

Welcome back to a new academic year – Fresno State’s 102nd year of serving Central California.

For our last several assemblies, I have shown a humorous video to begin my presentation. Considering the challenges ahead, I decided to forgo making a new video, but I do want to share with you the excellent work of one of our students, Rigoberto Moran. He is a junior majoring in Mass Communication and Journalism with a digital media option. He won first place in the 6th annual “I am Fresno State” student video contest.

Let’s watch his video. Because it is very brief, we will run it twice.

http://www.youtube.com/watch?v=TWqnh3z-NY4&feature=player_embedded

It’s always inspiring to see the creativity of our students. Rigoberto, a first-generation college student from Farmersville in Tulare County, is a perfect reminder of why we work so hard at Fresno State – to provide opportunities for students to achieve their dreams.

Keeping that in mind will be particularly important in what we know will be a challenging year that will test our ability as a University community to stay focused on our priorities and our mission.

This summer I had the opportunity to participate in a symposium

and celebration of the 150th anniversary of The Morrill Land Grant Act, which dates back to 1862, when our country was torn apart by war and the future of the United State was in peril. However, even during this time of tremendous upheaval, the Congress passed and President Lincoln signed The Morrill Act, which established our land grant universities. That set in motion a transformation that has provided higher education for millions of people who have created the greatest country in the world.

Interestingly, that same year Congress also passed and President Lincoln signed the law that established the transcontinental railroad system, which also was a monumental step in the development of our country.

As I attended the Morrill Act commemoration in Washington, D.C., I could not help but reflect on where we are in 2012. Our country is again deeply divided – not by war, but by ideology. The future of higher education is at risk in California, as the state has systematically disinvested at a time when it is imperative that we develop a better educated workforce to fuel our knowledge-based economy.

Like the leaders of 1862, the people of this state have a crucial decision to make – is higher education worth the investment for the good of society? Do we have the foresight to reinvest in higher education to assure our future?

And similarly like circumstances of 1862, our legislature and the Governor have signed legislation that will change the future of transportation. They have authorized the construction of high-

speed rail through our region to ultimately connect the state of California.

Truly, this is a perilous time and a crossroads for the state of California and its future.

Looking at what we face today, let me describe for you as clearly and succinctly as possible where we stand with the budget. The Governor has signed a 2012-13 budget for the California State University system that provides funding at the same level as the 2011-12 year – but with a big “IF.”

That “IF” hinges on whether the voters of this state approve the Governor’s initiative, Proposition 30, on Nov. 6. This initiative would:

- Increase personal income tax on annual earnings over \$250,000, for seven years.

- Increase sales and use tax by a quarter-cent, for four years.

If the voters approve this initiative, our budget remains the same as this year. If voters fail to approve, that will automatically trigger a mid-year \$250 million reduction of the CSU budget for the 2012-13 year. Fresno State’s share of that reduction would be about \$13.2 million.

Further, just as budget deliberations were ending, the legislature adopted and the Governor signed a budget trailer bill that adds a new twist. It says that if the CSU will roll back the 2012-13 \$498

student tuition fee increase -- which has already been built into the current year budget --and revert back to the 2010-11 tuition rate, the legislature would appropriate an additional \$125 million to the CSU in 2013-14. Again, that's IF the tax initiative passes.

Obviously, we cannot wait until November to adopt a budget for the current year. Fortunately, we have been attempting to be frugal since 2008-09 in an effort to avoid layoffs and the need to make sudden changes in expenditures that would disrupt our University environment even more than has already occurred.

Because of our careful budgeting, we have sufficient reserves and carry-forward dollars to allow us this year to keep divisions, schools and colleges at the same budget level as last year. Those allocations have been made, and we look forward to welcoming about 22,400 students to the campus this fall. That will represent an enrollment increase of approximately 700 over last year, with the largest freshman class we have had - over 3,100.

As a result of our enrollment increase, we have allocated an additional \$1 million in the fall semester to schools and colleges to increase the number of courses and reduce class size in a few courses. We plan to allocate an additional \$1 million in the spring semester if that is possible after the November election.

Also, to protect ourselves in the event that the budget initiative fails, we have set aside \$7.2 million from central reserves and \$6 million in carry-forward dollars from each Level A area to

absorb the immediate reduction that would occur this year if the \$250 million trigger is pulled.

Then, we will need to address the long-term consequences of an ongoing base budget reduction in excess of \$13.2 million, which, of course, is on top of the dramatic reductions we have endured since 2008-09.

The CSU Board of Trustees began discussions in July with regard to the long-term alternatives for adjusting to this draconian reduction. Two options are on the table for filling the budget gap if the proposition fails. Both scenarios pose significant, unpleasant consequences for us.

SHOW CHARTS FROM BOT MEETING.

1. Option 1 is focused on preserving student access.

- Under this scenario, in-state student tuition would increase 5%, or about \$150 a semester, starting January 2013.
- Employee pay and benefits would be cut 2.5%, effective January 2013. Such a reduction would have to be bargained with our employees.
- Faculty assigned/release time would be reduced.
- A “third-tier” of tuition would levy additional fees for students carrying 16 units or more.

- Tuition for out-of-state and international students would rise 9%.
- Campuses would be expected to draw on their continuing education reserves.
- Campuses would be expected to use reserves or carryforward as one-time resources.

2. Option 2 is focused on preserving price for students.

- With this option the university would be forced to cut 2013-14 enrollment by 1.5%. This means as many as 350 students would be denied enrollment at Fresno State and an estimated 40 Fresno State employees would be laid off.
- Salaries and benefits would be reduced by 5.25%, effective January 2013. Again, a reduction in compensation would have to be bargained.
- And like the first option, the same “third tier,” non-resident tuition increase, continuing education and one-time resource use impacts would be implemented.

The Trustees will decide at their September meeting if one of these options will be adopted or whether the campuses will be expected to absorb the entire reduction which would mean \$13.2 million for our campus, as I stated, should the tax initiative fail.

They also will decide whether to roll back tuition for the current year to the 2010-11 levels if the tax initiative passes. Should they take this step, we will have to absorb a reduction in 2012-13 of about \$7.2 million, which we will take from central reserves.

As we enter this period of extraordinary uncertainty, I believe we have positioned ourselves as well as could be expected. After we earmark funds to cover this year's shortfall of \$13.2 million, we will have central reserves of approximately \$11 million and divisional reserves of approximately \$30 million.

GRAPHIC OF 2012/13 TRIGGER REDUCTION IS SHOWN

The graph before you shows the source of the trigger cut, which totals \$13.2 million. Centrally managed accounts will absorb about \$7.2 million and the remainder will come from the various divisions represented in the typical Level A allocations.

Let me take a moment to review the status of our central reserves and carry forward with you.

GRAPHIC OF Carryforward Division as of 2012/13

With regard to our carryforward amount of \$29.6 million, the chart before you shows where that amount resides. Academic Affairs has \$15.2 million; Administrative Services \$7.2 million; Technology \$4.0 million; Student Affairs \$2 million, and the other areas with lesser amounts. The Academic Affairs carryforward is further broken down as follows:

GRAPHIC OF Carryforward Academic Affairs as of June 30, 2012/13

The Academic Affairs distribution, including funding we hold for the system-wide Agricultural Research Institute, is approximately \$15.2 million displayed here by the various units, with approximately \$8.6 million in the schools and colleges and the remaining balances in the Office of the Provost, the CSU Agricultural Research Institute Library, Graduate Studies and various other academic programs, totaling approximately \$6.6 million.

GRAPHIC OF Carryforward Balances over 3 periods

I would like to show you a chronology of the declining carryforward balances. The chart on your left displays the carryforward balance as of June 30, 2011, of approximately \$65.8 million.

The chart at the right shows that as of June 30, 2012, the carryforward balance is approximately \$54.3 million. You'll notice that the trigger reduction of \$13.2 million is included in this total, as we have designated it as a contribution toward the potential budget cut, should the tax initiative fail. Therefore, our carryforward balance has a real reduction of approximately \$11.5 million, as shown by the red in the lower portion of the graphic on the right.

However, in the chart at the bottom, you'll see that if the trigger is pulled, the \$13.2 million will be returned to the state and our

carryforward balance will be reduced by approximately \$24.8 million, to a new carryforward balance of approximately \$41 million by January 1, 2013.

It is important to recognize that in normal times we maintain approximately \$25 million in reserve and carryforward for ongoing operations. Thus, our cushion in excess of that \$25 million will be about \$16 million as we begin to plan for the permanent base budget reduction of \$13.1 million for the 2013-14 year.

This cushion will allow us to make deliberate changes over a one-to two- year period without the need for dramatic disruption of our university community. Also remember that these are one-time funds that will be gone after we rely on them, as we make longer term base-budget reductions.

I have reviewed this strategy with the University Resources Advisory Board, the University Budget Committee and the Academic Senate expanded committee this summer and they have concurred with this approach.

I am deeply grateful for the responsible and prudent management of funds that everyone has engaged in since 2008. Our efforts allow us to take some time to plan responsibly, if we have to address further budget cuts should the tax initiative fail.

Further, we have taken the step to freeze all new student enrollment for the spring semester 2013. The only exceptions will be in health and education programs where we have partnership commitments to meet. This step is necessary for spring 2013 since

we cannot afford to admit students who we will not be able to serve, should the initiative fail.

To further add to the uncertainty, is the looming reduction of federal funds on January 2, 2013 should Congress fail to act to balance the budget by that date. This reduction would dramatically reduce some financial aid and grant dollars.

There is much uncertainty ahead. The only thing that I can assure you of is that if the November tax initiative fails, we will become a much smaller and leaner University. We will have to ask ourselves some very tough questions about the number of programs we offer and the breadth of those programs.

As we enter the fall, we must begin work on planning for future alternatives. We will work closely with the University Budget Committee of the Academic Senate to examine those alternatives and options. I will ask the University Budget Committee to work with me to devise a process to review our Level A allocation levels. It will also be very important for the Budget Committee to work on developing a revised Level B budget formula that accounts for all of the University funds that are available to Academic Affairs this fall. We must have this revision ready to use for the 2013-14 year.

I will continue to report to the entire university community on our budget situation throughout the fall semester.

Once the November election is behind us, we can proceed to making decisions that will provide stability in the years ahead. I

will focus on getting those decisions made by the end of the academic year to assure that our fiscal future is more stable and predictable.

I am pleased that a tentative contract agreement has been reached with the California Faculty Association, and I hope the ratification process will be completed soon.

In the months ahead as we approach this fall election, we should keep in mind that there has never been an election with this magnitude of consequences for the future of California. I urge you to make sure that everyone you know registers to vote, and casts a ballot in November. I will spend as much time as possible communicating with our constituents about the importance of this election and what's at stake. I will need your help.

As we talk to people about Fresno State, it is helpful to recount the changes we have experienced since 2008-09 to help them understand the negative impact of budget cuts we've sustained.

- Despite tuition fee increases, which have replaced part of the states disinvestment, we are operating with \$15 million fewer dollars than we were in 2008-09.
- We have 371 fewer employees this fall than we had in fall 2008, a 15.4% reduction.
- Our class sizes have increased by 10 percent.

- Due to management position eliminations, we have a number of MPP employees who have assumed responsibilities for two positions.

- In Facilities Management the campus has reduced the management and supervisory staff by approximately 31% -- at the same time that the campus continues to grow and faces increasing deferred maintenance challenges.

I know our entire University community has sacrificed and suffered. I am deeply grateful for your commitment and willingness to do what is necessary to allow us to continue providing access and a quality education for the students of Central California.

As a small token of our appreciation, Sharon and I would like to invite you to the University House on September 25 from 5:30 to 8 p.m. to join with our University community to enjoy each other's company. I wish I could do more. I am very thankful for our university donors who will provide the financial support for this event.

Despite the dramatic changes and challenges we have faced, our University has continued to record a number of great accomplishments. Here are just a few:

-- Our first year retention rates have been at the 86% level for the past three freshman cohorts. Also very impressive are the second- to third-year retention rate in excess of 78% for the 2009 and 2010 cohorts. Equally notable is the third- to fourth-year retention

rate of 74% for the 2009 cohort. The latter rate suggests that this 2009 cohort is on track to produce the highest graduation rate in our history.

-- Our students, staff and faculty have provided 1,129,004 hours of service to this community. This is the third year in a row we have exceeded one million hours of service.

-- Two faculty members, 5 students and 2 postdoctoral fellows from Fresno State are part of the team that made international headlines this summer with announcement of the so-called “God particle” discovery. Physics professor Dr. Yongsheng Gao heads Fresno State’s participation in this cutting-edge experimental high-energy physics research into the origins of our universe.

--Fresno State’s leadership role in water technology, water access and water management was featured in a National Geographic News Watch article. It cited Fresno State, the University of North Carolina at Chapel Hill and Michigan State as three universities working to make a difference in this important field. It explained that our

International Center for Water Technology and 120 water tech companies in the area have created the “Blue Tech Valley.” The article also praises Fresno State for adding eight new faculty positions devoted specifically to water technology and water research — four starting this fall, four more starting in the fall of 2013.

-- Our Campaign for Fresno State has reached 96 percent of our goal -- over \$192 million as of July 31. We will achieve our \$200

million goal before 2012 ends. Even during the tough economic year of 2011-12, we realized over \$22.7 million, the highest annual total since our record year of 2009. The Campaign has provided funds for scholarships, program support and research support that have benefitted students and faculty.

--Our research and sponsored programs activity was over \$41 million with 246 new grants for 2011-12. That marks its highest level in nine years and the second highest of all time. These figures are particularly significant given the belt-tightening by federal and state funding sources and deep cuts to CSU funding.

--100 classrooms have been updated with paint, new window coverings, whiteboards and AV equipment.

--We have received the Wellness Council of America's Gold-level "Well Workplace Award." WELCOA created the awards to help organizations understand the art and science of delivering a results-oriented wellness program. By achieving this level of excellence in workplace wellness programing, we have demonstrated that we are committed to protecting and enhancing the health and well-being of our employees and we can be considered as one of America's Healthiest Organizations.

In the past two years, Wellness@Work has been integrated into the LEAD program to deliver an even wider array of personal and professional experiences for our campus community.

-- As Fresno State enters the Mountain West Conference, our student-athletes have maintained an exceptionally high

performance in the classroom. For the third straight year since the NCAA adopted the APR program, all of Fresno State's sports programs are meeting and often exceeding standards. Additionally, none are under APR penalties.

--We have completed planning and will launch two new doctoral programs in Physical Therapy and Nursing Practice this fall.

I could go on for a very long time to recount the achievements that all of you have realized, despite the fact that we have fewer employees and more students to serve. Everyone here can be very proud of your University. The citizens of this state should be proud of what we have accomplished. Give yourself a round of applause!

As we move forward, we have much to do this year. I believe that we must continue to plan for a future, which I hope will be much brighter than it has been the past four years. I believe we must remain focused on achieving the goals outlined in our Plan for Excellence IV, which are designed to help students to be successful

Here are a few of the major steps we will take this year:

- I have authorized Provost Covino to begin searches for 53 tenure-track faculty positions, which we desperately need.
- We will launch searches for Deans for the College of Science and Mathematics and the Craig School of Business.

- We will complete a comprehensive technology plan and begin implementation,
- We will advance our planning for the Jordan Research Facility.
- We will complete our Diversity Plan and begin implementation
- We will expand our efforts to further diversify our student body with a significant increase in international students
- We will successfully conclude the Campaign for Fresno State.
- We will invest in course redesign.
- We will investigate how to address deferred maintenance needs, which now exceed \$130 million dollars.
- We will continue the implementation of our campus master plan with the start of installation of wayfinding signs, funded by non-state sources
- We will expand opportunities for professional development for all faculty, staff and administrators.
- We will continue to place a high priority on safety for our students, staff and faculty.

If the tax initiative fails, we will adjust our plans accordingly.

As we go forward it is important for us to focus on the importance of convincing the citizens of this state that there is a pressing need to reinvest in higher education. We also must recognize the importance of working together as a University community which is committed to shared governance. As our year ended last year, we had some questioning our commitment to shared governance. This question arose around the issues of faculty cohort hiring, our new logo and the reconstruction of parking lots A and J.

Provost Covino has written to the Academic Senate to address its resolution on cohort hiring. In that communication, he indicated that no cohort position has been authorized without the determination by the department chair and dean that such a hire will address departmental needs. The responsibility for identifying faculty needs for future hires rests with the departments and schools and colleges. This responsibility will continue. Further, funding provided to a School or College for tenure-track positions will become permanent once an appointment is made.

I have modified the original plans for use of the logo on stationery, which addresses many of the concerns voiced by the Academic Senate with regard to use of the University Seal. We have established an advisory committee, which includes representation from staff and the Academic Senate to continue to consider other modifications we may need to make and assist in our integrated marketing efforts.

We have reviewed consultation processes following the concerns raised about the parking lot renovation and Vice-President Matson will discuss revisions in our campus planning process with the

Senate Executive Committee this month. It is clear that communication needs to be improved to assure as much involvement and awareness as reasonably possible.

Let me reiterate my commitment to consult in advance with the appropriate Academic Senate bodies on the broad range of pertinent issues encompassed in our academic policies. We have demonstrated that shared governance does work in the past, and I believe we can become even stronger as a University community, if we recognize the importance of shared governance and maintain respect for all opinions and commit ourselves to civility as we seek to resolve very difficult and complex issues.

I hope you will join me in reinvigorating our commitment to our core values of respect for differences and a commitment to responsible and open inquiry, dialogue and expression.

As we begin this new academic year, we realize there has never been a time in which the future has been more uncertain. But even so, I firmly believe the opportunities are great. This is one of those times in our history when there will be significant change.