

## **Budget Forum**

**Tuesday, September 08, 2009  
12 noon  
ARTS 240**

**President Karen S. Haynes**

Welcome to the first budget forum of this academic year. Let me start with today's forum – unfortunately, this room, which always is at over capacity for these budget forums is only available during this university hour; there is a class here at 1 so we will have to close this forum at 12:50 rather than continuing, as I have been willing to do, until all questions are asked and answered.

I specifically welcomed you to the “first” budget forum of the academic year as I'm certain that there will, unfortunately, need to be many more. If you have been counting, and I have, I held 9 budget forums last year, let me indicate to you the areas that I want to cover today:

- Speak to issues of betrayal, mistrust, lack of transparency
- Repeat messages from last budget forum that are still true
- Talk about multiple and parallel courses that we must take – hopefully together

Since the last budget forum on July 28, I have heard comments that some have felt betrayed; that trust has been strained; that there has been a lack of transparency; and that not all segments of this university are in equal pain. Given that I have continuously stated and acted upon principles of open communication, consultative processes, and assumptions of good intent, I am deeply and personally pained by these statements, and, as well, somewhat puzzled by the origins of them. So, I want to take this opportunity to go back to the last budget forum – July 28

- to review the information I shared then and the language I used, so we can try to understand why there is such misunderstanding and consequent distrust. To the principle of transparency, you know that not only were my formal remarks for each forum posted, but the entire budget forum was video taped and both remain available to you on budget central. At the forum, I said that our budget cut, from year to year, was \$14 million of our state appropriation or 20%. I said that the furloughs would help close that gap by \$6 million. I said that the additional 20% student fee increase would yield approximately \$2.3 million after the required 1/3 set aside for student financial aid, leaving an approximate \$5.5 million gap. I said that, because of the early processes of UBC, and early decisions that we made, we were now looking at an approximate \$2.6 million deficit to resolve.

I said that divisions had some carry forward, and I said that they are looking at operational efficiencies and other reduction strategies to close the remaining \$2.6 million deficit fiscally. I also said that conversations in Academic Affairs were still ongoing, and they continue to be ongoing today.

I said that our plan is a fiscal plan, a plan to close the immediate deficit.

So, having said those things at that budget forum, I am confused and dismayed to hear language of betrayal and distrust. I know I continued in multiple budget forums, including the previous one in July, to try to balance the crisis brewing with the ways that the system and we were trying to mitigate the damage for this year. I admit, I was trying to make you feel less apprehensive about the year ahead, but I never intended, nor indicated, that these were anything but one time fixes; that divisions still have deficits to fix; that the state's crisis was anything short of catastrophic and not over; and that we need to continue difficult conversations.

I know that you know that our state's crisis is not resolved. Even now, several actions taken by the Governor for the 2009/10 budget are being challenged, including his veto of \$19 million in child welfare, \$50 million for children's health insurance, and \$52 million for AIDS programs.

This budget crisis is not a fiscal, or one-year, problem. We addressed it fiscally for 2009/10, because it came in waves; because we needed time to determine permanent "fixes"; so that shared governance and consultation could be achieved.

Our system and campuses did receive federal stimulus funds that have helped to mitigate some of our problems. Those funds are one time, and there is little hope that California will be in

a position to restore those funds in 2010/11. Therefore we must plan for the likely reality that this year's fiscal reductions will be permanent.

If you think this is a short term problem, that this is cyclical and we will be restored, I have to tell you as I have told you before, that you will likely be disappointed. Just look to the recent past. Funding, and support for public higher education has continued to erode. We will continue to make our case, and our Board of Trustees will do just that when they forward a budget proposal for 2010/11 to the department of finance after their September board meeting, our state's budget deficit is real, much of the money has statutory designations, and our legislators have shown no back bone to support higher education either above other competing items, nor by finding new sources of revenue.

I do know that there are two large reductions that have been noted by the governor as one time reductions: 255 million and an additional 50 million. But no one believes or is acting upon the assumption that they will be restored. We must recognize that we're not necessarily going to change the legislature's minds. We have evidence - when presented with opportunities to give CSU more money in the past, they chose not to; even in the good years. In 2005/06, the CSU general fund was close to two and a half billion dollars. In 2009/10, that amount is \$1.69 billion dollars. Going back to 1998, the state funds per student were \$11,075. Today, that figure is \$4,669.00.

Let me move to another source of confusion and frustration – enrollment management. In good times, enrollment management is both art and science; in these difficult times, the challenges to it are greater – we no longer can accurately predict the “yield” from those offered admission; we can no longer assure that earlier application deadlines, no spring admits will bring us “down” to where we need to be managing. You all have felt the “whiplash” from rapid growth; to immediate halt; to now reducing total numbers. There have also been some changing messages from the system to campuses as the budget prospect worsened and enrollment management cannot as easily be adjusted 2/3 of the way through the cycle.

Enrollment Management Services took several actions to restrict admissions this year. Last Wednesday, we were at 7299 FTES, or 1% over where we were on that day last year. We know already, for 2010/11, we must reduce our FTES enrollment by 6%. So we have already identified and began to put in place tools to meet that reduction during our next admissions cycle.

We rescinded admissions for lack of meeting deadlines and made students and their families very angry – and our student affairs staff took the brunt of their anger. I would add that we don't exactly know how many students will graduate until they do, but we must always place an estimate in our enrollment management equations. I have mentioned this before, but the Board of Trustees has now granted campus presidents the “authority” to graduate super seniors, those students with enough hours to graduate, and I have asked the Provost to work with the Academic Senate in an expeditious manner to draft a campus policy and process to implement this authority on our campus.

I know we have been indicating earlier this summer, honestly, that we might be considerably over target by approximately 8% because of that inability to accurately predict yield. To help reduce that overage, we instituted even more stringent adherence to fee payment deadlines, more enrollment management tools and I believe we'll be very close to our target this year... I would remind you that in 2008/09 we were on target – we did manage well.

Some have pointed out that FTES does not precisely track a related enrollment indicator, headcount. Our official target and funding base use FTES, but faculty, front-line staff, and those whose areas serve the overall population of students often need to know headcount as well as FTES. The relationship is driven by the average unit load taken by individual students, which varies from semester to semester even in so called normal times. Factors that appear to influence the student course load include employment, major, class level, enrollment limits (such as our 13-unit limit this summer), and availability of classes. Suffice it to say that predicting headcount can be just as difficult as forecasting FTES.

Given that our FTES target has been reduced for next year down by 6%, we are already determining additional strategies that we must put in place to achieve this, and we expect our headcount to be reduced as well.

I also want to briefly address a few other areas of misinformation:

1. Layoffs – in our last budget forum, Mike Geck, president of our campus's CSUEU chapter, asked me explicitly if there would be layoffs of CSUEU employees in order to close the \$2.6 million unresolved gap in 2009-2010– I answered no. That is true. I wasn't asked, nor did I frame my answer around layoffs or nonrenewals in general but it may have been heard that way.

2. Furloughs are creating savings and where is that money going to. This misunderstanding comes from, I believe, SDSU and Steve Weber's comments. Indeed, he said that; and indeed, it is only at SDSU that this is true because they reduced their workforce by 700 employees, according to the San Diego Tribune, before the unions voted for furloughs; SDSU did not want to implement furloughs because they had already made permanent reductions. Thus, furloughs did, indeed, create one time monies to be distributed at SDSU.
3. Carrying forward of structural/ permanent deficits – while we were permitted to do this for this fiscal year because decisions came late, required this year by the Chancellor's Office, we must show our 2010/11 campus budget as balanced – with no structural deficits going forward.

Are any of us happy with these challenges and their outcomes? No! Will these strategies reduce access? Increase time to graduation? Absolutely. Will these strategies provide a better and more predictable number of students for next year – likely – although still not with absolute certainty. Will these strategies, when combined with what other CSUs and the UCs are doing increase our demand – absolutely.

So, we must recognize these challenges. We must work together to overcome these challenges. I have asked you before to assume good intent, and I ask that of you again today. We are working in a very complicated and unpredictable environment. We are working in an environment where a lot of the parameters are not within our purview to make:

- We don't determine our state allocation
- We don't determine our enrollment targets
- We don't determine our compensation nor the options available within them

We are and will continue to be working within an environment where few decisions will be unanimously supported. We are in an environment where none of us want to be and we would all like to blame someone else; we would all like to hope that somewhere there is a "magic" answer to reduce these pains – but there isn't.

I know that all of you are dealing with a 10% pay reduction, that all of you are trying to serve students in less time. Faculty are delivering courses with 12 fewer days in the semester, advising students, and serving on numerous committees, all the while trying to do scholarly work to stay current in their field. Our student affairs professionals are trying to advise our students,

serve our students in Cougar Central, deal with their anger at fewer courses and higher fees, and provide an environment within which our students can succeed. Our Finance and Administrative services staff are keeping you getting paid and reimbursed, keeping this campus running, maintaining our fiscal stewardship, participating in mandatory and multiple audits, maintaining our physical plant and ensuring public safety. And our Advancement division, even in difficult economic times, is working even harder to identify external funding. All of this activity is happening with less time and with significantly less resources.

So, if you think that your department, your college, your division is being targeted for cuts without regard to the university's mission and strategic goals., I'm here to tell you that it just isn't so. Over the last few years, all divisions have taken large reductions. Given our mission, however, we have done what we could to support students and instruction. Thus, since 2005/06, Finance and Administrative Services has seen a cumulative decrease close to \$300,000 in their permanent budget, where others have seen increases of \$30,000 to as much as \$4.2 million in Academic Affairs.

Let me note that these numbers I just noted don't include compensation increases to the divisions which when all the bargaining units and MPPs are eligible would account for significant dollars.

We are all looking at administrative productivity and quality, balancing efficiency and quality in student learning, and supplementing dollars from other mechanisms.

As I said at convocation, "we must deal with the immediate and build for the future". That balance is both essential and precarious. My office and budget central have received a lot of requests for, or anger about – expenditures, appointments, decisions. While I expect some of that, I am concerned that some of this reflects a mindset of "hunkering down and hibernating"; of reallocating every dollar to instruction. While I honor the general premise, for me there are several problems with this: one, these are still just fiscal allocations – they do not and will not solve our problem going forward; and secondly, some expenditures are contractual ones; and, last, we will not have the momentum to go forward whenever our state's budget is actually balanced and we need that forward momentum.

This year, the UBC will go through the process that they developed and recommended to me in the last academic year. That recommendation included seeing detailed divisional budgets; that recommendation included a strong position of an "all funds budgeted approach". In fact, I

must say and I am certain that many of you will not agree with this statement, that raising the 4:4 faculty workload question is a part of the budget conversation and our effort to be transparent about our resources. Vice Presidents will be asked to develop a list of proposed permanent cuts up to 10% of their adjusted permanent base budgets and an additional 5% in fiscal cuts.

The UBC will review and discuss those cuts and their impacts, and make recommendations to me that include a prioritized list of cuts across divisions that will meet our projected budget gap for 2010/11.

For the myriad questions and concerns about budget expenditures and transparency, we have just loaded 2008/09 final expenditures to the University Budget Office webpage with a link from Budget Central. UBC this coming Friday will receive the divisional budget allocations for 09/10. All suggestions that have been submitted to budget central will be reviewed by Vice Presidents for potential cost savings ideas.

Our principles for CSUSM remain unchanged:

- We will continue to serve as many students as we can within our budget and without sacrificing quality. Every conversation begins with students.
- We will work to protect as many jobs as possible. And,
- We will balance the need to address this budget crisis with the commitment to continue building for our future.

While I have sounded, today, pessimistic about our state's ability and willingness to prioritize higher education as it should, let me be clear that moving us forward – early and together – in this necessary budget reduction process is not the only action we need to be engaged in. I am not “giving up”, I am just continuing to be, as I must, providing fiscally prudent and responsible leadership – to do any less would be a disrespect for this institution and a disregard for my role and responsibilities as president.

I have advocated, and will continue to advocate with you for the CSU, for CSUSM. I trust that you saw and read my Op Ed in the North County Times on Sunday, August 20. Even if you did, I want to reiterate some of the sentiments in it that I feel strongly about and will continue to say and write:

- That Cal State San Marcos promised this region, in 1989 to providing broad access to quality education; to forging partnerships within the community to

address public needs and priorities; to be prudent and accountable in the use of our public resources

- The message to students today is one of access and opportunity denied; the promise of public higher education is being broken
- The options of reducing quality service to students, of turning even more students away, and of charging students more are all distasteful and largely unacceptable alternatives not just for us, but for our region – our state.

I ended that Op Ed with “Join me in sending this definitive message: our state budget cannot be balanced on the back of California’s future.”

I hope that if you walked in here with a feeling of mistrust or betrayal, that you don’t leave with that same feeling. I remain committed to continuing these forums, to being transparent. I hope that you remain committed to continuing to be a part of the dialog and to continuing to work together for the betterment of this institution.

I said in the last budget forum, and I quote: “I hope that you know by now that I will not hide from delivering bad news; I will not back away from difficult decision I have had or will have to make; that I will continue to “face you” with what is news and information that you might not want to hear. I continue to be committed to retaining the climate of mutual respect and trust built, and essential, to our future.” I ask that you continue to do the same.