January 30, 2015

Senate Education Committee, Chair and Committee Members  
Assembly Higher Education Committee, Chair and Committee Members  
Senate Budget and Fiscal Review Subcommittee #1 on Education, Chair and Committee Members  
Assembly Budget Subcommittee #2 on Education Finance, Chair and Committee Members  
Department of Finance

RE: Report on CSU Student Fee Policy Revisions Related to Student Success Fees

As required by Section 89712(b) of the Education Code, the following report summarizes the process and findings of the Student Success Fee Working Group and recommendations to the Board of Trustees. The report also highlights changes adopted by the Board of Trustees at their January 27-28, 2015 meeting.

Should you have any questions about this report, please contact Ryan Storm, Assistant Vice Chancellor for Budget, at rstorm@calstate.edu or (916) 449-3542.

Sincerely,

[Signature]

Timothy P. White  
Chancellor  
TPW/csg

Full report posted to www.calstate.edu/budget/ fybudget/ legislative-reports/

c: Ms. Diane Boyer-Vine, Legislative Counsel  
   Mr. Mac Taylor, Legislative Analyst  
   Mr. Danny Alvarez, Secretary of the Senate  
   Mr. Dotson Wilson, Assembly Chief Clerk  
   Mr. Garrett Ashley, Vice Chancellor, University Relations and Advancement  
   Mr. Ryan Storm, Assistant Vice Chancellor for Budget  
   Ms. Karen Y. Zamarripa, Assistant Vice Chancellor, Advocacy and State Relations  
   Mr. Rodney Rideau, Acting Deputy Assistant Vice Chancellor for Budget
THE CHANCELLOR’S REPORT ON STUDENT SUCCESS FEE POLICY
RECOMMENDATIONS

Pursuant to Chapter 34 of the Statutes of 2014 (Senate Bill 860), Education Code section 89712 (b) requires the chancellor to review the CSU Fee Policy as it relates to Category II Student Success Fees (SSFs) and to formulate recommended changes for consideration by the Board of Trustees (Board). In June 2014, the chair of the Board formed a Working Group on Category II Student Success Fees (Working Group) to study the role, process, and enactment of campus-based mandatory SSFs with the expectation that the Working Group would produce policy recommendations.

Attached is the CSU Board of Trustees, Committee on Finance agenda item that includes the findings and recommended resolution of the Working Group, which were subsequently adopted by the Board on January 28, 2015. The Working Group was comprised of: Trustee Doug Faigin, Trustee and Student Talar Alexanian, Chancellor Timothy White, California State University, Fullerton, President Mildred Garcia, and California Polytechnic State University, San Luis Obispo, President Jeff Armstrong. The review process included three campus visits with open campus forums, a series of meetings open to the public, and other broad consultation efforts with various constituencies including faculty leadership and student leadership groups across the system. Throughout the Working Group phase, input was robust from trustees, students, staff, faculty, chancellor’s office representatives, and others.

While Education Code section 89712 (b) specifies seven (7) items to be considered, the Working Group was convened and charged with a broader scope. This included studying and presenting findings on the process and history of this fee including its notification, accountability, and outcome reporting processes; impact on student success and affordability; and the inconsistency in its application across the 23-campus CSU system. In considering the seven items raised in the Education Code, the Working Group’s effort culminated in the recommended and approved resolution (attached).

Below is a reconciliation between the seven statutory items and the elements of the Board-approved resolution. The numbers coincide with the seven items listed in Education Code section 89712 (b).

(1) The approval process for SSFs including the benefit of conducting referenda or use of consultation.

The Board adopted a resolution addressing this issue, requiring that a binding student vote shall be taken on implementation of any proposed new SSF. All students who are eligible to vote in student government elections shall be eligible to vote on such proposals. A rigorous consultation process shall be undertaken to inform and educate students on the uses, impact, and cost of any proposed SSF prior to the binding student vote.
(2) The need for statewide policies governing the referendum and alternative consultation processes.

The resolution identified in response to (1) above includes specifications regarding the approval process for SSFs. The Working Group, chancellor, and Board determined that there is no need for state-level policies governing the conduct of fee approval processes in light of the recommended policy changes cited above.

(3) The means to improve transparency and accountability regarding the use of SSF funds for campus and external constituencies.

The resolution requires each campus to have a transparent, online accountability protocol that clarifies the decision process and allocation of SSFs, with annual reporting to the Chancellor by October 15 of each year and publicly posted and accessible to the public before the end of the calendar year. All campuses shall be held to this standard for any existing and new SSFs imposed in the future.

(4) The development of an annual report describing the use of SSF funds by each campus in the prior academic year.

The resolution identified in response to (3) above includes specifications for annual reporting.

(5) A potential statewide policy prohibiting campuses from implementing SSFs in excess of five years unless continued through an ongoing affirmative referendum or consultation.

The Board resolution further stipulates that all SSFs now in place shall remain unchanged, including any previously established increments. However, a campus that considers a net new addition to an existing SSF shall proceed as described in the above paragraph. Any campus proposing a new SSF or an increase not already scheduled to an existing SSF will consult with the chancellor and must receive approval on the process that will be followed to obtain approval for the fee before proceeding. SSF proposals may not be brought before the student body more frequently than once per academic year.

(6) Impact of SSFs on campus academic programs and other services available to students, particularly low-income students.

The Working Group determined that SSFs have been used in a number of ways, depending on each campus’ decision. Some campuses have dedicated significant portions of the SSF revenues for new technology, campus-wide Wi-Fi, library hours, veteran services, career services, athletics, and additional benefits for students that would otherwise be unfunded. At least one campus was very specific in rejecting any use of SSFs for purposes that historically were sufficiently covered by tuition and state appropriation. Other campuses have used SSF revenues
to hire additional faculty, advisors, counselors and tutors, provide more courses and fund other educational needs traditionally supported in part by tuition and state appropriation.

(7) A provision for financial assistance to offset the cost of SSFs for low-income students. The Working Group reviewed financial aid considerations regarding cost offsets for lower-income students and found that there is sufficient coverage through a variety of private, institutional, state, and federal financial aid programs. No policy changes are recommended at this time.

Attachment

Agenda Item 1—Working Group on Category II Student Success Fee, Meeting of Committee on Finance, CSU Board of Trustees, January 27-28, 2015
COMMITTEE ON FINANCE

Working Group on Category II Student Success Fee

Presentation By
Timothy P. White
Chancellor

Summary

In response to the charge of the chair of the California State University Board of Trustees and the requirements of Section 89712 of the California Education Code, the findings and recommendations of the Working Group on Category II Student Success Fee will be presented as an action item.

Working Group on Category II Student Success Fee Overview

In June 2014, the chair of the Board of Trustees formed a Working Group on Category II Student Success Fee to study the role, process, and enactment of category II campus-based mandatory student success fees.

The working group was charged with studying and presenting findings on the process and history of this fee including its notification, accountability, and outcome reporting processes; impact on student success and affordability; and the inconsistency in its application across the 23-campus CSU system. A preliminary report on the membership of the working group, its charge, and the initial review of the fee process at the 12 campuses that have enacted student success fees was presented to the board at its September 2014 meeting.

When the governor signed SB 860, in June 2014, Chapter 34 amended Education Code Section 89712, to place a moratorium on approval of new California State University student success fees until January 1, 2016. The legislation further required the chancellor to conduct a review of student success fees during fiscal year 2014-2015 and make recommendations to the trustees on changes to the fee policy.

Findings

Various category II fees, often called “success fees” which began in 2008, are required for students to enroll and attend at 12 of the CSU campuses. These fees have often been enacted in response to significant reductions in state financial support to the CSU and individual campus needs. As a result of these funding cuts, administrators have turned to
these fees in their on-going good-faith efforts to provide the quality educational experiences students deserve. This working group applauds and supports the goals and intentions of the campus administrators in their efforts.

Success fees have been used in a number of ways, depending on each campus’ decision. Some campuses have dedicated significant portions of the student success fee revenues for new technology, campus-wide WiFi, library hours, veteran services, career services, athletics and additional benefits for students that would otherwise be unfunded. At least one campus was very specific in rejecting any use of success fees for purposes that historically were sufficiently covered by tuition and state appropriation. Other campuses have used success-fee revenues to hire additional faculty, advisors, counselors and tutors, provide more courses and fund other educational needs traditionally supported in part by tuition and state appropriation.

In January 2011, Executive Order 1054 mandated fee structures and procedures that stated, "The policy presumes that a student fee referendum will be conducted before adjusting or establishing category II fees. The president, however, may waive the referendum requirement if he/she determines that a referendum is not the best mechanism to achieve appropriate and meaningful consultation."

Of the 12 campuses with success fees, two had referendums that the presidents pledged voluntarily to abide by, although one of those two allowed students to vote only if they attended alternative consultation meetings about the fee proposal. A third campus administration did not support a campus-wide referendum and a vote by the Student Fee Advisory Committee rejected the proposed fee. Despite the student rejection, the fee was imposed by the prior administration.

According to some administrators, "alternative consultation" meetings were used instead of student votes due to historically low turnout in campus voting. Other campuses relied on alternative consultation to educate and inform students as well as receive their input to finalize a recommendation to the president and chancellor.

Success fees have recently engendered controversy on some campuses, in the legislature (with the moratorium through 2015 on any new success fees), and among the public as exemplified by media coverage and negative editorial comments. Concerns have included increased fees being imposed on students who may already be struggling financially, lack of legitimacy in conducting student voting without restrictions, lack of transparency at some campuses regarding how funds from the success fees are allocated, and use of these funds for classroom purposes historically covered by tuition and state funding. Using success fees for classroom purposes historically covered by tuition and state funding may be cause for concern because a) decisions about the imposition of tuition are associated with category I
fees and are decided by the Board of Trustees and not others, and b) the governor’s four-year budget plan for the CSU is clearly linked to an understanding of a moratorium on tuition increases.

Recommendations

The following resolution is presented for approval:

**RESOLVED**, by the Board of Trustees of the California State University that, a binding student vote shall be taken on implementation of any proposed new student success fee. All students who are eligible to vote in student government elections shall be eligible to vote on such student success fee proposals. A rigorous consultation process shall be undertaken to inform and educate students on the uses, impact and cost of any proposed student success fee prior to the binding student vote. In the process of establishing new student success fees, and before the student vote occurs, it must be made clear to the students that if a portion of that fee is intended to support ongoing and/or long-term obligations, that portion of the fee will remain in place until the obligations are satisfied regardless of any subsequent vote to rescind the fee.

**BE IT FURTHER RESOLVED**, all student success fees now in place shall remain unchanged, including any previously established increments. However, a campus that considers a net new addition to an existing student success fee shall proceed as described in the above paragraph. Any campus proposing a new student success fee or an increase not already scheduled to an existing student success fee will consult with the chancellor and must receive approval on the process that will be followed to obtain approval for the fee before proceeding. Student success fee proposals may not be brought before the student body more frequently than once per academic year,

**BE IT FURTHER RESOLVED**, if the proposed student success fee is accepted by a simple majority of the students voting, imposition of the fee shall still be contingent on approval by the campus president and chancellor. If the proposed student success fee is for direct instructional purposes that historically were covered by tuition and state funding, then the chancellor shall consult with the chair of the Board of Trustees before final approval is granted,

**BE IT FURTHER RESOLVED**, newly enacted student success fees shall be in force for at least six years. Student success fees may be rescinded at any time after six years with another binding student vote wherein a simple majority of those
students voting vote to rescind the fee. The campus decision to have a vote shall be made by the recognized student government. Rescission vote proposals may not be brought before the student body more frequently than once per academic year. If a vote to rescind passes, the chancellor, in consultation with the board chair and the president, shall ensure that there no ongoing no contractual or other obligation/liability exists which will remain unsatisfied if the student success fee is rescinded. If any such obligation(s) exist, that portion of the student success fee funding the obligation(s) shall remain in effect and the obligation(s) shall continue to be funded by the student success fee until the obligations are satisfied. No new contractual or other obligation which would be supported by the rescinded student success fee may be entered into following a vote to rescind the fee. In the process of reconsidering a student success fee, and before the student vote occurs, it must be made clear to the students that if a portion of that fee is intended to support ongoing obligations, that portion of the fee will remain in place until such time as the obligations are satisfied.

BE IT FURTHER RESOLVED, existing student success fees as of the date this resolution is adopted may also be rescinded by a binding student vote under the same procedures described above for rescinding a fee, but no such student vote may be held until after January 1, 2021. If a vote to rescind passes, the chancellor, in consultation with the board chair and the president, shall ensure that there shall there are no ongoing, contractual or other obligation which will remain unsatisfied if the student success fee is rescinded. If any such obligations exist, that portion of the student success fee funding the obligations shall remain in effect and the obligations shall continue to be funded by the student success fee until the obligations are satisfied. No new contractual or other obligations which would be supported by the rescinded student success fee may be entered into following a vote to rescind the fee,

BE IT FURTHER RESOLVED, each campus shall be required to have a transparent, online accountability protocol that clarifies the decision process and allocation of student success fees, with annual reporting to the Chancellor and public by October 15. All campuses shall be held to this standard for any existing and new student success fees imposed in the future. In addition, all campus advisory groups that recommend or make final decisions on student success fee allocations shall include majority student representation.