

Budget plan announcement
President John D. Welty
June 1, 2011

Good morning. Thank you for joining me this morning. My purpose this morning is to try to outline for you our budget plan for the 2011-12 year, with some uncertainty still remaining before us.

Just to review with you, in January, Governor Brown issued a 2011-12 budget proposal that called for a \$500 million reduction in state support for the California State University. Fresno State's share of that reduction was just over \$20 million. The Legislature this spring did approve that reduction, which is equal to an 18 percent reduction in our state appropriation.

The CSU's budget for state support was adopted at \$2.2 billion, which is a step back to 1999-2000 level of funding for the system, even though our system currently serves 70,000 more students than we served in 1999-2000.

Then in his May revision, Gov. Brown proposed another \$500 million reduction, unless an extension of certain state taxes was approved. If that were to be adopted we would be faced with a \$1 billion reduction in the California State University in just one year.

The Cabinet and I have been watching closely and working on the budget process for months. With a cut the magnitude of \$20 million looming, we have been trying hard to keep the campus community informed. That means, and I think you know, we've re-activated our Budget Central Website, which can be found at www.fresnostatenews.com/budget-central. Go to Fresno State News and that will take you there if you didn't remember all of that.

We also sought input on how that level of reduction should be accomplished. Deans and division heads were tasked with examining where reductions could be made, and in early February, if you recall, I released a budget process timeline and introduced the Fresno State Suggestion Box for faculty, staff and students to share ideas about reducing costs and improving efficiency.

I want to thank all of you who took the time to submit ideas and outlined those for us. We received more than 150 unduplicated suggestions, we have created a webpage to share those suggestions and responses to most of the suggestions have now been posted, with more responses to come over the next few days and weeks. You can find the online Suggestion Box on the Budget Central page if you want to review the suggestions and follow-up responses.

In addition, we consulted with our University Resources and Planning Advisory Committee, which is co-chaired by Provost Covino and Vice-President Teniente-Matson.

Now let me come to the specifics of how we will address the \$20 million reduction, which just simply deals with the first \$500 million reduction for the system.

First of all you may recall that our board imposed a tuition fee increase last November that will provide about \$9.1 million in new funds for our campus in 2011-12. That means that we have a remaining \$10.9 million base budget reduction, which we will accomplish through the following steps that I will outline.

As a result of the position freeze that we've had in place this year, we currently have just over 80 management and staff positions vacant. Of those 80, 52 will be permanently eliminated.

We will also need to reduce an additional five positions before we can achieve the budget plan we are adopting. We will review that number once we receive the results of the Voluntary Time Reduction that has been issued to the campus community in the past few days. Steps necessary to achieve these reductions will be completed by July 1.

I've asked throughout this year, all of the vice presidents to rethink how we deliver services across the campus and to question the norm in everything that we do. We will continue to examine the efficiency and effectiveness of our service delivery models.

As you may be aware, over the past two academic years we've been reviewing a number of processes across the university. I've learned that there are significant opportunities to save time and improve our internal and external delivery mechanisms in almost every department and administrative area. I intend to aggressively pursue those initiatives, including the Lean University initiatives that have been launched, and we will ask as we go into this coming year for further exploration of shared service centers across the campus.

This will not result in a reduced number of positions, but it should offer additional resources to help us manage the university during a period in which we will have substantially fewer employees to operate with and in some cases it will save time for people as a result of the more effective functioning processes.

Third, our position freeze policy will continue into the coming year, as will restrictions on travel and large equipment expenditures.

As you may be aware, we have started discussions in the Spring Semester with students about IRA fee increases to address support for athletics and academics. Athletics has been hit doubly hard over the last several years as a result of dramatic fee increases which have impacted and caused grants-in-aid costs in athletics to rise above of \$1.7 million since 2006-07.

In addition, an IRA fee increase would allow us to maintain library hours and other academic support services. Based on the recommendation of the Student Fee Advisory Committee, I have determined that the IRA fee will be increased by \$70 per semester to address these issues. Sixty dollars will be dedicated to athletics and \$10 to academic support.

To help achieve a balanced budget in Athletics it will also be necessary that we no longer offer the maximum grants-in aids, that are allowed by the NCAA for Division I programs. These reductions will be accomplished over a three-year period.

This in addition to other cost-savings measures in Athletics, including a reduction in some salaried positions and a 15 percent reduction in operating budgets, will allow Athletics to achieve a balanced budget.

In Academic Affairs, there will be a reduction in the number of part-time lecturers hired. That will impact class size, as well as the teaching loads for tenure-track faculty and time for faculty to stay current in their fields.

We project that there will be up to 600-800 sections impacted for the coming academic year. This will impact and impair our ability to serve students and in some cases slow down graduation rates.

We also must remember that federal stimulus dollars helped stave off reductions in Academic Affairs this current year. That funding will be gone next year, which will create a major budget gap of approximately \$2 million. We will utilize carryover funds to alleviate some of the need for further reductions while we determine a permanent solution.

Provost Covino has named an Academic Affairs Budget Advisory Task Force to recommend approaches to closing the estimated base budget gap between the University Level A allocation to Academic Affairs and the recurring operating costs. Academic Senate Chair Michael Caldwell and Dean Dennis Nef are co-chairs of this group, which will offer its recommendations to the Provost in the fall.

In the Division of Student Affairs, the impact is substantial. There will be a reduction in services to students in advising, with more emphasis on group advising. There also will be a reduction in services for tutoring and career services. The Educational Opportunity Program (EOP) will no longer offer a residential summer experience.

In the Administrative Services Division, reductions will have several campus-wide impacts. System-wide funding allocations for deferred maintenance have been drastically reduced, which will exacerbate facility challenges that we already face. There will be some delays in responding to non-service critical calls and our deferred maintenance backlog now exceeds 140 million dollars.

We will eliminate other services on campus such as the University Restaurant, which has been operating for some time at a loss of approximately \$50,000 to \$75,000 dollars. The association board of directors determined that we simply cannot continue with that level of loss in the future.

The entire division of Administrative Services will continue a review of business processes to eliminate wasteful steps, reduce bureaucracy and improve our service delivery.

We are also engaging in discussions with other CSU campuses about synergy projects, similar to the REAL program, that we operated this past year where we can enhance support services to our employees and also begin to look at areas where we can share resources across campuses. Examples include shared technology support services, risk management, emergency management and business continuity planning.

We are seeking to implement new technology initiatives such as the PeopleSoft Common Financial System, Biz Flow, R25 to leverage our human resources and improve transactional processing. Additionally we will move forward with the next steps in the Technology Reorganization, building on the combined resources of the formerly-known departments of CIS and ITS as the new Technology Services Group.

These are all painful and difficult reductions that we and all CSU campuses are forced to make because of the budget crisis in our state and the decisions of state leaders.

But, things will get significantly worse if the CSU budget is reduced by another \$500 million, as was proposed by Governor Brown in the May revise should tax extensions not be adopted. As Chancellor Reed has said, "There are no good options, only extreme choices." Under this worst-case scenario,

Chancellor Reed has worked with the board of trustees and foresees how we would address a second \$500 million cut.

We would 'wait list' all applicants for spring 2012 and possibly fall of 2012, potentially turning away 20,000 qualified applicants who would otherwise enroll for the winter or spring terms 2012.

Secondly, we would consider an additional tuition fee increase of up to 32 percent for 2011-12.

But even with these measures, we still would face an additional \$100 million dollar reduction as a system, which would probably be in the neighborhood of \$5.5 million dollars for this campus.

All of this comes on top of four years of budget cutbacks. Since the state's fiscal crisis began in 2008-09, CSU has reduced the number of its employees by 4,145, or 8.8 percent, and has implemented a number of strategies to address decreased state funding support including furloughs, raising tuition fees, enrollment cuts and other cost savings measures.

We continue to advocate with the Legislature and the governor, as we did last week, to try to make the point that another \$500 million reduction simply will push us over the cliff. I joined 14 other presidents from the CSU last Tuesday to meet with Governor Brown, in which we informed him in detail of the impact of further reductions. I was encouraged by his stated support for public higher education. At the same time I recognize that the state must get its fiscal house in order and he has proposed the extension of taxes to do that.

As we face this historic set of challenges, I think it's important that we remember that we have a number of strengths that will keep us strong. We are a campus that has a rich history of serving this region and we will certainly continue that effort. Secondly, I want to thank all of you and this entire campus community for the way that you've worked together, providing suggestions and advice as we've attempted to deal with these extraordinary reductions.

It's required incredible sacrifice on the part of many, many people and I wish I could say that that sacrifice was over. But, we are going to need to continue to work together if we are going to continue to serve the students that we've been able to admit for the future and I hope that that will continue to be the priority that we maintain as we enter what is going to be a very difficult year in 2011-12.

Thank you for all that you've done to date. Thank you for the sacrifices that you've made and, again, I ask that we continue to work together as you're part of the Fresno State team that can make a difference for students in this valley.

Thank you.