

## AGENDA

### JOINT MEETING OF THE COMMITTEES ON EDUCATIONAL POLICY AND FINANCE

**Meeting:** 3:05 p.m., Tuesday, September 8, 2015  
Glenn S. Dumke Auditorium

#### **Committee on Educational Policy**

Debra S. Farar, Chair  
Margaret Fortune, Vice Chair  
Silas H. Abrego  
Kelsey M. Brewer  
Rebecca D. Eisen  
Douglas Faigin  
Lupe C. Garcia  
Lillian Kimbell  
J. Lawrence Norton  
Steven G. Stepanek

#### **Committee on Finance**

Adam Day, Chair  
Peter J. Taylor, Vice Chair  
Silas H. Abrego  
Kelsey M. Brewer  
Rebecca D. Eisen  
Douglas Faigin  
Debra S. Farar  
Margaret Fortune  
Lupe C. Garcia  
Lillian Kimbell

#### **Consent**

Approval of the minutes of the meeting of November 12, 2014

#### **Discussion**

1. Academic Sustainability Plan, *Information*

**MINUTES OF THE MEETING OF JOINT  
COMMITTEES ON EDUCATIONAL POLICY AND FINANCE**

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

**November 12, 2014**

**Members Present**

**Educational Policy Committee**

Debra S. Farar, Chair  
Margaret Fortune, Vice Chair  
Roberta Achtenberg  
Talar Alexanian  
Rebecca D. Eisen  
Douglas Faigin  
Lupe C. Garcia  
Steven M. Glazer  
Lillian Kimbell  
J. Lawrence Norton  
Steven G. Stepanek

**Finance Committee**

Roberta Achtenberg, Chair  
Steven M. Glazer, Vice Chair  
Talar Alexanian  
Adam Day  
Rebecca D. Eisen  
Debra S. Farar  
Margaret Fortune  
Lupe Garcia

Timothy P. White, Chancellor  
Lou Monville, Chair of the Board

Trustee Farar called the meeting to order.

**Approval of Minutes**

The minutes of September 9, 2014 were approved by consent as submitted.

### **Approval of the Academic Sustainability Plan, *Action Item***

Ryan Storm, Interim Assistant Vice Chancellor for Budget, informed the Board that the Academic Sustainability Plan needs Board approval as required by state law. He added that if approved, the plan will be submitted to the legislature. Mr. Storm stated that input received from the Board at its' September meeting was considered and incorporated into the proposed plan. He noted that at the September meeting staff discussed the elements of the plan and statutory requirements and assumptions that the university is required to use in preparation of the plan.

Mr. Storm indicated that staff consulted with many CSU stakeholders while developing the plan. These groups included presidents, provosts, student affairs vice presidents, faculty and various other CSU constituencies. The plan presented at this meeting incorporates feedback from these groups.

Mr. Storm stated that 16 performance measures have been addressed in the plan as required by law. The plan groups the measures into general categories of student access, degrees earned, and efficiency. He then summarized the proposed plan stating that the plan would highlight several system-wide and campus-based strategies already in place that would continue to positively affect performance measures, such as the Graduation Initiative and the Early Assessment and Early Start programs. He added that an approach of identifying recent trend data, estimating a future trend and establishing goals that align with those projections would be implemented.

Mr. Storm indicated that the law also required the development of a budget and that the CSU plan includes two budgets. The "State Budget" was constructed using the governor's office multi-year funding plan and tuition and fee assumptions and complies with the legal requirement. He added that while grateful to the governor's office for its continuing new investment in the CSU, the "State Budget" assumptions are insufficient in many ways. The "CSU Budget" offers opportunity for current and prospective students, quality education improvements, and ultimately meets California's need for an educated, prepared workforce. Because there are two budgets in the plan, there are two distinct paths and potential outcomes. He added that the performance measures and goals would be affected by different funding levels.

Mr. Storm stated that the "CSU Budget" assumptions translate into significant improvements in eight of the 16 performance measures, particularly in the categories of student access and several of the efficiency measures, more specifically in the areas of funded student enrollment increases, cost per degree, and number of degrees. However, he added, in the short term both budget assumptions have little or no effect on the eight other measures, particularly in the categories of degrees earned and other efficiency measures, or more specifically, graduation rates and total units earned by students. Any significant impact on these measures will take time.

Mr. Storm presented a slide which illustrated the different enrollment projections that emerge between the "State Budget" and the "CSU Budget" assumptions. Based on the "State Budget" assumption a one percent enrollment increase per year could raise enrollment in college year

2017 to approximately 433,000 students. He stated that the “CSU Budget” assumption reflects a three percent enrollment increase per year and could raise enrollment in college year 2017 to approximately 468,000 students. He added that it would mean that 45,000 additional students could receive a higher quality CSU education under the “CSU Budget” assumption than under the “State Budget” assumption. This would also mean more degrees earned, and ultimately, a better educated society and a diversified, stronger California economy.

Mr. Storm stated that the recommended plan strikes a balance in meeting the requirements of the law and showing that an enriched budget would allow for funded enrollment increases and student success initiatives that would positively affect graduation rates, progress and time to degree and the efficiency of the system to graduate more students over the long-term.

Trustee Faigin stated that the plan was well-presented. He added that there is no harm in asking the State for additional funding.

Trustee Norton inquired if Mr. Storm had received clarification from the Department of Finance on how the plan was to be viewed. Mr. Storm responded that he had received clarification and it will be viewed as a planning tool.

Trustee Eisen inquired as to where the plan was to be submitted and what would happen to it after it is submitted. Mr. Storm responded that it will be submitted to the Department of Finance, the Legislature, and others. He added that this is a new report.

Trustee Eisen stated that this was a great opportunity to advocate for the CSU and the plan did a good job of demonstrating the CSU’s true needs. Trustee Farar concurred with Trustee Eisen’s comment.

The committee recommended approval of the Academic Sustainability Plan (REP/FIN 11-14-01).

There being no further questions, Trustee Farar adjourned the Joint Committees on Educational Policy and Finance.

**JOINT MEETING OF THE  
COMMITTEES ON EDUCATIONAL POLICY AND FINANCE**

**Academic Performance Measures (Academic Sustainability Plan)**

**Presentation By**

Ryan Storm  
Assistant Vice Chancellor  
Budget

Ed Sullivan  
Assistant Vice Chancellor  
Academic Research and Resources

**Summary**

In 2014 state law was passed as a part of the budget bill requiring the California State University Board of Trustees to develop and approve a three-year academic sustainability plan. There are no changes in 2015 to the requirements of the law. The board will be presented with the required elements of the law, the Department of Finance assumptions that must be incorporated into a plan, and Chancellor's Office staff's preliminary recommendation to the board for purposes of crafting a plan. Staff will return to the board for review and final approval of a plan at the November 2015 board of trustees meeting.

**Background**

Starting with the Budget Act of 2014 and continued in the Budget Act of 2015, the trustees are required to develop and approve a plan that details the university's academic and fiscal sustainability over a three-year period and submit that plan to the Department of Finance and the legislature no later than November 30, 2015.

The plan must include the following three components:

- 1) Projections of available resources in the 2016-2017, 2017-2018, and 2018-2019 fiscal years, using state general fund and tuition fee revenue assumptions provided by the Department of Finance. Projections of expenditures in each of those years and descriptions of any changes to current operations necessary to ensure that expenditures projected for those years are not greater than the available resources projected for those years.
- 2) Projections of resident and non-resident enrollment in each of those years.
- 3) Goals for 16 performance measures, described in state law, in each of those years.

## **Components 1 and 2: Revenue, Expenditure and Enrollment Assumptions**

In a letter dated August 3, 2015 to the CSU, and included as Attachment A, the Department of Finance revealed the state general fund and tuition fee revenue assumptions for the academic sustainability plan. In short, the state general fund assumptions align with the governor's multi-year funding plan and other baseline adjustments, including savings from the middle class scholarship, state public works board debt service payments, and the state's contribution to the Public Employees' Retirement System on behalf of CSU employees. In addition, the Department of Finance directed the board to craft a plan that assumes no systemwide tuition fee or category II campus-based fee increases. The board must decide how it will prepare the academic sustainability plan using less than ideal revenue assumptions. This presents a challenge, as the Department of Finance's revenue assumptions fall short of CSU's annual, identified financial needs.

For illustration purposes, the Department of Finance expects the CSU to assume only \$124.4 million of new state general fund support and no new systemwide tuition fee revenue for 2016-2017. CSU's typical support budget request (a combination of state general fund support and tuition fee revenue) is \$100-\$150 million more than the current multi-year plan provides.

## **Component 3: Goals for Performance Measures**

State law identified 16 performance measures that were to be reported on annually in March. Under the Department of Finance's assumptions, the CSU cannot establish and accomplish all of the goals in student achievement given that the state's financial commitment to the CSU is closest to the 2008-2009 level of three billion.

Another significant challenge is that the Department of Finance's assumptions provide only 40 to 50 cents of every dollar needed to meet CSU's most critical needs. Each of the 23 CSU campuses have implemented strategies to improve their graduation rates, close the achievement gap for under-represented minorities, and increase retention rates across the system. Many of these efforts have been successful and with the funding of the trustees support budget in 2015-2016 more progress will continue to be made in the highest priority areas. However, the modest proposed increases in state funding for the next two years, combined with the mandate to hold tuition rates flat, impedes the university's ability to maximize student success, scale up successful programs to serve more students, and compete against other university priorities such as mandatory costs, predictable compensation increases, and funding of deferred maintenance and infrastructure improvements.

The CSU Graduation Initiative 2025 includes stretch goals for each campus in six areas: four- and six-year graduation rates for freshman; two- and four-year graduation rates for transfer students; and closing the achievement gap for underrepresented freshman and transfer students.

Campus leaders have prioritized their budgets accordingly to meet these goals by focusing on increased tenure-density among faculty, improved advising, reducing bottlenecks, scaling high-impact practices, moving more students through college-preparation curriculum sooner, and using data to make decisions across campus. The 16 performance measures required by the law track some of this progress and add additional metrics for further detail.

### **Statutory Performance Measures**

1. The number of California Community College (CCC) transfer students enrolled and the percentage of CCC transfer students as a proportion of the total number of undergraduate students enrolled.
2. The number of new CCC transfer students enrolled and the percentage of new CCC transfer students as a proportion of the total number of new undergraduate students enrolled.
3. The number of low-income students enrolled and the percentage of low-income students as a proportion of the total number of undergraduate students enrolled.
4. The number of new low-income students enrolled and the percentage of low-income students as a proportion of the total number of new undergraduate students enrolled.
5. The four-year graduation rate for students who entered the university four years prior and, separately, for low-income students in that cohort.
6. The four-year and six-year graduation rates for students who entered the university six years prior and, separately, for low-income students in that cohort.
7. The two-year transfer graduation rate for students who entered the university two years prior and, separately, for low-income students in that cohort.
8. The two-year and three-year transfer graduation rates for students who entered the university three years prior and, separately, for low-income students in that cohort.
9. The two-year, three-year, and four-year transfer graduation rates for students who entered the university four years prior and, separately, for low-income students in that cohort.
10. The number of degree completions annually, in total and for the following categories: (A) freshman entrants, (B) CCC transfer students, (C) graduate students, (D) low-income students.
11. The percentage of freshman entrants who have earned sufficient course credits by the end of their first year of enrollment to indicate that they will graduate within four years.
12. The percentage of CCC transfer students who have earned sufficient course credits by the end of their first year of enrollment to indicate that they will graduate within two years.

13. For all students, the total amount of funds received from all sources specified for the year, divided by the number of degrees awarded that same year.
14. For undergraduate students, the total amount of funds received from all sources specified for the year expended for undergraduate education, divided by the number of undergraduate degrees awarded that same year.
15. The average number of CSU course credits and the total course credits, including credits accrued at other institutions, accumulated by all undergraduate students who graduated, and separately for freshman entrants and CCC transfer students.
16. The number of degree completions in science, technology, engineering, and mathematics (STEM) fields, in total, and separately for undergraduate students, graduate students, and low-income students. "STEM fields" include, but are not limited to, all of the following: computer and information sciences, engineering and engineering technologies, biological and biomedical sciences, mathematics and statistics, physical sciences, and science technologies.

## **Recommendation**

While the law requires the CSU to develop an academic sustainability plan using the Department of Finance's revenue assumptions, it does not preclude the CSU from using its own revenue assumptions in the trustees' support budget to build its own, preferable academic sustainability plan.

Therefore, staff suggests that the plan follow the same strategy used in 2014 which is comprised of two parts:

1. Identify priorities and high-level goals using Department of Finance revenue assumptions. Taking a pragmatic approach, the board could establish goals that only commit to make some qualitative improvement in the performance measures.
2. Identify specific targets using CSU revenue assumptions. The board presents required fiscal conditions (\$250 to \$350 million per annum) and commensurate student achievement goals.

This two-part approach would fulfill the requirements of the law by preparing a plan using the Department of Finance's revenue assumptions, but it would also demonstrate to the administration, the legislature, and others, that with requisite resources the CSU could achieve greater student achievement.

It is important that the board create goals that are reasonable under each revenue assumption. There is ample evidence that fewer financial resources will result in fewer faculty, staff, and improvements to facilities, which are essential for student success and completion. Additionally,



this approach furthers the discussion between the CSU, the administration, the legislature, and other stakeholders about appropriate funding levels and what the CSU expects regarding student success and completion.

### **Conclusion**

This is an information item presenting a preliminary recommendation to the board to develop and approve a statutorily-required academic sustainability plan covering the 2016-2017, 2017-2018 and 2018-2019 fiscal years. Staff will return to the board for review and final approval of the plan at the November 2015 board meeting.



**DEPARTMENT OF  
FINANCE**  
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR  
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

August 3, 2015

Mr. Lou Monville  
Chair of the Board of Trustees  
California State University  
401 Golden Shore, Room 620  
Long Beach, CA 90802

Dr. Timothy P. White  
Chancellor  
California State University  
401 Golden Shore, Room 641  
Long Beach, CA 90802

Dear Chair Monville and Chancellor White:

The Budget Act of 2015 includes a significant amount of additional resources for the California State University (CSU), consistent with the Administration's multi-year funding plan, and provides the Trustees with broad discretion to govern the university to meet state goals.

The Administration continues to expect the CSU to use available resources to maintain affordability, decrease the time it takes students to complete programs, increase the percentage of students who graduate, and ease the transfer of community college students into the university. The additional funds should allow the university to accelerate its efforts to improve student success, including through the Graduation Initiative announced by the Chancellor.

The Budget Act requires the Trustees to approve a plan that details any changes necessary to support the university's sustainability over a multi-year period and submit that plan to the Department of Finance (Finance) and the Legislature no later than November 30, 2015. Specifically, the plan must include the following components:

- Projections of available resources in the 2016-17, 2017-18, and 2018-19 fiscal years, using any assumptions provided by Finance to project General Fund appropriations and student tuition and fee revenues.
- Projections of expenditures in each of those years and descriptions of any changes to current operations necessary to ensure that expenditures projected for those years are not greater than the available resources projected for those years.
- Projections of resident and nonresident enrollment in each of those years, assuming implementation of any changes described in the plan.
- The university's goals for the measures reported in each of those years pursuant to Education Code section 89295, assuming implementation of any changes described in the plan.

Pursuant to these provisions, the Trustees should develop the plan using the following assumptions:

- *General Fund Appropriations:* The Trustees should expect adjustments to the General Fund appropriations included in the 2015-16 budget only for the following:

- Consistent with the Administration's multi-year funding plan, increases of \$124,406,000 in 2016-17, \$129,382,000 in 2017-18, and \$134,557,000 in 2018-19. These amounts represent increases equal to the augmentations provided to the University of California in each of those years.
- Consistent with the intent of Chapter 22, Statutes of 2015, that savings realized from changes made to the allocations for the Middle Class Scholarship Program be used to support higher education, increases of \$15,000,000 in 2016-17 and \$26,000,000 in 2017-18.
- Consistent with the Administration's limited commitment to fund certain State Public Works Board lease-revenue bond rental payments the CSU will begin making, increases of \$7,865,000 in 2016-17 and \$5,070,000 in 2017-18.
- Pursuant to statutory provisions specifying that the CSU's General Fund appropriation will be adjusted to fund changes in the CSU's contribution to the Public Employees' Retirement System that result from changes in the employer contribution rate applied to the CSU's 2013-14 salary base, increases of \$20,461,000 in 2015-16, \$44,072,000 in 2016-17, \$12,325,000 in 2017-18, and \$12,348,000 in 2018-19.
- *Student Tuition and Fees:* The Trustees should assume that the amounts charged in 2016-17 for the undergraduate tuition fee and the graduate and postbaccalaureate tuition fee will remain equal to or less than the amounts charged in 2015-16.

Thank you for the board's attention to the development of this plan. The Administration's intent is that receipt of the plan will inform the ongoing discussion between the Administration, the Legislature, and the Trustees about the CSU's long-term sustainability and changes that can be made to university policies, practices, and systems to advance the state's goals for higher education.

If you have any questions or need additional information, please feel free to call me at (916) 445-4141.

Sincerely,



MICHAEL COHEN  
Director

cc: Members of the Board of Trustees of the California State University  
Mr. Steve Relyea, Executive Vice Chancellor and Chief Financial Officer, California State University  
Mr. Ryan Storm, Assistant Vice Chancellor for Budget, California State University