

President's Forum

Tuesday, November 2, 2010

3p.m.

Academic Hall ~ 102

President Karen S. Haynes

Good afternoon. I appreciate the turnout on relatively short notice, but it seemed important to come together to discuss the budget information I've put out as well as recent budget information from the system. There have also been a number of issues swirling about college restructuring and the use of self support that have generated Academic Senate resolutions and the Provost's and my responses to those resolutions. I have recently attended a meeting of the Senate Executive Committee on October 20 as well as a meeting of the Senate's Budget and Long Range Planning committee on October 25. I know that there has been a lot of chatter about proposed changes that positions this University for the future.

And, as I have done in the past, I continue to believe that having us in the same room to have the conversation is better than having conversations occur in multiple circles, often without all the facts and without the context.

So, the areas that I will cover today are:

- Provide the overview – our strategic priorities and the changing reality of public higher education funding
- Talk about shared governance as it pertains to multiple decisions that need to be made
- Provide you the budget overview of where we know it is today, what I've allocated thus far, what our Board of Trustees will be deliberating on next week and what likely next steps will be in determining other budget allocations.

So today is an opportunity to look at the bigger picture, to reinforce how we've agreed as a University to focus on our strategic priorities and align our resources with those priorities to build for the future. As I said at Convocation and at my September 27th forum our five strategic priorities remain. And they remain important in all of our conversations and in all of our continuing activities: Academic Excellence, Student Life, Diversity and Educational Equity, Campus Climate and Community Partnerships. Each year we have determined what we need to focus on to close specific gaps. We've come a long way in the past five years. And while we've accomplished much in each of our five priorities, we all know there is still much work to be done.

We also know that the world in which we operate is changing and we must adapt to that changing reality. Although we were happy to see the state reinvest in the CSU for 2010-11, state support for the CSU system is at the same level as 5 years ago, and we are serving more students. Decline in public support for higher education has been a national trend for some time. Even in the good years, this state chose not to provide any significant increases in funding. The California Master Plan for Higher Education is no longer receiving the support promised when it was established 50 years ago. The Master Plan assumed that higher education would remain tuition free. Both the UC and the CSU are planning to change the terminology used for what was formally known as the "state university fee" --calling it "tuition." It is no longer meaningful or accurately descriptive to claim that universities are "tuition-free." The public call for accountability is increasing while public support for higher education is continuing to decline.

For Cal State San Marcos, the challenge is exacerbated. We are 20 years young and we have not even achieved a student population of half that of what this campus was built for – 25,000. We are still building our academic programs, our organizational models, our infrastructure for student support, and our buildings – academic buildings, a student union, and housing, athletic facilities. Yet because of our remarkable growth,

we're placed amongst campuses that have been in existence 50 years or more – Bakersfield, Humboldt, Sonoma and Stanislaus - that have either hit their build out or are declining in enrollment, that have the infrastructure and buildings, that have a full set of academic programs or are even looking at reducing academic offerings.

So the old model of state support providing the large majority of our revenue source is no longer valid and is a thing of the past. We have to decouple growth from state support if we are to remain viable and prosper as a University. We are a growth institution – not only because we are master planned to be, but because this large and diverse region is one of the few regions actually growing in California. So, it has to be about doing things differently; it's about increasing philanthropic support and it's about identifying and building partnerships for mutual benefit; and it's about putting infrastructure in place that supports those activities so that they are sustainable and ongoing.

We 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 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 and with the recognition that we are operating in a new world - a world that requires rapid change, flexibility, and innovation. This institution had valued those ideas and we have described ourselves as being creative and flexible and innovative.

But as we all know, change is also difficult – leaving old models and testing new one. We face many challenges but we have in the past demonstrated our shared commitment to work together to find the best answers to the issues facing this University. We are also part of a system, a very large system, and we know that there is always going to be some “noise” in the system about budget, about contract negotiations in our various

bargaining units, about board policies. And I know that some of those discussions we can maintain separation from and some others we can't.

You may be familiar with the CSU Statement on Collegiality, which was adopted in 1985 after consultation with the CSU Academic Senate, the campuses, the students and the Chancellor's Office, and reaffirmed in 2000. The statement addresses the shared decision making process and the primary responsibility of our faculty for educational functions of the institution – admission and degree requirements, curriculum, academic and professional standards and the conduct of creative and scholarly activities. Further, and I'll quote the document, "Central to collegiality and shared decision making is respect for differing opinions and points of view."

On this campus, I have asked you before to assume good intent, and I continue to ask that of you. Our discourse has been and needs to continue to be respectful of differing opinions, respectful of individuals and respectful of the collegial process. I ask that we maintain that even in this time of change. I have committed to consultation, participation by faculty, staff and students in our various conversations about our future, and I have committed to sharing both the good news as well as the bad news. Our procedures that form the foundation for collegial governance are important and I will continue to assure the opportunity for consultation and advice. But we are operating in a different environment – an environment that presents opportunities requiring us to be nimble and to be timely. That doesn't need to conflict with collegiality, but it does require advice to be timely, it requires that we assume good intent of each other, and it requires that we come to the table recognizing our individual input is essential for the success of the University.

The conversation about college restructuring has been taking place for some time as this University. It was taking place before I arrived in 2004. It was and is inevitable that our largest college would be split and it is utilizing the opportunity of having interim

leadership in three of our four college and schools to look forward to structures that will serve us as we now grow again.

As I have indicated in faculty meetings, there are only a finite number of organizational structures – both within and outside our system; that any model will have supporters and opponents; that this is, ultimately, an administrative decision, and that we began the discussions about process last spring and beginnings of conversations around how we might organize. In the spring the Provost asked a large group to provide ideas on college structure to her and then this fall, the Provost has shared her recommendation with faculty and asked for their input, respecting the process of consultation and advice. This input will inform a recommendation about restructuring from the Provost to me later this fall.

Again, we are operating in a different environment at a time of growth. The deans' role, all of our roles, will take on new responsibilities for adapting to change, building alternative revenues and doing things differently.

As I said at the beginning, and is clear from news reports and analysts, the California economy continues to present challenges. We know that a mid-year budget cut is very possible. Both gubernatorial candidates have said it's very likely the state will need to do mid-year reductions. A difficult budget year in 2011-12 is also a real possibility.

Next week, the Board of Trustees will act on two items relative to tuition increases. They will vote on a 5% mid-year increase for 2010-11 because the legislature did not appropriate funds to "buy out" half of a 10% tuition increase that was assumed in the Governor's budget and, as you recall, a 10% tuition increase or a 10% buy out by legislature was in all of our campus budget models for this year. The additional 5% increase – or \$105 more for next semester – will go into effect for spring semester. There will be no retroactive increase.

The second item will increase tuition by 10% for 2011-12 in order to provide more fiscal certainty. The board will ask the Governor and legislature to buy out the increase when they submit the 2011/12 request for state funding support. But they are taking this action now to ensure fiscal certainty and to provide as much notice as possible about a fee increase to students and their families. This will assure that the “one time” ARRA funds of 2.2 million that came to this campus will be permanent. Thus it allows us to assure that the 1.4 million allocated to Academic Affairs and the \$230,000 allocated to Student Affairs will be permanent. It also provides the “cushion” to cover increases in mandatory costs such as health benefits and utility costs.

With the increase in student tuition, the CSU will still continue to be among the lowest cost public university systems in the country. About half of CSU undergraduate students will not pay the tuition increase due to State University Grants, Cal Grants, or tuition waivers.

Our initial planning estimates in the spring were based on an enrollment base of 6846 resident full time equivalent students - FTES. That was a 6% reduction from the previous year. Over the summer we learned that our resident target would be increased to 7055.

As you know, the enacted budget included welcomed increases to the CSU base budget. Our initial base budget allocation from the Chancellor’s Office is based on 7055 resident FTES target for our campus. The Chancellor is holding funds to provide additional marginal cost funding if we can demonstrate that we will achieve a higher target, which for us is 7258 FTES. Our fall census and our spring projections indicate we will achieve that target, and likely exceed it. Fortunately, we will retain any student fee revenues from the FTES if we go above target.

So for us, the base budget allocation at the 7055 FTES is about \$5 million in new monies that were not part of our initial planning estimates. And, at the 7258 FTES level,

it is about \$7 million in new monies, and we'll use that number for the purpose of our conversation today. As I mentioned, the \$106 million in American Recovery and Reinvestment Act (ARRA) one-time funding announced over the summer is included in the campus distribution calculations. And ensuring that one-time federal funding becomes a permanent increase to our overall revenue is part of the reason for the early action by the board on the 2011-12 tuition increase.

I had over the summer allocated \$1.4 million to instruction for additional course sections in the spring semester. I also allocated \$230,000 to student support services. We have already initiated searches for those staff positions in Student Affairs. These allocations would be part of the base (ongoing) budgets in 2011/12 given the expectation that the ARRA funding amount is restored to the CSU base budget in 2011/12 either from the legislature or through the tuition increase.

Our campus allocation also includes \$1.3 million in funding designated for mandatory health, utility and new space costs related to the Social and Behavioral Sciences building.

From there, you know I announced that I was allocating \$2.5 million to instruction, specifically for tenure track faculty hiring based on Academic Affairs rolling plans.

So, before going further, let's recap. We've protected the 1.3 million for the mandatory costs for space, health and utilities, \$2.5 million to instruction for tenure track faculty, \$1.4 million to instruction for course sections and \$230,000 for student support services positions in Student Affairs. So that's roughly \$5.4 million.

As you read in my budget message from last week, I have made additional allocations that are focused on infrastructure to achieve our strategic priorities. Additional permanent allocations included in that memo were: \$400,000 to the Academic Affairs base budget for ongoing costs associated with the college

restructuring; \$100,000 to the Faculty Center for development of grant writing, diversity training and other key faculty development activities; \$100,000 to fund a central fund for staff professional development opportunities and \$600,000 to build the infrastructure, particularly staff positions focused on development, to launch our first comprehensive fundraising campaign and our ongoing fundraising activities. I talked to you about our comprehensive campaign at Convocation and at my last President's forum. I have said throughout my remarks today that we have to diversify our revenue sources and building philanthropic support will be a key component. Our comprehensive campaign themes will focus on describing the need for academic program support, student scholarships and support services, faculty support for professional development and for supporting capital development – buildings.

Three years ago, we began a conversation about a full-time diversity officer position to further institutionalize our educational equity and diversity priority. I am now proceeding with that plan. This spring we will search for an AVP for Educational Equity and Diversity to be hired for 2011/12. So, I have allocated \$200,000 to that.

So, if you're adding it up, and I know you are, that's about \$6.8 million.

We will know in January whether the state's fiscal condition will result in mid-year budget reductions and we will have the Governor's Proposed Budget for the 2011-12 fiscal year. We are continuing to review our multi-year budget models, the campus allocation and revenue projections. We know we will likely have additional revenues from exceeding our targets, we know that we will likely have fiscal carry forward because we've allocated ongoing dollars to positions that likely won't be filled this year so there will be salary savings, and we know that we are holding contingencies in the likelihood that there will be mid-year budget reductions.

We have and continue to make prudent budget decisions. I don't have to remind you that we made it through the fiscal crisis because of prudent decisions made early on

and your vigilance in cost savings. We did not have layoffs of permanent employees. We did not make the reductions – as much as 15% reductions in lecturers at some campuses and 7% systemwide – in the number of full-time equivalent faculty positions that our sister campuses had to make.

The University Budget Committee is the university-wide consultative body for reviewing division budget proposals and developing recommendations to me regarding budget allocations. The committee includes representatives from each division, faculty, staff and students. Through their deliberation processes last Spring, the UBC provided recommendations for reinvestment for additional funding received for the 2010-11 fiscal year. Student academic support and course sections were two of the highest priorities for reinvestment identified by the UBC. The priorities also included professional development, support of campus operations and building for the future. The allocations we've made reinvest in our academic mission, particularly instruction, and are reflective of the UBC's hard work and reflective of the value of participation in the collegial process.

We have been prudent, innovative and forward-looking throughout this process. Both the system with their November actions, and my executive council here are building models and contingencies to create greater financial certainty and ensure that we're able to offer our current students the services, courses and sections, counseling and advising that they need in order to graduate. As the current budget picture develops and we have more certainty about the outlook, I will make additional allocations that continue to support our students and support our campus operations and building for the future.

So, we look forward with a different model. Erosion of state support has forced us to look at things differently. We've built partnerships that have allowed us to expand during difficult budget years and we're building a comprehensive campaign to provide philanthropic support. At Cal State San Marcos we have also been successful in how

we leverage self-support operations to expand educational opportunities to our region, and we will continue to do so.

In the last two years, we have graduated about 125 nursing students each year and more than 80 of them were not on state support. Those students study with ALL faculty in the School of Nursing offering the same quality of education across the state support and self-support programs. They are eligible for financial aid, they receive student support and they walk across the same stage at graduation.

As you know, our Temecula off campus center is entirely funded through self support, as are our two newest graduate programs – our PSM and our MSN.

Self-support programs are not about creating a two-tiered system. It's about expanding access at affordable prices. We are going to continue to do that. We will build models anticipating demand that can create a predictable revenue source. The revenue becomes part of the bigger picture for a department's plan for full time faculty, lecturers and academic program support. Revenue from self-support does not have to be viewed as separate, but part of the source of funds a dean and department chair consider when building their plan. It's not a privatized model, but a new model given the "old" model is not and will not work going forward. We do not hold privatized models, such as the University of Phoenix as exemplars, we want to extend the reach of our quality CSUSM programs to populations who otherwise go unserved, or who pay those private tuitions without the quality or the results in retention and graduation rates.

So, I have covered a number of areas and, as always, will take some questions. However, Provost Cutrer is hosting an Academic Town Hall on Thursday and I might defer some of the questions to that venue.

2010/11 New Allocations

Mandatory Costs (Health, Space, Utilities)	\$1,300,000
Instruction	\$3,900,000
<i>Spring Course Sections</i>	<i>\$1,400,000</i>
<i>TT Faculty Positions</i>	<i>\$2,500,000</i>
Student Support Services	\$230,000
College Restructuring	\$400,000
Faculty Center / Faculty Development	\$100,000
Professional Development	\$100,000
Educational Equity & Diversity	\$200,000
Advancement Positions	\$600,000
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Allocated	\$6,830,000