



California State University

The Mandatory Fees Its Campuses Charge
Receive Little Oversight Yet They Represent an
Increasing Financial Burden to Students

May 2020

REPORT 2019-114





CALIFORNIA STATE AUDITOR

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May 14, 2020
2019-114

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As directed by the Joint Legislative Audit Committee, my office conducted an audit of California State University (CSU) campuses' charging of campus-based student fees (mandatory fees). Our assessment focused on mandatory fees at four CSU campuses, as well as the role of the CSU Office of the Chancellor (Chancellor's Office) in overseeing those fees. This report concludes that mandatory fees represent an increasing financial burden to students and do not receive the same oversight as other sources of CSU revenue, such as tuition and state General Fund support.

Growth in mandatory fees has made CSU attendance increasingly expensive. The mandatory fee amount, averaged across all 23 CSU campuses, increased by 56 percent—from \$1,047 to \$1,633—from academic years 2011–12 through 2019–20. The majority of students at the campuses we reviewed paid for mandatory fee costs without help from financial aid, using student loans or paying out-of-pocket instead. Tuition, which increased only \$270 over the same period, has been relatively stable because of tuition freezes that the Legislature negotiated with the CSU. Campuses told us that they had to establish and increase mandatory fees because of insufficient state funding. However, even though the CSU now receives more combined tuition and General Fund revenue per student than it did before the onset of the last state budget crisis in fiscal year 2007–08, campuses have not decreased their mandatory fees in response.

We also determined that campuses use significant amounts of mandatory fee revenue to support core CSU functions, such as funding faculty and academic support staff; purchasing instructional materials, equipment, and software; and paying for physical improvements to academic spaces. In other words, campuses are using mandatory fees to pay for the same expenses and functions that tuition and the General Fund allocations support. However, mandatory fees do not receive the same oversight as those other revenue sources, and they circumvent certain requirements that the Legislature put in place to ensure accountability to students.

Finally, flaws in the Chancellor's Office's fee policy—and in its enforcement of that policy—have also led to instances of campuses establishing or increasing mandatory fees without adequately justifying the need or sufficiently consulting with students. There is currently little chance that campuses will reduce or eliminate mandatory fees unless the Legislature makes significant changes to the current system.

Respectfully submitted,

A handwritten signature in black ink that reads 'Elaine M. Howle'. The signature is written in a cursive, flowing style.

ELAINE M. HOWLE, CPA
California State Auditor

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Summary

Results in Brief

To accomplish its mission, which includes advancing and extending knowledge, learning, and culture, the California State University (CSU) receives funding from the State's General Fund as well as from its students, who pay tuition and student fees. The CSU Board of Trustees (trustees) sets tuition, which is the same across all 23 of its campuses. In contrast, individual campuses determine the amounts of the student fees and collect them. Some of these fees are for specific services, such as on-campus housing and parking, and are therefore optional. However, CSU campuses also charge mandatory fees for other purposes that all students must pay in order to enroll. The amounts of these mandatory fees vary considerably from campus to campus and have risen steadily, creating a burden on some students. For academic year 2019–20, California Polytechnic State University, San Luis Obispo (Cal Poly) had the highest mandatory fees, at \$4,201 per year, while Fresno State University had the lowest, at \$847 per year. The Joint Legislative Audit Committee directed us to review the mandatory fees at four campuses: Cal Poly, Chico State University (Chico State); San Diego State University (San Diego State); and San José State University (San José State).

CSU campuses began significantly increasing mandatory fees in direct response to reductions in state funding that began during the onset of the last state budget crisis in fiscal year 2007–08. By fiscal year 2011–12, the Legislature had decreased the General Fund support it provided to the CSU from \$3 billion to a little more than \$2 billion. In response to these funding cuts, the trustees raised tuition to almost double its previous level. During that same four-year period, CSU campuses began implementing new mandatory fees and increased existing mandatory fees, spurring rapid growth in fee revenue for the CSU system. By fiscal year 2014–15, systemwide campus revenue from mandatory fees totaled \$574 million—almost twice the \$306 million in fee revenue campuses collected in fiscal year 2007–08. Although the CSU currently receives more combined funding from state General Fund support and tuition per student than it did before the budget crisis, the campuses have not decreased their mandatory fees in response. If the mandatory fee trend continues, systemwide mandatory fee revenue could total nearly \$1 billion by fiscal year 2024–25.

This growth in mandatory fees has made the CSU campuses increasingly expensive for students. Since academic year 2011–12, the trustees have increased tuition by only \$270, or 5 percent, in academic year 2017–18, from \$5,472 to \$5,742. This stability in tuition costs is largely the result of the tuition freezes the

Audit Highlights . . .

Our audit of the CSU campus-based mandatory fees at four campuses, highlighted the following:

» *Unlike tuition which is set by the Board of Trustees, individual campuses establish and increase mandatory fees with little oversight and the fees vary considerably from campus to campus.*

- *For academic year 2019–20, Cal Poly's mandatory fees at \$4,201 were the highest while Fresno State had the lowest at \$847 per year.*

- *Although campuses began significantly increasing mandatory fees in response to reductions in state funding over ten years ago during the last state budget crisis, they have not decreased mandatory fees despite increases in both state funding and tuition.*

» *The campuses we reviewed regularly use mandatory fee revenue to pay for some of the same fundamental costs and core functions that the CSU primarily relies on state funding and tuition to support.*

- *Three campuses have spent millions of dollars of the mandatory fee revenue annually on salaries and benefits to hire more faculty, offer more courses, and support students academically.*

- *All four campuses have used the revenue for instructional materials, equipment, software, and improvements to academic spaces.*

continued on next page . . .

- » *Although campuses must obtain approval from the Chancellor's Office to establish new mandatory fees, campus presidents do not need approval to increase the amount of existing fees.*
- » *Campuses have not sufficiently justified their needs when determining and setting proposed fees or increases to existing fees, and the Chancellor's Office has not ensured that campuses adequately consult with students about proposed new fees or fee increases.*

Legislature negotiated with the CSU as part of the annual state budget process, during which the Legislature increased state funding to the CSU system. In contrast, from academic years 2011–12 through 2019–20, total mandatory fees on average across all 23 CSU campuses increased from \$1,047 to \$1,633, or 56 percent. The largest increase in total mandatory fees during this period was at Cal Poly, where the fees rose by 72 percent, from \$2,439 to \$4,201. Consequently, mandatory fees compose an increasing proportion of total enrollment costs to students. Because not all financial aid programs—which we define as grants and scholarships—take into account rising mandatory fees, students who are eligible for aid often have to find other ways to cover these fees, such as by paying out of pocket or with student loans. In fact, campus data indicate that students on average are paying more money out of pocket or through student loans to cover mandatory fees than they did in the past.

Because mandatory fees are campus-specific and therefore separate from tuition, we expected campuses to use mandatory fee revenue to pay for needs distinct from the core CSU functions of instructing and graduating students. However, when we reviewed some types of mandatory fees at the four campuses, we found that the official purposes for those fees referenced instruction, supporting student development, or promoting graduation rates, all of which are core functions of the CSU system. Campuses' justification for these fees even included operational concerns like campus accreditation, a process that certifies campuses' quality and effectiveness. Further, the campuses we reviewed spent significant amounts of mandatory fee revenue on costs linked to these core functions. For example, Cal Poly, San Diego State, and San José State have spent millions of dollars of mandatory fee revenue annually on salaries and benefits in order to hire more faculty, offer more courses, and otherwise support students academically. All four campuses have also used mandatory fee revenue to pay for instructional materials, equipment, and software as well as improvements to academic spaces. Thus, campuses are regularly using mandatory fee revenue to pay for the same fundamental costs and core functions that the CSU primarily relies on the General Fund and tuition to support. However, because campuses establish and increase mandatory fees with little oversight, these fees are not subject to the same transparency and do not receive the same oversight as tuition or state funding, which the Legislature determines through an annual budget process.

The CSU's current approach to managing mandatory fees does not ensure adequate accountability. Although campuses must obtain approval from the CSU Office of the Chancellor (Chancellor's Office) to establish new mandatory fees, campus presidents do not need approval to increase the amount of existing fees. In addition, the Chancellor's Office's systemwide fee policy (fee policy) contains

only vague requirements that allow campuses to request approval for proposed mandatory fees or increase existing fees without justifying specific fee amounts. As a result, we found that campuses have not sufficiently justified their needs when determining and setting the amount of proposed fees or increases to existing fees. Campuses also have not sufficiently demonstrated that they have no other way to pay for those needs.

This inadequate fee policy—and gaps in the Chancellor’s Office’s enforcement of that policy—have also not ensured that campuses adequately consult with students about proposed new fees or fee increases. When a campus proposes establishing or increasing a mandatory fee, the policy generally allows the campus president to decide between two distinct consultation processes: a student vote or what the policy calls an *alternative consultation* process. Under the latter process, the campus presents information to students and solicits their feedback. However, the fee policy establishes only broad requirements for alternative consultations, and our review identified a number of concerns with the processes campuses have used. For example, the alternative consultation processes that San José State used for two fee proposals clearly violated fee policy requirements that the campus consult with required groups. In addition, Cal Poly did not collect or consider required recommendations from a campus committee before the president made decisions about any of the five proposed fee changes we reviewed. However, because the Chancellor’s Office does not review increases to mandatory fees and its oversight of new fees has lacked rigor, it did not intervene in any of the cases to ensure that the campuses followed the fee policy’s requirements.

Further, because state law requires binding student votes when implementing or increasing only certain mandatory fee types, most of the student votes that the campuses did hold were merely advisory. The campuses conducted student votes for eight of the 13 fee proposals we reviewed, but only one of these votes was binding. Further, although students voted against the proposed fees in five of these eight instances, all five of these votes were only advisory. Cal Poly chose to not move forward with two fees that its students voted against. However, Chico State overrode the results of the three unsuccessful student votes it held in 2018; it imposed all three fee increases despite the fact that more than 60 percent of voting students opposed the increases. Chico State’s ability to override these student votes is of special concern given that one of the fees that students voted on, the student learning fee, should be categorized as a student success fee. Had the Chancellor’s Office categorized the fee correctly, the fee increase would have been subject to state law requiring a binding student vote and therefore the campus would not have been able to override it. This example demonstrates the degree to which campuses can

currently circumvent voting requirements based solely on a given fee's categorization. Extending a binding student vote requirement to all mandatory fee changes would address many of the issues we identified and increase campuses' accountability to students for the fees they propose.

As it stands, there is little chance that campuses will reduce or eliminate fees unless the Legislature makes significant changes to the current system. In addition to the fact that campuses have continued to raise their fees despite growing General Fund support, the campuses are budgeting and allocating mandatory fee revenue in ways that make it unlikely they will ever determine they no longer need that revenue. Further, because the Chancellor's Office does not consider mandatory fee revenue when allocating state General Fund and tuition money to campuses, the campuses do not have to decide between fees and state support. Moreover, students generally do not have any means of compelling campuses to reduce or eliminate fees, and the regular state budget process does not provide the same oversight for mandatory fees as it does for tuition.

As a result, reversing the current trend of increasing mandatory fees will require the Legislature to restrict the types of activities campuses may fund with mandatory fee revenue—namely, by barring them from using this fee revenue to pay for core CSU functions. Implementing this restriction could require increases to tuition, state support, or both to prevent negatively affecting students who receive instruction and other academic support that campuses are currently funding with fee revenue. However, pursuing these changes presents an opportunity to ensure that mandatory fees that support core functions do not continue to rise and to potentially increase the extent to which students have access to financial aid to pay for core CSU functions. Further, such changes could help control the CSU's future costs by ensuring that all funding that CSU uses for its core functions receives legislative oversight during the state budget process.

Summary of Recommendations

Legislature

To ensure that all funding that students and the Legislature provide to the CSU system to pay for core functions receives the same oversight, the Legislature should determine the most effective centralized way to fund the core functions for which mandatory fees currently pay. The Legislature should prohibit CSU campuses from charging mandatory fees to pay for any of these core functions.

To ensure that CSU students have a strong voice regarding the mandatory fees they must pay to attend, the Legislature should amend state law to require campuses to hold binding student votes when seeking to establish or increase any mandatory fee.

Chancellor's Office

To ensure that CSU campuses adequately identify the need for their proposed mandatory fee amounts, the Chancellor's Office should do the following:

- Revise its fee policy to require campuses to justify fee amounts by providing supporting documentation demonstrating the need for the fees, how they calculated the fee amounts, and how they determined that no other source of funding could pay for the needed services.
- Extend its review responsibilities to include reviewing increases to existing mandatory fees.
- Increase the rigor of its fee proposal review and approval process to better ensure that it detects campuses' violations of the fee policy.

Agency Comments

The Chancellor's Office indicated that it would implement our recommendations to improve its policies and practices. However, it expressed concern that our recommendations to the Legislature would significantly undermine the trustees' current statutory authority. We disagree with the Chancellor's Office's characterization of the effect those recommendations would have if implemented.

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Introduction

Background

The California State University (CSU) is a public university system that serves more than 480,000 students at 23 campuses located throughout the State. The CSU’s mission includes advancing and extending knowledge, learning, and culture, especially throughout California, as well as offering baccalaureate and advanced degree programs that provide opportunities for individuals to develop intellectually, personally, and professionally. To accomplish this mission, the CSU emphasizes quality in instruction and seeks to provide an environment that supports scholarship; research; and creative, artistic, and professional activities. A 25-member Board of Trustees (trustees) administers the CSU and appoints the chancellor of the CSU (chancellor)—the CSU’s chief executive officer. The chancellor has the authority and responsibility to take actions necessary to ensure the appropriate functioning of the CSU system, including developing and overseeing its budget and issuing executive orders on CSU policy. Under the chancellor’s direction, the Office of the Chancellor (Chancellor’s Office) serves as the headquarters for the CSU system and oversees the campuses. The chancellor may also delegate authority for activities to others within the CSU, such as the campus presidents.

The CSU receives the majority of its funding from two sources: appropriations from the State’s General Fund and revenue from students. The Legislature annually determines the amount of CSU’s General Fund support. As the text box shows, this amount was the largest portion of the university’s funding in fiscal year 2018–19. In addition, the CSU receives revenue from students through tuition and fees. Tuition is controlled by the trustees and is the same across all 23 campuses. Fees, however, are generally campus-based and therefore vary by campus.¹ Students pay some campus fees in exchange for specific optional services, such as on-campus housing and parking. However, to enroll at any CSU campus, students must pay certain other fees known as *Category II Fees* (mandatory fees). When directing our office to perform an audit of these mandatory fees, the Joint Legislative Audit Committee (Audit Committee) specified four CSU campuses for us to review: Chico State University (Chico State);

**CSU’s Main Funding Sources
 for Fiscal Year 2018–19**

General Fund appropriations: **\$3.6 billion**
 Tuition and other fee revenue: **\$3.1 billion**
 One-time state allocations: **\$161.6 million**

Source: Chancellor’s Office’s documentation.

¹ A small number of other fees are controlled by the trustees. Like tuition, these fees are uniform across campuses.

San Diego State University (San Diego State); San José State University (San José State); and California Polytechnic State University, San Luis Obispo (Cal Poly).

Estimated Average Cost to Attend CSU for a Resident Undergraduate Living on Campus

Tuition: \$5,740

Average mandatory fees: \$1,630

Books and supplies: \$1,920

Food and housing: \$14,180

Transportation: \$1,140

Personal/miscellaneous: \$1,580

Source: Chancellor's Office, academic year 2019–20.

Tuition, systemwide fees, and mandatory fees make up the total cost to students to enroll at CSU campuses, but students also incur additional and sometimes significant costs as a result of their attendance. These costs include—but are not limited to—room and board, books, and transportation as the text box shows.

Types and Amounts of Mandatory Fees

The Chancellor's Office has a systemwide fee policy (fee policy) that requires each campus to report its mandatory fees and the amounts it collects each year. The Chancellor's Office then organizes each campus's mandatory fees

into one of seven types, which are listed in Table 1. As the Table indicates, the purposes for four fee types—health facilities fees, health services fees, student union fees, and student association fees—are relatively clear and defined. Revenues from these fees support specific purposes: providing on-campus health services, constructing and maintaining health and student union facilities, and supporting student associations.

However, the other three fee types—instructionally related activity fees; student success fees; and materials, services, and facilities fees—have less well-defined purposes. State law broadly defines these mandatory fees, if at all, and generally places no limit on how campuses can use revenue from them.² For example, a 1974 law broadly defines *instructionally related activities* as activities and laboratory experiences that are partially sponsored by an academic discipline and that are integrally related to its formal instructional offerings. According to the law, these activities may include, but are not limited to, intercollegiate athletics; radio; television; theater productions; art exhibits; publications; and film, music, and dance performances. We discuss our concerns with the overlap among instructionally related activity fees; student success fees; and materials, services, and facilities fees in more detail in the Audit Results section of this report.

² As we discuss in a subsequent section, the Legislature amended state law to restrict how the Chancellor's Office and campuses establish or increase student success fees; however, the law does not include a clear definition of the fees' purpose.

Table 1
Three of the Seven Mandatory Fee Types Have Broadly Defined Purposes

	FEE TYPE	PURPOSE OF FEE
<i>Fees with clearly defined purposes</i>	Health facilities	To support costs for acquiring, constructing, improving, and maintaining a student health center facility.
	Health services	To support costs of making basic campus-based health services available.
	Student association	To generally support the operations of a campus's associated student organization. These organizations administer student governments as well as clubs and services on campus.
	Student union	To support the costs of building and operating a campus student union facility.
<i>Fees with broadly defined purposes</i>	Instructionally related activities	To support costs of instructionally related activities as defined by state law and approved by the trustees, including but not limited to, intercollegiate athletics; art exhibits; and radio, television, and theater productions.
	Materials, services, and facilities	To cover costs of various services, facilities, or materials a campus makes available to all students as part of the overall university experience. This fee type may include multiple individual components with different official purposes at a single campus, such as a fee to pay for specific course materials or to support student learning.
	Student success (certain campuses only)	Defined by individual campuses to support costs of enhancing academic programs, improving the availability of courses, and facilitating student degree completion. This fee was categorized as a materials, services, and facilities fee until 2015, when the Chancellor's Office formally created the student success fee category.

Source: Chancellor's Office and campus fee descriptions, and state law.

Mandatory fee amounts vary considerably across the CSU campuses. As of academic year 2019–20, the 23 campuses charged students an average of \$1,633 per year in mandatory fees. Cal Poly had the highest mandatory fees (\$4,201 per year) and Fresno State University had the lowest (\$847 per year).³ Campuses also charge widely varying amounts for the same types of fees. For example, in fiscal year 2019–20, Humboldt State University charged students \$674 for its instructionally related activities fee, while Cal State Northridge charged \$36 for the same fee. Table 2 provides individual and total fee amounts for all mandatory fees at the four campuses we reviewed. Table B in Appendix B contains mandatory fee amounts at all 23 CSU campuses.

³ As Table 2 shows, the Chancellor's Office does not currently include Cal Poly's opportunity fee—which only applies to nonresident students and has various purposes—in any of the seven fee types. Cal Poly began charging the opportunity fee in academic year 2019–20. It began at \$2,010 per year and will grow to \$8,040 over a four-year period. Because the fee only applies to nonresident students, we did not include it in the total fee amount for Cal Poly here or elsewhere in the report. However, we did review the campus's process for establishing the fee.

Table 2
The Chancellor's Office Places Campus Mandatory Fees Into One of Seven Categories

CHANCELLOR'S OFFICE FEE TYPES							TOTAL MANDATORY FEE AMOUNT
HEALTH FACILITIES	HEALTH SERVICES	STUDENT ASSOCIATION	STUDENT UNION	INSTRUCTIONALLY RELATED ACTIVITIES	STUDENT SUCCESS	MATERIALS, SERVICES, AND FACILITIES	
Cal Poly							
Health facilities \$11	Health services \$636	Associated students \$341	University union \$764	Instructionally related activities \$330	Student success \$878	Campus academic \$1,230* ID card fee \$11	\$4,201 [†]
San José State							
Health center facility \$70	Health center services \$380	Student association \$196	Student union \$762	—	Student success, excellence, and technology \$669	Document fee \$33	\$2,110
Chico State							
Health facilities \$6	Health services \$492	Associated students activity \$138	Student union \$830	Instructionally related activities—athletics \$300 Instructionally related activities—baseline [‡] \$96	—	Student learning fee \$172 Course consolidated \$26 ID card fee \$4	\$2,064
San Diego State							
Health facility \$50	Health services \$300	Student body association \$70	Student body center \$474	Instructionally related activities \$398	Student success \$426	Library services \$50	\$1,768

Source: Chancellor's Office fee descriptions and campus mandatory fee information.

Note: Fee amounts are for academic year 2019–20.

* For students enrolled in Cal Poly's College of Liberal Arts, the campus academic fee is \$852 annually.

[†] Cal Poly implemented a new fee called the opportunity fee in academic year 2019–20 at \$2,010 annually, but plans to increase the fee to \$8,040 annually by academic year 2022–23. Because only nonresident students pay this fee and because the Chancellor's Office does not categorize the fee into one of its fee types, we do not list it in the Table or include it in the total amount column.

[‡] Chico State's *baseline* fee is how that campus refers to the portion of its instructionally related activities fee that supports programs other than athletics.

Requirements for Establishing and Adjusting Mandatory Fees

In contrast to tuition, CSU campuses have considerable authority to establish and adjust mandatory fees. State law delegates authority for establishing both tuition and some mandatory fees to the trustees, but although the trustees have retained responsibility for setting tuition, they have delegated the

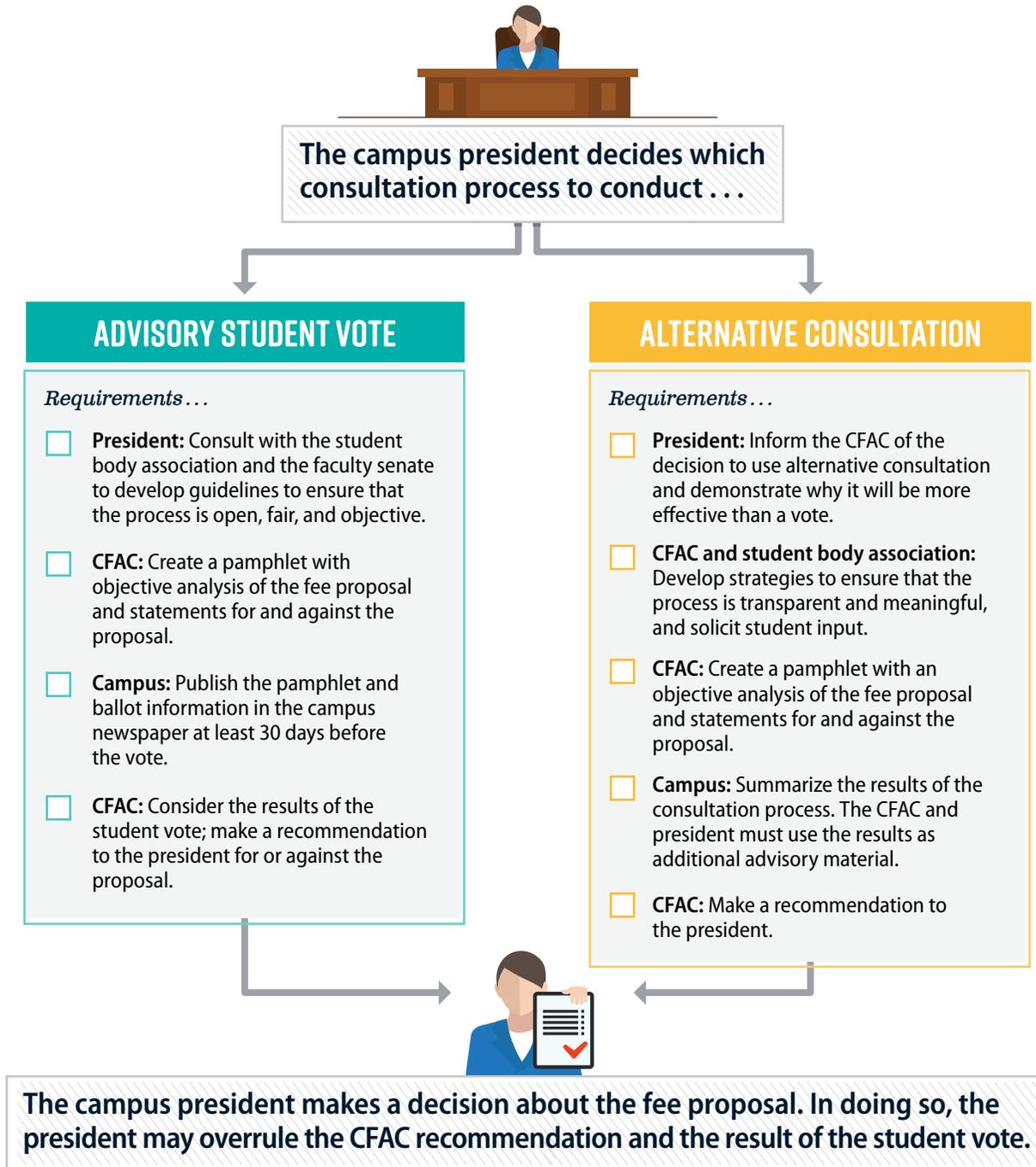
authority to implement new mandatory fees and adjust existing mandatory fees to the chancellor. Under the Chancellor's Office systemwide fee policy, the chancellor has sole authority to establish new mandatory fees. Therefore, if a campus wishes to establish a new mandatory fee, the campus president must submit a formal proposal to the Chancellor's Office for approval, and the chancellor has the authority to approve or reject it. However, the Chancellor's Office gives campus presidents the authority to adjust the amounts of existing mandatory fees without obtaining the chancellor's approval.

When a campus proposes establishing a new mandatory fee or adjusting an existing one, the fee policy requires the campus president to engage in "appropriate and meaningful consultation" with the student body. To ensure appropriate and meaningful consultation, the fee policy requires the creation of a campus fee advisory committee (CFAC) at each campus. The fee policy requires that students compose a majority of the CFAC's voting members and that the campus student body association appoint the student representatives to the committee; the campus president appoints the remaining members, who may be faculty, staff, and administrative representatives. Before adjusting a mandatory fee or requesting that the chancellor approve a new mandatory fee, a campus president must pursue one of two types of student consultation: a student vote or a process the policy calls *alternative consultation*. The president must consult with the CFAC before taking either approach, but ultimately decides how to proceed. The processes for a student vote and alternative consultation have certain distinct requirements, but as Figure 1 shows, both require the campus president to work with the CFAC to ensure that students receive information regarding a fee proposal.

The fee policy establishes clear requirements for holding a student vote. If the campus president chooses to hold a student vote, the fee policy requires the president to consult with the student body association and the faculty senate to develop guidelines to ensure that the process is open, fair, and objective. At least 30 days before the date of the student vote, the CFAC must issue a voter pamphlet to the student body that provides an objective analysis of the proposed new fee implementation or fee change. In most circumstances, the vote is advisory—the president may choose to override the outcome. However, state law and the fee policy create a few exceptions in which student votes are required and binding. Specifically, students must approve by vote the establishment of or increase to a student success fee or, in general, a student association fee, and students must also approve the establishment of a student union fee.

Figure 1

The Fee Policy Requires Campuses to Use One of Two Types of Student Consultation Processes Before Implementing or Adjusting Mandatory Fees



The fee policy requires campuses to provide information to students and collect input during alternative consultation, but it does not establish specific methods that campuses must use to do so. In contrast to conducting a student vote, alternative consultation involves a less defined process by which campuses must solicit student input and then summarize the input in writing for the CFAC and the campus president to consider. We found that the four campuses we reviewed generally conducted alternative consultations by developing written materials describing the need for new fees or fee increases and by holding presentations and open forums for students about the proposals. The campuses also created websites presenting fee information, some of which allowed students to provide feedback.

Since 2012 the four campuses we reviewed have proposed a total of 13 new mandatory fees or increases to existing fees. These proposals varied in terms of fee types and amounts as well as the consultation processes used. Cal Poly proposed five fee changes, the most of the campuses we reviewed, while San Diego State proposed only two. Table 3 summarizes the dates, fee types, consultation types, amounts, and outcomes of these processes. We discuss our review of all 13 processes later in this report.

Recent Changes in State Law Related to Student Success Fees

In 2014 the Legislature prohibited initiating new student success fees until 2016 in response to concerns from students and the public about the nature and implementation of these fees. These concerns involved campuses' increasing mandatory fees on students who were already struggling financially, some campuses' decisions not to hold student votes when implementing student success fees, and some campuses' lack of transparency when spending student success fee revenue. At the same time, the Legislature also required the chancellor to conduct a review of the CSU's policy related to student success fees and recommend changes to the fee policy to the trustees. Subsequently, the chair of the trustees created a working group of two trustees, the chancellor, and two campus presidents to study the role, process, and enactment of the fees.

The working group reviewed the student success fees that 12 campuses had established and the processes the campuses used to do so. In a presentation to the trustees, the chancellor indicated that campuses often enacted student success fees because of significant reductions in state funding to the CSU and because of individual campus needs. The group found that of the 12 campuses, 10 did not hold student votes for the fee proposals and instead followed alternative consultation processes. Based on its findings, the working group recommended that campuses undertake a rigorous consultation process to inform and educate students on the uses, impact, and costs of any future proposed student success fees, followed by a binding student vote.

Table 3
The Four Campuses We Reviewed Have Each Established or Increased Mandatory Fees Since 2012

UNIVERSITY	FEE PROPOSAL	PROPOSAL TYPE	YEAR	CONSULTATION TYPE	AMOUNT*	RESULT
Cal Poly	Student success	New	2012	Alternative consultation and advisory student vote in favor	\$780	Implemented
	Campus academic [†]	Increase	2014	Advisory student vote against	891	Not implemented
	Student union	Increase	2016	Advisory student vote against	1,363	Not implemented
	Health services	Increase	2018	Alternative consultation	612	Implemented
	Opportunity [‡]	New	2019	Alternative consultation	8,040	Implemented
Chico State	Instructionally related activities—athletics	Increase	2018	Alternative consultation and advisory student votes against	\$326	Implemented
	Student learning				196	Implemented
	Health services				564	Implemented
San Diego State	Student success	New	2014	Alternative consultation	\$400	Implemented
	Student union	Increase	2018	Advisory student vote in favor	864	Implemented
San José State	Student success, excellence, and technology	New	2012	Alternative consultation	\$790	Implemented
	Associated students	Increase	2013	Binding student vote in favor	169	Implemented
	Health services [§]	Reallocate [§]	2018	Alternative consultation	349	Implemented

Source: Campus and Chancellor's Office documentation of mandatory fee changes.

* Amount reflects total cost of the fee per year once it is fully implemented, which may take several years. Costs will continue to increase thereafter if the fee includes an inflationary index. For these reasons, amounts in this Table do not match the academic year 2019–20 fee amounts in Table 2.

† This fee proposal would have affected only the campus academic fee at Cal Poly's College of Liberal Arts.

‡ Only nonresident students are required to pay the opportunity fee.

§ San José State reallocated its health services fees by raising its health center services fee by \$27 and lowering its health center facility fee by the same amount.

As a result of the working group's recommendations, the trustees adopted a resolution outlining requirements for student input for creating or adjusting student success fees, and the Legislature subsequently amended state law to adopt most of the same requirements. Accordingly, state law now requires CSU campuses to obtain majority student votes to implement or increase student success fees. In addition, the law allows students to vote to rescind existing student success fees if the fees were in place on January 1, 2016, and have been in place for at least six years. No campus has implemented or adjusted a student success fee in the four years since the law took effect.

Audit Results

Campuses Systemwide More Than Doubled the Revenue They Received From Mandatory Fees Over a 10-Year Period

In response to reductions in state funding during California's budget crisis that began in fiscal year 2007–08, the CSU increased tuition significantly. During this time, California entered into a recession, and in response, the Legislature reduced the amount of funding it provided to the CSU system. Between fiscal years 2007–08 and 2011–12, the State decreased its General Fund appropriations to the CSU from \$3 billion to a little more than \$2 billion at its lowest point. To mitigate decreases in state funding and assist with the continuing budget needs of the CSU, the trustees increased tuition every year from academic years 2007–08 through 2011–12. As a result, undergraduate tuition nearly doubled over this period, from \$2,772 to \$5,472.

At the same time that the CSU raised tuition, individual CSU campuses increased the amounts of mandatory fees they charged students. In particular, many campuses began to establish student success fees, also citing insufficient state funding as the reason. From fiscal years 2007–08 through 2011–12, seven campuses established student success fees, followed by another five campuses by the end of fiscal year 2013–14. Their implementation of these fees, along with their increases to other mandatory fees, spurred rapid growth in fee revenue for the CSU system. By fiscal year 2014–15, total systemwide campus revenue from mandatory fees totaled \$574 million, or almost twice as much as its \$306 million in fee revenue during fiscal year 2007–08.

Although this new fee revenue did not fully compensate for the total decrease in state funding, the CSU and its campuses clearly established these fees to help address the shortfalls they faced. Each of the three campuses we reviewed that established a student success fee indicated that the decrease in state funding was a primary reason. For example, during presentations to students in 2012 about its student success fee proposal, Cal Poly stated that although it had already increased existing fees in response to state funding cuts, it needed additional revenue from the new fee to help cover costs. San Diego State indicated that it was developing a new financial model in response to severe reductions in state support when it proposed its student success fee in 2014. Finally, San José State stated in its student success fee materials that the campus was not receiving sufficient funding from the State to cover the costs of providing basic support services on campus.

After adjusting for inflation, the CSU currently receives more funding per student than it did before the budget crisis, but the campuses have not decreased their mandatory fees in response.

Mandatory Fee Revenue the Campuses Collected in Fiscal Year 2017–18

Cal Poly: \$80 million

Chico State: \$28 million

San Diego State: \$60 million

San José State: \$64 million

Source: CSU financial records.

In fiscal year 2017–18, the State provided General Fund support of \$3.5 billion and the CSU collected \$2.9 billion in tuition revenue.⁴ As a result, in fiscal year 2017–18, the CSU received \$15,140 per full-time equivalent student in General Fund support and tuition while in fiscal year 2007–08, the CSU received \$14,130 per student in 2017 dollars. Despite this funding increase, campuses have continued to establish and increase mandatory fees other than student success fees, which, as we mention above, no campus has established or increased since the Legislature intervened in 2014. As a result,

systemwide revenue from mandatory fees reached \$696 million in fiscal year 2017–18. The text box provides the portions of that total revenue each of the four campuses collected. Because campuses are establishing and increasing mandatory fees irrespective of the amount of funding that the Legislature provides, we believe that fee increases will likely continue. As Figure 2 shows, if the mandatory fee revenue trend continues at the rate it has since fiscal year 2007–08, this revenue will total nearly \$1 billion annually by fiscal year 2024–25.

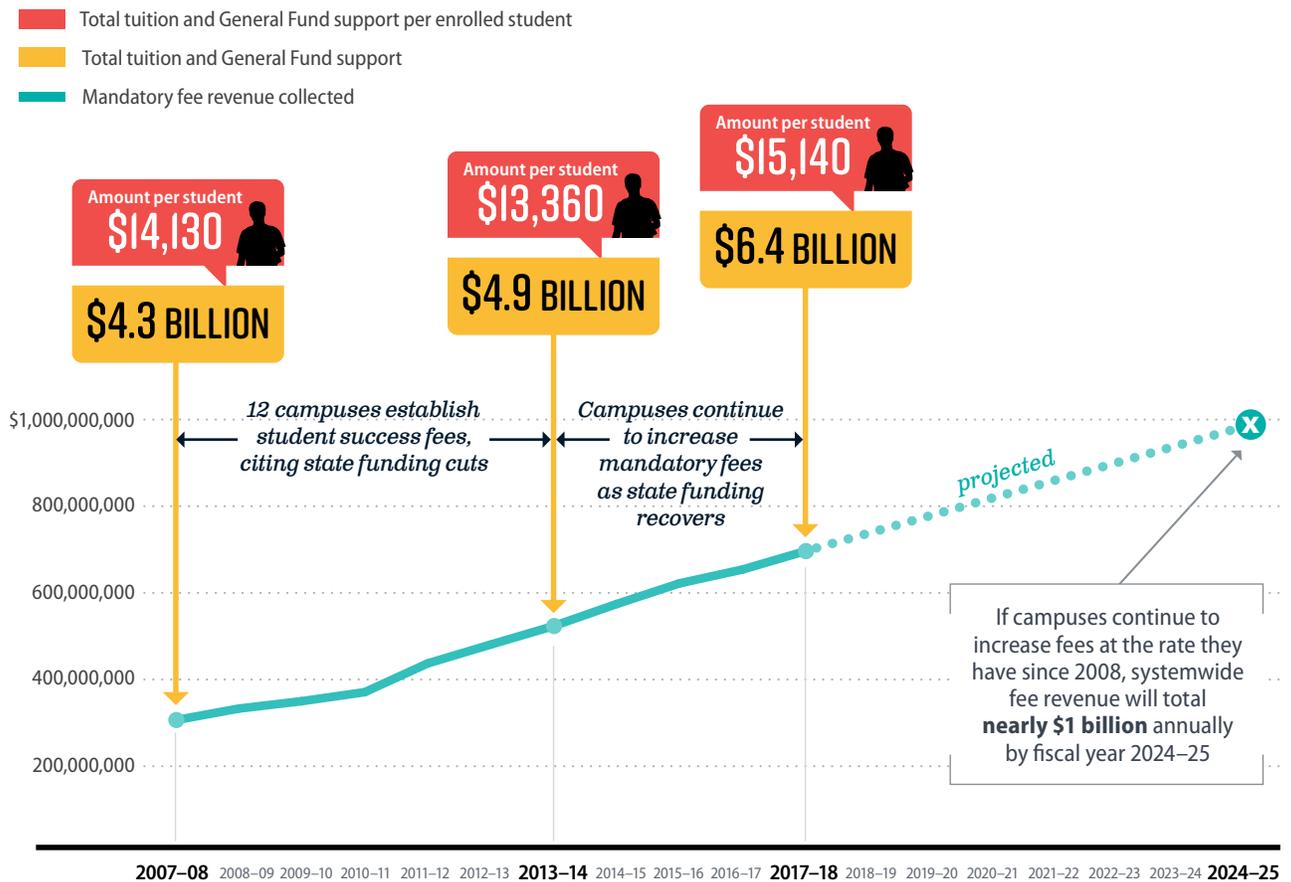
Fee increases at the four campuses we reviewed and across the CSU system have made enrolling increasingly expensive for students. For example, Cal Poly—the CSU’s most expensive campus—increased its total mandatory fee amount by 72 percent from academic years 2011–12 through 2019–20, to \$4,201. Over the same period, the total amount of mandatory fees on average across all 23 CSU campuses increased 56 percent, to \$1,633. This continual increase in fees is in contrast to the fact that since fall 2011, the trustees have increased tuition by \$270, or 5 percent, in academic year 2017–18—to the current level of \$5,742. Because tuition has remained relatively flat and mandatory fees have continued to increase, mandatory fees make up an increasing proportion of students’ total enrollment costs—defined as the cost of tuition plus campus-specific mandatory fees. From academic years 2011–2012 through 2019–20, the average proportion of mandatory fees systemwide increased from 16 percent of enrollment costs to 22 percent. At San José State, fees accounted for 20 percent of enrollment costs in academic year 2011–12; by academic year 2019–20, this proportion had increased to 27 percent.

In recent years, the CSU has frozen tuition as part of its budget negotiations with the Legislature, a process that has involved the increases in state funding we discuss above. However, mandatory fees do not receive the same oversight as tuition, which the Legislature and the CSU discuss as part of the annual state budget

⁴ The tuition revenue we report includes the total amount of tuition revenue the CSU collects from students and from third parties, such as the federal government and state governments, in the form of financial aid paid on students’ behalf.

process. As a result, mandatory fee growth is steadily eroding the Legislature’s efforts to control student costs through its current focus on tuition.

Figure 2
Despite the Recovery in Funding to the CSU, Mandatory Fee Revenue Will Reach Nearly \$1 Billion in Fiscal Year 2024–25 if Recent Trends Continue



Source: Analysis of CSU systemwide financial data, CSU executive orders, and campus documentation regarding student success fees.
 Note: We present the per-student amounts in terms of full-time equivalent students and in fiscal year 2017–18 dollars.

Because Several Financial Aid Programs’ Awards Do Not Increase With Rising Mandatory Fees, These Fees May Present a Significant Financial Burden to Some Students

Not only have mandatory fees risen continually compared to tuition since academic year 2011–12, but mandatory fees also often have disproportionately greater financial effects on students than tuition costs. These effects occur because not all financial aid programs—

which we define as grants and scholarships—account for rising mandatory fees. For example, the grant program that the CSU administers—the State University Grant—awards grants only up to the cost of tuition.⁵ As a result, a student who receives financial aid from one of these programs but does not receive additional grants or scholarships may be able to pay for tuition, but would not have enough aid to pay for mandatory fees. The student will therefore need to take out student loans, pay out of pocket, or find other sources of funding to cover mandatory fee costs or not attend. Campuses sometimes set aside a portion of revenue generated from certain mandatory fees to fund financial aid at the campus level, including offering grants that pay for some students' fee costs. However, the campuses we reviewed varied in terms of the fees for which they offer financial aid and the amounts of aid that students can use toward tuition and fees.

Growth in mandatory fees corresponds with increases in students' actual costs—the amount of fees they must pay through loans or out of pocket. The majority of the students at the campuses we reviewed paid for mandatory fee costs without help from financial aid, using student loans or paying out-of-pocket instead.⁶ Critically, more students used financial aid to pay for tuition than to pay for mandatory fees. For example, 59 percent of all students at Chico State used assistance from financial aid to pay tuition costs in academic year 2018–19 but only 36 percent used financial aid to pay mandatory fees. Our findings were similar at Cal Poly and San Diego State. The campuses told us that some students who pay costs out of pocket or with loans subsequently receive financial aid in the form of refunds from the campus. For example, this may happen when students file their financial aid applications late. In these instances, students may receive enough money in refunds to offset the costs of the mandatory fees they pay. However, although the campuses could not tell us precisely how often this occurs, they confirmed it would not be frequent enough to affect our conclusion that more students use financial aid to pay for tuition than for mandatory fees.

The percentage of students at each of the campuses we reviewed who paid for mandatory fees without financial aid has remained relatively stable over the past five years; however, the average amount that these students paid has increased significantly. For example, San Diego State students who paid for mandatory fees

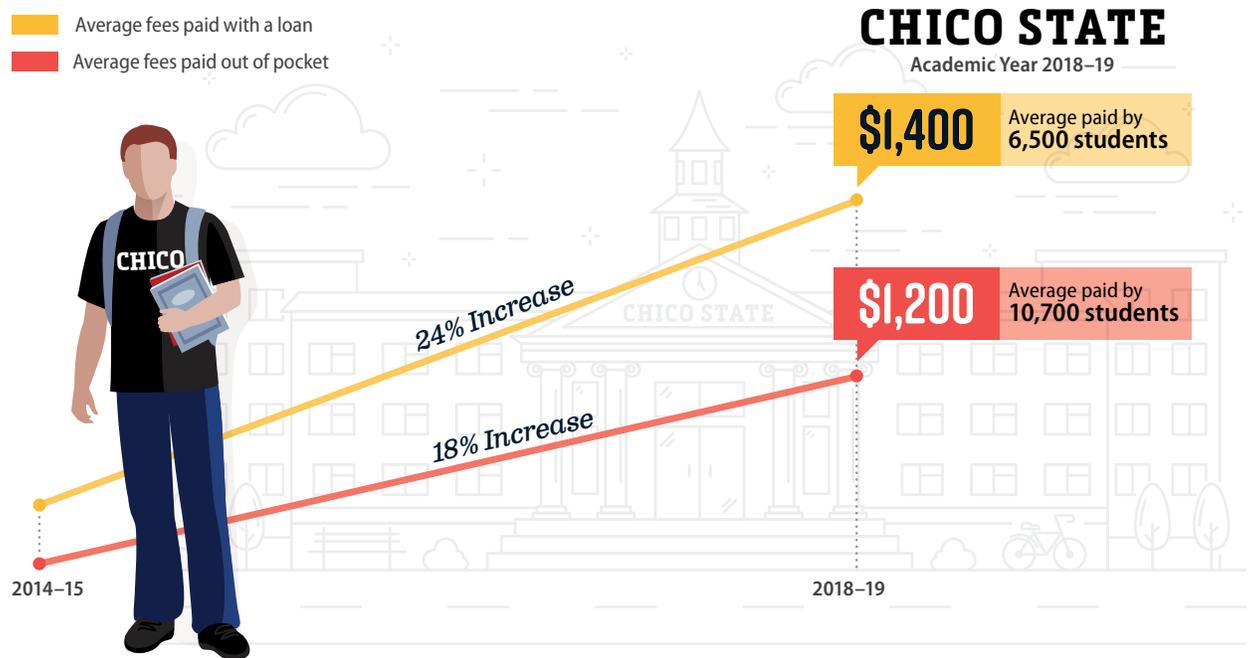
⁵ Beginning in fall 2019, the Chancellor's Office changed its grant policy to allow students to receive CSU grant funding that totals the cost of tuition plus up to 50 percent of the cost of mandatory fees. However, the policy change did not increase the overall amount of State University Grant funding it will provide; it will simply allow campuses to distribute funds differently. Further, the policy change applies to undergraduate students only.

⁶ San José State was not able to provide us with data regarding specifically how students paid mandatory fees so we could not perform an equivalent analysis for that campus.

out of pocket paid an average of \$1,900 in academic year 2018–19, a 21 percent increase since academic year 2014–15. The amount of loans students used to pay for mandatory fees also increased over this time period. For example, as Figure 3 shows, the average amount Chico State students borrowed to pay for mandatory fees increased 24 percent to \$1,400.

Figure 3

Over the Past Five Years, the Mandatory Fee Amounts Students Have Paid Out of Pocket or Using Loans Have Increased



SAN DIEGO STATE	
Academic Year 2018–19	5-year change
\$2,000 Average paid by 7,100 students	23% Increase
\$1,900 Average paid by 16,200 students	21% Increase

CAL POLY	
Academic Year 2018–19	5-year change
\$2,500 Average paid by 4,900 students	10% Increase
\$3,100 Average paid by 16,700 students	12% Increase

Source: Analysis of student accounts data at Cal Poly, Chico State, and San Diego State, and review of state and federal financial aid policies.

Notes: San José State was not able to provide us with data regarding how students paid mandatory fees, so we could not determine the average increases for that campus.

The campuses told us that some students who pay costs out of pocket or with loans subsequently receive financial aid in the form of refunds from the campus; however, the campuses could not tell us precisely how this would affect the numbers we calculated. Although this may affect the precision of some of the numbers in this figure, it does not affect our conclusion that mandatory fees costs have increased for students over the past five years.

In order to ensure consistent comparisons across the campuses, the amounts in this figure include fee costs for all academic terms throughout the year, including summer terms. As such, students who did not attend all academic terms would, on average, pay less in fees.

The increasing and disproportionate financial burden that mandatory fees place on students compared to tuition is in conflict with the purposes that many of these fees serve. As we discuss in the next section, campuses frequently use fee revenue to pay for the same core CSU functions for which tuition pays, such as faculty salaries and classroom equipment. Therefore, under the current system, steadily increasing mandatory fees mean that students—particularly those who qualify for financial aid to pay for tuition costs—are paying more and more either out of pocket or through loans for the core components of a CSU education.

Although Campuses Use Some Mandatory Fee Revenue to Help Pay for Their Core Functions, the Legislature Has No Role in Setting Fee Amounts

Although the CSU has established mandatory fees to satisfy a variety of purposes, some of these purposes directly relate to its core functions of providing instruction and academic support to students. The campuses we reviewed used significant amounts of revenue from certain mandatory fees to pay for faculty and staff salaries and benefits, tutoring and counseling services, and software and equipment crucial to educating students. These fees have broad purposes and uses that are consistent with the CSU's purpose to educate and graduate students, most of which is funded by revenue from student tuition and the General Fund. What is not clear is why the CSU system should fund critical instructional functions through mandatory fees that—unlike tuition and state support—are decentralized across 23 campuses, cost students different amounts, are not subject to the same transparency, and do not receive the same oversight.

Campuses Charge Some Mandatory Fees to Support Core University Functions

Because mandatory fees are campus-specific and separate from tuition, we expected campuses to use fee revenue to pay for items distinct from instruction. As we explain in the Introduction, students must pay tuition and mandatory fees to enroll at a CSU campus; however, tuition is controlled centrally by the trustees and is the same amount for all students across the CSU system, whereas mandatory fees are decentralized and campus-specific. The Chancellor's Office specifically references this distinction between mandatory fees and tuition in its fee policy. Therefore, although state law generally places no limit on how campuses can use revenue from mandatory fees, we expected that campuses would use the mandatory fee revenue to pay for activities that are not directly related to the core functions of the CSU system: providing instruction and academic support to students to ensure that they graduate ready to succeed.

Of the seven mandatory fee types, four support programs or services that are clearly distinct from the CSU's core functions. For example, all four campuses charge fees to provide basic health care services to students and to support the costs of building and operating student union buildings and recreation centers. San José State uses its student union fee to operate its student union, which it promotes as a location for its students "to relax, host a meeting, buy textbooks and supplies, study, and grab a bite to eat." San Diego State charges a student union fee in part to help pay for an aquatics facility with amenities including two large outdoor pools, a 20-person spa, and an inflatable obstacle course. These fees provide students with services that are clearly distinct from instruction and academic support.

However, the campuses charge other mandatory fees to support programs and provide services that are consistent with—if not specifically identified as—their core functions of instructing and graduating students. Once it approves a mandatory fee, the Chancellor's Office issues an executive order that generally outlines the amount and purpose of the fee.⁷ All four campuses charge mandatory fees with official purposes that reference providing instruction, supporting student development, or promoting graduation rates. For example, the executive order establishing Chico State's student learning fee defines its purpose as "to support student learning in the classroom, including funding hardware and software available to students and use of specific labs and facilities." Similarly, the executive order establishing Cal Poly's student success fee states that the fee will "facilitate student enrichment and development, campus diversity and multicultural competence, counseling and advising for students experiencing personal challenges, and academic retention and graduation initiatives."

Further, when campuses have proposed new mandatory fees or increased existing fees, they have emphasized that they needed the fees to continue to meet the basic needs of educating students. For instance, Cal Poly and San Diego State each used the need to graduate students in a timely manner to justify mandatory fees that pay for faculty salaries. When Cal Poly presented its student success fee to students in 2012, it indicated that the fee would provide a clearer and potentially quicker path to graduation through additional courses. Similarly, San Diego State indicated that it would use the student success fee it established in 2014 to increase its number of faculty members and course sections. In other instances, campuses cited core operational concerns as the basis

The campuses charge some mandatory fees to support programs and provide services that are consistent with their core functions of instructing and graduating students.

⁷ The Chancellor's Office established its first consolidated fee policy in 1996. According to the Chancellor's Office, some campuses' fees had been established before 1996 through statute or executive orders not specific to an individual campus. Therefore, some fees campuses established before 1996 do not have specific executive orders establishing their amounts and purposes.

for fees; when we asked about a proposed fee increase at Cal Poly and an approved increase at Chico State, academic administrators from each campus cited a need to increase mandatory fees to ensure that the campuses continued to meet accreditation standards for campus quality and effectiveness. We agree that meeting these standards is crucial for the CSU system to continue to operate as a public university in California and to achieve its mission, but we question the use of mandatory fee revenue to do so.

Campuses Frequently Use Revenue From Some Mandatory Fees to Pay for Instruction and Support Services to Students

The four campuses we reviewed spent significant amounts of revenue from some mandatory fees on costs linked to the core functions of instructing and graduating students. Each campus publishes reports about the activities it supports with some, though not all, of its mandatory fees. We reviewed these reports as well as financial records for mandatory fees from fiscal years 2014–15 through 2018–19 and a selection of expenditures at each campus. As Figure 4 summarizes, we determined that the campuses’ use of revenue from some mandatory fees fulfills the same core functions as the CSU system’s other primary revenue sources: tuition and General Fund support.

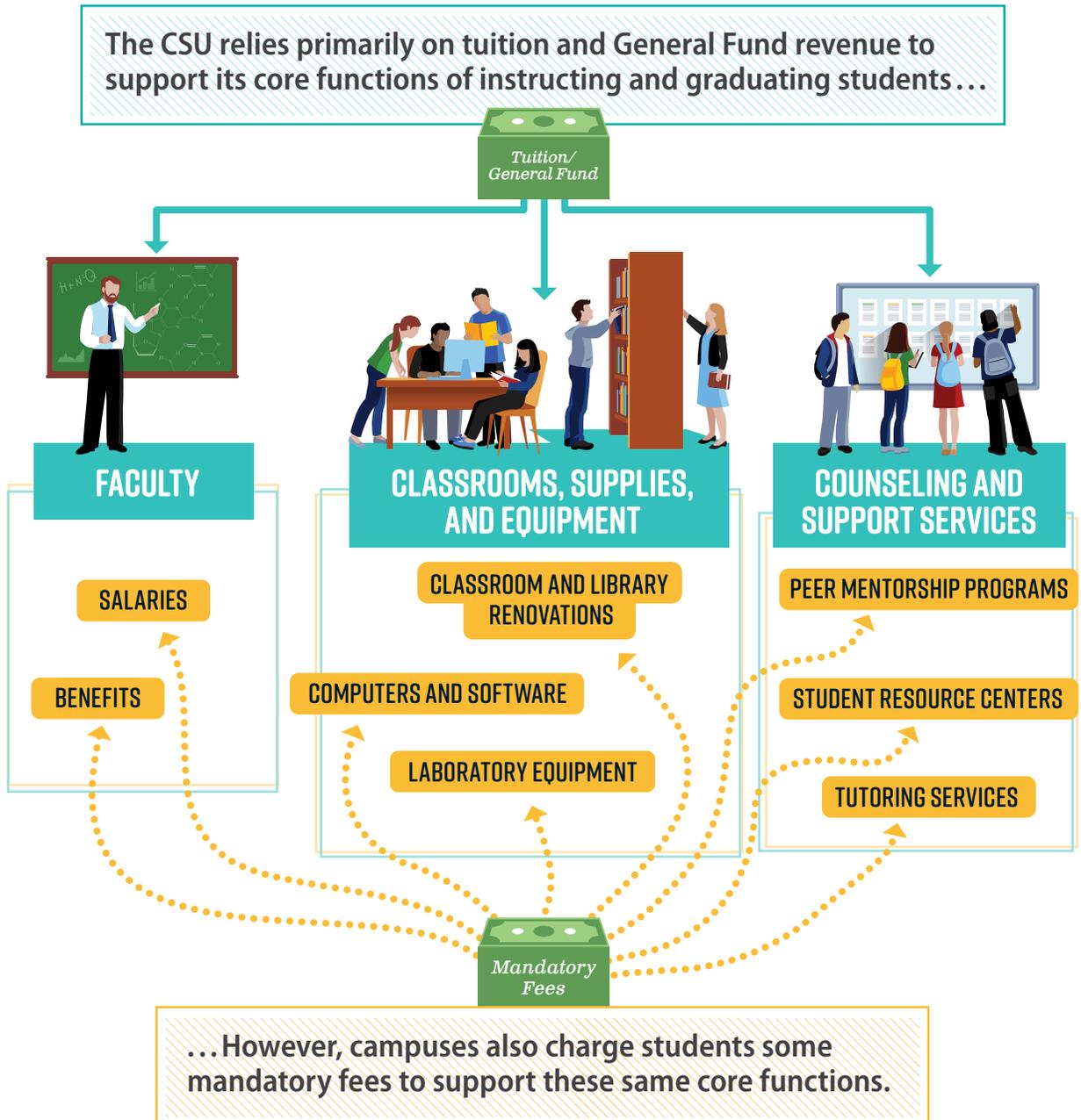
Cal Poly, San Diego State, and San José State used significant amounts of mandatory fee revenue to pay specifically for academic salaries and benefits.

Three of the campuses—Cal Poly, San Diego State, and San José State—used significant amounts of mandatory fee revenue to pay specifically for academic salaries and benefits. For example, Cal Poly’s records indicate that in fiscal year 2018–19, it spent nearly \$31 million in mandatory fee revenue on academic salaries and benefits. San Diego State spent \$14 million of its student success fee revenue on academic salaries and benefits in fiscal year 2018–19—more than 90 percent of its student success fee expenditures for that year. San José State’s records show that although it spent only about \$220,000 of its student success fee revenue on academic salaries, it spent another \$6.8 million on salaries and benefits for academic support staff, including academic advisors and supervisors. Chico State pays for student assistants with its student learning fee—which is part of its campus materials, services, and facilities fee—but does not use the fee to pay academic or support staff salaries.

In addition to faculty costs, the campuses spent mandatory fee revenue to provide students with academic support services related to student retention and academic success, such as counseling, tutoring, and mentorship programs. For example, in May 2017, Cal Poly dedicated an ongoing \$258,000 per year for staff in its Veterans Success Center, its Dream Center for undocumented students, and its Disability Resource Center—all centers that the

Figure 4

Campuses Use Some Mandatory Fees to Support the CSU's Core Functions



Source: CSU budget and audited financial statements, campus mandatory fee award notices, and campus expenditure reports.

campus also supports with General Fund and tuition revenue. In the same year, Cal Poly also allocated \$732,000 in student success fee revenue to hire eight personnel to provide career services to students. For fiscal years 2017–18 through 2018–19, San José State dedicated about \$700,000 of its student success

Campuses have commonly used mandatory fee revenue to pay for instructional supplies and equipment that were crucial to educating students and therefore supported the CSU's core functions.

fee revenue to create a math-focused, peer-driven tutoring center; \$680,000 to implement a peer mentorship program for students transitioning to upper division courses; and \$322,000 to provide late-night tutoring in math, physics, and chemistry. Although these services do not directly relate to providing instruction to students, they provide students with the support and assistance they need to succeed, which again are core functions of the CSU.

In addition, campuses have commonly used mandatory fee revenue to pay for instructional supplies and equipment that were crucial to educating students and therefore supported the CSU's core functions. For example, Chico State dedicated student learning fee revenue to purchase equipment such as microscopes, desktop computers, and art drafting tables that were linked to student instruction. In one case, a faculty member at Chico State who received \$6,700 for biology supplies acknowledged that those supplies were essential to learning the human body and that their cost should be a regular part of the department's annual budget; however, the faculty member explained that the department was currently reliant on mandatory fee revenue to meet its needs. Similarly, Cal Poly used its student success fee and campus academic fee for lab and IT equipment purchases, respectively, while San José State spent more than \$150,000 of its course support fee revenue on lab equipment for three chemistry courses and used hundreds of thousands of dollars of its student success fee revenue to purchase software licenses. Notably, the campus also used revenue from tuition and the General Fund to pay for a portion of the lab equipment for the chemistry courses. Although we did not identify instances of San Diego State using mandatory fee revenue to purchase similar materials specifically for instruction or lab use, it purchased computer equipment, electronic journals, and books with its library use fee. In the documentation related to these types of expenditures, the campuses stated that they were necessary because the campuses were behind other universities technologically or because faculty needed additional resources to teach and conduct research.

Finally, campuses also used mandatory fee revenue to pay for remodeling academic spaces. For example, Cal Poly dedicated \$200,000 of its student success fee revenue to pay for remodeling its Disability Resource Center Testing Space, which provides testing accommodations for students with disabilities. In 2019 Chico State dedicated \$45,000 in student learning fee revenue to update its environmental engineering laboratory. San Diego State used mandatory fee revenue to remodel its campus library. These operating expenditures are distinct from those related to the actual faculty, staff, and materials needed to teach and counsel students; however, they nonetheless fundamentally support instruction and the CSU's other regular operations.

All Funding That the CSU Uses for Core Instructional Purposes Should Receive the Same Oversight

Although campuses use significant amounts of mandatory fee revenue to support the CSU's core functions, the mandatory fees that students pay to generate that revenue do not receive the same oversight as the CSU's other major revenue sources. State law does not specifically define the purposes that the CSU must support with the tuition students pay or the General Fund appropriations the Legislature provides each year, but the CSU relies primarily on these sources of revenue to pay for its core functions. To the extent that campuses use mandatory fees to pay for these same functions, the revenue they generate plays an equivalent role in the statewide process for funding the CSU system; thus, this revenue should be subject to the same discussion between the Legislature and the trustees about the amount of funding the CSU needs for its operations.

As a part of the annual state budget process, the Legislature evaluates the amount of funding the CSU is requesting from the State to support its operations. This process provides the Legislature the opportunity to adjust the amount of funding it appropriates from the General Fund in order to influence whether the trustees increase tuition. In any given year, the Legislature can decide whether to increase funding to the CSU, the CSU can increase tuition, or both. This process creates transparency for the Legislature—and for Californians—regarding how the trustees determine tuition. For example, in the fiscal year 2012–13 state budget, the Legislature stated that it would increase its General Fund appropriation to the CSU by \$125 million in the following year if the CSU did not increase tuition; accordingly, the CSU did not increase tuition.

In contrast, mandatory fees have not been subject to the same transparency and have not received the same oversight as tuition, limiting the Legislature's influence over student costs. We identified multiple instances in which the Legislature specifically considered tuition when determining how much General Fund support to provide the CSU; however, mandatory fees have not been part of that discussion even though some fee revenue supports the CSU's core functions, as we describe above. In a 2014 report from its student success fee working group, the Chancellor's Office acknowledged that campus use of fees for purposes historically covered by tuition and state funding might be cause for concern because of the link between state funding and tuition costs as well as because the trustees set tuition while others—meaning the Chancellor's Office and campus presidents—set mandatory fee amounts. In practice, as we discuss above, campuses have continued to increase mandatory fees even during years when the CSU froze tuition as part of the state budget process.

Mandatory fees have not been subject to the same transparency and have not received the same oversight as tuition, limiting the Legislature's influence over student costs.

The Legislature requires the CSU to provide information outside the regular budget process about some mandatory fee revenue, but that information does not sufficiently inform the Legislature about campuses' use of fee revenue for core functions. When the Legislature amended state law regarding student success fees, which

became effective in 2016, it required the chancellor to report annually a summary of fees adopted or rescinded in the previous academic year and the uses of student success fees. Although the report provides the amount of student success fee revenue campuses spent in broad categories such as student support activities, student development, and student engagement, it does not define what types of expenditures fall into these categories. The text box includes the reported uses of \$132 million in student success fee revenue in academic year 2018–19. The Chancellor's Office does not report to the Legislature about the campuses' uses of other mandatory fees.

Reported Campus Uses of Student Success Fee Revenue

Increased courses: \$32 million
 Student support activities: \$32 million
 Student success and retention: \$18 million
 Technology improvements: \$15 million
 Student academic programs: \$13 million
 Student academic support: \$6 million
 Student development: \$6 million
 Facility renovations: \$5 million
 Fee consolidation and elimination: \$3 million
 Student engagement: \$2 million

Source: Chancellor's Office's Report to the Legislature and Department of Finance for the 2018–19 Academic Year.

For these reasons, transparency as to how much students are actually paying to support the CSU's core functions is lost when the CSU uses mandatory fees for these same functions. Further, because mandatory fee amounts vary widely among campuses, CSU students pay different amounts for instruction and academic support depending on which campus they attend. The Legislature and the

public have an interest in ensuring that the CSU provides a core level of services, and the Legislature should directly help determine the cost of those services to students. At a minimum, discussions between the CSU and the Legislature about the amount of the CSU's state appropriation should include *all* of the revenue that the CSU uses to provide instruction to students.

Determining the Precise Amount of Mandatory Fee Revenue That the CSU Uses to Support Its Core Functions Is Challenging

Quantifying the mandatory fee revenue that supports the CSU's core functions is challenging, in part because it is often not possible to use a fee's name or type to know whether a fee supports core CSU functions because of campuses' broad and overlapping use of fee revenue across the mandatory fee types. For example, the individual campuses have used different fees to pay for the same purposes. Chico State used revenue from both its student learning fee and its consolidated course fee—which the Chancellor's Office categorizes as *material, services, and facilities fees*—to pay for the same types of software costs in different years. San Diego State

has established identical expenditure guidelines for portions of its student success fee and its instructionally related activities fee, and therefore the campus might fund a given need using revenue from either fee. Cal Poly has used the majority of revenue from its student success and campus academic fees to fund academic salaries and benefits, and it plans to use a portion of its recently implemented opportunity fee to fund still more salaries.

Some campuses also transferred revenue or split costs between different mandatory fee accounts, as well as between these accounts and the general campus operating accounts. For example, Chico State annually uses a portion of student learning fee revenue to supplement its consolidated course fee. San José State informed us that it has historically transferred expenditures from its instructionally related activities to the campus's operating accounts to prevent a deficit. Although we did not identify any transfers that were specifically prohibited by state law or by the fee policy, these transfers dispel any idea that the mandatory fees are providing for specific, discrete needs or that their categorization provides meaningful information about their actual purposes.

Finally, although some fee uses clearly fall within core CSU functions, determining whether others are central to instructing and graduating students is more difficult. Specifically, some of the campuses' uses of fee revenue do not explicitly connect to instruction but nonetheless provide educational benefits to students. For instance, the campuses we reviewed used or dedicated mandatory fee revenue to pay for or help support field trips, conferences, competitions, or career fairs. San Diego State dedicated student success fee revenue to pay for tools for students to design and build an experimental remote control aircraft for an international competition. San José State used course support fee revenue to provide catering for a writing conference hosted by its College of Humanities and Arts.

Although these events and activities may not all be necessary for the CSU to educate and graduate students, they provide students opportunities to expand their knowledge outside of the classroom and help them prepare for the workplace. As a result, determining whether they are central to achieving the CSU's educational mission or whether they merely enhance students' experiences is challenging. This distinction is critical to determining which fee-supported activities should be evaluated and funded through the systemwide state budget process and which activities may be reasonable for campuses to continue to support through mandatory fees that vary by campus. We believe there is a need for the Chancellor's Office to compile and report to the Legislature systemwide information on the amounts of mandatory fee revenue campuses spend on specific expenditures—such as faculty,

Some campuses also transferred revenue or split costs between different mandatory fee accounts, as well as between these accounts and the general campus operating accounts.

instructional materials, and lab equipment—as well as the amounts of these expenditures that are central to instructing and graduating well-prepared students. With this information about the true costs of these core functions, the Legislature will be better able to fulfill its role in overseeing those costs.

The CSU's Approach to Establishing, Increasing, and Overseeing Mandatory Fees Does Not Ensure Adequate Accountability to Students

As we previously discuss, campuses have raised their mandatory fees an average of 56 percent over the last nine years and have used the resulting revenue from some mandatory fees to help pay for their core functions. Their ability to raise mandatory fees is, in part, the result of vague requirements in the Chancellor's Office fee policy that allow them to impose or increase mandatory fees without justifying specific fee amounts. Because these requirements are vague, campuses do not have to sufficiently quantify their needs when determining and setting their fee amounts, nor do they have to demonstrate that they have no other way to pay for those needs. The fee policy also does not include specific requirements to ensure that campuses adequately consult students about proposed new mandatory fees or fee increases. State law already requires binding student votes before campuses implement or increase student success fees and, in general, student association fees; extending this requirement to all mandatory fees and fee adjustments will address many of the issues we have identified and increase campuses' accountability for the fees they propose.

Campuses do not have to sufficiently quantify their needs when determining and setting their fee amounts, nor do they have to demonstrate that they have no other way to pay for those needs.

Campuses Have Not Sufficiently Quantified Their Needs When Determining Mandatory Fee Amounts

Although mandatory fees constitute an increasing proportion of CSU enrollment costs to students, campuses have not always sufficiently justified the proposed dollar amount of mandatory fees that they have established or increased, and the Chancellor's Office has not ensured that such fee amounts are justified. For five of the 13 fee proposals we reviewed—Cal Poly's 2018 increase to its health services fee, San José State's 2018 reallocation of its health services and facilities fees, San José State's 2013 increase to its associated students fee, and Cal Poly and San Diego State's increases to their student union fees—the campuses demonstrated that they arrived at proposed fee amounts by calculating the amounts of fee revenue they needed to meet specific, measurable needs. Notably, these fee proposals were for fees with clear and defined purposes, such as building and operating facilities. However, to varying degrees, the

campuses justified the dollar amounts for the remaining eight fees and fee increases we reviewed with flawed rationales, insufficient analyses, or both.

This latter group of fees generally had broadly defined purposes that overlapped with the campuses' core functions. For example, in 2018 Chico State approved an increase to its student learning fee, which it uses largely to pay for instructional materials such as classroom equipment that campus faculty, staff, or students ask for through funding requests. When we asked about the increase, which totaled \$80 per year, Chico State's provost indicated that the campus calculated the amount of the increase based on the revenue it would have needed to fund all requests from the previous year. However, the campus had not established that all those requests had merit. Further, the campus did not analyze or document the specific campus needs it would have addressed if it had funded the requests or how the new fee amount would meet its ongoing needs at the lowest cost to students.

Cal Poly used a similarly flawed justification for an increase of \$336 per year to the campus academic fee for the campus's College of Liberal Arts in 2014—an increase that the president did not approve following a student vote against it. Students at each of the six individual colleges at Cal Poly—such as the College of Engineering and the College of Science and Mathematics—pay the campus academic fee, and the individual colleges allocate this revenue largely to help pay for their faculty. Cal Poly's College of Liberal Arts students currently pay a campus academic fee of \$852, which is \$378 lower than the fee at Cal Poly's other colleges. When we asked the associate dean of the College of Liberal Arts the rationale for the proposed 2014 fee increase, her only explanation was that the college wanted to increase its fee to the same amount students in the other colleges paid. Our review confirmed that the college did not perform a formal analysis to define and quantify the need for the proposed increase, much less to demonstrate that the increase would meet the college's needs at the lowest cost to students.

When implementing their student success fees, neither Cal Poly nor San José State calculated the fee amounts—which, by academic year 2019–20, totaled \$878 and \$669, respectively—based on specific projected expenditures. For example, the letter from Cal Poly's president to the chancellor requesting approval of the student success fee offered no reason or justification for the specific fee amount. To justify San José State's proposed fee amount, its president's request for approval merely noted to the chancellor that it was “within the range” of recent fees established by other CSU campuses. Based on our review of all informational materials for both fee proposals, neither campus explained how it determined the costs of the programs and services the fee would support or

The letter from Cal Poly's president to the chancellor requesting approval of the student success fee offered no reason or justification for the specific fee amount.

Weaknesses in the Chancellor's Office fee policy may be responsible for at least some of the campuses' insufficient analyses.

how the fee amounts would, by extension, allow it to meet its stated needs. Nonetheless, the chancellor approved both fees. Notably, San José State ultimately implemented only a portion of the planned fee; however, when we asked the campus how it determined that a lower fee amount would be sufficient to meet its needs, staff could provide no explanation.

Weaknesses in the Chancellor's Office fee policy may be responsible for at least some of the campuses' insufficient analyses. We expected the fee policy to require campuses to provide analyses or calculations demonstrating that a proposed fee amount meets a campus's need at the lowest cost to students. However, the fee policy does not include any such requirement. Further, although the fee policy directs campuses to develop two years of projected revenue and expenditures when establishing or increasing fees, the policy does not require a meaningful level of detail from these projections. For example, in its revenue and expenditure information for its student success fee, San José State offered only broad and vaguely worded categories of expenditures, such as "supporting and delivering critical and quality academic systems" or "enhancing learning management." The policy also does not require campuses to demonstrate that they do not have any alternative ways to obtain funds to address their specified needs. None of the campuses we reviewed demonstrated that they could not support these needs through alternative funding options, although some campuses stated that no other options existed. Therefore, although the inadequate justifications we describe throughout this section create serious concerns about whether mandatory fees are as low as possible, the fee policy's permissiveness means that none of the campuses actually violated the policy in these instances.

Further, because the Chancellor's Office does not review fee increases, it is unlikely to identify when campuses that increase fees do not comply with the fee policy by completing even the minimal analyses the policy does require of them. In fact, we found that Cal Poly and Chico State each violated the fee policy by failing to make the required expenditure projections for proposed fee increases, stating instead that student committees would allocate fee revenue after the fact. That the Chancellor's Office's did not intervene in either of these two cases highlights the need for oversight over all fee proposals.

Because the fee policy opens with a statement that the CSU makes every effort to keep student costs to a minimum and that the trustees have delegated authority for establishing and overseeing mandatory fees to the chancellor, we believe that a key element of the fee policy should be to limit mandatory fees to the lowest amounts possible. When we raised some of these concerns with the Chancellor's Office, it responded that the CSU makes every effort

to keep student costs to a minimum, but fees, including mandatory fees, increase when public funding is inadequate to meet campus needs. However, as the above examples show, the fee policy does not require campuses to demonstrate that proposed fee amounts meet campus need at the lowest cost to students nor that other funding is inadequate.

The CSU Has Not Ensured That Campuses Adequately Consult With Students When Establishing or Increasing Mandatory Fees

As a result of flaws in the fee policy and gaps in the Chancellor's Office's review of campus fee proposals, campuses have not always adequately consulted with students regarding the mandatory fees the students pay. Although the fee policy states that it is critical that consultation with students be "appropriate and meaningful" and outlines requirements for such consultation, these requirements are so vague that they do little to ensure that campuses obtain adequate and meaningful student feedback. Specifically, as we describe in the Introduction, the fee policy requires campus presidents to decide whether to hold a student vote or to pursue the *alternative consultation* process.⁸ However, the fee policy does not sufficiently outline key aspects of that alternative consultation process to ensure that it is fair and inclusive.

When we asked the Chancellor's Office for clarification regarding certain terms and processes in the fee policy, its response was that each campus may interpret the requirements in the policy as it sees fit. However, by neglecting to define terms and processes in the policy, the Chancellor's Office does not ensure that campuses meaningfully consult with students to obtain their feedback on new or proposed mandatory fees. For example, the fee policy does not contain timeline requirements, such as how long the consultation process must last or when a campus must present consultation materials to students. The policy also does not specify how many students the campus must consult or require the campus to actually collect student feedback. Further, the policy does not restrict interested parties—such as an administrator in a college or division that will benefit from a proposed fee—from playing a central role in the design and oversight of the consultation process.

In practice, the fee policy has resulted in some campus consultation processes that met the letter of the requirements but still did not ensure that consultations were either appropriate or meaningful. For example, in 2018 Cal Poly increased its health services fee

The Chancellor's Office's fee policy does not sufficiently outline key aspects of the alternative consultation process to ensure that it is fair and inclusive.

⁸ State law requires students to approve by vote the establishment of or increase to student success fees and, in general, student association fees. Students must also approve the establishment of student union fees.

after using the alternative consultation process to consult with students. Although this process generally complied with fee policy requirements, the associated students' board of directors sent a memorandum to the campus president formally stating that it supported the fee increase but opposed the way the process was carried out. Specifically, the board of directors believed the alternative consultation process, which took place over 38 days, left inadequate time for students to provide thoughtful and careful feedback. The board of directors also believed the campus did not sufficiently engage with students before beginning the alternative consultation process.

The fee policy also does not ensure that a campus administration's interest in establishing a fee is balanced against the CFAC's role as an advisory body tasked with providing objective analysis of fee proposals. For example, in 2014 San Diego State's Division of Academic Affairs proposed a student success fee. The associate vice president of this division at the time was a voting member of the campus's CFAC and both presented the fee proposal to the CFAC and recommended using the alternative consultation process instead of a student vote. The CFAC then voted on whether to recommend the alternative consultation process to the campus president; the associate vice president voted for the alternative consultation process, which passed with six votes in favor and five against. Once the campus president approved this approach, the associate vice president helped develop the informational materials for the proposed fee, including the fee pamphlet.

Because the fee policy does not address these types of situations, the process can be undermined by concerns about objectivity. In fact, San Diego State's student newspaper reported that two members of San Diego State's associated students organization later expressed doubts about the alternative consultation process, stating that some students felt the information the campus presented to students was not objective and that the campus would move forward with the fee regardless of student input. Therefore, although San Diego State did not violate the fee policy, the policy's lack of guidance threatens at least the appearance of objectivity in the alternative consultation process.

Although the fee policy "presumes" that campuses will conduct student votes, the campuses used the alternative consultation process in five of the 13 fee proposals we reviewed.

Although the fee policy "presumes" that campuses will conduct student votes, the campuses used the alternative consultation process in five of the 13 fee proposals we reviewed. When we asked about this inconsistency, the Chancellor's Office's assistant vice chancellor for budget stated that the CSU has no official preference between student vote and alternative consultation. In addition, the campuses that used alternative consultations were unable to offer convincing reasons for not using student votes. Specifically, all

four campuses justified using alternative consultation for certain fee proposals by citing the need to help students better understand the proposals. For example, in 2012 San José State's president explained that he opted for alternative consultation because it provided the campus an opportunity to educate students on the full scope and intent of the student success fee while engaging in active dialogue with them. However, the campus could have achieved these goals by engaging in a dialogue before holding a student vote.

In fact, nothing precludes campuses from providing comprehensive information about proposed fees and soliciting feedback while also allowing students to formally vote on fee proposals. For example, when proposing increases to three mandatory fees in 2018, Chico State's president initially selected alternative consultation because she stated that it provided a better way to develop understanding and obtain in-depth feedback from students. However, she ultimately decided to hold advisory student votes in addition to the alternative consultation process.

The campuses provided other justifications for using alternative consultation that also implied problematic limits on student input. For example, when Cal Poly increased its health services fee in 2018, the campus stated that it would be inappropriate to have the entire campus vote for increasing a mandatory fee for a service that only some students used. In another example, when we asked San Diego State's interim associate vice president of financial operations why the campus used alternative consultation when it established its student success fee in 2014, she stated that requiring students to attend presentations as part of the alternative consultation process for more complex fees, such as the student success fee, ensured that students had complete information about how the fee would be used before providing input on the proposed fee. She also stated that if the campus had held a campuswide student vote, students might not have been as educated on the fee proposal before voting. However, because all students must pay mandatory fees, we disagree with both campuses' justifications, which are based on the idea that only a subset of students should be allowed to provide substantive input.

In addition to the questionable alternative consultation processes at some campuses, we identified several instances in which campuses' processes for both student votes and alternative consultation directly violated the fee policy. However, the Chancellor's Office did not intervene to enforce policy requirements in any of these cases, some of which involved new fees that the chancellor approved. For instance, although the fee policy requires a campus's CFAC to consider each fee proposal and make a recommendation to the campus president, Cal Poly's CFAC failed to make a recommendation on any of the five fee proposals we reviewed.

The campuses provided other justifications for using alternative consultation that also implied problematic limits on student input.

Campus administrators acknowledged that it has not been the campus's practice to have the CFAC make these recommendations, a direct violation of the policy.

Three of these five processes involved student votes, the results of which Cal Poly's president honored. The fact that all students were able to vote on these three fees mitigates the missing input from the CFAC. However, in the remaining two cases, the campus president moved forward with the proposed fees after conducting alternative consultation processes. One of these cases involved the 2018 health services fee increase process that raised objections from the associated students organization, as we discuss above. Given that the primary responsibility of a campus CFAC, which includes students as a voting majority, is to consult with the campus president and provide advice regarding fee proposals, Cal Poly's failure to collect and consider its CFAC's recommendations for these fees concerns us.

Similarly, when San José State established its student success fee in 2012, the campus president did not inform its CFAC before initiating an alternative consultation process or work with the CFAC to design the consultation process, both of which are clear violations of the fee policy. In a memorandum to the campus president, the CFAC formally expressed its perspective that the campus's alternative consultation process had not adhered to the fee policy requirements. Although the Chancellor's Office had the opportunity to review the CFAC's concerns and therefore should have known that San José State violated the fee policy, the chancellor authorized the fee. When we asked the Chancellor's Office why it approved the fee despite these issues, the associate vice chancellor for business and finance stated that because a previous chancellor approved the fee, current staff were unable to offer perspective on that decision.

Finally, in 2018 San José State adjusted two mandatory fees without consulting any students outside of those on its CFAC. We discussed with the campus its noncompliance with alternative consultation requirements for the fee adjustment, which involved increasing its health services operations fee and decreasing its health services facilities fee by identical amounts. The campus's senior associate vice president of finance stated that because the fee adjustments offset each other and thus did not constitute a fee increase to students, consulting with the CFAC served the purposes of alternative consultation. However, the fee policy makes no such allowance. Because the Chancellor's Office does not review increases to existing mandatory fees, it does not have the opportunity to identify and correct these kinds of violations of the fee policy. Therefore, expanding the Chancellor's Office's

Because the Chancellor's Office does not review increases to existing mandatory fees, it does not have the opportunity to identify and correct these kinds of violations of the fee policy.

review to all fee proposals and increasing the rigor of this review would help ensure that campuses are complying with fee policy requirements.

Strengthening Existing Law to Require Binding Votes for All Mandatory Fees Would Help Ensure Student Consultation

Although the Legislature acted to increase accountability for student success fees, more must be done to ensure that campuses honor the opinions of the students who ultimately pay mandatory fees. As we discuss in the Introduction, in 2016 the Legislature established requirements that included a binding student vote before a campus implements a new student success fee or increases an existing student success fee. This requirement highlights the Legislature's concern with student oversight for the fees they pay. However, despite the broad overlapping uses of fee revenue that we discuss in this report, there is no such student vote requirement applicable to most of the other mandatory fees. Instead, for these fees, campus presidents have the authority to move ahead with fee proposals even if a majority of students vote against them. Students voted against the proposed fees in five of the eight votes we reviewed, but all five of these votes were only advisory; in fact, only one of the eight student votes we reviewed was binding. Expanding current law to require student votes for all mandatory fees and make them binding would address the concerns with the alternative consultation process we describe above and would ensure that students have the ability to vote on all new and increased fees.

Our review of Chico State's 2018 increases of three separate fees demonstrates one of the problems that occurs when student votes are advisory. When proposing these fee increases, Chico State first proceeded with the alternative consultation process. However, after students expressed concerns at two open forums about whether their voices would be heard in this process, the president decided to hold an advisory student vote. During the process, Chico State presented in its advisory materials and at open forums the fact that critical health services, opportunities for enhanced learning experiences, and the entire campus athletics department would be negatively affected if the campus did not increase mandatory fees. However, even in light of these possible consequences, more than 60 percent of voting students voted against each of the fee increases. Nonetheless, the campus president decided to increase all three fees and stated in a letter to the students that no other viable option existed to fund these programs and services. However, as we explain above, the campus did not provide any analyses to support this claim. Notwithstanding our concerns about how Chico State calculated and demonstrated its needs, the campus president's

Students voted against the proposed fees in five of the eight votes we reviewed, but all five of these votes were only advisory; in fact, only one of the eight student votes we reviewed was binding.

Because campuses use revenue from different fees for similar purposes, they can circumvent the binding vote requirement that the Legislature enacted for student success fees.

decision to overrule the voting results ignored students' willingness to leave certain services unfunded in favor of not increasing mandatory fees.

The broad and overlapping nature of some mandatory fees is another reason to expand existing voting requirements. Because campuses use revenue from different fees for similar purposes, they can circumvent the binding vote requirement that the Legislature enacted for student success fees. No CSU campus has implemented or increased a student success fee since this requirement went into effect in 2016, but campuses have continued to impose new fee amounts for similar purposes although for fees with other names. For example, Chico State's student learning fee pays for services that are similar to those that the student success fees pay for at other campuses; therefore, it should be categorized as such. However, because the Chancellor's Office does not define Chico State's student learning fee as a student success fee, the campus was able to treat the student vote as both optional and advisory—circumventing the limits the Legislature put in place to ensure accountability to students. In another example, in 2019 San Diego State's president approved an \$80 per year increase to its instructionally related activities fee to help fund its academic success initiatives in several centers on campus, such as its Black Resource Center and its Center for Intercultural Relations. Although this purpose clearly connects to students' success and other campuses fund similar activities with student success fee revenue, San Diego State chose to obtain this funding by increasing a fee that does not require a student vote. Expanding the existing voting requirements to all mandatory fees would ensure student consultation and would close existing loopholes through which campuses can impose or increase other mandatory fees at their discretion.

Without Major Changes to the CSU's Current Fee Structure, the Campuses Are Unlikely to Decrease Their Mandatory Fees

The campuses' uses of mandatory fee revenue, in combination with their high level of autonomy in requesting and increasing fees and lack of incentive to decrease fees, indicates that mandatory fees will continue to increase unless the Legislature makes significant changes to the current system. The campuses have continued to increase their mandatory fees—including those that pay for the core functions of instructing and graduating CSU students—even though the CSU has received growing General Fund support. As we discuss below, the campuses generally tend either to commit their mandatory fee revenue to ongoing costs or to rely on it for funding multiple one-time projects. Neither of these approaches involves solving a defined problem and thereby eliminating the need for the fee.

Further, because the Chancellor's Office does not take a campus's fee revenue into account when allocating tuition and General Fund revenue, the campuses have no incentive to reduce fees.

A key reason that the four campuses we reviewed have not reduced or eliminated mandatory fees is that they budget and spend the resulting revenue on ongoing annual costs. For example, San José State periodically issues notices to campus management requesting proposals for funding from its student success and instructionally related activities fees. After reviewing the proposals and recommendations from the campus CFAC, the president awards ongoing funding. Cal Poly has a similar process through which it dedicates mandatory fee revenue as permanent funding for positions or programs. For example, in fiscal year 2017–18, Cal Poly dedicated ongoing student success fee funding of \$625,000 for five tenure-track faculty positions and funding of \$170,000 for coordinator positions for its Veterans Success Center and its Dream Center for undocumented students. Similarly, San Diego State commits 90 percent of its total student success fee revenue to paying for faculty. None of these commitments involve time horizons or other metrics that might result in the fees no longer being necessary.

In addition, all four campuses we reviewed rely on fee revenue to award one-time funding to projects or programs and to meet other needs as they arise. For example, each year, Chico State invites faculty, staff, or students to submit proposals for one-time funding from its student learning fee—one of the campus's materials, services, and facilities fees—and a portion of its instructionally related activities fees. Campus committees review these proposals and recommend those they select to the president for funding. San Diego State awards funding for student proposals through a similar process. For example, it awarded \$79,000 in student success fee revenue in fall 2019 to support student participation in a robotic submarine competition. Cal Poly has historically provided instructionally related activities fee revenue to support operations of its equestrian team and debate team, and in 2019 the campus awarded \$150,000 in student success fee funding for new marching band uniforms. By setting aside portions of mandatory fee funding to pay for short-term projects, campuses create a flexible pool of money from which faculty, staff, and students can perpetually request funding. In fact, Chico State used the amount of funding requests it had received for one-time funding as justification for increasing its student learning fee in 2018.

Compounding the effects of campuses' reliance on mandatory fees for both ongoing and one-time needs is the fact that the Chancellor's Office does not consider this revenue when allocating tuition and General Fund money to the campuses. Consequently, campuses do not have to decide between fees and state support. Indeed, when we

All four campuses we reviewed rely on fee revenue to award one-time funding to projects or programs and to meet other needs as they arise.

asked San Diego State whether the campus would reduce its student success fee as a result of increased state support, the interim associate vice president stated that state appropriations provide uncertainty in the availability of funding, so it is unlikely that the campus would remove a stable funding source. Cal Poly, Chico State, and San José State indicated that decreasing mandatory fees could negatively affect students because the fees support purposes that are important to student success on their campuses.

Generally, students have no means of compelling campuses to reduce or eliminate existing fees. Fees do not expire, and although students have endorsed or approved some existing mandatory fees by vote, those fees generally do not include any method for students to remove them in the same way. The student success fees are an exception; as we discuss previously, state law allows students to rescind a student success fee that was in place on January 1, 2016, if—among other things—the fee has been in place for at least six years. Even then, however, nothing will prevent the CSU and its campuses from creating new fees or increasing existing mandatory fees to cover the costs the campuses previously supported using student success fees: neither state law nor the Chancellor’s Office clearly defines student success fees or how they differ from other mandatory fees that fund campus instruction and support activities.

Intervention from the Legislature is necessary to halt or reverse the trend of increasing mandatory fees.

Intervention from the Legislature is necessary to halt or reverse the trend of increasing mandatory fees. As we discuss previously, mandatory fees constitute a growing portion of total student enrollment costs and thus progressively undermine the Legislature’s ability to help control student costs. Even if the Legislature provides additional funding specifically aimed at reducing or eliminating fees, the current system offers no guarantee that the campuses will in turn relieve the financial burden of mandatory fees for students. We asked the Chancellor’s Office whether it would require campuses to decrease or eliminate mandatory fees in response to receiving additional state funding specifically for costs they currently support with fee revenue, but it responded that it would not speculate about what it would do in this situation. Therefore, given the concerns we have with the growing fees that campuses use to support core functions and no indication that the CSU will reduce fees on its own, if the Legislature wishes to ensure future stability related to the amounts students must pay to attend the CSU, it must bar campuses from using fee revenue to pay for core CSU functions.

Abolishing mandatory fees that pay for core CSU functions would likely have a detrimental impact if the Legislature does not simultaneously consider alternative ways to fund those functions. In fiscal year 2017–18, the 23 CSU campuses collected \$696 million

in mandatory fee revenue. Although this amount is relatively small compared to tuition and General Fund revenue—which together totaled \$6.4 billion in fiscal year 2017–18—simply eliminating this revenue without identifying new funding would likely negatively affect students who currently receive instruction and other academic support that fee revenue funds. As we discuss earlier in this report, the precise amount of mandatory fee revenue that campuses use to support their core functions is unclear. However, it is possible to establish some parameters around the amount of new funding that campuses would need if they could no longer charge mandatory fees to serve those functions. For example, allowing campuses to continue to charge fees that do not support the core functions of the CSU—student union fees, student association fees, health services fees, and health facilities fees—reduces the potential shortfall to \$270 million annually. Further, of the mandatory fee types that do support core CSU functions, campuses can use portions of their instructionally related activities fee revenue to support intercollegiate athletic programs. Allowing campuses to continue to use fee revenue for athletics would further reduce the shortfall. Although the systemwide amount of instructionally related activities fee revenue that supports campus athletics is not in the available systemwide data, our review of the four campuses' financial data indicates that amount is significant; San José State alone used \$8 million of its instructionally related activities fee revenue for this purpose in fiscal year 2017–18.

These parameters do not eliminate the need for the CSU to collect more comprehensive information about its uses of fee revenue. However, they do demonstrate an upper limit on what it would take to eliminate the fees that support core CSU functions and instead fund those functions in a way that promotes consistency and oversight—through increased tuition, increased General Fund support, or both. If recent trends continue, systemwide mandatory fee revenue is on track to reach nearly \$1 billion by fiscal year 2024–25, making such a change increasingly costly. Acting now presents an opportunity to ensure that mandatory fee costs that support core functions do not continue to rise, to potentially increase student access to financial aid to pay for core CSU functions, and to help control future costs by ensuring that all funding that the CSU uses for its core functions receives legislative oversight during the annual state budget process.

If recent trends continue, systemwide mandatory fee revenue is on track to reach nearly \$1 billion by fiscal year 2024–25.

Recommendations

Legislature

To ensure that all funding that students and the Legislature provide to the CSU system to pay for its core functions receives the same oversight, the Legislature should do the following:

- Direct the Chancellor's Office to review mandatory fee expenditures across all 23 campuses and, by December 2020, report to the Legislature how much campuses spent of those fees on faculty and academic support staff, classroom and laboratory improvements, educational equipment and software, student trips and events, instruction-related facility improvements, and athletics in fiscal year 2018–19. The Chancellor's Office should also report the proportions and dollar amounts of these fee expenditures that directly support the CSU's core functions—namely, instructing and graduating students who are prepared to succeed.
- Using this information, determine and implement the most effective centralized way to fund the core functions for which mandatory fees currently pay.
- Upon implementing the new funding approach, prohibit CSU campuses from charging and using revenue from mandatory fees—including student success fees; instructionally related activities fees; and materials, services, and facilitates fees—to pay for any of the identified core functions. This prohibition should also apply to any mandatory fees campuses create in the future.

To ensure that CSU students have a strong voice regarding the mandatory fees they must pay, the Legislature should amend state law to require campuses to hold binding student votes when seeking to establish or increase any mandatory fee. The Legislature should require the Chancellor's Office to verify the results of all student votes before the chancellor approves fee changes.

Chancellor's Office

To ensure that CSU campuses adequately identify the need for their proposed mandatory fee amounts, the Chancellor's Office should do the following:

- Revise its fee policy to require campuses to justify amounts for new or increasing fees by providing supporting documentation demonstrating the need for the fees, how they calculated the fee amounts, and how they determined that no other source of funding could pay for the needed services.

- Extend its review responsibilities to include increases to existing mandatory fees.
- Increase the rigor of its fee proposal review and approval process to better ensure that it detects campuses' violations of the fee policy.

We conducted this performance audit under the authority vested in the California State Auditor by Government Code 8543 et seq. and in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
California State Auditor

May 14, 2020

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Appendix A

Campus Compliance With the Fee Policy Requirements for Consulting With Students

As we discuss in the Introduction, the fee policy establishes requirements for campuses to consult with students when proposing to create or increase mandatory fees. To evaluate whether the four campuses we reviewed complied with these requirements, we analyzed the consultation processes that they conducted for 13 proposed new fees and fee increases during academic years 2011–12 through 2018–19. Table A identifies whether campuses complied, partially complied, or did not comply with the fee policy requirements. In the Audit Results section of this report, we discuss most instances of noncompliance that we identified. However, as we also explain in the report, many requirements are so broad that we have concerns about the thoroughness and inclusiveness of the consultation processes that the campuses used even though the processes complied with the fee policy.

As we describe in the Introduction, the fee policy directs campuses to consult with students through either of two processes: a student vote or a process the policy calls *alternative consultation*. The fee policy establishes different requirements for these two processes; therefore, depending on the process a campus used for a given fee, some requirements may not be applicable. Additionally, campuses' associated student organizations conducted the student votes for three of the fee proposals we reviewed. Under the fee policy, student votes conducted by the associated student organizations are not subject to the policy's requirements. However, we believe that because students are required to pay these mandatory fees to enroll and campus presidents have ultimate responsibility for all fee increases, all voting processes should be subject to the same requirements. The Table therefore indicates whether all consultation processes, including those that associated students organizations conducted, met the fee policy's requirements.

In some cases, campuses partially complied with requirements while still not meeting certain technical aspects. For example, when Chico State held a vote for three fee proposals in 2018, it published a required voter pamphlet in the student newspaper three days later than the time frame allowed by the fee policy; however, the campus did publish the pamphlet information on its website in a timely manner. Additionally, the fee policy requires this sort of pamphlet to include statements—solicited by the campus's CFAC—for and against the fee proposal as well as an objective analysis. However, several campuses published fee pamphlets that did not contain both statements for and against their fee proposals. The Chancellor's Office told us that if a CFAC solicits but does not receive a statement against a proposed fee, it is not required to publish a statement at all. However, given a CFAC's role in helping generate objective fee information for students to evaluate, it is reasonable to expect a CFAC to develop a meaningful statement on its own if no other party submits one.

STUDENT VOTE REQUIREMENTS			ALTERNATIVE CONSULTATION REQUIREMENTS				STUDENT VOTE AND ALTERNATIVE CONSULTATION REQUIREMENTS	
PROPOSED FEE	Voting Process: The president, in consultation with the student association and the faculty senate, shall develop guidelines applicable to the student fee referendum process designed to assure that the vote is open, fair, and objective.	Voting Pamphlet: The CFAC shall issue a voter pamphlet providing objective analysis of the proposed fee action and statements solicited by the committee for and against the proposed fee action.	Voting Pamphlet Publication: Copies of the pamphlet and ballot/voting information shall be available to students and published in the campus newspaper and in other public locations around campus at least 30 days before the vote.	Consultation Process: Alternative consultation strategies shall be developed with input from the student association and the CFAC to ensure that the process is transparent and meaningful.	Fee Information: Written material regarding the fee proposal should follow the same guidelines as a voter pamphlet, including the objective analysis and statements solicited by the CFAC for and against the proposed fee action.	Student Involvement: The campus should consult with any constituencies affected by the fee proposal, including a representative sample of students.	Consultation Results: Results of the alternative consultation process should be summarized and put in writing and used as additional advisory material to be taken into consideration by the CFAC and the president.	Recommendation: The CFAC shall consider proposals for the establishment and adjustment of fees and shall then make a recommendation to the campus president.
San Diego State								
Student Success Fee (2014)—Alternative Consultation	NA							
Student Union Fee (2018)—Student Vote						NA		
San José State								
Student Success, Excellence, and Technology Fee (2012)—Alternative Consultation	NA							
Associated Student Fee (2013)—Student Vote						NA		
Health Services/Facilities Fee (2018)—Alternative Consultation	NA							

Source: Analysis of campus materials pertaining to mandatory fee proposals and review of fee policy.

* For this fee proposal, the campus initially proposed using alternative consultation before concluding the consultation process with a formal student vote. We therefore tested campus compliance with fee policy requirements for student votes.

NA = Not applicable.

Green = Fully complied with fee policy requirements.

Yellow = Generally complied with fee policy requirements but failed to meet certain technical aspects.

Red = Did not substantively comply with fee policy requirements.

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Appendix B

Systemwide Mandatory Fees

As we discuss in the Introduction, mandatory fee amounts vary widely across the 23 CSU campuses. Not all campuses charge students every type of fee, and the amounts campuses charge differ within fee types. Table B provides the amount students at each of the campuses had to pay in academic year 2019–20 for each of the seven fee types. In addition, the Table includes the total amount of mandatory fees at each campus and the average fee amount across all 23 campuses for each fee type.

Table B
Systemwide Mandatory Fees, Academic Year 2019–20

	HEALTH FACILITIES	HEALTH SERVICES	INSTRUCTIONALLY RELATED ACTIVITIES	MATERIALS SERVICES & FACILITIES	STUDENT SUCCESS*	STUDENT ASSOCIATION*	STUDENT CENTER*	TOTAL
Bakersfield	\$6	\$326	\$183	\$62	—	\$409	\$691	\$1,677
Channel Islands	6	190	260	145	—	150	324	1,075
Chico	6	492	396	202	—	138	830	2,064
Dominguez Hills	6	150	10	5	\$560	135	338	1,204
East Bay	6	386	134	3	240	129	360	1,258
Fresno	6	226	264	46	—	69	236	847
Fullerton	7	174	78	78	393	161	291	1,182
Humboldt	66	666	674	353	—	117	246	2,122
Long Beach	10	150	50	10	346	124	402	1,092
Los Angeles	6	277	126	5	283	54	275	1,026
Maritime	14	740	130	280	—	210	—	1,374
Monterey Bay	—	186	254	165	—	96	700	1,401
Northridge	6	150	36	5	236	214	588	1,235
Pomona	6	262	40	—	436	123	787	1,654
Sacramento	48	252	397	—	—	143	786	1,626
San Bernardino	28	268	167	15	185	123	424	1,210
San Diego	50	300	398	50	426	70	474	1,768
San Francisco	6	314	236	696	—	108	164	1,524
San José	70	380	—	33	669	196	762	2,110
Cal Poly (San Luis Obispo)	11	636	330	1,241	878	341	764	4,201
San Marcos	40	326	80	249	500	150	630	1,975
Sonoma	40	430	520	40	—	258	850	2,138
Stanislaus	24	408	336	288	—	154	590	1,800
Averages	\$20	\$334	\$222	\$173	\$224	\$160	\$501	\$1,633

Source: Chancellor's Office.

* Students must approve by vote the establishment or adjustment of a student success fee or, in general, a student association fee; and students must also approve the establishment of a student union fee.

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APPENDIX C

Scope and Methodology

The Audit Committee requested that the California State Auditor conduct an audit of CSU mandatory fees at Cal Poly, Chico State, San Diego State, and San José State to determine the types of expenditures the campuses have paid for with mandatory fee revenue and the information they made available to students about this spending. The Audit Committee also directed us to review the processes the campuses followed when proposing new mandatory fees or increases to existing mandatory fees. Finally, it asked that we assess the financial impact mandatory fees have had on students and how students have paid for rising fee costs at the four campuses. The Table lists the objectives that the Audit Committee approved and the methods we used to address them.

Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed relevant laws, rules, regulations, and policies and procedures related to mandatory fees and oversight by the Chancellor's Office.</p>
<p>2 Identify any trustees' or Chancellor's Office's policies regarding the adoption of mandatory fees and what specific purposes or categories of expenditures are allowed for the revenue generated.</p>	<ul style="list-style-type: none"> • Reviewed trustees' policy delegating authority over mandatory fees to the Chancellor's Office. • Reviewed the fee policy to identify the requirements that campuses must follow to request the Chancellor's Office's approval to establish new fees or to adjust existing fees.
<p>3 For each of the specified campuses, review the applicable mandatory fees for the most recent five-year period in order to determine the following:</p> <ol style="list-style-type: none"> a. Differences between campuses in the types of fees and the processes of originating, approving, and implementing a student fee. b. Which fees require a vote of the student body, and if the student body voted to reject a proposed fee increase, was the campus's need met by other means. c. The increase in the cost of attendance as a result of mandatory fees and, to the extent possible, the increased costs that came from both mandatory and optional fees. d. To the extent possible, the number of students who are paying for mandatory or optional fees using financial aid from either federal, state, or institutional sources and the number who are paying directly. 	<ul style="list-style-type: none"> • Reviewed the purposes and amounts of all mandatory fees the four campuses currently charge. • Reviewed 13 proposed new fees and fee increases since academic year 2011–12 at the four campuses. We assessed whether the campuses followed the fee policy in place at the time of the proposals. • Reviewed state law and the Chancellor's Office's mandatory fee policy to determine which mandatory fees required a student vote. Assessed how campuses responded to rejected fee increases. • Determined the percentage change in total enrollment cost for the four campuses we reviewed and the average change in enrollment cost for all CSU campuses for academic years 2011–12 through 2019–20. Identified how much of that change was because of mandatory fee increases. • Reviewed state and federal eligibility requirements for major public grant programs, the sources of funding for those grants, and any limits on grant amounts that may affect how students use grant funds to pay for mandatory fees. • Using data from three of the four campuses, calculated the number and percentage of students using grants or scholarships to pay for mandatory fees and the number and percentage paying out of pocket or with student loan funds.*

continued on next page...

AUDIT OBJECTIVE	METHOD
<p>4 Determine what accountability measures are in place at each campus to ensure that funds generated by mandatory fees are being spent appropriately. For a selection of expenditures, determine their appropriateness and whether they were made for the original purpose for which they were intended.</p>	<ul style="list-style-type: none"> Reviewed reports and notices from campuses that identified how the campuses allocated, budgeted, or spent mandatory fee revenue, including information that campuses post publicly online. To identify how campuses spent mandatory fee revenue, reviewed financial records from the four campuses related to mandatory fees from fiscal years 2014–15 through 2018–19. Reviewed a selection of transactions involving mandatory fee revenue at each campus to determine whether the transactions were consistent with the pertinent fees’ purposes and complied with any restrictions on the use of fee revenue. Assessed the extent to which the campuses used mandatory fee revenue to support the core CSU functions of instructing and graduating students.
<p>5 Determine whether mandatory fee revenues are funding programs or services that CSU is already required to provide through other revenue sources.</p>	<p>Reviewed state law to identify any restrictions on how campuses may use mandatory fee revenue or other sources of revenue. Under Objective 4, we determined whether campuses complied with any restrictions on the use of mandatory fee revenue.</p>
<p>6 Identify what mechanisms, if any, exist for students to be informed about how mandatory fees are being spent on their campus.</p>	<p>Refer to Objective 4.</p>
<p>7 Review and assess any other issues that are significant to the audit.</p>	<p>Reviewed the Chancellor’s Office’s audits of the four campuses and determined that those audits did not find substantial issues with how campuses implemented or increased fees.</p>

Source: Analysis of the Audit Committee’s audit request number 2019-114, as well as information and documentation identified in the column titled Method.

* San José State was not able to provide us with data regarding specifically how students paid mandatory fees, so we could not perform an equivalent analysis for that campus.

Assessment of Data Reliability

In performing this audit, we relied on the four campuses’ financial records for all mandatory fees for fiscal years 2014–15 through 2018–19, and a selection of expenditures at each campus. The U.S. Government Accountability Office, whose standards we are statutorily required to follow, requires us to assess the sufficiency and appropriateness of the expenditure information we use to support our findings, conclusions, and recommendations. To perform this assessment, we reviewed the descriptions of campus expenditures in the financial records and compared them to supporting documentation. We found that, with the exception of salaries and benefits, the data generally contained only broad descriptions about the nature of campus expenditures. Further, campuses did not always accurately or consistently categorize mandatory fee revenue expenditures in their financial records. As a result, the financial records alone are not sufficiently reliable for the purposes of determining the specific uses of fee revenue or whether those uses were appropriate and made for the original purpose for which they were intended. Although this determination

may affect the precision of some of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

We also relied on electronic data files from academic years 2014–15 and 2018–19 that we obtained from the three campuses we analyzed; these files track student payments at each campus. To perform this assessment, we evaluated the campuses' data against external documentation of the total amount disbursed to each campus from major grant sources and federal student loans. We determined that the data were sufficiently reliable for the purposes of determining the percentage of students who paid for tuition and mandatory fees using various sources and the amounts they paid from each source. As we explain in the Audit Results section of this report, San José State was not able to provide us with data regarding how students paid mandatory fees, so we did not perform this assessment for that campus.

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May 2020

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

March 18, 2020

CHANNEL ISLANDS

Ms. Elaine Howle*

CHICO

State Auditor

California State Auditor

DOMINGUEZ HILLS

621 Capitol Mall, Suite 1200

Sacramento, California 95814

EAST BAY

Dear Ms. Howle:

FRESNO

The California State University (CSU) welcomes the opportunity to respond to the draft audit report related to campus-based student fees. The CSU takes seriously its fiduciary responsibility and has a strong record of prudently managing resources. As part of that responsibility, the CSU makes every effort to keep student costs to a minimum as we are keenly aware of the financial and other challenges faced by our students. Toward that end, and as noted in the report, our current policy requires campuses to engage in appropriate and meaningful consultation with students prior to adjusting any campus-based fee and before requesting establishment of a new fee. In addition, the CSU continues to work with other state and federal institutions and entities on financial aid solutions that help students reach their education goals, in particular by addressing the total cost of attendance.

FULLERTON

HUMBOLDT

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

We are pleased that the audit findings affirmed that fee revenues were spent in accordance with federal and state law, as well as with CSU policy. We intend to implement recommendations included in the audit report that would improve our policies and practices.

NORTHRIDGE

POMONA

SACRAMENTO

Recommendations in the report directed to the legislature would, if implemented, significantly undermine the current statutory authority of the Board of Trustees provided in the California Education Code. The proposed changes in authority of the Board of Trustees to govern the CSU warrant careful consideration and discussion with the appropriate legislative committees.

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

Sincerely,

SAN JOSÉ

SAN LUIS OBISPO

Timothy P. White
Chancellor

SAN MARCOS

SONOMA

TPW/cs

STANISLAUS

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA STATE UNIVERSITY

To provide clarity and perspective, we are commenting on CSU's response to our audit. The numbers below correspond to the numbers we have placed in the margin of CSU's response.

Although the Chancellor's Office states that the CSU makes every effort to keep student costs to a minimum, as we explain on page 28, the four campuses we reviewed have not always sufficiently justified the proposed dollar amounts of the mandatory fees they have established or increased, and the Chancellor's Office has not ensured fee amounts are justified. In addition, as we discuss on page 30, the Chancellor's Office fee policy does not require campuses to demonstrate that they do not have any alternative ways to obtain funds to address their specified needs. Therefore, as we conclude on page 31, the fee policy does not require campuses to demonstrate that proposed fee amounts meet a campus's need at the lowest cost to students nor that other funding is inadequate.

①

The Chancellor's Office's characterization of our report text about its fee policy is incomplete. As we note on page 31, although the fee policy states that it is critical that consultation be "appropriate and meaningful" and outlines requirements for such consultation, these requirements are so vague that they do little to ensure campuses obtain adequate and meaningful student feedback. Further, our review identified several instances in which campuses' processes for alternative consultation and student votes directly violated the policy and, as we explain on page 33, the Chancellor's Office did not intervene to enforce policy requirements in any of these cases.

②

The Chancellor's Office overstates our conclusions. Although our review did not identify instances where campuses' use of mandatory fee revenue violated state law, it is important to note that state law broadly defines certain mandatory fees, if at all. For these three fee types—instructionally related activity fees; student success fees; and materials, services, and facilities fees—state law generally places no limits on how campuses can use revenue from them, as we explain on page 8. These three fee types also have broadly defined purposes as categorized by the Chancellor's Office. As such, the Chancellor's Office's statement about the results of our review also overlooks the significance of our conclusion that campuses use mandatory fees for broad and sometimes overlapping purposes, including to support the CSU's core functions.

③

- ④ The Chancellor's Office's statement that our recommendations would undermine the trustees' statutory authority mischaracterizes the effect those recommendations would have if implemented. As we discuss on pages 10 and 11, the trustees have already delegated the authority to implement new mandatory fees and adjust existing mandatory fees to the chancellor. Further, the chancellor gives campus presidents the authority to adjust the amounts of existing fees without obtaining the chancellor's approval. Our recommendations to the Legislature on page 40 would simply ensure that all funding that students and the Legislature provide to the CSU system to pay for its core functions are subject to the same oversight—namely, discussions between the Legislature and the CSU as part of the annual state budget process. To the extent that campuses charge mandatory fees for other functions, our recommendation to the Legislature on page 40 to require binding student votes would ensure that students have a strong voice regarding the mandatory fees they must pay. This would in no way restrict the CSU's ability to fund services through other revenues to the extent necessary.