

## AGENDA

### JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

**Meeting:** 2:35 p.m. Tuesday, July 23, 2024  
Glenn S. Dumke Auditorium

#### Committee on Educational Policy

Diego Arambula, Chair  
Darlene Yee-Melichar, Vice Chair  
Raji Kaur Brar  
Douglas Faigin  
Wenda Fong  
Mark Ghilarducci  
Lillian Kimbell  
Jonathan Molina Mancio  
Yammilette Rodriguez  
Christopher Steinhauser

#### Committee on Finance

Julia I. Lopez, Chair  
Jonathan Molina Mancio, Vice Chair  
Larry L. Adamson  
Douglas Faigin  
Mark Ghilarducci  
Leslie Gilbert-Lurie  
Jack McGrory  
Anna Ortiz-Morfit  
Christopher Steinhauser  
Darlene Yee-Melichar

- Consent** 1. Approval of Minutes, *Action*
- Discussion** 2. Integration of California State University Maritime Academy and California Polytechnic State University, San Luis Obispo, *Information*

**MINUTES OF THE MEETING OF THE  
JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE**

**Trustees of The California State University  
Office of the Chancellor  
Glenn S. Dumke Auditorium  
401 Golden Shore  
Long Beach, California**

**January 31, 2024**

**Members Present**

**Committee on Educational Policy**

Diego Arambula, Chair  
Christopher Steinhauser, Vice Chair  
Diana Aguilar-Cruz  
Raji Kaur Brar  
Mark Ghilarducci  
Leslie Gilbert-Lurie  
Jose Antonio Vargas  
Darlene Yee-Melichar

**Committee on Finance**

Julia I. Lopez, Chair  
Jack McGrory, Vice Chair  
Larry L. Adamson  
Douglas Faigin  
Mark Ghilarducci  
Leslie Gilbert-Lurie  
Anna Ortiz-Morfit  
Jose Antonio Vargas  
Darlene Yee-Melichar

Mildred García, Chancellor  
Wenda Fong, Chair of the Board

Chair Arambula called the meeting to order.

**Approval of Minutes**

The minutes of the meeting on November 7, 2023, were approved as submitted.

**Chancellor's Strategic Workgroup on Financial Aid**

Chair Arambula began by sharing a brief amendment to the written submission for Item 2. On page 12 of the document, the reference to "university financial aid offices" was replaced with the word "universities" to better illustrate the broad responsibility and accountability that should be attributed to financial aid efforts.

Deputy Vice Chancellor Nathan S. Evans began the presentation by connecting the Chancellor's Strategic Workgroup on Financial Aid's current efforts with the board's approval of a tuition policy at the September 2023 meeting. That approval will result in an investment of more than \$280 million in institutional financial aid through 2028-29. As a companion to the tuition policy,

the workgroup is developing a financial aid policy to put those funds towards ensuring affordability and advancing upward mobility for CSU students. The action requested from the board is the approval of a resolution supporting the fundamental principles and framework that will guide the development of this financial aid policy.

DVC Evans explained that the workgroup has been guided by three important tenets: the CSU's mission is to provide a quality, accessible and affordable education to any Californian who seeks a college degree; sound financial aid policy and sufficient financial aid are paramount to student recruitment, retention and success, particularly with regard to expanding access and reversing recent declines in enrollment; and that no student should be precluded from attending or succeeding at the CSU due to cost. The workgroup's ultimate goal is to advance the CSU mission by maximizing federal and state financial aid while effectively distributing available State University Grant (SUG) funds in ways that expand access and assure affordability for any student who aspires to achieve a CSU degree.

The workgroup identified three thematic areas for a policy framework:

- Defining affordability in terms of the total cost of attendance
- Maximizing revenues available to reduce the cost of attendance
- Administrative alignment to support the CSU's affordability mission and goals

DVC Evans asked for the board's formal endorsement of the fundamental principles and framework to guide the development of the revised financial aid policy. Trustee Lopez then thanked the workgroup and praised its progress. She emphasized the importance of the focus on the total cost of attendance with regard to affordability concerns. She also emphasized the importance of consistency in how the cost of attendance is calculated across all CSU universities because the financial aid package can be a significant factor in a student's choice of university. She suggested maximizing SUG funds by using them strategically. Trustee Lopez concluded by highlighting the work of the campus Offices of Financial Aid.

Following the presentation, a trustee inquired about the impact on financial aid offices given the delay in receiving the FAFSA financial data from the Department of Education. DVC Evans stated that the campuses are using more predictive financial aid tools, and that California faces unique challenges with regard to students coming from a mixed immigration-status household and how that impacts whether a student is eligible to use the FAFSA. Representatives from CSU, UC, CCC and independent colleges have met with the California Student Aid Commission to create workarounds, particularly for students who may be eligible for Pell Grants but whose parents' immigration status makes them ineligible to use the FAFSA. DVC Evans noted that a Financial Aid tiger team is currently meeting weekly to find strategies to meet these challenges. Other observations from trustees included the importance of financial aid in recruitment, the importance of reducing time to degree to reduce costs of attendance and concern with the mixed immigration-status challenge.

Chair Arambula commented that the proposed policy framework is clear and relevant to other system goals such as Graduation Initiative 2025. He stressed the importance of simple, supportive

financial aid systems in increasing enrollment and decreasing the time to degree. He thanked the Offices of Financial Aid for their work. The motion to endorse the proposed principles and framework to guide the development of the revised financial aid policy was passed unanimously through a roll-call vote.

The meeting adjourned.

**JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE**

**Integration of California State University Maritime Academy and California Polytechnic State University, San Luis Obispo**

**Presentation By**

Steve Relyea  
Executive Vice Chancellor  
and Chief Financial Officer

Nathan Evans  
Deputy Vice Chancellor, Academic and Student Affairs  
and Chief Academic Officer

Michael J. Dumont  
Interim President  
California Maritime Academy

Jeffrey D. Armstrong  
President  
Cal Poly San Luis Obispo

**Summary**

Our collective, systemwide work to shift the California State University toward a sustainable financial model has been a top priority and institutional goal for several years. Foundational to this work was the 2023 report of the Chancellor’s Sustainable Financial Model Workgroup. Among its recommendations, the workgroup issued a call for collaboration and bold innovation: “The CSU should continue to identify prospects for cost savings that could arise from consolidation of certain administrative functions and from inter-campus cooperation and collaboration in the offering of programs and services.” This call was similarly articulated in the 2023 report of the Chancellor’s Strategic Workgroup on Enrollment Planning, which emphasized the need to “incentivize multi-university strategies for regional academic program delivery.”

In that spirit of innovation and collaboration, we recommend the integration of California State University Maritime Academy and California Polytechnic State University, San Luis Obispo. More specifically, Cal Maritime would integrate its operations, resources and governance into and under the leadership of Cal Poly, while maintaining its unique educational mission and maritime

focus. This recommendation was initially outlined in a June 5, 2024, letter (attached hereto) to Chancellor Mildred García from Executive Chancellor and Chief Financial Officer Steve Relyea and Deputy Vice Chancellor, Academic and Student Affairs, Chief Academic Officer Nathan Evans.

As detailed below, this integration is an imperative to immediately address Cal Maritime's vulnerabilities in order to provide a long-term solution to the institution's unviable and unsustainable fiscal circumstances. Moreover, careful and comprehensive analysis indicates that this proposed action will benefit the students, faculty and staff of both institutions, as well as advance the broader CSU mission by enhancing the quality, diversity and sustainability of the CSU's academic programs and services. And of equal and broader importance, the integration will serve the workforce needs of the state of California and the nation's maritime industry while protecting critical U.S. economic and national security interests.

The recommendation outlined below honors the CSU's core value of creating access and affordability for all students, and powerfully demonstrates how the CSU can best and most innovatively advance its mission as a regional, comprehensive university system in the 21<sup>st</sup> century.

## **Background**

As the board is aware, Cal Maritime has faced significant and ongoing challenges in maintaining its enrollment, revenue, fiscal and operational sustainability. In fact, as of April 2024, Cal Maritime projects that it will be required to utilize \$2.8 million of its operating fund reserves in fiscal year 2023-2024, leaving a mere \$317,000 balance as of June 30, 2024. This remaining balance represents less than three days' worth of university operating expenses, a level that is untenable by any measure.

The primary factors contributing to this unsustainable financial condition are declining enrollment, increased compensation costs and rising operating expenses. Over the past seven years, enrollment at Cal Maritime has declined by 31%, from a headcount of 1,107 students in 2016-2017 to a headcount of 761 students in 2023-2024. After the 2023-2024 census and at the end of the academic year, Cal Maritime's enrollment had dropped to 711 undergraduates. Projections indicate that a growing budget deficit through 2026-2027 is inevitable, even in the unlikely event that enrollment growth targets are met. It should be noted that similar enrollment challenges have been experienced by the other five degree-granting state maritime academies.

Cal Maritime has taken all appropriate, comprehensive and creative measures to respond to the fiscal crisis. The university has assessed and instituted drastic cost-saving measures across the campus. In addition to reducing office and divisional budgets and expenditures, eliminating vacant

positions and downgrading others, Cal Maritime has instituted a hiring freeze on all non-essential positions, is considering the need for workforce adjustments and requires the interim president's approval for all personnel actions. In an effort to better align administrative operations and reduce administrative levels, Cal Maritime has eliminated two vice president positions and restructured two other vice president positions with a corresponding reduction in salary.

The university has also implemented several additional actions toward reducing expenses and increasing revenues over the next three years. However, any further budget reductions risk compromising Cal Maritime's critical infrastructure and unique educational mission.

Given the current financial forecast, it has been determined that Cal Maritime will not be financially viable as an independent institution in the future and is unlikely to generate enough revenue to maintain the critical mass of functions required of a university – despite a total operating budget of \$55 million and a current enrollment of just 711 undergraduates in 2023-2024, post-census. To rectify these unsustainable fiscal circumstances and ensure the long-term viability of Cal Maritime's unique and consequential academic programs, expeditious and decisive action is imperative.

### **Justification for Integration**

- *Fiscal Sustainability and Expanded, More Equitable Access*  
The integration would address Cal Maritime's vulnerabilities in order to provide a long-term solution to the institution's unviable and unsustainable fiscal circumstances. Many options were carefully considered to preserve Cal Maritime's unique programs while ensuring its financial feasibility and sustainability. It was determined that Cal Poly was best aligned with Cal Maritime for a successful and timely integration for both universities.

Cal Poly San Luis Obispo is a thriving and growing comprehensive polytechnic university, with a strong reputation for excellence in engineering, agriculture and architecture. Cal Poly has a student population of more than 22,000, and attracts high-quality faculty, staff and students from increasingly diverse backgrounds. The university also has a robust research and innovation agenda and enjoys strong and forward-focused partnerships with industry, alumni and community stakeholders.

Cal Poly's unquestioned expertise in strategic enrollment management, marketing and brand-building to drive application demand – and ultimately enrollment – will be of great benefit to Cal Maritime at this critical juncture. In addition, Cal Poly's strength in fundraising will bring additional philanthropic partners to Cal Maritime.

Cal Maritime currently has inadequate financial aid and scholarship resources for very high-investment majors at a destination campus. Moreover, it lacks sufficient student

support required by a hands-on, “learn by doing” educational ethos. Applying Cal Poly’s enrollment management and fee model will bring much-needed revenue to Cal Maritime, which will enhance advising and other student-success programs, support the polytechnic model and greatly expand financial aid resources to improve access and success for new California residents, students from other western states including Oregon, Washington, Alaska and Hawaii, and those from U.S. territories in the Pacific, as well as a greater number of low-income and historically underrepresented students.

- *Synergies of Learning Ethos and Academic Programming*

While integration is a fiscal and operational imperative only for Cal Maritime, both institutions would benefit significantly from the recommendation. Cal Poly and Cal Maritime are similar institutions in many fundamental ways, but primarily in their academic missions and learning ethos. Both institutions rely upon a hands-on, “learn by doing” approach. Both offer degree programs within high- and very high-investment program areas and have demonstrated complementary expertise in forward-focused fields such as those comprising the “blue-green economy” and renewable and, more specifically, wind energy – both of which are state priorities. Clear synergistic opportunities exist in multiple academic programs, perhaps most obviously within the engineering, oceanography, logistics and marine science fields. Both institutions are involved in national and economic security issues that impact the western United States, the Pacific Rim and beyond. There is also untapped potential in the ability of the two institutions, if combined into one, to compete for greater funding for national security and renewable energy programs, as well as other federal funding.

For Cal Poly, this integration offers the opportunity to expand its nationally renowned engineering programs and enhance its excellent science offerings. Potentially, the facilities at Cal Maritime – including a new, federally funded \$360 million training vessel slated to arrive in 2026 – will offer additional opportunities for instruction, experiential learning and laboratory research for all Cal Poly students and faculty.

- *Advancing Critical Workforce, Economic and National Security Interests*

Cal Maritime is one of only six degree-granting state maritime academies in the nation and the only such institution serving the western United States and the Pacific Rim. The academies’ federal mandate is to produce graduates capable of and licensed to serve as officers in the Merchant Marine of the United States. In fact, the state maritime academies combined currently produce more than 70% of the Merchant Marine officers in the United States.

These officers operate the ships that move goods into and out of California’s 12 ports (as well as ports across the western United States and the Pacific Rim), which process



approximately 40% of all containerized imports to the U.S. and about 30% of containerized exports. These goods – from petroleum to automobiles, agricultural products, iron, steel, defense supplies, machinery and heavy equipment, electronics, plastics and industrial products, among many others – touch virtually every element vital to California’s and the United States’ economy. The state and nation rely upon Cal Maritime – as noted above, the only state maritime academy serving the West Coast and the Pacific Rim – for the Merchant Marine officers vital to the maritime industry that is essential to our nation’s economic security.

U.S. Coast Guard-licensed Merchant Marine officers also operate the ships of the Military Sealift Command and those that contract with the United States government to move supplies and military equipment around the world in times of war and peace, resupplying the military’s combatant ships and providing food, supplies and equipment to U.S. bases and embassies across the globe. Without the civilian mariners who operate these ships, the United States’ ability to project military power would suffer and the nation’s national security interests would be compromised.

The CSU stands unwaveringly committed to preserving Cal Maritime’s U.S. Coast Guard licensure-granting programs that are such vitally important resources for the state of California and the United States of America.

### **The Recommendation**

The CSU is steadfastly committed to preserving the viability of Cal Maritime, which is one of the nation’s premier maritime academies and, as noted immediately above, meets vitally important workforce, economic and security needs for our state and nation. To honor this commitment, it is proposed that Cal Maritime integrate its operations, resources and governance into and under the leadership of Cal Poly. This would entail the following steps:

- As an academic unit and campus, the maritime academy would be led by a superintendent who will be part of the Cal Poly leadership team.
- The maritime academy would retain its campus in Vallejo, while sharing Cal Poly’s facilities, infrastructure and services. As noted above, maritime academy facilities – including a new, federally funded \$360 million training vessel and new pier slated for initial use in 2026 – could also provide additional laboratory space for instruction and research to benefit all Cal Poly students. Over time, an emphasis will be placed on locating additional majors at the maritime academy campus that are directly or strategically connected with the maritime industry.

- The unique degree programs leading to a Merchant Marine license issued by the U.S. Coast Guard – a critical CSU priority and commitment, as noted above – will continue to be offered.
- Ongoing Cal Maritime students will be able to complete their current academic programs.
- Ongoing Cal Maritime students will become part of the Cal Poly student body via a seamless and expeditious transition and integration process.
- Maritime academy, faculty and staff will be employees of Cal Poly.
- The maritime academy would leverage Cal Poly's expertise, networks and resources to enhance its academic quality, as well as drive student success and research impact.

### **Additional Benefits**

Based on the comprehensive analysis, it is firmly believed that this integration will offer many additional benefits to both institutions, including:

- **Infrastructure and Associated Costs:** Cal Poly can provide essential services to support the facilities maintenance needs of the maritime academy's physical infrastructure. Cal Poly's full complement of facility maintenance and support services can leverage economies of scale to provide much-needed services to the maritime academy facilities at lower cost.
- **Student Support:** Cal Maritime's current operating expense challenges and low enrollment have led to significant reductions and may have an impact on the quality of essential student support services such as housing, dining, health and counseling, thus jeopardizing the quality of the overall student experience. The cost of essential student support services at Cal Maritime has become exorbitant, limiting the offerings the Vallejo campus is able to maintain. The proposed integration will enhance the overall student experience by providing maritime academy students access to Cal Poly's existing student support services.
- **Administrative Services:** Cal Maritime is challenged to provide staffing for essential administrative services such as accounting, payroll, HR, procurement, travel and other critical processes. The proposed integration will provide these services at a fraction of the costs required to do so as an independent university.
- **Financial Aid:** Cal Maritime lacks the resources to provide robust institutional financial aid to its students. As noted above, integration with Cal Poly will provide access to greater levels of institutional financial aid than the status quo, thus allowing the maritime academy to structure its financial aid within an overall framework that increases support for new California residents and students from other western states including Oregon, Washington,

Alaska and Hawaii and from U.S. territories in the Pacific, as well as a greater number of low-income and historically underrepresented students.

- **Information Technology:** Cal Maritime no longer has the resources to adequately support the information technology needs of its students, faculty and staff. It is also vulnerable to cybersecurity threats due to being below the “critical mass” required of a fully functioning campus. Integration with Cal Poly will provide these critical information technology and cybersecurity services.
- **Leading Academic Innovation:** Cal Maritime and Cal Poly are leaders in vital academic and workforce fields in California, the nation and the world. These include industries critical to engineering, logistics, national security and future-oriented fields such as wind energy and data science. The integration of these offerings will create greater opportunities for students, faculty and the broader communities to be at the forefront of national and international teaching, research and community impact.
- **Complementary Educational Philosophy:** Cal Poly’s teaching and learning philosophy, “Learn by Doing,” links rigorous academics and real-world applications. This same philosophy is embedded in the academic programs offered by Cal Maritime, in which classroom learning is combined with applied technology, leadership development and global awareness.
- **Dynamic Enrollment Growth and Development:** Cal Maritime offers a unique educational experience with tremendous return on investment for students and their families in terms of long-term career prospects. Cal Maritime’s ability to communicate meaningful career opportunities aligned with this unique educational opportunity has been constrained by the limited resources available for marketing, student outreach and recruitment. In contrast, Cal Poly has been able to build a robust and dynamic enrollment management and marketing program and will be able to amplify these benefits to more diverse students and families who may have been previously unaware of the opportunities presented by the maritime field. Additionally, and in keeping with Cal Maritime’s mission, this will allow for increased outreach across the western United States including Oregon, Washington, Alaska and Hawaii, as well as U.S. territories in the Pacific.

### **Estimated Transition Costs**

There will be a one-time investment required for the integration of these institutions, estimated at approximately \$5 million per year over a period of seven years. This estimate will be adjusted once operational, logistical and regulatory aspects are fully determined and implementation begins.

Two-thirds of those funds are expected to be used for financial aid and scholarships to support low-income and historically underrepresented students. It is important to note that these are one-time funds and not ongoing baseline funds.

Beyond funding enrollment growth for Cal Poly and the maritime academy, additional recurring support will not be required.

### **Next Steps and Timeline**

It is advised that the Board of Trustees move expeditiously on this recommendation, beginning with the information item included in the July 2024 agenda and followed by an additional information item in September 2024 to address board questions and requests for additional information. The board would then consider action on this item at the November 2024 board meeting. If approved by the board, the integration would begin in July 2025 with the first maritime academy students enrolled as Cal Poly students in fall of 2026.

Sixteen critical topic areas have been identified and are being tentatively explored by subject matter experts from both institutions and the Chancellor's Office so that implementation can begin immediately and proceed expeditiously – guided by appropriate success metric targets – should the board approve the proposed integration in November.

The Higher Education Employer-Employee Relations Act (HEERA) requires that the CSU engage recognized bargaining units when changes are made that create an impact on our represented employees' pay, benefits or working conditions. The CSU has already notified the relevant unions of this proposal in order to prepare for the legally required meet-and-confer process, which will begin once the impacts are identified. In addition, the CSU commits to appropriate consultation with various shared governance partners related to the implementation of the recommendation, should it receive board approval.

In conclusion, this proposed integration is an imperative to immediately address Cal Maritime's vulnerabilities in order to provide a long-term solution to the institution's unviable and unsustainable fiscal circumstances. But, moreover, the integration will benefit the students, faculty and staff of both institutions; synergistically enhance the quality, diversity and sustainability of the CSU's academic programs and services; and improve access and success for an increasingly diverse student body. And more broadly, the proposed integration will serve the workforce needs of the state of California and the nation's maritime industry while protecting critical U.S. economic and national security interests.



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June 5, 2024

Chancellor Mildred García  
California State University  
401 Golden Shore  
Long Beach, California 90802

Dear Chancellor García:

We are writing to you to recommend the integration of California State University Maritime Academy and California Polytechnic State University, San Luis Obispo.

We believe that this action will benefit the students, faculty and staff of both institutions, as well as advance the broader mission of the California State University system by enhancing the quality, diversity and sustainability of the CSU's academic programs and services. In addition, it will serve industry and workforce needs of the state of California and of the nation while also supporting U.S. economic and national security interests.

### **The Challenge**

As you are aware, Cal Maritime has faced significant challenges in maintaining its enrollment, revenue, fiscal and operational sustainability. In fact, as of April 2024, Cal Maritime projects that it will be required to utilize \$2.8 million of its operating fund reserves in fiscal year 2023-24, leaving a mere \$317,000 balance as of June 30, 2024. This remaining balance represents less than three days' worth of university operating expenses, a level that is untenable by any measure.

The primary factors contributing to this unsustainable financial condition are declining enrollment, increased compensation costs and rising operating expenses. Over the past seven years, enrollment at Cal Maritime has declined by 31%, from a headcount of 1,107 students in 2016-17 to a headcount of 761 students in 2023-24. At the end of the 2023-24 Academic Year, Cal Maritime's enrollment had dropped to 711 undergraduate students. Projections indicate that a growing budget deficit through 2026-27 is inevitable, even in the unlikely event that enrollment growth targets are met.

Cal Maritime has taken all appropriate and comprehensive measures to respond to the fiscal crisis. The university has assessed and instituted drastic cost-saving measures across the campus. In addition to reducing office and divisional budgets and expenditures, eliminating vacant positions, and downgrading others, Cal Maritime has instituted a hiring freeze on all non-essential positions, is considering the need for workforce adjustments and requires the interim president's approval for all personnel actions.

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#### **CSU Campuses**

Bakersfield  
Channel Islands  
Chico  
Dominguez Hills  
East Bay

Fresno  
Fullerton  
Humboldt  
Long Beach  
Los Angeles  
Maritime Academy

Monterey Bay  
Northridge  
Pomona  
Sacramento  
San Bernardino  
San Diego

San Francisco  
San José  
San Luis Obispo  
San Marcos  
Sonoma  
Stanislaus

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The university has also implemented several additional actions towards reducing expenses and increasing revenues over the next three years. However, any further budget reductions risk compromising Cal Maritime's critical infrastructure and unique educational mission.

Given the current financial forecast, we determine Cal Maritime will not be financially viable as an independent institution in the future and is unlikely to generate enough revenue to maintain the critical mass of functions required of a university. To ensure the long-term viability of its academic programs, immediate and decisive action is imperative.

### **The Opportunity**

Cal Poly is a thriving and growing comprehensive polytechnic university, with a strong reputation for excellence in engineering, agriculture, and architecture. Cal Poly has a student population of more than 22,000, and attracts high-quality faculty, staff and students from diverse backgrounds. The university also has a robust research and innovation agenda and enjoys strong and forward-focused partnerships with industry, alumni and community stakeholders.

Therefore, while the integration is a fiscal and operational imperative only for Cal Maritime, both institutions would benefit significantly from the recommendation. Cal Poly and Cal Maritime are similar institutions in many fundamental ways, but primarily in their academic missions and learning ethos. Both institutions rely upon a hands-on, "Learn by Doing" approach. Both offer degree programs within high-investment program areas. Clear synergistic opportunities exist in multiple academic programs, perhaps most obviously within the engineering and marine science fields. Both institutions are involved in national and economic security issues that impact the western United States, the Pacific Rim and beyond. There is also untapped potential in the ability of the two institutions, if combined into one, to compete for greater national security and renewable energy funding, as well as other federal funding.

Unique to the western United States, Cal Maritime offers multiple academic programs that prepare students – on day one – to contribute to the economically essential maritime industry. Cal Maritime graduates are prepared for high-impact careers in the fields of engineering, oceanography, transportation, global logistics, marine sciences and international relations. Marine transportation, marine engineering technology, and mechanical engineering programs may lead to a Merchant Marine license issued by the U.S. Coast Guard in addition to a bachelor's degree upon graduation. The CSU is unwaveringly committed to preserving this critically important resource – vital to national security – for the state and nation. By providing a solution to Cal Maritime's financial unsustainability, the proposed integration enables the CSU to meet this consequential commitment – a commitment that you, as chancellor, have repeatedly endorsed.

Cal Poly's unquestioned expertise in strategic enrollment management, marketing and brand-building to drive application demand – and ultimately enrollment – will be of great benefit to the Cal Maritime at this critical juncture. In addition, Cal Poly's strength in fundraising will bring additional philanthropic partners to Cal Maritime.

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Applying Cal Poly's enrollment management and fee model will bring much-needed financial aid resources to Cal Maritime. Through implementation of a new fee for nonresident students (i.e., the Cal Poly Opportunity Fee) and an increase in an existing fee (i.e., the College-Based Fee), Cal Poly has significantly increased financial aid for students from households below the median household income in California. As a result, the percentages of Pell and Hispanic Latino students have increased such that Cal Poly is now an emerging Hispanic Serving Institution. While perhaps counterintuitive, moving current students to the higher fee structure of Cal Poly will make Cal Maritime more attainable for an increasing percentage of California students.

For Cal Poly, this integration offers the opportunity to expand its nationally renowned engineering programs and enhance its excellent science offerings. Potentially, the facilities at Cal Maritime will offer additional laboratory space for instruction and research for all Cal Poly students and faculty.

It should also be noted that the integration is responsive to the report of the CSU's Sustainable Financial Model Workgroup, which recommends, "The CSU should continue to identify prospects for cost savings that could arise from consolidation of certain administrative functions and from inter-campus cooperation and collaboration in the offering of programs and services." The recommendation outlined below supports this finding, honors the CSU's core value of creating access and affordability for all students, and powerfully and innovatively demonstrates how the CSU can best advance its mission as a regional, comprehensive university system in the 21<sup>st</sup> century.

### **The Recommendation**

As noted above, the CSU is steadfastly committed to preserving the viability of Cal Maritime, which – as one of the nation's premier maritime academies – meets vitally important workforce, economic and security needs for our state and nation. To honor this commitment, we propose that Cal Maritime integrate its operations, resources and governance into and under the leadership of Cal Poly. This would entail the following steps:

- Cal Maritime will retain its educational mission and maritime focus within Cal Poly.
- The maritime academy would be led by a superintendent who would also serve as a vice president within the Cal Poly leadership team.
- The maritime academy would retain its campus in Vallejo, while sharing Cal Poly's facilities, infrastructure and services. As noted above, maritime academy facilities could also provide additional laboratory space for instruction and research to benefit all Cal Poly students. Over time, an emphasis will be placed on locating additional majors at the maritime academy campus that are directly or strategically connected with the maritime industry.
- The unique degree programs leading to a Merchant Marine license issued by the U.S. Coast Guard – a critical CSU priority and commitment, as noted above – will continue to be offered.
- Current Cal Maritime students will be able to complete their current academic programs.
- Current Cal Maritime students will become part of the Cal Poly student body via a smooth transition and integration process.
- Maritime academy faculty and staff will be employees of Cal Poly.
- The maritime academy would leverage Cal Poly's expertise, networks and resources to enhance its academic quality, as well as drive student success and research impact.

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June 5, 2024  
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### **Additional Benefits**

We believe that this integration will offer many additional benefits to both institutions, including:

- **Infrastructure and Associated Costs:** Cal Poly can provide essential services to support the facilities maintenance needs of the maritime academy's physical infrastructure. Cal Poly's full complement of facility maintenance and support services can leverage economies of scale to provide much needed services to the maritime academy facilities with fewer costs.
- **Student Support:** Cal Maritime's current operating expense challenges and low enrollment have led to significant reductions and may have an impact on the quality of essential student support services such as housing, dining, health and counseling, thus jeopardizing the quality of the overall student experience. The cost of essential student support services has become exorbitant, limiting the offerings the campus is able to maintain. The proposed integration will enhance the overall student experience by providing maritime academy students access to Cal Poly's existing student support services.
- **Administrative Services:** Cal Maritime is challenged to provide staffing for essential administrative services such as accounting, payroll, HR, procurement, travel and other critical processes. The proposed integration will provide these services at a fraction of the costs required to do so as an independent university.
- **Financial Aid:** Cal Maritime lacks the resources to provide robust financial aid to its students. As noted earlier, integration with Cal Poly will provide access to greater levels of financial aid than the status quo, thus allowing the maritime academy to structure its financial aid within an overall framework that increases support for a greater number of students of limited means.
- **Information Technology:** Cal Maritime no longer has the resources to adequately support the information technology needs of its students, faculty and staff. It is also vulnerable to cyber security issues due to being below the "critical mass" required of a fully functioning campus. Integration with Cal Poly will provide these critical information technology and cybersecurity services.
- **Leading Academic Innovation:** Cal Maritime and Cal Poly are leaders in vital academic and workforce fields in California, the nation and the world. These include industries critical to engineering, logistics, national security and future-oriented fields such as wind energy and data science. The integration of these offerings will create greater opportunities for students, faculty and the broader communities to be at the forefront of national and international teaching, research and community impact.
- **Complementary Educational Philosophy:** Cal Poly's teaching and learning philosophy, "Learn by Doing," links rigorous academics and real-world applications. This same philosophy is embedded in the academic programs offered by Cal Maritime, in which classroom learning is combined with applied technology, leadership development and global awareness.



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- **Dynamic Enrollment Growth and Development:** Cal Maritime offers a unique educational experience with tremendous return on investment for students and their families. The ability to communicate this opportunity has been constrained by the limited resources available for marketing, student outreach and recruitment. Cal Poly has built a robust and dynamic enrollment management and marketing program and will be able to amplify these opportunities to more students, families and communities across California and, in keeping with Cal Maritime's mission, communities across the western United States.

### **Estimated Transition Costs**

There will be significant one-time costs required for the integration of these institutions. At this time, we estimate these costs to be approximately \$35 million over a period of seven years. We will adjust this estimate once we determine and begin implementing the operational, logistical and regulatory aspects of this recommendation.

Beyond funding enrollment growth for Cal Poly and the maritime academy, additional recurring support will not be required.

### **Next Steps and Timeline**

We advise moving expeditiously on this recommendation, with an information item on integration coming before the CSU Board of Trustees for discussion in July 2024. We would follow with an additional information item in September 2024 to address Board questions and requests for additional information. The Board would then take action on this item in November 2024. If approved by the board, the integration would begin in July of 2025 with the first maritime academy students enrolled as Cal Poly students in fall of 2026.

The Higher Education Employer-Employee Relations Act (HEERA) requires that the CSU engage with recognized bargaining units when changes are made that create an impact on our represented employees' pay, benefits or working conditions. Therefore, prior to changes being made, the CSU should immediately provide formal notice to the unions so that the legally required meet-and-confer process over the impacts can begin.

The CSU commits to appropriate consultation with various shared governance partners related to the implementation of the recommendation, should it receive Board approval.

In summary, we believe that this plan is in the best interest of both Cal Maritime and Cal Poly, that it will advance the mission and vision of the CSU system more broadly, and that it will serve critical economic and security needs of our state and nation.

Chancellor Mildred García  
June 5, 2024  
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Sincerely,



Steve Relyea  
Executive Vice Chancellor and  
Chief Financial Officer



Nathan Evans  
Deputy Vice Chancellor, Academic and Student  
Affairs and Chief Academic Officer

- c: Jeffrey Armstrong, President, California Polytechnic State University, San Luis Obispo  
Michael Dumont, President, California State University Maritime Academy  
Andrew Jones, Executive Vice Chancellor and General Counsel  
Leora Freedman, Vice Chancellor, Human Resources  
Vlad Marinescu, Vice Chancellor and Chief Audit Officer  
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