



**OHIO TASK FORCE ON AFFORDABILITY
AND EFFICIENCY**

**REPORT TO THE CHANCELLOR OF THE OHIO
DEPARTMENT OF HIGHER EDUCATION**

JULY, 2016



Cleveland State University

Efficiency Report to the Chancellor of the Ohio Department of Higher Education

Executive Summary

Prior to Fiscal Year 2012, the finances of public universities in Ohio were relatively stable. For Cleveland State, increases in tuition covered steadily rising costs, and the State Share of Instruction (SSI) remained at roughly 38 percent of revenues. In that year, state funding for higher education in Ohio dropped by 11.2%, the seventh largest reduction in the country. For CSU, the cut in SSI was over \$9 million to 29 percent of revenues and from then on has remained under 30 percent. Ohio has also instituted the most rigorous performance-based-funding approach in the nation – sharply increasing the focus on Student Success. The State’s Biennium Budget passed in 2015 froze in-state tuition for Undergraduates, while at CSU previously negotiated bargaining unit increases for faculty and certain staff employees resulted in a cost burden of approximately \$10 million to overcome in 2 years.

These and other State of Ohio policy actions – including the establishment of the Ohio Task Force on Affordability and Efficiency – reflect escalating public concern over the rising costs of higher education and the increasing burden of debt for a large proportion of college students. In these circumstances, becoming more efficient has been an imperative for Cleveland State University.

This document summarizes CSU’s response to this efficiency imperative and in particular the 22 recommendations of the Ohio Task Force on Affordability and Efficiency. Our Executive Summary is guided by the framework of an **Efficiency Journey** that is proceeding in four main phases and is supported by the **main outcomes** of our work, which are:

- **Five Years of Substantial Success.** Assisted by five main initiatives, since 2011 CSU has improved its overall productivity by close to 18 percent in Undergraduate degrees awarded, and Six Year Graduation Rates have increased by 30 percent.
- **Accelerated Progress from CSU’s Path to 2020 Program.** This recent initiative of 17 separate projects was launched before the Ohio Task Force was staffed, and embodies improvements in each of the cost, quality, and timeliness components of efficiency.
- **A comprehensive response to Task Force Recommendations.** Due to past projects, the 2020 Program, and new initiatives in calendar 2016, CSU has launched or completed actions on 100 percent of the requirements of House Bill 64 and the Task Force’s recommendations.

- **Demanding Five Year Program.** We have developed a clear plan to progress to Stage IV in the Efficiency Journey, and have established a five year goal to generate re-deployable resources of \$11.5 million to benefit students. This amount is roughly 1 percent of our projected Educational and General Expenditures over Fiscal Years 2017 – 2021.

The Efficiency Journey and each main outcome is described in the separate sections that follow.

CSU's Efficiency Journey: Four Distinct Stages

In building enterprise-wide capabilities to deal with changing external forces, both commercial and nonprofit organizations move forward only with learning experiences over time. These efforts – when successful – proceed in stages of accomplishment, typically requiring at least five years to achieve excellence.

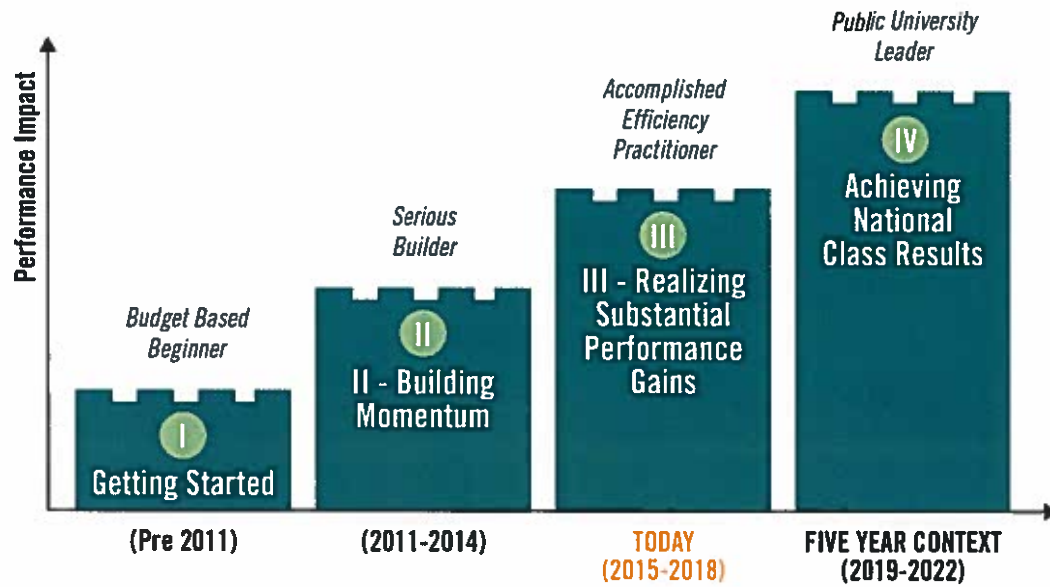
In reflecting on Cleveland State's accomplishments in becoming more productive over the last five years, we have found it helpful to outline an Efficiency Journey with four distinct stages. We believe that **CSU has progressed to the early days of Stage III and that – with the impetus of our Path to 2020 Program and the Task Force's October 1 report – we will complete that stage and reach Stage IV over the next several years – being fully there by 2021.**

Our depiction of that Efficiency Journey and its characteristics is shown on the facing page, and - as we have progressed from Stage II to Stage III - the definition of Efficiency has been expanded and enriched. Today we **think of efficiency as having three major dimensions.**

- **Cost Reduction** Reducing the **total cost** of a major outside purchase or an internal support activity, or lowering the **unit expense** of achieving a key result – principally the enrollment, retention, and graduation of each student.
- **Quality Enhancement** Demonstrably improving the focus, execution, and results of key activities required for Student Success and for excellent University operations.
- **Accelerated Timeliness** Speeding the achievement of key performance objectives – or, in other words, cutting out unnecessary time currently required to accomplish important results. Reduced time to graduation is the single most important example.

We subscribe to experience in both the commercial and nonprofit worlds that these three dimensions are often self-reinforcing and can be achieved concurrently in the same project or performance improvement effort. Indeed, our accomplishments in the last several years have proved to us that these “simultaneous improvements” are possible.

Stages of CSU's Efficiency Journey

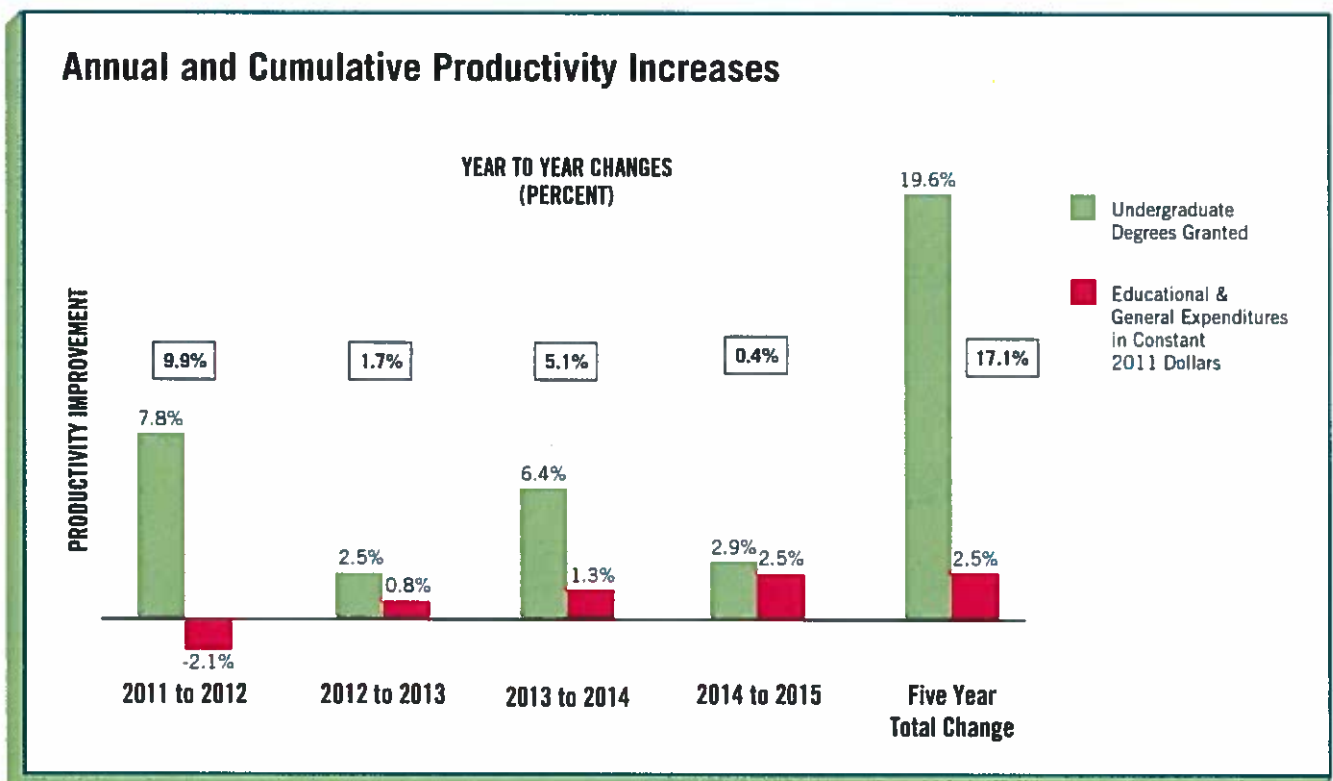


CHARACTERISTICS	CSU'S PROGRESS			
	I	II	III	IV
Leadership	Budget Office	Budget Office / Administrative Leaders	Office of Performance Management/Executive Committee	Expanded Office of Performance Management / Executive Committee / Faculty Leadership
Overall Focus	Budget Balancing	Selected cost reductions / budget balancing + Student Success	Activity based budgeting / enrollment management (recruiting + retention)	All measures of CSU productivity / efficiency
Performance Results	Balanced Budgets	Substantial operating cost reductions: administrative + faculty lines	Balanced budgets / increased enrollment / rising Student Success	Steady improvements on wide range of performance indicators
Faculty Participation	Budget Advisory Committee Budget Task Force	2010-2011 Task Force membership/ Budget Advisory Committee	Participation on every 2020 project + Advisory Committee	Shared leadership for CSU efficiency performance + widespread faculty buy in and participation
Organization Culture	"Necessary Annoyance"	"Cut costs to survive" "Expand scope of efficiency efforts" "Primacy of Student Success"	"Primacy of Student Success" "Efficiency is an ongoing imperative" "Faculty as partners in efficiency efforts"	"Proud to be a leader" "All encompassing" "A top 3 CSU priority"

Five Years of Substantial Improvements

In the last 5 years CSU's total Educational & General Expenditures have grown by 11.3 percent in current dollar terms, but by only 2.5 percent in constant 2011 dollars. In the same time period, **Undergraduate degrees granted are up by 21 percent, nearly 8.4 times the rate of constant dollar growth.**

In turn, the graph below shows that Undergraduate Degrees Granted growth rates since 2011 have exceeded Constant Dollar Educational and General Expenditures growth rates by 17.1 percentage points for an average of 4.3 percent annually. In short, **CSU has significantly improved the University's performance in producing undergraduates over the last five years, and we believe that this is the single most important measure of our efficient use of resources.**



Major contributions to this productivity improvement have come from initiatives to make better use of resources and to benefit students that the University has successfully implemented over the last several years. Here are capsule summaries of five examples which we describe in detail in Chapter I of our Full Report.

1. Retention and Student Success. To drive retention and accompanying Six Year Graduation rates from 30 percent in 2011 to a medium term goal of 50 percent, the CSU leadership team developed a comprehensive **2014-2016 College Completion Plan** which was required by the State of Ohio and approved by CSU's Board of Trustees in April 2014. The Plan included a number of actions that have already been implemented and others that are well along. These address the **Time to Degree** recommendation category in the Task Force Report and add a number of new initiatives to our updated **2016-2018 Completion Plan** submitted to the Chancellor several weeks ago. These initiatives to improve retention and graduation rates were recently recognized by the American Association of State Colleges and Universities (AASCU). Specifically, in 2015 CSU was awarded the prestigious (only two in the country) Excellence and Innovation Award for Student Success and College Completion.

2. Comprehensive Program Prioritization Process. In 2014 and 2015, academic leadership from the Provost's Office in close collaboration with the Colleges' leaders and faculty undertook a comprehensive review of CSU's some 150 academic programs. The objectives of this review were to assess current program commitments, identify areas of high demand by both students and regional employers, and foster areas of excellence consistent with the University's strategic priorities. The resulting three program categorizations of Invest, Maintain, or Suspend have been implemented by reallocating resources internally and directing them to high priority areas. In other words, Program Prioritization has **heightened the efficiency of CSU's academic expenditures and program funding.**

3. Strategic Enrollment Management Task Force. Recognizing that improving the productivity of CSU's fixed cost base is highly dependent on growth in enrollment, in August, 2014 President Ronald Berkman chartered a Strategic Enrollment Management Task Force, comprised of administrative and faculty leaders from across the campus, to develop Cleveland State University's first strategic enrollment management plan. As the result of a 9 month effort, the Task Force proposed an **enrollment goal of at least 18,000 by 2020** – a considerable challenge in the face of a declining high school population in Northeast Ohio and aggressive competition from other universities. To reach this goal, the Task Force proposed **three broad enrollment strategies.**

- Establish a comprehensive set of University-wide enrollment management goals covering both recruitment and retention
- Drive recruitment and retention through six student segments: first time in college undergraduates, transfer students, graduate students, summer students, international students, and veterans
- Enhance Cleveland State's value and affordability through strengthened academic programs and increased financial aid.

Underlying these broad measures were **52 specific recommendations, all of which are currently being implemented.**

4. Administrative Efficiency Projects. In 2014 and 2015 the University also undertook a number of individual projects to improve expense management and achieve efficiencies in major categories of administrative activity. For example, we:

- Retained an outside firm to help **manage approximately \$1 million in annual airfare and hotel costs**
- Engaged an outside firm (SciQuest) to design and begin implementation of a fully **automated purchasing system**
- **Conducted in-depth benchmarking and best practice analysis** to achieve efficiencies and target service levels in facilities management and operations
- **Completed a Business Process Improvement project for hiring processes** that substantially streamlined 6 hiring categories
- **Achieved \$4 million in health benefits savings** through a sense of design changes in our several plans for medical and prescription coverage

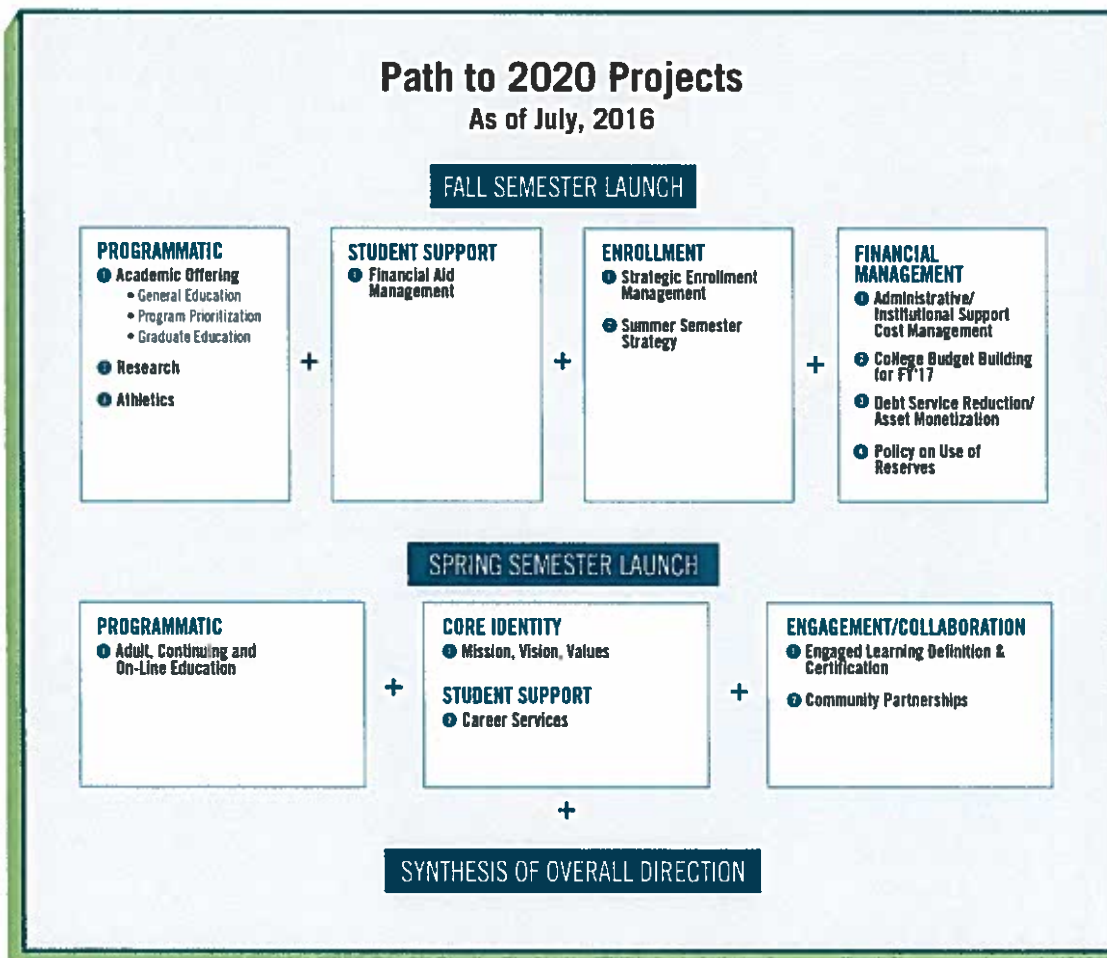
5. Sustainability and Energy Cost Management. Ohio House Bill 251/Advanced Energy Law was passed by the General Assembly on December 16, 2004 and subsequently signed by Governor Taft. In the years since then – a period when CSU’s square footage grew by some 1.1 million square feet, or 27 percent – the University has aggressively pursued the intent of that legislation through a number of action steps. Results have been substantial and gratifying. Our **normalized energy consumption has declined by a total of some 32 percent**, exceeding HB 251’s standard of 20 percent over a ten year period. A 2016 study by an experienced Executive MBA Team demonstrated that the Program has saved approximately **\$3 million annually** in the last several years and over **\$11.5 million in total**.

Accelerated Progress from the Path to 2020 Initiative

In Summer 2015 the Trustees and senior leaders of the University decided to undertake a comprehensive program with the **overall aim to develop the priorities and actions required for CSU’s success in the challenging environment for public higher education, both in Ohio and nationally**. This effort was named the Path to 2020, and its **five supporting objectives** are shown graphically on the following page. Efficient use of resources is integral to each objective, especially “Maintain Economic Stability.”



Meeting these objectives has required a rigorously designed and executed program on a number of dimensions. Chief among them is a **comprehensive scope** with interrelated projects that cover nearly all of CSU’s major activities and functions driving our Academic Offering, Student Support, Enrollment, Financial Management, and University identity and culture. Specifically, the design that evolved currently has seventeen such projects as shown below



Chapter II of our Full Report describes each of the 17 projects, grouped within the thematic areas just noted. The chapter summarizes major conclusions and recommendations – particularly those that affect the three main elements of “Efficiency Improvement” set out earlier and then shown graphically below.

Path to 2020 Overview

	CONTRIBUTION TO EFFICIENCY IMPROVEMENT			IMPLEMENTATION STATUS		
	Cost Reduction	Quality Enhancement	Accelerated Timeliness	Early Stages	Strongly Underway	Completed
PROGRAMMATIC						
1 General Education (Academic Offering)					✓	
2 Program Prioritization Follow On (Academic Offering)						✓
3 Graduate Educatio (Academic Offering)n					✓	
4 Adult, Continuing and On-Line Education (Academic Offering)				✓		
5 Research						✓
6 Athletics						✓
STUDENT SUPPORT						
7 Financial Aid Management						✓
8 Career Services				✓		
ENROLLMENT						
9 Strategic Enrollment Management						✓
10 Summer Semester Strategy					✓	
FINANCIAL MANAGEMENT						
11 Administrative/Institutional Support Cost Management					✓	
12 College Budget Building for FY'17						✓
13 Debt Service Reduction/ Asset Monetization					✓	
14 Policy on Use of Reserves						✓
ENGAGEMENT/COLLABORATION						
15 Engaged Learning Definition & Certification				✓		
16 Community Partnerships				✓		
CORE IDENTITY						
17 Mission, Vision, Values					✓	
				4	6	7

Proportion of Project Effort Focused on Contribution to Efficiency Improvement



A Comprehensive Response to House Bill 64 and the Task Force Report

As Cleveland State understands **House Bill 64**, the legislation’s provisions contain 16 requirements of individual universities. With submission of this Efficiency Report to the Chancellor, **CSU is in compliance with all sixteen** of those requirements, and **our actions on five of them lead to major improvements in efficiency and affordability**, as is described in Chapter III of our Full Report.

Chapter III also spells out our response to the recommendations of the Ohio Task Force on Affordability and Efficiency, for each of the 19 that are within CSU’s control and the 3 that require collaboration with other institutions including the Inter-University Council. The chart below shows the status of implementation of each recommendation, and highlights our progress and results achieved. We believe that **CSU has focused and productive actions underway on 100 percent of the Task Force’s 22 recommendations, with implementation “Completed” on nine and another nine “Strongly Underway.”**

WITHIN CSU'S CONTROL			IMPLEMENTATION STATUS		
			Early Stages	Strongly Underway	Completed
Master	1	Student must benefit ←		✓	
Master	2	Five Year Goals ←			✓
Strategic Procurement	3A	Campus Contracts			✓
Assets/Operations	4A 4B 4C	Asset Review ← Operations Review ← Affinity Partnerships	✓	✓ ✓	
Administrative Costs	5A 5C 5E 5F	Cost Diagnostic ← Organizational Structure ← Data Centers Space Utilization	✓	✓ ✓	✓
Textbook Affordability	6A 6B	Negotiate Cost Standardize Materials		✓ ✓	
Time to Degree	7A 7B 7C 7D 7E 7F 7G	Education Campaign Graduation Incentive Standardize Credits Data Driven Advertising Summer Programs ← Pathway Agreements Competency-Based Education	✓	✓	✓ ✓ ✓ ✓
TOTAL 19			3	8	8
COLLABORATION WITH OTHER INSTITUTIONS			IMPLEMENTATION STATUS		
			Early Stages	Strongly Underway	Completed
Strategic Procurement	3B	Collaborative Contracts			✓
Textbook Affordability	6C	Digital Capabilities		✓	
Duplicative Programs	8	Program Review	✓		
TOTAL 3			1	1	1



Path to 2020 Project
Indicated in green ←

Demanding Five Year Program

Chapter IV of our Full Report addresses the Task Force's **Master Recommendation #2** to establish a five year goal for generating re-deployable resources and for using them to improve affordability and educational quality for students. To provide context for these commitments, the chapter first spells out our plans to progress to Stage IV in CSU's Efficiency Journey.

Overall, Cleveland State commits to continually develop the leadership, capabilities, and culture needed to progress from early Stage III to solidly in Stage IV of the Efficiency Journey by 2021, achieving National Class Efficiency Performance. As a gauge of our progress to Stage IV, we will continue to improve the productivity of our expenditure base in generating Undergraduate degrees. Specifically CSU's overall goal is to increase productivity by 3 percent annually – or 15 percent from 2015 to 2021. To achieve this improvement, we also commit to increase our Graduation Rate of six year freshman cohorts from 40 to 50 percent by 2021 and to grow Undergraduate enrollment from 12,615 in Fall 2015 to 13,500 in Fall 2021, bringing total CSU enrollment to at least 18,000.

The Foreword to the Full Report illustrates the principal elements of the multi-year Journey, so Chapter IV focuses on **five essential near term actions** to maintain the momentum and progress of the last several years.

- 1. Staff the Office of Performance Management as a permanent organization reporting to the President.**
- 2. Bring our Administrative/Institutional Support Cost Management Project to a successful conclusion in the next six months.**
- 3. Use Fiscal Year 2018 Budget development as an opportunity for the next step in Activity Based Budgeting across the University.**
- 4. Hold periodic Efficiency Reviews with the Board of Trustees.**
- 5. Design and gain support for an inclusive effort to recommend a long term path for reducing the complexity and costs of CSU's academic offerings and organization structure.**

Turning now to the Task Force's requirements, we first quote the language of **Master Recommendation #2**: "Each institution must set a goal for efficiency savings and new resources to be generated through FY 2021, along with a framework for investing these dollars into student affordability while maintaining or improving academic quality."

CSU's response to both requirements begins with **Fiscal Year 2017**, which started on July 1, 2016. As reflected in our 2017 Budget, we will realize \$3.5 million in cost savings efficiencies that are being re-deployed to reduce student expenses and to enhance student success as shown on the following page.

Cleveland State University

Fiscal Year 2017 Operating Budget – Administrative Cost Savings

Source of Re-Deployable Funds

Administrative Cost Savings Through the Path to 2020 Project \$ 3,500,000

Use of Re-deployable Funds

Additional Undergraduate Scholarship Funding \$1,900,000

Civitas Student Advising Support (Degree Maps & Predictive Analytics) \$114,000

Graduation Incentive Plan (Student Financial Incentives) \$900,000

Additional Part-time Instruction Funding \$586,000

\$ 3,500,000

To establish a **re-deployable resource goal through 2021**, Cleveland State has analyzed its projected revenue and expenditures based on a range of assumptions concerning changes in enrollment and tuition revenue, State Share of Instruction funding, other revenue sources, and operating expenditures. From these analyses and extensive discussions, we commit to:

1. **Generate re-deployable operating efficiencies of \$11.5 million for Fiscal Years 2017-2021.** Given our \$3.5 million savings in 2017 and the range of efficiency efforts underway, we have set a goal of averaging \$2 million annually for the next four years, for a total of \$11.5 million – approximately 1 percent of CSU’s total Educational & General Expenses over the period. Our first priority, however, must be to balance the University’s budget, and that - in the current environment of a tuition freeze and limited increases in SSI - will likely require several million dollars in savings each year, **before** the generation of re-deployable funds.
2. **Balance the allocation of re-deployable dollars evenly between direct student savings and improvements in educational quality.** As was done for Fiscal Year 2017, CSU will annually determine how these resources will be distributed. While the allocation will vary for 2017-2021 we anticipate roughly half going directly to reduce costs for students through a combination of increased scholarships, achievement incentives, reduced textbook expenses, and a faster path to graduation. The remaining half will be earmarked for reducing the proportion of courses taught by Adjuncts and significant academic enhancements (such as a strengthened General Education curriculum), recommended by the several Path to 2020 Academic Projects.

* * *

To conclude this Executive Summary of Cleveland State University’s Efficiency Report to the Chancellor, we believe that CSU has a strong record of bringing both significant savings and a better education to our students. We are enthusiastic about continuing this performance and delivering against the specific promises made in our documents.