

University Budget Forum

Friday, June 12, 2009

9 a.m.

ACD 102

President Karen S. Haynes

Good morning. I want to thank all of you for being here today. This budget crisis is unprecedented for the CSU and for Cal State San Marcos. I know there is a lot of ambiguity and uncertainty, a lot of rumors and a lot of concern about our students, about jobs and furloughs, and about how we will get through this. I want to share with you what's changed since we last met, what hasn't changed and what the next steps are. I also plan to share with you my hopes and expectations for you as we navigate through this crisis.

I will say, up front, that we will get through this. There will continue to be uncertainty as this plays out in the California legislature, in conversations at the system level with our bargaining units, and in the conversations and decisions by our Board of Trustees. But I promise to share information with you as we receive confirmation from the Chancellor's Office and as soon as we can disseminate it.

GUIDING PRINCIPLES

Throughout this crisis we have operated with three guiding principles, and I want to reiterate them today:

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.

BUDGET UPDATE

As you'll recall, when the Governor passed an 18-month budget in February aimed at addressing the \$42 billion deficit, it included mid-year reductions for the CSU and another contingent reduction based upon the allocation of federal stimulus funds. It also included contingencies based upon voter approval of three propositions that would have a direct impact on fiscal year 2009/10 and another proposition that would have a large effect over the next three years.

We learned in March that California would not receive enough federal stimulus funds to avoid \$948 million in cuts to specific programs in the 2009-10 budget, including a \$50 million reduction to the CSU's 2009-10 budget. We had anticipated this reduction in our earlier scenarios, and we absorbed it on the assumption that we would use money held for compensation increases for fiscal year 2009/10.

So, when we last met in May, we were holding steady, but knowing there would be more turbulence ahead. We had made very prudent fiscal decisions over the past 18 months, and were in a position to weather the 2008/09 year and the cuts we knew of then.

Since that forum in early May, the voters went to the polls and, while we weren't surprised, we were disappointed that the initiatives that would have lessened the impact of the budget crisis all failed. In the Governor's May Revision released May 28th, the Department of Finance indicated that the state deficit was now \$24 billion - requiring additional reductions. The Governor's Budget is now to the legislature and we are likely facing a long impasse over the summer.

THE CSU BUDGET

Also in May, the Board of Trustees voted to raise student fees by 10%. The fee increase was included in the Governor's Budget assumptions.

I shared with you in my May 28th message, that on June 3rd, Chancellor Reed called all the CSU Presidents to a meeting in Long Beach. We heard there the CSU is facing additional extensive budget cuts and discussed various scenarios for managing through. The reductions to

the CSU will be anywhere between \$400 million and \$700 million in the coming year. This is dependent upon the extent of the federal stimulus revenue that we end up receiving, and any changes to our budget made by the Governor or Legislature as it winds through the legislative process.

The Chancellor stressed that no decisions have been made, but that all options were on the table. There is no single solution that can solve this. We do know that campus closure is not being considered. The Chancellor has initiated changes to Title 5 of the California Code of Regulations for MPPs and executives (which include the Chancellor, Vice Chancellors and Presidents) to modify provisions for furloughs, salary reductions and unpaid holidays. The Board of Trustees will discuss options at a special called July 7th meeting and vote on the Title V changes at their July 21st meeting.

Again, no decisions have been made. But, the system is exploring all options and meeting with the various bargaining units to analyze numerous scenarios. Labor and personnel costs account for approximately 80 percent of the CSU budget.

CSUSM BUDGET

After the June 3rd meeting of CSU Presidents, I met with my Executive Council to review the new information and discuss immediate steps that could be taken.

Despite every attempt to reduce enrollment next year, including declaring impaction, our applications were again at record highs. Following the May revise, the CSU directed all campuses to downsize enrollment to the extent possible. That is extremely difficult to do because we have new students who have accepted our admission offers and paid deposits, and continuing students who have already registered for Fall classes. We are, though, strictly enforcing the conditions and deadlines that are in place for enrollment.

Despite all of these steps, we know our enrollment and demand for courses will be high. To avoid shortage of classes for later-registering students, we instituted a 13-unit limit beginning with our new freshman orientation that was last Friday. There were conversations amongst our enrollment planning team and College Deans, and they determined the 13-unit limit was the best course of action. 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. We have developed a petition process for

such cases as military/veteran students with a mandated completion date, and students who have applied to graduate in Fall 2009.

I implemented a freeze in January 2008 on all hiring except for essential positions. I have asked Vice Presidents to again, review all open positions and delay hiring for any non-essential positions. I also in January froze all MPP employees' salaries on campus. I have asked our Vice Presidents to continue to closely review all expenditures, defer or cancel non-essential purchases, curtail non-essential travel, and delay hiring where possible.

That brings us to today. And, up until now, because of the 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. But because of the unprecedented magnitude of this crisis and the actions – or inaction - of the legislature, that cushion has slowly been eroded. We are at zero. And, while that is a better place than some of our sister campuses – our cushion is now gone and we are now faced with more, and significant, cuts. We are no longer in a position to absorb. We know there will be difficult decisions ahead. Many of them have external factors and will be made at the system level, through our collective bargaining processes and by our Board of Trustees.

The EC is closely monitoring communications from the Department of Finance and the Chancellor's Office, and developing scenarios based on information as we receive it.

NEXT STEPS AND PROCESS

So, that is what we know today. And, as I said when we began, we will continue to face uncertainty and difficult decisions in the months ahead.

At the state level, the Joint Conference Committee on the Budget is expected to vote on the proposed cuts to higher education for 2009-10 in the coming weeks. The CSU Presidents will meet again on June 22nd to discuss the scenarios on the table and develop an action plan. The CSU Board of Trustees will have a special meeting on July 7th and their regular meeting will be on July 21st. Since all options are on the table, fees inevitably will be a subject of discussion. I know we will have additional budget forums as we learn more throughout the summer and into the fall, and I will send you electronic communications as we receive new information.

As I have said before, I believe we are in a better place than some of our sister campuses because we began strategic planning and budget cuts early; we set forth prudent restrictions on hiring, travel, purchasing. I am equally certain that we are in a better place because we have communicated with each other and kept our principles and our strategic priorities in front of us. I believe we are in a better place because we continue to focus on people – our students, our employees – as we deal with the “business” of our organization and that balance is critical.

There are a lot of rumors and a lot of buzz, and there will continue to be ambiguity as we wait for legislative action and the outcome of federal stimulus package. I will say, don't read about what other campuses are doing and assume we'll take the same actions. If you hear inaccurate rumors, quell them, or ask for clarification from your division leadership to prevent them from spreading more quickly and becoming toxic.

Going forward, I hope that you will assume good intent, certainly in my actions and those of my executive team, but also in the actions and decisions of those around you. While you may not agree with every decision, I trust that you know there are very capable and committed individuals on this campus who are dealing with this crisis and making very difficult decisions with the best intent and the future of the University in mind.

VALUE PROPOSITION

This is truly a time for University First thinking and behaving. This is our opportunity as a University, and your opportunity as an individual, to show our strengths. We must all work together to continue to provide access to students, to continue to be a great place to work and study, and to continue to serve our community.

This budget crisis will not dampen our aspirations and vision – we will continue to make strategic, thoughtful decisions to best position us for the future. We will continue to seize opportunities connected to our core mission and build a place for your children and grandchildren to go to school. The actions we take today will shape our tomorrow. We hold the future of our university – this vibrant, young, 21st century university -in our hands.