

**AGENDA**  
**COMMITTEE ON FINANCE**

**Meeting:** **1:15 p.m., Tuesday, May 12, 2009**  
**Glenn S. Dumke Auditorium**

William Hauck, Chair  
Raymond W. Holdsworth, Vice Chair  
Roberta Achtenberg  
Herbert L. Carter  
Kenneth Fong  
Margaret Fortune  
Curtis Grima  
A. Robert Linscheid  
Henry Mendoza  
Glen O. Toney

**Consent Item**

Approval of Minutes of Meeting of March 24, 2009

**Discussion Items**

1. Report on the 2008-2009 and 2009-2010 Support Budgets, *Information*
2. State University Fee Increase, *Action*
3. Meeting Quality Standards in State-Supported Professional Business Graduate Programs with Revenue Support Derived from a Per-Unit Fee, *Action*

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

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

**March 24, 2009**

**Members Present**

William Hauck, Chair  
Raymond W. Holdsworth, Vice Chair  
Roberta Achtenberg  
Herbert L. Carter  
Kenneth Fong  
A. Robert Linscheid  
Charles B. Reed, Chancellor  
Glen O. Toney

**Approval of Minutes**

The revised minutes of November 18, 2008 and the corrected minutes of January 27, 2009 were approved by consent as submitted.

**Report on the 2008-2009 and 2009-2010 Support Budgets**

In his opening remarks, Executive Vice Chancellor and Chief Financial Officer Benjamin F. Quillian indicated that the Legislative Analyst's Office recently predicted that state revenues in the 2009-10 fiscal year will be short at least \$8 billion due to continuing deterioration of California's economy. Dr. Quillian explained how there are other developments that need to play out as well, including the outcome of several propositions in the May 19<sup>th</sup> special election, and the amount the state will receive from the federal stimulus package. The enactment of a 17-month budget plan was intended to address the projected shortfall for the two fiscal years 2008-09 and 2009-10 which was expected to exceed \$40 billion. However, the state's economy and fiscal condition remain precarious, and the CSU's budget remains vulnerable. The Legislature's budget subcommittees, Dr. Quillian explained, have begun to meet in order to review certain issues that were left intentionally unresolved. They are also reviewing the ever-changing fiscal scene. Robert Turnage, assistant vice chancellor, budget then presented additional detail on recent budget developments.

Mr. Turnage proceeded to explain how the legislature put together a 17-month budget plan that wrapped up issues as part of the budget deficit that had developed in 2008-09 and that also went

forward, in an unprecedented position for the state, into the 2009-10 fiscal year. A \$41.6 billion budget gap was closed—including \$15.7 billion of spending reductions across most programs and \$12.5 billion in tax increases and other revenue increases. There was \$5.4 billion in borrowing built into the measure and an estimated \$8 billion in federal stimulus funds to help offset other program spending in the general fund. Mr. Turnage explained that as a result of the governor's proposal made during the special session, the legislature enacted a \$66.3 billion reduction to the CSU's base support. The legislature also agreed to revert another \$31.3 million in savings that had been generated during the course of the year. Mr. Turnage explained how the operating deficit as a result of various cuts received to the fund in both years, even with increased student fee revenue, is not enough to keep things balanced. For the current fiscal year the gap between cost obligations and resources is going to be approximately \$96 million. This becomes a structural deficit that moves forward into the next year. The CSU will face an operating deficit in '09-10 of over \$70 million. Before describing additional signs of further deterioration in revenue including a backdrop of cash flow problems along with the fiscal problems, Mr. Turnage reviewed Attachment A—2008/09 and 2009/10 Budget Act Adjustment: Fiscal Impact on CSU Budget. He described the budget problem as one of complexity and contingency. Executive Vice Chancellor, Academic Affairs, Gary Reichard noted that an agenda item in the upcoming Educational Policy Committee would address questions and explore issues with regards to online instruction as a means towards easing budget woes.

### **Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects**

Executive Vice Chancellor and Chief Information Officer Benjamin F. Quillian presented opening remarks prior to Assistant Vice Chancellor, Financial Services, Colleen Nickles presenting the item for action. The item requested the Board of Trustees to authorize the issuance of systemwide revenue bonds and the issuance of interim financing under the CSU's commercial paper program in an aggregate amount not-to-exceed \$33,070,000, to provide funds for two campus projects and one auxiliary project. Assistant Vice Chancellor Nickles explained that these projects initially will go into commercial paper and will most likely not be issued as long-term systemwide revenue bonds until sometime in 2010. The projects included (1) Fullerton Parking Structure 4, Phase 1, (2) San Bernardino Health Expansion and Renovation, and (3) Northridge, The University Corporation – Satellite Student Union Food Service Renovation. The committee unanimously recommended approval by the Board to issue Trustees of the California State University, systemwide revenue bonds and related debt instruments for the various projects noted in this item (RFIN 03-09-01).

Trustee Hauck adjourned the Committee on Finance.

## **COMMITTEE ON FINANCE**

### **Report on the 2008-2009 and 2009-2010 Support Budgets**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

Robert Turnage  
Assistant Vice Chancellor  
Budget

#### **Introduction**

As reported at the March Board of Trustees meeting, in February the Legislature passed a “budget package” to address the projected shortfalls of fiscal years 2008-09 and 2009-10. However, due to the continuing weakness of the California economy and the uncertainty of State revenues, the Legislative Analyst has already projected an \$8 billion revenue shortfall in the recently passed budget package. The additional \$5.8 billion of State revenue that rests on the outcome of the May 19 ballot add uncertainty to the fiscal situation. The Governor is expected to release his “May Revision” of the budget on May 28, which will include his plan to close the new budget gap that could exceed \$14 billion. The plan could call for additional reductions to the CSU support budget.

#### **Recent Developments Impacting the Budget**

Among the other reductions reported to the Board of Trustees in March, the budget package contained a \$50 million General Fund reduction for the CSU (and UC). That reduction would have been restored if the State Treasurer and the Director of Finance had determined on or before April 1, 2009, that the State would receive by June 30, 2010 at least \$10 billion of federal stimulus funds that could have been used to offset State General Fund expenditures. The Treasurer and the Director made a negative determination. The \$50 million reduction remains in place.

As a result of the Governor’s line-item veto, the budget package also contained a \$255 million General Fund reduction for the CSU (and UC). That unallocated reduction was to be offset in fiscal year 2009-10 by funds to be received by the State as part of the Federal American Recovery and Reinvestment Act (ARRA). Earlier this month, the federal government approved the Governor’s application for funds from the Education Restoration Fund created by the ARRA.

The approved funding includes \$268.5 million for the CSU, which offsets the \$255 million reduction and mitigates the aforementioned \$50 million reduction by \$13.5 million.

### **Spring Budget Hearings**

The Legislature is holding budget subcommittee and committee hearings this spring in order to consider various issues, including the following Governor's proposals, that were removed by the Legislature "without prejudice" for further review:

- \$3.6 million of State General Fund and an estimated \$1.14 million of student fee revenue to increase Bachelor of Science in Nursing (BSN) enrollment by 340 students
- \$325 million from State lease-revenue bonds for six CSU capital outlay projects
- Cal Grant decentralization, which would replace the Student Aid Commission as the primary point of contact for students receiving the grants

In addition, the Legislative Analyst's Office is presenting several issues it raised regarding the CSU budget, including the recommendation that the Legislature increase by approximately two percent the resident FTES target for the CSU.

### **May Revision**

As noted above, the May Revision will have a strong nexus to the May 19 election and the State's revenue projections. Consequently, the CSU support budget will be vulnerable to additional reductions. However, the federal ARRA includes "maintenance-of-effort" (MOE) requirements for states (like California) that draw upon the Education Restoration Fund. The ARRA specifies that states accepting the funds must "maintain State support for public institutions of higher education (not including support for capital projects or for research and development or tuition and fees paid by students) at least at the level of such support" in 2005-06, unless a waiver is granted. The Department of Finance has calculated the MOE requirement for the CSU to be \$2.596 billion. The current State General Fund appropriation for 2009-10 of \$2.654 billion exceeds the MOE by \$58 million. Assuming the State is not granted a waiver, the CSU support budget should be reduced no more than \$58 million.

### **Conclusion**

Considering the General Fund reductions, the absence of the funds related to the Compact for Higher Education, the ten percent student fee increase and the funds to be received from the federal stimulus package, the total two-year impact on the CSU support budget is a negative \$587 million. In the context of the continuing economic uncertainties and the impact the May 19 ballot propositions will have on the General Fund, the CSU may be forced to plan for additional budget reductions.

## CSU Fiscal Impact - Changes from 2007/08

as of April 18, 2009

Budget Acts - CSU Operating Fund	2008/09	2009/10
<b>Deficit Carryforward</b>		(\$96,204,000)
<b>Budget Act Revenue Adjustments</b>		
Budget Act Reconciliation - One-time Savings	(\$31,314,000)	31,314,000
General Fund Base Budget Reduction	(66,303,000)	(50,000,000)
Projected Fee Revenue from 10% Increase in Student Fee Rates	111,519,000	127,176,000
Governor's Line Item Veto		(255,000,000)
One-time Federal funds (Education Stabilization Fund)		255,000,000
Additional One-time Federal Funds (Education Stabilization Fund)		13,500,000
<b>CSU Mandatory Cost Obligations</b>		
Faculty Collective Bargaining Agreement - June 30th 2% Salary Increase	(30,590,000)	
Faculty Collective Bargaining Agreement - Merit Pay	(7,000,000)	(7,000,000)
Full year Service Salary Increases	(4,202,000)	
CSU Employee Health Benefits	(21,755,000)	(8,484,000)
CSU Employee Dental Benefits		(2,713,000)
New Space	(5,385,000)	(10,152,000)
Energy	(4,000,000)	(12,200,000)
Financial Aid to Offset Fee Rate Increases	(37,174,000)	(42,392,000)
<b>Net Fiscal Impact on CSU Operating Budgets</b>	<b>(\$96,204,000)</b>	<b>(\$57,155,000)</b>
<b>Additional Compact Revenue Shortfall</b>		
General Operating	(116,959,000)	(116,548,000)
Long-Term Need	(29,209,000)	(29,106,000)
Enrollment Growth	(70,059,000)	(71,615,000)
	<b>(\$216,227,000)</b>	<b>(\$217,269,000)</b>
<b>Total CSU Fiscal Impact</b>	<b>(\$312,431,000)</b>	<b>(\$274,424,000)</b>
<b>Two- year Fiscal Impact</b>		<b>(\$586,855,000)</b>

## **COMMITTEE ON FINANCE**

### **State University Fee Increase**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

#### **Summary**

The 2009-10 budget act signed by the Governor on February 20, 2009 assumes for the California State University a ten percent increase in State University Fee (SUF) rates. The estimated revenue from this rate increase is approximately \$127 million. Pursuant to CSU policy, one-third of fee revenue will be set-aside as financial aid grant support. The set-aside will mitigate the impact of the fee increase for the students with the greatest need. The revenue generated from the fee increase, net of financial aid, will be used to offset reductions in state General Fund support to CSU.

#### **Background**

The CSU Board of Trustees has the authority to establish, adjust, and abolish systemwide fees. The Board increased undergraduate fees \$252 in 2007-08 and \$276 in 2008-09. To generate \$127 million in student fee revenue for 2009-10, the following rate increases are recommended: \$306 for undergraduate students; \$354 for teacher credential students; and \$378 for graduate students. The University will set aside one-third of this revenue, \$42 million, to increase funding support for CSU State University Grants to cover the fee rate increase for students with need. State University Grants are administered centrally and are allocated to campuses based on student need.

Board action is needed at this time in order to meet deadlines for making student financial aid award decisions and financial planning options for the fall. Board action in May also allows student sufficient time to plan for college year costs.

#### **CSU Rates and Comparable Institutions**

Assuming a 2009-10 increased undergraduate fee rate of \$3,354 and including the \$801 average campus-based fees students currently pay; total undergraduate academic year fees of \$4,155 would continue to be less than any of the public comparison institutions and significantly lower

than the average fee of all the comparable public institutions for 2008-09. Fee data for comparative institutions for 2009-10 are not currently available.

<b>2008/09 CSU Comparison Institution</b> <b>Academic year Resident Undergraduate, Student Fee Levels</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Rutgers University (Newark, NJ)	\$10,357	\$10,800	
Illinois State University (Normal, IL)	\$9,020	\$9,814	
University of Connecticut (Storrs, CT)	\$8,852	\$9,338	
University of Maryland, Baltimore County	\$8,708	\$8,780	
Wayne State University (Detroit, MI)	\$8,644	\$8,751	
Cleveland State University	\$7,920	\$7,920	
University of Wisconsin at Milwaukee	\$7,724	\$7,906	
University of Texas at Arlington	\$7,194	\$7,780	
<b>Comparison Average<sup>1</sup></b>	<b>\$7,122</b>	<b>\$7,516</b>	
George Mason University (Fairfax, VA)	\$6,840	\$7,512	
University of Colorado at Denver	\$5,863	\$6,349	
State University of New York at Albany	\$6,018	\$6,087	
Georgia State University at Atlanta	\$5,422	\$6,056	
Arizona State University at Tempe	\$5,122	\$5,664	
North Carolina State University	\$5,117	\$5,274	
University of Nevada at Reno	\$4,029	\$4,711	
<b>California State University</b>	<b>\$3,521</b>	<b>\$3,849</b>	<b>\$4,155</b>

<sup>1</sup>Comparison Average Does Not Include CSU

The Education Doctorate program fee rate approved by the Board at the November 2006 meeting, which by law is linked to the University of California graduate student fee rate, is not affected by this action.

#### **2009-10 State University Fee Level**

**RESOLVED**, By the Board of Trustees of the California State University, that the following academic year schedule of the State University Fee is approved effective fall term 2009 and until further amended:

## State University Fees

<u>Units Per Term</u>	<u>Undergraduate</u>	<u>Credential Program Participants</u>	<u>Graduate and Other Post-Bac Students</u>
6.1 or more	\$3,354	\$3,894	\$4,134
0 to 6.0	\$1,944	\$2,256	\$2,400

The fees provided in the above table are for an academic year. The applicable per term fee schedules consistent with these academic year fees for campuses on semester, quarter and other calendars, for regular students (6.1 units or more per term) and part time students (up to 6.0 units per term), and for the academic year and summer terms are provided on the Budget Office website:

[http://www.calstate.edu/budget/FeeEnrl\\_Info/FeeInfo/Campus\\_Mand\\_Fees/Fee\\_Schedules.shtml](http://www.calstate.edu/budget/FeeEnrl_Info/FeeInfo/Campus_Mand_Fees/Fee_Schedules.shtml)

And, be it further

**RESOLVED**, That the Chancellor may approve individual campus State University Fee rates that do not exceed the maximum fee rates established by this fee schedule, and be it further

**RESOLVED**, That the Chancellor is delegated authority to further adopt, amend, or repeal the State University Fee rate increase if such action is required by changes to the 2009-10 Budget Act, and that such changes made by the Chancellor are communicated promptly to the Trustees.

## COMMITTEE ON FINANCE

### **Meeting Quality Standards in State-Supported Professional Business Graduate Programs with Revenue Support Derived from a Per-Unit Fee**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

#### **Summary**

A September 2007 information item provided initial information to the Board and notice to interested constituents about a task force recommendation that the California State University implement a professional fee upon all students in state-supported Master of Business Administration (M.B.A.) and similar professional business graduate programs. The proposed amount was \$210 per semester unit (\$140 per quarter unit), with 25% of the revenue set aside to support students who show financial need.

The key rationale for this recommendation was that additional revenue is needed to recruit and retain academically well-qualified faculty in a hiring market in which business specialists command much higher salaries than most other CSU faculty. For some CSU schools / colleges of business, current rates of unfilled faculty positions pose a threat to accreditation by the Association to Advance Collegiate Schools of Business International (AACSB, International). Improvements in faculty recruitment and retention, made possible by additional revenue, should make accreditation secure, an important value to most employers, students, and business program professionals. Additional revenue should also support enrollment growth in the programs, consistent with campus strategic plans and regional needs; make possible recruitment of students from diverse and underrepresented communities; and support students with internship, placement, or similar programs upon completion of the degree.

The September 2007 information item projected that, if this additional fee were to be implemented in fall 2008, it would bring the estimated total CSU price for M.B.A. programs, before need-based financial aid, to 94% of the mean estimated fall 2008 total price for M.B.A. programs at California Postsecondary Education Commission (CPEC) comparison *public* institutions (also before aid or discounts). The total CSU price would also represent 76% of estimated average fall 2008 tuition and fees for M.B.A. programs at all CPEC-defined CSU comparison institutions (public and private); 46% of estimated

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average fees charged by the Irvine, Riverside, and Davis campuses of the University of California (UC); and 35% of estimated average fees charged by all 5 UC campuses (including UCLA and Berkeley).

As will be seen, a \$210 per semester unit (\$140 per quarter unit) fee is now proposed for implementation in fall 2009, one year later than was contemplated. This one-year delay makes the original projections of comparison institution price levels somewhat outdated. However, if prices at other institutions rise more than CSU fees in the current year, then the CSU price including the proposed fee, expressed as a percentage of other institutions' prices, could be comparatively farther below competitor prices than indicated above.

**Information and Perspective Developed Via a Study Undertaken in Spring 2007**

As was described to the Board in the September 2007 information item, a task force jointly chaired by Executive Vice Chancellors Reichard and West requested a substantial study of the issues surrounding accreditation, market rates for faculty salaries, fees now paid by CSU students enrolled in professional business master's programs, and prices charged by other institutions. The study probed the essential condition of state-supported professional business master's programs, with a focus on Master of Business Administration programs, which enroll about seven out of ten professional business graduate students. The key findings from the study were the following.

1. *CSU business programs experience severe difficulties in hiring full-time, tenure-track faculty relative to AACSB International accreditation requirements. Many deans report that their programs are at risk, or nearly so, of losing accreditation.*

Un-filled Business Tenure-Track Lines, March 2007	200
Authorized Searches, March 2007	120

2. *Central causes for low CSU faculty recruitment success rates include non-competitive salaries combined with teaching requirements that are high by national norms. According to AACSB International salary surveys, CSU is consistently 20 to 25 percent below the national market on existing business faculty salaries, which translates to a gap of \$20,000 to \$38,000 below market for the average business faculty member. The salary gap is even wider for new hires (34 to 49 percent below the median market salary).*

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CSU Business Faculty Salaries as Percentage of National Average (2007)	
Full Professor Mean Salary	74%
Associate Professor Mean Salary	80%
Assistant Professor Mean Salary	79%

Salaries in the CSU for business faculty are considerably lower than average salaries in public accredited business colleges. In fact, CSU business faculty salaries most nearly resemble salaries paid to *non-accredited* business school faculty. (Non-accredited programs tend to be small, tend to serve niche markets, and typically do not serve the needs of large enterprises.)

CSU Full Professors' Mean Salaries (2007), Two Disciplines, as Percentages of Full Professors at:		
	Marketing	Finance
Private Accredited Business Schools	62%	56%
Public Accredited Business Schools	79%	73%
Public Non-Accredited Business Schools	110%	104%

3. *AACSB International mandates for faculty qualifications are challenging in this compensation and workload environment.* AACSB International requires that faculty be academically or professionally qualified ("AQ" or "PQ") in the right proportions. Academically qualified business faculty must show ongoing success in peer-reviewed research and publication. This means that the accredited college of business must moderate teaching demands in order to accommodate a professor's research activities, with the consequence that more persons in total must be hired. Faculty success in research may also call for incentives and direct support, including assigned time, summer support, student assistants, travel support, and information technology support. However, in the current revenue environment, CSU asks its faculty to teach more classes per year than most American universities with master's programs, and struggles to support faculty research.

4. *In the opinion of CSU business deans, without improved faculty recruitment and retention success, most CSU professional business master's programs will be forced to limit or reduce access.* At the master's program level, formal CSU 'impaction' requirements and constraints are not imposed by system policy as they are for undergraduate admissions. Instead, campuses manage access to graduate programs, taking into account capacity constraints such as faculty recruitment and retention. The salary and hiring lags described above can thus result in justifiable decisions to limit the number of students admitted to M.B.A.

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and similar programs. In fact, enrollments have declined substantially over the past ten to fifteen years, despite the continued popularity of graduate business programs.

Fall Term Headcount Enrollment in State-Supported Business-Management Graduate Programs: Five-Year Averages, CSU Systemwide			
Years	Mean Fall Term Total Headcount Enrollments	Index	
1988-1992	6,341	=	100.0
1993-1997	5,326	=	83.9
1998-2002	5,316	=	83.8
2003-2007	4,751	=	74.9

Source : <http://www.calstate.edu/AS/stats.shtml>

5. *Student demographics in professional graduate business programs are not typical of the CSU student body in general.* A “snapshot” of students enrolled in graduate business programs in Fall 2006 showed that 56% were men. Among U.S. citizens who self-reported an ethnicity or race, 53% were non-Latino whites, 30% were Asian, 11% were Mexican-American or other Latino, 2.8% were African-American, and 7% placed themselves in another category (including “mixed” heritage). Systemwide, 25% of the students received some form of financial aid.

### **Information Developed Since September 2007**

After reviewing the September 2007 information item, Board members, students (through the California State Student Association), faculty (through the statewide Academic Senate), and other constituents expressed interest in further information, especially as to both the views of students, and the potential impact of a fee on students enrolled in M.B.A. and similar professional business master’s programs. In response, data were gathered in Spring 2008 from a sample of 614 M.B.A. students at twelve CSU campuses, and focus groups comprised of currently-enrolled M.B.A. students were convened at two CSU campuses. The surveys together with the focus groups yielded data that pertain to a number of interesting questions. Key findings included the following:

1. *Accreditation is highly valued by students.* M.B.A. students in the survey affirmed the substantial value of accreditation to their current employers, to themselves, and to future employers.

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“To my current employer, I believe that AACSB accreditation is regarded as:”	<i>Somewhat or Very Important:</i> 69%
“To me, in choosing to enroll in my present master’s program, AACSB accreditation was:”	<i>Somewhat or Very Important:</i> 85%
“As I move on in my career, I forecast that AACSB accreditation of the program from which I have earned my M.B.A. will turn out to be:”	<i>Somewhat or Very Important:</i> 85%

2. *Students anticipate substantial improvements in future personal income.* M.B.A. students in the survey offered these reports of current income, and of estimated increases in their own earnings (a) upon receiving their M.B.A. degree, and (b) five years after receipt of the degree. Students reported themselves as being employed now in their profession of interest, in a job just to get by, or not currently employed.

Response	Employed Now in Profession of Interest <i>N</i> = 229	In a Job Just to Get By <i>N</i> = 103
Current reported salary	\$65,000 (Median) \$67,566 (Mean)	\$40,000 (Median) \$42,583 (Mean)
“In round approximate numbers, what annual salary do you expect to earn ONE year after you complete your M.B.A.?”	All Students, Whether or Not Presently Employed <i>N</i> = 537	
	\$ 70,000 (Median) \$ 77,223 (Mean)	
“In round approximate numbers, what annual salary do you expect to earn FIVE year after you complete your M.B.A.?”	\$ 100,000 (Median) \$ 120,385 (Mean)	

3. *Employers currently pay fees for only a minority of M.B.A. students.* Some M.B.A. students in the survey reported that they have their fees paid for them by current employers, particularly some who report that they are now employed in their profession of interest. Students “in a job just to get by” were much less likely to report an employer who was either fully or partly reimbursing fees. Data below omit responses from students who reported that they are not presently

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employed. However, when the 135 unemployed students are included in the analysis, the proportion of students who do not receive employer fee reimbursements of any kind rises to 75%.

Response	Employed in Profession of Interest	In a Job Just to Get By	All Employed Students
My employer is FULLY reimbursing my fees	24%	5%	18%
My employer is PARTLY reimbursing my fees	26%	10%	21%
My employer does not reimburse such fees	50%	85%	61%
<i>Number of Students:</i>	265	125	390

4. *Students recognize a relationship between fees and program strength.* Students currently enrolled in M.B.A. programs who participated in the survey were provided a case study that contrasted outcomes as their programs faced futures of low revenues, on one hand, or improved revenues on the other. Approximately six out of ten of those students reluctantly agreed that, if these really were the choices, the price for their M.B.A. programs should be raised.

Responding to a case study that described higher fees, but with secure accreditation, financial aid and improved services to students; and that suggested that enrollments would likely shrink without additional revenue support, students were asked:

*if these really were the choices,  
do you think that most students would:*

Reluctantly agree that the price should be raised	57%
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5. *Students anticipate little or no fall-off in enrollments if fees were to be raised.* Approximately eight out of ten currently-enrolled M.B.A. students who were surveyed believed that, on the whole, "students like them" would continue to enroll in CSU M.B.A. programs even if a per semester-unit fee of \$210 were added to the current price. This is consistent with experience at San Francisco State University (SFSU), which experienced no declines in enrollment upon imposing a per semester *local* fee of \$700 for part-time M.B.A. students, and \$1,200 for full-time, beginning in fall 2007. (Use of the revenue from this fee is restricted to payment of the rent and heating, ventilation, and air conditioning of the new downtown San Francisco location for SFSU's College of Business

graduate degree programs.) The key appears to be that the price charged at CSU would continue to be noticeably smaller than the price charged at comparison / competitive universities. Even at SFSU, with the per-semester local fee added to the total price, students still pay about 40% of the price charged by the nearest competitive program in San Francisco, Golden Gate University.

The survey continued: <i>Regardless of students' views and opinions, do you think that most students would:</i>
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Enroll anyway in CSU state - supported M.B.A. programs, since the CSU price for an accredited program will remain lower than at similar universities	77%
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6. *Students believe there should be substantial notice if a new fee were to be imposed.* In focus groups held at CSU San Bernardino and at San Diego State University, M.B.A. students strongly urged that substantial advance notice be given about the imposition of any per-unit fee, and favored also implementation that was graduated over two or three years, rather than all at once.

We understand the desirability of advance notice. However, given current fiscal challenges, and given the urgent nature of providing adequate resources to preserve accreditation of master's business programs at CSU campuses and to improve program quality and access, we will be able to provide the same four-month advance notice for this fee increase that we are providing for the State University Fee increase. Thus, this proposed increase would take effect Fall 2009.

7. *Students believe there should be accountability in the event a new fee is imposed.* Students participating in the focus groups also named accountability as an important value. Some mechanism was highly desired that would report the improved outcomes that fee increases make possible.

The proposed resolution provides for an accountability report to the Board.

### **Policy Perspective**

If this fee is adopted by the Board, professional business graduate programs would constitute the second graduate program category for which a systemwide special and additional fee was implemented. The first, pursuant to state statute, was the professional fee for students in CSU Doctorate of Education programs. When implemented in fall

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2007, the special fee for that program was \$3,690 per semester for all students enrolled in the program, both full and part-time. Based on estimates of the number of students in those programs who qualify for financial aid, 10% of the net revenue from the special fee for CSU Doctorate of Education programs is set aside for financial aid for students in these programs.

As noted in the summary for this item, if this additional fee is adopted, CSU posted prices for M.B.A. and similar programs would generally remain somewhat below the prices posted for M.B.A. programs at comparable institutions. No reliable information is available relative to student aid and/or price discounting at comparison institutions, so net price comparisons have not been attempted. Prices, either per term or for a complete program, that would be paid by CSU students in professional business master's programs would vary, depending upon whether a student chooses full-time or part-time attendance, and whether or not a student has a business baccalaureate degree. (Students with non-business baccalaureate degrees take more units to the M.B.A., in effect making up for learning not accomplished during undergraduate years.)

### **Implementation Principles for a Per-Unit Fee**

*Plans for Program Support and Student Success.* Upon the implementation of this Business Professional Fee, CSU deans of business will be expected to propose for campus president approval (a) plans and programs to achieve improvements in salaries and professional support for business faculty, consistent with the Collective Bargaining Agreement, with the goal of increasing success rates in recruiting and retaining academically well-qualified faculty; and (b) programs to recruit and support graduate students, including persons from under-represented groups, and to assure students' professional success. Internships, where appropriate, may be included as part of such a plan.

*Set-Asides of Revenue for Student Financial Aid.* A minimum campus set-aside for student aid of 25% is mandated in the proposed resolution. This tracks the finding that, systemwide, in 2006, 25% of students enrolled in professional business graduate programs received financial aid. A review of 2007 data again found the 25% rate. Since the percentages of students receiving financial aid vary by campus, however, presidents will be able to set aside more than 25% for student aid if experience and local circumstances make that suitable. Campuses would not be permitted to set aside less than 25%, in order to preserve a capacity to recruit students of modest financial means.

*Enrollments Consistent with Campus Strategic Plans.* With an appropriate return of revenue to student aid, with new resources made available for student recruitment and

support, in an environment where some employers may be expected to subsidize student fees, and with an expectation that constraints upon graduate degree program enrollments due to faculty shortages will ease somewhat, a Business Professional Fee is projected to promote access. Certainly, continued accreditation will make programs attractive to prospective students, and to their employers. In this environment, growth in enrollments that reflect campus strategic plans is anticipated.

*Accountability Report.* The resolution includes a requirement that an accountability report be provided to the Board in 2011-12, approximately two years after the implementation of the fee.

*Future Adjustments of the Business Professional Fee.* Beginning in Fall 2010, one year after initial implementation, it is proposed that when the Board takes any action relative to the amount of the State University Fee for graduate students, the same action be applicable to the Business Professional Fee.

*Programs to Which a Business Professional Fee Will Apply.* The proposed Business Professional Fee would apply to required courses in state-supported professional business master's degree programs that are subject to accreditation by AACSB International. It would not apply to fee-supported degree programs (such as "Executive M.B.A." programs) offered through extended / continuing education units; it would not apply to state-supported Master of Public Administration degree programs that are offered by CSU schools / colleges of business; and it would not apply to non-professional graduate degree programs offered by CSU schools / colleges of business, such as the Master of Arts in Economics. Programs in addition to the M.B.A. to which the Business Professional Fee would apply include these Master of Science (M.S.) degree programs: Accountancy; Business Administration; Health Care Management (at Los Angeles); Business and Technology (at San Luis Obispo); Information Systems (at Fullerton); and Taxation (at East Bay and Fullerton).

The current list of such programs, by campus, is provided in the following table. Campuses may initiate state-supported M.S. degree programs in these areas, and may in the future develop state-supported professional business master's degree programs in other areas, provided that the programs are subject to accreditation by AACSB International. When such programs are initiated, the Business Professional Fee would apply to required courses for the degree programs.

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Degree Title	Campuses Currently Offering the Degree Program via State Support and as a Program Subject to Accreditation by AACSB International
Accountancy, M.S.	Fresno; Fullerton; Los Angeles; Pomona; San Diego; San Jose; San Luis Obispo
Business Administration, M.B.A.	Bakersfield; Chico; Dominguez Hills; East Bay; Fresno; Fullerton; Humboldt; Long Beach; Los Angeles; Northridge; Pomona; Sacramento; San Bernardino; San Diego; San Francisco; San Jose; San Luis Obispo; San Marcos; Sonoma; Stanislaus
Business Administration, M.S.	East Bay; Los Angeles; Pomona; San Diego; San Francisco; Stanislaus
Health Care Management, M.S.	Los Angeles
Business and Technology, M.S.	San Luis Obispo
Information Systems, M.S.	Fullerton; Los Angeles
Taxation, M.S.	East Bay; Fullerton

**Proposed Resolution**

Reflecting these principles, the following resolution is proposed for Board consideration.

**RESOLVED**, By the Board of Trustees of the California State University, that beginning with the fall term, 2009, a Graduate Business Professional Fee shall be assessed to students for coursework required in state-supported professional master's of business degree programs that are subject to accreditation by the Association to Advance Collegiate Schools of Business International (AACSB International). This fee shall be in addition to the State University Fee and any campus-based fees, and shall be assessed in the amount of \$210 per semester unit or \$140 per quarter unit. The Graduate Business Professional Fee shall apply to required courses in the following degree programs: Master of Business Administration (M.B.A.); and Master of Science (M.S.) programs in Accountancy, Business Administration, Health Care Management, Business and Technology, Information Systems, and Taxation; and be it further

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**RESOLVED**, that beginning in Fall 2010, whenever the Trustees take action to adjust the State University Fee for graduate students, the same adjustment will be made to the Business Professional Fee; and be it further

**RESOLVED**, that presidents are directed to set aside not less than 25% of the Graduate Business Professional Fee revenue for need-based financial aid, with such funds to be used first to meet the demonstrated financial need of students in campus professional graduate degree programs in business; and that any part of the revenue that represents 25% of the total that is not awarded to professional business master's degree program students be made available to meet demonstrated financial need of any other undergraduate or graduate students on the campus; and be it further

**RESOLVED**, that the Board of Trustees expects that, with this additional revenue made available to campuses, professional master's degree programs in business will show growth in enrollments consistent with campus strategic plans; enrollment diversity that includes improved representation of persons of modest financial means, and of persons from currently underrepresented groups, and a more balanced gender representation; support for students at the completion of their programs through such means as internships and placement assistance; improvements in faculty recruitment and retention success; and for programs that seek it, success in maintaining accredited status with the Association to Advance Collegiate Schools of Business International; and be it further

**RESOLVED**, that upon request of a campus president, the Chancellor is authorized to approve the assessment of a Graduate Business Professional Fee upon students enrolled in other newly-developed state-supported professional master's degrees in business that are subject to accreditation by the Association to Advance Collegiate Schools of Business International; and be it further

**RESOLVED**, that the Chancellor provide the Board of Trustees an accountability report in the 2011-12 fiscal year that is responsive to these Board expectations.