



CALIFORNIA STATE UNIVERSITY, LONG BEACH

To: F. King Alexander, President

From: Karen Gould, Provost and Senior Vice President for Academic Affairs
Mary Stephens, Vice President for Administration and Finance
Co-chairs, 2009-10 Resource Planning Process (RPP) Task Force

Date: June 11, 2009

Subject: 2009-10 RPP Task Force Budget Recommendations

Handwritten signatures of Karen Gould and Mary Stephens in black ink.

We are pleased to transmit the budget recommendations of the 2009-10 Resource Planning Process (RPP) Task Force. During this year's planning, one theme once again gained consensus: CSULB is committed to protecting our students, our faculty, our staff, and the integrity of our core mission. The university views these challenging budget conditions as a shared burden and everyone is fully committed to do the best we can with what we have.

SUMMARY

With a substantial shortfall in tax revenues and with voter rejection of budget-related ballot propositions, the state is now faced with a re-emerging budget deficit for 2009-10. As a result, CSULB is facing substantial budget reductions this coming year. Unfortunately, we do not know the final amount, the effect, or even the timing of the budget reduction. However, the RPP Task Force believes it is important to convey the recommended budget plan for 2009-10 to the campus community prior to the start of the academic year.

The RPP Task Force has developed recommendations for a 3 percent reduction to instruction, a 4 percent reduction to support areas, and enrollment downsizing to target. Anticipating the likelihood of a worsening situation, the RPP Task Force identified contingencies against a deteriorating budget, now certain. Implementing these budget plans in 2009-10 will impact employment for temporary faculty, class availability, ability to fill vacant staff positions, operating budgets, and faculty and staff workload throughout the university.

At this time, several key issues remain unresolved including the full scale of the substantive state budget reductions and possible actions by CSU Trustees to reduce impacts on campuses. Depending on how these issues are ultimately resolved, the recommended contingencies may or may not be adequate to handle reductions for the coming year. Should still-further reductions be necessary in summer or early fall, the RPP Task Force recommends that the campus make every effort to avoid further impacts on the schedule of classes and to protect other vital aspects of the campus mission.

CURRENT BUDGET OUTLOOK

In mid-May, California voters rejected all of the budget-related ballot propositions. State April tax revenues were announced as \$15 billion below projections. Falling revenues and rejected propositions together have created a re-emerging state budget deficit of \$24 billion. The Governor provided a "May Revision" of his budget which contained additional drastic budget reductions to many state agencies, including all higher education.

The May Revision contains substantial additional budget reductions to the CSU. The Chancellor described the magnitude of the total fiscal impact to the CSU over 2008-09 and 2009-10 ranges from \$410 million to \$486 million. Although approximately \$166 million of the \$410 million impact has already been addressed by the CSU and system campuses, \$244 million is unresolved at this time. The size of this unresolved CSU budget problem requires that CSULB wait for guidance and direction from the Chancellor and the Board of Trustees. Currently, discussions are already underway to develop an appropriate plan to address the new round of significant state budget reductions.

As stated by the Chancellor, "These cuts will severely impact our ability to provide student access to our universities, maintain our workforce, preserve services, and protect the quality of our institutions." In response, the Chancellor has indicated that he will develop a plan of action in consultation with campus presidents and the CSU Board of Trustees. At this point, there are several significant remaining sources of uncertainty. The state budget situation may stabilize or continue to worsen. The Governor's budget may be enacted by the Legislature as proposed or it may be modified. CSU Trustees may take system-wide actions that mitigate some of the impacts on CSULB.

At this point, the May Revision is a proposal by the Governor that must be approved by the Legislature, but it is prudent to assume that the final budget will resemble this proposal. Legislative leaders are indicating a desire to respond promptly to the failure of the May ballot propositions and the re-emerging state deficit. It is unclear, however, whether there will be sufficient consensus in Sacramento on solutions so that a final budget will be in place by mid-summer. If not, we could be well into the fall semester before having a final budget for 2009-10.

RECOMMENDATIONS

RPP's budget planning for CSULB, described below, included contingencies for further reductions, which now certainly will need to be invoked. Therefore the RPP Task Force budget recommendation, based on the situation as currently understood, is as follows:

- Reduce student FTE enrollment to our funded target.
- Implement 3 percent reductions to instruction and 4 percent reductions to support areas effective July 1, 2009.
- Provide a \$3 million contingency to offset additional reductions.
- Utilize University reserves to the extent possible to offset additional reductions.

Depending on how uncertainties are resolved, these contingency plans may be adequate to handle the ultimate budget reductions. It is also possible that additional reductions will be necessary. Unfortunately, the RPP Task Force is not in a position to provide more definitive conclusions at this time.

RPP Planning, Based on the State Budget Enacted in February 2009

Most of RPP's planning was necessarily based on the budget plan signed by the Governor on February 20, 2009. This unprecedented budget plan was intended to cover 18 months from January 2009 to June 2010 and to resolve a then-projected state budget deficit of over \$40 billion. In that budget, the CSU was reduced by \$97.6 million for 2008-09 from the prior year and an additional \$50 million reduction that was tied to (ultimately insufficient) federal stimulus funding. The Governor's plan did not include funding for mandatory cost increases, enrollment, compensation increases or other operational needs. The total funding shortfall for the CSU in that plan was \$283 million, or approximately 10 percent below the amount the CSU would have received under the Trustees' budget request (based on the Higher Education Compact Agreement between the Governor and the Chancellor). The Governor's plan assumed voter approval of the May propositions and a projected level of state tax revenues, but neither assumption proved valid.

In that plan, CSULB's estimated share of the state budget reduction would have been \$3.7 million. Unfunded mandatory cost increases for health benefits, energy, new space, and the faculty merit pay pool were projected at \$2.8 million. In addition, the campus had identified essential priorities costing \$2.3 million for the comprehensive fundraising campaign and enhanced classroom maintenance. Because of anticipated further budget reductions, the RPP Task Force included a \$3.0 million risk contingency in planning.

As an offset to these reductions, Trustees enacted a 10 percent student fee increase worth about \$4.0 million. The RPP Task Force also identified university-wide budget savings totaling \$1.6 million. Positive trends in workers compensation and liability claims and some decreasing insurance premiums permit the university risk management budget to be reduced. In addition, a projected utilities cost increase of almost \$900,000 included in our earlier planning figures can be deferred due to the closure of PH3, but this cost will need to be included in 2010-11 budget plans when the new science building opens.

Recognizing the centrality of instruction to our core mission, the Task Force has again recommended a lesser percentage reduction in the instructional budget (3 percent) than in non-instructional budgets (4 percent). The RPP co-chairs, in consultation with the President, agreed that the President will apply university end-of-year carryover resources to address a worsening budget situation, although no dollar value for this contingency can be determined until the end of the fiscal year.

The table below summarizes the RPP planning, based on the State budget enacted in February 2009. These figures represent changes for 2009-10 beyond the reductions we have already addressed to cover our share of the 2008-09 CSU reduction of \$97.6 million (CSULB's portion was \$7.0 million).

<u>REDUCTIONS, COSTS, RISKS, PRIORITIES:</u>	<u>(in millions)</u>	
State Budget Reduction: "Trigger"	\$3.7	
Mandatory Costs: Benefits, Utilities	\$2.2	
Mandatory Costs: Faculty Merit Pay	\$0.6	
Contingency: Risk of Further Reduction	\$3.0	
Campus Priority: Comprehensive Fundraising Campaign	\$1.8	
Campus Priority: Enhanced Classroom Maintenance	<u>\$0.5</u>	
TOTAL REDUCTIONS, COSTS AND RISKS		\$11.8
<u>OFFSET BY REVENUES AND SAVINGS:</u>		
10 Percent Fee Increase Proceeds	\$7.7	
Less: Set-aside for State University Grants	(\$3.7)	
Savings in Utilities, Workers Compensation, Insurance	<u>\$1.6</u>	
TOTAL REVENUES AND SAVINGS OFFSET		\$5.6
ESTIMATED NET CAMPUS BUDGET PROBLEM		\$6.2

ENROLLMENT

RPP was also faced with a major interrelated change that complicated the planning process significantly: downsizing enrollment to our funded target. In response to Legislative pressure, the Chancellor has directed over-enrolled campuses such as Long Beach to manage student enrollment down to target or face financial penalties. The campus must reduce enrollment to our funded target of 29,430 FTES, a reduction of almost 1,600 FTES from current year enrollment. The Division of Academic Affairs must reduce the fall and spring schedules of classes to accommodate the anticipated enrollment reduction and loss of \$2.8 million formerly provided by over-enrollment fee revenue. At the academic department level, this change will function much like a budget cut in that classes must be eliminated, and many part-time faculty will not be offered employment, while the demand for those classes will also diminish.

It is not yet clear what the impact of simultaneously downsizing enrollment significantly and reducing instructional budgets will be on the campus. It is expected that some unusual, unpredictable budget needs may develop as this difficult task is implemented. The RPP Task Force believes that the university reserve is the appropriate funding source for such emergent, one-time needs.

CONCLUDING THOUGHTS

The RPP Task Force recognizes that state budget problems may not be resolved in one year and that the campus probably will face additional substantive reductions next year. Significant reductions will become progressively more difficult and harmful. In the event of continued reductions, the campus may need to explore a range of budget approaches in order to successfully sustain the campus core mission of delivering high-quality, student-focused education.

The full 2009-10 RPP Task Force Report will be published over the summer. The report will contain additional background information, the projected impacts of the budget reduction plan as reported by the operating divisions, and other considerations and recommendations that arose during the process.

The Task Force commends all divisions for their thoughtful, creative and proactive efforts. Essential services have been examined and efficiencies have been maximized. While necessary, the Task Force recognizes that reduction strategies will force the elimination of many less critical services and will slow the delivery of critical services to students and campus constituents. Our university has made virtually all of the reductions that can be made without beginning to affect core mission activities.

The Task Force would like to acknowledge the continued hard work of the entire university community and the resolve shown by all. CSULB remains a vital, premiere institution of higher education that is one of the nation's best. This would not be possible without the energy, creativity, dedication and positive attitude of our faculty, staff and students.

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 All CSULB Employees