



OFFICE OF THE PRESIDENT

MEMORANDUM

CALIFORNIA STATE UNIVERSITY, LONG BEACH  
1250 BELLFLOWER BOULEVARD  
LONG BEACH, CA 90840-0115

562/985-4121

October 24, 2006

TO: University Community  
FROM: F. King Alexander, President  
SUBJECT: **The 2006-07 Budget Message**

Over the last decade CSULB has made tremendous progress as a university known for its effective teaching, research, and public service. I feel very fortunate to be a part of this campus where the faculty and staff not only understand the significance of our public mission but also genuinely believe in the value that we provide to our students and society.

As we reach the midway point in our fall semester, I would like to take this opportunity to thank you for your dedication to CSULB and the educational success of our students. It is because of your ongoing efforts that our University has developed a much envied momentum in an increasingly competitive academic marketplace. I also would like to take this opportunity to share with you our budgetary update regarding this year's campus fiscal condition. This fall we are fortunate to begin the year with a much more favorable budget than in previous years. In fact, this is the first time in six years that our state budget was actually passed prior to the initiation of the fall semester.

Thanks to the advice and guidance of the campus Resource Planning Process (RPP), our University has developed a responsible budget that allows us to expedite our detailed campus recovery plan. After months of work and meetings, the RPP Task Force developed a campus-wide budget that aggressively addresses many of the deficiencies created by previous budgetary reduction periods. Through this process, the preparation of this year's budget—much like many other campus initiatives—has been a collegial process, further signifying our ongoing commitment to shared governance.

### **The CSU Budget**

On June 30, 2006 the Governor signed a state budget that upholds the public commitment to the compact agreement for both the CSU and the UC. This budget marks the second year when the terms of the compact have been supported by the state legislature. The budget continues to recognize the extraordinary role of the CSU in addressing the economic well-being of California. The budget provides additional funds for student enrollment growth, faculty and staff salary

increases, and continued support for our academic programs and services. Overall, this year's budget provides nearly \$2.8 billion in state support dollars and \$1.2 billion from fee revenues, or a 7.6% increase (\$226 million) over the previous year. Additionally, \$54.4 million in state support was provided to eliminate an 8% proposed fee increase for undergraduate students and a 10% increase for graduate students. In fact, California students were fortunate to experience no fee increase at a time when the vast majority of the nation's collegiate students witnessed further tuition and fee increases.

This budget also effectively changed a six-year pattern where the state's commitment as a percentage of revenues allocated to our campus had consistently declined. The 2006-07 budget increased the state's commitment as a percentage of total CSULB revenues from 44.3% to 45%, a change that is welcomed but contrary to national public university trends.

In addition to these beneficial budgetary outcomes, Chancellor Reed and the CSU Board of Trustees are to be commended for negotiating an improved marginal cost formula increase for enrollment growth which has resulted in a change from \$6,270 per FTE to \$7,225 per FTE. Changes were also adopted for the Cal Grant B state student aid program that will substantially benefit CSU and CSULB students primarily because of a student age extension from a maximum of 23 years old to 27 years old.

### **New Campus Resources for CSULB**

The 2006-07 state budget provides an increase of \$16.9 million in net state support which represents a 6% increase over the 2005-06 academic year. Of this amount, \$3.4 million is restricted for fixed cost increases such as health benefits, maintenance, insurance, energy usage, etc.; \$6 million is dedicated for a 3.65% compensation pool increase for all employees; \$2.8 million is allocated for new teaching faculty to accommodate enrollment growth; and \$4.7 million in base discretionary funds will be allocated to the operating divisions to continue the campus budget recovery plan.

As mentioned earlier, I am pleased to support the recommendations of the RPP Task Force for the continuation of our Campus Budget Recovery Plan. We are now in the third year of implementing our budget recovery strategy. In fact, because our budgeted enrollment target increased by 100 FTES which was more than originally anticipated, we were able to accelerate the recovery schedule this year. Our budgetary recovery strategy has brought enormous benefit to the campus by assigning the highest priority to faculty resources to accommodate the programmed enrollment growth and to eventually restoring instructional and non-instructional base budgets to the 2003-04 level.

Among the new authorizations included in the 2006-2007 budget are:

- *Faculty Resources for Targeted Enrollment - \$2,564,468 (base)*  
This year we are pleased to be able to authorize a base budget allocation of \$2,564,468 to accommodate an additional 823 FTES for a total funded enrollment of 28,898.

- *MSN Graduate Nursing Program - \$207,768 (base)*  
We also have authorized a base budget allocation of \$207,768 in support of expanding our graduate level nursing program. The state provided specific funding in this year's budget for the expansion of these programs in the CSU.
- *Funding for Campus Recovery Plan - \$4,667,800 (base) \$4,459,525 (non-base)*  
After faculty costs are covered, the next component of the Campus Budget Recovery Plan can be distributed to preserve instructional capacity, improve quality and partially restore services impacted during the budget reduction years. Therefore, we have authorized \$4,667,800 in base funding to our operating divisions proportionate to the earlier budget cuts. In addition, we have authorized the divisions \$4,459,525 in one-time temporary dollars made available over time from savings in university-wide resources. Additional relief will be made available within the divisions from their limited carryover savings.

### **Campus Budget Recovery Allocations**

**2006-07**

<b>Unit</b>	<b>Base</b>	<b>Non-Base</b>	<b>Total</b>
Academic Affairs			
Instruction – new faculty	\$2,564,468		\$2,564,468
MSN Graduate Nursing	207,768		207,768
Instruction	2,422,600	\$ 959,600	3,382,200
Non-Instruction	835,500	1,305,275	2,140,775
<b>Total, Academic Affairs</b>	6,030,336	2,264,875	8,295,211
Administration and Finance	882,200	1,376,500	2,258,700
Athletics	84,000	131,450	215,450
Office of the President	42,000	67,600	109,600
Student Services	308,100	476,900	785,000
University Relations and Development	93,400	142,200	235,600
<b>Total, New Authorizations</b>	<b>\$7,440,036</b>	<b>\$4,459,525</b>	<b>\$11,899,561</b>

### **Faculty and Staff Compensation**

This year the 2006-07 CSU budget provides salary increases for faculty and staff. Although the terms and conditions of the compensation awards may differ in each of the bargaining units and are subject to final bargaining agreements which are ongoing at this time, the total compensation pool equals an increase of 3.65%. Competitive salaries are critical to our ability to recruit and retain the best faculty and staff at CSULB. Currently, we have some ground to make up in this area, and the Chancellor and the Board of Trustees are committed to working in the coming budget cycles to acquire additional state funding for salary increases. It is during good budgetary

cycles when campuses are at greatest risk of losing talented faculty and staff. Therefore, we must do whatever we can to proactively address salary related issues while working to find new ways to attract and retain faculty and staff at CSULB.

## **Enrollment**

This fall 61,590 students submitted applications to attend CSULB. Clearly, student interest has never been stronger, which places further challenges on our campus to manage our growth in a manner that protects academic quality while also providing student access. However, despite our evolving student admission standards and enrollment challenges, I am pleased to say that our commitment to enrolling lower income students continues to be very strong. In fact, the percentage of Pell Grant eligible students attending CSULB has increased from 22.2% to 36.1% over the last decade. This is further evidence that our commitment to our public mission remains strong at a time when many public universities nationwide have opted to exclude large numbers of economically disadvantaged students.

This fall our new entering student class includes approximately 4,073 full-time freshmen and 2,779 full-time transfer students. In aggregate, our campus population exceeds 28,577 FTES this fall and grew by 2.9% when compared to last year's enrollment. Furthermore, our commitment to attracting some of California's best and brightest students through our President's Scholars program has brought 50 new valedictorians and National Merit Scholars to CSULB.

The increasing demand for a CSULB education makes it even more critical that we carefully manage our student enrollment to maintain educational effectiveness especially as universities nationwide focus more attention on student success and improving graduation rates. Enhancing student success will allow us to keep more of our currently enrolled students, placing less stress on attracting larger entering classes. Graduating more students will also help transform our local and regional economies in addition to providing essential economic opportunities for our students.

Recruiting new students and retaining more of our continuing students are important priorities for our campus as we prepare for the challenges of the foreseeable future. More than ever before, our annual budgets are tied to our enrollment-growth projections and our ability to meet those projections. Under the Governor's Compact Agreement, we are expected to grow by 2% each year through 2010-11. Therefore, it is important that we give appropriate attention and support to recruitment, retention, and student success. As our enrollment climbs, we remain committed to ensuring all of our students have the kind of support and high quality university experience they deserve.

## **New Faculty and Staff**

Last year's budget provided essential resources which enabled us to attract 77 new tenure track faculty members as well as many new staff members who joined us this fall with very impressive credentials. I am pleased to announce that this new entering class of faculty is the second largest

cohort that we have had since 1989 and one of the most globally diverse classes that we have ever brought to campus. This year we anticipate hiring our largest faculty cohort in twenty-five years and we hope that this new entering class of faculty will also bring global and diverse academic expertise to CSULB. We also anticipate that this will be true for many of the new staff members who will be joining our campus in 2006-07. As we all know, student success and graduation encompasses the work of everyone from the dedicated grounds crew who keep our campus beautiful, to the student affairs professionals who labor behind the scenes, to our world class faculty who teach, conduct research, and provide invaluable public service to our students and society at large

### **Faculty and Student Research**

Last year faculty and staff secured over \$44 million in external and federally supported research. This represents an increase of nearly \$14 million from the previous year and our second largest aggregate total in external research funding in our University's history. Additionally, faculty and staff submitted 344 or 10% more research proposals seeking external funding during the course of the 2005-06 year. We anticipate continuing these trends this academic year by providing the resources necessary to support all qualified SCAC grant applicants. Many of these grants provide faculty and students with vibrant research experiences that not only lead to increased funding opportunities but also significantly enhance the campus teaching and learning environment.

### **Fundraising and Capital Campaign Planning**

During the upcoming years, one of the most important issues facing our University encompasses our campus fundraising efforts. For decades the cultural expectation of many CSULB graduates and other citizens was that the state will address our financial needs. Unfortunately, the volatility of state funding for higher education has created an environment where the utilization of private resources has become essential for public universities throughout the nation. According to national data, CSULB's endowment ranks 597th nationally and is among the nation's lowest in aggregate endowment and endowment resources per student. Within the last eight months we have begun to address this issue by adopting a new Foundation spending plan which has resulted in a higher interest return for most of our endowed support programs. This change has been a factor in encouraging donors to contribute to CSULB, and we have already witnessed a 15% increase in our total endowment. We also have received an additional \$11 million in new pledged planned gifts designated for our endowment.

During 2006-07 a great deal of work will be underway that will prepare CSULB to conduct a successful future capital campaign that will benefit the University in multiple ways. To achieve this goal, CSULB must incorporate broader communication strategies designed specifically for various constituency groups including alumni, parents, students, and corporate and business leaders. With over 220,000 alumni, CSULB is in the enviable position of being able to tap into thousands of philanthropic opportunities. We have a potential private support base that most colleges and universities do not have, and we should take full advantage of these potential campus relationships.

## **Capital Building Improvements**

Improving the campus living, learning and teaching environments is an important challenge for CSULB. Over half of our University facilities are at least 30 years old, and our deferred maintenance needs are significant and increasing every year. To address this issue, we are pursuing a number of important initiatives. First, CSULB could substantially benefit from Proposition 1D in the November 7 election. Proposition 1D provides \$690 million for CSU institutions for specific construction projects and other campus needs. For CSULB, Proposition 1D provides nearly \$90 million in campus improvements including a new \$83 million Peterson III Science Facility, \$2.3 million in nursing facility improvements, and \$350,000 in internal library enhancements. These new facilities will allow us to continue upgrading the campus teaching and learning environments and coincide with the \$31 million library and faculty classroom renovations currently underway and scheduled to be completed within a year. While there is no organized opposition to Proposition 1D, some have voiced concern about the cost of the bond for the state and the variety of new programs funded. Proponents argue that it is a fiscally responsible way to finance school construction and repairs.

In addressing our campus-wide deferred maintenance issues, we have aggressively tripled our financial commitment to classroom repair and modernization which includes smart classroom development and various other improvements impacting learning environments throughout campus. We also have begun pursuing ways to provide more adequate faculty office space throughout campus.

## **Conclusion**

Finally, during the last year we received some very good news regarding our increasing national presence on the higher education landscape. Our continued strength in US News and World Report magazine and the recent recognition of our success by the National Science Foundation and the Princeton Review clearly indicate that our national reputation for providing affordable highly valued educational opportunities is growing. As we focus more campus attention on student success and aggressively work to increase the involvement of our alumni, friends, and parents, I am confident that we will continue to make significant progress in addressing the educational needs of California and the nation.

Once again, thank you for your dedication and commitment to the values advanced by our great institution. We have a wonderful mission and responsibility to educate students and society. Keep up the good work and thank you for believing in the ability of our students to shape our future. *Go Beach!*