

University Budget Forum

July 28, 2009

3 – 4:30 p.m.

ARTS 240

President Karen S. Haynes

Good afternoon. 28 days into the fiscal year and the state finally has a budget. The Governor signed a budget package today at 11 a.m. The cuts to the CSU held, which means, good news no additional cuts to the CSU and bad news, we will indeed face the massive \$584 million cut.

The CSU implemented a plan to address the deficit which includes:

- Systemwide furloughs for most of the unions thus far
- Raising student fees
- Cutting enrollment by 40,000 students over the next two years
- Cutting an additional \$183 million from our campus budgets through a variety of cost savings options.

Student Fees

At their meeting last week, the Board of Trustees passed a 20% student fee increase. This is, as I have been saying, an increase in addition to the 10% fee increase already passed. This additional fee will increase \$672 for full-time undergraduate students and \$828 for graduate

students in fall 2009. Including the current campus based fees of \$624 for areas such as instructionally related activities, Athletics and ASI, CSUSM undergraduate fees will be \$4,650 per year (\$2,325 per semester).

The 1/3 set-aside of all state university fee increases, as well as increases in financial aid included in the federal stimulus package, is expected to fully cover the total state university fee increase for approximately 42% of all of the system's students. The CSU also expects to receive an additional \$81million in Pell Grant awards for its neediest students.

In addition, federal tax credits, increased work study and student loan improvements will also offset the fee increase for many students. Including financial aid, families who make \$75,000 or less will not pay any fees. Financial aid and federal tax credits will also be available for many other students, including those with family incomes of up to \$180,000 who can get, annually, a tax credit of \$2,500 up to a total of \$15,000..

I know this will be a difficult increase to bear for many of our students. But I also know that, without increasing student fees, we would be further reducing our budgets by that amount – resulting in even more restricted access for our students to classes and to essential student services. We are giving students until August 31st to pay the increase.

Furloughs

The board also approved changes to state regulations that will allow management and non-represented employees to be furloughed two days per month beginning on August 1st. All management employees, including the chancellor, presidents and executives will begin furloughing which means a 10% salary reduction.

As you probably know, CSUEU, which represents the majority of our staff, has ratified an agreement for furloughs. California Faculty Association members voted to accept the CSU furlough proposal. The CSU and CFA bargaining team are developing a side letter on implementation of furloughs, and we expect that by the end of the day today.

Our Senate Executive Committee and our Academic Affairs Leadership Team, which is made up of the Provost, Deans and other senior managers in Academic Affairs, are working collaboratively to develop a plan within what we currently presume to be the parameters of the

agreement. Additional information on faculty furloughs will be distributed when it is received and posted once our campus has our plan.

Our furlough plan for CSUEU employees, MPPs and Confidential employees was due to the Chancellor's Office beginning of last week and required the Chancellor's approval before announcing to campus. We released our furlough calendar yesterday, but I want to quickly recap what you saw. In August, employees will work with their manager to determine one of their two furlough days for the month of August. The other campus furlough day will be August 21st.

In developing our furlough calendar, we considered input from CSUEU after a meeting with them last week, and we considered the concerns and suggestions voiced by several staff at the Budget Forums or via email, which included grouping furloughs with other holidays where possible and Spring Break week. For instance, furlough days have been scheduled coinciding with the Labor Day, Martin Luther King and Memorial Day holiday weekends to provide for a four-day break. We also reviewed various campus calendars (academic, campus events, athletics, holidays, etc.) to ensure the operating needs of the University are met.

We are identifying these as "days of reduced campus operations." The campus may be open for instruction on days of reduced campus operations, with the exception of December 31, 2009 (Winter Break) and the week of Spring Break. On these days of reduced campus operations, University Police, student housing, and limited food service options will be open. The Field House (recreation center) is reviewing their schedules and staffing to determine if they may be open. All other administrative offices and the Kellogg Library will be closed. During the week of the Spring Break (March 29 – April 2), the campus will be closed with the exception of University Police. As you know, many services are available online to students, faculty and staff, and those are accessible 24/7.

As a reminder, a furlough is a mandated period of time off without pay. Furloughs differ from salary reductions and pay cuts in that they are temporary and do not affect employment status or health benefit eligibility or pay rate for retirement benefits.

APC which represents our student services professionals is not subject to this plan at this time. SETC is in fact finding, and also not subject to this plan at this time. And, as I stated earlier, CFA is developing an agreement with the CSU, and here locally our Academic Affairs Leadership Team and Senate EC is developing a plan within the parameters of the agreement.

We will keep you informed as we receive additional details about the negotiations with those bargaining units.

Enrollment

You've probably read that the CSU will reduce enrollment by 40,000 students over the next two years. We have previously closed enrollment for spring 2010 in an attempt to limit enrollment. The board of trustees also approved changes to state regulations that will preclude students from enrolling in courses once they have met all the necessary degree requirements by allowing campus presidents to confer their degree. This will allow us some flexibility to graduate students so that we can make room for new students.

For 2010/11, our enrollment target has been reduced by 6%. Our 2009/10 target is 7283 FTE. In 2010/11, our target is 6,846. This is a big blow to a University that has seen such tremendous growth as ours, and a blow to our region. Southwest Riverside County is one of few regions in the State that is continuing to see significant growth in the number of high school graduates.

We have advocated and will continue to advocate for additional state funded enrollment growth, but we will also take this opportunity to leverage Extended Learning to expand innovative programs and program delivery to meet the region's needs.

Budget Reduction

I want to go through some of the numbers I went through at our last budget forum, and update you on where we're at now that we have a few more of the "unknowns known".

- CSUSM's reduction – fiscal year to fiscal year was approximately 14 million.
- You add to that approximately 700 thousand dollars additional in unfunded mandatory costs such as health benefits and utility costs
- 10% compensation reduction from furlough savings will yield about 6 million in reductions, still leaving an 8.7 million dollar gap
- Another 20% fee increase, with a 1/3 set aside will yield approximately 3.2 million
- Leaving approximately a \$5.5 million deficit

I have said this to you several times, but it bears repeating - We began a process long ago to look at our budget across multiple years, and we developed a multi-year budget model in consultation with our University Budget Committee. That multi-year budget model served to inform our decisions. And, early on, our UBC and Divisions reviewed budget reduction scenarios and we closed our permanent budget gap in 2008. The process that UBC and we all went through early on, and the early decisions we made, helped minimize the impact of this \$5.5 million unresolved deficit.

Because we didn't allocate funds set aside for compensation increases, our fiscal carry forward, and the additional fee revenue we expect to receive this year for going over our enrollment target – that approximate 6% - , we are NOW looking at an approximate 2.6 million deficit to resolve. You will recall at the last budget forum, that number was approximately 3.5 million. Since then, we have closed our books for the fiscal year and so we now know what our fiscal carry forward is, and we are able to more accurately estimate additional fee revenues we'll receive from exceeding our target.

Divisions have additional carry forward, they have some reserves and they are looking at operational efficiencies and other reduction strategies to close that remaining \$2.6 million deficit fiscally.

We are submitting a plan to the Chancellor's Office, due at the end of this week. Some of that plan will describe our process, because conversations in Academic Affairs are still ongoing. Things continue to change daily, and until we have a final budget allocation memo, we are planning based on our earlier estimates.

Consultative Process

Our plan is a fiscal plan, a plan to close the immediate deficit and to meet the Chancellor's Office deadline. There has not been widespread consultation about closing this gap because we have not known the variables until just now and we have a high level plan to submit by the end of this week. However, as you well know, the state's crisis is not resolved and we anticipate a very difficult fiscal scenario for 2010-11. Thus, we will work with the University Budget Committee throughout the fall semester to develop strategies for recommending permanent reductions to our base budget in 2010/11 to me.

We want to continue to hear innovative ideas and suggestions for cost savings and for solving problems. I assure you that each will be evaluated closely. Suggestions can be submitted via Budget Central.

I am forming a Labor Management Committee for our CSUEU staff at their request. The committee will discuss issues surrounding the impacts of furloughs, cost savings, improvement ideas and other issues. The group will meet sometime in August.

This is our fifth budget forum in 2009, and we will hold more as necessary; as new or changed information is known. While it is an important venue to have your voices heard, your questions answered, it is not the only opportunity. For example, I have attended an ASI Board of Directors meeting and have offered to attend additional meetings or to attend an ASI hosted budget forum to hear from our students. I have met with many of our divisional leadership groups. I met with Janet McDaniel, our interim Senate Chair yesterday to discuss our process through the remainder of the summer and the year ahead. Members of my EC have met with the CSUEU leadership and we will continue to do so through the new Labor Management Committee. I will be scheduling a meeting with Department Chairs sometime in the Fall and with the university's leadership team before our fall semester begins.

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.

I said to you last time, and I still firmly believe, that we will get through this, together. We are in better shape than many of our sister campuses; we are in better shape because of policies instituted early in 2008 and continued; because you all have been good stewards of resources providing for carry forward monies to help “ease our pain” this year. We have a campus climate of mutual respect and open communication. I trust that you know that I am committed to the consultative process, and I will continue to do so to the extent possible – possible because of time constraints or avoiding conversations that need to be a part of the bargaining conversations at the system level. I hope that you know by now that I will not hide from delivering bad news; I will not back away from difficult decisions I have had 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 that as it is important to retaining the climate of mutual respect and trust built and essential to our future.

We will continue to assume good intent – even if or when we don’t agree, continuing our respectful discourse, agreeing on the larger goals. We are all very much in control of the future of this institution. We are all committed to its future and we will do what it takes to advance our collective goal.