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Date: August 30, 2005
TO: University Community *Rem*
FROM: Robert C. Maxson, President
SUBJECT: **The 2005-06 Budget Message**

Welcome to another year at the Beach. I hope you have had a good summer. Although this will be my final budget message to you as your President, I want you to know I am just as excited to start this new school year as any I've started in all my years in higher education.

Introduction:

This is a good budget—probably better than we would have hoped for a year ago and certainly better than we would have hoped for two years ago—given the state of our state. Nonetheless, every one of us wishes there had been more money for salary increases for faculty and staff.

Thanks to the advice and guidance of the fine men and women who serve on our campus Resource Planning Process (RPP) Task Force, we have developed what I believe is a prudent and responsible campus budget plan. The Committee's outstanding work is evidence of the University's collective commitment to setting priorities and achieving common goals. The preparation of this budget, like other major University initiatives, has been a collegial process and represents the best in shared governance.

California's Economy and the CSU Budget:

The state is doing better, of course; nonetheless, our economy is still fragile. Even though we have seen some state revenue growth, we still must struggle with an ongoing deficit that will continue to require careful planning and tough decisions.

After tense debate over a number of complex political issues, the Governor signed the 2005-06 State Budget on July 11, 2005. This \$113 billion budget plan is supportive of education in general, and especially higher education. If you look at all state agencies, it is clear that we fared quite well in this year's budget process, thanks in large part to our Chancellor and Board of Trustees. Their good work in Sacramento demonstrated once again both their political astuteness and their credibility. Thanks are also due to the men and women on our own campus who so willingly helped out in Sacramento.

The final budget plan provides the CSU with an increase of \$235 million, or 6.5%, over the previous budget. The Governor supported a multi-year agreement with the California State University and the University of California beginning in 2005-06 and running through 2010-11. This agreement puts us on the road both to stable budgets and modest enrollment growth. It provides more money in the base budget to cover required cost increases and also provides our faculty and staff with modest salary increases. In addition, it provides for 2.5% enrollment growth in each year of the agreement. For our campus this year, that means an increase in state support of \$20 million, or 7.6%, over the 2004-05 budget. Of this amount, \$7 million is earmarked for employee compensation, \$4 million for benefits, and \$4 million to cover such mandatory expenditures as financial aid and utility and insurance rate increases. The \$5 million balance remaining provides funding for additional faculty resources to accommodate an increase in our enrollment target and in our discretionary funding for general operations.

After three years without general salary raises for our faculty and staff, I am pleased that the budget provides some increase in compensation. While I wish the raises were larger, we now appear to be on track to receive regular pay increases in the future. No one is more aware than the Chancellor and the Board of Trustees of the importance of keeping faculty and staff salaries competitive. They know that good salaries are fundamental to our ability to recruit and retain the very best faculty scholars and the most talented staff. Although the terms and conditions of the compensation awards may differ in each of the bargaining units, the total compensation pool equals an increase of 3.5%. Salary increases were scheduled to begin July 1, 2005.

Enrollment:

Clearly, student interest in Cal State Long Beach is stronger than ever. We remain the largest campus in the CSU and the second largest in California, with a student population of almost 35,000 students.

We continue to experience gratifying increases in the number of applications we receive from the best students in the state. Nearly 57,000 undergraduate, graduate, and post-baccalaureate students applied to attend the University this fall, a 9% increase over last fall and a 73% increase over five years ago. Prospective freshmen continue to dominate our applicant pool. We lead the CSU in the total number of freshman applications with approximately 39,000 requests for admission. This represents a 16% increase over last fall. The number of freshman applications we received for this academic year has more than doubled over those received only five years ago. That's twice as many. That's a 100% increase. That's pretty good! We have especially positioned ourselves as an institution of choice for academically talented first-year students whose test scores and GPAs are among the best around.

I am very proud of the work done by the Enrollment Management Committee and the Division of Academic Affairs. Together they have carefully guided the campus in the implementation of many enrollment decisions, including the expansion of summer enrollments and the revision of scheduling and impaction policies and practices.

Scholars and Leaders:

This year we celebrate the 11th group of students in the President's Scholars Program. We will enroll 69 new freshman Scholars this fall, bringing the total number of California High School Valedictorians and National Merit scholars currently studying on our campus to 370. They are—once again—among the best high school students in the country. Since this program began in 1995, more than 600 scholars have made CSULB their university of choice. After graduation, many of these young men and women continue their academic careers in some of the most prestigious medical schools, law schools, and Ph.D. programs in the country. Of course, many of them find success in the job market and go directly into professional careers.

Fund Raising and the Economic Impact Report:

The University depends on the state for the majority of its funding, but as you know, we must also raise private dollars to supplement state appropriations. Recent budget cuts have caused us to rely even more on our development efforts. I am pleased to report that we have achieved record support of over \$150 million in the past five years. We had an impressive 19,024 total donors to the University this past year. Over 12,400 of those donors are alums. Some of this money is dedicated to our endowments which, when aided by what Einstein reputedly called the miracle of compound interest, helps them to grow for the future. All of this is remarkable. It reflects the good work of a fine development staff, a large number of other dedicated people across the campus, a committed group of alums, and those citizens of our community who value higher education.

CSULB generates significant economic activity in Southern California. The University's expenditures of \$615 million combined with estimated student expenditures of \$419 million yield a total annual economic impact of over \$1 billion. Add to this equation the number of jobs created by these expenditures--the University and its auxiliaries directly employ over 8,000 people, making us the third largest employer in greater Long Beach—and it's fair to say that no other entity does a better job of giving back to the community in so many ways than this university. The state has certainly gotten its money's worth from this campus!

Campus Recovery Plan:

I am pleased to endorse recommendations from the RPP Task Force for a multi-year Campus Recovery Plan. A few years ago, when we saw a deterioration of our budget that we thought might last, we began, appropriately, to accumulate reserves of one-time temporary funds to counterbalance any further such deterioration. Now, with much improved numbers, we have developed a strategy to use these temporary reserves to permit expenditures beyond the base budget in the current year to protect classroom instruction and partially buffer recent budget cuts in non-instructional units. As the campus receives new enrollment funding in subsequent years, it is our hope to replace these temporary dollars with permanent funding until the base budgets are restored to 2003-04 levels and our dependency on temporary funding is reduced. By taking this action, we not only help to restore instructional and non-instructional units, but also provide a mechanism by which to enhance both areas as monies increase over time.

Faculty Resources for Targeted Enrollment - \$1,797,300 (base)

Our Campus Recovery Plan continues to place the highest priority on preserving the instructional program, which includes ensuring that classes will be available for our students to graduate in a timely manner. I am, thus, authorizing a base budget allocation of \$1,797,300 to accommodate our increased 2005-06 enrollment of 655 full-time equivalent 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.

Funding for Campus Recovery Plan - \$3,220,600 (base) \$7,841,000 (non-base)

After faculty costs are covered, the next component of the Campus Recovery Plan can be distributed to preserve existing instructional capacity, improve quality and partially restore services impacted during the budget reduction years. I am, therefore, authorizing \$3,220,600 in permanent base funding to our operating divisions proportionate to the earlier budget cuts. In addition, I am authorizing the \$7,841,000 in one-time temporary reserves be allocated to our operating divisions, including \$3,841,000 to be used this year for classroom instruction. Additional relief may be made available within the divisions and colleges from their limited carryover savings. I am pleased that the Division of Academic Affairs will receive \$9.4 million of the \$12.9 million available in new discretionary dollars. The table below reflects all new funding authorizations.

	Base	Non-Base	Total
Academic Affairs			
Instruction – new faculty	\$ 1,797,300	\$ - 0 -	\$ 1,797,300
Instruction	1,668,307	3,841,000	5,509,307
Non-Instruction	592,711	1,527,300	<u>2,120,011</u>
Total, Academic Affairs			\$ 9,426,618
Administration and Finance	606,182	1,562,400	2,168,582
Athletics	59,381	152,900	212,281
President’s Office	29,691	76,400	106,091
Student Services	200,136	515,700	715,836
University Relations and Development	<u>64,192</u>	<u>165,300</u>	<u>229,492</u>
Total, New Authorizations	\$ 5,017,900	\$ 7,841,000	\$12,858,900

Contingency Funding

As you may know, we do our budget planning on this campus early in the calendar year. We don't know until July of any given year, however, what our budget will in fact turn out to be. Since we did not know what the budget was to be, we set aside some accumulated University-wide savings of \$1.6 million in our planning as contingency money. The final version of the budget turned out to be consistent with the Governor's earlier recommendation. As planned, we will now carry this contingency money forward to 2006-07 to assist in funding the 2006-07 Campus Recovery Plan and to make sure we can continue to preserve classroom instruction and to provide some much needed relief to the non-instructional units.

U.S. News and World Report:

Finally, I am delighted to share some more good news with you. Cal State Long Beach has been ranked for the second consecutive year as one of the top three public comprehensive master's degree granting universities in the west by *U.S. News and World Report* in its *2006 America's Best Colleges Guide*, which was released on August 19, 2005. There are 64 public universities in our category in the west. Top three! Not bad! It is beyond simply gratifying to achieve this recognition in a survey that claims so much national attention. In addition, I received notice on August 22 that CSULB has been awarded the *Princeton Review's* "Best in the West" designation. That's not bad either! And, of course, as I never tire of saying both on campus and off, the credit for this kind of recognition goes to our outstanding faculty and talented staff who have dedicated their lives to this institution.

Closing Remarks:

Once again, thank you for the courage and good humor with which you endured the rough budgetary times in our recent past. You kept your focus, and you never lost your enthusiasm for your work or your confidence that better times were ahead. They were and they are! You need to know that I never lost my confidence in you, nor the enthusiasm I have felt for you and for this institution since the first day I walked on this campus as your president back in 1994. You are the best! Thank you again for allowing me the great privilege of serving as your president.

Go Beach!