

**Remarks by Dr. Charles B. Reed
Chancellor, California State University
Little Hoover Commission
Sacramento, CA
August 28, 2012**

Members of the commission, thank you for this opportunity to speak about the future of higher education in California.

This hearing comes at an extremely critical time for our universities, in which we are facing devastating budget cuts and extraordinarily difficult decisions.

The California State University is the largest system of senior higher education in the country, with 23 campuses, approximately 427,000 students and 44,000 faculty and staff. The CSU awards about 99,000 degrees annually and since its creation in 1961 has conferred nearly 2.6 million degrees.

The CSU has long benefited from generous support from forward-thinking policymakers who drafted California's Master Plan for Higher Education and who believed that an investment in higher education is an investment in California's future. Since 1961, we are proud to have served as a national model for how state-funded higher education can transform and uplift a state and its communities.

However, since 2007-2008, the CSU has been dealing with reductions in state support that now total nearly \$1 billion, or 39 percent of its budget. That is a staggering disinvestment in higher education by the state's leaders.

Before us now are two more potential cuts —\$250 million, which will be imposed if Governor Brown's tax initiative is not passed by voters in November, and \$132 million, which is tied to contingencies related to a tuition buyout.

The CSU's Board of Trustees is now considering budget scenarios that would include salary and benefit reductions to help close the budget gap; reducing faculty assigned time and sabbaticals; charging for excess units, and the use of continuing education funds and other one-time resources.

None of these are palatable choices, especially for those of us who work in higher education because we believe in the importance of access and quality for all. But the governor and legislature have essentially asked our board to make these agonizing choices.

No matter which option we choose, the end result is clear: Our state's higher education systems are no longer the envy of other states around the country. And our students can no longer count on California's political leaders to make higher education a priority.

Why does this matter? Because the only way that our state will sustain or expand its middle class is by educating the rapidly growing number of young people from traditionally underserved populations who are now coming through our K-12 system. These students will not all be able to lift themselves up through the traditional manufacturing routes to a middle class life. They will need a college education to break into the knowledge and creative industries like biotechnology that are currently leading our economic growth.

Our higher education system needs to serve these students, not just for their own future, but for California's future economic growth. This is a massive responsibility for our higher education system, and one that can only be managed with a solid commitment to funding the future of higher education.

Effect on Students/University

That leads me to your first question, which is the impact that the state's budget difficulties have had on students and their families and on the university.

Given that a majority of CSU students come from underserved populations and are often financially needy, these cuts have put a heavy burden on these students and their families. These students have had to work more and take longer to finish their degrees.

However, those students from middle-class families have had perhaps an even bigger challenge. Because our need-based financial aid formula helps those students from the poorest families, those students whose families earn \$80,000 or more per year have had to pick up all of the tuition increases. I know that no one wants us to use the "t" word for tuition, but we should call it what it is. The state has essentially sent out a signal that it is no longer willing to invest in its young people's future by subsidizing college educations. So now those students who come from middle class families are being asked to pay tuition.

The effect on the university has been significant. We have had to have larger classes and we are not offering as many classes. We have had to delay purchases in scientific and technological equipment. And we are not replacing our full-time faculty members as they retire. Are we still able to provide a quality education? Yes, but at this point we have made so many cuts and deferments that from this point on in order to preserve quality we may have to limit access.

This concern also goes back to the issue I mentioned above; that these lower- and middle-class students are exactly the students we need to be helping – both for their futures, and for the future direction of California. They represent the backbone of California's future economy.

Stable Funding Source

Should the governor and legislature establish a stable source of funding for California's universities? Yes – and we have two recent examples to look at: The Partnership and the Compact agreements we had with our three previous governors.

These agreements represented a commitment to providing stability to our university systems. They offered a commitment to fund the university's growth, and to do it way in advance to allow for appropriate planning. Because of the timing of our admissions cycle, we need to know our funding for the next year way in advance of June 30.

These old agreements generally provided for an enrollment increase of 2.5 percent per year. This is not an overly rich number – but we could count on it, and that would make an enormous difference.

In exchange for this commitment, we proudly agreed to offer accountability and transparency. In fact, we were the first university in the country to create a “Public Good” page that demonstrates our accountability in the areas of cost of attendance, student demographics, retention, graduation, and more. We believe that a public university owes it to its constituency to be transparent about its work, and that those sorts of facts and figures should be readily accessible. We have worked closely with the Association of Public and Land-Grant Universities (APLU) and the Association of State Colleges and Universities (AASCU) in creating the national Voluntary System of Accountability, and we believe that this system provides a good standard for all public universities.

We continue to provide this accountability even without a current funding agreement in place, and of course we would continue to provide the same accountability if we were to reach a new funding agreement.

Master Plan

As to your question regarding the relevance of California's Master Plan for Higher Education – the Master Plan was a brilliant, forward-thinking document. Its drafters had the great foresight to understand the importance that higher education plays – and would continue to play – in the educational and economic growth of our state.

Unfortunately, today's political leaders have set aside the priorities of the Master Plan. The Master Plan talks about investing in young people's futures. How can you maintain access and quality in education with less funding every year?

I think our current leaders should each spend some time re-reading the Master Plan and reflecting on what it has done for our state in the past half-century. I believe that if we return to that document and its core values, we will have a greater appreciation for what planning and investment in higher education can do for our state.

Central Higher Education Authority

You have asked me to discuss the shutdown of the California Postsecondary Education Commission and the need for a new system-wide approach to planning and coordination of

higher education in California. We agree that there is a need for higher education planning, coordination, aggregation of data, and high-quality research; as well as a central coordinating body that would serve as advocates for higher education.

However, CPEC in its most recent form was not that agency. CPEC was interested in getting into governance and operations, which is not appropriate for that kind of agency. If the budget picture becomes such that California can re-invest in its higher education structure, we would need an agency that was interested in looking at planning and scoping out the larger picture of higher education. Ideally, this agency would be able to convey to our policymakers the vast import of the work that our higher education institutions are doing, and to give us the tools and information that allow us to do our jobs even better.

Degree Production

What will it take for us to get to the number of degrees that we will need to grant by 2025? We are continuing to work at this goal from several angles. Essentially, if we are going to meet the 2025 goals and President Obama's goals for degree production, it will be through the fastest-growing segment of our student population, students of color.

We can all improve retention and graduation rates. To look at our own progress, we have divided our own statistics into overall rates of graduation and rates for students of color. We have created and led projects throughout California's K-12 system to provide early warnings of students who may need remedial education before entering college; to provide teacher preparation; to improve communication and streamline our standards; and to distribute information as widely as possible about what it takes to get to college. Once these students are in college, we continue to give them support to make sure that they are successful in their courses and make it through to graduation.

Online Education

You have asked about the challenges in developing a robust, high-quality online education system. Can such a program maintain the university's standards while offering efficiencies and possibly cost savings? We believe that the answer is "yes" because we have just gone through this process and will be rolling out pilot programs with Cal State Online in Spring 2013. Cal State Online is the centralized, service, marketing and outreach support structure for all aspects of fully online program delivery for the CSU system. Cal State Online will provide a comprehensive and expansive set of CSU fully online program offerings developed by faculty from the 23 campuses combined with world class student support and a variety of innovative learning technologies.

The Cal State Online initiative is focused on addressing California's expanding workforce needs and increasing access to high-quality online education programs for students. It will increase

student access to CSU programs by providing a central place for students to come to learn about online degree programs and a direct fully online pathway to a degree.

This program came about because the CSU believes it is incumbent upon the system to improve access to education through online learning -- precisely because the budget situation is so dire. Far too many students are being turned away and a robust online delivery program may be the answer. In addition, many students are turning to “for-profit” online education at an exorbitant cost. The CSU may be able to better serve these students and make a college education more affordable and more accessible. CSU presidents believe that this financial crisis demands a creative response, and we believe that an aggregation of online learning opportunities is one of these responses.

Political Leadership

Looking ahead, our political leaders are at an important crossroads. Personally I don't think there is anything more important that they can do at this point than make an investment in California's young people. If they agree to make higher education a priority, it will get funded. They need to step up and show their leadership in this area because there are so many other competing demands that will take over if they don't assert the need to invest in our students.

I think our leadership would do well to focus on what I call the “three t's” – taxes, tuition, and most important of all, talent. If we don't have enough of the first two, we won't have enough of the third. And that will have incredibly costly consequences to our state.

The damage to the University of California, the CSU, and the community colleges has already begun to show. If this doesn't get turned around soon, California will no longer be the envy of other states around the country for its higher education system. In fact, California will no longer be able to provide a decent higher educational system for its students. Our political leaders need to step in now and agree to make higher education a priority.

Thank you for this opportunity to speak here today.