THE GAME HAS CHANGED, THE RULES HAVE NOT

JUNE GLOOM

In late June, the California legislature passed a trailer bill to the ’12-13 budget that epitomizes the haplessness of the CSU. The budget itself warns that if the people do not vote for the Governor’s tax increase in November, then $250,000,000—roughly 12% of the state’s share of the system’s general fund—would be cut.

Now, for the good, I mean bad, no, I mean . . . . ugh, news.

The trailer bill woos voters by rolling back ’12-13 fees to their level in ’11-12, if Brown’s measure passes. This provision wipes out a 9%, $132,000,000, fee increase for ’12-13. The bill does supplement the CSU with a smaller outlay of $125,000,000 in ’13-14.

Except in Sacramento, November follows August and September when students complete registration. Therefore, if the measure passes muster, staff may need to process hundreds of thousands of fee refunds and grant over-payments.

Good thing we use PeopleSoft; else, this could take a lot of time.

Politically, CSU faces hard choices. Support the ballot measure with the trailer bill, and gamble that in ’13-14 the legislature allows the CSU to restore the ’11-12 fees and collect the $125,000,000. Or endorse a permanent rollback of $250,000,000 while keeping the option to raise fees, which the Solons of Sacramento will seek to squelch.

SOLONs OF SACRAMENTO

The state’s political leaders refuse to acknowledge any link between cutting support to the general fund and raising fees. Rather, they blame such increases on lasagna bashes at the Chancellor’s residence and excessive cell phone use by executives in campus housing. And they refuse to acknowledge that as long as they forge a budget with inflated revenue projections and
exaggerated savings, they discourage long-term change.

Such strategic thinking—a toxic mix of pandering, intellectual dishonesty, and gutlessness—brings us to the current choice.

In effect, we postpone thinking differently by affecting to believe every year that state revenue will return as it once was next year. But revenue still is nearly 15% below its peak in ’07-08. That peak, of course, was as make-believe as the Disney Matterhorn because inflated real estate values and, ah, esoteric financing mimicked the production of real wealth.

Today persistently high unemployment and consistently low income growth do not indicate that the economy is ready to regain its peak. We should not count on steady economic growth to support the general fund. The contrary assumption underwrote free tuition in the Master Plan. Nor should we count on California reining in expenditures elsewhere from the general fund in order to increase substantially the 7-8% share for UC and CSU.

GET REAL

Given all this, advocates of an affordable and accessible CSU seem to have two options for keeping fees low while the state removes between $100,000,000 and $500,000,000 each year from the general fund. (@ $2,000,000,000 from the state remains in the general fund.) They can follow the tortuous processes for new tax revenue, and/or they can suppress cost.

From ’08-12, CSU lost nearly $1,000,000,000 in state funding; fees almost doubled. If ’12-16 play out similarly, CSU would have to cut 25% of cost to avoid a 50% increase in fees. Since we must scramble to get the electorate to approve measures that wipe out a $250,000,000 cut, it is folly to bank on a bigger bail-out.

There is a third way to manage fees as a response to budget cuts as large as $1,000,000,000. However, we must think differently.

We have to check our assumptions. We seem to assume that CSU undergraduates pay the average published fee of $6,800 for at least each of four years: $27,200. And we assume that we can hold the published price constant, absorb large cuts, and not prolong the time to degree. But over 50% of our undergraduates get half their credits in the community colleges for a public price of $1,200 each year. As a result, they can pay $16,000 for a four-year BA. Together, these two paths to the BA yield an average price of $22,270, rivaling the cost of a degree through low-tuition stars like BYU Idaho and Western Governors’ University.

But wait, there is more, I mean, less!
Even this approach grossly overstates the average cost of a degree. Grants and discounts cover the entire fees for at least 50% of the students in the community colleges and CSU, and they dent cost for another 25%. This means that the average degree cost across these two major paths to the BA is closer to $11,360 for four years than $27,200.

Does it still make sense to resist fee increases so adamantly?

Back in 2000, well before the graduation initiative cleared the underbrush that delayed progress to degree, students on average took two less credits each term and graduated at a 16% lower rate than they do today. It is hard to imagine how a $1,000,000,000 cut would not jeopardize the support that has made these gains possible. Reverse them, and add another year of cost to a degree, $6,800 for a student. Meanwhile, the state wins a dubious victory. Its funding per student decreases, but its ratio of cost per graduate increases. Such is the result of making a fetish out of list price.

OFFSETS

I am implying, of course, that we can and should raise fees. Nationally, comparable, similarly sized universities today average $10,800 without offsets as large as those in California; we should aim for $10,200 in four years, trading against the state’s withdrawal of $1,000,000,000. Examples of how to offset such a fee increase include:

1. Really getting behind the 2+2 transfer programs with the community colleges, where fees still are the lowest in the nation and unlikely to rise even to 20% of the charge in the CSU. Success, though, requires the two-year colleges to prioritize the BA track; and CSUs must publicize this pathway as worthy and cost-effective.

2. Change remedial course work from non-baccalaureate to baccalaureate credit. 57% of students need remediation; 27% must be treated in both math and English. This group effectively pays for a year of instruction before beginning to pay for 120 baccalaureate credits. Probably, the remaining students in need of remediation pay for the equivalent of an added term. Incorporation into 120 credits likely will displace electives. It also recognizes that such widespread need for remediation has less to do with individual failure to learn and more to do with the gap in expectations about learning achievement between our public schools and universities. This change lowers the cost of a degree for roughly a third of the students who begin as freshmen in the CSU. On average freshmen would save $2,500.

3. Reconsider the extent to which CSU discounts fees. The CSU foregoes one-third of its fees, over $750,000,000, through the state university grant program. This is one of the highest rates among public universities. Indeed, the combined student grants and discounts in the community colleges and CSU exceed the combined fees. So there is margin to play. Consider this. Instead of raising fees 50%, $3,400, to
$10,200, lower the discount and thereby buy down a fee increase. A 50% decrease in discount balances a 16% reduction in fees; $10,200 shrinks to $8,500. In a sense, everyone gets some discount.

4. Allow students to transfer in up to four courses that are free and online, from accredited and unaccredited sources, provided that CSU faculty pre-approve the course. Faculty with ties to distinguished programs are posting free content in formats that allow for self-testing and a final grade/ranking. One can imagine many ways to authenticate students’ experience of such a course and to assess their learning. Obviously, students save by paying for fewer courses, and the CSU gets to re-allocate some capacity to new students or higher credit load for continuing students.

CUTS: THE FOR-PROFIT SOLUTION

Fees and offsets are only one way to go. We also can look at economies and new revenue. But we must temper our expectations. On the one hand, CSU has held down cost by growing enrollment and minimizing residential and research expenses, in an administrative structure with relatively fixed costs. On the other hand, a large part of excess cost, $200,000,000, derives from a political mandate not to shutter small campuses with similar structures and fixed costs. These two tendencies leave little room for more shaving. As for growing non-general funds, most CSUs lack the research infrastructures, sporting facilities, and residential experience that help to underwrite large efforts. The Master Plan excluded these features from the CSU.

Complicating matters is that cost control has become a creature of ideology and vindictiveness. A driving assumption is that the current modality of face-to-face instruction is inefficient; therefore, we need to adopt the for-profit model of a centrally prepared curriculum that is delivered by part-time faculty in a no-frills or online format. Even if this assumption was indisputable, it still would apply to only direct instruction; and that is a fraction of cost in a university. A mouse cannot swallow an elephant.

Also, cohorting and technology-based learning can reduce near-term costs, like fees for students and pay for faculty; but they seem to hardwire in long-term costs in the for-profits that are devastating. Low credit loads increase time to degree and hence cost. Meanwhile technology trades the cost of permanent faculty for the permanent disruption of new solutions, upgrades, and updates.

SYNERGY

The CSU has no analytical method, benchmarking, and plan for undertaking the reduction of non-instructional costs. Thus, discussion degenerates quickly into an exchange of hit
lists. Get rid of sports. No, administrators. No, no, the French program must go! Wait, I meant the canine unit.

However, it has become the fashion in CSU management to speak supportively, if vaguely about synergies, the delivery of services and functions across campuses in order to achieve consistency and savings. The instances so far mainly involve a campus sharing, for a fee, technical counsel and leadership. In theory, synergy can wring duplication out of a twenty-three campus system. In practice, though, the approach raises the ire of people who swear by local implementation of local governance. It requires collaboration with unions on the consolidation of positions and phasing from old to new. By reverting annually to the insistence—it is not a strategy—that the state owes us, we delay the urgency necessary to prime the culture for such change and to spur ourselves to develop methods and schedules.

If steep cuts are still in store, and if we cannot raise fees and overcome our paralysis before synergy, then we will drop into the death spiral of lay-offs, lower enrollment, lower revenue; still more lay-offs, more enrollment cuts, more lost revenue . . .

A reasonable approach to fee increases, balanced by offsets, makes the level of cuts that the system must absorb manageable.

Over time, we can phase in an increase of 3 in the student to faculty ratio, as well as similar adjustments in related staffing. This could net north of $230,000,000. We have enough knowledge of technologies like lecture capture, formats like self-paced and asynchronous, and teaching strategies like recursiveness and frequent feedback to expand instruction beyond the fixed time, location and capacity of a classroom.

We must identify projects, goals, schedules for meaningful synergies that total at least $200,000,000 in savings. Such consolidations should be invisible to students, customers and clients on the twenty-three campuses. Candidates include collection management across the libraries, transfer articulation, non-academic payroll, online storage and learning management systems, bulk and cyclical purchases, digital security and disaster recovery, and benefits and employee assistance.
Still, outright cuts should be a last resort. They are symptomatic of a bureaucratic elite that, consciously or not, has a vested interest in seeing state funding as the only game; they are a powerful broker in this game with the capitol. Growth, in the face of state withdrawal, is discouraged; it will encourage more cuts by the state, as if cuts otherwise might not occur. Actually growth beyond the number of students that the state funds now is covered by fees. Indeed, it produces a margin for other uses.

The problem, therefore, is more conceptual than financial. The game has changed, the rules have not. The state used to be Big Daddy. He allocated reliably, sufficiently, specifically—permanently, we imagined. Not so. Now, it is about fees and enterprise funds. We need to hire permanently, give raises, and aggregate different funding sources to achieve large projects. But the rules say not with non-recurring funds, and not across auxiliaries and the university proper.

It is a brave, new world, alas. And CSU is a cowardly lion.

Harry Hellenbrand
Provost and Vice President for Academic Affairs
July 18, 2012