



CALIFORNIA STATE UNIVERSITY, LONG BEACH

DIVISION OF ADMINISTRATION AND FINANCE

DATE: March 5, 2004

TO: Robert Bersi, Vice President, University Relations and Development
William H. Griffith, Vice President, Administration and Finance
Gary Reichard, Provost and Senior Vice President, Academic Affairs
Douglas W. Robinson, Vice President, Student Services
William Shumard, Executive Director of Athletics

FROM: 2004-05 Resource Planning Process Task Force (RPP) *RPP*

SUBJECT: Campus Budget Planning for Fiscal Year (FY) 2004-05

The RPP Task Force has met regularly since September 2003 to address the State of California fiscal crisis and its impact on CSULB. In preparation for the budget reductions, RPP has developed a foundational context for management, in which the 2004-05 campus budget planning will be conducted, as well as the guidelines and planning assumptions for the process.

As divisions plan to manage the baseline reductions resulting from the State of California's current fiscal status, it is critical that all budget reduction planning be carried out with a sense of the University's vision and mission. Faculty, Staff, and Management must not lose sight of what makes CSULB a flagship institution. CSULB's ability to provide a full range of services and classes will be reduced by these budget reductions. Above all, CSULB needs to ensure that our students can graduate in a reasonable period of time, and to meet that goal, reductions in enrollment will occur through admissions. Only in that way can the quality of instruction and services to our students be preserved.

California's Fiscal Context

- The total State budget problem is projected to be \$28 billion, consisting of two parts: \$12 billion accumulated deficit through the current year, and \$16 billion ongoing structural imbalance between revenues and expenses (including the \$4 billion loss of funds as a result of the repeal of the Vehicle License Fee increase).
- The Governor's proposed 2004-05 budget plan seeks to address the projected budget shortfall through a combination of major spending reductions, additional borrowing (authorized by the Economic Recovery Bond), and realignments. The Governor's plan does not include new taxes as part of the solution.

- Despite improvements in California's economy, revenue growth alone will not solve the State's budget problems. Moreover, it cannot be assumed that the economic recovery expected will feature an expansion of new revenues, as the recession was not consumer based. Since consumer spending, home sales and auto purchases never declined, a major rebound in those spending patterns is not expected. This means that rather than a dramatic upsurge in economic activity, there will be regular, but moderate growth. These trends support the Legislative Analyst's conclusion that the State will face an operating shortfall in 2005-06 and beyond. Specifically, the State's annual spending is projected to exceed annual revenues in 2005-06 by roughly \$7 billion, absent corrective action.

California State University

- The Governor's Budget has proposed that the CSU's general fund budget be reduced by \$239 million and that no new funding be provided for mandatory cost increases of \$57 million.
- The Governor has proposed that a portion of this reduction be offset through higher fees to be effective Fall 2004: 10% for undergraduates, 40% for graduates, and 20% for non-resident students. The CSU is concerned about the effect that the 40% graduate fee increase will have on the teacher credential program, and will be giving consideration to a lesser increase for these post-baccalaureate students. Although the Trustees have not officially adopted a new fee schedule, it appears the rates being considered are 11% for undergraduates, 25% for credential students, and 40% for graduates.
- Because so many of the Governor's proposed line-item reductions are either impractical or objectionable, the CSU's strategy is to seek budget flexibility and to inform the Governor and the Legislature about the number of students who can realistically be served with reduced resources.
- Consequently, the system proposes to reduce enrollment by 5%, which is 20,000 headcount or 16,700 full time equivalent students (FTES).

CSULB

- The Chancellor's Office has issued preliminary budget allocations and enrollment targets to all campuses. For our campus, the enrollment reduction will be about 1800 headcount or 1387 FTES from the 2003-04 original target (or 1100 below our revised target). Our general fund budget will be reduced by \$20 million. In addition to the general fund reduction, CSULB will have to manage an additional \$4 million increase in unfunded mandatory costs.
- Revenues expected from the proposed fee increases (\$9.6 million), together with campus savings, will substantially mitigate the prospective reduction in our base budget.
- The net impact on the campus' General Fund budget will be approximately \$14 million, which represents a 7.7% decline in state funding.

Please refer to Exhibit #1 (page 5) for a summary of the estimated changes in campus resources for FY 2004-05.

Guidelines for Budget Submissions G2

Campus Response to the Budget Cut

- A reduction of this magnitude will have a noticeable impact on student access and services. Our biggest challenge will be to contain the enrollment loss to 5% while experiencing loss in budget of nearly 8%. And, unfortunately, the challenge is compounded by the fact that the University is unable to continue a \$2 million non-recurring allocation to instruction that has been available for the past two years.
- While we are planning for the upcoming budget reductions, our student demand is at an all-time high. Applications for fall admissions are up 25% over last year. This increased application volume translates to an even larger number of CSU eligible students whom we will not be able to accommodate.
- The campus' enrollment target for 2004-05 is 26,353 FTES, which is 1357 (5%) below the prior year target.
- CSULB's first priority will be its commitment to continuing students. Fortunately, we have an effective enrollment management program, which will allow our 5% reduction in enrollment to be applied through admissions controls for freshmen and transfer students. For the freshmen class, this translates to a 10% reduction.

Campus Planning Parameters

Divisions are asked to develop detailed budget reduction plans that respond to a permanent reduction of 8% from their 2003-04 base budget, and assume the following key planning assumptions:

- The Governor's budget recommendations for the CSU represent a best-case scenario.
- This will be a two-year budget problem. (Even if the Governor's plan is adopted as proposed, there is still a \$7 billion carryover problem for the State going into 2005-06.) The problem in the second year is expected to be the same or less than in 2004-05.
- The significance of a two-year planning assumption is that it permits consideration of strategies that would be inappropriate for a long-term solution. However, there are risks that accompany the use of bridging or temporary solutions, particularly if the problem is protracted for more than two years. Still, the two-year horizon will permit planning for a "soft landing" while giving us time to phase in more permanent solutions.
- For the past several years, the campus has accumulated savings that are limited, one-time in nature, and will only carry us so far.

Division Planning

- The RPP Task Force asks that each division incorporate into its presentations the division's planning assumptions, priorities, and two-year reduction strategies that will ensure that the permanent reductions minimize disruption of services and preserve the quality of instruction as much as possible. (Use of a two-year rolling plan strategy will mean that FY 2004-05 planning will incorporate a nonspecific projection for FY 2005-06.)

- Established annually, campus goals provide the framework for RPP work. The University measurements of progress toward attainment of current Campus Goals and assessment of progress toward attainment of past goals are contained within the Campus Goals document. These goals are available on the University's Strategic Planning website (<http://www.csulb.edu/web/projects/planning/>).
- The RPP Task Force will review materials submitted by each division to assess whether these plans adequately address the budget reductions and still preserve and advance the Campus Goals.

Forms and Instructions

- Prescribed formats (Form 1, Mission Statement; Form 2, Program Objectives; Form 3, Budget Reduction Impact Statement, and Form 4, Resource Summary), as well as hearing instructions, will be provided under separate cover to each division head.
- Division submissions are due in the Office of Administration and Finance prior to scheduled presentations.
- Deans, directors and department heads should look to their respective division offices for specific instructions on how to respond to internal divisional planning strategies.

Future Updates

As the University reports any new budget developments, the Task Force will incorporate appropriate changes into the budget planning process. Divisions should inform their areas of these latest developments.

attachment

- c: President Maxson
 Deans, Directors and Department Heads
 Academic Senate
 Staff Council
 Associated Students
 CSULB Faculty and Staff Union Chapter Presidents
 Library Reserve Book Room

CALIFORNIA STATE UNIVERSITY BUDGET FACT SHEET

2004 /05 Governor's Proposed Budget

	<u>Governor's Budget</u>	<u>CSU Response</u>	<u>Long Beach</u>
<u>GOVERNOR'S GROSS & NET BUDGET REDUCTIONS</u>			
CSU 2003/04 Adjusted General Fund (GF) Base (includes retirement, annuitant dental and lease bond increases)	\$ 2,649,219,000	\$ 2,649,219,000	\$ 182,291,200
Restoration of 2003/04 One Time Budget Cut	\$ 69,500,000	\$ 69,500,000	\$ -
CSU Budget Reductions (exclusive of SUG allocation)	(209,534,000)	(209,534,000)	(10,507,000)
General Fund Reduction/Student Fee Offset	(101,527,000)	(101,527,000)	(9,583,600)
Counseling Services for Freshman Enrolling at CCC	1,900,000	1,900,000	-
Gross General Fund Budget Adjustments	\$ 239,661,000	\$ (239,661,000)	\$ (20,090,600)
	-9.0%	-9.0%	-11.0%
Unfunded 2004/05 Mandatory Costs (Pro Rated)	(57,475,000)	(57,475,000)	(4,310,000)
Fee Increase Revenue, estimated	105,647,000	74,594,000	9,569,600
Net Budget Reductions with Fee Revenue Offset	\$ (191,489,000)	\$ 222,542,000	\$ (14,831,000)
	-7.2%	- 8.4%	-8.1%
<u>GOVERNOR'S LINE ITEM REDUCTIONS</u>			
Increase SFR by factor of 1	\$ (53,516,000)		
Eliminate GF Subsidy for Excess Course Units	(24,402,000)		
Reduce New Freshman Enrollment by 10%	(21,062,000)		
Reduce Enrollment by 5% - 16,747 FTES		\$ (83,396,000)	\$ (6,819,000)
7.5% Reduction in Academic & Institutional Support	(52,554,000)		
Defer 10% CMS Implementation Costs	(6,000,000)		
Eliminate CSU General Fund Outreach & EOP Program	(52,000,000)		
Restore 2003/04 One-Time Budget Cut	69,500,000		
7.5% Reduction in Chancellor's Office Admin & Programs		(6,442,000)	-
CSU Unallocated Pro-rata Adjusted GF Reduction		(50,196,000)	(3,800,000)
Unallocated Budget Reduction	(23,033,000)	(23,033,000)	(386,000)
Reduce GF to Reflect 10% Increase in Undergraduate Fees	(31,730,000)	(31,730,000)	(4,472,180)
Reduce GF to Reflect 40% Increase in Graduate Fees	(33,948,000)	(33,948,000)	(3,114,820)
Reduce GF to Reflect 20% Increase in Non-Resident Tuition	(12,816,000)	(12,816,000)	(2,269,000)
Counseling Services for Freshman Enrolling at CCC	1,900,000	1,900,000	-
Total Gross Line Item Reductions	\$ (239,661,000)	\$ (239,661,000)	\$ (20,861,000)
<u>LOCAL CAMPUS ADJUSTMENTS TO NET BUDGET REDUCTIONS</u>			
Net Budget Reductions with Fee Revenue Offset			\$ (15,315,000)
Local Mitigation of Mandatory Costs			798,000
Unallocated Year Round Operation (YRO) Balance			2,000,000
FY2003-04 Funding Carryover Deficit			(2,954,000)
Transition YRO Costs			(200,000)
Credit Card Processing Savings			400,000
Benefits Savings			1,500,000
Non Resident Tuition Loss			(300,000)
Net 2004/05 Fiscal Impact, w/ Fee Revenue Offset including Local Campus Adjustments			\$ (13,587,000)
			-7.7%

(Planning scenario will be at the 8% level)

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