

President's Budget Forum
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Welcome. We're off and running with spring semester. And it wouldn't be spring semester without a budget forum!

When we began these budget forums in 2008, we probably didn't expect the sustained economic challenges we're experiencing in the nation, the state, and certainly in the CSU. But since this is the 15th forum, it is clear that we are now faced with a new economic reality, and the reality that public funding for higher education will continue to be constrained, irrespective of the economic picture.

Since 2007-08, annual state funding to the CSU is down \$968 million. Add to that another \$135 million in increased mandatory costs, which brings down funding to over one billion (\$1,103,000.00). Tuition revenue increases have netted \$593 million, so there is still a considerable gap. If you're following the math, it's a gap of \$510 million.

You likely saw the CSU announcement about the Governor's budget, and may have reviewed the budget in more detail. Here's what we know about the Governor's proposal:

The \$100 million trigger reduction that occurred this fiscal year was made permanent. That was a \$2.5 million cut for us, which we addressed fiscally this year and the executive council has addressed in our base budget going forward. Essentially, the budget is flat for the CSU for FY 2012-13, or so it appears, and I'll get to that in a second.

The Governor will have a tax measure on the November ballot that will raise income taxes on high-income earners and increase the state sales tax for a three- year period. If that fails, it will trigger a \$200 million additional cut to the CSU or five million to us. The LAO has already said the Governor's trigger plan would create significant uncertainty for schools, community colleges and universities in 2012-13. We couldn't agree more.

The Governor is proposing some accounting changes that are very concerning. He proposes that our debt service payments be folded into our state appropriation. This means we would get a set amount for FY 2012-13, and any fluctuation going forward would be the CSU's obligation to fund. That same scenario would apply to CalPERS employer contributions. These are both very concerning. So, it will appear that the CSU budget has increased by \$197 million

for 2012-13, but \$190 million is the debt service on the General Obligation and Lease Revenue bonds for projects that have already been approved.

The Governor is proposing a “long-term” funding plan if the ballot initiative passes that will provide a minimum increase of 4% to our budget starting in 2013-14 for three years. Sounds like a good deal right? Well, it also stipulates that tuition fee increases would be curtailed. That is unacceptable to the CSU as it would be inadequate to address our funding needs. Since over 50% of our total revenue now comes from tuition, a 4% increase to our state appropriations without any tuition increase is untenable.

The Governor’s budget proposal was neutral about enrollment, meaning it didn’t say anything about it. As you know, we’ve been planning for 7700 FTES for 2012-13.

As you’ll recall, the Board of Trustees had already approved a tuition increase of slightly less than \$250 per semester at their November meeting, if the proposed budget were not funded. We had already included that in our multi-year budgeting model. There hasn’t been any conversation with the board about whether an additional fee increase would be on the table, although not likely for 2012-13. The bottom line for us, if the \$200 million cut were triggered next year, it means five million above the already mentioned \$2.5 million.

As you’ve heard me say before in previous January messages and in previous forums, the Governor’s budget proposal is the start of the state budget process. We have several months before a final state budget is approved. The Governor will release his May Revise once the state has a better picture of revenues. Even then, there will be uncertainty until we know the outcome of the ballot measures in November.

So, we will continue our prudent budget measures and demonstrate good stewardship of scarce resources. I have asked the vice presidents to do a very thorough review of any open positions and to let me know if any can be filled internally or placed on hold.

I have also asked the vice presidents to do a thorough review of any planned large purchases as well as of any service contracts. The upcoming analysis of the mid-year budget review will provide us with a picture of where we stand in the current fiscal year and what we can expect to carry-forward into the next fiscal year. Earlier in the year, vice presidents developed multi-year budgets based on our assumptions at the time, which are largely unchanged. I will be at a CSU meeting of Presidents in a few weeks where we’ll talk about strategies for reducing our general fund expenditures.

Here, we will continue to operate by our three guiding principles that have helped carry us through the economic downturn:

- 1) We will continue to serve as many students as we can within our budget and without sacrificing quality.
- 2) We will protect as many jobs as possible, and
- 3) We will balance the need to address the crisis with the commitment to build for the future.

Having said that, I know that we have exhausted reserves; that getting by on carry-forward can only go so far, and that we have cut, reduced, saved, reallocated in every way possible.

But we have also been creative in identifying partnerships and alternative revenues toward achieving our strategic priorities. It is this commitment to innovation, to doing things differently, to modeling new approaches that will sustain us now and, I believe, will indeed sustain public higher education.

The economic pressure will continue, and public funding for higher education will be constrained even in the good years. So, I will put these things on the table for our consideration and discussion in the spring semester:

Regional Demographics

Regional demographics are such that we will continue to be a high demand campus, and we must continue smart growth. We must continue our outreach to underserved communities, which are quickly becoming the majority and will make up the workforce of the future.

For the region to achieve economic, social or cultural development, we will need to attract and retain knowledge-based industries. It is our mandate to produce graduates that are well prepared for those knowledge-based jobs.

As you well know, we have nine partnerships in place to help us do that.

Technology

We have to leverage technology. If you were at Academic Spring Assembly, you saw Ed Price's wonderful presentation on academic technology. You heard him say that we need to

break through some of higher education's "traditional" pedagogy to better serve students – but to have pedagogy drive technology, not the reverse.

Beyond the classroom, we need to use technology better in how we provide student services, perform administrative tasks and manage information.

Last summer, the executive council had a retreat that focused on technology. Using the outcome of that conversation, our Information Management Steering Committee, which is made up of the vice presidents, CIO, IT project manager, and is chaired by the AVP for institutional planning & analysis, developed a draft IT strategic plan to begin a campus wide conversation about how we will use technology going forward. The IMSC will release the document in the next week and hold a campus wide retreat in February to gather campus input on this draft document.

You know that I am one of four system presidents on the CSU Online board, but you likely don't know that I am the "lead" president on promoting increased flexibility within system policies for extended education. I take these responsibilities very seriously, as I believe both are important for this university and for the system to serve more students through alternate sources of funding and multiple models.

If you were at the CSU Online Academic Senate forum last fall, you heard me say that we, here locally, will make the best decisions for us about these initiatives, but from my vantage point, I need to push the systemwide plan in order for us to get the flexibility, authority, and autonomy to do what WE need to do.

More with Less

We will do more with fewer state resources. Note, I'm not saying do more with less, period. We're already doing that. We have to continue our conversations about how we serve more students by creating alternative revenues, raising productivity, offering programs through self-support when appropriate, using technology, changing our business practices, which could include outsourcing, and building philanthropic support — and we have to prudently but swiftly move beyond conversations to implementation.

So, as said earlier, we must expand streams of revenue and look for greater efficiencies where we can — though I do understand that we built efficiencies into much of what we do and have spent four years critically analyzing how to achieve efficiencies.

Tough Choices

We cannot sustain ourselves through broad focus. In our twenty-first year, we will focus on what we do well and where we have the most impact on this region's workforce and cultural and social development. That is our mandate, so the highest and best use of resources is imperative. Accountability will only increase at the federal and state level.

Whether we agree or not, what legislators see is students not persisting to graduation, not able to get jobs and deep in debt. We will demonstrate differently, creating public value measured by our impact on this region's development. We have made great progress here, but we can't take our eyes off this target.

Creating Pathways

We have to focus on pathways that move students through to graduation. It means tough love for students and holding ourselves accountable for protecting instruction, and providing support, guidance and pathways so student can persist in a timely manner toward graduation and a career. And it means, as earlier noted, providing more options — more creative options — to get them there.

Process

I ask you today to recommit to our principles, to recommit to our strategic priorities and to continuing our creative work and openness to new approaches. During budget reductions, it's easy to focus inward, to be territorial, to try to protect resources. I hope that we don't do that here. We haven't up to this point. We have demonstrated our capacity to put the university first.

I will continue to provide you with information as we receive it. As I said, there will be a meeting with campus Presidents in mid February to provide further guidance and direction on budget planning for next year. As the budget process proceeds and we have more concrete information, we will engage the University Budget Committee — a representative group that includes division representatives, faculty, staff and students — to review the information and make recommendations to me.

If it comes down to where we need to make reductions, and we've exhausted all alternative solutions to avoid cuts, we will convene the UBC to go through its same process as it

did before to review those categories put forward by divisions and recommend where we would focus the reductions to minimize the impact to the university priorities.

We must work together to overcome these challenges. 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

Throughout the crisis, we have assumed good intent. We have, across this campus, assumed the lens of university first. I trust those will continue as we navigate through continued uncertainty.

Conclusion

In his State of the Union address last week, President Obama called for states to do their part by making higher education a higher priority in their budgets. I hope our state legislators were listening.

He also had a strong message for us. He highlighted universities that redesigned courses to help students finish more quickly and the use of technology to provide greater access.

He said, "The point is, it's possible. So let me put colleges and universities on notice: If you can't stop tuition from going up, the funding you get from taxpayers will go down. Higher education can't be a luxury — it's an economic imperative that every family in America should be able to afford."

We will rise to the challenge. This semester, we will manage the uncertainty. We will have conversations around a technology strategic plan. We will continue to identify new revenue streams and alternative approaches. We will make the case for philanthropic support in the community. We will advocate for the CSU at the state and national level. And most importantly, we will keep the focus on the future and on serving students and this region.