

DATE: February 19, 2003

TO: University Community

FROM: Robert C. Maxson, President

SUBJECT: Budget Update

The campus is alive with people once again, and once again we are engaged with what makes this place so fetching to us all—the students.

I know that over the past several weeks you have read and heard much about the state's budget. The bottom line—and it really is a bottom line—is that California will suffer an estimated \$35 billion shortfall. That is a lot of money, even in a state the size of ours, even in these times.

In order to keep the wheels of the state turning, the Governor has proposed drastic cuts in various state budgets, and we, of course, are not exempt.

In his letter to faculty and staff, the Chancellor has clearly outlined the fiscal impact this proposed budget would have on the CSU. And although we are reminded in his letter that this budget is not yet final, we must plan as if it were, of course, since it is all the information that we have to work with. In our collective planning we are looking for academically sound and compassionate ways to absorb the proposed budget cuts.

Nonetheless, when the new fiscal year starts on July 1, our campus will face financial challenges of a dimension we have not faced in a decade. The two-phased budget strategy adopted by the Governor resulted in a mid-year reduction to our current budget. Our share of the mid-year reduction was \$6.4 million. This cut was mitigated by \$2.4 million in revenue from the Trustees' approved student fee increase. For our students who need help, we will reserve one-third of these fees for financial aid, leaving us with \$1.6 million to offset budget cuts. Due to good planning last year by the University's Budget Committee, which includes faculty, staff and students, we made provisions to cover \$1.3 million of this reduction. These two actions lessened the impact in the current fiscal year to \$3.5 million, or a 2% reduction, which has already been made by the operating divisions.

The total CSU system-wide impact for the next fiscal year, which begins July 1, 2003, is a reduction of \$447.7 million. Our share will be \$34 million. There are some mitigating elements contained in the Governor's budget plan, including an increase in student fees, which would total \$18 million for our campus. Again, of that \$18 million, one-third will be dedicated to financial aid. In addition, in his proposed budget we will receive \$15 million in new state funding and fee revenues for our projected enrollment growth. As a result of our earlier planning, which includes using reserves and reallocating funds, we will be able to reduce the required cut to our operating budgets. Therefore, assuming the Governor's recommendations are enacted by the Legislature, the cumulative total permanent budget cuts for our campus next year will be approximately 4%.

Even though the Governor's proposed budget for the CSU and the System's budget strategy may represent the best-case scenario for our campus, there will, nonetheless, be a substantial impact on classes and services. And if we experience deeper cuts than those proposed by the Governor, there is no question that it will also severely limit the number

of students that we can admit in future years. This is because we simply will not be able to provide enough classes and adequate student services.

It is obvious that we will all be asked to do more with less. Still, as you know better than most, budgets come and budgets go; such are the rhythms of life. We will stay by our stations and continue on with our duties whatever the numbers are. The important thing for us is to stay focused on our mission and to keep our momentum. We have in place the same high quality faculty we had last year—which was a great year—and we still have the same competent staff. We still have an abundance of the finest students available anywhere. In short, the people are still here who have made us the very successful institution we are today.

So we will manage the cuts and we will do as we have always done—we will go about the business of education with the same attention and respect as we do in more prosperous times, and maybe even more so, because that's the kind of community we are.

So, welcome back! We're going to have a good year in spite of everything!

And, as always, I thank you so warmly for your support.

Go Beach!