

**Funding the Future of the CSU Symposium:
Summary of Working Sessions
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There has been a secular change in thinking about the notion of education as more of a private rather than a public good. The universities and the colleges come to budget hearings in Sacramento pitching the idea that every dollar invested in CSU is going to come back several fold because graduates are going to get jobs and they will be paying higher taxes. External voices are really premising the purpose of higher education upon filling jobs. The CSU shares in making that argument in Sacramento because the fight over scarce resources encouraged the CSU to point out that higher education provides an investment that pays returns. However, we are concerned that our notion of investment has just become so narrow, particularly for a public university system. An older notion of the university is that it serves a broader public interest in terms of the society, in terms of democracy. We must be cautious about narrowing that notion, out of expediency as a way to try and get a larger share of that pie, for it can come back and haunt us as these arguments shape policies in Sacramento and higher education has to sit on this very narrow pedestal of economic gain and private benefits.

The CSU educates individuals whom we expect to have sophisticated habits of mind. We expect them to be conceptual, open, able to define and solve problems, able to see alternatives and to lead purposeful innovation, resilient and able to respond to the challenges of life with wisdom and courage. In that light, it seems more important than ever for each campus, each school/college, each department/unit, and each individual that the CSU comprises to model those capabilities as we respond to the challenges before us.

The CSU is an organization going through a period of rapid change in funding. The state's defunding of the university has generated organizational stress. However, we are defined not by what happens to us, (as individuals or institutions) but how we respond. Hope is not a strategy. When it is time to circle the wagons, it is important to remember to take aim outward and not inward.

What we need most and what we must insist upon is flexibility, agility, and innovative range. When stressed, organizations have the urge to move to greater centralization and greater control; but that will only lead to organizational paralysis at a time when it is important to look for an alternative, be truly creative, look forward rather than backward, and climb out of the box rather than curling up in a corner and closing the lid. This is particularly important in light of the agile, aggressive, and innovative competition the CSU faces from a rapidly growing number of other providers.

We call for better communication and stronger leadership. The discord between the Chancellor's Office and CFA is viewed as crippling to the system. Can we bring our leadership together—and leadership means everybody in the room and across the system—to work together to face these tasks? There is a unity as far as commitment, but

there is not a unity of a vision and there certainly isn't a feeling that we are going forward together. What can board, executive leadership and faculty leadership do to bring us TOGETHER to face the daunting future for the CSU?

Aligning Mission and Funding

The CSU's educational mission has remained unchanged as has its defining characteristics of quality, access, and affordability. Should we cut the CSU Mission to fit the budget or how do we find the budget to carry out the Mission? We must search for better ways to match resources to mission.

State budget projections clearly indicate that there will be no large reinfusion of funding in the future. So, then the question becomes, how can we best adhere to the civic core of what this university is about? How can we be faithful to the core of this university, and that requires some definitions. It requires some prioritization. It requires some choices. The critical question is: who gets to do that? And this defining of the mission and prioritizing— is that something that can be developed by consensus?

At the end of the day, resources are always finite. How does the university prioritize what it does? Let's just stipulate that everything that this university has been doing has some benefit. When we have to choose where to focus our limited resources, the question becomes: What has the most benefit; what are the priorities?

The CSU is such a large and complex system that it really cannot be managed at the central level. The model that makes sense here is one of campus level decision making to meet common goals, the state common goals, based on common information. We need much better information across the system so that we are all working off of the same information. And then also a couple of things: while acknowledging that current funding constraints limits access--we can't spend what we don't have--there was still a real sense that we do have the capacity to produce more with existing resources.

Other states have increased their productivity in various ways by, for example, changing the incentives for campuses and for students, and by getting better data to project demand for class sections, and by smoothing some of those pathways by realigning funding with outcomes and then giving the campuses more autonomy to pursue those outcomes in the ways that makes sense there. Setting those expectations centrally and then letting campuses innovate. And that means that there would be more differentiation among campuses and among programs. And it also means accepting that some campuses would fail - are we ready to accept that at the state level?

Campus specialization and differentiation might make more sense with the CSU system than the UC System because there are so many more campuses. Another perspective on that maybe it make less sense in the CSU system because the UCs were conceived as statewide in reach and the CSUs were really conceived as serving a regional market. To the extent that we want to be able to provide regional access across the state, how much differentiation do we want to tolerate within that in terms of what students have access to in the different regions?

The other part of this idea of mission concerns mission differentiation by campus. Do we need every campus to have the same mission? Does every campus have to be a replicate of the other 22, or is there justification for establishing some “destination” campuses? Should some campuses be focused in some particular areas? How many should offer doctoral programs? Maybe these should be limited to some finite number of campuses for example?

Outside groups are defining what we are on a national basis. From Lumina, California Competes, PPIC and others, we hear that the key mission should be baccalaureate degree production. The president of the United States is pushing the same message. We need to increase degree production. And so if you go down that path, what does that mean for CSU? What does that mean for remedial students coming in the front door? Is remediation something that should be done by community colleges or someone else? What does that mean for masters level programs at CSU? This path of baccalaureate degree production necessarily means other things are going to be less of a priority.

The question of optimal enrollment for different campuses and their regions continues to daunt us. High enrollment may compromise quality. Lower enrollment may deny access. High enrollment may bring in more dollars without many cost reductions. Low enrollment may necessitate lay-offs.

The world has changed and that requires that the CSU change to fulfill its mission in a new and changing context. Among the most relevant changes: Changes in the levels and types of degrees needed to assume professional roles in traditional and emerging field and industries. The number of careers that an individual has and will have, across the span of his/her working life in the decades ahead has increased. What does that mean for the role of the baccalaureate degree – will provide a foundation for a long, meaningful, and changing career and an engaged civic life. It will also mean a changing relationship between such individuals and the university as they return to the university multiple times across their career span.

The diversity of communities in California and the interdependent and interconnected nature of the global economy (including the exchange of ideas and the evolution of scholarship within and across disciplines) and the implications of both, for the kind of education needed at the undergraduate and graduate level for graduates to make positive contributions and play leadership roles in professional and civic life in that context. The growing importance of applied research both for the preparation of students in applied fields and for driving the economy forward as business and industry turn increasingly to universities to provide the R&D needed to support innovation and, in turn, competitive advantage. Applied research is also an increasingly important resource for community development where solid data and balanced perspective are becoming essential tools for identify and solving complex problems.

The changing context requires that we look and reach outward to better understand where graduates are going and the realities of working, community, and creative life in a global

and digital era. We also need to understand where the midcareer adults returning to the university over time are coming from. We need to connect teaching, learning, and scholarship more comprehensively to the world beyond the university.

CSU campuses are and always have been distinctive institutions. Going forward, that distinction needs to be cultivated to address a wide range of educational needs and to take advantage of the capabilities of each unique institution. Each campus fulfills the CSU mission with a specific set of resources and strengths in a specific regional context. Each must find its own way forward – benefiting from and collaborating with other CSU campuses and other regional institutions as appropriate. The future of each campus must be crafted by the individuals it comprises today – the choices that individuals make today and going forward will define the future for each campus in question regardless of what has gone before (they will define the future for their campus whether it is by action or inaction by the choices they make or by their failure to choose – that is the reality).

In that light, aligning funding to mission is a “micro” and not a “macro” enterprise in the CSU. It requires each campus creating a culture of innovation, collaboration, purposeful evolution– at the campus, college/school, and department/unit levels. Thoughtful planning, innovation, engagement, openness, and co-creation at all levels of a campus is essential to fulfilling the CSU mission in real terms for the students in front of us on any given day and the communities and regional economies that rely on the CSU and its graduates.

Where does money come from?

Among the sources are:

Government

*The State (A decreasing resource – might disappear, unlikely to grow – concerted efforts in collaboration with Federal sources may stabilize it at some lower level. It would be particularly useful if the pace and scope of decline, were more predictable. The CSU will need to assume a much smaller level of state support going forward and should plan and innovate accordingly to sustain growth, access, and excellence).

*Federal (An increasing amount of funding comes from Federal sources – Pell Grants, grants, and tax deductions for college costs, etc.)

* Direct User Pay: Tuition and campus fees paid by in-state students and out-of-state students in state-funded programs.

Other

* Grants and Contracts: Payments from public and private (corporate) foundation for research and special project grants. Payments from organizations and agencies for contracted educational, research, or consulting services.

*Shared or Leveraged Resources

*Partnerships and collaborations

*Shared facilities or services

Each campus, college/school, and department has a different potential for expanding, combining, and building on the array of funding sources below as well as others. Each campus, college/school, and department should consider all options and build a viable

mission-focused path into the future that increases excellence and distinction and fosters a culture of innovation and evolution in response to changes outside of the university.

Many participants expressed the desire for more budget transparency and involvement in the budget planning process. There were many questions about enrollment limits. Is limiting enrollment a good means to reduce expenses? Would increased enrollment up to university capacity generate revenue at marginal costs more than running the university on 80% enrollment capacity?

If a campus or the system saves money, then it will go. There is no incentive for the system or campuses to save money. Indeed, many expressed the worry that if a campus finds a way to save money, the state is going to score that as General Fund savings and the savings becomes part of the budget solution. So how can the university find ways to reduce costs or to come up with other sources of funding that will not simply become a reason to reduce state support for the university? Legislators have a lack of consensus about the purpose of the CSU. There are no defined boundaries on what the university does, and that means there is no stopping it from shrinking or expanding.

Under Governor Brown, we have moved away from the idea of Sacramento setting enrollment targets. Until recently, the state would set a particular level of enrollment for the university and in fact every year—most years—the state provided additional funding for enrollment growth. The budget included funding specifically to serve some additional students because there is increasing demand. We have moved now to a different approach. This is the Governor's budget proposal right now: there is no expressed enrollment target or expectation for enrollment at the university.

There is no specific policy on tuition. There is little guidance about where the CSU can go with tuition policy. All this makes for a very malleable notion of the university. That makes it easier for the state to cut back on funding: because there is no defined core. Based on this, the conversation moves to how to define a core understanding of what the university needs to do. There needs to be some expectation generally on how many students are served or how many degrees are conferred or what kind of research is done. We are not sure how you define it but right now, it is just very open ended. Again: there are no meaningful, defined mission parameters that would create in effect a funding floor associated with that mission.

Funding from Sacramento, generally, is not earmarked for particular purposes. Some people said that, if there were some defined expectations on that money it would be less likely to go away. Other incentives we talked about are, how should you structure tuition charges? You have this current tuition framework where 0 to 6 units is one amount, 7 to infinity is another amount. What does that do in terms of influencing student behavior? What if you charged more for programs that were more costly for the university to provide? What does that do in terms of incentives?

Another piece of this is playing with return to aid on the tuition payments and maybe

move away from the expectation that one third of tuition funding goes to cover state university grants. And this connects to a theme that is around the edges of all the conversations: and that “is to what extent are these solution that we’re looking at dependent on the broader higher education system? What’s happening in community colleges, in UC and even independent and private colleges? The various segments have effects upon one another and there is a need to come up with a better integration. We got to this from the thinking about financial aid. And there is interaction between the state university grant and the Cal Grants as well as federal financial aid. There’s an interaction with what is being charge at UC and other schools. So, you expect to move to a point where there needs to be a broader thinking not just about CSU but the larger higher education enterprise.

The mechanism for increasing revenue as the state defunds higher education, is raising tuition. The other leading variable is enrollment. This is due to the historic non-diversification of our revenue stream. This is a reality that needs to be faced. It is harmful to tell students that they attend the CSU with no tuition or fee increases in the next five years by protesting. Tuition and fee increases are necessary to preserve the university system.

How do we best spend the money?

This is largely an allocation issue. Whenever an amount of money is made available through tuition and state General Fund support and maybe Lottery funds and others, we need to ask, “How is it to be divided among the campuses?” How is it divided among programs? To what extent are community needs taken into consideration? To what extent is the faculty’s voice able to define some of these needs versus a broader outside state voice? We used to have CPEC, which made some of these kinds of judgments and they of course aren’t around any longer. There is a broad allocation question internal to CSU; however, it is opaque to most people. What is the basis of these allocation decisions? Is it just the way we’ve always done it? Or is it thinking intentionally about how can we put the money to best use? Which gets us back to the beginning question: We can not define best use of money until we have established clear vision and goals for the system.

There is no clear consensus or expectations about what the enterprise is supposed to be about. We have really moved from an original vision that came under the master plan of a public system of higher education serving a public need, to a system that delivers private goods.

The State, the campuses, the system--are backing into a lot of decisions just in response to funding reductions and stress on the system, and it would be better to make some of these decisions intentionally up front. We need to be more strategic about growth. What is the optimal size of a campus? What is the cost-structure? We don’t have enough information to understand the cost structure and make informed decisions. What about aligning with regional economies? That could allow for more coordination, and some elimination of duplication where it makes sense. There’s a chancellor’s office role in that, especially in the absence of CPEC, looking at working together more regionally. Maybe the instructional model needs some tweaking. Again we are backing into some decisions

about that by knocking down walls and making larger lecture spaces but without necessarily the infrastructure that's needed to support those changes, in terms of graduate systems and other supports for faculty. And, we are also backing into--we are de facto backing into campus differentiation with some destination campuses. That has some very real cost implications for the other campuses--CSUN is an example.

CSUN is getting a larger concentration of less-prepared students who are not getting into some of the destination campuses, even in their own regions. These students bring more cost with them, they have lower completion rates, they require more remediation and that's happening by default without a conscious decision, or even acknowledgment in many cases, about the effects of allowing some of the campuses to become more selective.

Perhaps education might be reframed as an investment portfolio, looking at students as debentures--as human capital bonds--and calculating return on investment, and funding based on outcomes over time, not based on the generation of credits in a particular year. This might involve front-loading fees on programs as part of real life incentives, and adjusting for risk.

We have the upcoming retirement of boomer faculty that is another good subject for some proactive planning. The replacements for folks who are going to be retiring over the next few years really should be in the pipeline now, but given the switch to many more lecturers and part time faculty, that pipeline is not there. And that's going to take some planning.

Some Recommendations

Recommendations for Action

At the System and Campus Levels

1. Regular access to standardized and comprehensive analytic data about cost, trends, and other key data points needed to give campuses, colleges/schools, and departments the information needed to make data-driven plans and choices. Clear, simple, and designed to support reflective decision-making.

2. Actively and consistently promote (via policy development and leadership choices) and reward a culture of mission-focused innovation and future-focused thinking. Ensure campus and system innovation and change is rooted in stakeholder engagement, meaningful and early consultation, and simple communication throughout the process.

At the System Level

Focus on becoming policy minimalists – eliminate out of date policies and create new ones only when essential to do so. When creating or revising policies, we must focus on increasing the agility and flexibility of the CSU and each campus. This is a highly practical and essential issue in an increasingly competitive environment in which the ability of the CSU to respond and change rapidly and often, is essential if it is to respond to the states changing needs as no other private or for-profit institution can.

Seek predictability in the decline of state funding – stability and predictability is important. Seek increased flexibility for the CSU overall at the state and legislative levels.

For Campuses

When using flexibility and agility to move the campus (college/school and department/unit) maintain a high level of transparency, accountability, and open communications – foster trust and share ideas and models.

Think and plan comprehensively looking at all possible funding sources to help the campus define its future with a focus on the core instructional mission realized in the a changing context.

Other Recommendations

1. Improve transparency: better campus and college level accounting and reporting to improve transparency. There should be audited financial reports each year for each campus. These should all be publicly posted. There's a lot of opacity about how decisions are made, how applications work, both at the campus level and at the system level. We have the technology and some sort of information system that would allow folks to drill down and aggregate up and really understand what's going on.

2. Consider a payroll tax for higher education as a funding stream, very direct nexus with human capital issues. This is something that perhaps unions could get behind because it would directly fund training to feed into employers' needs and to build human capital. It might be a little bit difficult in this climate. But there is a model such as with unemployment insurance—a portion of that is set aside for training, and this could be an extension of that. That was developed in a time when unemployment tax was in the black, it is now deeply in the red but I think the concept merits consideration.

3. Consider differential tuition. This got a fair amount of discussion and that's been mentioned before both in terms of by major, by program, by campus. Raise fees for repeated courses and for excess units, remaining sensitive to special needs. Consider three tier tuition system. Also look at a pay per unit model.

4. There was an idea for state pension plans investing in students start-ups. That ultimately would feed into the campuses because they would support some credit bearing activities of students who were involved in start up.

5. Demand more autonomy from the state. In exchange for less state control of targets, the CSU would be more accountability for outcomes based on some sort of input-adjusted measures that would get at value added for campuses. There would be some measure of performance of campuses relative to the students that they are enrolling, with measures that you could use to adjust for them.

6. Apply some sort of performance or outcome measures to regional networks of CSUs and community colleges, and private colleges. We need to improve the connection

between K12, community colleges, and senior institutions within a region because they all depend on each other and the outcomes really are outcomes of that whole system. That would really help to align expectations across those different systems.

7. Create a deferred repayment scheme that would be income contingent and would have a return for the state. You may know that some UC students came up with the plan for a tuition-free UC education the students would pay back over 20 years based on a proportion to their income. Something along those lines that would provide a more stable long term funding stream, a very direct nexus to the human capital that the education is helping to build.

8. Make our policies more intentional rather than, by default, reactionary. So that was first and foremost and how do we do that the way that's gets it into local hands to make decisions. Use more evidence-based information, and then connect that to goals at the local level while still maintaining fidelity to the larger mission of the CSU is a second action item.

9. Work towards making policies within the CSU more intentional. For example, we were using were the cross subsidies and cross subsidies for large and small campuses. We should pay attention to the intentionality of decision making— especially in terms of growth?

10. Align and elaborate goals with the mission. A mission cannot be something that is malleable day to day. It is something that we have to set with a 5 or 10-year window because, if we continue to back into our mission...let us say that we are not about access because we are not financed for access. Are we willing to give that up? Are we willing to change our mission year to year, week to week based on external pressures?

Ideas

- Consolidate programs within geographic areas
- More partnering with employers who benefit from the “product” we produce well.
- Perhaps a “third track” between a vocational and BA is appropriate for some students.
- Perhaps we should incorporate outcomes with standards. Students who do not progress should not be retained.
- Reduce low-enrolled graduate programs.
- Use distance learning, EUD to provide access.
- Recruit more international and out-of-state students.
- Let campuses set their own tuition and fees.

Some Common Feelings

- Commitment to the CSU Mission. We have an almost religious fervor and dedication to student success.
- Frustration.
- Lack of information/incorrect information.
- Lack of input into decision-making.

- Need for more autonomy to achieve goals and to make sure that associated objectives are clearly defined and obtainable.
- Lack of appreciation for what we accomplish.
- Crises can bring families together or tear them apart.

Questions

- * If we are a gateway for access, should we expect everyone to graduate?
- * What is the appropriate middle ground between high selectivity (Ivy League) and open access (CCCs)? Who should decide?
- * Would pressure to meet outcomes lead us to become more selective so that the attrition is lower and the throughput is higher?
- * What is our most important goal—upward economic mobility for our students or other goals such as citizenship, life-long learning?
- * Do we harm the CSU “brand” with enrollment freezes, unit limits and other uncertainties?
- * Should we move to kind of a UC or private school model where we have mega-class sections and take advantage of cross subsidies? Large freshman classes “subsidize” major courses. You can have larger classes with TAs. Should this be a model?
- * What is the appropriate mix of funding (tuition, general fund and other)?
- * Are our campuses too large—what happened to the 25,000 student cap?
- * How can we improve intercampus communication and collaboration? Should we limit growth of campuses?
- * Is it possible to have more freedom in how we spend the funds that come to the campus from various sources to meet the most pressing needs (parking fees to support instruction)?
- * How can we become more informed and involved in policy making?
- * Why can't we ever discontinue things?

Note: The above summary was a compilation of summary talks delivered on group sessions. The speakers for the groups are listed below.

John Tarjan
California State University, Bakersfield
Associate Professor of Management

Steve Boilard
Legislative Analyst Office
Assignment: Managing Principal Analyst, Education

Judy Heiman
Legislative Analyst Office
Assignment: California State University

Joyce Feucht-Haviar
Dean of the Tseng College
California State University, Northridge

Michael Spagna
Dean of Michael Eisner College of Education
California State University, Northridge