Date: March 12, 2012

To: Vice Presidents Robinson & Taylor, Athletic Director Cegles, Executive Assistant Nakai

From: Provost Para
Vice President Stephens
Co-Chairs, Resource Planning Process (RPP)

Re: 2012-13 Budget Planning Guidelines

The Governor’s 2012-13 proposed state budget imposes a $200 million reduction to the CSU unless a November tax initiative is passed by voters. This would come on top of the unprecedented $750 million reduction levied this year.

The CSU system has given the campus a budget for next year that assumes that the $200 million reduction will occur and reflects a large new reduction to the campus. We must plan now for this very difficult scenario.

CSULB graduation rates are at historic high levels with a very diverse student population. The faculty brings distinction to the campus with scholarly and creative achievements. The university is engaged in the community and around the globe. We are making progress in sustainability. Faculty, staff, administration and students are justly proud of The Beach and our accomplishments. We hope not to retreat on these remarkable achievements but our budget challenge is unprecedented.

Sharing Budget Information
Keeping the campus community informed about our budget circumstances will continue to be a priority. The “Budget Central” web page offers information accessible from the university’s home page and the Division of Academic Affairs has created a web page to update faculty and staff about divisional budget planning.1 Each vice president has been charged with keeping respective

1 http://www.csulb.edu/divisions/aa/planning_enrollment/
employees informed and organizing appropriate processes for ongoing discussions about the budget.

Planning Parameters
On January 10, 2012, Governor Brown released his proposed 2012-13 state budget that addresses an estimated $9.2 billion budget deficit. A key component of the Governor’s budget plan is reliance on voter approval of a tax measure that would temporarily raise income taxes on high-income earners and increase the state sales tax. If voters do not approve the tax measure, a series of trigger cuts would go into effect, including an additional $200 million cut to the CSU. If this occurs, annual state support for the CSU would have fallen by a total of $950 million in less than 18 months, with the likelihood of this sharply reduced level of state support continuing into subsequent fiscal years as a permanent reduction.

Because the vote is scheduled for November 2012, with a trigger reduction in January 2013 if the ballot measure fails, the campus could face the potential trigger reduction of approximately $15.6 million midway through the 2012-13 fiscal year. The CSU Chancellor’s Office has given campuses budgets that reflect the anticipated $200 million reduction. There is great uncertainty whether voters will approve the ballot initiative and prevent this reduction. This reality, combined with the long lead times necessary to implement permanent spending reductions of this magnitude, requires that we begin to immediately plan for this 2012-13 potential budget.

Current Situation
As a result of current year state revenue shortfalls, there was a mid-year reduction of $100 million to the CSU in December 2011 ($7.7 million for CSULB). Although we knew we would be subject to a one-time reduction, we were not notified that it was a permanent budget reduction until January 2012 when the Governor released his proposed 2012-13 state budget. While we have covered this reduction in the current year by using university reserves, we must now make permanent budget cuts as we approach the 2012-13 fiscal year. As mentioned above, if the November initiative fails to receive voter approval, the CSU will be cut another $200 million ($15.6 million for CSULB). Together, these two permanent reductions of $300 million to the CSU would equate to a budget cut of approximately $23 million for CSULB. We also know that next year we will have increased mandatory costs for health care, energy rates, and other adjustments totaling approximately $4 million. After adding this $4 million in additional costs to the $23 million state reduction, we have to anticipate the potential of needing $27 million to address our campus 2012-13 budget.

One factor will help to mitigate this budget reduction. We will receive additional student fee revenues resulting from the $498 per year tuition fee increase effective Fall 2012 approved by the Board of Trustees last November. One-third of this additional student fee revenue will be set aside for State University Grants to assist financially needy students. Based on our enrollment projections, we anticipate incremental net revenues of approximately $10 million from this tuition fee increase. Therefore, we project our net budget problem for only the 2012-13 fiscal year to be approximately $17 million.
Cumulative Budget Problem
Fortunately, by working together and through careful planning, our campus has been able to buffer current year budget reductions totaling about $10 million through the use of some temporary resources provided by Governor Schwarzenegger. This has allowed us to maintain our class schedule, provide essential student services, and protect many jobs. We deliberately protected campus operations based on the possibility that an improving economy and additional fee increases might enable us to avoid the deepest cuts. It is now evident that such potential restoration is no longer possible for the immediate future.

The operating divisions are expected to have enough temporary resources available during 2012-13 to again mitigate at least part of the cumulative budget problem. We must be mindful that once these temporary resources are exhausted, permanent budget reduction actions must be implemented. Therefore, we have developed two budget planning scenarios and request multi-year plans from the operating divisions to address the cumulative budget problem.

Scenario A – Based on $200 Million Trigger Reduction
This scenario assumes failure of the November 2012 tax measure and the subsequent trigger reduction of $200 million to the CSU. This scenario also assumes no further tuition fee increases for the fiscal year or any other significant mitigating actions by the Board of Trustees or Chancellor’s Office. As described earlier, these assumptions would result in a preliminary estimated campus budget shortfall of about $17 million for only 2012-13. After adding the carryover budget problem from the current year of about $10 million, the cumulative budget problem totals about $27 million in this scenario.

Scenario B – Based on $200 Million Trigger Reduction and Offset
While this scenario also assumes failure of the November 2012 tax measure and subsequent trigger reduction of $200 million to the CSU, we have included an “offset” of $7.8 million (one-half our trigger reduction). This is frankly nothing more than a guess. In this scenario, after adding the carryover problem from the current year of about $10 million, the cumulative budget problem totals about $19 million.

CSULB’s preliminary enrollment target for 2012-13 is a modest increase from our current year enrollment of 27,413 resident FTES. Importantly, student fees are now at a high enough level that enrollment growth contributes positively to our net operating budget.

Based on these campus budget shortfall scenarios of $27 million and $19 million, budget reductions have been allocated to the operating divisions on a pro rata basis (see Exhibit 1) for planning purposes. These are large reductions and the attached distribution of cuts is a very preliminary allocation made for the sole purpose of allowing divisions to start their planning process.

Divisional Planning
Budget reductions must be addressed with permanent reductions to base budget. Divisions may use temporary resources for backfill during 2012-13 but by the end of 2013-14, permanent commitments must be balanced with base budgets.

Divisions are asked to develop budget plans based on scenarios A and B, using division-specific figures in Exhibit 1. Figures representing the cumulative budget problem in the column labeled
“Two-Year Budget Reduction” should be fully addressed in budget plans. Please provide the following specific information separately for each budget year 2012-13 and 2013-14.

1. Any permanent budget reductions already implemented during 2011-12.
2. Any temporary resources to be utilized in 2012-13 as mitigation (none may be used in 2013-14).
3. Numbers of temporary and permanent employees who would be affected by reductions.
4. Services, programs, and processes to be reduced or ended.
5. Impacts of reductions on students, faculty, staff, etc.

For permanent personnel reductions, divisions may include expected benefit savings of 38 percent as a solution. For example, say a division’s budget reduction is $2 million. If personnel reduction plans total $1.2 million in salaries, an additional $456,000 (38 percent of $1.2 million) may be calculated as benefit savings. Remaining solutions must total $344,000 in order to generate a total of $2 million in solutions.

In order to assist divisions in this exercise, Preliminary Budget Reduction Impact Statement forms for operating divisions to complete will be sent under separate cover. Please note these forms ask for budget planning information for 2012-13 and 2013-14. This multi-year information is important so that the strategies and effects of using temporary resources can be fully evaluated. It is understood that reductions of this magnitude will result in a very different campus environment and that the effects will be widespread. All potential consequences of these severe budget reduction actions must be described and shared so outcomes and expectations are fully understood and priorities can be established.

These parameters provide a basis for preliminary planning to address these reductions and are subject to revision based on changing circumstances. We expect there will be many changes, so this planning framework cannot be considered the campus’ final direction.

Thank you very much.

Attachments:
1. Division Pro Rata Reductions

cc: President Alexander
Deans, Associate Deans, Directors and Department Heads
Academic Senate Executive Committee
Staff Council Executive Committee
Associated Students Officers
CSULB Faculty and Staff Union Chapter Presidents
Library Reserve Book Room
Budget Central website: http://www.csulb.edu/about/budgetcentral/
### SCENARIO A - Based on $200M CSU Trigger Reduction

<table>
<thead>
<tr>
<th>Division Operating Budgets</th>
<th>Total 2011-12 Base Budget</th>
<th>% of Total Base Budget</th>
<th>Total 2012-13 Base Budget</th>
<th>Two-Year Base Budget Reduction</th>
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### SCENARIO B - Based on $200M CSU Trigger Reduction and Offset

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