

AGENDA

JOINT MEETING OF THE COMMITTEES ON EDUCATIONAL POLICY AND FINANCE

Meeting: 2:00 p.m., Tuesday, September 9, 2014
Glenn S. Dumke Auditorium

Committee on Educational Policy

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

Committee on Finance

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

Consent

Approval of the minutes of the meeting of January 22, 2013

Discussion

1. Academic Performance Measures (Academic Sustainability Plan), *Information*

**MINUTES OF THE
JOINT MEETING OF THE
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**

January 22, 2013

Members Present

Committee on Educational Policy

Debra S. Farar, Chair
Peter G. Mehas, Vice Chair
Roberta Achtenberg
Bernadette Cheyne
Kenneth Fong
Margaret Fortune
Steven M. Glazer
Bob Linscheid, Chair of the Board
Lou Monville
J. Lawrence Norton
Timothy P. White, Chancellor

Committee on Finance

Roberta Achtenberg, Vice Chair
Rebecca D. Eisen
Kenneth Fong
Margaret Fortune
Bob Linscheid, Chair of the Board
Steven M. Glazer
Henry Mendoza
Lou Monville
Timothy P. White, Chancellor

Chair Farar called the meeting to order.

Approval of Minutes

The minutes of September 19, 2012, were approved as submitted.

Proposed Addition to Title 5, California Code of Regulations, to Describe New Delivery of Educational Services through Cal State Online (REP-FIN 01-13-01)

Executive Vice Chancellor and Chief Academic Officer Ephraim P. Smith reported that the newly launched Cal State Online is the CSU's systemwide effort to centralize marketing and support for fully online degree programs. Cal State Fullerton is offering a bachelor's degree in business administration. Other CSU campuses soon to offer programs are Dominguez Hills and Monterey Bay. Additional campuses to accept applications later this year include East Bay, Northridge and Fresno. Six degrees are being offered at the bachelor and master's level in business administration, applied studies, public administration and management information technology. Fresno State President John Welty, chair of the Cal State Online advisory board, said

Cal State Online originally was envisioned as solely offering programs through self-support. The revised language from the September 2012 board item expands student access and provides flexibility that can be used as new opportunities arise to deliver online education.

Lt. Governor Gavin Newsom said the CSU is light years ahead of the University of California (UC) system in terms of technology and willingness to lead in offering online education. He asked about the goal and impetus to centralize and develop the system as opposed to decentralize and engage with outside companies. He also asked about the cost and number of people working on the programs and how Pearson was selected as the partner to expand the program. President Welty said the goal is to broaden access through online education, especially for those students and citizens who cannot take classes on campus. He explained there is much experimentation that needs to be done as the CSU explores more possibilities. The CSU is taking advantage of programs already developed by faculty to make them more widely available. Ruth Claire Black, executive director of Cal State Online, responded to the lieutenant governor's questions, noting that the investment was \$50,000 from each campus and the contract with Pearson is seven years. The contract is exclusive in the sense that if a class is offered through Cal State Online, it would utilize the free Pearson platform. Campuses can participate in Cal State Online and still offer their own MOOCs (massive open online courses). Students who enroll in a MOOC and then want credit for it could transfer to Cal State Online and use the credit.

Cal State Online was conceived a year-and-a-half ago, long before some of today's technology, said President Welty. After months of discussion on how the CSU system could maximize the use of online education and provide access, the CSU decided to use existing programs and expand them to ensure that more students received degrees or moved to the graduate level. Overall goals were to maximize the use of faculty-developed programs, provide support and services that would allow for the growth of online education, and look at how faculty can cooperate across campuses to deliver programs. Executive Vice Chancellor and Chief Financial Officer Benjamin Quillian added that Cal State Online can be viewed as a set of services to support the online offerings of CSU campuses. Examples of services include marketing, a 24-hour help desk, faculty training and tutoring for students. The services are centralized but the actual offerings are not. He said they hope to see revenues so that the CSU does not have to supplement the initial campus contributions. Dr. Quillian said other universities starting such programs have spent between \$6 million and \$15 million, so CSU's start-up is akin to a shoestring operation.

Ms. Black said opportunities to use MOOCs are complementary with Cal State Online. Pearson provides an open platform concept and services that could host MOOCs if the CSU wanted a centralized portal where students could access opportunities. She said the CSU should put together a strategy that allows all of the evolving opportunities to be seen by students in a single portal, which Cal State Online can do. Trustee Bernadette Cheyne asked about the \$10 million in the governor's budget for state-side online education and whether it could be used for Cal State Online. Dr. Quillian said possibly but there has been no movement that way, nor was that the intention for the item's language change. He said that could be discussed at the Cal State Online advisory board that has faculty and staff representation.

Trustee Kenneth Fong said Cal State Online seems to be the way of the future. He asked Lt. Gov. Newsom about his comment regarding the UC system lagging behind the CSU in this area. Newsom said individual UC campuses are engaged, most notably UC Berkeley with ed-X. He does not want to see either system locked into one way of operating. He wants more entrepreneurial efforts and to see the transfer of units coordinated among the CSU, UC and the community college systems. He said tough questions have to be asked and guidelines developed. Trustee Fong also asked if the CSU is creating its own benchmark or benchmarking another institution. President Welty said the CSU reviewed UMass Online, Arizona State Online and the University of Maryland as its benchmark institutions for their similar approaches and their successes. President Welty said one measurable result will be how many students receive degrees. The advisory board will be setting some longer-term plans for enrollment growth.

Chancellor Timothy P. White called it an interesting moment in time with online education, and compared it to making sausage in public; it is messy. Mistakes will be made, he said, and the CSU does not know what all the pieces are yet. Education is not a monolith; it is a 'heterolith,' if that is a word, he said, laughing. The integration of technology with faculty is what this is about. Online is one component. It is variable by content. Some lower-division classes like basic chemistry have not changed and lend itself to this format. It is variable by the students served, the traditional 18 and 19 year-olds out of high school is one sector. A single mom working two jobs and trying to create a new life for herself in her late 40s or 50s is another. It is variable by region of the state, urban versus outlying areas. The beauty of Cal State University is that it has to create a series of platforms. In three or four years, it will make much more cohesive sense. It is difficult to try to cross all the T's and dot all the I's in a rapidly changing environment. What makes him proud about Cal State is a willingness to engage now, even though the details are not worked out. If mistakes are not made, the CSU is not pushing the envelope. He is encouraged about this as one more piece of integration of faculty and technology. 'I always ask, is the curriculum rigorous and driven and constructed by the faculty? Yes or no? And are we saving money in the delivery or are we increasing access at the same cost?' The savings may not be dollars; it might be more people obtaining a better time-to-degree and completion rate. The CSU has to be in the game. Someday there will be a word that describes the individual campus initiatives and the overall systemwide initiative. The CSU will lead the country; it is a very exciting time, he concluded.

Trustee Margaret Fortune acknowledged progress on online education, which first was raised when former Trustee Jeff Bleich was board chair. She complimented the staff and presidents for having done their due diligence in examining the issues in a thoughtful way, challenging assumptions and in hiring an experienced staff person. The CSU is thinking broadly about how online education can be used, taking advantage of the CSU brand and allowing flexibility for the strength of individual campuses. Trustee Fortune suggested that the CSU should make the program broadly available to more Californians and others around the world who might partake of the service. She agreed with the chancellor that the nature of innovation is to allow messiness because brilliance often comes from that. She asked for comments from presidents on the issue.

San José State University President Mo Qayoumi said many CSUs have ongoing online programs: 30 percent of CSU East Bay students have taken at least one course online; SJSU has

the largest library science program in the world; and San Diego State has 5,000 students in their online programs. When Cal State Online was conceived two years ago, the idea was to provide campuses with a support structure, especially for the smaller campuses to take advantage of economies of scale and use marketing to reach large numbers of people. Since then, MOOCs have started. One issue to remember, he said, is that not all of them are created alike; each provides different opportunities. SJSU worked with MIT on an ed-X electrical circuit course offered to 82 students. Fewer than 10 percent of those students received a grade below C, compared with the regular course in which 40 percent of the students received a grade of C or below. Several CSU campuses' engineering departments will now be a part of the fall program. The campus is working with Udacity to help with bottleneck and remedial math courses. The SJSU-Udacity courses will cost no more than \$150. What is being accomplished at SJSU and other CSU campuses complements each other and provides more access to Californians.

Cal State Fullerton President Millie García said online education to her is about access for low-income and under-represented students. A CSU degree is powerful; it is academically excellent. CSU Fullerton turned away 6,000 students last year because it could not serve them. She supports Cal State Online because it is about educating students to be the leaders in the California workforce. Cal State Northridge President Dianne Harrison said the campus has been involved for many years in online learning and currently has 13 degree programs online. CSUN will be participating with Cal State Online in a liberal studies degree completion program and will be participating with President Qayoumi with his campus's MOOCs and engineering pilot. Northridge is looking forward to when all programs can be coordinated so that there is seamless articulation between the various campuses and comparable degree programs.

Cal State Los Angeles President Jim Rosser said the issue is about taking advantage of technology and using it more effectively and efficiently in meeting the needs of CSU and the state. The CSU's integrated technology strategy made sure that every CSU had a minimum baseline to embrace the use of technology in a changing world. If the campuses had not come together as a system and not invested in technology years back, much of what is taking place on campuses today would not have occurred, he said. Every campus has the infrastructure to take advantage of what technology can offer. Cal State Online was a coalition of the willing. Each campus invested \$50,000 to better utilize technology on behalf of the students and consistent with Cornerstones and Access to Excellence (strategic plans) that stated the CSU will grant degrees and certificates on the basis of demonstrated learning. Technology offers an opportunity to do that. The issue is how to leverage the 23 campuses, take advantage of Cal State Online, get maximum lifetime value out of the infrastructure, close the achievement gap and reduce time-to-degree and the cost of a collegiate education. He said CSU is the only higher education system in the country that has invested in trying to make more students coming out of the public schools college-ready. Technology can facilitate that effort.

San Francisco State University President Les Wong said he was around during the creation of University of Phoenix online because his wife was one of the original team members. He was also involved with the creation of some Apple products. None of those "game-changers" were created by a structure that enabled them to be created. Even MOOCs were independently done

and separate from systems that came about after they were created to be marketed. His solution: the governor or legislature could allow tax-free income to any faculty or staff member who creates courses that respond to the audience. He wants students and consumers to tell the CSU what they want. The CSU needs to create the motivations for the talent to respond. If that happened the “wonderful” problem would be having a system that will vet products before they go to market as opposed to creating a complex system to create products. The MOOC format might be outdated in 12 months. The CSU needs to turn creative people loose, free of the system.

Cal State Online is about serving students, said Humboldt State University President Rollin Richmond. It is a way to offer students an opportunity to complete their education and have a more successful life. It is an opportunity for a student living in Los Angeles to access a course offered by Humboldt. The CSU has an opportunity to serve students that will make a real difference for a large number of people and the state’s economy. Cal State San Bernardino President Tomas Morales said the Coachella Valley is one of the most underserved regions in California. For students living in Riverside County, it is a 150-mile, three-hour investment to come to the main campus. San Bernardino faculty members have developed undergraduate and graduate degree programs to deliver online instructions, which save students’ tremendous commuting costs.

Cal State East Bay President Leroy Morishita said Cal State Online will provide an opportunity for students at different CSU campuses to take courses that have been developed at other campuses. That capacity is not available now. CSUEB has developed online courses in six majors on the state side and four majors on the extended learning side. On the state side, the campus provides 17 percent of their FTEs totally online, and another 18 percent through hybrid courses. One issue is that CSUEB is using the Blackboard platform. That will need to be worked through with Cal State Online as several CSUs are using different platforms for their online courses. Cal Poly Pomona President Michael Ortiz said all campuses are trying to create carbon-neutral footprints. If CSU can eliminate one trip to each campus for every student, the CSU could make a real difference in the environment by keeping people off the highways and decreasing the amount of carbon in the atmosphere.

Chair Bob Linscheid said the CSU should be taking the lead in the area of online education, and suggested a discussion about the role the CSU can play for California, not just for the California State University. When he was at San José State University for the Udacity press conference, he recalled how much money is spent on remediation. According to statistics, 1.7 million students either lack proficiency in English, math or both. As the CSU tackles the remediation issue, he sees the CSU being able to build an inclusionary system at lower cost by doing more online for the same amount of money.

Trustee Steven Glazer thanked the presidents for their leadership. He asked the chancellor to consider providing a summary of Cal State Online’s progress to the trustees and public. Trustee Lou Monville said there is a unique opportunity for the CSU to increase the capacity for community college students utilizing online courses as a gateway to address SB 1440 requirements and clear the pathway for these students to enroll in the CSU. Students are

becoming consumers of technology, and as it continues to change, students look at time, cost and then make a judgment of value. The CSU has to meet that market, he said.

Trustee Bernadette Cheyne asked about the implications for faculty and students now that the item was changed from having Cal State Online “live” within self-support. President Welty said Cal State Online will “live” within the entire university. The item provides flexibility so that as technology continues to change, there is an opportunity for Cal State Online to take advantage of those changes. Decisions will be made in concert with the advisory board, student and faculty representation. We do not have all the answers, Welty said, but flexibility is needed to serve students to take advantage of that opportunity. Lt. Gov. Newsom said there is a collision course looming with the impact technology is going to have on higher education. The biggest mistake the government or education makes is locking in legacy systems. He expressed some concern for the length of the Pearson contract and stated that there should be flexibility. He thanked the chancellor, presidents and trustees’ approach on the issue. If the \$10 million in technology funds the governor has put in his budget does materialize, the CSU has to be prepared to answer questions about how it will use the funds, he said.

Proposed Changes to the California State University Student Fee Policy, Related to Cal State Online (REP-FIN 01-13-02)

The item was presented by Dr. Smith with no discussion.

Trustee Farar adjourned the joint meeting of the Committee on Educational Policy and Committee on Finance.

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

Academic Performance Measures (Academic Sustainability Plan)

Presentation By

Philip Garcia
Senior Director
Academic Research and Resources

Ryan Storm
Interim Assistant Vice Chancellor
Budget

Summary

New state law requires the California State University (CSU) Board of Trustees to develop and approve an academic sustainability plan covering the 2015-2016, 2016-2017, and 2017-2018 fiscal years. 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 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 2014 board of trustees meeting.

Background

The Budget Act of 2014 requires the trustees develop and approve a plan that details any changes necessary to ensure the university's academic and fiscal sustainability over a multi-year period and submit that plan to the Department of Finance and the legislature no later than November 30, 2014.

According to state law, the plan must include the following three components:

1. Projections of available resources in the 2015-2016, 2016-2017 and 2017-2018 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 (itemized below).

Components 1 & 2: Revenue, Expenditure and Enrollment Assumptions:

In a July 15, 2014, letter to the CSU, the Department of Finance shared the state general fund and tuition fee revenue assumptions upon which the CSU is to build its academic sustainability plan. In short, the state general fund assumptions are to align with the governor's multi-year funding plan and include other baseline adjustments (e.g. 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 from the Department of Finance. This will be 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 \$119.5 million of new state general fund support and no new systemwide tuition fee revenue for 2015-2016. CSU's typical support budget plan (a mix of state general fund support and tuition fee revenue) totals approximately \$300 million to \$350 million per year.

Component 3: Goals for Performance Measures:

State law laid out 16 performance measures to be reported on every March. As detailed in the Department of Finance's assumptions, it cannot be expected that the CSU could establish and accomplish all of the goals in student achievement when the state's financial commitment to the CSU is \$500 million short of the \$3 billion it received in 2007-2008. Another significant challenge is that the Department of Finance's assumptions provide only 35 to 40 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 board. Many of these efforts have been successful and the needle is moving in the right direction systemwide. However, the modest proposed increases in state funding, combined with the mandate to hold tuition rates flat for the next three years, handicaps the university's ability to maximize student success, scale up successful programs to reach more students, and compete against other university priorities such as mandatory costs, predictable compensation increases, and funding of deferred maintenance and infrastructure improvements.

In mid-October, campus leaders will gather to launch phase II of the Graduation Initiative and will commit to new graduation rate increases for freshman and transfer students that will help the system meet its target of a 60 percent six-year graduation rate by 2025.

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.

Preliminary Staff Recommendation

While there are many ways to approach the development of an academic sustainability plan, below is staff's recommendation as to how to proceed. 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 to build its own, preferable academic sustainability plan. Therefore staff suggests that the plan have 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 (\$300 million 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 adequate resources, the CSU could commit to 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 others about appropriate funding levels and what is to be expected of the CSU on student success and completion.

Conclusion

This is an information item and it reflects staff's preliminary recommendation to the board to develop and approve a statutorily-required academic sustainability plan covering the 2015-2016, 2016-2017, and 2017-2018 fiscal years. Staff will return to the board for review and final approval of the plan at the November 2014 board meeting.