California State University
Long Beach:
Budget Outlook
2012-13

February, 2012
Gov’s Proposed 2012-13 Budget

- 05 Jan 2012, Gov Brown proposed 2012-13 budget
  - Addresses $9.2b budget deficit
  - Depends on successful November 2012 initiative on temporary tax increases
    - No change to CSU budget if initiative passes
    - $200m “trigger” reduction to CSU if initiative fails (effective January 2013)
CSULB’s Current Budget Situation

- As planned, current year budget reductions are being backfilled using one time “restoration” funding from the last Schwarzenegger budget.
- This strategy enabled CSULB to achieve its goal (as much as possible) of:
  - Preserving classes
  - Preserving vital services to students
  - Protecting jobs
- Hope had been that the 2012-13 state budget would provide a permanent restoration of the 2011-12 cuts.
- Potential restoration is no longer a possibility.
Planning Scenario

- CSULB must consider:
  - $7.7m permanent mid-year cut from 2011-12
  - Large potential additional cut of $15.6m if the November initiative on tax increases fails
  - Unfunded mandatory costs (i.e., health care, energy)
  - Permanent reduction when temp funds are exhausted

- Key unknowns
  - May tax receipts
  - November 2012 tax increase initiative
  - Chancellor’s Office budgetary actions
  - Chancellor’s Office enrollment directions
  - Trustee tuition fee increase actions

- Necessary to plan for significant reduction
Budget Parameters

- Tuition fee increases approved by Trustees last Nov
  - Effective Fall 2012 ($498/year)
  - Generates about $15.5m in gross additional revenues
  - Set aside for financial aid required
    - One third of student fee revenue
    - About $5.1m (based on $498/year)
  - Net revenue is about $10m
Additional Budget Parameters

- Enrollment goal
  - 27,413 resident FTES (2% over current target)
  - Achievable
- Instruction remains priority; will be funded
- Proposed changes to Cal Grant eligibility criteria would increase student demand on our SUG pool that would increase our financial aid costs
Budget and Enrollment

- With higher fees, in the short term, enrollment increase contributes positively to net budget
- Planned enrollment target must be achieved due to budgetary reliance on tuition fee revenue
- Current enrollment direction from Chancellor: acceptable range is -1% to +5% of target
- Fall enrollment decisions nearing completion
### Potential Range of Reductions

#### Reduction

<table>
<thead>
<tr>
<th>Reduction</th>
<th>Scenario A</th>
<th>Scenario B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior reductions mitigated with temporary resources</td>
<td>-$9.9m</td>
<td>-$9.9m</td>
</tr>
<tr>
<td>January 2012 $100m mid-year permanent reduction</td>
<td>-$7.7m *</td>
<td>-$7.7m *</td>
</tr>
<tr>
<td>November 2012 $200m trigger reduction ???</td>
<td>$0</td>
<td>-$15.6m *</td>
</tr>
<tr>
<td>Unfunded mandatory costs</td>
<td>-$4.0m</td>
<td>-$4.0m</td>
</tr>
<tr>
<td>Gross budget reduction</td>
<td>-$21.6m</td>
<td>-$37.2m</td>
</tr>
<tr>
<td>Mitigation: fee increase net SUG</td>
<td>$10.2m</td>
<td>$10.2m</td>
</tr>
<tr>
<td>Two-year cumulative budget reduction</td>
<td>-$11.4m</td>
<td>-$27.0m</td>
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</tbody>
</table>

* - Unexpected developments in January 2012

- **Scenario A** = November tax increase initiative succeeds, avoiding $200m trigger cut
- **Scenario B** = November tax increase initiative fails and Trustees do not enact an additional tuition fee increase
Temporary Resources are Being Exhausted

- Divisions are expected to have enough temporary resources available during FY 2012-13 to again mitigate at least part of the cumulative budget reduction.
- But, as temporary resources are exhausted, permanent budget reduction actions must be implemented to meet this cumulative budget reduction.
Further Tuition Fee Increases May Not Be a Solution

- Very large fee increase needed to offset $200m trigger cut
- Every 1% tuition fee increase generates approximately $1,280,000 to CSULB in net resources after the financial aid set-aside
- Would take an additional tuition fee increase of $1,313 (22%) to offset our shortfall of $27m.
- Uncertain whether Trustees would support such an increase
Is our current budget challenge cyclic or longer-term?

- Problems appear to be long-term
- Cannot assume budgets will return to prior levels any time soon
- Recent mid-year reduction of $100m to CSU ($7.7m for LB) and potential trigger of $200m to CSU ($15.6m for LB) adds to our budget challenge
- Have deliberately used temporary funds to preserve classes and services, but temporary funds are being exhausted
- We must now address large budget reductions
In planning, we start with our mission, vision, and purpose...

<table>
<thead>
<tr>
<th>Mission</th>
<th>Vision</th>
<th>Academic Purpose</th>
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</thead>
<tbody>
<tr>
<td>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.</td>
<td>California State University Long Beach envisions changing lives by expanding educational opportunities, championing creativity, and preparing leaders for a changing world.</td>
<td>Our academic purpose is to graduate students with highly-valued degrees.</td>
</tr>
</tbody>
</table>
Key priorities based on our mission, vision and purpose...

- Preserve classes and services as much as possible
- Protect permanent employees as much as possible
- Save money
- Manage workload
Budget Strategies

- All funds budgeting: repurpose revenues to support classes and services (e.g., CCPE, Lottery, Housing, Parking)
- Long-term, strategic solutions
  - Revamp business practices to fully utilize technology, improve usage of facilities, save on utilities, gain efficiencies
  - Increasing instructional efficiencies may be unavoidable, given the depth of the problem
Budget Planning Mistakes We Intend to Avoid

- Not focusing on where the money is
- Confusing other (maybe good) ideas with budget solutions
- Magic bullet thinking (e.g., “If only you would ...”)
- Conflating strategic vision with budget problem solving
- Not listening to constituents
- Squandering campus morale

If you have a budget-related concern or idea, please use the anonymous Budget Suggestion Box at http://csulb.edu/about/budgetcentral/
Potential Actions to Manage Reductions:
All discussed last year, not implemented due to use of temporary funding

• Mandate electronic processes for travel reimbursement, (electronic funds transfer), purchase orders, time reporting, procurement cards
• Manage operating costs: master purchasing agreements, reduce hard copy mailings/documents, postage, state vehicles
• Reduce in-person services and window hours
• Schedule facility closures, utilities savings: consolidate weekend/summer use
• Reduce assigned time
• Reduce operating funds
Potential Actions to Manage Reductions:
All discussed last year, not implemented due to use of temporary funding

- Reduce research block grants
- Use Student Excellence Fund to shelter advising and other student services
- Close admissions to low graduation (more expensive) grad programs
- Convert department chairs to 10 month
- Reduce or eliminate TT hires for 2012-13
- Consolidate departments/units administrative functions
- Consolidate technology services and equipment, e.g., desktop support, imaging systems, servers, standardize hardware configurations
## Potential Negative Consequences

<table>
<thead>
<tr>
<th>Students</th>
<th>Faculty</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced access to classes</td>
<td>Reductions of lecturers</td>
<td>Probable reductions</td>
</tr>
<tr>
<td>Reduced services</td>
<td>Teach more, larger sections</td>
<td>Reassignment/retooling</td>
</tr>
<tr>
<td>Higher tuition fees</td>
<td>Reassignment/retooling</td>
<td>Reduced travel, equipment purchases</td>
</tr>
<tr>
<td>Reduced graduation rates</td>
<td>Reduced travel</td>
<td>Quick adaptation to (implementation of) new business practices required</td>
</tr>
<tr>
<td>Increased time to degree</td>
<td>Reduced equipment purchases</td>
<td>Severely limited capacity to implement new programs, projects, initiatives</td>
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<tr>
<td></td>
<td>Quick adaptation to (use of) new business practices required</td>
<td>Severely limited capacity to handle special requests, appeals, customized and ad hoc reports</td>
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<tr>
<td></td>
<td>Lower research productivity</td>
<td>Lower morale</td>
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<tr>
<td></td>
<td>Reduced tenure density</td>
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<tr>
<td></td>
<td>Lower morale</td>
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**CSULB Annual Budget Process**

- Has served campus well during prior difficult periods
- Is admired by CSU campuses, others
- Involves broad representation: Resource Planning Process Committee (RPP)
- RPP includes:
  - Academic Senate Chair
  - Senate Council Chairs
  - CFA President
  - Staff representative
  - Administrators
  - Student President
- Will have a challenge this year!
- During entire process, efforts are made to keep campus well informed: roadshows, emails

<table>
<thead>
<tr>
<th>Typical Date</th>
<th>Step</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>Gov’s Jan budget message</td>
</tr>
<tr>
<td>Jan-Feb</td>
<td>Planning parameters based on Gov set by Chancellor’s Office</td>
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<tr>
<td>Feb</td>
<td>Campus Resource Planning Process (RPP) Committee begins;</td>
</tr>
<tr>
<td>Feb</td>
<td>RPP charges CSULB’s four divisions with developing plans</td>
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<tr>
<td>Mar-Apr</td>
<td>With leadership from vice presidents, plans are developed inside each division</td>
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<tr>
<td>May</td>
<td>RPP issues recommendations to President</td>
</tr>
<tr>
<td>June-Aug</td>
<td>President finalizes budget plan (timing depends upon circumstances)</td>
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Budget Outlook: Final Thoughts

- We are justly proud of The Beach
- We are facing the greatest budget challenge ever for the campus
- We are concerned about our future
- Together we have all helped CSULB become a place of high quality and great experiences
- Protecting faculty, staff, and students as much as possible is a priority
- We will continue to work together to get through these budgetary challenges
- We do not wish to retreat on our remarkable achievements
What can you do to help?

- Talk to your legislators
- Talk to your friends and neighbors about the November initiative
- Acknowledge that we are all going through a time of great uncertainty and discomfort
- Allow for rising tensions among all of us
- Stay positive and be patient

GO BEACH!
Provost’s Letter to the Campus Community

CSULB Students, Faculty and Staff:

The CSU and CSULB budgets for next year depend upon Governor Brown’s November ballot initiative that would increase sales and income taxes. Voter approval is very uncertain. Should initiatives fail, the CSU will face a $200 million reduction. The CSU Board of Trustees will include many new Governor-appointed members who may not be willing to approve a fee increase large enough to mitigate the reduction.