

**President Karen S. Haynes  
University Budget Forum  
January 29, 2009**

**Part I: Budget**

Thank you all for being here. As you know, we rescheduled this forum from Monday to today because presidents were called to a 5:30 meeting in Long Beach on Monday about budget items.

I know that many of you have been following the news from the Chancellor's Office, my updates on "From the Desk Of", and, of course, what's happening on the state and national scenes. Our conversation continued in forums last semester, and will certainly not finish today. The picture is still unfolding and I know that we will have more questions after we leave here. So, there will be more forums, and I will continue to keep you updated in video messages, on budget central, and on my "From The Desk Of."

When we last met, I told you that the Governor mandated mid-year fiscal reductions to all General Fund supported entities, which included the CSU and UC. Although the CSU is not an executive agency, the budget bill, when approved by the legislature, gave the Governor this authority. This reduction equated to a \$31.3 million budget reduction for the CSU. Our share of that was \$748,400. Because we were prudent in holding back the funds restored in the final 08/09 budget, we were able to take this reduction without disrupting any further our current levels of service to our students or asking for any additional funds back from Divisions.

Some glimmer of good news is that the Governor's 2009/10 proposed budget restores this reduction treating it as a one-time budget action. However, as I also told you in December, in the fall, the Governor also proposed a \$66.3 million reduction to the CSU's 2008/09 budget. CSUSM's portion of that reduction is approximately \$1.5 million and shows as a permanent reduction in the 09/10 budget which was what we were told to expect.

Earlier this month, Chancellor Reed announced cost saving measures aimed at maintaining jobs and student access to quality programs. The Chancellor implemented a salary freeze for all vice president/vice chancellor positions and above, including campus presidents and the Chancellor. He also announced a hiring freeze on all but essential positions, cancellation of non-critical equipment and supplies, purchases, and travel restrictions for employees.

As you recall, I had already implemented the latter measures here some time ago and I have continued them. I did, however, following this announcement, also freeze all MPP employees' salaries on campus at least through 2008/09. I have asked our Vice Presidents to continue to make prudent decisions to defer or cancel non-essential purchases, curtail non-essential travel, and delay hiring where possible.

As I said earlier, the \$31.3 million dollar reduction is being treated as a 1-time reduction and the Governor's 2009/10 budget proposal does make the \$66.3 million reduction permanent – to remind you that is an approximately \$1.5 million permanent reduction to us. Further, the

Governor's Compact was not funded, and the budget assumes that the CSU Board of Trustees will increase student fees by 10 percent.

We are using all of these assumptions and proposals put forth in the Governor's budget to plan for the 2009/10 budget year; and, in fact, we had been using these assumptions when, last year, we began forecasting through 2009/10. We know we will have increases in mandatory costs such as benefits and utilities which eat up any additional revenues from student fees.

But I can tell you, because of the decisions we all made beginning in January 2008 to curtail spending, we believe we are in a position to weather the coming year and, under the current assumptions, are not planning for further permanent budget reductions at the division levels at this time. We do need to keep a watchful eye on spending for the remainder of this fiscal year in order to maximize our carry over funds, which will be critical in order to maintain our current service and staffing levels. We are, however, allocating unused compensation funds as a fiscal source of funds to be used to cover fiscal needs this year and to carryover to meet fiscal needs next year.

Having said that and probably what is already obvious to you, there will NOT be any budget call for next year. The University Budget Committee is continuing to develop a model for how we allocate our resources and to create further transparency. Obviously, there are no new resources to allocate next year so their attention will be concentrated on having a plan in place for the future.

I know that you have also seen in the news talk about furloughs and IOUs. If the Governor and Legislature do not reach a solution on the budget, the state controller will be forced to pursue payment deferrals or issue IOUs for some state employees. But, under the State Constitution, the state has an obligation to meet its payment to public schools and public higher education systems. Therefore, CSU employees will continue to be paid. Let me repeat, CSU employees will continue to be paid. Further, the CSU is NOT PLANNING ANY FURLOUGHS AT THIS TIME.

On the construction front, several projects throughout the CSU, including our Social and Behavioral Sciences Building and nursing facility improvements in Science Hall II are on hold due to the state's fiscal situation. We were concerned for a brief period that approximately 1.5 million dollars in invoices from November and December on these state funded projects might not be paid by the state – or at least not paid for awhile. However, the state is paying those obligations. Our Parking Structure, road extension and the McMahan House are proceeding on schedule because these are not funded by state revenue bonds.

So what is the prognosis for next year? It is difficult to say when and how the legislature and Governor will resolve the budget crisis. The CSU has been planning how to maintain operations under several different scenarios and the presidents will continue to receive information and be called to meetings when/if the changing budget picture demands.

But the noise at the national and state level will not stop the work we are doing here. As I said, there won't be a budget call for next year, and we know we must and will continue to do more

with less. So, we need to talk about where we focus our attention next year and where we will realign the resources that we do have in order to achieve our strategic priorities. To that end, we will focus on these areas in 2009/10:

- We will support our first year students. We will continue to implement strategies that retain students and that graduate students in a timely manner.
- We will, through our campus conversations and actions, define and implement best practices for achieving our diversity goals.
- We will continue to improve organizational productivity and quality. We will expand innovative programs and program delivery, and we will continue to reach out to the community, through visibility and support and donor development.

## **Part II: The Path Forward**

So, in these “extraordinary” times of major economic upheaval and consequent budget reductions, we here at Cal State San Marcos started early, made prudent decisions, kept a constancy of focus, and we have been exceptional stewards of resources. I am as certain as circumstances permit, that we will weather this crisis. And you have made that possible – your commitment to our mission; your belief in this institution; your ability to work together. I know that it has not been without pain to everyone – our students, our faculty, our staff.

And, while our early and continuous planning efforts regarding our campus budget have paid off in the avoidance of even greater pain - and I hope you have felt some comfort in that protection and knowledge. I am also clear that at this point we can only safely see our way through the coming year.

At best, 2009-2010 will be the same “bare bones” budget, no state funds for enrollment growth, no funds for faculty and staff development; nor for expanded student support services, nor for workforce increases. And, in fact, realistically there is no indication that the state or the nation will quickly bounce back and that revenues will pour in to help us enhance these services, reduce some of the workloads, grow our campus.

So, I propose to you that in this “extraordinary” time in our campus’s history we:

- ✓ stop waiting for the restoration of our former funds
- ✓ stay focused on our historic mission – to serve a diverse and educationally at risk student population
- ✓ and that we move forward with a sense of urgency
- ✓ to engage in creative conversations that lead to innovative practices that will serve students, create efficiencies, and enhance revenues

Rather than battening down the hatches, hunkering down, and simply hibernating through the next year, we need to wake up to the reality that this coming year buys us time to urgently explore new models, approaches, and innovations that will be needed to succeed in the new environment we’re facing.

Although there is even greater pain in other parts of the country, and although there are higher education institutions closing or with threats of closing, we are not such an institution. I am not afraid we will be “closed” and you should not be either. While I do not fear that our doors will be shut, I do feel a very strong sense of urgency that we not shut our minds or our hearts. Indeed, more than ever, it is imperative that we keep both our minds and our hearts open – open to examining new models, open to thinking in new ways; open to the people whom we serve.

I know that this requires all of us to stretch, sometimes beyond what we’ve believed possible, and I know that there is risk because there are no guarantees that we will succeed. But I am certain that there is much greater risk in doing nothing. Doing nothing will find us, in 2010/11, still in this uncomfortable and overburdened place that is neither serving students in the way that they deserve nor in the way that we want them to be served.

In fact, in these difficult times we are fortunate to be part of the solution for our struggling state and its citizenry. More than ever we need to remember our mission of providing access to higher education and its promise of economic opportunity—particularly to those most at risk in a severe economic downturn.

And I am clear that there is risk – much greater risk – in doing nothing – nothing more, nothing new. There is an enormous risk of losing an entire generation of youth from the promise that is higher education. A much greater risk of losing these youth to poverty, ill health, and crime. A much greater risk in losing this region as a place for business innovation and incubation; a place of improved public education; a place committed to creating and maintaining educated and visionary civic leaders.

I know you all care about those things – because that’s why you came to Cal State San Marcos; that’s why you’ve stayed. I know you are all working hard, but I’m asking, indeed as our new President has asked this country, to continue to stretch yourselves; to continue to think and to act creatively, to create a culture of change.

This is the beginning of our campus conversations on this future. We’ll continue this campus conversation in March and over the next year move the multiple conversations to action; that returns us to the design for an even more “innovative, creative, engaged” campus; a campus of access, opportunity, and excitement for all.

And as we begin these conversations, let us be mindful that we are engaged in some of the most important work there is – transforming individuals as we transform communities. I will commit, again, to continuing to communicate with you as often as possible, as transparently as possible, as we have more information about the state’s budget and its impact, if any, on these planning assumptions and thus, on our budget.