



**CALIFORNIA STATE UNIVERSITY, LONG BEACH**

**DIVISION OF ADMINISTRATION AND FINANCE**

**DATE:** March 7, 2005

**TO:** Vice Presidents Collins, Griffith, Reichard, and Robinson  
Executive Director of Athletics Shumard

**FROM:** 2005-06 Resource Planning Process Task Force

**SUBJECT:** Campus Budget Planning for FY 2005-06

This communication provides a brief fiscal context under which the 2005-06 campus budget planning will be conducted. The early 2005-06 budget outlook for the State, the CSU and the campus is more positive than it has been for several years, and RPP has developed a fiscally responsible budget strategy to continue to protect instructional capacity and provide relief to non-instructional areas. Although there is potential risk of budget deterioration, we have made plans to manage within that contingency. We maintain a moderate degree of confidence that our framework will remain stable.

***California's Fiscal Context***

- Even though California's economy continues to improve at a moderate rate, with revenues growing by \$5.3 billion per year, or about 7%, the State is unable to grow out of its budget problems because of expenditure entitlements. Without intervention, the fiscal year 2006 budget is projected to be out of balance by \$8.6 billion.
- To achieve budget balance in 2005-06, the Governor has proposed that the funding for virtually every part of state government be reduced from what would otherwise have been received if spending were allowed to grow unchecked. There is also a continued reliance on temporary solutions, most significantly \$1.7 billion in Economic Recovery Bonds. There are no proposed tax increases.

***California State University***

- Despite this difficult fiscal situation, and after years of budget reductions to the CSU, the Governor's Budget proposes an increase in State funding to the CSU. The Governor has fulfilled his promise under the Higher Education Compact Agreement, by providing \$216 million in new resources for the CSU. This will fund the Trustees' budget request, but adds an unallocated reduction of \$7 million to the campuses.

- The proposed budget increase of \$212 million provides for a 2.5% Systemwide enrollment growth of 8,103 FTES (10,000 students), \$88 million for a 3.5% compensation pool effective July 1, 2005, as well as for mandatory cost increases for health benefits, new space, risk management, and energy.
- As defined in the Compact Agreement, the budget assumes an 8% fee increase for undergraduates and students enrolled in teacher credential programs, and a 10% increase for graduate students effective in fall 2005.

### ***Campus Budget and Enrollment Increase***

- For Long Beach, our share of the CSU General Fund budget increase and new fee revenue is estimated to be about \$19.3 million, which represents a 7.4% increase over the 2004-05 operating budget. While a substantial portion of the “Total Sources of New General Funds” are dedicated for mandatory expenditures and faculty costs to accommodate the new enrollment growth, \$2.343 million in base discretionary funds will be available to continue our local budget recovery plan, described later in this communication.
- For 2005-06, our enrollment target has been provisionally set at 27,551 Full Time Equivalent Students (FTES), representing a 2.4% increase over our funded enrollment target for 2004-05.
- CSULB is located in the center of a high-growth area and our student demand remains high, particularly for seats in the freshman class. CSULB freshman applications have grown about ten percent for each of the past several years and there is no sign of slowing. Because of this tremendous demand, it is possible that the system office may make a modest increase in our enrollment target.
- Exhibit #1 provides a summary of the estimated budget changes in systemwide and campus resources and expenditures for the coming budget year.

### ***Budget Strategy and Campus Recovery Plan***

- In recognition of the poor budget climate over the past several years, the university has operated conservatively and has accumulated a reserve of one-time temporary funds. Given the severity of the budget cuts for the current year (2004-05) and based on the assumption that the budget outlook would improve, RPP recommended that the campus use some of the temporary funds to augment the base budget in order to protect instructional capacity and to buffer some, but not nearly all, of the budget cuts in non-instructional areas.
- During 2004-05 we applied \$9 million of temporary funds to mitigate the budget reductions, including using accumulated savings from each division.
- For 2005-06, we are planning to continue this mitigation strategy with \$7.8 million of temporary funds. To the extent divisions further accumulate savings at the end of this fiscal year, we are expecting these savings to be applied towards recovery and in doing so will advance the restoration of services that were lost or diminished over the past three years.

- To close the funding gap over time and eliminate our dependency on temporary funding, we have agreed that after providing base funding to meet additional faculty costs associated with enrollment increases, all new, base discretionary funds will be applied to restore prior year, cumulative budget cuts rather than to invest in new initiatives.
- Consequently, in 2005-06, we will apply \$2.343 million of new, discretionary general funds to restore base budgets and backfill with temporary reserves to protect our instructional capacity. Also, since non-instructional budgets bore the majority of the budget cuts over the past three years, we will make a modest improvement in the budget relief for these divisions.
- Exhibit #2 provides a summary of the planned budget augmentations (base and non-base) for each division. Divisions are asked to use this data in preparing their budget submissions and contingency plans to RPP (Forms 3A and 3B).

### ***Contingency Planning***

- Our plan is based on an assumption that the Compact Agreement will be included in the final State budget. However, with a projected state budget deficit of over \$8 billion, there is modest risk that a portion of the CSU's budget increase could deteriorate.
- RPP has estimated the exposure to be \$2.5 million, which is about the same level as the base recovery plan funding for 2005-06. This is the level of contingency planning for which divisions should make preparations. Refer to the bottom portion of Exhibit 2 for specific budget details.

### ***Division Planning***

- The RPP Task Force asks that each division incorporate into its presentations the division's planning assumptions, priorities for recovery, and contingency strategies. Divisions should identify what additional divisional resources, if any, will also be available for these purposes.

### ***Campus Goals***

- CSULB was named among "America's Best Universities" by *U.S. News and World Reports* for 2004-05. This recognition was the result of a decade of sustained effort on the part of many people across the campus working to improve retention and graduation rates, the quality of the student experience, support for faculty, our technological infrastructure and our physical campus.
- CSULB aims to achieve still greater distinction in four areas: student success, academic quality, service excellence, and campus environment. By 2008, CSULB aims to: (1) raise already improving graduation rates to a leading position among comparable universities in California and in the nation; (2) expand external support for faculty scholarship and creative activity through the "Edge of Excellence" initiative; (3) continue leading among CSU campuses in the quality of services delivered and in the implementation and effective use of the Common Management System; and, as the campus Master Plan is implemented over one or two decades, enhance its distinct beauty and preserve the quality of the physical environment.

- Annual Campus Goals provide the framework for achieving these distinctions and guide RPP resource recommendations. 2005-08 goals are attached (Exhibit 3) and are also available on the University's Strategic Planning website (<http://www.csulb.edu/web/projects/planning/>).
- Campus Goals serve as a key basis for RPP planning. Each division is asked to submit a concise narrative using Form 2 to describe how the division is advancing the campus toward the Campus Goals.

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

- Prescribed formats (Form 1, Mission Statement; Form 2, Program Objectives, Forms 3A and 3B, Budget Augmentation Impact Statement and Contingency Plan, and Form 4, Resource Summary) as well as presentation instructions will be provided under separate cover to each division executive. Exhibit 2 (attached) provides the specific allocations (Base and Non-Base) for Forms 3A and 3B.
- 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.

### ***Future Updates***

As the University reports any new budget developments, the RPP Task Force will incorporate appropriate changes into the campus budget planning process. Divisions are asked to inform their Deans, Directors, and Department Heads of these latest developments.

### **Attachments:**

- Exhibit 1: Summary of Budget Changes
- Exhibit 2: Summary of Planned Budget Augmentations
- Exhibit 3: 2005-08 Campus Goals

C: President Maxson  
 Deans, Directors, and Department Heads  
 Academic Senate  
 Staff Council  
 Associated Students, Inc.  
 CSULB Faculty and Staff Union Chapter Presidents  
 Library Reserve Book Room

| <b>California State University</b>  |                              |   |
|---|------------------------------|---|
| <b>2005-2006 GENERAL FUND BUDGET</b>  |                              |   |
| <i>Summary of Budget Changes from 2004-2005</i>                                       |                              |   |
|   | <b>SYSTEMWIDE</b>            | <b>CAMPUS</b>                                   |
|   | <b>Governor's<br/>Budget</b> | <b>February<br/>Preliminary<br/>Allocations</b> |
| <b>SOURCES</b>  | <i>(in millions)</i>         | <i>(in millions)</i>                            |
| <b>Changes to FY04-05 Base</b>  |                              |   |
| Unallocated Reduction   | -7.000                       | -0.531  |
| CSU Lease Bonds, Annuity, Dental & Tech Adjustments                                   | -0.666                       | N/A   |
| State University Grant Adjustment   |                              | -0.046  |
| Cal PERS Retirement, Rate Change Increase   | 44.418                       | 3.457   |
| <b>Total FY04-05 Base Adjustments</b>   | <b>\$ 36.752</b>             | <b>\$ 2.880</b>                                 |
| <b>Higher Education Compact - General Fund</b>  |                              |   |
| 3% General Operations   | 58.715                       | 4.315   |
| 2.5% Enrollment Growth <span style="float: right;">655 New FTES for CSULB</span>      | 63.754                       | 3.351   |
| <b>Higher Education Compact, Total New General Funds</b>                              | <b>\$ 122.469</b>            | <b>\$ 7.666</b>                                 |
| <b>Higher Education Compact - Fee Revenue</b>   |                              |   |
| State University Fee  | 101.319                      |   |
| Enrollment Growth   |                              | 2.100   |
| State Univ Fee Rate Change +8% UG/Cred/10% Grad                                       |                              | 6.650   |
| <b>Higher Education Compact, Total State University Fee</b>                           | <b>\$ 101.319</b>            | <b>\$ 8.750</b>                                 |
| <b>Total Sources of New General Funds</b>   | <b>\$ 260.540</b>            | <b>\$ 19.296</b>                                |
| <b>USES</b>   |                              |   |
| <b>Enrollment Growth</b> <span style="float: right;">8,103 FTES</span>                |                              |   |
| Faculty for New Enrollment  | N/A                          | \$ 1.797  |
| Recovery Plan   | N/A                          | 2.343   |
| <b>Total Enrollment Growth</b>  | <b>63.754</b>                | <b>4.140</b>                                    |
| <b>State University Grants (25% Set-Aside)</b>  | <b>23.319</b>                | <b>2.405</b>                                    |
| <b>Mandatory Cost Obligations</b>   |                              |   |
| <i>Benefits</i>   |                              |   |
| Rate Change, Cal PERS Retirement  | 44.418                       | 3.457   |
| Rate Change, Health & Dental Benefits   | 21.025                       | 0.576   |
| <i>Risk Pool</i>  |                              |   |
| Workers Comp/Liability/Property/Auto/Disability Insurance<br>& Deductible Legal Costs | 11.256                       | 0.473   |
| <i>Facilities</i>   |                              |   |
| Energy Rate Changes & Consumption   | 4.000                        | 1.000   |
| New Space   | 4.466                        | 0.107   |
| <b>Total Mandatory Costs</b>  | <b>85.165</b>                | <b>5.613</b>                                    |
| <b>Compensation - 3.5% Effective July 1, 2005</b>                                     | <b>88.078</b>                | <b>7.022</b>                                    |
| <b>Long Term Budget Needs</b>   |                              |   |
| Library Collections & Resources   | 1.445                        | *Held by CSU                                    |
| Deferred Maintenance  | 1.445                        | 0.116   |
| Technology Infrastructure   | 5.000                        | *Held by CSU                                    |
| <b>Total Long Term Budget Needs</b>   | <b>7.890</b>                 | <b>0.116</b>                                    |
| <b>Unallocated Reduction, Prior Yr SUG &amp; Other Adjustments</b>                    | <b>-7.666</b>                | <b>N/A</b>                                      |
| <b>Total Uses of New General Funds</b>  | <b>\$ 260.540</b>            | <b>\$ 19.296</b>                                |

FY05-06 RPP BUDGET PLANNING  
 Summary of Planned Budget Augmentations  
 Excludes University Wide Budgets

Exhibit 2

**FORM 3A - Base Budget Augmentation for Additional Faculty (\$1.797M), Campus Budget Recovery Plan (\$2.343M); plus Non-Recurring Allocation**

|  | FY04-05 Base Budget   | RECOVERY ALLOCATIONS                   |   | Total New Funds (Base & Non Recurring) | FY05-06 Proposed Base Budget, Pre-Compensation & Other Adjustments |
|--|-----------------------|--|---|--|--|
|  |                       | FY05-06 Proposed Base Budget Increment | FY05-06 Proposed Non Recurring Allocation |  |  |
| <b>Academic Affairs</b>                      |                       |  |   |  |  |
| <i>Addnl Faculty / Enrollment Growth</i>     |                       | \$ 1,797,300                           |   | 1,797,300                              | <b>1,797,300</b>   |
| <i>Instruction - Recovery Allocation</i>     | 87,077,617            | 1,213,700                              | 3,841,000                                 | 5,054,700                              | <b>88,291,317</b>  |
| <i>Non-Instruction - Recovery Allocation</i> | 30,936,384            | 431,200                                | \$ 1,527,300                              | 1,958,500                              | <b>31,367,584</b>  |
| <b>Total Academic Affairs</b>                | <b>\$ 118,014,001</b> | <b>\$ 3,442,200</b>                    | <b>\$ 5,368,300</b>                       | <b>\$ 8,810,500</b>                    | <b>\$ 121,456,201</b>  |
| <b>Office of the President</b>               | <b>1,547,423</b>      | <b>21,600</b>                          | <b>76,400</b>                             | <b>98,000</b>                          | <b>1,569,023</b>   |
| <b>Athletics</b>                             | <b>3,096,128</b>      | <b>43,200</b>                          | <b>152,900</b>                            | <b>196,100</b>                         | <b>3,139,328</b>   |
| <b>Student Services</b>                      | <b>10,446,070</b>     | <b>145,600</b>                         | <b>515,700</b>                            | <b>661,300</b>                         | <b>10,591,670</b>  |
| <b>University Relations &amp; Dvlpmt</b>     | <b>3,348,419</b>      | <b>46,700</b>                          | <b>165,300</b>                            | <b>212,000</b>                         | <b>3,395,119</b>   |
| <b>Administration &amp; Finance</b>          | <b>31,648,062</b>     | <b>441,000</b>                         | <b>1,562,400</b>                          | <b>2,003,400</b>                       | <b>32,089,062</b>  |
| <b>Total Division Operating Funds</b>        | <b>\$ 168,100,103</b> | <b>\$ 4,140,300</b>                    | <b>\$ 7,841,000</b>                       | <b>\$ 11,981,300</b>                   | <b>\$ 172,240,403</b>  |

**FORM 3B - Contingency Plan: Base Budget Augmentation for Additional Faculty (only) plus 100% of the Non-Recurring Allocation per Recovery Plan**

|  | FY04-05 Base Budget   | RECOVERY ALLOCATIONS                   |   | Total New Funds (Base & Non Recurring) | FY05-06 Proposed Base Budget, Pre-Compensation & Other Adjustments |
|--|-----------------------|--|---|--|--|
|  |                       | FY05-06 Proposed Base Budget Increment | FY05-06 Proposed Non Recurring Allocation |  |  |
| <b>Academic Affairs</b>                      |                       |  |   |  |  |
| <i>Addnl Faculty / Enrollment Growth</i>     |                       | \$ 1,797,300                           |   | 1,797,300                              | <b>1,797,300</b>   |
| <i>Instruction - Recovery Allocation</i>     | 87,077,617            | -                                      | 3,841,000                                 | 3,841,000                              | <b>87,077,617</b>  |
| <i>Non-Instruction - Recovery Allocation</i> | 30,936,384            | -                                      | \$ 1,527,300                              | 1,527,300                              | <b>30,936,384</b>  |
| <b>Total Academic Affairs</b>                | <b>\$ 118,014,001</b> | <b>\$ 1,797,300</b>                    | <b>\$ 5,368,300</b>                       | <b>\$ 7,165,600</b>                    | <b>\$ 119,811,301</b>  |
| <b>Office of the President</b>               | <b>1,547,423</b>      | <b>-</b>                               | <b>76,400</b>                             | <b>76,400</b>                          | <b>1,547,423</b>   |
| <b>Athletics</b>                             | <b>3,096,128</b>      | <b>-</b>                               | <b>152,900</b>                            | <b>152,900</b>                         | <b>3,096,128</b>   |
| <b>Student Services</b>                      | <b>10,446,070</b>     | <b>-</b>                               | <b>515,700</b>                            | <b>515,700</b>                         | <b>10,446,070</b>  |
| <b>University Relations &amp; Dvlpmt</b>     | <b>3,348,419</b>      | <b>-</b>                               | <b>165,300</b>                            | <b>165,300</b>                         | <b>3,348,419</b>   |
| <b>Administration &amp; Finance</b>          | <b>31,648,062</b>     | <b>-</b>                               | <b>1,562,400</b>                          | <b>1,562,400</b>                       | <b>31,648,062</b>  |
| <b>Total Division Operating Funds</b>        | <b>\$ 168,100,103</b> | <b>\$ 1,797,300</b>                    | <b>\$ 7,841,000</b>                       | <b>\$ 9,638,300</b>                    | <b>\$ 169,897,403</b>  |