

Budget Forum

Thursday, January 28, 2010

2 p.m.

Clarke Field House ~ Grand Salon

President Karen S. Haynes

Good afternoon. The semester is certainly off to a fast start, isn't it? And, I'm certain that before we know it, we'll be at Del Mar Fairgrounds for Commencement.

But, as is the case each Spring when our legislature is in session on the budget, and obviously greater uncertainty in these troubled times, we will be dealing with the continued uncertainty of the state budget and the necessary planning to ensure we are prepared for likely scenarios that might play out. I suspect that this is the first of what will be multiple budget forums over the course of the semester and, since you know I'm counting, this is the eleventh budget forum since our national and state economy started to topple in 2008.

A few weeks ago, you likely saw in the papers and in my campus announcement, that the governor has proposed to restore \$305 million to the California State University's 2010-11 budget. Over the past two years, the CSU budget has seen a 21 percent or \$625 million decrease in state support. The major cuts to the CSU budget in 2009-10 included \$305 million in "one time" cuts that the governor had committed to restore in 2010-11. So, certainly a glimmer of hope. But, we must temper that with reality and we must continue to do prudent planning for multiple scenarios. Not surprising, the state faces a new budget gap. The governor's budget addresses a \$19.9 billion gap. He addresses this gap through spending cuts – deep ones to health, welfare and the criminal justice system, an assumption of \$7 billion in federal funds and through fund shifts and other revenues.

Despite all of the financial challenges and the skepticism of many about the solutions to closing the gaps, the governor did keep his commitment to the CSU with this major restoration. The \$305 million would restore the 2009-10 cuts. The governor's proposal assumes that CSU

will implement a 10 percent increase in the state university fee. He's also proposed \$60.6 million to the CSU for enrollment growth. That enrollment growth money though is dependent upon a trigger of federal funding.

The governor's budget now moves through the legislative process. It certainly gives us a great starting point in January and it gives us something to lobby our legislators, which I'll talk about later. There are a lot of contingencies in his plan. The California Legislative Analyst has issued a report indicating the governor's expectation of \$7 billion in federal funds is highly unlikely to occur. The failure to receive that level of federal funds is the biggest threat to the increase for higher education proposed by the Governor. So, the possibility to lose the restored funds certainly exists.

The reality is, there remain significant challenges for the state fiscal situation, and there will likely be challenges for the governor to get legislative approval of this plan. We expect a very long budget season with continued contingency and uncertainty. There are a lot of pieces that have to come together, and several months of deliberations in the legislature. The governor's proposal is subject to revision in May, known as "the May Revise", once they have analyzed the tax receipts, and then is subject to adoption by the legislature – which you all know is likely to not happen on time.

We had been and will continue our process of conservative budget planning should there be another difficult year in 2010-11. And, the Chancellor's Office has in fact told presidents to continue planning based on our earlier assumptions to reduce our budget. Those assumptions – which are not new - are a \$6 million permanent reduction, a \$2.5 million fiscal reduction and a 6% reduction in enrollment. And, while everything remains on the table, our plan due to the system on February 15 must assume no furloughs in 2010/11.

We are already well into the 2010/11 enrollment cycle, and are planning for the 6% enrollment reduction. Enrollment Management Services put a number of tools in place to meet that reduction. We've posted on Budget Central, a document titled Enrollment Management 101. It provides an overview of the various enrollment management tools we're using.

Divisions are in the process of finalizing their budget reduction proposals to take forward to the University Budget Committee. The UBC will review those proposals and deliberate about the various reduction categories and their impacts, and make a recommendation to me regarding our reduction plan. Because we know the budget process at the state level will likely go into

this summer, I fully expect that UBC will develop their recommendation in a way which allows us to undo various actions and scenarios in a prioritized manner dependent upon the outcome of the final budget and any constraints placed on the budget by our legislators or our system.

Because of the way the furloughs worked for faculty employees, in that they carry over into the next fiscal year for two months, there is a fiscal savings of \$462,000 in 2010/11. I have already told Provost Cutrer to plan to use that to help offset the Academic Affairs fiscal reduction for 2010/11. It was a logical decision to make, and imperative to do so now, so that Academic Affairs can use it in their planning assumptions immediately.

The UBC will conduct their process throughout Spring. They will hold a budget forum for the Executive Council members to present divisional budget proposals to the campus in order to promote better understanding of our various divisional budgets and the assumptions behind our planning. Our budget conversations - in UBC, in our divisions - and in the various forums will be difficult conversations to have, I know that, but we have difficult decisions to make.

We also must have those conversations within the boundaries of collective bargaining. My commitment to transparency and to consultative processes has not changed and will not waiver. We have held forums, we have put the numbers out there when we've had them, and we have engaged and will continue to engage the UBC and the campus in our budget conversations. But, you know that we also must respect the collective bargaining process, the timelines dictated by the various agreements and by the Chancellor's Office and we must and we will respect the confidentiality for those affected. Will that sometimes conflict with transparency? Absolutely. But I believe we have designed our processes and our timelines to best respect and balance the collective bargaining process and the roles and rights of our management team with the promise of transparency and with commitment to shared governance.

HR has held workshops on the Voluntary Workforce Reduction programs for staff. Offering that program is part of the collective bargaining agreement and those programs are offered to mitigate layoffs should layoffs become necessary. I know that all of you will consider the programs based on your own personal situation. Offering these workshops now and announcing these programs gives employees time to determine whether they can afford the pay-cut or the reduced benefit levels that accompany a reduction in time-base or leave of absence. And, it gives our managers time to determine what their operational needs are and what they can support.

So, we recognize the challenges. We will continue to work together to overcome these challenges. I have asked you before to assume good intent, and I ask that of you again.

We are and will continue to be working within an environment where uncertainty and changing scenarios will prevail; we are and will continue to be working within an environment where not all decisions will be unanimously supported. We are still dealing with a 10% pay reduction while trying to serve students in less time. So it is difficult and time consuming to think about 2010/11 when we're dealing with our current reality.

While you may grow tired of hearing these, our principles for CSUSM remain unchanged:

- We will continue to serve as many students as we can within our budget and without sacrificing quality.
- 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 continue to, as I must, provide financially prudent and responsible leadership – to do any less would be disrespect for this institution and a disregard for my role and responsibilities as president. But that does not take my attention away from advocacy.

As I said before, the Governor's budget proposal gives us a good starting point to focus our advocacy efforts. I have advocated, and will continue to advocate with you for the CSU, for CSUSM, at the state and the federal level. I am also engaging my University Council, made up of 36 community leaders from our region, in our efforts. They will be doing OpEds, meeting with legislators to advocate the importance of the CSU to the community and spreading our message to their constituencies and organizations. They have, in fact, invited several of our local delegation of legislators to meet with them and hear their messages in support of public higher education and of CSUSM in particular.

During the first week of March, I will travel to Washington D.C. as part of the annual CSU Hill Day on March 3. I will meet with our congressional delegation to stress the importance of federal support for higher education, for student aid and for funding research. In April, I will participate in a joint legislative advocacy effort with the UC and CSU, and in May I will go to Sacramento for meetings with our legislative representatives. We are also engaging

our delegation while they are home in their districts. In all of these interactions, our message is clear:

- That Cal State San Marcos promised this region that it would provide 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
- That 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.
- That the only real guaranteed return on the state’s investment is in funding education as it assuredly creates an educated workforce that generates revenue for this state

I remain committed to continuing these budget forums, to being transparent. I ask that you remain committed to continuing to be a part of the dialog; committed to continuing to work together in a university first fashion; committed to assuming good intent.

For my part I remain committed to nurturing our climate of mutual respect and trust; I remain committed to the three paths we must pursue simultaneously; I remain committed to CSUSM and to you.