



PPIC

PUBLIC POLICY
INSTITUTE OF CALIFORNIA

AUGUST 2020

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with research support from
Alexis Rivera Andrade

*Supported with funding
from College Futures
Foundation and the Bill
and Melinda Gates
Foundation*

Expanding Enrollment Capacity at California State University



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SUMMARY

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Technical appendices to this report are available on the PPIC website.

California State University (CSU) is an engine of economic mobility for Californians, particularly those from historically underrepresented communities. The system's 23 campuses are also vital in helping the state meet labor market demands for highly educated workers. But despite annual funding increases, CSU has struggled to enroll all eligible students in the face of increased financial pressures, including a lack of bond funding and ballooning costs for deferred maintenance. The COVID-19 pandemic may exacerbate these challenges as state and local tax revenues fall, other sources of revenue become scarce, and more students require financial aid.

In this report, we examine enrollment growth at CSU and the factors that contribute to the system's capacity constraints. We find:

- **Since the Great Recession, student demand for CSU has outpaced enrollment capacity.** The number of eligible applicants who were denied admission to CSU increased fourfold between 2008–09 and 2018–19. The number of eligible freshmen applicants who were denied admission rose from about 4,100 to 21,800, while eligible transfer applicants denied admission grew from 2,500 to 12,600. Upward trends in high school graduation rates, college readiness, and transfer rates will likely lead to continued growth in student demand for CSU in the coming decade. Recent efforts to redirect students to campuses with more capacity are a step in the right direction, but ultimately more room is needed at high-demand campuses.
- **The majority of CSU campuses lack sufficient classrooms and lab seats for in-person instruction.** Only the East Bay and Humboldt campuses have adequate space for current instructional needs. Three campuses—Fullerton, San Diego, and San Jose—face especially significant shortfalls, with enrollment exceeding physical capacity by 5,000 or more students.
- **Instructors and staff are a key consideration when planning for enrollment growth.** CSU has historically accommodated enrollment growth by hiring faculty, instructors, and support staff, and the number of faculty and instructors is a key factor when determining whether programs are able to enroll all eligible applicants. Additionally, in 2018–19, salaries and benefits accounted for the largest portion of the system's spending, nearly 60 percent of total expenditures per student; in contrast, capital expenditures made up only 12 percent. The vast majority of funds to support CSU's Graduation Initiative 2025 have been used to add course sections and hire instructional staff—suggesting that these needs are also important.
- **Prior to the pandemic, many campuses had already expanded access through online learning.** In 2018–19, roughly a third of CSU students took both online and in-person courses. The pandemic has accelerated CSU's transition to online instruction, which could further expand access in the long term, especially for students who attend or apply to overenrolled campuses. However, successful online learning requires investments in course design, pedagogy, and technological capacity.

Addressing capacity constraints at CSU will require a multi-pronged approach. First, focusing on enrollment capacity at high-demand campuses is important to accommodate student demand and capitalize on economies of scale. Other investments should be directed toward hiring more instructors and staff at high-demand campuses while expanding and supporting high-quality online instruction. Finally, CSU should continue its focus on improving graduation rates and shortening time to degree—these efforts are not only essential in helping students achieve their academic and career goals, but they can relieve capacity pressures.

During the Great Recession, student enrollment at CSU declined due to funding cuts and related tuition increases. As the governor and state policymakers once again contend with diminishing resources, prioritizing long-term capacity planning and expanding access at CSU will be crucial. Recent successful investments in K–12 education and the community colleges have led to greater demand for a four-year degree. Expanding enrollment capacity at CSU would safeguard its ability to accommodate this rise in eligible students, thereby promoting economic mobility and growth in California.

Introduction

California's economic future depends on ensuring a growing number of college graduates. As the state strives to recover from the pandemic-induced recession, compete in a globalized economy, and meet labor market demands for highly educated workers, the California State University (CSU) system will play a critical role. CSU currently awards about half of California's bachelor's degrees each year and is an important engine of economic mobility in the state. But insufficient physical and operational capacity threatens CSU's ability to enroll all eligible students and support them in attaining their degrees in a timely manner.

Increasing the number of bachelor's degree-holders in California will require improving college access and completion among historically underrepresented groups. Among large four-year public university systems, CSU educates some of the most ethnically, economically, and academically diverse students in the nation. Nearly all CSU students (95%) are from California, and most of them come from either California's public high schools or community colleges (California State University Office of the Chancellor 2019a). CSU's student body also reflects the state's population: more than half are students of color, 43 percent are low income (as determined by Pell Grant receipt), and one-third are the first in their families to attend college.

Given the composition of its student body, CSU is essential in helping a broad swath of Californians climb the economic ladder. A recent study found that Cal State LA ranked first among all colleges in the United States in the share of students who move from the bottom fifth to the top fifth of the income distribution, while Cal Poly Pomona ranked ninth in the country (Chetty et al. 2018). This track record is all the more important since nationwide economic mobility has slowed significantly over the past few decades, with African American and Latino communities facing the greatest challenges in improving their economic situations (Chetty et al. 2018).

The vast majority of Californians recognize the importance of a college education to succeed in today's economy. Three-quarters of Californians say the state's higher education system is very important to the quality of life and economic vitality of the state over the next 20 years, with underrepresented minorities and low-income residents especially likely to hold this view. Eighty-two percent of Latinos and 81 percent of African Americans say a college education is very important to California's future, compared to 73 percent of Asian Americans and 71 percent of whites (Baldassare et al. 2018).

State policymakers have also recognized the necessity of college access and success for California's economic future by reinvesting in public higher education institutions since the Great Recession. In particular, legislators have prioritized improving student outcomes, reducing equity gaps, and ensuring college affordability in recent budgets. These investments have largely been successful in boosting completion rates and reducing time to degree at CSU. Preliminary research also suggests efforts to streamline the transfer pathway from community college to CSU and the University of California (UC) have yielded promising results (Johnson and Cuellar Mejia 2020).

However, investments in the physical infrastructure—as well as the faculty and staff—necessary to maintain access and quality at the state's public four-year universities have not kept pace. The CSU system has increasingly been turning away eligible applicants, deferring necessary maintenance, and struggling to make infrastructure upgrades.

As California considers its policy priorities during a period of economic retraction, preserving access to CSU is a key consideration. Given the scale of the capital funding challenges CSU faces, creating a long-term plan to accommodate growing enrollment will be necessary to provide all Californians the opportunity to attend college. In this report, we examine the trends driving growing enrollment demand at CSU and the physical and operational constraints that limit the system's ability to enroll all eligible students. Next, we examine steps CSU has already

taken to address these challenges. We conclude with recommendations on how to increase enrollment capacity at CSU and help ensure its pivotal role in broadening college access in California.

COVID-19 Will Affect CSU's Capacity Planning

COVID-19 has ushered in sweeping changes to California's higher education sector. All three of the public higher education systems—the community colleges, CSU, and UC—have mostly transitioned to an online model that prioritizes the health and safety of students, faculty, and staff. The CSU system has decided to move courses primarily online for the fall 2020 term, with a few exceptions for activities that are difficult to conduct online. However, the individual circumstances and decisions of CSU's 23 campuses may vary depending on local trends in coronavirus cases.

The CSU system also faces a \$400 million General Fund cut under the 2020–21 budget—unless the federal government provides additional assistance. Given the current outlook, the state could restore these cuts if it receives \$14 billion in federal funds by October 15 (California Department of Finance 2020). However, many fear that cuts to the system may persist or worsen. In the short term, public colleges also face other critical revenue shortages from sources like housing, food, and parking services. Looking forward, the system will continue to confront other pressures, including unprecedented levels of unemployment that will increase demand for federal, state, and institutional financial aid programs. These and other factors will almost certainly affect CSU's capacity planning process both in the near and long term.

Preparing for potential shifts in enrollment trends due to the pandemic and recession will play an important role in future capacity planning. For example, CSU's experience during the Great Recession suggests that the system may need to prepare for higher numbers of transfer students. During the Great Recession, a drop in state revenues of \$40 billion in 2009 led to cuts equaling roughly one-third of state funding for the CSU system on a per-student basis. Consequently, tuition doubled at CSU, faculty and staff were laid off or furloughed, and critical capital improvement and maintenance projects were deferred. Student enrollment at CSU decreased by as much as 5 percent due to funding cuts and related tuition increases. The community colleges, however, experienced an increase in enrollment, which then led to greater numbers of transfer students to CSU (California State University Office of the Chancellor 2020).

CSU Faces Enrollment Demand Pressures

With more and more high school graduates in California—as well as a growing number who meet CSU's eligibility requirements—the CSU system confronts difficult decisions regarding admissions and enrollment capacity.

More High School Graduates Are Eligible for CSU

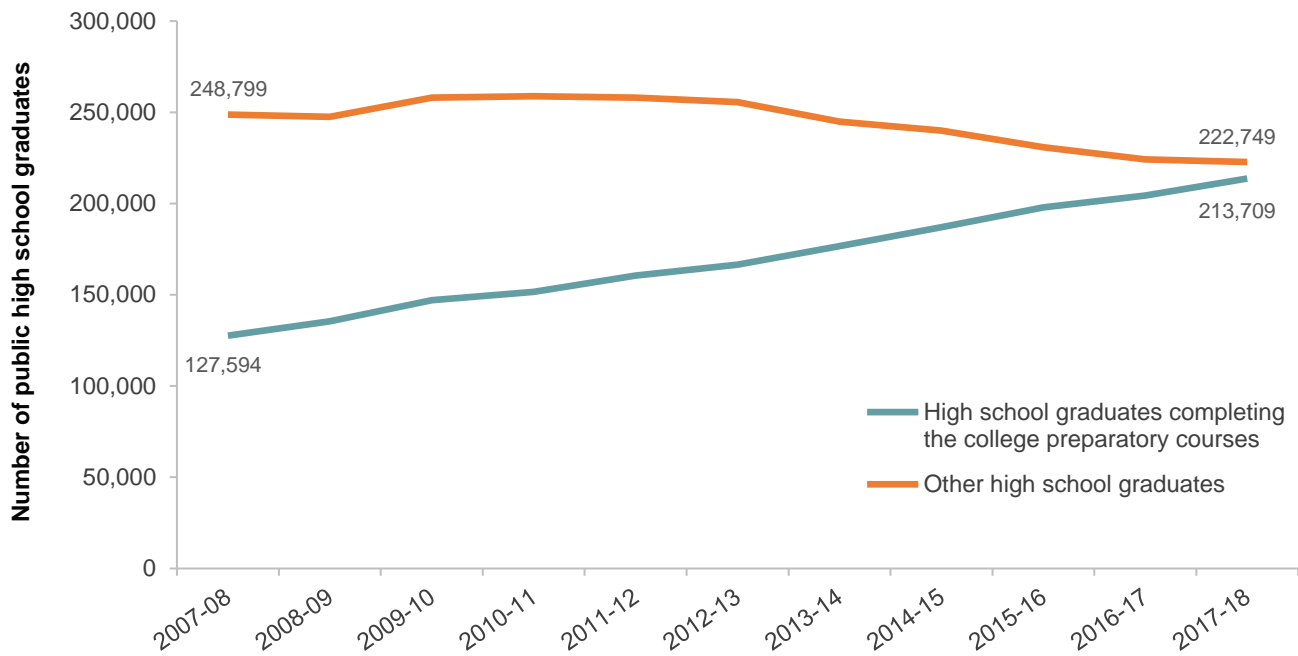
Trends in high school graduation rates and course taking have led to increasing numbers of students who are eligible for CSU. California's Master Plan for Higher Education of 1960, which established the admission

guidelines that all three of the state’s public higher education systems rely upon, calls for CSU to draw from the top 33.3 percent of public high school graduates. This pool has grown as high school graduation rates have risen. Between 2007–08 and 2017–18, the graduation rate for California public high school students increased from 75 percent to just over 83 percent.

In addition to growing numbers of high school graduates, more students are now successfully completing the necessary high school course requirements, known as the A–G college preparatory course sequence, to enroll in CSU. Between 2007–08 and 2017–18, the number of public high school graduates who took the A–G courses shot up from about 127,600 to 213,700, an increase of 67 percent (Figure 1). In just the last five years, this number has increased by 28 percent even as the total number of high school graduates has remained relatively constant. By 2017–18, almost half of California’s high school graduates had completed the A–G course sequence, a noteworthy increase from just a decade earlier when only about one-third did so. As a consequence, the number of graduates eligible to attend CSU has reached a record high.

FIGURE 1

The share of high school students who are eligible to attend CSU is increasing



SOURCE: California Department of Education Dataquest.

The rise in eligible students has translated into steady increases in CSU applications and enrollment. Applications for first-time freshmen have increased by 100,000 over the last two decades, while transfer applications have risen by 70,000. Since 2010, enrollment has also increased by 20 percent, with CSU now serving more than 400,000 full-time equivalent (FTE) students. These trends of improved high school graduation rates and growing numbers of college-eligible graduates are expected to continue in the coming decade.¹

¹ While the California Department of Finance projects a 2 percent decline in the number of high school graduates between 2017–18 (latest data available) and 2028–29, this decrease is largely due to lower birth rates and a corresponding expected decline in overall K–12 enrollment. National demographic projections show that the number of high school graduates will plateau until 2026–27, and then decline sharply as the children of the baby boomer generation, known as the “baby boom echo,” moves from the education system into the workforce (Bransberger 2017). Even so, we expect a continued rise in college-eligible graduates in the near and medium term.

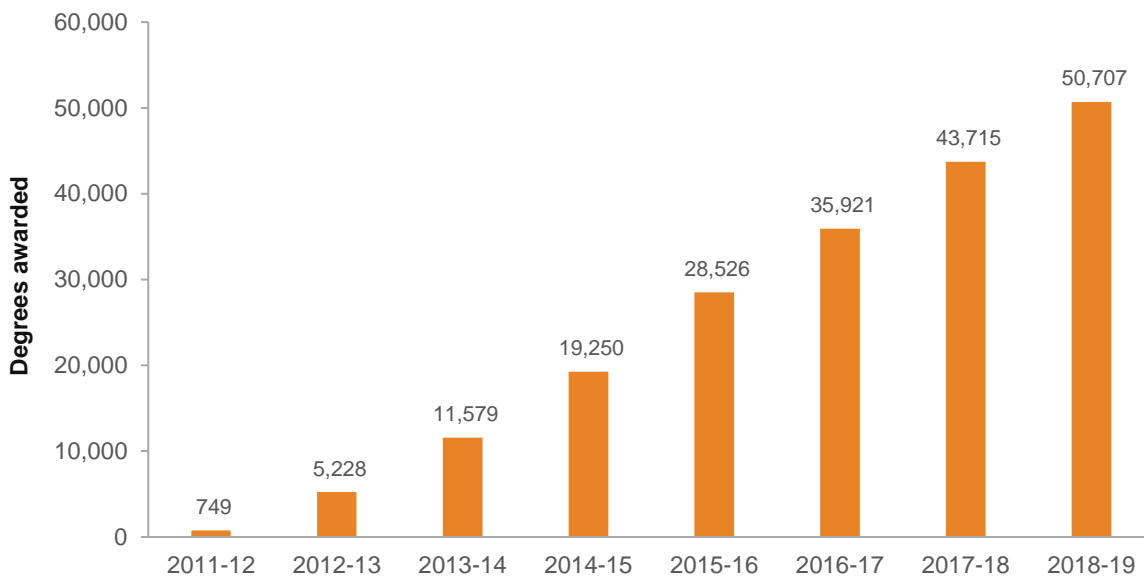
Transfer Applications Will Likely Increase

In the last several years, the California Community Colleges Chancellor’s Office and higher education policymakers have placed a high priority on improving student outcomes and streamlining the transfer pathway from community colleges to four-year universities. Since 2013–14, the state has invested \$800 million in programs to promote student success at community colleges. Though it is too early to fully evaluate the effectiveness of these programs, it is likely that these investments and other initiatives will contribute to rapid growth in the share of students who are eligible to transfer to CSU.

One program that could have a large impact on transfer rates is the Associate Degree for Transfer (ADT) program. Launched in 2011–12, the ADT program guarantees admission to a CSU campus to community college students who earn at least 60 units needed for a bachelor’s degree in their major. The program has expanded rapidly, with about 50,700 students earning ADTs in 2018–19 (Figure 2). The number of ADT students who transfer to a CSU has increased as well. In 2016–17, CSU enrolled roughly 15,400 students who had attained an ADT. Three years later, the number of ADT students enrolled in a CSU campus rose to about 26,000, an increase of nearly 70 percent (California State University Office of the Chancellor 2017).

FIGURE 2

Attainment of Associate Degrees for Transfer has grown rapidly at California’s community colleges



SOURCE: California Community College Chancellor’s Office Data Mart.

Other initiatives at California’s community colleges that may lead to higher numbers of transfer applications include the system’s 2017 *Vision for Success* and recent reforms in developmental education. Among other goals like closing equity gaps and reducing time to completion, the *Vision for Success* lays out the goal of increasing the number of students who transfer to UC or CSU by 35 percent within five years. If the community college system is successful, this could increase the annual number of transfers to CSU substantially, by 7,000 FTE students. To put that in context, currently four CSU campuses have total enrollments that are fewer than 7,000 FTE students.

In addition, major changes to developmental education (also known as remedial education) could significantly reduce time to degree at the community colleges and thereby increase the number of students eligible for transfer. New legislation (Assembly Bill 705) required all community colleges to use high school records, rather than

placement exams, to place students in English and math courses—opening the door to transfer-level courses for the majority of entering students. Direct access to transfer-level courses has the potential to increase the number of students who successfully complete their course of study at community college and transfer to a four-year college (Cuellar Mejia, Rodriguez, and Johnson 2019).

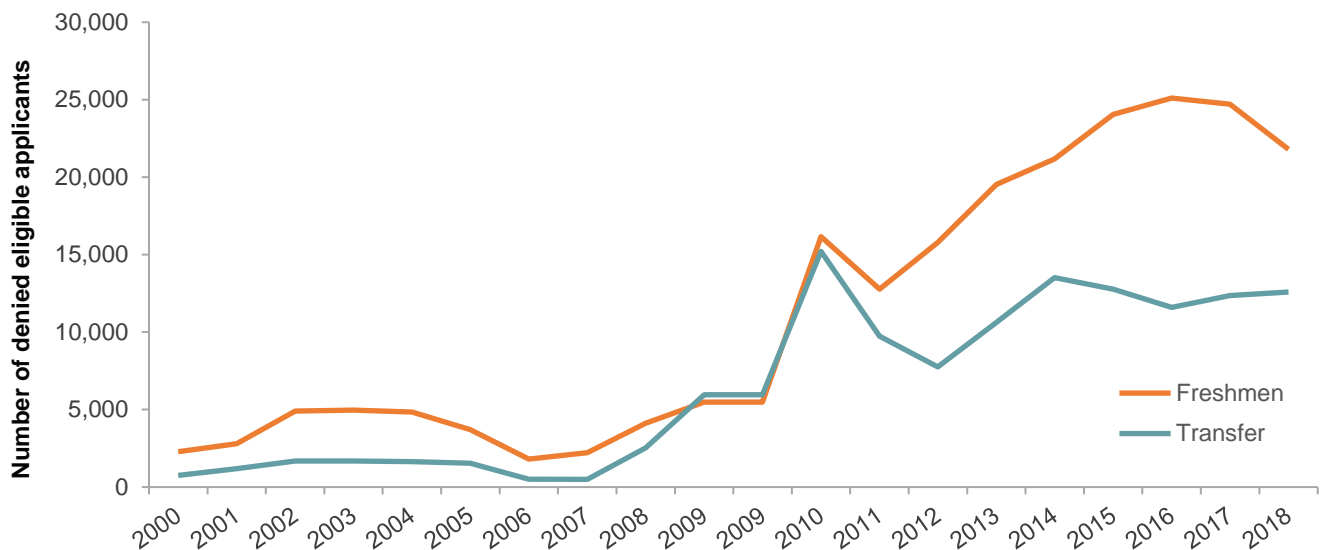
CSU Turns Away Eligible Students due to High Demand

The number of eligible applicants to CSU who have been denied admission has grown significantly in the past couple decades—a striking indicator of unmet student demand. Since the Great Recession, the number of eligible freshmen applicants who were denied admission rose rapidly, from 4,100 to 21,800 between 2008 and 2018, while the number of eligible transfer applicants denied admission grew from about 2,500 to 12,600 (Figure 3). Altogether, there were about four times as many eligible applicants who were denied admission in 2018 than in 2008. Notably, the number of eligible applicants who were denied admission at CSU nearly tripled in one year between 2009 and 2010.

In particular, the number of eligible freshmen who were denied admission has climbed steeply, peaking at just over 25,000 in 2016. Many of the eligible first-time freshmen who were denied admission may have applied to a top-tier CSU campus, like San Luis Obispo (Cal Poly) or San Diego, but were able to attend other four-year colleges. However, there have likely been a significant number of applicants, who after being denied admission to their top-choice CSU campus did not enroll in their redirected campus even though they were academically eligible (California State University Office of the Chancellor 2019c).

FIGURE 3

The number of eligible applicants who were denied admission to CSU has increased rapidly since the Great Recession



SOURCE: California State University Office of Analytic Studies and Institutional Research.

NOTE: Numbers show fall application data.

CSU has employed two main policies to address the increasing gap between demand and capacity. The first and most controversial policy, called “impaction,” involves raising admissions requirements when programs or campuses cannot accommodate the number of eligible applications (California State University Office of the

Chancellor 2019d). Though the state has increased funding for CSU over the past decade, impaction has also been on the rise. In 2011–12, only two campuses were impacted at the campus level (meaning all majors were unable to accommodate student demand): San Diego and San Luis Obispo. In 2020–21, seven campuses were fully impacted: Fresno, Fullerton, Long Beach, Los Angeles, San Diego, San Jose, and San Luis Obispo. Furthermore, currently 22 of the 23 campuses have at least one impacted major. The rise in the number of denied eligible applicants tracks closely with the growing number of impacted campuses. Please see Technical Appendix A for more information on impaction at CSU.

In fall 2019, the seven fully impacted campuses represented 45 percent of total full-time enrollment.² At these campuses, first-time freshmen and transfer applicants must generally meet both systemwide and supplemental program requirements. Some campuses also require students coming from outside the campus’s local service area to meet additional criteria. Criteria are wide ranging and may include course completion requirements, higher minimum GPA, higher standardized test scores, and supplemental application materials.

The second major policy, referred to as “redirection,” was mandated by state policymakers as part of the 2017–18 budget.³ This policy requires that eligible applicants who are denied admission to their campus of choice be given the chance to enroll in one of ten campuses with sufficient capacity.⁴ The goal of redirection is to better distribute enrollment across the 23 campuses and provide denied applicants the option of pursuing their academic career elsewhere. However, evidence suggests that only a small share of students end up enrolling in other campuses. In 2019–20, the first year of systemwide implementation, 25,000 applicants were redirected to another campus, but fewer than 900 students (4.5%) subsequently enrolled (California State University Office of the Chancellor 2019c). Though it is important to note that this is an improvement, since otherwise these students would not have been able to enroll in CSU at all, the low rate of enrollment for redirected applicants suggests that many CSU applicants may be “place bound” and unable to relocate to attend a four-year college.

While these policies may be necessary when campuses lack the physical and operational capacity to accommodate all eligible students, they also raise serious concerns about students’ access to higher education opportunities. The inability of in-demand campuses to keep pace with the growing number of college-ready Californians threatens the engine of economic mobility for large swaths of underrepresented minorities in the state.

CSU Faces Significant Capacity Constraints

The debate among policymakers over increasing enrollment capacity at CSU has focused mainly on two solutions: expanding existing facilities and constructing a new campus.⁵ According to the CSU system’s analysis, enrollment projections through 2035 do not warrant a new campus, as long as the planned capital projects at all 23 campuses are funded (California State University Office of the Chancellor 2020). While it is clear that physical

² One reason for the high demand is that these campuses serve some of the most populous regions of the state, which also tend to offer the most labor market opportunities.

³ California Budget Act of 2017 (Assembly Bill 97).

⁴ For fall 2020, denied but eligible applicants were redirected to the following campuses: Bakersfield, Channel Islands, Dominguez Hills, East Bay, Humboldt, Maritime, San Francisco, San Marcos, Sonoma, and Stanislaus. Applicants are redirected to the nearest campus with sufficient capacity.

⁵ During the Great Recession, a state General Fund cut of 34 percent led CSU to increase tuition and defer scheduled maintenance to preserve access. As funding for CSU began to accelerate after 2013–14, increasing numbers of denied eligible applicants and funding requests to cover additional enrollment led the legislature to consider adding a new CSU campus. The Legislative Analyst’s Office (LAO) produced a report in 2017 recommending against building a new campus, noting that CSU used only 83 percent of its facilities, based on the legislature’s guidelines for use of existing educational space (Legislative Analyst’s Office 2017). Nevertheless, the legislature allocated \$4 million in the 2019–20 budget to see whether—and where—a 24th campus for 7,500 students could be built. The study investigated several possible locations for a new billion-dollar campus, including Stockton, Concord, Chula Vista, Palm Desert, and San Mateo.

space at many CSU campuses is currently insufficient, existing funding mechanisms make it challenging to expand physical facilities.

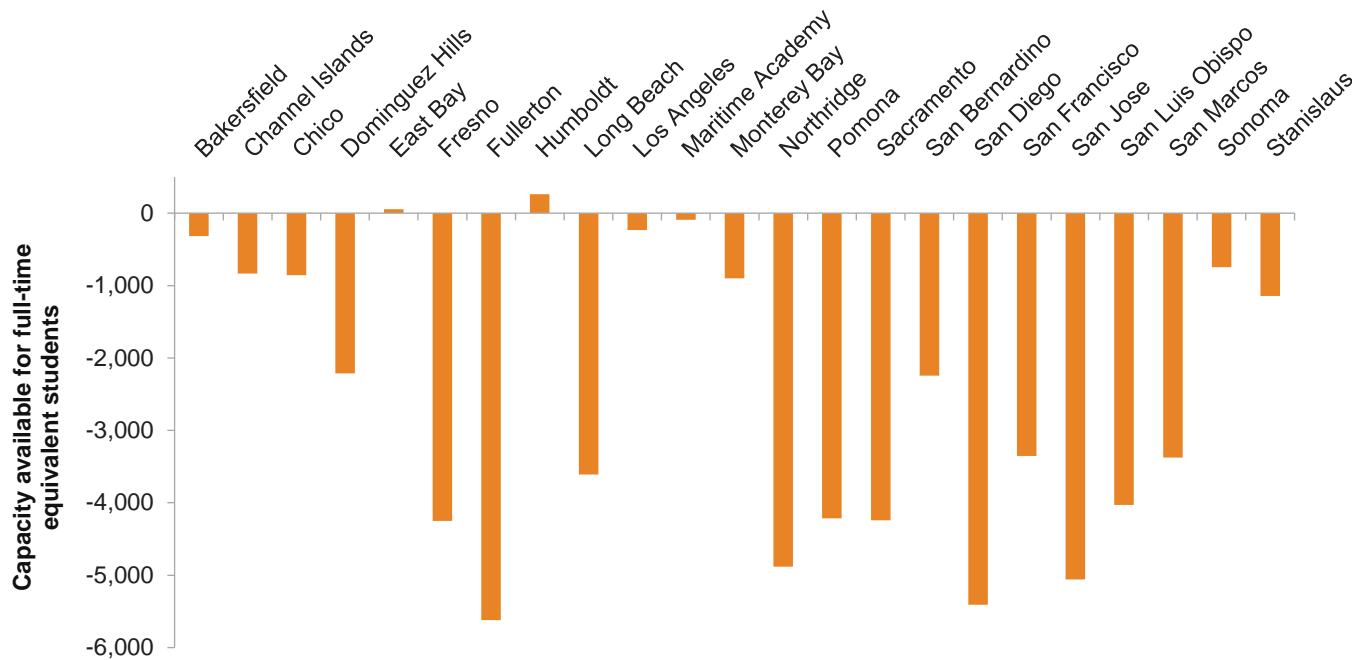
Most Campuses Lack Sufficient Capacity for In-Person Instruction

CSU measures physical capacity by accounting for available classroom and lab seats, as well as total FTE students.⁶ According to CSU’s systemwide analysis of fall 2018 data, there is demand for additional physical capacity for nearly 57,300 additional FTE students, or 17 percent of enrollment (California State University Office of the Chancellor 2020).

Figure 4 describes the difference between each campus’s current capacity for full-time equivalent students and the number of students enrolled in in-person instruction in fall 2018. Only East Bay and Humboldt campuses appear to have adequate capacity for current instructional needs. While many campuses have significant shortfalls, Fullerton, San Diego, and San Jose have the most substantial gaps: these campuses currently exceed their physical capacity for in-person instruction by more than 5,000 students.

FIGURE 4

Most CSU campuses do not have enough physical capacity to support in-person instruction



SOURCE: California State University Office of the Chancellor Target Year Comparison of Physical Capacity vs. Annual-Full-time Equivalent Students; Campus-level in-person instruction totals provided by CSU Capital Planning, Design, and Construction.

While this information represents the most recent enrollment statistics available, campuses have been navigating inadequate capacity for much longer. According to interviews with officials, campuses have generally relied on online instruction to overcome insufficient classroom space. Additionally, it is common among campuses to repurpose space to accommodate growing enrollment demand. For example, campuses may repurpose administrative facilities for instructional use in order to accommodate demand for classroom or lab space.

⁶ This assessment is based on certain formulas and is a function of the total number of student stations available in each space category and a conversion factor based on the CSU master plan’s utilization standards.

Campuses rely on capital projects to increase the amount of available space to accommodate current and future students. In conjunction with its enrollment projections for 2035, CSU has outlined corresponding capital construction needs, which will require significant investments that have not yet been secured (California State University Office of the Chancellor 2020).⁷ The system has also determined that without investment in these projects, campuses will not be able to accommodate projected enrollment demand. Given that nearly all campuses are already exceeding the physical space needed for in-person instruction, these projects across the 23 campuses are crucial for continued access.

In addition to the funding challenges, the capacity planning process is rigorous and requires approval by the CSU Board of Trustees. It also often takes a long time, which means that campuses may have to make other accommodations when they lack instructional space in the short term. Given these realities, the process of increasing physical capacity to meet growing enrollment demand can be difficult and must be considered alongside other institutional priorities.

Deferred Maintenance and Scarce Bond Funding Make Physical Expansion Difficult

Securing funding to address the sizable backlog of deferred maintenance projects is an important challenge in the capital planning process. CSU's infrastructure is extensive and old. The system includes more than 2,000 facilities that are on average 37 years old—well past the standard benchmark of 30 years (Murphy, Mehlotra, and Cook 2018). Additionally, only 10 percent of current structures have been renovated, and most of these renovations occurred over a decade ago. The costs of addressing the current deferred maintenance backlog for CSU are estimated at \$3.7 billion, with an additional \$6.6 billion to modernize facilities by 2023–24 (California State University 2019). The last statewide general obligation bond support for the state's public universities passed in 2006 and funded \$10.4 billion in capital expenditures. By 2012, these funds were essentially exhausted.

Until 2014, the state relied upon general obligation bonds and other revenue bonds to fund capital projects for academic facilities at CSU. Under this financing model, the state was responsible for the debt service payments of the bonds. Enacted legislation in 2015–16 transferred the responsibility of debt service payments to CSU's operating budget, while increasing the state's General Fund support to cover their cost. The most recent effort to provide bond funding to public education, Proposition 13 on the March 2020 ballot, which would have provided CSU with \$2 billion in bond funding, failed to pass.

To keep up with infrastructure and maintenance costs without state investment, CSU has aimed to reallocate existing funds or seek new revenue streams. Toward this end, CSU has increased its authority to restructure its debt, streamline the capital facilities approval process, and issue its own lease revenue bonds. In addition, the state has required CSU to pledge a percentage of its future General Fund and tuition revenue as collateral on any newly issued bonds. Consequently, in the absence of state funding, the system must now use a portion of the funding it could have used to support additional enrollment to help fund capital modernization and construction. Though the new model provides CSU with additional financial flexibility, this new cost pressure has made it difficult for campuses to expand enrollment to meet growing demand. Since the legislative changes of 2015–16, campus academic reserves for designated campus improvements have provided more than \$440 million, and state funding for deferred maintenance has totaled more than \$330 million (California State University Office of the Chancellor 2020).

⁷ CSU estimates that this need would be in excess of \$10 billion, excluding costs for deferred maintenance, which will be discussed in the next section.

Campuses can also rely on philanthropy and public-private partnerships for capital funding. However, while philanthropic support might be well suited to new construction, it can be difficult to attract philanthropic dollars for maintenance projects that are necessary but not appealing to donors. In addition, CSU and its campuses have much less access to philanthropic dollars and other similar revenue sources (e.g., endowments) than the UC system (Murphy, Mehlotra, and Cook 2018). Public-private partnerships have also played a growing role in financing certain projects. Since the legislative changes of 2015–16, public-private partnerships have accounted for the largest funding source for capital projects at more than \$513 million; these funds have primarily funded revenue-generating projects like housing, parking, and student wellness centers. Like philanthropy, public-private partnerships are unlikely to support critical maintenance and renovation projects such as refurbishing campus heating and cooling systems.

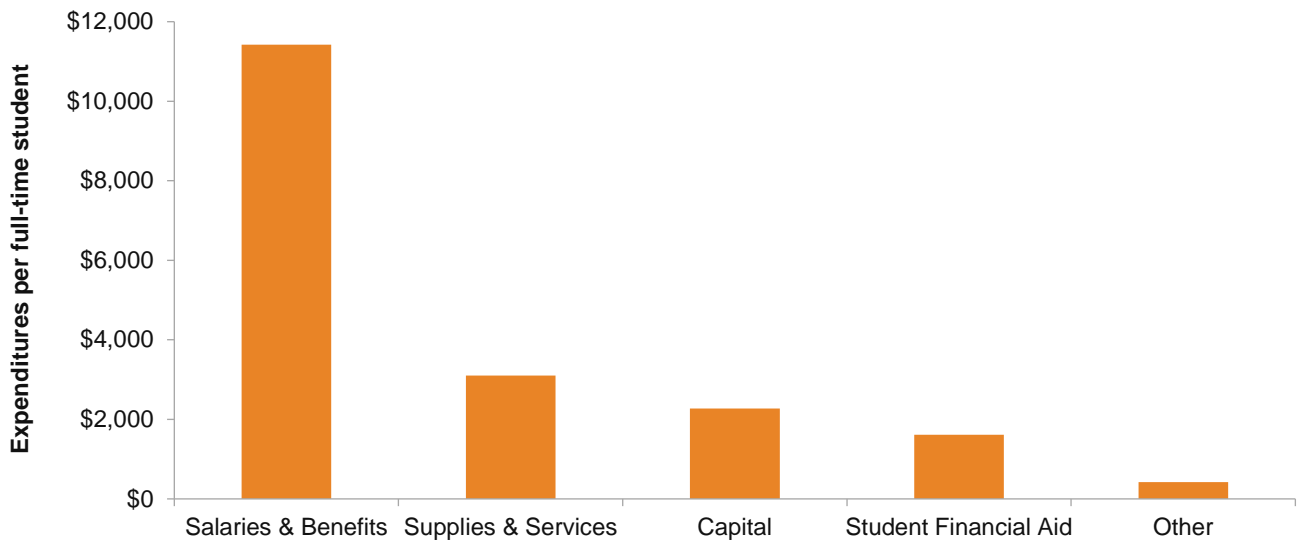
Operational Capacity Is Also a Key Consideration

The debate among state policymakers regarding enrollment capacity often focuses on physical space, including the question of whether or not to build a new campus. But operational capacity—the instructors and staff required to teach, advise, counsel, and serve students—is also an important factor. Historically, CSU has accommodated enrollment growth by hiring faculty and other teaching and support staff (Legislative Analyst’s Office 2019). In addition, when determining whether programs are able to accommodate all eligible applicants, the number of faculty and other teaching staff is a key factor, along with the physical space available. Thus in the context of enrollment growth, robust planning for and prioritizing of operational capacity appear to be vital considerations alongside identifying physical needs.

Considering and planning for operational capacity is also integral to enrollment demand planning, given the cost implications. Figure 5 shows the breakdown of institutional expenditure per student for the CSU system. In 2018–19, salaries and benefits accounted for the largest portion of the system’s spending at more than \$11,000 of the expenditures per FTE student, or 60 percent of the total cost. On the other hand, capital expenditures accounted for 12 percent. As the system prepares for higher numbers of CSU-eligible students, the operational needs involved in teaching and serving students must also be prioritized.

FIGURE 5

The majority of campus spending per student is allocated to operational expenditures



SOURCE: California State University Fiscal Transparency Portal.

NOTE: Debt service (not shown in the chart) amounted to \$9.37 per student.

CSU Has Focused on Student Access and Outcomes

Despite limitations in physical and operational capacity, the CSU system has developed strategies for preserving access and improving student outcomes. The expansion of online instruction and the Graduation Initiative 2025 offer insight into ways forward for the system.

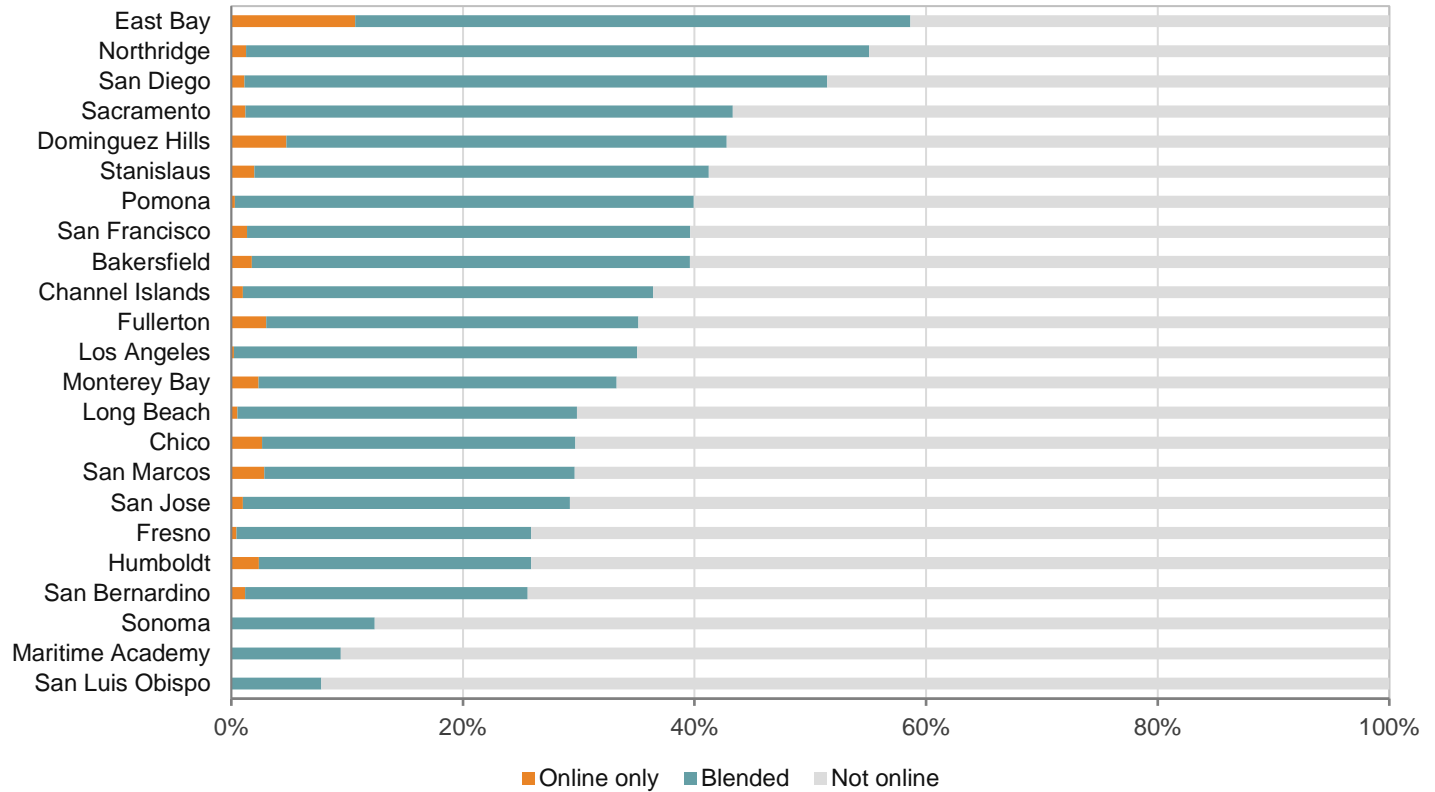
Online Learning Is Vital

Prior to the COVID-19 pandemic, online learning was already expanding rapidly at CSU. Between 2005 and 2018, online course enrollments grew from 5,000 to 45,000. In 2017–18, roughly 10 percent of courses offered by CSU were conducted online. Further analysis shows that though only about 2 percent of CSU students were enrolled in 2017–18 in a fully online program, roughly a third had a blended schedule that included both online and in-person courses (National Center for Education Statistics 2019).

The prevalence of online learning varies greatly across campuses (Figure 6). More than half of students at San Diego, East Bay, and Northridge campuses took at least one online course during the 2017–18 academic year, compared with only about one in ten students attending Sonoma, Maritime, and San Luis Obispo campuses. This variation suggests that the transition to fully online coursework amid the pandemic may have affected campuses differently. It also suggests that, depending on their previous level of implementation, some campuses may benefit from additional support or technical assistance to expand and support high-quality online instruction.

FIGURE 6

Online course taking varies significantly by campus



SOURCE: National Center for Education Statistics Integrated Postsecondary Education Data System (IPEDS).

Unfortunately, there is very little available information regarding the outcomes of students in online courses at CSU. Further study is needed to determine the impact of moving courses online, but previous PPIC research on California’s community colleges has shown that the online format may disproportionately affect historically underrepresented, first-generation, and low-income students (Johnson, Cuellar Mejia, and Cook 2015). Moreover, ensuring that online courses are successful requires significant time and resources, and involves providing faculty support and training, setting appropriate student expectations, and promoting interaction among faculty, students, and course materials.

More research is needed to understand how students performed in these courses and the impacts of the increased online instruction on student outcomes. However, it is important to note that during the time period when CSU expanded online instruction, student outcomes improved markedly and equity gaps remained constant or narrowed, likely due to investments in the Graduation Initiative 2025, discussed below.

Graduation Initiative 2025 Is an Important Blueprint

In 2015, the CSU system launched its second Graduation Initiative, laying out specific goals for the system to improve time to degree, boost graduation rates, and close equity gaps. Since the announcement, the state has invested over \$163 million to support the initiative, and the investment has resulted in improved student outcomes. CSU’s four-year graduation rate improved by 10 percentage points between the 2008 cohort and 2015 cohort and is now about 28 percent; the six-year graduation rate improved by 5 percentage points and the rate is currently 62 percent. The system has also made steady improvements toward closing equity gaps. For example, the gap in the six-year graduation rate between underserved students of color and their counterparts has narrowed

slightly from 12 percent in 2016 to 11 percent in 2019. While this may sound like a marginal improvement, given the large number of students who attend CSU, it translates into hundreds of more students graduating each year.⁸

In our analysis of the CSU budget and in interviews conducted with campus and system leaders, we found that the majority of Graduation Initiative funding has been spent on increasing the number of course sections, particularly for high-demand courses. Systemwide, CSU added 2,800 new course sections in 2017–18, increasing capacity for 80,000 new seats for students. In the same year, 160 new tenure-track faculty were hired in an effort to enable campuses to offer more course sections, improve course quality, and better serve students (California State University Office of the Chancellor 2019b).

In one interview, an enrollment manager at a CSU campus noted that adding course sections has allowed the campus to offer more sections during non-peak hours, which provides older students, students with dependents, and working students more opportunities to take the courses they need to graduate, thereby helping to improve time to degree and completion rates at the campus. CSU and state policymakers have also implemented policies encouraging students to take a full course load each term so they can graduate more quickly. As a result, the number of students taking a full course load has increased by 8 percentage points since 2016, rising from 35 percent to 43 percent (California State University Office of the Chancellor 2020). However, it is important to keep in mind that while improved student outcomes can lead to greater enrollment capacity, the pace of improvement may be too slow to fully accommodate rapidly increasing enrollment demand.

Recommendations

The economic impact of the COVID-19 pandemic will likely lead to a period of constrained resources for the state. However, these challenging times also present an opportunity to strengthen the state’s core commitments. Since the Great Recession, policymakers have successfully invested in California’s K–12 and community college systems to improve high school graduation rates, college readiness, and transfer rates. For California’s public high school and community college students who seek a four-year degree, the CSU system is one of their primary destinations. If the state hopes to produce enough bachelor’s degrees to meet economic demand in the near future, ensuring that the entire education pipeline is equipped to serve all eligible students will be essential. To this end, we offer the following recommendations on how to increase enrollment capacity at CSU.

Prioritize enrollment capacity at high-demand campuses

Focusing on campuses with higher student demand will be critical as the CSU system expands to meet its enrollment goals. Prioritizing the expansion of existing high-demand campuses and developing funding plans that provide both the operational and capital resources necessary to expand these campuses would be the most efficient way of allocating limited resources. Expanding high-demand campuses would cost less than building a new campus and increase the speed with which the system could handle additional enrollment. Currently, seven campuses are unable to accommodate student demand for all programs: Fresno, Fullerton, Long Beach, Los Angeles, San Diego, San Jose, and San Luis Obispo. Focusing expansion on these campuses would help increase the likelihood that eligible students are able to attend their top-choice campus. Our interviews suggest that

⁸ Some campuses have been more successful than others at closing these gaps. For example, San Diego, San Francisco, Sonoma, and Stanislaus have decreased equity gaps by 50 percent over this time period. That said, the system has a long way to go to close these persistent gaps. Previous PPIC research has shown that closing these gaps is crucial to ensuring that California is able to produce enough graduates to meet future economic demand and to improve economic mobility (Johnson et al, 2017).

increased coordination between state and local officials would be necessary to reduce the red tape and significant delays associated with enrollment expansion at existing urban campuses.

Take into account instructors and staff, not just classrooms and labs

It is important that policymakers consider operational capacity when planning for enrollment growth at CSU. Historically, CSU has accommodated enrollment growth by hiring faculty, instructors, and support staff, and the number of faculty and instructors is a key factor when determining whether programs are able to enroll all eligible applicants. Our analysis also shows that staff salaries and benefits account for the largest portion of system spending, at 60 percent of total expenditures per student. In addition, the vast majority of funds provided by the Graduation Initiative 2025 have been used to add course sections and hire additional instructional staff—suggesting that these operational needs are essential. Funding earmarked for investigating new campus locations may have a greater impact if directed toward increasing instructors and staff at existing campuses.

Expand and support online instruction

In fall 2019, CSU began a program called CSU Fully Online. The program gave CSU undergraduates the opportunity to take one online course offered at another CSU campus every term, with no change to their tuition or fees. The purpose of the program is to better distribute enrollment for high-demand courses across the system to make it easier for students to complete their degree on time. Though the program is in its infancy, it could help provide students—especially those at overenrolled campuses or those who cannot relocate to attend other campuses—with opportunities to complete their programs of study while also allowing campuses with less demand to boost their enrollment.

Online learning has become a major priority for CSU and other education systems amid the COVID-19 pandemic. The transition to an online format for the near future may play a significant role in expanding access and improving student outcomes at CSU in the long term. However, it is important that students, faculty, and student services providers are supported throughout the transition and implementation to ensure that recent gains in student outcomes at CSU are maintained. Successful online learning requires investment in course design and instruction as well as improvements to technological capacity (Johnson, Cuellar Mejia, and Cook 2015).

Continue investing in the Graduation Initiative 2025

As the legislature and the governor prepare to triage priorities in the wake of a recession, continued investment in CSU's Graduation Initiative 2025 will be necessary to help the system achieve its goals of improving time to degree, boosting graduation rates, and closing equity gaps. Disruptions in future funding would not only halt the progress that has already been made but could add to capacity pressures if students take longer to finish their program of study. The goals of increasing enrollment capacity and promoting student success are closely linked. Without adequate and targeted funding aimed specifically at addressing the system's capacity constraints, maintaining the progress of Graduation Initiative 2025 may prove difficult.

Projections suggest that upward trends in high school graduation and college readiness will continue in the coming decade. Improving the capacity planning process at California State University so that it can accommodate growing student demand would help ensure that the state produces enough college graduates to meet labor market demands while promoting economic mobility among underserved communities.

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ACKNOWLEDGMENTS

The authors would like to thank the College Futures Foundation and the Bill and Melinda Gates Foundation for funding this work. The authors would also like to thank Monica Malhotra, Colleen Moore, Patrick Murphy, and Olga Rodriguez for their many valuable comments and suggestions on earlier drafts. Vicki Hsieh provided exceptional editorial support as well. Additional thanks to the CSU administrators, faculty, and staff who helped inform this work. All errors are our own.

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