

## STATE OF THE UNIVERSITY ADDRESS

September 15, 2009

PRESIDENT STAN L. ALBRECHT

Thank you for taking time from busy schedules to be with us today. I also welcome colleagues from our Regional Campuses and around the state and thank them for joining us.

This is the first time in 4.5 years that I have chosen to use this kind of forum to address the university community. There are several reasons for that. Most importantly, I have preferred smaller venues—college meetings, individual meetings with our classified and professional staff, meetings with student groups in smaller settings, and one-on-one conversations with individual members of our university family. In those settings, we can be less formal and more open in our exchange.

Secondly, I have wanted to be sensitive to everyone's time. I do recognize that there are other things you could be doing right now. I remind myself of the graffiti scribbled by a student on a classroom desk that read as follows: "If I had but one life to live, I'd spend it in this class because it seems to last forever." I promise that this address, though longer than what I would prefer, will not last forever.

Finally, when we distributed a memo near the end of spring semester outlining the budget cuts taken to that point, we indicated that we would come back together in the fall and talk more about what is ahead. I believe that this is an appropriate venue for doing that.

At the conclusion of a meeting with our Foundation Board in the spring, Merlin Olsen, one of our institutions most distinguished alumni and a member of that board, asked: "President, as you think about this great university, what do you worry about most?"

My response was that my biggest worry as we grapple with enormously difficult economic challenges is that of finding the right balance between truth and transparency, on the one hand, and projecting an attitude of optimism and hope for this university, on the other. We have faced enormously difficult times, and they are not over. Yet this university has, I believe, an extraordinarily bright future. We must maintain balance between these two realities. I want to talk about that here today.

I remind my colleagues that in our administrative assignments, we don't have the luxury of being discouraged or defeated by our challenges. Instead, we must maintain a robust sense of confidence, enthusiasm, and hope as we move forward. And, as I will describe in a few minutes, I believe there are many good reasons for us to do just that.

The question asked by Merlin reminded me of some lines from Stephen Vincent Benet's *The Devil and Daniel Webster*: "You have made great speeches," said the stranger to Daniel Webster. "You will make more."

“But the last great speech you will make will turn many of your own against you. They will call you I Chabod; they will call you other names...and their voices shall be loud against you ‘til you die.”

“So it is an honest speech, it does not matter what they say,” said Daniel Webster.

I do not aspire to anything great here this afternoon. However, I do aspire to be honest in my assessment of challenges and opportunities that are ahead.

## **Reviewing Our Economic Challenges**

It is now obvious to all of us that the economic crisis we have faced is unlike anything we have previously experienced. I used the following quote from Blunenstyk in the memo to the university community in May: “It’s different this time. This is not the recession of the early 1990’s, not the aftermath of the tech-bubble burst, not the downturn that overtook the American economy and psyche after September 11. The still-unfolding economic crisis is bigger, more fundamental, and for good or ill, transformational for all of society.”

We do see positive signs on the horizon. The stock market has bounced back from its lows and there are indications that the housing market has hit its bottom and is beginning to take a few tentative steps back. But employment figures are troubling and while the increase in the unemployment rate has slowed, all of the projections I am seeing suggest that it will rise above 10 percent and will stay there through much of 2010. Utah has approximately 82,500 individuals who are unemployed. That is an increase of almost 50,000 workers who have lost their jobs since last summer. There are currently 14.9 million unemployed Americans, most of whom probably did not enjoy much of a Labor Day holiday this last week. Our state rate of increase in job losses directly parallels that of the country. So, I find few who are bold enough to say that the hard times are behind us. At best, I think we can anticipate a somewhat sideward movement in the economy through at least the first half of next year, and perhaps even beyond.

There is absolutely no question that this downturn has had—and will continue to have—lasting effects on higher education. The decreasing levels of state support are not temporary. This means that there will continue to be profound changes to how we do business, and this will extend very much into our future. Our charge is to find ways to deal with this new reality while we position our university for continued success.

I remind you, too, that the loss of state support is compounded for us by impacts that the economic downturn is having on our comprehensive campaign and on our endowment earnings. Many of the foundations that we rely on for financial support simply are not in a position to help us as they have in the past. And reduced income from our own endowments will, at least for the next year or so, affect our ability to fund scholarships and to support other activities.

In this context, as I outlined in the May memo, our strategy has been to treat this as a time for thoughtful self-reflection, a time to rethink organization structures, financial models, and curriculum and delivery systems. We have tried to focus on strategies that will allow us to remain an active, forward-thinking institution, even when that means leaving behind some of our more traditional ways of doing business. We have attempted to treat this as an opportunity to define the type of university that we will be for the next generation.

We have believed, to paraphrase Jack Welch, that if internal changes in an organization are not staying ahead of external changes that impact that organization, the organization is in trouble.

### **A Review of What We Have Done To This Point**

I don't particularly like to use power points for this kind of presentation, but I think it will help us for the next few minutes to use just a few visuals as we talk about where we are with our budget and as we review what is ahead.

As you will recall from the presentations we made in the spring, we have been faced with a series of state-imposed budget cuts. Let me summarize:

**Round 1:** Round 1 reflects the ongoing cut to our base that was imposed a year ago this month during a special session of the legislature. This \$6.5 million reduction to our budget was addressed through a range of actions taken by our individual units, the most important of which was the elimination of open positions. Actual reductions in force were held to a minimum, and some modest reductions were taken in our unit operating budgets.

**Round 2:** Round 2 reflects the one-time cut that was imposed in January of this year. Our part of that cut was \$11.3 million, half of which was backfilled by the legislature through the use of one-time state monies. As you will recall, we were able to address a significant part of the remaining \$5.65 million reduction through the imposition of a campus-wide, five-day furlough.

**Round 3:** The state budget that was passed at the conclusion of the 2009 legislative session included another \$21 million reduction to the USU budget, bringing the total of our ongoing cuts to almost \$27.5 million, or 17% of our state tax-funded revenues. The economic stimulus package proposed by President Obama and passed by congress provided significant one-time backfill to help us through the 2010 fiscal year. Specifically, we were provided with \$13 million in stimulus funding, leaving us with an \$8 million reduction in funds for this year. While this backfill was critical for us, remember that it was a temporary "fix" and that we still face an FY 2011 reduction of almost \$13 million dollars.

We adopted a number of strategies for dealing with Round 3 cuts, the most important of which was the development of a campus-wide, voluntary separation incentive program. The

goal of that program was to provide a one-time incentive to employees who were willing to accept early retirement or to otherwise voluntarily separate from the university in order to generate ongoing salary savings that could be used to meet unit budget reductions.

Additionally, we committed \$2.5 million dollars from Tier II tuition and other central sources to create an investment fund so that we could support new and innovative proposals from our units, thus allowing us to continue to strengthen programs and take advantage of critical strategic opportunities.

Round 4, of course, is still ahead of us, and I will turn to that in just a moment. But, in summary, our on-going cuts will total approximately 27.5 million, or 17% of our E&G budget.

As you would assume, reductions in our workforce have accounted for the majority of the budget cuts taken to date. A total of 162 positions have been lost. However, nearly three-quarters of those losses have occurred in unfilled positions, voluntary separations, or shifts in funding. A much smaller number of employees (41) have received layoffs or their contracts have not been renewed. The personnel losses have been felt across all of our employee groups—57 faculty, 47 professional staff and executives, and 58 classified staff.

I emphasize that while we have been able to take most of these cuts through closing positions or voluntary separations, any loss of positions is critical to us, and affects what we are able to do as a university.

### **What Is Ahead: FY 2011 Budget Cuts**

Now let's focus for a few minutes on what is ahead:

Our problem for this coming year is to find ways to address the loss of the \$13 million in one-time stimulus monies that were used to backfill the majority of the \$21 million cut imposed on our university at the conclusion of the last legislative session. Again, I will use a few visuals to help clarify this part of our discussion.

Our proposed approach will be to address this reduction through a combination of new revenues and additional budget cuts. Specifically, we propose to reduce the cut by half by applying new revenues from Tier II tuition over a two-year period. Since we are doing this over two years, it will require us to backfill in the second year until those new funds are generated.

The backfill will be addressed in three ways: First, we will use \$500,000 from accounts controlled by the central administration. Second, we will cover some of the backfill through proposing a faculty and staff furlough. Third, we will apply revenues generated by creating a split "pay-out" from earnings from our quasi-endowment accounts. I note that this will be a modest "tax" and that it applies for just one year. The holders of these quasi accounts have been discussing and vetting this for the last several weeks, and are supportive of this approach.

Let me just talk a little bit more about the furlough and emphasize that it will take a different form than the last one. First, we will propose that it be differentially applied across different income groups, with higher income groups experiencing a higher number of days of furlough. Second, it will take into account impacts on our research operation in ways that we were unable to do with the last furlough. And third, the “cost” will be spread over 12 months.

Let me give you a sense of the form this might take: We might, for example, consider a maximum of five days of furlough, spread over 12 months, for our highest income group, and a minimum of two days of furlough, again spread over 12 months, for our lowest income group. If you consider these numbers, the impact on monthly take home pay will be quite modest, particularly for our lowest income group. Two days, spread over 12 pay periods, should not create an undue burden on anyone. And, by sharing the burden in this fashion, a significant number of jobs will be saved.

There are two points I want to underscore: The furlough will not be applied this year; instead, it will be used to help us with the backfill required in FY 2011. That means that the starting date will be July 2010. Specific implementation actions, such as the number of days, differential distribution across salary groups, and consideration of research-funded positions and programs, will be developed over the next few weeks and will be announced so there will be ample time for planning.

I must add one important caveat. What I have just said assumes that the \$13 million cut yet ahead of us remains our maximum target number. Should additional revenue shortfall occur, this issue may have to be revisited.

My second point is that the Tier II tuition numbers included in our calculations will not result in a higher than usual Tier II tuition increase for our students. Instead, we will use funds that are generated from the tuition increase for the backfill, rather than using them for other purposes.

The second half of the reductions will be taken through additional cuts that will occur across campus units. Again, specific implementation decisions will be announced over the next few days so there is ample time for our units to plan.

We will use several principles in finalizing the plan: First, we will continue the strategy of not implementing across the board cuts. Second, each unit will be given a maximum reduction target and asked to create a plan to reach that target. Third, an investment fund will be used by the budget reduction committee to reduce strategically the maximum target for selected units and to fund other strategic opportunities.

All of these issues have been discussed with our vice presidents, deans, and department heads, and they have been able to begin planning ways to reach the target number they will be given.

We believe this approach will allow us to continue to be strategic, and to actually invest funds in areas where we have the potential to maximize revenue-enhancing opportunities and to continue to build program excellence.

While we offset 50% of the cut through new revenues, this is still a big number for us to reach. However, I emphasize that many of our units still have savings from the voluntary separation incentive program. In fact, some units have savings that accrue in the second year of that program that will meet most, if not all, of their potential cut.

This is not an easy thing for us to do, and will not be without important consequences for our university. At the same time, I believe that we are proposing a strategy that will allow us to get through the cuts and still be positioned to move forward in a positive and successful manner.

### **The Other Side of the Equation**

Now let me try and create a little balance to this conversation. Peter Flawn, former President of the University of Texas, used to say that at universities, one thing you can be assured of is that faculty morale is always at an all-time low. Maybe this is less of a staff than a faculty affliction, but I do understand that it occurs there, as well.

In this challenging time, I do not discount the seriousness of morale issues. Nor do I discount the impacts on each of you that are affected by program reductions, loss of colleagues, and at least a couple of years without compensation increases. Yet, I hope we can all maintain some perspective, whether through comparing our challenges with those of many other institutions around the country, or finding ways to balance the challenge side of our ledger with critical markers of progress and opportunity, on the other.

Over the next few minutes I would like to present what I believe is an optimistic, promising, progressive, and forward-looking—but very honest—view of the university—a university that I assure you will come through this recession not only intact, but positioned to move forward to assume an even greater leadership role among America's fine institutions of higher education.

I wish I had time to develop each of these ideas, but lacking that, will touch briefly on nine key markers of progress:

**(1) Faculty and Staff**—As we have dealt with the budget cuts, we have chosen, I believe correctly, not to impose a hiring freeze, though many of our fellow institutions did just that. Absent such a freeze, we have hired 35 new assistant professors this year, and they come from the finest graduate programs across the world. We have also been able to continue to fill key staff positions with outstanding hires.

Our faculty continue to do well, as reflected in outstanding accomplishments in teaching, research, and service. I compliment you on those achievements and thank you, particularly, for your continued devoted service to our students.

**(2) Students**—The markers for success on the student side are too numerous to even list. Our Logan campus enrollment is up, we are continuing to experience robust growth at the regional campuses, our domestic minority enrollment is up, our international enrollment is up, our graduate FTE enrollment is up, and the preparation of our students remains very high.

Our Day 15 numbers indicate an FTE increase of about 700 students, and a headcount increase of about 1100 students. This is obviously a double-edge sword: We are teaching more students with a smaller faculty — yet the positive impact on our revenue base is critical.

As a result of the enrollment numbers, our housing occupancy has reached a decade high—which is important for our revenue base. The new Living/Learning Center is at 97% occupancy, compared with 71% last year. Our students continue to achieve. Our Engineering rocket team won first place in a national competition sponsored by NASA. In doing that, they beat out some of the best universities in the country. We have three new Goldwater Scholars, and the list goes on and on.

**(3) Regional Campuses**—Our regional campuses continue to be a great success story. Our enrollments continue to grow. Our faculty has more than tripled in the last four years, and these are faculty who not only help our regional campuses, but strengthen our departments and programs here in Logan, as well. We are now offering 40 degree programs through our regional campuses. The Uintah Basin campus is a great example of our success. We have leveraged a \$5.3 million land gift into what is now almost \$100 million in construction, infrastructure, and program development. It is difficult to describe the difference this is making, and will make far into the future, in this area of our state.

**(4) College of Eastern Utah**—The merger with the College of Eastern Utah will allow us to extend some of our critical research programs, particularly in energy, water, and environmental management, as well as to strengthen higher education in the eastern corridor of the state. We also see important development opportunities and new public/private partnerships with this merger. We are excited by the opportunity of working with our CEU colleagues in Price and Blanding as this moves forward.

**(5) Capital Facilities**—I am going to quickly show several slides to illustrate what is happening on this front.

- UBATC/USU Vernal (Aug 7)
- EEJ (Spring 2010)
- Tooele Regional Campus (Yesterday)
- Bingham Entrepreneurship and Energy Research Center (Summer 2010)
- USTAR Building (Summer 2010)
- Water Lab Buildings (Sep 24)

- Equine Education Center (Oct 9)
- College of AG/ARS Buildings
- Huntsman School of Business Building

These buildings will add over 700,000 square feet of new teaching and research space to our campus, at a cost of almost \$240 million dollars. You will note that the majority of the cost is being covered in ways other than relying on state tax dollars. We are finding new ways to develop the facilities that will further enhance what we are doing at this institution. This will continue to make an enormous difference for our students and our faculty.

**(6) Campaign Progress**—As you are aware, we met and surpassed our initial \$200 million goal in the first year of the campaign. We then doubled that goal and extended our timeline. The fund-raising challenges are much greater with the economic downturn, but we continue to make good progress. For example, our cash gifts are actually higher this year than last, though we haven't experienced the large pledges that characterized the first year of the campaign. We are approaching the \$250 million number and have several major projects in the works right now that allow us to be confident that the new goal is attainable.

**(7) Research**—While research funding was down a bit this last year, we anticipate a very positive rebound. We currently have over \$91 million in proposals that have been submitted in response to the ARRA program. Several of our PI's have already received word that they will be funded. Our Space Dynamics Lab, the largest of our research centers, is celebrating its 50<sup>th</sup> anniversary this year with new successes and a most promising future. Our Utah Water Research Lab is also celebrating 50 years of success. Additionally, we have started a new Energy Dynamics Lab that we anticipate will have an even more positive growth trajectory than that experienced by SDL.

Our Utah EPSCOR committee has been notified by the National Science Foundation that our state EPSCOR planning grant has been approved. This means that researchers at USU are now officially eligible for EPSCOR co-funding of their NSF proposals. Consideration for NSF co-funding of proposals from our PI's is now automatic, thus significantly increasing opportunities for successful proposal submission.

**(8) USTAR**—We now have nine USTAR research teams in place and important seed funding is extending to other faculty groups already on campus. As noted, our first new USTAR building will be completed next summer.

**(9) And finally, New Revenue Opportunities**—We see exciting opportunities for new revenue streams from technologies and intellectual properties being developed. Some of these are getting close, and their impact on our revenues could be substantial. We are creating new public/private partnerships at a pace never before experienced, thus facilitating new opportunities for both our research faculty and their students.

## **Organizational Changes**

Let me now move beyond budget issues and visit with you for just a few minutes about some proposed organizational changes.

In May of this year, we held a retreat with our Executive Council where we conducted a wide-ranging discussion on actions that USU might employ to continue to cope with the economic impact the recession is having on our university. Our goal was not just to address strategies for taking the additional budget cuts, but to identify ways to position us for even greater success in the future.

One of the items that we considered in the retreat was the question of whether changes in how our academic units are organized might allow us more fully to maximize our academic assets and create synergies that would lead us to greater levels of achievement. Following that meeting, I asked the Council of Deans to direct further attention to this matter and then to advise me regarding possible restructuring that might position us for greater success in the future.

Over the summer, the deans identified a variety of ideas for consideration. In fact, they identified a total of 26 unique changes to our administrative structure, from which they eventually advanced five recommendations for further consideration.

I would like to briefly discuss the first three of these:

First, they recommended that I initiate a dialogue with the faculty, staff, and students of the Caine School of the Arts to explore the possibility of establishing this unit as a free-standing, independent academic college.

As you are aware, support for the arts is a deep and historic tradition at our university and in the larger community. We have developed strong programs in music, art, theater, and design. We have created an outstanding collection in the Nora Eccles Harrison Museum of Art and recently constructed the extraordinary Manon Caine Russell and Kathryn Caine Wanlass Performance Hall. Our programs in several areas are unsurpassed. But we also believe that we have the opportunity to further capitalize on our strengths and to create other programs of even greater excellence.

This recommendation from the deans, I believe, has great merit. It will enhance the visibility of this part of our academic program, it will create a full seat at our administrative tables for the fine arts side of our university. And it will, I am confident, enhance our development efforts and our ability to attract outstanding students and faculty.

Accordingly, I will schedule over the next several days a series of meetings that will allow us to move this conversation forward. We will follow code-defined process, but at the same time, we will move this conversation along with some urgency. There are important

programmatic and fund-raising opportunities that we simply must capitalize on and a year or two of debate on this matter will not allow us to do that.

There are questions about just which units should be included in such a redesign and we will invite input on those questions. I want to stress that it is absolutely essential that by creating a new college, we don't erect barriers with units that remain in the current college of HASS. For example, collaborative opportunities with our English Department must be maintained and strengthened. And continued programmatic cooperation with our History Department remains essential.

Why a college, rather than just creating a stand-alone school? We see the potential for significant gifts that will include additional "naming" opportunities. For example, we believe that there is the possibility for a named school of music within the Caine College of the Arts. Other opportunities will come that will be facilitated by using the college designation.

One of the units most directly impacted by a spin-off of the Caine School is the Department of Landscape Architecture and Environmental Planning. Therefore, a second recommendation from the deans was that we initiate a conversation with the faculty of that department to determine where in our academic organizational structure their future success will be maximized. There are a number of options, including staying in the reconfigured college of HASS, becoming a part of the new college, or moving to another unit such as the College of Natural Resources or the College of Agriculture.

Again, my intent is to initiate this conversation with the faculty, staff, and students in the immediate future so that if the first recommendation is adopted, we can move LAEP to an appropriate home.

A third recommendation that came from the discussions of the deans was to explore the creation of a school, within one of the existing colleges, which would bring together the career technical and vocational education programs that are currently scattered throughout the university.

The consolidation of these programs into a single unit has, I believe, important merit. These programs share a philosophy of "hands-on" education that is valued and appreciated but, perhaps, underdeveloped because of their isolation in disparate academic settings. The establishment of such an academic unit might also facilitate the integration of the career vocational programs that currently exist at the College of Eastern Utah into the USU academic structure, assuming that the USU/CEU merger is approved by the legislature. While it is easy for us to identify USU "homes" for most of the CEU programs, those activities that are more vocational and technical in nature are less easy to place.

Based on the recommendation from the deans, I plan to form a committee with representation from the various existing programs that would be impacted. This committee will be asked to begin a dialogue that will lead to a recommendation on whether we should create such a school, and if so, where it should be placed within our existing structure.

Other issues that have come to me from the deans will remain on our agenda for future consideration. This will include some that I have referred back to the deans for further review, and some that we are addressing more immediately with some leadership changes. There are also a number of other key agenda issues that we will discuss in greater detail over the next few weeks, including the creation of a diversity council to be chaired by Vice President James Morales that will report directly to me, and plans to strengthen and enhance our summer school opportunities.

## **Wrap Up**

Before closing, let me say something that is directed primarily to our junior faculty—though this extends, I believe, to the not-so-young among us and to staff, as well.

A number of you may be wondering whether you made the right choice in selecting an academic career, and some of you may be asking whether you made the right choice in selecting Utah State University as the place to begin that career.

As you grapple with those questions, let me urge that you keep current troubles in context and that you maintain a longer term view of what is happening and its impact on your career and life goals. These are difficult times, but they will pass, and as they do, there will remain all of those reasons that led you to choose an academic career in the first place. Those reasons are just as real and just as valid as they were when you first made the choice to become an academic, and then began the long and difficult journey that brought you here.

In writing about university faculty a few years ago, Sanford Pinkser noted that there are always some among us who choose to complain incessantly about the downside of the academy. These include, according to Pinkser, those “disgruntled members of our profession who publish under duress and teach with reluctance.” They take neither joy nor comfort in the things that professors do. For this group of colleagues, it seems to be a requirement that no one worthy of his or her faculty parking pass would even consider being perceived as happy. Instead, it seems more appropriate to have a chip on one’s shoulder, than a smile on one’s face.

To paraphrase Pinkser, there is no question that if you seek dissatisfaction, you will surely find it, particularly during these difficult times. There are always papers to be graded, articles to be written, books to be read, administrators who preside over tenure and promotion decisions to be satisfied, and the list goes on.

Yet, for all of these problems, you and I are among the fortunate ones who are granted the honor of wearing the academic robe. Each day we have the privilege of interacting with bright and talented students, spending time with accomplished colleagues, conducting research on the issues that challenge us intellectually, and enjoying the quality of life that is replicated nowhere but on a university campus. I urge you to remember, and celebrate, that. I cannot

imagine wishing to be something other than a member of a university community. The things we have the opportunity to do here, every day of our lives, simply do not occur anywhere else.

Let me comment, as well, on your decision to come to USU. Over the past few years, we have become a very good university, and I firmly believe that we are on track to become an even greater one. We have climbed hills that now allow us to glimpse horizons that we didn't even know were there, and within our reach, a few years ago. And there are even more distant possibilities that we will aspire to as current goals are met. You will help us achieve those. We will become an even greater university through the excellence that you bring to our campus community.

I know that there are times when you will feel unappreciated, especially when our reward systems are as constrained as they are right now. And for some of you, it may seem that important life and career goals, such as achieving promotion and tenure, are increasingly illusive and difficult to attain. I am confident in assuring you that that is not the case. We did not hire you to fail. You were selected through a careful review process and were chosen because you were the best. Work hard, find senior mentors to guide you along the way, and you will succeed. And we will get back to the position where the fruits of your labors will be more appropriately rewarded.

In closing, I would like you to know that each day I feel a great sense of humility and honor for the privilege of being at Utah State University—and, yes, I feel that even during these difficult times. Together we will continue to build the kind of university that we aspire for this one to become, and that is a good thing.

Thank you.