



Perspectives on CSU Budget Gap
July 24, 2009

Balancing the budget for a campus or the system should involve options for both revenue enhancement or substitution, as well as cost reduction. Cost reduction can come from greater efficiencies and from reducing the scope of what we do. Doing less means exactly that. Greater flexibility in the State and CSU system regulatory structure can make important contributions to both revenue enhancement and cost/work reduction. Title 5 changes that were approved by the BOT are representative examples of the utility of needed regulatory flexibility. We need to find additional ways to expedite processes or obtain exemptions in order to act in a timely manner to reduce costs. In short, we need to move from “process-tinkering” to fundamental or transformational changes.

It is imperative to keep the long-term future of The CSU in mind as the discussion regarding cost savings proceeds. We must take care not to make short-term decisions that result in unintended negative consequences. This means taking the time necessary to look at some data and (expeditiously) vet ideas that emerge from meetings, retreats and brain storming sessions to ascertain their true contributions to revenue or savings, especially changes in operational requirements and long-term implications and effects.

It is also important that the magnitude of the funding gap and the effects of revenue shifts and budget reductions be visible to elected officials, the general public, and students. The challenge is to identify actions that (a) have a visible impact, (b) make a financial difference, (c) affect students directly, (d) can be publicized to generate understanding and support rather than anger, and thus (e) do not cause chaos or misunderstanding. We can expect that average student course loads will decrease, time to degree will increase, lines (or digital queues) will get longer, and traditionally under-represented groups will be affected disproportionately.

The following are some ideas and examples that may make significant and real contributions.

I. Efficiency Improvements

There are four functional areas that might be good candidates for further discussion and analysis. Each of these areas are identified and briefly discussed below:

Information Technology

Most IT services could be classified as utilities. As such, the economics of utilities are such that consolidation and integration of services to a few, or more preferably one entity, provides the greatest reduction in cost. With the advent of new technological capabilities such as cloud computing, cloud storage and the creation of new buying clubs by Google, Amazon, and others, The CSU has an excellent opportunity to reduce drastically its total IT costs.

The recent actions of the Information Technology Advisory Committee (ITAC) to begin the implementation of technology cost saving initiatives and broad process improvement initiatives as partners in the CSU Synergy project are encouraging. ITAC has identified several potential opportunities for cost reduction across The CSU. While many of the opportunities identified may be candidates for system-wide implementation at a later time, ITAC has focused current attention on changes that could be quickly implemented by small groups of interested campuses to achieve immediate cost benefits. There are plans to investigate larger and longer-term projects by the group later this calendar year.

The immediate opportunities fall into three general implementation areas: consolidated operations and applications hosting; consolidated support and staff services; and shared expertise.

1. Consolidated operations and applications hosting

The following five projects have been selected for immediate investigation, with one or more campuses providing the identified service for multiple campuses. The effectiveness of these collaborations depends upon the robustness of the inter-campus networks already in place. The potential savings based upon economies of scale comes from combining resources. Presently, all of our campuses require most, if not all, of these services; providing them less than 23 different times has great potential for cost savings. Examples include the following:

- Learning Management System (LMS) hosting – potential savings are gained from licensing, number of servers needed, staff support, upgrade and maintenance of the servers and the application.
- SharePoint hosting – potential savings from number of servers needed, maintenance and upgrade of the servers and staff required to support the applications.
- Secure Web Services – potential savings from server consolidation and staff required to maintain and support servers and applications. This integration of service could mitigate the need to duplicate expertise in the various applications that are supported.
- Virtual Labs across multiple campuses – potential savings from improved space utilization, reduced hardware and staff required to support hardware and software, and the ability to maintain applications and provide enhanced expertise.

- A Virtual Network Operations Center – the ITRP standards make it possible to consolidate network management and monitoring functions at one (or several) locations in order to provide expanded and enhanced services with the same or fewer staff resources at participating campuses.

2. Consolidated Support and Staff Services

Two projects that involve direct support of specific services across campuses have been identified at this point, namely:

- Voice Over IP Phone (VOIP) services – provide the opportunity to utilize the power of the network to share a single (or fewer than 23) telephone switching systems. Economies of scale in hardware costs in this consolidation would require less staff support to manage phone systems, especially since the network makes remote management possible.
- Single Source for Digital Certificates – Consolidation would require fewer physical and staff resources.

3. Shared Expertise

Two opportunities have been identified regarding shared expertise. Both projects leverage knowledge, skills and expertise at one campus to support multiple campuses, and could mitigate assigning existing staff resources to support applications.

- Shared staffing expertise and services in the areas of Information Security including information security forensics and information security officer services would allow campuses to share Information Security Officers, thereby reducing the number of staff and reducing costs that not every campus can currently afford.
- Utilizing procurement leverage for large and medium sized contracts that are not currently covered by system-wide or state contracts, such as Oracle or VM Ware. This would allow The CSU to leverage the buying power of the system to negotiate more favorable pricing terms.

4. Other Opportunities

In addition to these short term shared campus initiatives, ITAC has generated the following list of technology cost savings initiatives that are already in place at one or more campuses and replicable at other campuses. The implementation of these projects offers potential cost saving opportunities for reduced hardware and software, reduction or realigned staff support resources, improved physical space allocation, and, importantly, energy savings.

- Outsourcing Email
- Server Consolidation

- Server Virtualization
- Desktop Power Management
- Virtual Meetings
- Virtual Computing Labs
- Desktop Virtualization
- Online Administrative Services
- Online & Hybrid Instruction
- Open Source Software

While ITAC is focusing its planning efforts on those IT projects that could potentially result in immediate cost savings, it is apparent that there are many other cost savings opportunities across the CSU system and across local campus divisions that will likely involve and require technology service. Given the capabilities offered by new and emerging technologies in utilizing consolidated services, individual campuses that maintain their own servers, mass memory storage, or independent technical staff to meet the campus need will be missing significant opportunities for cost reductions.

Business Process

As one tries to decipher and make sense of the CSU's bureaucratic requirements (hieroglyphics), especially looking closely at our key bulk processes, many of these processes could be defined as commodities. In other words, many of the variations across campuses (fossilized in organizational myth) are superficial and non-productive. Viewing these processes as commodities, they are the same regardless of the provider. Therefore, commodities are things of value with uniform quality, produced in large quantities. In our environment the differentiating factor is the cost, and in almost all instances the cost is lowered by economies of scale.

Given the above, operations such as purchasing, accounts payable, accounts receivable, financial aid processing, student admission, student records, payroll transactions, energy conservation, capital planning, risk management, public safety, etc. are possible candidates for such consolidation across The CSU to one or a few key locations. The CABO group should investigate these projects further.

Academic Areas

There are many opportunities for efficiency gains in the academic areas that need investigation. One fundamental change will be moving from a "seat-time" model to a "proficiency-based" model where using more sophisticated assessment tools could help us measure the students' competency rather than the number of credits and/or faculty contact hours. Some initial thoughts for more immediate results are:

- Scrutinize and set minimum class sizes by discipline, pedagogy, mode and level of instruction systemwide.
- Assess current viability of very low SFR programs and look for opportunities to consolidate individual courses or programs within or among campuses. Online

instruction and video-capture technologies can be an effective enabler of this initiative.

- Focus on the students' degree completion time line:
 - Simplify GE requirements, including fewer options to meet various area requirements.
 - Simplify degree requirements by reducing options, electives and minors
 - Mandate advising for undeclared students and students with excess units.
 - Reduce access to financial aid for super seniors.
- Utilize an administrative service delivery model for students that focuses on more robust on-line self-services, resulting in reduced dependency on face-to-face transactions.
- Implement robust self-service for employees to complete their administrative transactions.
- Eliminate student credit hours beyond 120 semester units or 180 quarter units as requirements for graduation.

Hopefully, the system-wide provost meetings will consider these and other approaches to enhance the efficiency and reduce instructional cost across The CSU.

II. Work Reductions

We must think about the implications of the funding gap for service delivery. We cannot assume that any unit or department can offer the same level of services in the same way as we do today. Thus, we need to think about both altering service delivery, as well as expectations of students (and others) while trying to minimize the impact on quality. We also need flexibility and campus autonomy in implementation. Several suggestions or ideas for consideration are as follows:

Work reduction ideas:

- The Chancellor's Office should examine some of the mandates that require significant staff time to fulfill. Providing relief in areas that are not core functions and are not compliance items would provide significant cost savings. In the enrollment management areas, the CO could reduce the number of data elements in campus quarterly reports like ERSA and ERSS that require large amounts of staff time to complete. For example, time spent on reporting on students who have been denied admission and/or decided not to enroll or attend could be better utilized on other reports. Similarly, we should examine the opportunity to provide relief in the TPA (Teaching Performance Assessment) for colleges of education.
- The Chancellor's Office should examine the number of routine reports and audits campuses submit each quarter or year, reducing the frequency of these reports and audits. For example, all audits not required by statute could be suspended temporarily. Our current audit practices have compounded our bureaucratic reporting juggernaut to a point where our present auditing practices have not fundamentally improved our risk exposure. In addition, currently, there are

significant overlaps among the required CSU audits, thus adding to the duplication of effort and time. It behooves us to develop a more systemic approach whereby audits will be truly “risk-based”, and less frequent. This will not only save time, but it will effectively reduce risk.

III. Revenue Enhancement/Substitution

- The system should investigate the feasibility of moving high demand programs that can justify higher fees (those professional fields with higher earning power and/or availability of employer subsidies) to self-support. The associated and related support expenses and indirect costs would also move with instructional costs and fee revenues.
- Remove annual upper limit on non-resident fees per unit.
- Charge non-resident fees per unit for students who take more than 110% of the units their degree program requires (super seniors and post-baccalaureate and graduate students as well).