

Interim President's Budget Remarks to the Staff – November 29, 2023

When I accepted the presidency at Cal Maritime as your interim president, I did so with open eyes and an open heart. From my first week here, it has been clear to me that Cal Maritime faces significant fiscal and operational challenges.

Yet since I first arrived at the campus, I sensed this institution could overcome just about any obstacle, thanks to our long history, small size, and strong sense of community. That's why we are going to meet one of those challenges head-on...and that is our fiscal health.

I am a believer in being blunt and totally straightforward, so I want you to know that overcoming the fiscal challenges we face is going to be very difficult. The reality is Cal Maritime does not possess sufficient resources to support our current operations, due to fiscal constraints facing the CSU System and our campus – just like many others across the country.

Cal Maritime has worked hard to cut costs over the years. Unfortunately, with the aftereffects of the pandemic and demographic challenges hampering enrollment growth, we still have not been able to close the gap.

We are not the only ones. Enrollment declines are happening at many institutions across the nation, and it is impacting each of the other state maritime academies and the US Merchant Marine Academy as well.

In our case, we are going to have to achieve some measure of cost savings. Cuts or cost savings we need to make will be evaluated for impact to other campus areas as well, following a lengthy analysis of our mission, our student requirements, and our workforce needs.

We will do this following a lengthy but quick holistic review, including data analysis and extensive deliberation, and that review will continue, in accordance with shared governance, collective bargaining agreements, and civil service rules.

Cal Maritime has been through tough fiscal and economic times before and it rose to the occasion each time. With your help, your energy, and your focus, we will do so again.

Cal Maritime

Budget Update for Staff

November 29, 2023

Our Budget Situation

- CSU is facing a **\$1.5B** structural deficit
 - Campuses are instructed to undertake reductions
- CSU: “One-time” monies may not be used to address campus budget deficits
- Briefed Faculty Senate Executive Committee
- Budget Advisory Committee work is ongoing
- Taking an “enterprise approach”
- Our current reserves are only \$2.5M

Calculating the Budget Reductions

- Enrollment projections
 - Projected 3% annual new cadet increase
- Campus share of employee compensation increases – approx. 2%
- CSU share of employee compensation increases – approx. 3%
 - Paid with funds from the tuition increase
- Utility & insurance fees increase approx. 2% annually

Calculating the Budget Reductions

- CSU Reallocation plan
 - Underperforming campuses
 - 5% decrease of General Fund enrollment target funding
 - Our enrollment target is 1418 FTEs (1300 actual)
 - We have been funded by CSU for this target level since the 2017-18 Academic Year
 - We expect reductions of approx. \$600K each year from 24/25 through 26/27

Enrollment Overview

Students Headcount Fall 2011 - Fall 2023



Estimated Budget Reductions

- FY23/24: \$907K
- FY24/25: \$1.9M
- FY25/26: \$1.5M
- FY26/27: \$460k

Total estimate: \$4.7M

Compliance & Fixed Costs

- Title IX
- Federal Higher Education Act
- State & Federal Financial Aid programs
- USCG requirements
- US Department of Transportation / MARAD
- US Department of Education
- CSU requirements
- California Department of Education
- WASC accreditation standards
- Accreditation Board for Engineering and Technology
- Police 911 dispatch service
- NAIA/CalPac requirements
- State Maritime Academy Consortium
- International Association of Maritime Universities

Awareness: Recent Audits

- Audits are either complete or being finalized
- New (Interim) President's Transition Audit
 - Foundation
 - Cal Maritime and CSU policies
- IT Audit
- PACE Audit
- Finance Audit
- Sponsored Programs Audit

Next Steps

- Consulting with CSU leadership
- Informing our constituent groups
- Your feedback to the Cabinet is invited
- Budget info may be found here:

<https://www.csum.edu/budget/budget-information.html>

Way Ahead for CY 2024

- Develop viable course(s) of action
- Assess actual cost savings
- ID & reduce administrative burdens
- Review & update our university policies
- Critical fills: Enrollment & Advancement
- Focus on our accreditation requirements
- “A Framework for Fiscal Health”

My Commitment

- Be clear with you about what we face
- Communicating with you when I have accurate information to share
- Addressing our budget situation as a team
- Taking an “enterprise approach”
- Shared governance = shared responsibility
- Answering the difficult questions

Questions...