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Date: August 25, 2004

TO: University Community

*RCM*

FROM: Robert C. Maxson, President

SUBJECT: The 2004-2005 Budget Message

I hope that all of you had a very good summer. As I enter my eleventh year here at California State University, Long Beach, as always, I look forward to the excitement and anticipation that fills our campus at the beginning of a new academic year. As the campus community gathers to renew friendships at the start of a new semester, this remains my favorite time of the year.

As everyone is aware, we have been faced with a great deal of uncertainty in this year's budget process, including the possibility that higher education could experience further budget reductions next year. For many months, the Governor and the Legislature tackled the huge challenge of resolving the State's multi-billion dollar deficit. On July 31, 2004, our State leaders reached a final budget agreement that, in my opinion, may have been the very best budget we could have received given California's fiscal constraints.

The CSU has now experienced four consecutive years of budget cuts. Fortunately, it appears we are at last seeing some light at the end of the tunnel. In this year's final budget, the Legislature and the Governor were able to reduce the planned cuts to the CSU by restoring \$40.3 million for student enrollment and outreach programs. And, in a significant development, the Governor announced his intent to support a multi-year budget agreement with higher education beginning in 2005-2006. These recent actions reflect the confidence that the Governor and the Legislature have placed in us.

Chancellor Reed, his staff and our Trustees are to be commended for their leadership at home and perseverance in Sacramento, in spite of what we know were very arduous budget negotiations. It is evident that their work resulted in the CSU enjoying a higher priority and increased visibility in the legislative process. Chancellor Reed and UC President Dynes deserve special recognition for their leadership and resolve in securing the multi-year agreement with the Governor, which I believe was a significant factor in restoring some of this year's planned budget reductions. With such an agreement in place, we will be able to look forward to more stable budgets and modest enrollment growth in the future. We knew that in these tough economic times we would not be immune from the current budget cuts. But now we can breathe a bit easier knowing it could have been much worse.

The past few budget cycles have been extraordinarily difficult for everyone. But, throughout it all, we never lost our bearings nor lost sight of our priorities. Our University has always remained well positioned to be responsive to unpredictable budget conditions. As a result, this year we will be able to manage a budget reduction while preserving classroom instruction, minimizing service disruptions, and avoiding layoffs of any of our permanent faculty and staff.

I am especially appreciative of our campus Resource Planning Process (RPP) Task Force for its excellent planning this year. RPP has once again been extremely helpful to me in shaping a prudent and responsible budget plan for the University. Throughout this year's budget preparations, I was continually reminded of the collegial and unselfish manner in which everyone worked together. I am convinced that our budget planning represents the best in shared governance.

### **CSU Budget Highlights**

The CSU's General Fund Budget will be reduced in the current year by \$157 million, which includes the restoration of previously proposed reductions for enrollment and outreach programs. Our campus will experience a loss of \$20 million in our state-funded operating budget due to cuts and unfunded costs. Because the State's budget plan incorporated an increase in both resident and non-resident student fees, we will receive about \$11.3 million in additional revenue, which lessens the impact of the budget cut to approximately \$8.7 million.

## **Enrollment**

Despite several years of rising admission standards and enrollment limitations, more than 51,000 students submitted applications to attend CSULB this Fall. It appears that, based on early system-wide numbers, our campus ranks first in the increase in total applications received, and second in the increase in transfer applications. More than 33,000 students applied to be a part of our Fall 2004 freshman class, which represents an increase of 20% in just one year. We also experienced an increase of 20% in transfer applications. We will enroll approximately 9,000 new students this Fall, bringing our total campus enrollment to about 34,500 students. I am told this makes us the largest campus in the CSU.

Clearly, the interest in CSULB is stronger than ever, which creates a challenge for us to provide maximum access while preserving the academic quality of our programs. That is why it is even more critical that we manage this demand to maintain our educational effectiveness and ensure that the students we do enroll get the classes they need and make timely progress toward their degrees.

The Governor and the Legislature are to be applauded for reducing the planned budget cuts for this year, and for restoring a portion of the enrollment funding. This additional funding allowed us to increase access to CSU-eligible students and to maintain our commitment to diversity. We will continue to monitor our enrollment management decisions, and we are prepared to modify them as necessary.

## **Overall Campus Response to Budget Reductions and Restorations**

Our RPP Task Force remained steadfast in its work this year to anticipate the budget outcomes, and to develop useful recommendations that I am pleased to endorse. The Task Force's original planning was based on an eight percent (8%) budget reduction scenario. Fortunately, the improvement in the final budget lessened the impact of the State budget reduction. Consequently, we will implement a six percent (6%) permanent base budget reduction to each division's operating budget. As a result of the University's careful budget management, we have accumulated some temporary, one-time savings that will be distributed to all divisions, effectively reducing our budget cut to five percent (5%) in 2004-2005. Additional relief may be made available within the divisions and colleges from their limited carryover savings.

New Authorizations

*Faculty Resources for Classroom Instruction* \$ 1,313,000

I am authorizing a base budget allocation of \$1,313,000 to accommodate an additional 700 students. These resources are being provided to the Provost to respond to enrollment demands and to ensure that we meet the course needs of our students.

*Educational Opportunity Program (EOP) and Outreach* \$ 150,000

Consistent with the Legislature's intent, I am exempting EOP and Outreach from the current year's budget cut, thereby preserving their base budgets at the 2003-2004 levels.

An unfortunate casualty of the fiscal crisis is that the State budget contains no new funding for salary increases for our extremely deserving faculty and staff. I remain committed to continuing my efforts with Chancellor Reed to keep salaries competitive. This remains a high priority for me, and we will continue to seek additional funding for salaries. In addition to the fact that this is the right thing to do, it is fundamental to our ability to recruit and retain the very best faculty scholars and most talented staff.

I am very impressed with the unselfish manner in which the Vice Presidents and Deans have gone about planning for this year's reductions. They have done a remarkable job of managing their budgets and implementing reductions in a manner that maintains the quality of our programs and services. We have been reasonably successful in sheltering classroom instruction from budget cuts over the past few years. In spite of the magnitude of this year's budget cut, we were able to contain the budget reduction to classroom instruction to be commensurate with our adjusted enrollment target.

These recent budget cuts have caused us to place more reliance on our development efforts. I am pleased to report that we exceeded \$33 million in fund raising for 2003-2004, and have raised more than \$136 million over the past five years. This is a remarkable accomplishment, and it is the result of tremendous efforts by a large number of people on campus. These additional funds make a significant difference in ensuring the high quality of our academic programs, and represent the most tangible way that we can help ourselves.

## **Recovery Plan**

The RPP budget recommendations incorporated a \$9 million contingency plan in the event that there was deterioration in the State's final budget. The nature of the funding is one-time, having been accumulated from university-wide budgets such as utilities, general reserves, and enrollment revenues.

Since our final budget was better than anticipated, this contingency reserve will not be used as originally planned. Instead, over the next three years, I intend to dedicate approximately one half of this amount to protect classroom instruction, with the balance being pledged to a recovery plan that I hope will restore the divisions' budgets to their 2003-2004 levels. The RPP Task Force has endorsed this budget recovery strategy and recognizes that this commitment will be the first claim on any new discretionary base resources that we receive from the State in the future.

Although we are experiencing an overall reduction in our budget, the final outcome is better than we expected. I am very appreciative of the collective commitment everyone has demonstrated towards achieving our goals and priorities. These efforts have required unselfishness, creative thinking, cooperation and thoughtful planning. I am extremely proud of everyone's genuine desire to work together to achieve what is best for the entire campus. This University is truly a wonderful place to teach, to work, and to learn. I am proud to be your President.

Go Beach!