

AGENDA

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Meeting: 2:30 p.m. Tuesday, September 24, 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
Sam Nejabat
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*
3. Financial Aid Update, *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**

July 23, 2024

Members Present

Committee on Educational Policy

Diego Arambula, Chair
Darlene Yee-Melichar, Vice Chair
Raji Kaur Brar
Douglas Faigin
Wenda Fong
Mark Ghilarducci
Lillian Kimbell
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Mildred García, Chancellor
Jack B. Clarke, Jr., Chair of the Board

Chair Arambula called the meeting to order.

Approval of Minutes

The minutes of the meeting on January 31, 2024 were approved as submitted.

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

Executive Vice Chancellor and Chief Financial Officer Steve Relyea began the presentation by providing an overview of the fiscal and operational imperative of the proposed integration. Mr. Relyea summarized the reasons supporting the recommended integration and how the proposal exemplifies the collective systemwide work to shift the CSU toward a sustainable financial model. Cal Maritime Academy Interim President Michael Dumont described the challenges the university has faced in recent years and the economic factors that negatively impact the operating environment. He emphasized that Cal Maritime Academy has taken all appropriate comprehensive and creative measures to respond to its fiscal crisis,

including instituting drastic cost savings measures across the campus. As one of only six degree granting State Maritime Academies in the nation, and the only one such institution serving the western United States and the Pacific Rim, the Academy's Federal mandate is to produce graduates capable of and licensed to serve as officers in the Merchant Marine of the United States. Interim President Dumont elaborated on the various strengths and opportunities the university contributes to the state and the nation.

California Polytechnic State University, San Luis Obispo President Jeff Armstrong demonstrated Cal Poly's complementary strengths, such as high enrollment demand, effective student success models and a focus on diversity, equity, and inclusion. President Armstrong also provided an overview of some of the synergistic opportunities presented by the proposed integration, such as similar academic pedagogy, degree programs and core values. Deputy Vice Chancellor and Chief Academic Officer for Academic and Student Affairs and Acting President of Sonoma State University, Nathan Evans, described the benefits of the proposed integration from a system perspective. Namely, streamlining enrollment management and outreach, enriching the academic and infrastructure resources for both universities, and opportunities for greater federal and philanthropic funding. Dr. Evans outlined the timing of implementation and the recommendations for the administrative consolidation of Cal Maritime Academy and Cal Poly beginning in July 2025.

President Armstrong continued to discuss Cal Poly's plan to provide financial aid and scholarships to existing students to offset transitional fees, as well as to increase access, particularly for low-income and historically underserved students. Mr. Relyea then provided an overview of the estimated one-time investment necessary to support implementation of the integration. He explained that the funds would be allocated to support student financial aid and scholarships, advising, enrollment management, marketing, information technology, and other transitional items. He continued to describe the planned coordination of several workgroups, comprised of subject matter experts from both institutions and from the Chancellor's office, that will be formed to identify success measures and ensure that the integration's success is guided and assessed by measurable success metrics. Mr. Relyea concluded the presentation with a timeline for next steps and a summary of the new and forward focused opportunities the integration will allow for current and future generations of diverse CSU scholars.

Following the presentation, Trustee Gilbert-Lurie asked how the cost savings and/or the return on the investment will be quantified, and how stakeholders will be engaged in the planning process. Mr. Relyea replied that savings would be shared with trustees in the future and that a variety of stakeholder groups will be included throughout the consultation process which has just begun. Trustee Yee-Melichar shared that the faculty is cautiously optimistic about the integration of the two campuses but concerned with how it will impact faculty retention, tenure, and promotion (RTP) criteria, their contributions, and staff work assignments. Trustee Faigin asked if the integration means that the Cal Maritime Academy campus would become a satellite campus of Cal Poly and if there will be a name change to Maritime if the integration is approved. President Armstrong responded that it will be a satellite campus but several requirements exist and will influence the final decision. Interim President Dumont added that Maritime Academy should remain in the name as it is registered this way with the federal government and could affect funding if changed. Trustee Kimbell asked why enrollment at Cal Maritime has dropped and was informed that all maritime academies across the United States are seeing a decrease in enrollment in part due to lack of awareness as well as cost of attendance. President Armstrong added that Cal Poly has strong marketing and

financial aid programs to help students with these. Trustees Clarke and Fong both commented on the urgency to take action on this proposal, given Cal Maritime financial conditions.

Trustee Arambula adjourned the Joint Committee on Educational Policy and Finance.

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 State University Maritime Academy

Jeffrey D. Armstrong
President
Cal Poly San Luis Obispo

Background

At its July 2024 meeting, the CSU Board of Trustees was presented with a recommendation for the integration of California State University Maritime Academy and California Polytechnic State University, San Luis Obispo.

While the reasons and justification for integration are compelling and multifold, the primary reason is as clear as it is stark. Given Cal Maritime's longstanding enrollment challenges and rapidly worsening fiscal and operational circumstances, the CSU is faced with a binary decision with only two options: proceed with the proposed integration or immediately initiate planning for the closure of Cal Maritime.

Integration is recommended as an imperative to immediately address Cal Maritime's vulnerabilities to provide a long-term solution to the institution's unviable and unsustainable fiscal circumstances. Furthermore, 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 proposed integration will serve the workforce needs of the state of California and Pacific-facing states and territories, as well as those of the nation's maritime industry. Moreover, it will protect critical U.S. economic and national security interests, most specifically by preserving the unique and vitally important Cal Maritime degree programs leading to a Merchant Marine license issued by the U.S. Coast Guard – a longstanding CSU priority and commitment.

As outlined in the July 2024 meeting, the recommendation proposes that Cal Maritime integrate its operations, resources and governance into and under the leadership of Cal Poly, pursuant to the following steps:

- As integrated, overall operations on the maritime campus will be led by a vice president and CEO who will report directly to the Cal Poly president.
- As an academic unit on the campus offering specialized instruction, theory, and at-sea training programs leading to a Merchant Marine license issued by the U.S. Coast Guard, the maritime academy will be led by a superintendent reporting to the above-mentioned vice president and CEO. The maritime academy would remain on the current Cal Maritime campus, while sharing Cal Poly's facilities, infrastructure and services.
- 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 become 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.

Executive Summary

The written item in support of the July 2024 presentation outlined in considerable detail the justifications for the integration; the anticipated benefits for both institutions, the state and nation; the anticipated costs; and proposed next steps with an associated timeline. For brevity and for your convenient reference, we will not repeat that information in detail here, but rather attach the July 2024 written item hereto as Attachment A and incorporate it into this document by reference.

The purpose of this item is to provide an update of the fiscal and operational circumstances at Cal Maritime that continue to grow increasingly dire and underscore the need for urgent and timely action. Given the complexities of the integration process and the exigencies that call for expeditious action, this item will also outline the steps that are being taken so that we will be “implementation ready” should this board approve the recommendation at its November 2024 meeting. Finally, the item will review recommended next steps, the associated timeline and the factors and pressures that drive that timeline.

Fiscal and Operational Circumstances at Cal Maritime: An Urgent Situation Grows Increasingly Dire

Personnel Losses Exacerbate Existing Fiscal and Operational Challenges

The factors combining to create the unviable fiscal and operational circumstances were outlined in detail in the July item, incorporated hereto as Attachment A. They include, but are not limited to: steeply declining enrollment (31% over the past seven years), skyrocketing compensation and operating costs for its very high investment degree programs, and costs associated with maintaining aging STEM-related infrastructure. Also as detailed in the July item, these fiscal pressures have led to a significant depletion of Cal Maritime’s available reserve funds, making it infeasible for the university to operate safely.

Exacerbating these unsustainable financial and operational circumstances is a spate of recent and pending personnel losses, including the CFO, chief budget analyst and controller; the head of Enrollment Management; the Student Health Center director; the vice president for Student Affairs; the director of Advancement and manager of Advancement Operations; the director of university advising and tutoring; and the registrar, among others.

Obviously, this loss of critical personnel across key university divisions and departments has complicated and intensified Cal Maritime’s existing operational challenges. To meet the operational requirements and student service needs associated with the departed or soon-to-depart personnel, Cal Maritime has entered into multiple shared-service agreements with Cal Poly. While

these agreements are necessary and appropriate, they have created the problematic misperception that leadership is moving ahead with the integration before board action in November.

Quantifying the Scope of the Budget Shortfall

As detailed in the July item and recapped immediately above, Cal Maritime faces an unsustainable financial condition. Its current base budget of \$52.3 million is insufficient to support the quantity and quality of university activities needed for a successful maritime academy program. Using an analysis that modeled actual 2023-24 expenditure and enrollment levels within the CSU system – methodology consistent with that of the Sustainable Financial Model workgroup – we estimate that it would require a *minimum* additional expenditure of \$29.9 million in ongoing funds, on top of Cal Maritime’s \$52.3 million ongoing base budget, for it to continue as a stand-alone university. It should be emphasized that this estimate does not include the resources such as financial aid and increased marketing required to address Cal Maritime’s most fundamental challenges or to foster sustained enrollment growth. Put in the simplest and most blunt terms, the \$29.9 million of additional ongoing funds is perhaps best considered as the amount necessary to maintain a minimally funded, baseline university, likely only to delay its eventual closure.

Also of importance and as outlined in July, the integration proposal does require the investment of one-time funds of about \$5 million per year for seven years, for a total of \$35 million. After this seven-year investment of one-time funds, the integration is expected to result in enrollment growth, increased yield, and greater access for low-income and underrepresented students such that additional recurring funds, beyond normal CSU allocations, will not be necessary.

So, while the proposed integration will avoid the nearly \$30 million of additional, ongoing dollars required to temporarily sustain Cal Maritime, the proposed integration, therefore, is really not about cost-cutting; it is about the smart, prudent allocation and the strategic investment of resources, and preserving Cal Maritime’s vital degree programs and their contributions to national and economic security.

Actions Taken Since July Board Meeting – Becoming “Implementation Ready”

We have carefully researched all relevant federal and state law and regulations to ensure that all elements of the proposed integration will be implemented in conformity with those directives. In addition, Presidents Dumont and Armstrong have prioritized meetings with key federal and state maritime stakeholder representatives. To that end and informed by those meetings, Presidents Dumont and Armstrong have developed and recommended a specific organizational structure.

What is the vision for the administrative structure and naming conventions associated with the current Cal Maritime, post-integration?

Broadly speaking, Cal Maritime currently offers two types of degree programs at its current Vallejo campus: programs leading to a Merchant Marine license issued by the U.S. Coast Guard and those in fields closely related to the maritime industry, but which do not lead to a license.

Upon integration, it is contemplated that overall operations at the Maritime site will be administered under the leadership of a vice president and CEO, who will report directly to the Cal Poly president and serve on the president's cabinet.

The academic unit responsible for the administration of the license-granting programs and the training vessels will be led – as required by federal law – by a superintendent, who will report to the VP and CEO leading overall operations at the Maritime site, as noted immediately above.

While additional positions and structure will be developed over time, it is currently envisioned that the Cal Poly Maritime Academy superintendent will be directly supported by a director of marine programs who will also serve as captain of Training Ship *Golden Bear* (later, *Golden State*) and a director of cadet leadership and development.

The naming conventions associated with the overall Maritime site and with the academic unit administering the licensure-track degree programs and training ship are yet to be determined. Multiple factors impacting these decisions – including the California Education Code, federal legislation regarding state maritime academies, the Maritime Administration's State Maritime Academy Support Program, branding and name recognition considerations, and both institutions' rich histories – are currently being evaluated.

Pre-Integration Workgroups

To advance our goal of being “implementation ready” on day one, should the board approve the proposed integration, we have formed 23 pre-integration workgroups comprised of subject matter experts from the Chancellor's Office and both universities across 23 operational areas identified as most critical to a seamless and timely integration. Initially, they have been tasked with identifying and examining the top five, most essential integration-related topics areas or issues that should be considered relative to their subject matter expertise.

The 23 Pre-integration Workgroups are as follows:

- Phase One (Formed June 2024)
 - Institutional Accreditation
 - Post-integration Student Academic Degree Program Offerings
 - Continuing Student Academic Program Transitions
 - Metrics for Success Post-integration

- Workforce Transitions
 - Integrating Administrative Functions and Systems
 - Legal and Regulatory Compliance
 - Institutional Financial Aid and Fees
 - Student Support Services
 - Naming Legal and Accreditation Requirements
 - Athletics
 - Ongoing External Advocacy Efforts
- Phase Two (Formed August 2024)
 - Public Safety/Risk Management
 - Facilities Integration
 - Auxiliaries
 - Academic Calendar
 - Summer Programs
 - Philanthropic Foundations
 - Student Affairs
 - Associated Students
 - Alumni
 - Faculty Governance
 - Represented Employees Meet-and-Confer Process Initiated

With specific regard to faculty governance, the faculty governance workgroup – comprised of academic senate leaders from both universities – has begun regular meetings. During these meetings, we have facilitated productive discussions as the workgroup identifies pathways – both formal and informal – toward developing the single, unified academic senate that would be created if the integration proposal is approved.

Consultant

After carefully vetting multiple nationally renowned firms with experience in this highly specialized area, we have engaged the firm of Baker Tilly to serve as a consultant, informing, coordinating and guiding the work of the pre-integration workgroups. Should the proposed integration be approved by the board, Baker Tilly would remain engaged to help coordinate the comprehensive and complex implementation process. Baker Tilly has more than five decades of experience serving higher education and has partnered with more than 600 institutions nationwide. The firm is notably acclaimed for the instrumental role it played in service to the Pennsylvania State System of Higher Education which, in 2022, successfully consolidated six existing institutions into two multi-campus universities. Importantly, Baker Tilly is deeply committed to keeping student experience and outcomes at the center of integration strategy, while driving institutional efficiencies.

Continued Cost-Savings Measures at Cal Maritime

In Cal Maritime's ongoing efforts to address its fiscal and operational challenges, travel budgets and all non-essential expenses have been reduced across the campus. Infrastructure upgrades have been paused and the only repairs or upgrades being undertaken are those essential to safety, security and student services. The university has also taken steps to preserve foundation funds for critical expenses.

A hiring freeze has been in place since March 2024. Over the past year, 17 positions have been left vacant and another 14 have been eliminated.

In another effort to contain costs, President Dumont has reduced Cal Maritime's administrative structure based on his assessment that the university was overly administered given its enrollment decline and relatively small size. All vice president positions (4) and all associate vice president positions (6) were eliminated. In sum, all executive positions except for the president have either been eliminated or downgraded with a corresponding reduction in salary. The position of president will be eliminated if the proposed integration is approved.

As noted above, since the announcement of the integration recommendation, the university has seen an increase in retirements and resignations, including the CFO, chief budget analyst, Health Center director and chief medical officer, director of Advancement, Advancement manager and the head of the Cal Maritime Corporation, among multiple others.

To continue providing essential student support services despite the personnel losses, the university has focused on applying limited financial resources to obtain shared services from other campuses. These include human resources support, financial services assistance, website support, enrollment management support, and marketing and communications support. Given their capacity and expertise, as well as the pending recommendation, the president has pursued several shared services arrangements with Cal Poly.

Next Steps and Timeline

In the weeks following the September meeting, we will continue to engage in discussion with this board and with stakeholder groups, in an effort to answer as many questions as possible, and to provide sufficient information for the board to be able to make the binary decision before it in November.

We will also continue the work of the pre-integration workgroups through October, so that we can immediately, strategically and efficiently begin the extremely complex implementation process should approval be granted.

That decision will be made in November, when this board will be asked to take action on the proposed integration at its next meeting.

Should the board grant approval, implementation will begin immediately, with administrative integration taking effect in July 2025, at which point Cal Maritime and Cal Poly will be administered as a single institution.

Finally, in fall 2026, academic and enrollment integration will take effect and enrollment of Cal Maritime students would occur through Cal Poly.

Why is the Timeline so Critical?

Multiple factors combine to drive the above timeline, and make adherence to it critically important, should the proposed integration be approved.

First, to achieve future enrollment goals, the academic calendar dictates that substantial investments in recruitment and marketing must be launched focusing on high school students who are/will be juniors in fall 2024 and spring 2025. We anticipate that these investments will be covered by the one-time transitional funding noted above.

Curricular development is another time pressure. Campus curricular committees complete their annual curricular processes by mid-spring in order to publish new college catalogs. To modify the curriculum, changes will need to be in process by the end of the fall term.

The universities' accrediting commission – the Western Association of Schools and Colleges Senior College and University Commission – requires a substantive change process that is prescribed as at least nine months.

Also, Cal Maritime has already begun initial planning for its 2025 summer sea term. Because of significant lead times required for trip planning, adjustments to academic programming, foreign country clearances, fuel and port servicing contracts, staffing needs, and financial commitments from the federal government, it is necessary for Cal Maritime to project requirements one to two years in advance. Additionally, with CSU slated to receive the new larger training ship in 2026, we must begin analysis of staffing requirements and curriculum changes to accommodate an increased number of students and faculty for future summer sea terms. This will also require advance consultation with faculty representatives.

Finally, to achieve the enrollment goals necessary to support the new, 600-student Training Ship Golden State arriving in 2026, a turnaround in new student enrollment must begin this fall.

Conclusion

As noted above and in the July 2024 presentation, the justifications for the integration are compelling. It 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, 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, by preserving the unique and critically important Cal Maritime degree programs leading to a Merchant Marine license issued by the U.S. Coast Guard, the proposed integration will serve the workforce needs of the state of California and the nation's maritime industry while protecting vital U.S. economic and national security interests.

Since July and as described in detail above, the operational and fiscal circumstances at Cal Maritime have grown increasingly dire. A stark reality has emerged: no other feasible strategies exist – the alternative option to the proposed integration is closure of the California State University Maritime Academy. And it must be noted: Closure of Cal Maritime must not be considered a divestment – there will be very significant costs associated with closing such a highly specialized university.

Given these exigencies and the scope and complexity of the proposed integration, we have taken and continue to take all appropriate steps to address considerations and concerns raised by this board and the constituents and stakeholders of both institutions and the communities they serve. We recommend that the board approve this proposal at its November 2024 meeting. And if approval is granted, we will be – we must be – implementation ready.

INFORMATION ITEM FROM JULY 2024 CSU BOARD OF TRUSTEES MEETING

JOINT COMMITTEE ON FINANCE AND EDUCATIONAL POLICY

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

Presentation By

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Executive Vice Chancellor
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Michael J. Dumont
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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 21st 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.

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Financial Aid Update

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Summary

The California State University's robust financial aid programs are a cornerstone of its efforts to provide some of the most affordable educational programs in the nation, to grow enrollment and to support the academic success and social mobility of students across the state of California. Nearly 80% of CSU students receive some form of financial aid and nearly two thirds of undergraduates have their tuition fully covered by non-loan aid. In 2022-2023 alone, the CSU disbursed more than \$4.7 billion in state, federal and institutional aid to students, allowing the great majority to begin their careers or enter graduate school debt-free.

To build upon this success, the Chancellor's Strategic Workgroup for Financial Aid has been working since June 2023 to develop a systemwide policy to maximize aid and to streamline the communicating and awarding of aid to students and families across our 23 universities. However, serious challenges with the federal rollout of the Free Application for Federal Student Aid (FAFSA) simplification earlier this year necessitated a strategic pause in the workgroup's efforts, as the CSU's financial aid professionals worked diligently to troubleshoot problems and address the needs of thousands of students whose financial aid – and academic progress – were threatened.

As we enter the new academic year, this report provides an update on the valiant efforts of our university financial aid teams to overcome challenges in delivering vital aid to students for 2024-2025, as well as a preview of the workgroup's next steps in achieving all elements of its charge.

FAFSA Simplification

The FAFSA Simplification Act (Act) was originally enacted into law as part of the federal Consolidated Appropriations Act of 2021. The act and subsequent legislation made changes to the Higher Education Act of 1965 and impacted both the FAFSA form and related formulas determining eligibility for federal aid programs.

Over the past three years, the Department of Education implemented changes in phases, beginning with the 2021-2022 award year. The final phase of the department's implementation occurred for the 2024-2025 award year. Among the final changes, the U.S. Department of Education announced the first substantive changes to the FAFSA form in nearly 40 years that would make it simpler for students to apply as well as new formulas that would extend federal aid to more low-income families. Information submitted annually by students on their FAFSA is used not only to determine the amount of federal aid they may receive, but is also the basis for state aid, the CSU's grant program, need-based scholarships and other institutional financial aid.

However, as the new FAFSA was launched three months late on December 31, 2023, users experienced numerous technical issues which ultimately delayed the department by two months in processing completed applications, preventing colleges and universities across the country from delivering aid packages to students. Many students reported not being able to complete or submit the form, that their signature had been removed or that their application had been deleted, among other frustrations. Of particular concern to the CSU was the plight of an estimated 108,000 "mixed-status" students across California – students who are U.S. citizens or permanent residents while their parents are currently without a Social Security Number (SSN). Without entering a parent's SSN, these students were, in effect, blocked from applying for aid via the FAFSA.

It is no overstatement that the FAFSA delay jeopardized access and progress for thousands of students, as well the CSU's student success goals and its recent successes in reversing a post-pandemic decline in enrollment. Realizing the potential for countless students across the state to lose critical financial support – as well as the threat of a decline in fall 2024 enrollment as students without aid opted out due to cost – the Chancellor's Office worked quickly and closely with the CSU's 23 financial aid offices to mitigate the potential impact. A CSU "tiger team" was enlisted to address emerging issues and advocate for action and direct assistance from the U.S. Department of Education.

To accommodate federal delays, in February, the CSU joined the University of California to extend its intent to register deadline for new students. Subsequently, more than half of the CSU's 23 campuses independently extended their intent to register deadlines to June 1, 2024, or beyond to allow families more time to receive and consider financial aid packages. At the same time, the CSU advocated for Assembly Bill 1887, signed by Governor Newsom in March, which moved the

California Student Aid Commission's (CSAC) financial aid priority deadline from April 2 to May 2, 2024. To encourage students to persevere in submitting their FAFSA, the Chancellor's Office launched a social media campaign to complement the plans our universities have in place to communicate about financial aid with their students.

To aid mixed-status students, in April, the CSU joined CSAC, the University of California and California Community Colleges Chancellor's Office in announcing an alternative financial application option for California's mixed-status households. Prospective students who were unable to complete the FAFSA were able to complete a California Dream Act Application (CADAA) – previously designated only for undocumented students – as a short-term measure until they were able to access and complete a FAFSA. As this quick fix was identified, the CSU advocated for an extension of the state Middle Class Scholarship deadline to July 1, 2024, to provide equity for mixed-status students who were unable to apply by the original deadline of May 1, 2024. To temporarily resolve the issue, the federal Department of Education has waived the ID verification requirement for contributors who do not have a Social Security Number so that mixed-status students are able to submit their FAFSA.

As the Chancellor's Office coordinated a systemwide response, the CSU's 23 financial aid teams worked heroically – through targeted outreach and communications, social media campaigns and one-on-one interventions – to encourage and assist both prospective and continuing students in finalizing their FAFSAs. Behind the scenes, campus financial aid teams with limited staff – often recruiting to fill vacancies – scrambled to adapt roles to target urgent needs, whether reaching out to students with incomplete FAFSAs, training to expert level on technology platforms, quickly processing thousands of provisional aid offers once federal data was received, or offering care and reassurance to mixed-status and first-generation students and families.

By March 15, 2024, CSU campuses had begun receiving Institutional Student Information Record (ISIR) files from the Department of Education for students who had completed the FAFSA. With this ISIR data in hand, all 23 CSU campuses were able to process and send provisional award notices to new students who had completed the FAFSA and for whom an ISIR was received before or just after their campus preview days. This reflected a monumental effort across the system to attract, enroll and support potential scholars and to set them on a path to earning a CSU degree.

While fall 2024 enrollment data are still being tabulated, preliminary numbers indicate growth in systemwide enrollment of first-time first-year students exceeding growth seen at this point in fall 2023 – the year the CSU enrolled the largest first-year class in its history. And while a few campuses show slight changes in the number of Pell grant recipients – possibly due to FAFSA challenges – Pell awards have increased systemwide and at most campuses for fall 2024. Any increases in federal Pell awards will improve access and affordability and minimize debt for our students. While many states saw double-digit declines in FAFSA applications this year, thanks in

large part to the CSU's efforts, according to the National College Attainment Network as of August California is among the top 15 states with the highest FAFSA completion rates.

These signs of success are a testament to the diligent work of our financial aid offices in centering students and connecting them with financial aid – and they are a testament to the perseverance of our students and families as they invested their trust in the CSU.

Cal Grant Reform

Also, on the horizon this spring was the possibility of major statutory changes to Cal Grant, the state's largest financial aid program, which in 2023-2024 alone provided aid to 138,000 CSU students. Adopted in 2022, the Cal Grant Reform Act was slated to begin in 2024-2025, should the California Department of Finance determine – in the spring of 2024 – that the state had enough funding to support the program over a multi-year forecast. The legislation called for the current Cal Grant program to be replaced by a new, streamlined version that would:

- Collapse the current eight types of Cal Grants into two: Cal Grant 2 for community college students and Cal Grant 4 for students attending eligible four-year public or private universities.
- Align eligibility for Cal Grant with the income levels for Pell Grant eligibility.
- Remove age limitations, time since high school graduation and Grade Point Average requirements.
- Eliminate Cal Grant B access awards that many CSU students currently receive as a living allowance.

The CSU has supported the overarching goals of Cal Grant reform but has outstanding concerns about its financial implications on both its students and the CSU's State University Grant (SUG) program. To anticipate potential impacts, the workgroup considered simulations to illuminate how Cal Grant reform would affect student financial aid coverage and how the CSU's financial aid policy choices may need to shift to accommodate these changes.

While the CSU was ultimately alerted in June 2024 that Cal Grant reform would not be implemented in 2024-2025, if the prospect of implementation resurfaces, the CSU Board of Trustees will be provided with a clear view of its implications so that the CSU can appropriately advocate with the Department of Finance and the Legislature. While we know that Cal Grant reform will have a significant impact on available SUG funding, it is important that the CSU have a clear and decisive position on the reforms that takes into account the impact on CSU students and the SUG program, and that the Department of Finance is aware of these implications when determining when or if to implement the reforms.

Financial Aid Successes

Despite recent challenges with FAFSA and uncertainty regarding Cal Grant, the CSU continues to achieve significant successes in delivering the financial support students need to attain the life-long, life-transforming benefits of a CSU degree and productive roles in California's workforce. The CSU continues to serve as an engine of economic and social mobility, maintaining access and affordability for students with the least ability to pay. As a testament to the CSU's commitment to affordability, last year the board approved a tuition policy that stipulates that at least one-third of tuition revenue will be designated for student financial aid. Among numerous points of pride:

- In 2022-2023, nearly 80% of students received need-based financial aid.
- Specifically, over 379,000 CSU students received more than \$4.7 billion in total financial assistance.
- Over 61% of all enrolled undergraduate students have the full cost of state tuition covered by grants, scholarships or waivers. Another 17% receive partial coverage.
- Nearly two-thirds (63%) of the spring 2023 class of CSU baccalaureate recipients graduated with zero education loan debt.
- Of the 37% who graduated in 2022-2023 with debt, the average loan debt of \$17,346 is well below the most recently available state average of \$21,125 (2019-2020). Recent national averages have not been published, but CSU figures have been consistently lower.
- CSU students also benefited from nearly \$78 million in state-mandated fee waivers, which represent foregone revenue to CSU campuses.

Thanks in large part to these extraordinary numbers, the CSU continues to top every national ranking for social mobility. This year, Cal State Los Angeles topped the Wall Street Journal ranking and nine Cal State universities were in the top 20. More than half of the top 25 on the U.S. News and World Report regional western universities list are from the CSU. The CSU continues to build its reputation as the university of choice for California families seeking value, affordability, excellence and quality preparation for in-demand, well-paying careers that will allow them to stay and contribute to our home state, with low or no student loan debt.

Chancellor's Strategic Workgroup

Although technical issues with the FAFSA simplification persist, the Chancellor's Strategic Workgroup for Financial Aid will resume its work in late summer, learning from campus experiences with the recent FAFSA challenges. The workgroup was established in June 2023 charged with: (1) recommending a comprehensive financial aid strategy and policy for the CSU; (2) developing an implementation plan to ensure that universities are equipped with the procedural requirements, infrastructure and flexibility to make student-by-student adjustments (within a set of consistent parameters); and (3) linking the policy to a clear message to Californians about CSU affordability.

The group's ultimate aim is to advance the CSU mission by maximizing federal and state financial aid while effectively distributing available SUG funds in a way that expands access and assures affordability for any student who aspires to achieve a CSU degree. To that end, in January 2024 the workgroup secured the endorsement of the Board of Trustees on a set of fundamental principles and a policy framework that will guide financial aid disbursement across the CSU. By resolution, the board established the following guiding principles:

- CSU's mission is to provide a quality, accessible and affordable education. Therefore, students should not be precluded from attending or succeeding at CSU because of cost.
- Affordability is determined by total cost of attendance (COA), not only tuition and fees; accordingly, policies to increase affordability must focus on reducing the net COA (after accounting for grant aid and scholarships) for low-income students and limiting student debt.
- State and federal grant aid should be maximized so that CSU funds can go further toward reducing COA and limiting student debt.
- Priorities for the use of the State University Grant (SUG) should be consistent with, and supportive of, CSU efforts to increase graduation rates, reduce equity gaps, and reduce time to degree.
- Students are expected to contribute toward their CSU education, through work, work-study, scholarships, savings and/or borrowing, to an extent appropriate to their economic and family circumstances and consistent with sound educational and financial practices.
- Greater consistency across campuses in financial aid administration, brought about by stronger collaboration and increased coordination from the Chancellor's Office, tempered by appropriate flexibility to recognize distinctive campus characteristics, will better serve students.
- Financial aid considerations are not just the purview of financial aid offices but must be incorporated into campus-level programs, initiatives and efforts aimed at improving student success and enrollment management.

To deliver on elements of the initial financial aid framework adopted by the trustees in January 2024, the CSU will launch its own cost of attendance survey during the new college year. Modeled after the University of California's proprietary instrument, the survey will provide the foundation for consistent cost of attendance estimates for each CSU campus. In addition, CSU campuses will align the distribution of graduate SUG awards with proportions of graduate enrollment and establish the initial processes for awarding SUG for costs other than tuition and campus fees.

This fall the workgroup will continue its efforts to finalize detailed financial aid policy guidance that aligns with the CSU's emerging student success initiative and strategic enrollment management efforts. The workgroup will also develop an implementation plan that provides for the flexibility, tools, resources, administrative capacity and infrastructure required by our

campuses to meet the unique financial needs of their students. This includes supplying adequate technology to ensure efficient service and communication to students across all campuses and presents an opportunity for multi-university collaboration. Ideally, upgraded technology will streamline the submission of needed documents for students, streamline the review of those documents by campus financial aid offices, and provide a similar experience for students across the CSU, many of whom apply to multiple campuses. The workgroup will consider recommendations related to centralized technology and staffing at the system level to streamline the awarding of financial aid offers for students, as well as national benchmarks for staffing and technology within campus financial aid offices to ensure manageable and effective workloads.

The workgroup will also delineate a communication strategy to highlight to potential students and their families the affordability and value of a CSU education, as well as clear, timely and easy-to-understand information on available financial support. This includes incorporating key principles and standards recommended by the College Cost Transparency Initiative, a group of more than 400 colleges and universities nationwide – including the CSU – that have committed to ensuring greater transparency, clarity and understanding around communicating student financial aid offers.

As the workgroup resumes their work in earnest this fall, its progress will once again be shared with the Board of Trustees in upcoming meetings.