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Date: September 25, 2002

TO: University Community

FROM: Robert C. Maxson, President

A handwritten signature in black ink, appearing to read "RCM", written over the name "Robert C. Maxson" in the "FROM:" field.

SUBJECT: The 2002-2003 Budget Message

Welcome back to another year at The Beach! I love the excitement of starting a new school year. I want you to know how proud I am to serve as your President. I have never had a better job and I have never worked with a better group of men and women.

This is the ninth year that I have shared a budget message with you and I am pleased to tell you that I believe this year's budget is a responsible one, especially in light of the current state and national economic climate. After extended negotiations, the Governor signed the 2002-2003 State Budget on September 5th. While many state and local government entities experienced an overall reduction in their budgets, the final budget provides the CSU with a modest increase which will fund the System's two highest priorities: enrollment growth and salary increases for our employees. As we go through the academic year, we must remain mindful, however, that the State's financial uncertainty could result in changes in our budget for this fiscal year.

Chancellor Reed is to be commended for his leadership and political effectiveness during an uncertain budget year in Sacramento. I also want to thank the Board of Trustees for securing a budget that allows the CSU to respond to the educational needs of our students. As I reflect on this budget message, I am grateful for the excellent planning process that we have on this campus. I am very appreciative of the diligent work of the Resource Planning Process (RPP) Task Force in developing a very prudent and responsible budget plan for the University.

California's Economy and the Budget

The State Budget was constructed during an economic downturn that has left California with an estimated \$23.6 billion budget shortfall. Given the current fiscal conditions, the Governor could not fully fund the Trustees' entire budget request for fiscal year 2002-2003. Nevertheless, I believe higher education fared well in the budget process. The final State Budget provides a net increase in general fund support for the CSU, and for the eighth consecutive year, there will be no increase in system-wide mandatory student fees for California residents. Mandatory budget cuts that we were asked to make earlier in the year were offset by additional funds to accommodate the increase in student enrollment that we experienced last year. The budget provides for a modest 1.5% average salary pool, which helps us maintain our commitment to provide competitive salaries and to attract and retain the very best faculty scholars and most talented staff. Even though we face some difficult budget conditions in the near future, we remain committed to continuing our work with the Chancellor's Office in support of keeping faculty and staff salaries competitive. Compensation remains a high priority and we will continue to seek additional salary funds as the State's finances allow.

Enrollment

I am delighted that CSULB continues to be one of the most popular institutions in California. We have built a successful student recruitment program that continues to attract high-achieving students, while maintaining our historical commitment to access Applications received for the fall term numbered over 43,000, which is a 10% increase over last year's level and an all-time high for this campus. This fall, we will have approximately 34,600 students studying on the campus, which is 1,300 more students than last year. The quality of the applicants is equally impressive, particularly for the freshman class. With an average GPA of 3.41, I believe we may have the most academically prepared freshman class in the history of this campus. It is good to see that 97% of our freshmen are full-time students who will draw on our full range of services and participate in the many exciting activities available on our campus. Our residence halls are at full occupancy with waiting lists of students who want to live on campus. This year, we will have 101 new President's Scholars, which means we will have a total of 377 California Valedictorians and National Merit scholars studying on the campus. This talented pool of students continues to transform our campus community.

Our greatest challenge continues to be how we deal with the institution's increased popularity as a campus of choice for high-achieving students. We are simply growing too fast! As I have said before, this is a good problem for the University to have. Controlling enrollment growth, however, is the critical first step in maintaining our educational effectiveness. We must have a sound enrollment plan that attempts to "right-size" the campus to match our available resources. This will ensure that the students we do enroll get the classes they need and can make timely progress toward their degree objectives. This Fall is the first term that the freshmen admission standards were higher than the regular CSU requirements. Our Enrollment Management Committee, which has been formalized as an Academic Senate committee, is charged with monitoring our enrollment trends and recommending adjustments to the admissions criteria to ensure optimum size and our commitment to a diverse student population.

Development

The economic downturn increases the challenges that the University faces in maintaining the momentum achieved over the years. It places an even heavier dependence on emphasizing the University's endowment and fund-raising activities. As many of you know and have heard me say before, I am absolutely convinced that continuing to build our endowment is the right way to secure the future of this University.

New Campus Budget Authorization for 2002-2003 and Contingency Planning for 2003-2004

This year's budget planning was particularly challenging because of the possibility of several widely differing outcomes, including the knowledge that the State may face similar budget challenges for the next few years. Fortunately, most of what the Governor proposed in the May Revise survived in the final budget. Therefore, I am able to support all of RPP's recommendations for fiscal year 2002-2003.

CSULB will receive a General Fund increase of roughly \$13 million, or a 5% increase over last year's budget. Of this amount, \$6.5 million is earmarked for employees' compensation and benefits, with the balance being used to offset budget cuts from the State and to cover mandatory expenditures. We also have carryover funds from the prior year, which permits me to authorize a non-base allocation of \$2.029 million to the Division of Academic Affairs for new faculty

to accommodate our increased academic year enrollment target of 835 full-time equivalent students.

While the allocation for additional faculty resources is the only new authorization, the 2001-2002 base budgets for all operating divisions will be preserved. This will provide the colleges and other units with some much-needed stability as we face another difficult and uncertain budget planning year.

Considering that there is a high probability for a leaner budget in 2003-2004, including the possibility of a mid-year reduction in our base budget, I am asking each of the divisions to maintain their contingency planning through the Fall semester until we can make a better assessment of the potential risks we are likely to face in the next fiscal year and thereafter.

I am very proud of the way in which all of you have managed your budgets over the past twelve months. I am absolutely convinced that we can continue the vigorous momentum that we have built over the past few years. As we continue to work together in a committed, caring and collegial environment, I am confident that the frailties of the economy will not keep us from accomplishing our goals.

Thank you for your support and your individual contributions to CSULB. This University is truly a wonderful place in which to work, teach and learn. I hope you know how proud I am to serve you as your President.

Go Beach!