

CALIFORNIA STATE UNIVERSITY, LONG BEACH
2004-05 Resource Planning Process
Recommended Budget Plan

In response to the expected reductions in the campus budget for the coming year, the RPP Task Force recommended that our local planning process consist of three components:

- A 8% base budget reduction plan that provides for the Governor's January Budget Plan,
- The application of division savings that provides one-year, temporary budget relief, and
- The application of contingency reserves that provides temporary funding for any further deterioration in our General Fund budget.

Given the Governor's January Budget and a reduced enrollment target of 26,353 FTES, and assuming a two-year budget problem, each division was asked to develop a detailed budget reduction plan consistent with a permanent reduction of 8% from its 2003-04 base budget.

One of the fundamental assumptions for campus planning was that the State would be dealing with a structural budget problem through 2005-06. Knowing that this could be a two-year budget problem, RPP shaped a flexible budget plan that permitted consideration of temporary solutions. Incorporating temporary solutions into the budget planning strategy minimizes the impact in 2004-05, while allowing time to phase in more permanent solutions for 2005-06.

There are risks that accompany the use of temporary solutions, particularly if the problem is protracted for more than two years.

2004-2005 Budget Reduction Plan

8% Base Budget Reduction Based on the Governor's Budget (\$14 million)

- Each division presented its impact statement for an 8% base budget reduction. These statements included descriptions of the functions and service areas to be affected, as well as qualitative and quantitative information about service degradation, changes in hours of operation, backlogs, etc. Also, each division described how its reduction plan related to the Campus Goals set for 2004-07.
- The Task Force commends the divisions for preparing responsible budget reduction plans and for making difficult choices

One-time Temporary Resources from Division Reserves (\$6.3 million)

- Through prudent planning and careful spending over the past few years, each division has been able to accumulate reserve funds that will serve as one-time budget relief to key areas where reductions would pose significant impact or risk to the University.
- After applying \$6.3 million in temporary funding, the net impact is approximately \$8 million in budget reductions for 2004-05.
- While there will be regrettable impacts to many programs and services, the Task Force is confident that the campus is prepared to handle this tempered level of reduction with minimal disruption to our mission-critical services, while avoiding layoff of permanent/probationary faculty and staff.

University Contingency Reserve (\$8 million)

- In addition to the uncertainty of the 2004-5 budget, there was also a concern about further reductions in subsequent years, particularly in light of the State's projected \$7 billion shortfall for 2005-6. The need for contingency planning was emphasized in April when the Department of Finance asked that all state agencies to begin planning for an additional 3% reduction beyond the Governor's Budget.
- As is the case each year, the University will achieve some one-time, temporary savings from university-wide budgets and excess revenues. It is expected that approximately \$8 million will be available from these resources. These funds will be held centrally and applied to any deterioration in the 2004-05 budget.
- Since the reductions in our General Fund budget are permanent, and this phase of our plan utilizes temporary savings not available in future years, a permanent solution must be developed in the next budget cycle.
- If any portion of this contingency reserve is not required for the 2004-05 budget, it will be available for 2005-06 planning.

Although the May Revision released on May 14, 2004 did not include any further reductions from the Governor's January Budget, there is still some modest risk of deterioration in the final weeks of budget negotiations. The RPP Task Force recommends adoption of this budget reduction plan and believes that the University has made adequate contingency plans. Refer to the table on page 13 for further information on this budget reduction plan.