

President's Report to Faculty Senate (May 21, 2008)

What we're doing today:

Good afternoon and thank you for moving your meeting to accommodate my request for the opportunity to address the Faculty Senate before I meet with the Board of Trustees.

Today I'm addressing leadership groups within the university to discuss the 3-billion-dollar decline in state revenue and the resulting reductions for higher education and the University of South Florida. This cut affects funding for Education, matching funds for gifts, and the capital funds for construction, known as PECO.

At noon we talked with the staff organizations. At 2pm, I'll be discussing the budget with student government. And at 3.30 pm, we'll present the budget cut proposal to the University Board of Trustees.

The Legislative session has now ended and the budget is waiting for the governor's signature. My goal today is to summarize USF's state revenue position, to summarize what we've done throughout this fiscal year to prepare for this, and to describe what services the cuts will affect.

Statement of problem:

Today USF, and all state universities in Florida and across the nation, face an unprecedented and sharp decline in state revenue for higher education, with no assurance that it's over. This has been called "an unnatural storm." There are multiple factors, but the most important has been that Florida's housing and construction boom collapsed. Because construction is such a key element in Florida's economy, this collapse leaves the state in one of the most difficult positions to recover quickly.

One of the arguments we must make is that USF and higher education are the key to the solution and the key to Florida's future growth. The number of adults with bachelor's degrees in this state is one of the

lowest in the nation. Quite simply, education equals employment. The nation's unemployment rate is 7.6% for those without a High School diploma, 4.7% with a high school diploma, but only 2.3% for those with a bachelor's degree. This is our challenge. To create a sustainable base for economic growth in Florida, its universities must succeed in our mission of building access to high quality education throughout our region. We must help create 21st-century-technology growth for Florida. We must enhance the K-12 school system. And we must develop better models of health and health care. This is what it takes to make Florida competitive with other states in the region, and the Tampa Bay area competitive with other cities.

I want to share three concerns that I hold regarding the effect of the economy on the people we serve at USF.

My first concern. Two years without raises for faculty and staff endangers our ability to retain the intellectual power that the university needs for our aspirations and strategic planning to succeed. I've asked the provost to begin looking at every possible way to ensure we can offer additional compensation, from bonuses to a merit pool, to a boost in pay through the promotion and tenure process.

Second, I'm very concerned about students who are having financial difficulties remaining in college and graduating. Our students face the rising costs we are all experiencing in our everyday lives at the gasoline pumps, paying for electricity, food bills, and more. As a result, I'm asking Academic Affairs, Student Affairs and the University Ombudsman to strengthen our program for emergency financial aid and financial counseling. We have more private contributions for scholarships than ever before. We also know that 30% of our 6% tuition increase must go to student aid. As a university, we've accomplished a remarkable increase in retention and graduation rates for our students. I don't want students to believe they must drop out because they can't afford the gasoline to drive to school.

This week I was at the Board meeting of the American Council of Education, of which I'm the incoming chair. Repeatedly we heard that

sources of loans are drying up across the country. I want to do everything we can to keep students returning to the classroom, and we will explore registering for direct lending to students.

My third concern. You will see that we have done everything we can to ensure that staff are able to retain jobs despite the need to reduce state-funded positions at the university. But individuals will be affected by these cuts to state support. As a result, I've asked Human Resources to act as an outplacement and job counseling agency for any staff member whose position is affected. Human Resources has begun to gather lists of potential employers and positions throughout the region, and will assist individuals in creating resumes and applications.

One last point of context. The proposal you see today is a list of cuts, which is made necessary by the decline in state revenue. This list is not the budget, which is being worked on and developed through June. At each stage of developing the budget we will work to reinvest funds in strategic priorities. For example, University Services is working to create university wide savings by implementing new procedures, new purchasing contracts, and reducing costs. ANY and all such savings will be reinvested in the academic mission.

What we've done:

To describe this process, I need to begin earlier in the fiscal year. This revenue decline is no surprise. We knew in the Fall of 2007 that state revenues were falling behind projections. During the course of the fiscal year, we've seen revenue projections continue to fall, and in fact, they are still falling. What has been alarming is how fast and deep the monetary decline is.

Back in July, we knew we'd face cuts. In January, we knew it would be greater in the upcoming fiscal year. As a result, I outlined a series of principles intended to guide our decisions. The primary principle is this: Our students' success is first and foremost. Our actions have been

directed to preserving learning opportunities for our students, and preserving support for our faculty.

As you know, we implemented a hiring freeze and a freeze of non-essential purchasing. These kinds of across-the-board actions have reduced the size and scope of potential lay-offs.

Finally, throughout the year we've debated and argued.

- An assessment was conducted of the administrative and operational overhead for all small units, along with a cost-benefit analysis of all centers and institutes receiving state funds.
- Extensive and transparent consultation occurred with deans, chairs, directors, faculty, students and staff, including open "Campus Conversations" throughout the Spring of 2008.
- The Faculty Senate advisory group, including faculty, staff and students, evaluated each department. Chairs responded. Students protested. This is healthy, and it has made the process stronger.

To summarize the cuts:

In fiscal year 2007-08, the USF System experienced two base budget reductions from state appropriations that amounted to \$16.6 million. In July of 2007, we received a \$12.2 million reduction. In January of 2008, we received a \$4.4 million reduction.

Our fiscal year 2008-09 budget includes an additional \$19.0 million base budget reduction beginning this July.

As a result, USF's total base budget reduction from July 1, 2007, to July 1, 2008, is \$35.6 million, or a cut of 10.6% in recurring funds. Again, our reductions at USF were no different than others in the Florida State University System, but it means the state portion of USF's budget is falling from about 23% to about 18% of our total budget.

The principles and priorities we adopted in January, 2008, were the following:

First, prepare for a 15% base budget reduction. Because state revenues continue to fall, the university anticipates an additional cut in the middle of the coming fiscal year. As a result, the USF System is planning for a 15% cut over two fiscal years – 2007-08 and 2008-09. We truly hope 15% is enough. It may not be.

Second, make as a priority the progress toward USF's strategic aspirations through targeted reductions instead of across-the-board cuts.

Third, all campuses and state budgeted units are subject to the reduction.

Fourth, strengthen the institution's commitment to student learning, to ensure that those students currently enrolled progress toward timely graduation.

Fifth, consider structural reorganization to strengthen USF's position for future strategic growth. This is an ongoing discussion within our colleges and all divisions. Some of these discussions have led to proposals to re-organize, while other elements of the discussion are in early stages and will continue among faculty, departments and colleges.

Sixth, protect the faculty's research and innovation activities. The good news in our budget is that research funding has risen sharply this fiscal year in many colleges. Grants cannot be used to make up the loss in state funding, but they indicate the success of our faculty in competing on the national stage. I want to congratulate and compliment the many faculty members who have developed research innovation at USF.

Seventh, secure the financial integrity of the institution, including our ability to keep our very high bond rating with Moody's, which saves us from a prohibitively high interest rate when we use bonding to build new facilities. This is especially important given the decline in state construction funds. We need classrooms, and the state's ability to pay for them is shrinking.

Eighth, evaluate our operations and academic offerings based on: Quality, Centrality, Demand and Viability.

Ninth, maximize efficiency and effectiveness in institutional practices, including the potential for cost savings through improved business practices.

And tenth, care about the people affected in the process.

The best way to describe the cuts is to describe the potential impact.

The potential impact on employees is as follows:

The USF System has preserved positions for all tenured and tenure-earning faculty.

I made it very clear from the beginning that at the 15%-cut level, we would not eliminate any tenured or tenure-earning faculty. I've held firm on that position.

Unfortunately, we have proposed reductions that may affect jobs. USF will lose about 450 staff and faculty lines. This has the potential effect of eliminating positions for about 70 staff and non-tenure-earning lines that are currently occupied. The great majority of these are staff – people who provide much valued support.

Of those 70, we will not know immediately how many people will actually lose their jobs. Many of these people are in some transition and others will move within the university. As I said earlier, Human Resources will be working with each affected individual and his or her supervisor to find placement, outplacement, or other options.

In summary, the hiring and spending freezes earlier in the year helped tremendously to reduce the number of affected employees. But at the same time, the loss of 450 vacant lines leaves gaps that we must fill through strategic reinvestment.

Now I turn to the Potential Impact on Students:

Much of the story for students is about progress. USF has increased student financial aid. And the entire USF System has preserved all undergraduate and graduate degree programs. And we consolidated learning support programs into a centralized Student Learning Center.

But because of the hiring freeze, positions that should be filled have not been filled over the course of this year.

As a result, the number of students in classes will continue to increase. The array of classes offered and number of sections will continue to be reduced.

The same delays may occur in academic advising. Because we did not fill positions for advisors, there may be delays in meeting with academic advisors. In addition, there may be reduced opportunities for student employment.

Other changes for students will come from university-wide efforts to reduce costs and increase security. For example, students will see reduced access to academic buildings during the night. We are moving to extended hours for the Library and for the new Marshall Center when it opens this Fall. Those buildings will have more nighttime

security and will be better, more efficient places, to provide meeting spaces for students. With this, our Student Affairs leadership has worked hard to minimize the impact on student life programs and services to students.

And most importantly, we are planning and implementing an Enrollment Reduction Plan over a 3-year period. This plan will

- begin to keep freshmen enrollment at this year's levels,
- reduce transfer student enrollment,
- and modestly increase graduate enrollment.

Moreover, we are seeing undergraduate enrollment increasing at the regional campuses. That is consistent with our mission differentiation plan for the USF System.

However, it is important to point out that with enrollment reductions comes a reduction in tuition revenues.

The other impact on students will be the increase in tuition and fees. The Legislature approved a badly needed increase in tuition, most of which will be covered by Bright Futures. It also approved differential tuition for the heavily research-based campus in Tampa.

Beginning Fall 2008, we are planning to charge 15% of differential tuition, on the Tampa campus, to all new undergraduate students enrolling from Fall 2007 forward, with the exception of students with Florida Prepaid contracts which were in effect on July 1, 2007.

The following actions create an impact across the university:

We will close all USF System buildings, with the possible exception of some residence halls, during the last full week of December. This will mean that only essential employees or active research employees will be allowed to work.

As a result, the university will require all employees to take three days of mandatory annual leave during that week, even though we will preserve the two paid floating holidays. This will create savings over time because annual leave pay-outs will be reduced.

One change is immediate. I'm enacting today a freeze of purchasing for all office supplies. We're in the middle of completing a new centralized purchasing contract for office supplies. Until that contract is in place, university funds can only be used to purchase supplies from our USF Office Stores. All other office supply purchases are frozen.

These cuts affect my administrative offices as well. Earlier this year, I expanded the roles of two individuals, without additional salary increases, to work toward consolidation of IT and communications across the USF System. I'm further re-organizing my office to create a savings of almost one million, including consolidating operations and eliminating positions. In each case, we've sought to increase the strength of our units while reducing costs. We've re-organized WUSF public broadcasting to bring it closer to the university and the university's academic mission. And for the second time, I will inform the Board of Trustees that I will take no personal raise, and neither will my vice presidents.

Most importantly, we've begun the re-organization of the university's financial and operational services. I recently asked two distinguished figures in academic administration to visit USF and offer recommendations. They made two points extremely clear: Our operations must be transparent and customer friendly. My goal is to restructure based on that principle – to ensure transparency in the revenue and cost structure of the university, and to extend the service culture of our university. To that end, I've asked the chief academic office, the provost, to lead a USF-wide budget planning initiative to align our budgets with our mission. He will give those recommendations to me.

Toward the goal of transparency, I'm happy to discuss the question of whether USF's Unrestricted Net Assets be used to offset the Budget Reduction.

USF has and will continually examine the use of available and liquid unrestricted funds to offset the reductions in recurring funds during the 2008/09 fiscal year.

It is important to point out that:

Not all "unrestricted" funds are "uncommitted". The word "unrestricted" actually only refers to restrictions placed by external agencies, NOT whether the funds are committed within the university.

On June 30, 2007, USF had 240-million-dollars in unrestricted funds based on our state-audited report. But these included funds committed to faculty research initiative accounts; they included debt service and operations for auxiliary units; they included a pass through for the Florida Institute of Phosphate Research; they include the statutorily required 5% reserves; and they included undistributed tuition for Summer 2007.

These "unrestricted" funds are non-recurring "cash" which cannot be used to support recurring expenses such as the hiring of tenured and tenure-earning faculty, or salary increases for faculty and staff.

When you remove committed funds, USF has more than 70-million-dollars in state funds that are uncommitted. This is the equivalent of one month's payroll and expenses for the university. That may seem a lot, but USF is the ninth largest public university in the country, and certainly does not have the ninth largest budget.

Those uncommitted funds are essential for covering compensated absences, and in this budget cut, they provide a cushion to allow time for layoff notices.

I must repeat that the University Board of Trustees has been suggesting that we increase our reserves from one month of operations to at least two months.

Lastly, the unrestricted net assets have allowed us to secure USF's financial integrity and meet the strategic bond rating goal. This ensures favorable interest rates on debt owed.

As I said at the beginning, we will begin to draw down the pool of carried forward state funds to offset budget reductions through one-time cash. We are committed to hiring the visiting faculty needed to meet our course obligations in the Fall.

But we cannot go too far with drawing down reserves. Our concern must be the long-term health of the institution.

The university's budget is of course, greater than its state revenue. However, many other sources of funds cannot be used to offset these cuts. Those other sources include student fees, research grants, gifts, and the only state funding for Athletics, which is Title IX funding.

In conclusion:

This is the most severe budget reduction USF and the SUS has seen. While this has been a tough economic downturn, I believe this university has approached this crisis in a careful, deliberate, humane and strategic manner. There has been broad engagement by faculty, by staff, and by students. People have voiced their concerns and fought for priorities in ways that will make us stronger as a university.

At the same time, I'm distressed by the number of positions we will have to eliminate. As I said earlier, I've asked Human Resources to reach out to everyone whose job is affected. We will help to place those individuals.

There is still much uncertainty. What is certain is that we will survive. But we will look different and behave differently as a university community.

Finally, we should never forget that USF is an asset that has more impact on the future than a temporary decline in state funding. In fact, in these times our expertise and our graduates are needed even more. This challenge gives us the opportunity to work together as a whole with determination and focus. We want to look back on this as a time to understand the cost of these reductions, and also appreciate our opportunities to make progress.

Throughout our strategic plan, there is reference to the creativity and innovation that USF brings to its role as a metropolitan research university. I am committed to ensuring that kind of creativity continues to be seen in our teaching, our research, and our engagement. Thank you.

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[2008-2009 Budget](#)

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