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TO: University Community
FROM: F. King Alexander, President
SUBJECT: **The 2007-08 Budget Message**

As we reach the midway point in our fall semester, I would like to take this opportunity to thank you for your dedicated commitment to CSULB and our students. This fall we witnessed a very positive culminating impact of many implemented retention strategies as more CSULB students than ever before returned to campus to continue their collegiate education. I also would like to take this opportunity to provide you with a budgetary update and to discuss this year's campus fiscal condition. This fall we are fortunate to begin the year with a very favorable budget. In fact, this is only the second time in the last seven years that our state budget was actually passed prior to the initiation of the fall semester.

Prior to discussing the details of our current budget, I would like to express my appreciation to the campus Resource Planning Process Committee (RPP) for their ongoing collaboration in the development of this budget. The value and uniqueness of our joint budgetary process is highly envied throughout the CSU and among many other public and private universities. Through this process, the preparation of this year's budget—much like many other campus initiatives—has been a collegial and supportive process, further signifying our ongoing commitment to shared governance.

Additionally, within the course of the 2006-07 academic year, we witnessed many important milestones including the conferral of more than 9,600 degrees and credentials, our largest number in the university's 58-year history. The impact and influence that these graduates will bring to California and the nation is immeasurable. Furthermore, thanks to the work of the Academic Senate, faculty, and many staff, we were able to update and develop a new CSULB mission and vision statement which more accurately reflects the progress of our university.

Mission

California State University, Long Beach is a diverse, student-centered, globally-engaged public university committed to providing highly-valued undergraduate and graduate educational opportunities through superior teaching, research, creative activity and service for the people of California and the world.

Vision

California State University, Long Beach envisions changing lives by expanding educational opportunities, championing creativity, and preparing leaders for a changing world.

Values

Educational Opportunity, Excellence, Diversity, Integrity, and Service

The CSU Budget

In late August 2007, the Governor signed a state budget that once again honors the public commitment to the Compact Agreement for the CSU. This budget marks the third straight year that the terms of the compact have been supported by the Governor and the state legislature. The budget recognizes the critical role that the CSU plays in the future welfare 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 a 7.4 percent increase, or an additional \$299 million, over the 2006-07 budget. Unlike last year, however, this budget incorporates a 10 percent student fee increase for undergraduate, graduate, and credential students. This means that full-time resident undergraduate students will experience a \$252 increase this year, raising the aggregate CSULB student fees to \$3,116 and the average CSU student fees to \$3,521. Despite this increase, our university continues to be the most inexpensive campus in the CSU and compares even more favorably to national student tuition and fee averages. This year, public universities throughout the United States increased their average student tuition and fees by \$381 (6.6 percent) to \$6,185, which nearly doubles to aggregate CSULB student fees charged. Additionally, this year's budget increase also provides \$78 million to support a 2.5 percent enrollment growth plan and over \$129 million for well-deserved salary increases.

CSULB Budget

The 2007-08 state budget provides an increase of \$24 million in net state support over the 2006-07 academic year. Of this amount, approximately \$18 million is designated for specific expenditures such as health benefit rate changes, insurance premium increases, student financial aid, and employee salary increases. Approximately \$6 million has been generated by enrollment growth and will allow us to continue our campus budget recovery plan which has been so effective in creating fiscal stability over the past several years. We are now in the fourth year of implementation of the campus budget recovery plan. Within this plan, the first priority for permanent funding is faculty resources to accommodate the increased enrollment target. The remaining funds are being used to restore base budgets and reduce dependency on temporary, nonrecurring funds.

New authorizations included in our 2007-08 budget are a base budget allocation of \$2,793,855 to accommodate an additional 537 resident FTES for a total funded enrollment of 29,357 FTES and additional funding of the Campus Budget Recovery plan. This funding includes \$1,692,000 in permanent base funds and \$3 million in temporary funds. These resources have been distributed to the operational divisions to preserve instructional capacity, improve quality and partially restore services impacted during previous budget reduction years. Additional relief has been made available within the divisions from their carryover savings (shown in the table below).

	<u>Non-Base</u>			Total
	Base Recovery Allocation	University Recovery Allocation	Division Recovery (Carryover) Allocation	
Recovery Plan Allocations				
Academic Affairs – Instruction				
New Faculty plus Recovery (1)	\$2,793,855			\$ 2,793,855
Academic Affairs – Non-Instruction	629,900	\$1,116,850	\$3,101,256	4,848,006
Administration and Finance	665,100	1,179,270	704,052	2,548,422
Athletics	66,300	117,600		183,900
Office of the President	29,300	51,910	78,256	159,466
Student Services	233,500	414,010	300,232	947,742
University Relations and Development	67,900	120,360	17,810	206,070
Total 2007-08 Recovery Plan Funding:	\$4,485,855	\$3,000,000	\$4,201,606	\$11,687,461
<i>(1) Funding for new faculty associated with enrollment growth (\$1,833,855) plus Instructions' Recovery Allocation of \$960,000.</i>				

This multiyear financial strategy has successfully protected the campus from the disruption and trauma of state budget cuts and has created a sense of campus stability and confidence in this collaborative process. This year we also will allocate \$8,707,395 in temporary funding to sustain operations until permanent funds become available. Temporary resources will also be utilized to fund two very important requirements this fall: faculty and staff compensation increases and the CSULB comprehensive capital campaign.

Faculty and Staff Compensation

This year the 2007-08 CSU budget provides important salary increases for faculty and staff. Although the terms and conditions of the compensation awards may differ in each of the bargaining units, the state budget provides funding for a compensation increase pool of 4.7 percent. However, actual compensation increases for all CSULB employees averages 5.75 percent while average faculty increases are 6.7 percent for 2007-08. Additional funding for these salary increases beyond the state pool allocation has been provided by the university. These salary increases are well deserved and critical to our ability to recruit and retain high quality faculty and staff at CSULB. The Chancellor and the Board of Trustees are committed to aggressively seek additional state funding in future budget cycles so we can continue to offer competitive salaries.

Although these salary increases are permanent base commitments, we do not have sufficient permanent base funding to pay all of these committed costs. Fortunately, we have accumulated enough temporary resources to fund this important requirement currently and will continue to incorporate more permanent funding as it becomes available. This strategy should help us proactively address salary related issues while working to find new ways to attract and retain faculty and staff at CSULB.

Fundraising and Comprehensive Capital Campaign Planning

State resources alone simply are not sufficient enough to ensure the progressive advancement of our great university in the coming decades. Private resources have become essential to our university's ability to excel and succeed. Last year, we made the decision to embark on a comprehensive capital campaign to provide better educational opportunities to our students and faculty, build our institutional endowment, boost annual fundraising efforts, and continue strengthening our state and national reputation. Given our recognized university momentum in the academic marketplace, comparatively large alumni base, excellent rankings and reputation among peers and within our own community, it is apparent that we are positioned well to initiate the planning and preparatory stages of a successful major fundraising campaign. With an exceptional return rate of \$7 raised for every \$1 spent, we have been dedicating new resources toward our campuswide development efforts. The initial start-up costs during 2006-07 were supported with temporary funds. Although we had hoped to begin funding this requirement with permanent funds in 2007-08, we must continue to use temporary resources until more permanent funds are made available.

Currently, we already have seen some very positive results from these investments. Last year alone, we witnessed our largest annual increase in our CSULB endowment. From 2005-06 to 2006-07, our endowment grew by over 15 percent to \$35 million while we also received another \$11 million in new pledged or planned gifts designated for endowment purposes. Last year we also completed our largest annual fundraising effort (excluding software donations), raising \$27.3 million in private donations and support. It is our goal to continue raising our fundraising expectations, building our endowment, and generating revenues that assist our students and faculty throughout campus by encouraging more private philanthropic support in the coming years.

Enrollment

Enrollment at CSULB continues to be very strong. Due to a strong increase in student retention rates at all levels and a rise in the average student unit load to an all-time high, we exceeded our projected enrollment target by 742 FTES in 2006-07. The final enrollment figures reported for 2006-07 was 29,640 FTES, an increase of 4.8 percent, over the prior year. The increase in enrollment is even more gratifying when you consider the growing numbers of economically disadvantaged students and President's Scholars included in this growth. Our funded enrollment target for 2007-08 is 29,357 FTES, which we have already achieved. Current indications show that we may have exceeded this target by at least 1,200 FTES primarily because of our strong retention increases. We must stay mindful that the majority of incremental discretionary permanent resources available to the campus in future years is directly tied to enrollment growth. This enrollment growth funding is critical to providing classes to meet student needs, replacing temporary funding covering already-obligated costs, and to fully recovering from prior reductions. However, factoring in our recent success in student retention, it is imperative that we carefully manage next year's growth. With state budgetary concerns already emanating from Sacramento for next year, we must be prepared to adjust the size of our incoming classes to provide both student access and to remain committed to ensuring that all students have the level of support and high quality university experience they deserve.

New Faculty and Staff

Last year, we hired 76 new faculty members to join our campus this fall. This marked one of the largest faculty cohorts in more than 25 years at CSULB. This new faculty cohort enters our university with very

impressive credentials while also bringing a wide range of global and diverse academic experiences. In addition to this new faculty class, we brought many new talented staff members to our campus family who will help us deliver the highest levels of service and prepare us for the challenges of the foreseeable future. As we all know, student success and graduation encompass the work of everyone, from the dedicated grounds crew 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

During the 2006-07 year, faculty and staff submitted 298 funding proposals for research funding and received 195 awards totaling \$36.9 million. Although the aggregate award amount is less than the record \$44 million obtained during the 2005-06 academic year, we have planned to increase the number of awards by an additional 10 percent during the 2007-08 academic year. 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.

Capital Building Improvements

Improving our campus living, learning and teaching environments continues to be an important initiative for the university. Over half of our university facilities are at least 30 years old and our deferred maintenance needs are increasing every year. With the passage of Proposition 1D last November, CSULB will receive nearly \$90 million in capital improvement funds including an \$83 million Peterson Hall Replacement project and a \$2.3 million nursing facility improvement. In addition to these projects, we are currently completing the \$31 million library and faculty classroom renovation project which will open in January while also preparing to replace the outdated Outpost dining facility. Furthermore, construction on our third parking structure will begin later this year near the site of our exciting new \$70 million Student Recreation and Wellness Center, which also should be under construction by the end of the spring semester.

In addressing our campuswide deferred maintenance issues, we have aggressively tripled our financial commitment to classroom repair and modernization during the last two years. These improvements also include smart classroom additions and other enhancements that will positively impact the learning environment throughout the campus.

Furthermore, our recent acquisition of Brook's College on Pacific Coast Highway will allow the university to develop a new living and learning residential college that will provide approximately 700 new spaces for students and up to 10 new faculty apartments. This property also has numerous classrooms and computing laboratories that will be used to enhance the educational experiences of our students.

Improved Security and Emergency Preparedness

One of the primary goals this year is to enhance the security and emergency preparedness of our campus. Our university has a long history of being a safe place for students, faculty and staff to come together to promote educational ideals and opportunities. To further protect our campus environment, we will install security cameras in critical exterior areas throughout the university as well as increase campus lighting along many darkened walkways and buildings. We also have authorized a \$100,000 base budget allocation to our emergency preparedness program to activate an electronic emergency notification

system that will enable the university to broadcast information by way of telephones, cell phones, and email messages to predefined groups of people in the event of an emergency. Many personnel additions have also been incorporated this year and have already been noticed by many of our students, faculty and staff.

Conclusion

Finally, our statewide and national reputation for providing affordable high quality educational opportunities has never been stronger. During this year and the coming years, we must continue to focus on the educational success of our students while also aggressively working to increase the involvement of our alumni, friends, and parents. Unfortunately, early state budgetary predictions at this point in the year do not afford us the same kind of optimism experienced in the previous two years. Therefore, we must be careful and mindful as we prepare our budgets for upcoming semesters. We also must consider that our fiscal flexibility is limited because our future enrollment growth dollars are pre-committed to permanently supporting academic programs and services that have avoided cuts by using temporary dollars.

As we progress, our university must be strategic, entrepreneurial, and creative in the near future due to a rapidly approaching tight fiscal environment. With your help, and the kind of collaboration that our campus has developed a reputation for promoting, I am confident that CSULB will continue to make significant progress in addressing the education and economic needs of California and the world.

Once again, thank you for your dedication and commitment to the values advanced through public education. Also, thank you for believing in the ability of our students to succeed at CSULB.

Go Beach!