

DRAFT ONLY & NUMBERS ARE ROUGH ESTIMATES AT THIS TIME

Dear Members of the Budget Crisis Committee:

We now have the budget proposals from both the House and Senate and the news is worse than we anticipated and is summarized below.

The budget proposal from the House of Representatives shows a \$72.8 million cut for Florida State University in General Revenue and another \$4.2 million reduction in Lottery funds for a total budget cut of \$77 million. The Senate budget includes a \$28.2 million reduction in General Revenue and \$5.5 million in lottery for total cuts of \$33.7 million. Both budgets provide approximately \$21 million in non-recurring federal stimulus funds.

The context for these proposed cuts is that our General Revenue budget was \$302.9 million July 1, 2008 at the start of 2008-09 fiscal year. It has since been reduced by \$12.4 million and the proposed high end cut is 25% of our general revenue budget. Despite the reductions we have already experienced and those proposed the legislature has not reduced the number of students we are expected to serve. We currently serve about 40,000 students and if the numbers of students were to be reduced proportional to the cuts we would eliminate approximately 7,000 students. Of course, the loss of this many students would itself cause severe revenue losses in the form of tuition and fees.

One additional fact is necessary to place these proposed budget cuts in perspective: the dollars per student available to provide an education for Floridians is drawn from tuition plus state support and the sum of these two numbers places us at the bottom of all public research extensive universities in the country. Yet through the hard work of faculty, staff and students our performance on every accountability measure places us not at the bottom but in the top quartile.

If the final budget is anywhere close to the larger of the two cuts, our university will be devastated. It will be seriously damaged under all conceivable budget reductions as we cannot sustain quality or even

quantity with the reductions that have occurred almost every few months for the past two years. Every single program on campus will be affected and many programs will be closed or suspended for the foreseeable future.

Of course, the stimulus funding will help somewhat – at least in the short run. This WILL NOT keep the decisions outlined below from happening. The stimulus funds may allow us to give proper notice to employees and make every effort to get the current students through their programs. This is made even more difficult as, amazingly, our legislative enrollment plan has not changed and the legislature expects us somehow to serve the same number of students with up to \$77 million less. The reality is that this is not possible. Existing students will have much greater difficulty finishing their coursework.

In order to address the long term budget issues it is important that we build at least a three-year budget so that as the stimulus funds disappear we are ready to operate on our recurring funds. Whatever the size of the reduction it is going to take more than three years to recover if the past is any indication of the future. By and large, recurring university general revenues do not increase by more than 5 percent in any given year of a recovery period.

Under the principles approved by our Board of Trustees at their last meeting, the following reductions will have to be considered if the Legislature cuts, especially those in the house bill, are enacted.

I. Suspension of Programs and “Mothballing” of Facilities.

The Trustees indicated we should assign lower funding priorities to entities not providing direct service to students. Accordingly, we will suspend all operations and “mothball” the facilities associated with the following programs.

- A. The Ringling Museum. We will maintain a limited security staff and enough utilities to protect the buildings and artwork.
- B. The Florida State University Center for the Performing Arts will follow the policy above.

Both facilities will remain “mothballed” until further notice. This action will allow us to protect the physical assets until the budget situation improves.

Estimated Reduction Contribution: \$8 M
(~% of Needed Reduction: 17.7%)

II. Phased Suspension and “Mothballing” of Branch Campuses

It will be necessary to suspend all classes and activities in Panama City, Florida effective January 1, 2010. We will make every effort to serve students and work with the new State College programs in Chipola and Okaloosa-Walton to reduce the impact on the students. We will meet with representatives from Gulf Coast Community College as well as the state colleges and offer them the campus for undergraduate programs and, if accepted, we would offer graduate programs. As with the facilities noted above, we will maintain a small security presence and utilities to the extent necessary to protect state property.

In addition, the university will have to revisit efficiencies of operating several medical school campuses.

Estimated Reduction Contribution: \$3.1 M
(~% of Needed Reduction: 6.8%)

III. Program Closures

Currently, we offer students more than 100 different undergraduate majors within our degree programs and it is important to understand the distinction between degrees and majors as we will be closing both. For example, the Department of Textiles and Consumer Sciences offers one degree and three majors: Merchandising, Apparel Design and Technology and Textiles. Each of the majors has courses unique to that program and some courses that all students take. It is necessary to now only offer one degree and one major in this department and while this may seem minor there are hundreds of students enrolled in each major. We cannot continue to offer our students so many options and will be closing both majors and degree programs.

Such dislocations will dramatically affect our students unless we can continue to offer programs for two years. We will use the federal stimulus money to pay for faculty to continue to work with upper division students to get them through to graduation. We will work with lower division students to get them through but many will have to select another major or we will help them transfer to another university. In the case of graduate students, we will work with our faculty and other institutions in the State to help students complete their degree programs.

Anthropology
Apparel Design
Geophysical Fluid Dynamics
Geological Sciences
Molecular Biophysics
Oceanography
Hospitality and Golf Management
Physical Education
Science Education (in the College of Education)
Geography
Behavioral Psychology
Software Engineering
Art Education
Ceramics
Sculpture
Studio Art
Recreational Management
German
Slavic Languages
Demography
Art Administration

Estimated Reduction Contribution: \$5.5 M
(~% of Needed Reduction: 12%)

IV Programs Reductions and/or Mergers

Meteorology
Religion

Philosophy
Social Work
Management Information Systems
Computer Science
Economics
Family and Child Sciences

Estimated Reduction Contribution: \$1.5 M
(~% of Needed Reduction: 3%)

V Programs to be restructured

Urban and Regional Planning
Public Administration
All Education Programs
Interior Design
Scenic Design
Lighting Design
Woman's Studies
African American Studies
College of Visual Arts, Theatre and Dance
College of Human Sciences
Interdisciplinary Social Sciences

VI. Other Reductions

Law
Music
Nursing
Medicine
Film
Criminology and Criminal Justice
All academic programs will receive reductions

Estimated Reduction Contribution: \$10.8 M
(~% Needed Reduction: 24%)

VII. Summer Sessions 2010 and beyond

Summer classes will be limited to new students only effective 2010.

Estimated Reduction Contribution: \$2.0 M
(~% Needed Reduction: 4%)

VIII. Shift Enrollment to Self-supporting International Campuses

While this has no direct savings to our campus it will allow us to offer opportunities to students who otherwise would be denied admission.

IX. Suspend all athletic department facilities expansion and shift any remaining state resources to academics.

Suspend activities on a new tennis facility and delay the construction of the indoor athletic practice facility.

Estimated Reduction Contribution: \$TBD

XI. Finance and Administration Reductions

Privatize student postal and copy center on main campus

Reduce staff in the following areas:

Accounting

Employee Assistance Services

Human Resources

Close portions of Printing Services – only minimal services provided on campus.

Facilities

Golf course operations

Purchasing

Environmental Health and Safety

ERP-OMNI

Budget and Analysis

Estimated Reduction Contribution: \$6.0 M
(~% Needed Reduction: 8.8%)

XII. Student Affairs' Changes

Close First Year Experience Program

Move \$3 M from Activities and Service fees to Student Services

Estimated Reduction Contribution: 3.1 M
(~% Needed Reduction: 6.8%)

XIII. Utilities Reduction

FSU's single largest expense is utilities. The university should attempt to reduce its annual consumption by \$14 million by 2014. This will require either purchasing power from new sources or generating our own electricity while also implementing an even more aggressive conservation campaign affecting water, sewer and electricity.

Please note these cuts total less than the amounts currently being deliberated in the House.

XIV. Can Layoffs and Furloughs Address the Budget Cuts?

It is perhaps worth pausing at this point to look at the salary structure of our campus, as lay-offs will be part of this process. There are approximately 4,500 individuals employed through tuition and/or state funds on campus. There are many more employees but these additional individuals are paid from non-state sources.

If we use lay-offs or terminations to address the budget cuts it will not be easy and will have major negative effects on our community hospital and other social services.

Layoffs of the 1,600 lower paid individuals would place more than 4,000 individuals on the uninsured rolls and the costs to our state would surely exceed the savings in a relatively short period of time. On the other hand, layoffs of the higher paid individuals would remove the most talented people from our state at a time when we desperately need talent to revitalize our economy. There is no clear or desirable solution.

Our faculty have proposed a solution of furloughs even though it is clear that these would have to continue for at least three years. The suggestion has been to scale the furloughs. For example, more than 1,600 of the 4,500 individuals earn less than \$40,000 annually and a one-day furlough of these individuals yields approximately \$200,000

in savings. At the other end of the pay scale, if we furlough those 930 individuals earning more than \$80,000 a year, we would save approximately \$1 M a day. Furloughs may be part of a solution, but they can only be a relatively small part because the money they free up is relatively small compared to the size of the reductions being envisioned.

XV. Salary Reductions

A topic that has been discussed by the legislature is salary reduction. For our university a 5% pay reduction would yield approximately \$14 million and represents about one-third of potential budget cuts. This may be a preferable strategy to a combination of layoffs and furloughs but no recommendations have yet been made.

The scenarios listed will have other budgetary implications. The changes in academic programs will impact our student fee collections and that must be taken into consideration. We will have to find a way to redirect the student credit hours from closed or reduced programs to other areas. Neither option can occur very quickly. This emphasizes the long term effects of the proposed cuts.

I want to stress that the reductions outlined above are the kinds of things we will have to do if our recurring budget reductions approach the magnitude of \$45 to \$70 million. The final decisions will not be made until the Legislature determines the actual budget reduction, campus plans are finalized, the various unions have been notified, and the Board of Trustees has given its approval in June. Please remember that many of the changes discussed above will occur over a three-year period.

We will continue to meet and keep you informed as the budgets finalize. I also want to thank everyone for their support and ideas during this unprecedented time.