

**DATE:** March 17, 2003

**TO:** Robert Bersi, Vice President, University Relations and Development  
William H. Griffith, Vice President, Administration and Finance  
Gary Reichard, Provost and Senior Vice President, Academic Affairs  
Douglas W. Robinson, Vice President, Student Services  
William Shumard, Director, Sports, Athletics and Recreation

**FROM:** 2003-2004 Resource Planning Process Task Force

**SUBJECT:** Campus Budget Planning for FY 2003-2004

This communication is provided to offer the campus community a brief fiscal context within which 2003-2004 campus budget planning will be conducted, as well as to provide guidelines and planning assumptions for this process.

### **Summary**

California faces a serious budget deficit. In January, the Governor issued a proposed budget for the coming year, which included significant reductions for the CSU.

For Long Beach, budget reductions will be partially offset by proposed fee increases and enrollment growth funds. With the exception of instruction, all areas of campus will experience a budget reduction of 4%. At this level, no reductions of permanent/probationary faculty or staff will occur. The reductions, however, can be expected in such areas as operating budgets, travel funds, and temporary staff. These reductions will also have unavoidable workload implications for faculty and staff.

CSULB's priority is instruction. *CSULB 2003-2006 Campus Goals* state that CSULB will, "despite budget shortfalls, maintain a schedule of class offerings that enables orderly progress toward degree for students including planned use of the summer schedule." Because of this campus priority, next year's budget for instruction will be roughly equal to the current year's funding. The campus' total number of part-time lecturers will not change significantly, although there will be some fluctuations to accommodate shifts in student needs, such as those related to the anticipated slightly

larger freshman class. Unfortunately, without a net increase in resources, the campus will experience increased class sizes to accommodate this growth in enrollment.

These plans are based on the assumption that the Governor's budget proposal is close to what will ultimately be adopted by the Legislature. Historically, the Governor's proposal has been a good predictor of the final budget. However, the state deficit this year is so large that there could be significant shifts that affect the campus before the final budget is passed.

This year's resource planning process will direct each division to develop a plan for a 4% permanent reduction to be implemented in the expected event that the Governor's plan becomes final. Divisions will also be asked to develop a conceptual and nonspecific contingency plans for a further 3% reduction in case the situation deteriorates.

This state budget poses a significant challenge for the University, but if the Governor's plan survives, the situation will be painful but not disastrous. Other campuses lacking enrollment growth funding are in a worse position than CSULB will be. The Resource Planning Process Task Force is committed to cooperative and responsible planning to protect and enhance our great University.

### ***California's Fiscal Context***

- The fiscal condition of the State, CSU, and campus will result in permanent base-budget reductions in the coming fiscal year.
- We must remain cautious during the months ahead as the Governor's proposed budget works its way through the Legislature.
- For the third straight year, California will end the year in deficit. The accumulated budget shortfall by June 2004 is estimated to be \$34.6 billion. The continuing economic slowdown and other fiscal conditions are having a severe impact on state revenues. The state budget is particularly bleak now because in recent good years, expenditures were permitted to rise faster than guaranteed revenues.
- To balance the state budget, the Governor has proposed a two-phase plan: a reduction of \$10.2 billion in the current fiscal year, and \$24.4 billion in additional measures included in the traditional January Budget for next year. The combined \$34.6 billion solution has three major components: program reductions of nearly \$21 billion; \$8.2 billion in tax increases; and \$5.7 billion in temporary measures involving shifts, transfers, and borrowing.

## **California State University**

- The Governor has proposed that the CSU's general fund budget be reduced by \$326 million, including a \$59.6 million reduction that was imposed by the Governor in the current fiscal year. Also, the Governor announced that the \$43 million reduction to the CSU originally set as a one-time cut would now be permanent and that no new funding will be provided for system-wide mandatory costs of \$78.6 million. The total net general fund impact for the CSU will be \$447.7 million, a 17% decrease in resources from the level originally approved for 2002-2003.
- The Governor's Budget includes a proposal to increase the State University Fee by 25% for undergraduate students, and 20% for graduate students in addition to the 10%/15% adopted Spring 2003. System-wide, this proposed fee increase would become effective in Fall 2003 and generate systemwide revenue of about \$200 million, net of financial aid, or about 7%, mitigating the net budget reduction impact to roughly 10%.
- The Governor's budget also recommends \$150 million for enrollment growth, which requires accommodating enrollment increases of 22,000 FTES.
- This leaves a net revenue impact on the CSU of \$95 million, or a 4% cut.

## **CSULB**

- For Long Beach, we estimate our share of the CSU's gross budget reduction to be \$34 million, which represents an 18% decrease in our general fund budget.
- Revenues expected from the proposed fee increase (\$11 million), together with new enrollment growth funding (\$15 million) and advanced planning by RPP last year (\$4.2 million), provide substantial solutions for the proposed \$34 million reduction in our base budget.
- Probably the best we can expect under the Governor's plan is to provide \$3.5 million to support instruction, which will effectively hold instruction harmless from the 4% cut that will be required to balance the University's budget.

*Refer to Exhibit #1 for a summary of the estimated changes in campus resources for the mid year reduction FY 2002-2003 and accumulated reduction FY 2003-2004.*

## ***Enrollment***

- For 2003-04, our enrollment target has been set at 28,650 full time equivalent students (FTES), which represents a 7.7% increase over the 2002-03 enrollment target, and about 900 FTES over our actual enrollment in the current year.
- More than one-half of this increase is already enrolled and almost all of the remaining enrollment increase is unavoidable as we are obligated to enroll Fall 2003 admits whose applications have already been received and are being processed.
- The funding which accompanies the target increase will offset the budget cuts to a significant degree.
- The state and the system have made it clear that if we fail to accept and serve these additional students, our funding will be adjusted accordingly, making the budget reductions significantly larger and requiring the instructional program to participate in these reductions.
- Because of the campus priority for instruction this year (see Campus Goals, below), resources next year for instruction will be roughly equal to current year funding.
- The campus total number of part-time lecturers will not change much, although there will be the usual fluctuations to accommodate shifts in student needs such as an anticipated slightly larger freshman class.
- However, the campus will have significant enrollment growth without additional instructional resources. This is projected to translate into an approximately 3% average increase in class size and associated workload for faculty.
- In 2003-2004, the campus is forecast to reach its CSU-recognized ceiling for enrollment currently defined as academic year capacity space enrollment of 25,000 full time equivalent students.
- Under current policy, the campus cannot receive funding for enrollment above the enrollment ceiling, so any growth in enrollment beyond that level would be unfunded. This spring, however the Trustees may change system policy to permit campuses to request a higher ceiling. The campus is actively studying the possibility and desirability of requesting a higher ceiling.
- Even if CSULB decides to request and subsequently receives a higher ceiling, the campus will be at a maximum feasible enrollment level within a very few years.

- Particularly with scarce resources, as enrollment grows the campus risks a situation in which students cannot obtain needed classes.
- To avoid this situation, the campus has begun to put in place effective enrollment management strategies including admissions controls for freshmen and transfer students, efficient space utilization, innovative use of technology for instruction, and other strategies which facilitate student progress and graduation.
- In sum, assuming that something close to the Governor's budget is ultimately accepted, the enrollment situation for the campus for 2003-04 will be painful but not a disaster.

*Refer to Exhibit #2 for additional text on the campus' enrollment increase strategy, January 2003.*

### **Campus Goals**

- Established annually, campus goals provide the framework for the Resource Planning Process Task Force's works.
- This year, CSULB's Goals assign top priority to instruction. Campus Goals state that CSULB will "despite budget shortfalls, maintain a schedule of class offerings that enables orderly progress toward degree for students (page 2)." This goal will be implemented with a \$3.5 million allocation to Academic Affairs in FY 2003-2004 to offset instructional budget reductions. RPP concurs with this recommendation to enable CSULB to serve students and meet its new funded enrollment target.
- This year, Campus Goals also focus upon actions to manage enrollment resources better, cope with budget and other challenges, and preserve the campus' accomplishments over recent years. The Goals document articulates a determination to maintain a focus on effective, long-term collaborative planning in support of high quality education, despite the current state budget situation. In total, there are six planning areas of all-university concern:
  - 1: Enrollment Planning and Management
  - 2: Resource Management
  - 3: Continuous Quality Improvement
  4. Quality of the Physical Environment
  - 5: Information Technology
  6. Non-State Revenue

- Goals for each planning area are described in Exhibit #3, and are also available at the University's Strategic Planning web site [www.csulb.edu/web/projects/planning/](http://www.csulb.edu/web/projects/planning/). The University measures of progress toward attainment of Campus Goals, and assessment of progress toward past goals are contained within the Campus Goals document.
- The Resource Planning Process Task Force will review materials submitted to the process within the framework provided by Campus Goals, to assess whether the plans submitted by respective divisions can cope with budget reductions and still preserve and advance the Campus Goals.

### ***Campus Budget Planning Parameters***

- Even with the best-case scenario under the Governor's Budget, the state's budget will require the campus to develop a budget reduction plan.
- This year's campus planning process will incorporate an action plan, mitigation from savings, and a contingency plan.
- It is expected that the final decisions on the State Budget will not occur until sometime after the beginning of the fiscal year. Therefore, the Task Force recommends that all division planning be held until final campus allocations are issued from the system office. It is conceivable that this could be sometime after the beginning of the fall term.

### **Action Plan**

Assuming the Governor's Budget and an enrollment target of 28,650 FTES, each division will be asked to develop a detailed budget reduction plan that responds to a permanent reduction of 4% from their 2002-2003 base budget. The division of Academic Affairs will be provided \$3.5 million to offset the 4% levy in the instructional program.

- Divisions should do their best to protect core, mission-critical services.
- Division reduction plans should not include any formal layoff of permanent/probationary faculty or staff. Reductions in temporary staffing should be identified.
- Since no new funding will be available, requests for new or unfunded needs will not be considered.

- Divisions are to develop appropriate impact analyses to include a description of the functions and service areas affected, qualitative and quantitative information about service degradation, changes in hours of operation, backlogs, etc.
- Each division is to describe how the action plan is consistent with the Campus Goals set for 2003-2006.

### **Mitigation from Savings**

- As is the case each year, the University will achieve some one-time, temporary savings from University-wide budgets and excess revenues. These savings will be held centrally and applied to any deterioration in the budget before contingency planning is invoked.

### **Contingency Planning**

- The Governor's Budget represents the best-case scenario and it is possible that the fiscal condition will deteriorate. Therefore, preliminary contingency planning is absolutely necessary. It would not be responsible for the University to be caught unprepared.
- Each division will be asked to certify to RPP and the President that it has a preliminary conceptual plan to achieve an additional reduction of 3% and is prepared to implement that plan within a reasonably short period of time.
- Divisions are to identify the service areas and functions affected by the additional 3% reduction, along with the impact.
- If it becomes clear that the contingency planning must be implemented, the divisions will be required to develop operational details of their plans and, if necessary, appropriate notification will be given to labor unions.
- Contingency planning would only be implemented to the level required to balance the budget.
- Contingency planning is only for fiscal year 2003-2004, and does not imply a commitment for 2004-2005 and beyond.

### ***Forms and Instructions***

- Prescribed formats (Form 1: Mission Statement. Form 2: Program Objectives. Form 3: Budget Reduction Impact Statement Form 4: Resource Summary) and

hearing instructions will be provided under separate cover to each division head. No specific format is being prescribed for the preliminary contingency plan.

- Division submissions are due in the Office of Administration and Finance prior to scheduled presentations.
- Deans, directors and department heads should look to their respective division offices for specific instructions on how to respond to internal divisional planning strategies.

#### Attachments (3)

C: President Maxson  
Deans, Directors and Department Heads  
Academic Senate  
Staff Council  
Associated Students  
CSULB Faculty and Staff Union Chapter Presidents  
[www.csulb.edu/web/projects/planning/](http://www.csulb.edu/web/projects/planning/)  
[www.csulb.edu/senate/](http://www.csulb.edu/senate/)