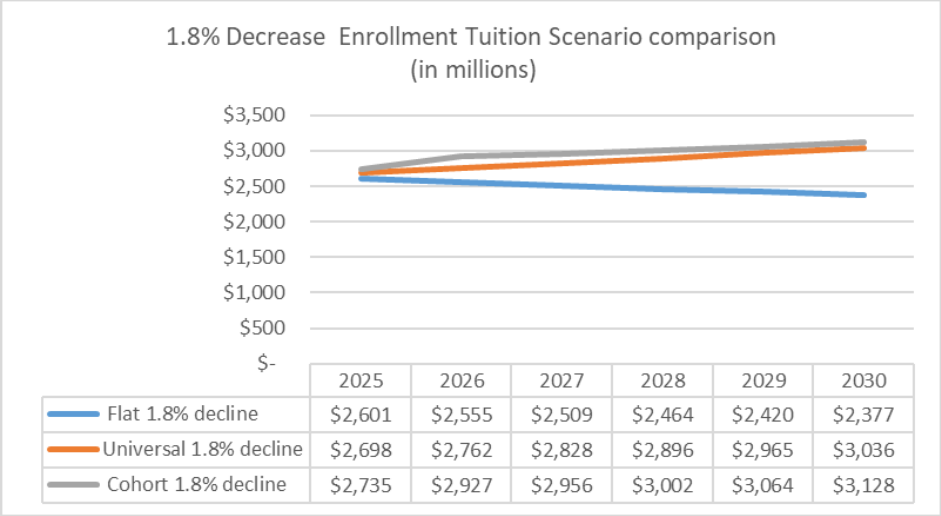
Revenue Projections: Moderately increasing tuition rates under the Universal and Cohort models would significantly increase tuition revenue when compared to the Flat model. The following charts illustrate the effect of tuition revenue increases of both the Universal and Cohort models compared to the Flat model under the two enrollment scenarios: (1) an enrollment increase of one percent per year, or (2) an enrollment decline of 1.8 percent per year (mirroring projected declines in high school enrollment).

The charts show that by 2030, the Universal model would generate more tuition revenue than the Flat model. When compared to the Flat model, the Universal model would generate 22 percent more revenue if enrollment were to grow and 28 percent more revenue if enrollment were to decline.

The charts also show that by 2030, the Cohort model would generate more tuition revenue than the Flat model. When compared to the Flat model, the Cohort model would generate 27 percent more revenue if enrollment were to grow and 32 percent more revenue if enrollment were to decline.



	2025	2026	2027	2028	2029	2030
Flat 1% increase	$2,674	$2,700	$2,727	$2,754	$2,781	$2,809
Universal 1% increase	$2,814	$2,927	$3,042	$3,167	$3,294	$3,427
Cohorts 1% increase	$2,882	$2,903	$3,059	$3,231	$3,396	$3,574



	2025	2026	2027	2028	2029	2030
Flat 1.8% decline	$2,601	$2,555	$2,509	$2,464	$2,420	$2,377
Universal 1.8% decline	$2,698	$2,762	$2,828	$2,896	$2,965	$3,036
Cohort 1.8% decline	$2,735	$2,927	$2,956	$3,002	$3,064	$3,128

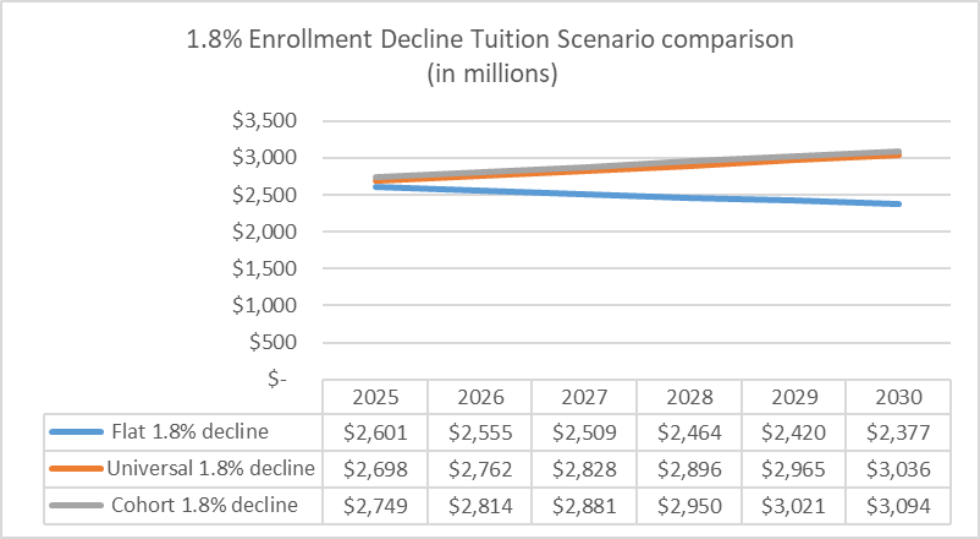
Three things to note.

1. With an enrollment decline, the revenue gap would be greater between the Flat model and the Universal and Cohort models. The larger difference is due to the fact that when enrollment declines, the Flat model does not have the cushion of tuition increases, which are built into the other two models.
2. The larger revenue increases in the Cohort model over the Universal model is solely due to the difference in the percentage increase in the tuition rate; that is, the Cohort model's increase of five percent each year for entering cohorts, while the Universal model has a smaller increase of three percent each year. These differences become more pronounced in later years as more of the student population becomes part of the Cohort model.
3. The percentage difference between models means that over time, the Cohort model would bring in more revenue than the Universal model. The higher percentage increase in tuition rates for those within the cohort and those outside the cohort in 2025 also means that this model generally produces more revenue in the short term than a universal increase of three percent. In all enrollment scenarios, the Cohort approach consistently generates greater amounts of revenue beginning in the 4th year of each enrollment scenario.

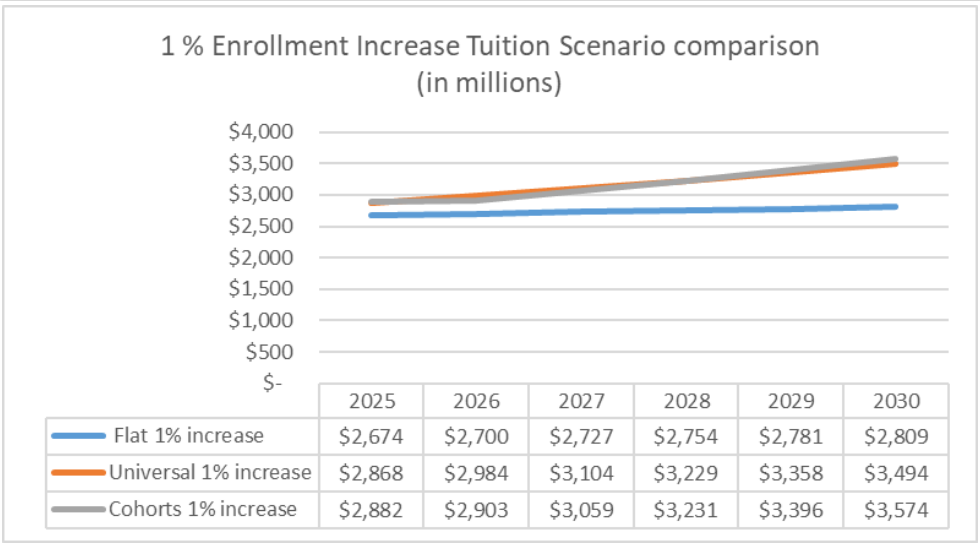
The models and scenarios in this report were constructed for illustration purposes, and the revenue projections will change if the parameters—percent increase in tuition rates and enrollment assumptions—change.

Hybrid of Models: The Workgroup also discussed a hybrid of the models. An example of a hybrid between the Universal and Cohort models would be if tuition were to increase by five percent for all new and continuing students in 2024-25 and were to annually increase by three percent thereafter. A hybrid model like this would bridge the revenue gap between the Universal and Cohort models. In the first five years, however, revenue would be lower with the Cohort model because growth is limited to new cohorts enrolling every year. Once again, in all enrollment scenarios, the Cohort approach consistently generates greater amounts of revenue beginning in the 4th year of each enrollment scenario.

The following charts illustrate this point in both an increasing and decreasing enrollment scenario for a Hybrid model.



	2025	2026	2027	2028	2029	2030
Flat 1.8% decline	$2,601	$2,555	$2,509	$2,464	$2,420	$2,377
Universal 1.8% decline	$2,698	$2,762	$2,828	$2,896	$2,965	$3,036
Cohort 1.8% decline	$2,749	$2,814	$2,881	$2,950	$3,021	$3,094



	2025	2026	2027	2028	2029	2030
Flat 1% increase	$2,674	$2,700	$2,727	$2,754	$2,781	$2,809
Universal 1% increase	$2,868	$2,984	$3,104	$3,229	$3,358	$3,494
Cohorts 1% increase	$2,882	$2,903	$3,059	$3,231	$3,396	$3,574

Ultimately, the Workgroup recognized that the Chancellor and her staff will decide the parameters as part of their budget process.

Student Perspective

The Workgroup recognized that any changes in tuition rates will impact students and emphasized the need to adhere to the stated principle – that any scenario be gradual, moderate and, importantly, predictable. All three models (Universal, Cohort, and Hybrid) can satisfy these principles with proper planning and communication. The scenarios differ in terms of the tuition collected each year and the total tuition collected from students over the course of their academic careers.

The following chart illustrates this difference over an enrollment period of five years. It shows that in the Universal model, beginning from the $5,914 level (a three percent increase from the current full-time tuition), a student will pay three percent more every year. The final column

shows the total over five years, for each incoming class, beginning in 2024-25. For example, a student entering in the 2024-25 academic year would pay a total of $31,400 over a five-year period, while a student entering in the 2029-30 academic year would pay $36,401 over a five-year period.

Under the Cohort model, an entering student would have a five percent tuition increase in the entering year with no further increases until they graduate. A student entering in the 2024-25 year would pay $30,146 over a five-year period, while a student entering six years later in 2029-30 would pay $38,474 over a five-year period.

The Hybrid model begins with a five percent increase for all students, followed by a three percent annual increase for all students. A student entering in the 2024-25 academic year would pay $32,009 over a five-year period, while a student entering in 2029-30 would pay $37,108 over a five-year period.

Scenario 1: Annual 3% increases in tuition for all students

	Annual Tuition Paid by a Full-time Student					
Entering Year	Year 1	Year 2	Year 3	Year 4	Year 5	Five-year Total
2024-25	$ 5,914	$ 6,092	$ 6,274	$ 6,463	$ 6,657	$ 31,400
2025-26	$ 6,092	$ 6,274	$ 6,463	$ 6,657	$ 6,856	$ 32,342
2026-27	$ 6,274	$ 6,463	$ 6,657	$ 6,856	$ 7,062	$ 33,312
2027-28	$ 6,463	$ 6,657	$ 6,856	$ 7,062	$ 7,274	$ 34,311
2028-29	$ 6,657	$ 6,856	$ 7,062	$ 7,274	$ 7,492	$ 35,341
2029-30	$ 6,856	$ 7,062	$ 7,274	$ 7,492	$ 7,717	$ 36,401

Scenario 2: 5% increase for each entering cohort - constant tuition level thereafter

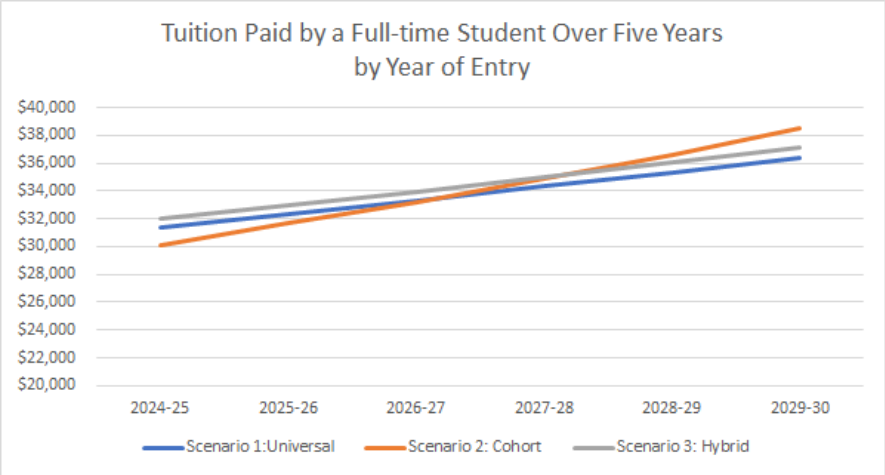
	Annual Tuition Paid by a Full-time Student					
Entering Year	Year 1	Year 2	Year 3	Year 4	Year 5	Five-year Total
2024-25	$ 6,029	$ 6,029	$ 6,029	$ 6,029	$ 6,029	$ 30,146
2025-26	$ 6,331	$ 6,331	$ 6,331	$ 6,331	$ 6,331	$ 31,653
2026-27	$ 6,647	$ 6,647	$ 6,647	$ 6,647	$ 6,647	$ 33,235
2027-28	$ 6,979	$ 6,979	$ 6,979	$ 6,979	$ 6,979	$ 34,897
2028-29	$ 7,328	$ 7,328	$ 7,328	$ 7,328	$ 7,328	$ 36,642
2029-30	$ 7,695	$ 7,695	$ 7,695	$ 7,695	$ 7,695	$ 38,474

Scenario 3: 5% increase in 2024-25; 3% annual increase thereafter

	Annual Tuition Paid by a Full-time Student					
Entering Year	Year 1	Year 2	Year 3	Year 4	Year 5	Five-year Total
2024-25	$ 6,029	$ 6,210	$ 6,396	$ 6,588	$ 6,786	$ 32,009
2025-26	$ 6,210	$ 6,396	$ 6,588	$ 6,786	$ 6,989	$ 32,970
2026-27	$ 6,396	$ 6,588	$ 6,786	$ 6,989	$ 7,199	$ 33,959
2027-28	$ 6,588	$ 6,786	$ 6,989	$ 7,199	$ 7,415	$ 34,977
2028-29	$ 6,786	$ 6,989	$ 7,199	$ 7,415	$ 7,637	$ 36,027
2029-30	$ 6,989	$ 7,199	$ 7,415	$ 7,637	$ 7,867	$ 37,108

The following graph shows that classes entering in 2024-25 and 2025-26 would pay somewhat less under a Cohort model than under a Universal or Hybrid model over five years. Beginning with students entering in 2026-27, the relationship begins to shift, and the last two entering classes shown in the graph would pay more over a five-year period under a Cohort model. This is because the compounding effect of the annual five percent increases to the initial but constant tuition payment under the Cohort model which eventually exceeds an annual three

percent increase under the Universal model. The Hybrid model falls in between the Universal and the Cohort model for the last two entering classes shown.



The student perspective and the university perspective, of course, are different sides of the same coin. With the specified scenarios for each model type (i.e., five percent increase in the Cohort model, three percent annual increases in the Universal model, and the hybrid model with an initial five percent increase followed by three percent annual increases), the Cohort model will ultimately raise more revenue for the university but cost more to the individual student. The Universal model will raise less for the university but cost less for students. The Hybrid model is in the middle, both in terms of revenues to the university and cost to students.

Financial aid will reduce the burden for the majority of students: This report did not take into account the meaningful impact that financial aid will have on students whose tuition is increased. Financial aid via the state's Cal Grant program and the university's State University Grant (SUG) program is aimed at students who are least able to afford college. Recently, a report to the Board of Trustees noted that 60 percent of CSU students pay no tuition and that an additional 25 percent receive partial tuition payments. A Financial Aid Workgroup will be examining current financial aid policies and practices and will be making recommendations to the chancellor about ways to maximize state and federal financial aid and minimize the impact of any tuition increases on CSU students.

Appendix D

Financial Aid - Structuring the State University Grant Program for the 21st Century

As referenced in the Fiscal Sustainability Workgroup Report, any proposed increases in tuition should be accompanied by a financial aid policy that underscores and clearly communicates CSU's commitment to affordability. Such a policy should explicitly consider how CSU can supplement existing federal and state financial aid programs and leverage these aid sources to maximize grants and minimize students' reliance on borrowing.

Recommended Actions

The Trustees consider simultaneously codifying—or otherwise memorializing—CSU's Return-to-Aid policy when it addresses future student fee increases.

The CSU and the UC have traditionally set aside one-third of any new fee increase increment to return to institutional student aid. This one-third set aside amount has remained stable over time, until recently. At the UC, after its adoption of a cohort tuition model, the Board of Regents increased its return-to-aid percentage to 45 percent of the fee increase revenue, illustrating that there is no perfect number.

The CSU Trustees should codify or otherwise memorialize CSU's return-to-aid policy at the same time it addresses student fees. Keeping these two issues paired will help ensure future fidelity to the policy even as system leadership and staffing change over time. Without this memorialization, future leadership and staff are left to determine if and/or how the program adjusts with enrollment growth, and what happens to institutional aid budgets in declining enrollment years, among other issues.

The Chancellor immediately appoint a Workgroup on Financial Aid

Pending changes in the FAFSA and the state's Cal Grant program, and recent changes to California's Middle Class Scholarship Program, necessitate an immediate review of CSU's State University Grant (SUG) program to ensure that it is being used effectively and efficiently to address the needs of today's CSU students.

A new workgroup would offer guidance and recommendations on a comprehensive financial aid policy for CSU and address the suggested policy questions noted below. Given that Cal Grant Reform will be evaluated by the Administration for enactment in early 2024, the workgroup should act swiftly in order to recommend any legislative proposals that would be consistent with its findings.

Suggested Charge of the Workgroup

Specifically, the Workgroup should focus on the following three action items: (1) recommending a comprehensive financial aid strategy for the CSU; (2) developing an implementation plan to ensure that campuses are equipped with both the policy requirements and the flexibility to make student-by-student adjustments (within a set of parameters); and (3) linking the policy to a clearly communicable message to Californians about CSU College Affordability.

1. Recommend a Comprehensive Financial Aid Strategy

The *Workgroup* should consider starting with a set of **principles** to ensure that the subsequent policy aligns with those principles. Following is a set of questions and statements to help drive the creation of those principles:

- CSU's Return-to-Aid policy is inherently "progressive" such that the net cost of college decreases for those who can least afford to pay.
- CSU will first maximize student's eligibility for federal and state grant aid.
- How can a SUG policy complement CSU priorities such as long-term enrollment management and fiscal sustainability strategies?
    - How has CSU's student demographics changed since the SUG program was last modified? Is it appropriate to emphasize or prioritize various student sub-populations (e.g., first generation students; returning adults; single parents; those experiencing homelessness; lowest of the low-income students; transfer students?)
    - Should SUG be used to assist students who have stopped out and/or have "some college but no degree"?
    - Should SUG be awarded for other costs of attendance besides tuition and fees?
- Should SUG be used solely to cover tuition for individuals not otherwise eligible for Cal Grant? Or should SUG be used as a flexible resource to accommodate gaps in students' total cost of attendance?
- Under what circumstances can and should campus financial aid officers have the flexibility to exercise professional judgment regarding an individual student's circumstances?

The *Workgroup* should also consider the following **policy questions** as it explores its charge.

- Should SUG make partial awards to students? Under what circumstances would this make sense?
- Should a student's "lifetime" eligibility for SUG (e.g., 150 completed units) be aligned with Cal Grant eligibility (400% enrollment, designed to cover 4 years of full-time enrollment) or continue to be used to help 5th-year students complete their education?
- Should the CSU consider separate return-to-aid allocations for undergraduate and graduate students (similar to doctoral student tuition and aid)?
- Should CSU consider a modest work or student borrowing assumption to round out all its financial aid packages? What constitutes "modest"?
- How should the CSU think about aid to cover campus-based fees?

2. Develop an implementation plan to ensure that campuses are equipped with both the policy requirements and the flexibility to make student-by-student adjustments.

A revised SUG policy is only effective if it is interpreted and operationalized on campuses uniformly and with fidelity to the overarching policy. That said, individual student circumstances don't always fit neatly into a state- or system-level policy. The workgroup will need to simultaneously recommend a systemwide policy while also creating an implementation plan that will address the realities and complexities of today's student.

3. Create a clear and communicable message to Californians about CSU College Affordability

The cost and value of a postsecondary degree are very much in the public narrative. Branded college affordability programs like Community College's *College Promise* and UC *Blue and Gold* resonate with students and families due both to the affordability promise and the simplicity of the message. While the administrative stacking of financial aid resources behind those programs is often complex, the promise of affordability could help direct future students to the CSU and serve as a cornerstone of the CSU's enrollment management strategy.

Appendix E

Examining CSU Policies and Practices That May Impede Change

Background

During the course of workgroup and consultant discussions, policies and practices in the CSU have been raised as possible impediments to actions that could enhance student success. Policies are intended to provide guidance to our university presidents and their teams to utilize resources effectively, efficiently and ethically. Many have not been reviewed nor revised despite many changes that have occurred since their inception. Hence, they have not kept pace with the evolution of the way instruction and services are delivered as well as a very different financial funding model for the CSU. Some changes/modifications of existing policies and practices could result in redirection of existing resources, enhancing revenue generation and/or reducing expenses which then permit better utilization of these resources to improve student outcomes.

While the workgroup is not tasked with reviewing and revising CSU policies, looking for ways to augment and best utilize resources to increase student success is our goal. Providing direction as to which policies might be reviewed for possible revision could be a step toward our goal. Ideally, this will empower our university leaders with greater flexibility and opportunities for creativity in managing and increasing resources that lead to improved student outcomes.

Some policies and practices to consider examining:

1) **Highest potential to raise funds**
    - Restrictions on majors and courses offered via General Fund versus Extended Education
    - Limitations on class sizes by policy and/or practice
    - Non-resident tuition policy (San Luis Obispo pilot with market rate)
    - Cost allocation plan for auxiliaries (i.e., reimbursement for University expenses)
    - Development of programs to meet regional needs
    - Development of executive programs
    - Dual enrollment with community college and high school students
    - Review of fee waivers
2) **Flexibility to free up funds for other purposes**
    - Restriction on use of revenues generated through Extended Education and Parking funds beyond overhead charges
    - Incentives or disincentives for inter-campus cooperation on majors or course offerings
    - Faculty workload policy and/or practices that might not be effective and efficient
    - Duplication of programs with regional campuses

- Concurrent enrollment within the CSU
- Financial disincentives for regional collaboration
- Contracting with other campuses to offer shared services
- Athletic funding and costs

Next Steps

Exploration of the relevant policies and practices to identify where they are codified and under whose purview they reside. Make recommendations as appropriate for further examination of opportunities for changes that will enhance the use of funds for increased student success.