Principles for a New Sustainable Financial Budget Model for the California State University
A Starting Point for Discussion

The CSU remains dedicated to the vision of degree access and completion in the Master Plan. The question today is how to fund that vision? The commitment in the Master Plan to have no tuition and low fees depended explicitly on aggressive growth in the economy and the tax-paying population.

None of these conditions prevail today. Since the 1970s, the state’s economic and population growth has slowed and tax receipts have been erratic. Referenda and court decisions have re-proportioned categories in the state budget; the share of discretionary dollars in the general fund has shrunk considerably since the 1960s. Importantly the CSU relies on these discretionary dollars to offset the Master Plan’s policy on affordable tuition and fees.

If the CSU is to maintain broad access to quality programs, then we need a new approach to funding. We need to re-examine policies that restrict the generation and use of non-state funds, beyond raising tuition and fees. Indeed, to achieve the public good, the CSU must be empowered to become more self-reliant.

While the economy is regaining strength, we should not plan on regaining the tremendous rates of growth in the post-WW II era. As we develop the capacity for self-reliance, our guiding star must be the public good. Self-reliance, we have learned, entails balancing the individual good of the twenty-three campuses, each with unique strengths and regional responsibilities, with the common good of the system.

The following principles articulate the frame for a new, sustainable financial model for the CSU.

1. Take advantage of all possible options to advance the university’s financial position, consistent with the university’s mission.

2. Look beyond the university’s historical budget methodology.

3. Budget allocation methodology shall follow the priorities of the University.

4. Budget allocations shall incentivize campuses to reduce time-to-degree and achieve high rates of degree completion.

5. The budget processes and regulatory practices shall provide campuses with maximum flexibility to address each campus’ highest priorities, leverage the heterogeneity of the campuses, and ensure the system has a subsidiary role to support the campuses.

6. The financial model shall encourage campuses to increase funding from non-state sources such as philanthropy, third-party partnerships, auxiliaries, enterprises, grants, contracts, and other activities.

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7. Recognize that all campuses must have a critical mass of size and resources to adequately serve their campus mission effectively.

8. Ensure that there is critical mass, available resources, and demonstrated need prior to consideration of opening any new campuses.

9. Grow enrollment appropriately to the extent that there are adequate resources available to support student achievement, success, and graduation.

10. Any changes to the allocation methodology shall be phased-in so that campuses’ base budgets are not significantly reduced.

11. The new model shall minimize dramatic swings in resource allocation from year-to-year, be predictable, transparent, and allow campuses to engage in longer-term planning.

12. Financial aid policies will be examined to determine whether students should carry additional costs of their education in order to create incentives to make reasonable academic progress towards their degrees.

13. The financial model shall recognize that all campuses have to support and contribute to the system as a whole.