

From: [President of CSU Maritime Academy](#)
To: [President of CSU Maritime Academy](#)
Subject: Update - Budget and Integration Recommendation
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July 2, 2024

Colleagues,

As we approach the July 4th holiday weekend, I would like to provide an update on where we stand with respect to the upcoming academic year, our budget situation, and efforts taking place behind the scenes regarding the Cal Poly – Cal Maritime integration recommendation. With the approach of the fall semester, we continue to have significant budgetary constraints that we must continue to address while we strive to boost our enrollment numbers. My sincere thanks to all who have contributed much time, energy, and dedication to our outreach and recruiting efforts this past year.

As I have mentioned in my previous campus updates, the State government, CSU, and Cal Maritime are each experiencing significant budget shortfalls that must be mitigated. Below I outline some additional information and next steps that will help us continue to navigate these challenging waters. We have made substantial cuts over the past year towards reducing expenses, but unfortunately, there are more cost savings we are required to undertake to remain within our budget this year.

Efforts to right-size Cal Maritime and reorganize offices and positions to best meet the needs of the university are continuing. The recruitments for Executive Dean of Academic Affairs and Dean of Student Affairs are underway and should be completed in the upcoming weeks. While we wait for these positions to be filled, Dr. Graham Benton is serving as the acting Provost and Vice President of Academic Affairs and Dr. Carol Branch is serving as the acting Vice President of Student Affairs. We also thank Dr. Beth Hellwig for her outstanding and remarkable service to our cadets, faculty, and staff and wish her the very best in her future endeavors.

I look forward to welcoming the new Director of Cadet Leadership and Development in the next few weeks. This arrival will continue the efforts to reorganize the commandant's office to accurately reflect the mission and purpose of our leadership & development efforts while also helping to ease the way for the future integration with Cal Poly should the Trustees approve the recommendation. We have also finalized a shared services agreement to backfill the Chief Financial Officer position upon Vice President Lozano's upcoming retirement. We thank him and his family for their years of dedicated service to Cal Maritime and wish them the very best as they move on to write their next chapter.

Chancellor's Integration Recommendation – Next Steps

I continue to consult with former interim Chancellor Koester, Executive Vice Chancellor Relyea, and President Armstrong of Cal Poly to prepare for the upcoming CSU Board of Trustees agenda item later this month regarding the integration recommendation. The senior strategy team is continuing to develop the recommendation while being mindful not to get ahead of the CSU Board of Trustees vote or do anything to presume approval prior to board action.

Several senior-level working groups have been created, and individuals from our campus have been selected to coordinate with representatives from the Chancellor's Office and Cal Poly to identify high-level issues and opportunities for synergy. Additional working groups will be created and phased in at the appropriate time. As a reminder, individuals should not reach out independently to members of Cal Poly or the Chancellor's Office regarding the integration recommendation. We have a phased approach to integration planning and the senior strategy team is directing the process so as not to get ahead of the

Trustees. All questions or concerns regarding the integration recommendation should be directed to my office.

Following the information and discussion at the July CSU Board of Trustees meeting, we anticipate further discussion at the September board meeting before the recommendation is voted on at the November meeting. If approved by the Trustees, the integration would begin in July of 2025 with the first maritime academy students enrolled as Cal Poly students in fall of 2026.

Fiscal Year 2024-25 State Budget Outlook

Governor Newsom just signed the Budget Act of 2024 and the current funding outlook for the CSU is mixed. The multiyear compact for the CSU with a 5% increase in ongoing state funding for 2024-25 (approximately \$240 million) will be honored; however, the system will receive a one-time cut of \$75M. This will result in a net total of \$165 million in new operating budget funding for 2024-25. This leaves an anticipated operating budget gap of \$218M.

In addition, the following has been outlined in future budget cycles:

- For FY2025-26, the state intends to impose a 7.95% reduction of ongoing funding to the CSU's operating budget, equivalent to a cut of \$397 million.
- The state intends to defer FY2025-26 compact funding in the amount of \$252 million ongoing to FY2026-27.
- The state intends to defer FY2026-27 compact funding in the amount of \$264 million ongoing to FY2027-28.

For more information, view a press release the system issued on the [Final 2024-25 State Budget](#). A budget presentation will take place at the July Board of Trustees meeting to further review the state allocations and chart the way forward for FY2024-25.

State Education Bond

A key element of the CSUs' advocacy efforts this past spring was the inclusion of CSU in any upcoming education bonds issued by the state. Unfortunately, while a State Education Facilities bond will appear on the November ballot, it will not include either the CSU or UC. It will instead be focused on K-12 and the community college system.

University Budget Outlook

Presidents have been directed by CSU to continue reviewing their operating budgets, and I am working with campus leadership to identify additional areas of cost savings and reductions as we enter FY2024-25.

Over the next few weeks, we will finalize the fiscal year 2024-25 operating budget; however, a budget gap of over \$1M remains. This will necessitate additional reductions throughout campus. As we navigate this new FY, it is anticipated that we will have to spend much of our reserves to cover expenses. I estimate that we have a remaining reserve balance of less than \$350K at the end of the FY. This is untenable and places the campus at great risk.

We continue to find opportunities for shared services across the system to maximize efficiencies and create long-term budget savings. We are finalizing agreements with several campuses, including Cal Poly, and I look forward to sharing these updates with you once they are finalized. Additionally, I am continuing to engage with the Chancellor's Office on the Multi-University Collaboration Initiative, and we will move forward on opportunities presented for our campus.

Lastly, the hiring freeze implemented last spring remains in place for all non-essential positions. We must all remain diligent and prudent, scrutinizing all resource allocations. This must include all expenditures as well as setting priorities for an individual's use of time, all while maintaining an enterprise view.

While much has been done to address the budget situation, more is needed, and we must all come together. As I discussed this spring, our budget motto for the time being remains, "doing less with less."

Looking Forward

While we are facing a challenging period ahead, we must take additional measures to strengthen our financial health and

uncover more cost-saving opportunities. Given the decreased revenues and significant fiscal challenges facing the state budget, it is essential for each of us to continue to scrutinize every expenditure and actively seek new ways to generate revenue for our university. Your continued cooperation and efforts are greatly appreciated.

I will continue to share updates, but in the meantime, please let me know if you have questions or suggestions. It will not be long before we welcome Training Ship GOLDEN BEAR back to campus on August 5th followed shortly thereafter by the arrival of this year's incoming class of students for orientation on August 17th. The design & build team for the pier and boat basin project are continuing their efforts to obtain all necessary permits and analysis so construction can begin on schedule. Thus far, we are on the anticipated timeline.

Thank you for your continued dedication to Cal Maritime. I look forward to welcoming everyone back on campus in late August as we start the new academic year.

Respectfully,
Mike

Michael J. Dumont, J.D.
Interim President



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