

## CSU Future Meeting April 2-3, 2012

### Some ideas to explore in the work sessions By Carol Shubin

#### First Work Session: Theme *“Aligning mission and funding”*

1. How we meet the projected demand for baccalaureate degrees and maintain an academic standard?

*Are we keeping up with human resources demands of instructional staff to educate the projected demand?*

*What should be the mix of tenure/tenure track scholars and much needed part-time instructors?*

*What is the mix that delivers the highest quality education for an affordable price?*

*Reports of the Chair, Remarks by Herbert L. Carter, Report to the Board of Trustees November 16, 2011: “ On October 25th, in a retreat format, the Board of Trustees spent an entire day reviewing the status of the commitments made by the system in “Access to Excellence,” the CSU strategic plan adopted by the Board in May 2008.*

*After extensive discussions among board members and presentations of staff, it was agreed that progress was being made on the implementation of most of the eight commitments contained in the strategic plan. The board, however, expressed its deep disappointment, primarily because of declining state resources, over its ability to make progress on commitment #2 (planning for faculty turnover and investing in faculty excellence) and #3 (planning for staff and administration succession and professional growth).”*

2. What are the principles that would guide us in finding a blend in the mission and funding question?

*Mission - California State University exists to enable students to realize their educational goals. The University’s first priority is to promote the welfare and intellectual progress of students*

*Objectives: define a balance among competing priorities*

*Funding must be guided by principles of maintaining access, affordability and the highest levels of quality in instruction, research, and public service. These principles can be “competing goods:” One cannot be altered without affecting the value of others. In the past, many financial decisions at CSU were made one at a time, often without considering the impact of changing one variable upon the others. Going forward, we must take a competing goods approach: Each solution will affect others to follow. Any increase in support in one area inevitably has opportunity costs for other priorities. The overarching task is to define an overall balance among these priorities that is consistent with CSU's mission, commitment to quality, and best serves our student.*

3. How do we conduct purposeful policy making? What changes are necessary in the current policy making processes for this to happen?

*Our joint cause of having a great university system is not being furthered by the impasse and conflict between CSU management and the CFA. We feel that the state and the taxpayers are getting less than the straight story. The politics of fear and entitlement are sounding less and less true.*

*We need to imagine that the money supply is not infinite and although we all believe in higher education (and have devoted our lives to it), perhaps the state has a few other needs too.*

4. How might we deliberately forge a guiding strategy?

*We believe that a strategy can be forged by (1) providing some analysis of each CSU campus' expenditure trends, (2) estimating the effect of any proposed change on the revenue by funding category, (3) discussing how changes in resources will impact human resources, (4) assessing the proposed changes effect on academic quality, (5) insisting on more campus autonomy over enrollment and fees, (6) aligning spending with our Mission, and (7) re-examining all non-instructional spending, particularly capital outlays and improvements. We urge the CSU Chancellor's Office to reduce "firewalls" from all non-general fund categories, "one time funds," to cover any deficit that reduces the availability of courses. We call for increased campus autonomy over enrollment.*

5. What is the tipping point where cost reduction erodes quality?

*Although hard to predict, we do need to be mindful of not devaluing the degree to the point where going to a CSU isn't much better than going to a CCC.*

*We can not throw away research as a cost saver if we want to preserve education.*

6. If important data and research is buried then detailed information necessary for policy making on funding and expenditures is difficult. How can we gain access to the necessary information for informed policy making on funding and expenditures?

*The financial activity reports and audited financial statements are available online. The Foundation files tax returns. The grants and sponsored projects are also reported (and the information is publically available. )*

7. What is the cost to the citizens of California for access to public higher education: What is our mission?

*No doubt in my mind that California should fund college – but there are a lot of competing demands. Access is a very good thing and allowing for more local autonomy might go a long way to aiding the cause of access.*

**Second Work Session:** Theme “Where does the money come from?”

- What are the various revenue streams and how do we account for them?

*The majority of operations with CSUN are conducted within four financial categories: the General Fund, the Lottery Revenue Fund, Auxiliary Enterprise Funds, and the Auxiliary Corporations. As we understand it, the university derives revenue from General Funds (tuition/fees, state appropriations), reimbursed activity, lottery funds, trust funds, enterprise funds, and “other funds.” The majority of suggestions in the Draft Resource Plan concern additions to Enterprise and Auxiliary fund categories. CSUN Financial Activity Reports show that Enterprise and Auxiliary funds already post net revenue gains. However, this money can not be used to fund direct instruction shortfalls in the General Funds category.*

*We need to come up with suggestions on how to generate revenue or reduce expenditures in General Fund categories which affect instruction. Some suggestions may even increase expenditures or have no positive effect. Many revenue enhancements could not be realized unless “firewalls” between different funding groups are lowered. We have grave concerns about lowering these firewalls to fund some of the additional expenses listed, particularly increased revenue for capital improvements. We would only support lowering firewalls to cover direct instructional costs.*

- How is funding determined?

*The vast majority of the funding is made possible by Student Fees, State of California, California Taxpayers, California Legislators, the CSU Chancellor’s Office and Board of Trustees. There are also funds generated through Auxiliary and Enterprise funds. Grants and sponsored projects add funds, but have restricted purposes. A small amount of unrestricted revenues come from advancement.*

*About 90% of our revenue comes from the state general fund appropriations and student tuition/fees. The balance of state : student contributions has changed from roughly 70:30 to 50:50 over the past 10 years. Because the Chancellor’s Office would like to prevent*

*We need to re-examine our assumptions for enrollment growth, potential increases in tuition fees, revenue over time, and potential decreases in state revenue per student. We need to discuss using one time money for instruction and employee salaries.*

*Ask – how Legislative Analyst Office LAO and Governor influence the Legislature re state general fund appropriation.*

*Talk about possible tax increases and future funding//increases in tuition are passed by the CSU Board of Trustees and the Campus Fees are locally determined.*

*CSU capital expansion is financed through University Funds, issuance of debt, issuance of California State University System Revenue Bonds, and general obligation bonds, of which the latter are not reflected in the accompanying financial statements.*

- What should be the degree of funding flexibility?

*Over the past few years, the Chancellor's Office's main tool for increasing revenue has been the manipulations of enrollment and fees*

*We suggest reducing firewalls between Auxiliary and Enterprise funds if general fund money necessary for salary can not be covered.*

*We strongly suggest increased autonomy for campuses which can show good financial management.*

- What is the best balance between State support and student tuition?

*Depends who you ask! Students would like to the State to cover the bill. As fees and tuition has increased, so has financial aid.*

- What drives the basic cost of education?

***Good question – and the answer is not salary. Capital projects (even if funded by bonds), maintenance costs. IT, supplies, and equipment adds huge costs.***

**Third Work Session:** Theme “*How do we best spend the money*”

- Accountability – *who is stopping campuses from running surpluses for political end?*
- Transparency -- *there is no real shared governance – the faculty are at best informed of financial decisions (other than allowing for some relatively small local decisions at the departmental level). Building and most staffing decisions are made by a very small group of people.*
- What is the strategy for allocating the various funds to the system?

*The Board of Trustees proposed almost \$6 billion in capital expenditures for the next 5 years. There does not appear to be a budget crisis as far as capital expenditures go. Why is that? Students and employees are threatened but building continues – maybe ALL funding should be reconsidered simultaneously.*

- How do we achieve the appropriate balance in funding and educational costs: what are the relationships between spending and educational quality that can aid resource decisions?

*The general trend in private education is that the highest quality institutions costs the most. However, there are some interesting lower cost models being developed.*

*We need to be mindful of for-profit universities as well as better financial aid services being offered by private universities.*

*We have to determine our fixed and variable costs better. We need deal with relationship of enrollment and resources more directly.*