



CALIFORNIA STATE UNIVERSITY, LONG BEACH

June 20, 2003

TO: President Maxson

FROM: William H. Griffith, Vice President for Administration and Finance
Gary W. Reichard, Provost and Senior Vice President for Academic Affairs
and Co-Chairs, 2003-04 Resource Planning Process Task Force

SUBJECT: **2003-04 Resource Planning Process Task Force Recommendations**

We are pleased to submit the report of the 2003-04 Resource Planning Process (RPP) Task Force, including the planning parameters that shaped this year's process and recommendations.

Executive Summary

Because of the State's fiscal crisis, RPP anticipates that CSULB will experience a budget cut of at least \$34 million as the campus share of the 2003-04 state General Fund budget reduction and unfunded costs to the CSU system. Fortunately for CSULB, there are offsetting funds available from additional student fee revenues, from enrollment growth funds, and from campus resources, which have been set aside in anticipation of this problem. The net effect of this reduction for CSULB will be a 4% cut in non-instructional and instructional support budgets in all divisions. However, the budget for instruction will be kept level with the prior year because of a campus commitment to make needed classes available to students. This commitment provides permanent funds for instruction to offset what would otherwise be a \$3.5 million budget reduction. Each campus division has made adequate plans to manage the anticipated 4% permanent reductions.

The final State Budget could easily be worse than this anticipated scenario. In the event of a deeper reduction, the campus is prepared to mitigate an additional cut up to about the 7% level, which will afford protection to both instruction and non-instructional budgets by using one-time savings held centrally. RPP also considered a still deeper reduction scenario of 10%. At this deeper level, all operating divisions will participate in budget reductions.

Since final decisions of the State Budget could still be delayed for some time, the Task Force has agreed to meet during the summer and fall as required. Once a final budget is enacted, the Task Force will issue a supplemental report and provide further advice on future budget planning.

Governor's Proposed Budget and Legislative Proposals

California faces a budget shortfall of \$38.2 billion, which is equivalent to one-third of California's general fund spending. In January, the Governor proposed a budget plan to the Legislature that became the framework for our local planning. The proposed budget included \$448 million in budget reductions and unfunded costs for the CSU. It was anticipated that these reductions for the CSU would be partially offset with funding recommended by the Governor for enrollment growth, and a student fee increase of 25 percent for undergraduates and 20 percent for graduates.

On May 14, the Governor released the May Revision to the 2003-04 Budget outlining proposals for bridging a budget deficit that is \$3.6 billion larger than was anticipated in January. In contrast to the original budget plan, the May Revision adopts multi-year solutions, relying more on borrowing, and less on near-term spending reductions. The Governor's revised budget plan included no further reductions to any programs, including the CSU, beyond those already proposed in January, and restored about \$2 billion in spending for K-12 education, community colleges, and health and public safety services.

While the Governor's revised plan recommends no additional cuts to the CSU, there has been substantive action taken by both houses of the Legislature and forwarded to the Conference Committee to further reduce the CSU by \$69.5 million beyond the level proposed in the Governor's budget. This recent action will require further increases in student fees to rates higher than previously considered and a reduction in enrollment funding.

The Chancellor is recommending that student fees be increased by 30% for both graduates and undergraduates effective for the fall 2003 term. This additional 5% increase beyond that recommended in the Governor's Budget would generate approximately \$25 million, net of financial aid, which can be applied to partially offset the anticipated \$69.5 million reduction, lowering the net impact to \$44.1 million. Since this new \$44 million shortfall is equivalent to the 2% incremental enrollment growth funding CSU received in the Governor's original January Budget, the System office will "roll back" the enrollment funding as it was allocated. For Long Beach, this equates to a loss of \$4.8 million.

The level and timing of this most recent budget action was contemplated by and provided for in the Task Force's budget planning scenario in the 7% Reduction Plan (described below). Therefore, the Task Force sees no reason to adjust the original plan. These new developments do not invoke our 10% contingency response.

We remain hopeful further deterioration of the budget will not occur beyond this point, although the campus is prepared to handle as much as an additional 3% in reductions.

RPP's Recommended Three-Phased Budget Reduction Plan

Due to the extensive uncertainty about the economy and politics in Sacramento, the Task Force found it necessary to construct a flexible budget plan that could react to different levels of reduction. RPP's three-phased plan includes a 4% Reduction Plan based on the Governor's January Budget, a 7% Reduction Plan, and a 10% Contingency Plan.

1. 4% Reduction Plan Based on the Governor's Budget

Should the Governor's Budget be adopted, a 4% reduction to all non-instructional budgets will be imposed. The instructional program has been held harmless from this first phase of budget reductions. Under the 4% reduction plan, non-instructional units are expected to protect mission-critical services and avoid formal layoff of permanent/probationary faculty and staff. No new funding requests will be considered.

2. 7% Reduction Plan

One-time, temporary savings from university-wide budgets and excess revenues have been reserved to offset an additional 3% reduction in the final budget. Both instruction and non-instructional units will be protected in 2003-04 from the additional budget reduction. However, since the reductions in our state operating budget are permanent, and this phase of our plan utilizes temporary savings not available in future years, the permanent solution must be finalized in the next budget cycle.

3. 10% Contingency Plan

Each division has completed a conceptual plan to achieve an additional 3% reduction in the budget. Should the final outcome require that these contingencies be activated, all or in part, divisions have assured the Task Force that their plans can be further developed and implemented within a reasonably short period of time. Both instructional and non-instructional units would participate in this reduction.

The Task Force commends the divisions for preparing responsible budget reduction plans and for making difficult choices. (Further information on the 2003-04 three-phased budget plan is provided on pages 11-14 of this report.)

Enrollment in 2003-04

While the decision to accept an increase in our enrollment target may appear to be a contradiction to our earlier course of action to begin containing enrollment, the Task Force agreed that in the current poor budget climate the University is better served by accepting the increase in target. Three key factors influenced this conclusion:

- More than one half of this target increase includes currently enrolled students and because we are obligated to enroll fall 2003 admits whose applications have already been received and are being processed, additional enrollment is unavoidable.
- The Governor's budget proposal includes enrollment growth funding, available only by accepting a higher enrollment target, which the campus would need to offset anticipated budget reductions.
- Because the enrollment target determines resources, faculty workload would be worse if the campus received larger budget cuts with a lower enrollment target.

This decision is a short-term budget strategy during this difficult budget climate. The campus will still face a significant longer run challenge in attempting to contain enrollment growth to a level commensurate with available resources.

Longer-Term Enrollment

In 2003-04, CSULB will reach its Trustee-authorized campus enrollment ceiling. Tools to control admissions are very important to the campus' ability to ensure that enrollment does not exceed our ability to provide needed classes in 2004-05. The campus has in place an admissions management (impaction) plan for freshmen and the Academic Senate has approved an admissions management plan for transfer students for fall 2004, subject to approval by the Chancellor.

The campus is not currently authorized to receive permanent funding above its Trustee-authorized campus enrollment ceiling. During the fall 2003 semester, the campus must decide whether to seek authorization for a higher enrollment ceiling. This will necessitate a process for faculty and staff input and a careful review of the campus physical master plan, as well as of campus enrollment goals.

Campus Strategic Planning

The Campus Goals Group (consisting of the campus vice presidents, and the Senate and Staff Council chairs) assigned top priority to preserving instruction. RPP agreed with this priority and recommended that \$3.5 million be allocated to offset instructional budget reductions, protecting the schedule of classes from budget cuts. Faculty will have to assume the higher class sizes and workload associated with enrollment growth. However, this is a better situation for students than if budget cuts fell on the schedule of classes at the same level that support services will be affected. The priority to instruction that emerged from the Campus Goals Group and was embraced by the RPP Task Force represents an important measure of protection in difficult times for the central part of our mission -- educating students.

Beyond setting a priority for instruction, there is a need to continue to refine campus processes for coping with limited resources. Even before the budget crisis arose, the campus reviewed its budget and planning processes in anticipation of slower revenue growth associated with stable enrollment. The budget crisis has increased our need to strengthen planning and budgeting processes.

The Campus Goals Group is also committed to continuing to focus on longer-term issues and on continuing to strive for excellence. Additional goals this year focus on non-cost actions in these areas:

1. Enrollment Planning and Management
2. Resource Management
3. Continuous Quality Improvement
4. Quality of the Physical Environment
5. Information Technology
6. Non State Revenue

These goals are incorporated in division plans submitted to RPP, which have been included in the Appendix of this report. The Task Force commends the divisions for coping with these budget reductions while still preserving and advancing the Campus Goals. The complete set of Campus Goals is included in the Appendix and is also available on the University's Strategic Planning website at www.csulb.edu/web/projects/planning/.

The members of the Task Force are to be commended for their cooperative efforts and dedication to the process.

c: RPP Task Force
President's Cabinet
Deans, Directors, Department Heads
Academic Senate Office
Financial Affairs Council
Staff Council
Associated Students
CSULB Faculty and Staff Union Chapter Presidents