

University Budget Forum

**Thursday, July 9, 2009
3:30 p.m.
ARTS 240**

President Karen S. Haynes

Good afternoon. I must say that I've learned something very valuable in doing these budget forums this year – if I label it a budget forum, you come! Despite the state's gloomy forecast, I hope that you are having a productive summer and have had or will have some time to unplug or to spend some time with your family or friends.

Amidst this chaos of the state budget, it certainly gives me great pleasure to share some good news with you. I received word on Friday that the Western Association for Schools and Colleges (WASC) Commission has reaffirmed the accreditation of Cal State San Marcos for seven years with our Institutional Capacity Review in the spring of 2016 and our Educational Effectiveness review for fall 2017! Moreover, the letter from the WASC commission said, that our “self-study process demonstrates significant campus participation and engagement and institutional commitment to the creation of a “learning organization” based on an emerging “culture of evidence” and key functions such as planning, assessment, and program review that the University continues to develop and strengthen.” In the next three years – for Fall 2012 - we must show progress in the areas of advancing our academic planning and assessment of learning processes and improving our retention and graduation rates. I will be sending out a message later today that will have a link to the full letter from the Commission.

Let's give ourselves a round of applause. The commitment that you all demonstrated to WASC and that you demonstrate to our students every day, especially during these challenging budget times, is what allows us to remain strong.

And now for the budget news which is why you came, right? You have likely read a lot of what I will cover today in the papers or on our Budget Central. But I want to take this opportunity to talk to you about what we know today about the impact that will have here locally on our campus. I say "what we know today" because there is still no state budget, because until there is a state budget there will continue to be uncertainty about the federal stimulus monies, and there continues to be unfinished negotiations with some of our bargaining units.

As you know, our Board of Trustees met in a special called session on Tuesday in Long Beach. There were no decisions made at that meeting. The meeting was held to update our Board on the severity of these potential budget cuts on the CSU, to review negotiation procedures with the various unions, to discuss options for budget reductions and budget enhancements and thus to prepare the agenda for the July 21st regularly scheduled meeting of the Board of Trustees.

There is nothing new when I say to you that the CSU is facing a major operating deficit. This includes the \$584 million reduction from the budget enacted last February, the \$66.3 million permanent cut made by the Governor in February and \$40.5 million in new mandatory costs. Those mandatory costs include increases in energy, new space, health benefit increases, and \$7 million in labor costs to implement the second year of a CFA merit program.

There isn't one single option that will solve a deficit of this magnitude. The Trustees are putting all options on the table to address it.

One option the Chancellor has been exploring is furloughs. CSUEU, which represents the largest number of our staff, has reached a tentative agreement for furloughs. APC, which represents many of our student services professionals, has also voted to engage in conversations about furloughs. CFA announced yesterday that they will vote on furloughs beginning next Monday. SETC, our trades union, is in fact finding for its contract, and therefore we cannot discuss. University Police and dispatchers will be exempt from the furlough to protect public safety.

The Board of Trustees, at their July 21st meeting, will make changes to Title Five. They will give the Chancellor authority to furlough non-represented employees which includes the

executives for the system and Presidents, MPPs and Confidential staff. They will also give him authority to reduce salaries and authority to require unpaid holidays for those non-represented employees. The current plan is for non-represented employees to be furloughed 2 days per month; the same as other units who have agreed to furlough.

We have been told we will be given some local autonomy to develop a plan for furloughs. We are expecting guidelines from the Chancellor's Office later this week about latitude in implementing furloughs; about when to submit our campus plans to meet our budget gaps, and a bit later, guidelines about 2010/11 enrollment targets. Additionally, the Presidents have been called to another 5 hour meeting next Monday. We are starting to look at our various calendars and schedules – academic, events, athletics, to begin to think about how we might implement furloughs here at CSUSM – but until we get system guidelines, we are unsure about the extent of campus latitude and all unions have not yet completed negotiations.

If a union has not agreed to negotiate furloughs, the CSU will follow the options under the contract.

We are also doing everything we can to reduce enrollment – but, obviously, it's not an option available this Fall. It has been determined that the CSU will not accept any applications for Spring admissions in any categories, including graduate and credential applicants. I told you at our last Budget Forum that, despite every attempt to reduce enrollment next year, including declaring impaction, we know our enrollment and demand for courses is high. I also told you at the previous budget forum that to try to avoid a shortage of classes for later-registering students, we instituted a 13-unit limit beginning with our new freshman orientation. The limit will remain in effect for all new freshmen and transfer students. Continuing students who already registered for more than 13 units will be allowed to keep them unless they fail to pay their fees by the fee deadline. Since you may hear from unhappy students and/or their parents, we are strictly adhering to all deadlines for fee payments for all students with very minimal exceptions.

As I just mentioned, the Chancellor will issue new enrollment targets for 2010-11 in the coming weeks and we have made our case for what we believe is viable for us. However, the system is already serving 13,000 more students than it was funded for last year and with the 20% budget reduction, we need to continue to manage enrollment downward systemwide. We have, on our campus, already begun looking at strategies for reducing enrollment.

There will be an additional student fee increase considered at the July 21 Board of Trustees meeting that, if passed, will go into effect this fall. This increase which could be as high as another 20% or \$600 for the year, will be in addition to the 10%, \$300 fee increase previously passed by our Board. While I know that these fee increases are not good news to many of our students who planned for certain fees, who work while going to school to pay for their fees, there are two reasons why this fee increase is being considered and will have a reduced impact on students.

As I just indicated, while the exact increase in fees will not be finalized until the July 21 Board of Trustees' meeting, increases in financial aid included in President Obama's federal stimulus package will include \$81 million more in federal Pell awards to our neediest students (about 41% of all students in the CSU) As we always do, we'll also set aside one-third of any fee increase for financial aid. More robust Tax credits (expanded up to families with \$180,000 and to \$15,000 per family at \$2500 per calendar year), increased work study and student loan improvements will also offset the fee increases for many students. We will make sure we communicate with our students and their families about these various programs. The CSU will receive a total of \$2 billion in aid for our students next year.

The second reason for the Board's consideration of additional fee increases is the size of the budget reduction to the CSU. It is clear, and we all know this, that there are no good solutions, no easy answers to a 20% cut. Without increasing student fees, we would be further reducing our budgets by that amount – resulting, I am certain, in even more restricted access to students to classes and to essential student services.

So, the furloughs, if agreed to by all bargaining units, or other ways of reducing our payroll which is, as I have indicated before, about 80% of our entire budget, coupled with a fee increase of 20% would close the CSU deficit to approximately \$192 million. CSU Presidents have been told to submit a plan that addresses their portion of the \$192 million. For Cal State San Marcos, that amount is approximately \$5.9 million.

As I noted a few moments ago, the Presidents have been asked to return to Long Beach this Monday to discuss guidelines for moving forward and plans for how we implement furloughs.

CSUSM

As we continue to look at our options and develop our plans here, we will continue to employ the principles we have operated with throughout this crisis:

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

I know how difficult it is to follow all these numbers which you read in the papers, from various sources, and hear from me. Let me try to take just a few more moments and walk you through the aggregate numbers – as we understand them today – and dependent upon the state budget resolving without any further cuts to the CSU; with the Board’s approval of a 20% fee increase; with a 10% reduction in our compensation pool; and with estimated place holders for increases in benefits, utilities.

- CSUSM’s estimated reduction – fiscal year to fiscal year is approximately 14 million of our 65.5 million general fund
- You add to that approximately 800 thousand in unfunded mandatory costs
- 10% compensation reduction would yield about 6 million
- Another 20% fee increase, with a 1/3 set aside would yield approximately 2.5 million
- Leaving approximately a 5.9 million deficit
- Because we didn’t allocate funds set aside for compensation increases and because of our fiscal carry forward, we are looking at an approximate 3.5 million deficit to resolve.

Now that’s still a lot of money to find, but we are right now awaiting our year end closing, expected to be completed next week so we can see where we ended the last fiscal year and know what our fiscal savings are that we can carry forward to cover some of our expenses next year – but these will be only fiscal dollars. We know that divisions, departments, units, were frugal and have some reserves.

Another difficult element in our state's fiscal crisis, is the belief that this is by no means a one year problem, so the assumption of a return to a healthy economy for 2010/11 is not assured. The 255 million dollar cut I have talked about and we have already absorbed (over \$6 million for us) is not assured to be returned to the system by 2010/11.

I will say it again, because it bears repeating – we are still in better shape than many of our sister campuses; we are in better shape because of policies instituted early in 2008 and continued; because you all have been good stewards of resources.

And although I also said at the last Budget Forum, that because of this early planning and prudent decisions we made, we have been able to weather the crisis by using funds that we either set aside for compensation or set aside because we knew there would be additional cuts in 2008/09. Those decisions are certainly helping us with addressing some of our portion of the deficit. But, because of the unprecedented magnitude of this crisis, our cushion has slowly been eroded and we will need to look at how we further cut expenses.

I will repeat what I have said to you before:

- We will get through this – because
 - We are in a better place than many campuses
 - We have a campus climate of mutual respect and open communication
 - We have a shared commitment to our focus on people – serving our students; protecting our employees
- That I am committed to consultative processes and will engage UBC, the Academic Senate, and other leadership groups on campus when we have more information about the actual cuts, and/or the systemwide guidelines for implementation, and the time lines for submission.
- I will continue my commitment to you to communicate as quickly, honestly and openly as possible and to act, at all times, with our students and with your best interests in the forefront
- We will continue to assume good intent – even if or when we don't agree, continuing our respectful discourse, agreeing on the larger goal
- I also remain hopeful, through this unprecedented and dismal time, that our aspirations and our spirit will not be entirely dampened

Despite all this, we hold the future of our university – this still vibrant, young, 21st century university, in our collective hands. I believe we can stay committed to its future; to make as strategic and as thoughtful decision as is possible.

I trust us to do no less.