Cost Reduction and Revenue Enhancement Strategies

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Alternatives…

- Are developed in context of:
  - Lingering structural deficits from prior state cuts
  - Possible $200 million trigger cut in 2012-13

- Are provided as a wide range of preliminary strategies, to seek feedback and thoughts

- May be deemed impractical, or not preferable, for a variety of reasons
Discussion Framework

• CSU’s “core business” of a broadly accessible, quality education should be maintained as much as possible

• Since it is not feasible to do everything, we need to eliminate activities/functions that are no longer useful, or in demand, or that are cost-prohibitive

• Resources should be invested in projects and programs that anticipate the future needs of students
Benefits and Challenges

COST REDUCTION STRATEGIES
Consolidation of Services
Sharing administrative functions currently duplicated across the system

**BENEFITS**
- Fewer managers and staff and reduction in duplication of services
- Efficiencies through economies of scale
- Avoids deeper impacts to educational programs

**CHALLENGES**
- Efficiencies and savings require case-by-case analysis
- Change management
- Relocation of expertise
## Closure of Campuses

### BENEFITS
- Significant ultimate savings

### CHALLENGES
- Displacement of thousands of students and employees
- Loss of regional higher education access
- Property, debt and contractual complications
- Many years to implement
- Political barriers
High-Tuition Institutions/Programs
Charter campuses or programs supported by higher tuition instead of full state support

**BENEFITS**

- State resources could be reallocated
- Relieves selected campuses or programs from many operational restrictions

**CHALLENGES**

- Limits access based on financial means
- Likely to impact STEM-heavy campuses and programs
- Depends on substantial external financial support
- Reach agreement with Sacramento to maintain funding level
Discontinuation of Certain Academic Programs

Phasing out low-enrolled and/or high-cost academic programs

**BENEFITS**

- Frees resources for high-demand, cost-effective programs
- Allows needed programs to continue “regionally”
- Opportunity for regional review of low demand programs

**CHALLENGES**

- Time to review and then implement
- Impacts program faculty and students during phase out
Specialization of Campuses

Change campuses from comprehensive to specialized

**BENEFITS**

- Greater specificity and focus by campus
- Higher quality in fewer disciplines
- Some programs already shared (e.g. DNP, PSM)

**CHALLENGES**

- Moves away from the mission of access for “place-bound” students
- Multi-year implementation period
- Disruption for students and faculty
Larger Class Sizes

*Increasing student-faculty ratio by raising average class size*

**BENEFITS**
- Cost savings from fewer faculty teaching more students
- Students continue to have access to classes to graduate into the workforce

**CHALLENGES**
- Impacts teaching demand and learning outcomes
- Could widen achievement gap for underrepresented minorities
Increases in Faculty Workload
Tenured and tenure-track faculty teaching more courses

**BENEFITS**

- Potentially significant cost savings from reduced need for part-time faculty
- Students continue to have access to classes to graduate

**CHALLENGES**

- Limits to extent this can be done:
  - Within current terms of collective bargaining agreement
  - Without impacts to research, advising, mentoring and academic initiatives
Reduction of Sabbaticals

**BENEFITS**
- Cost savings from reduced need for replacement faculty
- Students continue to have access to classes

**CHALLENGES**
- Some limits to implementation, based on collective bargaining agreement
- Some reduction in opportunity for faculty professional development
Change in Employer/Employee Share of Health Care Premiums

**BENEFITS**
- Potential annual cost reduction $70 million
- Reduces impact of cuts to student access
- Reduces extent of layoffs
- Conforms to cost-share practice throughout California state government

**CHALLENGES**
- Requires collective bargaining
- Impacts employee morale
- CSU employees have gone years without general salary increase
Reductions in Pay

General reductions in pay for faculty, staff and administrators

**BENEFITS**

- Potentially major cost reduction to help address trigger cut
- Could be made contingent on trigger cut
- Reduce impact of cuts to student access
- Reduce extent of layoffs

**CHALLENGES**

- Requires collective bargaining
- Impacts employee morale
- CSU employees have gone years without general salary increase
Reductions in Enrollment
Aligning student numbers with state funding

**BENEFITS**

- Preserves quality for enrolled students
- Helps address structural deficit
- Wait-listing Fall 2013 is flexible way to help address impact of trigger on 2013-14

**CHALLENGES**

- Diminishes access and turns away CSU-qualified applicants
- Savings require job losses for faculty, staff and administrators
- Loss of tuition revenue offsets roughly half of spending reduction
Benefits and Challenges

REVENUE ENHANCEMENT STRATEGIES
Addition of a Third Tier to Tuition Structure

Charging more for students taking more than 16 units

**BENEFITS**

- Provides fair access to a 15-unit course load for all students
- Will change student behavior and increase access to courses
- Students may graduate sooner by choice

**CHALLENGES**

- Could impede faster time to degree for some students
Adoption of Incentive Fees

Added fees for “super seniors”

**BENEFITS**

- Provides financial incentive for student performance and timely completion
- Frees seats for other students to have access to the CSU

**CHALLENGES**

- Enhanced counseling services for students
Adoption of Incentive Fees

*Added fees for multiple class repeats*

**BENEFITS**
- Fee starts with second repeat
- Provides financial incentive for student performance and timely completion
- Frees seats for other students

**CHALLENGES**
- Potential to affect retention of lower-performing students
Increases in Master’s-level Tuition Fees

Gradual change in graduate tuition fee relative to undergraduate, from current 123% to 150%

**BENEFITS**

- Reflects higher cost of graduate programs
- In line with long-standing trustee policy
- Does not impact undergraduates

**CHALLENGES**

- CSU graduate enrollment already in slight decline
### Increases in Nonresident Tuition

*Added resources from out-of-state and international students*

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<thead>
<tr>
<th>BENEFITS</th>
<th>CHALLENGES</th>
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<tr>
<td>• Revenue could be increased over several years by raising nonresident rates and/or enrollment</td>
<td>• Could make recruitment of these students more difficult</td>
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<td>• Helps subsidize and preserve programs for California students</td>
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Variation of Tuition Rates by Campus

Creating “market demand” tuition rates, sharing revenue across system

**BENEFITS**
- Added resources for instruction and student services at all campuses
- May reduce enrollment pressure on highly impacted campuses

**CHALLENGES**
- Could penalize “place-bound” students in regions with high-cost and high-demand campuses
- Could create sense of inequity; resistance to paying more while revenues shared with other campuses
UNDERSTANDING THE TRADE-OFFS
CSU’s Budget Dilemma

• CSU’s budget dilemma has two parts:
  • Ongoing structural deficits from prior state cuts
  • Possible $200 million trigger cut
• Structural deficits must be resolved over time, even if trigger cut avoided
• Some options lend themselves to addressing structural deficits; others better suited to address trigger cut
• Trigger cut poses the most difficult trade-offs
Key Aspects of the Trigger Cut

• The trigger cut is a contingency; therefore options to address it can be made contingent on the trigger being “pulled”

• However, if trigger pulled, CSU will have lost 39 % of its state support, and austerity for CSU will likely endure for several years

• Large dollar reductions needed to add to $200 million

• No single option can produce $200 million; it must be a “mix” of multiple options

• Options that can address trigger are all difficult and require sacrifices
Understanding the Trade-offs

• 85% of CSU Operating Fund expenditures are for salaries and benefits of faculty and staff.
• Thus, if $200 million must be addressed entirely by spending reductions, then in one form or another the cuts must involve reduced spending on CSU’s payroll.
• Enrollment reductions only reduce spending by reducing the number of faculty, staff and administrators employed.
• Enrollment reductions can be moderated, but only through difficult trade-offs that reduce payroll spending in other ways and in large amounts.
Comments and Questions?

A copy of this webcast will be posted at: http://www.calstate.edu/budget/fybudget/presentations-communications/1112-sbac-announcement.shtml