



CALIFORNIA STATE UNIVERSITY, LONG BEACH

MEMORANDUM

DATE: March 18, 2002

TO: Vice Presidents Anatol, Bersi, Griffith, and Robinson
Director of Sports, Athletics and Recreation Shumard

FROM: 2002-03 Resource Planning Process Task Force

SUBJECT: **Campus Budget Planning for FY 2002-03**

This memorandum provides a summary of the fiscal context and parameters within which the 2002-03 campus budget planning will be conducted. The budget outlook for the State, CSU and the campus is highly uncertain for the upcoming year and therefore it is important that the campus receive a realistic assessment that is neither unrealistically optimistic nor unduly alarming. Moreover, we must remain cautious during the months ahead as we proceed through the state legislative budget and the state's economic picture becomes clearer.

California's Fiscal Context

The State budget is hurting now particularly because in recent good years, expenditures have been permitted to rise faster than revenue, most notably the extraordinary cost requirements of the energy crisis. The recession and the bursting of the market bubble in technology stocks have had further impact on California, pushing the State into a major deficit for the first time since the early 1990s. Without corrective action, the 2002-03-budget year would face a shortfall of at least \$12.5 billion and potentially even more should the state's economic recovery be delayed.

Fiscal Uncertainties

The cornerstone of the Governor's Proposed Budget is the assumption of a rapid economic recovery. While there are many encouraging signs about the economy, the Legislative Analyst's Office (LAO) considers the budget plan to be overly optimistic about the rate of revenue recovery. Moreover, the LAO is very cautious about the longer-term implications of various multi-year borrowing and one-time budget solutions that are incorporated into the Governor's proposed plan. Taking all of these factors into consideration, it is reasonable to conclude that if the Governor's Budget survives, we might be faced with a mid-year reduction or a base budget reduction in the following fiscal year.

California State University

Priority was given in the budget plan to all segments of Education. Although not at the full higher education partnership agreement levels, the 2002-03 budget plan recommends the CSU receive a \$138 million (4.5%) general fund increase less a \$56 million budget reduction that was enacted by the Governor in the current fiscal year and continued into 2002-03. The Governor still treated the CSU relatively well by preserving funding for a system-wide enrollment increase of 4.0% or 12,030 full-time equivalent students (FTES), a 1.0% salary pool for all employees, and system-wide mandatory costs and network initiatives.

Non-Resident Student Tuition

On March 13, 2002, the CSU Board of Trustees proposed a 15% increase in non-resident tuition effective with the Fall 2002 semester. We have not yet received clarity from the Chancellor's Office about the methodology for allocating any revenue proceeds. In addition, while we don't believe this increase will have a material effect on student demand, a small change in the number of students has a dramatic revenue impact. For these reasons, we believe it would not be prudent to include this additional revenue in our budget planning at this early date.

CSULB

If the Governor's Budget survives, we estimate our share of the CSU budget increase would be \$10.7 million, which represents a 4.6% increase over the 2001-02 general fund budget. A portion of these new resources must be dedicated for mandatory expenditures and prior claims such as faculty and staff compensation, benefit costs, state-supported summer program, new space, and insurance premiums. In addition, there will be costs associated with salary increases beyond what has been provided in the State budget. This will leave very little in discretionary funds available for campus priorities. Attached is a summary of the estimated changes in resources and expenditures for the coming fiscal year.

Given all the economic and political uncertainties, the University faces the possibility of three very different budget situations for next year that will require contingency planning ranging across these scenarios:

1. A modest budget increase that is barely sufficient to cover existing commitments, if State revenues do not decline significantly between now and May 2002, and the Governor's budget is approved by the Legislature.
2. A budget reduction (up to 5%) at the start of the 2002-03 fiscal year if State revenues are insufficient to assure a balanced budget, thus requiring the Governor or the Legislature to revise CSU allocations downward.
3. In combination with either number one or two above, a significant budget reduction in the middle of the 2002-03 fiscal year and/ or at the beginning of the 2003-04 fiscal year if State revenues do not increase at the rate projected in the Governor's Budget.

University's Mid-Range Goals

CSULB Mid-Range Goals identify campus priorities, consistent with the existing campus mission, to be given special attention within a three-year planning horizon. In addition to the Mid-Range Goals, each University Division has and will continue to have more specific objectives and activities. Mid-Range Goals provide the framework for all-university budgeting by guiding each of the University Divisions in preparing proposals and guiding RPP in recommending allocations of funds. Each division is asked to insure that their respective set of budget proposals contribute toward advancing the campus toward the Mid-Range Goals.

The first goal for 2002-05 assigns top priority to maintaining the quality of instruction and services. This goal suggests a priority for the 2002-03 schedule of classes to ensure that students are able to make orderly progress toward degree. RPP has already discussed this priority and has determined to recommend to the President that funding for the 2002-03 schedule of classes is the top campus priority. Consequently, RPP recommends that the Division of Academic Affairs can assume, for purposes of planning the schedule of classes, funding for the already-determined campus enrollment target.

In addition to Quality of Programs and Services, the Mid-Range Goals for 2002-05 identify six other planning areas of all-university concern:

- Resource Management
- Enrollment Management
- Year Round Operation
- Quality of the Physical Environment
- Information Technology
- Non-State Revenue

Goals for each planning area are described in the attached Mid-Range Goals document (also available at the Strategic Planning website www.csulb.edu/web/projects/planning/). The University measures progress toward attainment of Mid-Range Goals. The report on progress toward prior years' goals and other campus planning information can also be accessed via the Strategic Planning web site.

Enrollment

For the college year 2002-03 (which includes the summer term 2002) the campus enrollment target has been set at 26,400 FTES. This amount represents a 5.2% increase over the funded target for 2001-02, but it remains below our actual enrollment in the current year. The campus has designated 460 FTES of the total increase of 1,295 FTES to fund the Summer 2002 term at the enrollment level generated in Summer 2001.

In an effort to slow dramatically the recent rate of enrollment growth, the University has initiated its most drastic measure yet. The freshman class has been officially designated as an impacted category, enabling the campus to utilize higher admission standards, beginning with the applicants for Fall 2002. The goal is to reduce the size of the freshman class from 4,517 enrolled in Fall 2001 down to approximately 3,300, roughly the size of the two previous freshman cohorts. Even that number will result in sustained, albeit slower, growth for years to come. The academic year target for 2002-03 is 24,835 FTES, an increase of 835 FTES. Because our applicant pool has continued to grow, the campus will probably exceed that number by as much as 1,100 FTES, the same amount by which it exceeded its target this year.

Campus Budget Planning Parameters

In spite of the favorable treatment we received in the Governor's January budget, contingency planning is still absolutely necessary. It would not be responsible for the University to be caught unprepared. Because of the multiple outcomes that are possible, this year's local planning process will incorporate both a budget reduction and a budget increase exercise. In order to position the University to preserve flexibility and to minimize disruption on the campus, divisions may assume that their 2001-02 base budgets will be retained and that contingency planning and budget reductions will be of a non-recurring nature.

Contingency Planning in the Event of a Net Budget Reduction

- Each division will be asked to develop a budget reduction plan that incrementally responds to a one-time cut of up to 5% from their 2001-02 base budget. RPP is assuming that each division will develop appropriate contingency plans that preserve critical functions, cause no fundamental disruption in services, and avoid layoff. These plans are to remain in place throughout the fall semester to ensure the University can adequately respond to budget reductions, including a mid-year adjustment from the State. RPP is not requesting that these plans be submitted for review at this time.

Budget Proposal Process in the Event of a Net Budget Increase

- It is projected that there will be very little discretionary dollars available for the proposal process. Thus, it is unlikely that many proposals can be funded, but divisions will be given the opportunity to present budget requests.

Forms and Instructions

Standard forms and related instructions will be provided under separate cover to each division executive. Divisional hearings and deliberations will commence in April. Deans, directors and department heads should look to their respective division offices for specific instructions on how to respond to internal divisional planning strategies.

/attachments

c: President Maxson
Deans, Directors and Department Heads
Academic Senate
Staff Council
Library Reserve Book Room

Guidelines for Budget Submissions F4