

President's Budget Forum

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ARTS 240

Good afternoon. It wouldn't be spring semester without a budget forum, now would it? In fact, we commented in my office that it's "déjà vu all over again – it was almost the same date last year that I sent the budget message out; almost the same day we had our January budget forum. And, I believe this is now about budget forum number 14!

I've just returned from a CSU Board of Trustees meeting and a presidents' meeting with the chancellor. While there wasn't much new information provided from what we already knew, the good news is there also wasn't anything that changed the assumptions we're currently using for the remainder of this fiscal year, 2011-12 and beyond.

Let me provide a brief recap of my prior communication. The Governor's proposed budget seeks to close a \$25.4 billion state budget gap through a mix of cuts and tax extensions, based on holding a June referendum. The budget proposes significant cuts for the CSU: \$500 million. That puts state funding support for the CSU at the same level as the 1999-2000 fiscal year, when we were serving 70,000 fewer students than we are today. Even with increases in tuition, the CSU will have to operate with less funding per student than was the case in 1998-99. However, another continuing piece of good news, the Governor has not indicated there will be any mid-year cuts.

It is no doubt that the Master Plan for Higher Education in California is broken. These cuts threaten public higher education in California and they will have an impact on our ability to serve our region, and our students in the way that we want to and what they expect and deserve. These reductions do restrict access to qualified applicants and these reductions will challenge our ability to achieve our long-term goals.

But, this University continues to be poised for growth and we WILL continue to be a growth institution. We know we are a high demand campus in the CSU, both because of what you have done to build our reputation as well as the demography and growth of the region. We have close to 700 new students this spring. So, no surprises here, it will be about continuing to be prudent, about expanding

partnerships, about doing some things differently as we continue to advocate for public higher education in California and nationally. I'll talk more about that later.

In 2004/2005, we developed our multi-year budget model to be prudent in our budget planning, to forecast over multiple years and to help us address imbalances from year to year. The multi-year budget model has served the University well, projecting state marginal cost funding, fee revenue, on-going expenditure commitments and one-time expenses. It has prevented university structural deficits. And, in 2008/09, the University Budget Committee developed a strategic budget development process to guide and inform recommendations to me on allocation of new resources, or on reducing funds in times of budget reductions. So while the state may have been using smoke and mirrors and gimmicks in their budget planning, we have been methodical, we have been prudent, and we have been transparent in our planning.

I announced in my January 12th message that current searches are proceeding – the four deans searches, the now thirty-one faculty searches, and some staff searches across divisions. That is still the case, and it is part of our multi-year plan.

Make no mistake, the reductions in the Governor's budget are significant and will have an impact. We expect the impact to the CSUSM base budget to be about \$9.5 million. But we have been planning, and we have a plan to address these reductions. While we do not have our exact 2011-12 enrollment target yet, we know the system is looking at high demand campuses as they set targets and we were promised that they would also take into account that newer campuses need to continue to grow; and that they would also take into account the demographics of regions. So, not only did this spring's admission provide additional revenue for this current fiscal year, it also makes our case that we are a high demand campus and provides us a very important source of ongoing funding.

As you recall, our Board of Trustees passed a 5% fee increase last year for this year, and then passed another 5% fee increase this fall which goes into effect this semester. They also passed a 10% fee increase for 2011-12 at their November board meeting. Tuition revenue is an ongoing, or permanent, revenue source. In 2011-12, we project a tuition revenue increase of approximately \$5.5 million – that's the 10% increase for approximately 9700 students. In 2010-11, it was \$2.6 million. From that – the 5.5 plus the 2.6 = 8.1 million, you take out \$2.3 million for the state university grant set aside (one third set aside). So, for CSUSM, that has been an increase of approximately \$5.8 million in ongoing revenue.

We made reductions in our base budgets – reduction to our ONGOING expenditures - in this CURRENT fiscal year, based on the plans reviewed by the University Budget Committee last spring.

That included 5% permanent cut in the current year and a plan for an additional permanent reduction of 5% in 2011-12 if necessary; and we now know that is necessary. Those reductions to our base budget totaled \$6.3 million and are already out of our base budget. Since the economic downturn started in January 2008, and we began looking at our planning over multiple years, we have essentially frozen hiring, we have reduced travel and expenditures, and we have eliminated positions through attrition. Divisions have implemented a number of measures to reduce ongoing expenditures and maximize operational efficiencies.

So, based on our current assumptions and what we know about the state budget, we know we have made reductions in our base budget and we know we have permanent or predictable revenues to meet our ongoing expenditure commitments and our investment in our university priorities. As I said, we also know that we have exceeded our target this year, (you know – that rolling target that was reduced by 6%; can grow to 2% more than last year; to late October, you can grow as much as you can grow!) which provides ongoing marginal cost funding as well as excess fee revenue that we'll carry forward.

Throughout the budget crisis, I have asked you to keep an eye on spending in order to maximize carry forward funds. We know we will have carry-forward to address other one-time expenses and reduce the impact of the cuts in the 2011-12 year. We have already begun planning to maximize the use of self-support summer, and other self-support sessions, to both help facilitate student progress to degree and to mitigate reductions.

We all know that we here at CSUSM have a nomenclature of "permanent" and "fiscal". I have to ask you, has state support been permanent in the last five years? It's been anything but! So, it's not about, it can't be about, looking at permanent and fiscal dollars. Yes, there are "truly" one-time funds whether through carry forward, through special allocations or as we saw this last year from the ARRA funding. It is not about permanent and fiscal as much it is about multi-year planning that looks at our ongoing expenditure obligations and uses, and what the sources of revenue are that we use to meet those obligations over time. We know the state support budget from year to year is volatile (and isn't that an understatement!), and we will have to continue to review our planning assumptions to determine if additional steps are necessary to address the reductions. We have done a good job of that. We have been planful with our multi-year budget model, and we have aligned our spending with our University priorities.

Last year, you likely know there was a BLP sub-committee of faculty and administrators that reviewed our expenditure data, also known as FIRMS. I met with the Budget and Long Range Planning

Committee of the Senate this past fall to discuss the report and respond to the faculty questions about the report itself and about prioritizing instructional spending. And we are prioritizing instructional spending as you know because I allocated \$2.5 million to instruction when Governor Schwarznegger returned the 106 million as he promised to the CSUs budget in October. That 2.5 million was allocated specifically for tenure track faculty hiring, and you likely know we have initiated those searches. Lecturers play a critical role in the education of our students and will continue to do so. You remember that I allocated the ARRA funding this year to provide additional course sections, and the Provost and deans continue to develop their multi-year planning models that address our priorities for instruction and protect base budgeting for adjunct faculty.

The system's Academic Human Resources office reports, over the last two years, that the CSU system as a whole saw a 14.8 % reduction in full-time equivalent lecturers and a 5.8% reduction in tenure-track FTE - a total of 9.2% reduction in total full time equivalent faculty. Some of our sister campuses used in the BLP sub-committee comparison report saw significant reductions: 16.2% at Stanislaus, 8.4% at Sonoma, 11.8% at San Bernardino. At San Marcos, our 2-year change in total full-time equivalent faculty saw an INCREASE of 3.4%. CFA released one year data with similar results, from May 2009 to May 2010, San Marcos had the lowest drop in full time equivalent faculty, other than Channel Islands, Monterey Bay and Maritime Academy, all who received no enrollment reductions in 10-11. The system overall had a 7% reduction in full-time equivalent faculty and 10% reduction in faculty headcount.

And that is why I have said to you, let us not use no-growth or more established institutions, just because they are comparable in size, as our comparable institutions. You have likely seen or heard stories from other campuses that they will need to make significant reductions; that they are now in real pain. Some of those are no-growth campuses, or they are campuses that have not already taken the reductions that we planned for, reduced our expenditures to deal with and built contingencies around. So I will ask you, as I have asked before, not to take another campus' situation and try to apply that here or to assume that we are in the same predicament. We have to continue to think aspirationally about who we want to be, about what OUR priorities are. We have our own data, which the academic senate sub-committee did a great deal of work on, that we will use as we look at our own trends over time and how we align our resources with the priorities of our University.

We have to shift our thinking. Public support for higher education is declining. It has declined across the nation and it is declining in California. We won't let the legislature neglect their responsibility to provide affordable and quality higher education to the state. We will continue to

educate the Governor, the legislators, and the public on the CSU's impact on economic recovery and the future of the state of California. I will do so next week in my Report to the Community and in an interview with KOCT.

But, we also have to face the reality that, even in the good years, this state chose not to provide any significant increases in funding to public higher education. I said at the beginning, that the University will continue to be a growth institution. So we have to decouple growth from state support. We have to continue our conversations and be prepared for growth by not being constrained by place, by leveraging the opportunities ahead for us for incubating new academic programs, for providing student services differently, for collaborating across disciplines and professions and yes, even across CSU campuses.

We will continue to expand academic offerings through self-support and the Temecula off-campus center, to provide access to our region, to facilitate student progress and to increase alternative revenues to address the decline in state support. We will increase philanthropic support. We will provide support to faculty to increase grants and contracts activity, and we'll seek grant funding for non-academic activities. We will build community partnerships to address our regions needs as well as to partner for program offerings not supportable by state appropriations – such as our nursing model.

We have and will continue to put structures in place to support those activities and to be able to realize our mission in this new environment. The college restructuring is an important piece. Deans will work with faculty to strengthen the identities of our academic units, important for building public support. They will work to support faculty in their efforts of obtaining external support for your research. They will develop multi-year projections that support enrollment growth and more predictable spending on instruction and academic support; and that assume multiple sources of revenue beyond "NOT SO permanent" state funding.

Students are paying a higher share of the costs. However, despite recent increases, CSU remains at the very bottom of our group of 15 comparison public institutions and far below the national averages for state universities. Many students are shielded from the impacts of the tuition increase. They receive financial aid from the Cal Grant Program and the state university grant. Tuition is fully covered for about 45 percent of CSU students. Federal aid programs have expanded as well. No one should be denied a college education because they can't afford it. We must and will continue to provide support in accessing federal financial aid, and we will increase our efforts to build scholarship funds for our most needy students.

We have said we wouldn't, and we didn't, hunker down during the economic downturn. We made prudent decisions that allowed us to get through it without the draconian cuts we saw or may see at some of our sister campuses or at public higher education institutions across the country. And as we come out of the crisis, we are continuing to do so with an eye toward the future. Can things change? Can the state budget get worse? I can't stand up here and tell you it can't or it won't. But we have recognized that we are operating in a new world – a world that requires rapid change, innovation and flexibility. We have planned, we have stayed committed to our five strategic priorities, and we have we aligned resources behind achieving our mission.

We are part of a system, and we know that there is always going to be “noise” in the system about budget, about contract negotiations, about board policies. And I know that in some of those discussions we can maintain separation and in some other conversations, we can't. But we cannot and will not let that deter us from conversations about our institutional priorities and how we meet them in a very different environment. Our University Budget Committee will continue to review our budget planning information and our long-term strategies for aligning our resource allocation with our priorities. We will continue to do multi-year planning to reduce the impacts from the volatility of the state budget.

In September, I said to you that the conversations this year may be difficult ones, but that they would take us to future focus, stretch goals and the excitement of where we might be in 2015. We have been successful at forward focused conversations here over the years. We can have difficult, but respectful and robust conversations. We can keep our eyes on what we need to help assure quality instruction and student support. Throughout the crisis, we have assumed good intent. We have, across this campus, assumed the lens of university first. I trust those will continue.

So if you remain mystified or distrustful or confused about how you can be hearing some of the messages from other campuses while I am saying – we are okay – we are okay to go forward with all of these searches – and that going forward will not mean that we will have no adjunct faculty, no operational funds, or a looming budget deficit, then let me end with a reiteration of how this is the case.

- It may seem self-serving to continue to say this, but it is nevertheless true – we started early with budget cutting strategies – 3 years ago; and I presume that some of our sister institutions did not do this.
- We have used a multi year budget model since I came in 2004 so we can realistically look at revenues and expenditures over a time period, not just at one point in time
- Our system Board of Trustees has increased tuition 10% this year and another 10% next year

- Our student population, instead of the projected and demanded reduction down by 6%, has grown this year .

So, our proportion of the 500 million reduction is \$9.5 million. We had a \$6.5 million addition to our base budget in this fiscal year 10/11. The enrollment growth, to go from our reduced enrollment target back up to 7258 FTES is \$1.5 million. New tuition revenue – 20% tuition increases and the fees for more students adds \$2.6 million this year and \$5.5 million next, and those are ongoing revenues. The 1/3 set aside for financial aid is \$2.3 million, so we back that out. Savings from the 10% division permanent reductions is \$6.3 million. Self support summer school netted us .5 million last year and now with earlier system decisions might net one million dollars in this coming summer.

So, our multi-year model is based on these assumptions, our 11/12 spending plan is based on these and we know we have carry forward to cover other one-time expenses, which rounds out our planning for 2011/12.

I am not saying “just trust me”, but that you see and hear in the planning and transparency of our budget process, that under current assumptions, we are okay for 2011/12 and beyond.