



CALIFORNIA STATE UNIVERSITY, LONG BEACH
DIVISION OF ADMINISTRATION AND FINANCE

June 1, 2006

To: F. King Alexander, President

From: William H. Griffith, Vice President for Administration and Finance
Dee Abrahamse, Provost and Senior Vice President for Academic Affairs
Co-Chairs, 2006-07 Resource Planning Process Task Force

Subject: 2006-07 Resource Planning Process Task Force Report

We are pleased to submit the report of the 2006-07 Resource Planning Process (RPP) Task Force, including the planning parameters that shaped this year's process and recommendations. Your support for the RPP and continuation of the Campus Budget Recovery Plan was fundamental to the task force's work toward making these recommendations. For the past two years, the Campus Budget Recovery Plan has proven to be very effective in the effort to protect instruction and provide budgetary relief to non-instructional areas.

In planning for the recent state budget reductions, campus leaders made a deliberate decision to protect the campus and especially the instructional program from the worst of the budget reductions. This was accomplished using funds saved in anticipation of the state's financial difficulties.

Our recovery plans have been greatly assisted by the attractiveness of CSULB to students, allowing our campus to receive funding for enrollment growth when other CSU campuses have struggled to meet their targets. CSULB is attractive to students, especially freshmen, for several reasons. A strong academic reputation for the university was built upon the high quality of faculty and academic offerings. Effective management of academic resources has preserved quality that otherwise might have been affected by recent budget reductions, ensuring that a majority of our students are able to get needed classes. In recent years, effective student outreach and public relations have participated in building our excellent reputation.

The campus can be proud of its many achievements toward improvement of the quality of the student experience, support for faculty and staff, the technological infrastructure, and the physical campus environment. Our strategic priority to promote student success is supported by budget commitments across the university. One example is the allocation of \$1.2 million in the Division of Academic Affairs for initiatives to promote student success within each college.

State Budget Outlook

The state's financial picture has improved substantially over the past three years. California's economy grew at a solid pace through 2005; this growth is projected to continue through 2007, although at a more restrained pace. California's projected fiscal shortfall has been reduced from a high of \$22 billion in May 2003 to \$4.8 billion expected in 2006-07. This improvement, along with positive revenue assumptions for the coming year reflected in the May Revision, has allowed the governor to increase spending by \$6 billion for 2006-07 while making a \$3.0 billion reduction in the state's accumulated debt without imposing tax increases.

The governor released his proposed budget for 2006-07 in early January and with this positive fiscal picture he was able to renew the compact agreement for higher education. This enabled CSU trustees to proceed with their original budget plan. Although the political climate in Sacramento presents some challenges, the legislature appears to be very supportive of higher education, and the task force does not anticipate any negative changes in the final budget.

CSU – The Governor's Proposed Budget and May Revision

The governor's proposed budget provides the CSU with \$216 million in new resources, including \$54.4 million to "buy out" the proposed fee increase of 8% for undergraduate and 10% for graduate students. If approved by the legislature, this would allow student fees to remain at 2005-06 levels. The proposed budget also provides \$65 million for system-wide enrollment growth of 2.5%, \$33.5 million for mandatory cost increases (health benefits, new space, risk management, and energy), \$6.2 million for student financial aid, and \$10 million for long-term needs (libraries, technology, and deferred maintenance).

Another major component of the budget plan is \$94 million for a 3% increase in faculty and staff compensation. Subject to collective bargaining, awarded increases are typically effective at the beginning of the fiscal year (July 1, 2006).

Funding for enrollment growth will be based on an improved marginal cost formula that generates \$5 million more than the trustees expected and approved last fall. This change in the funding model recognizes increased salary costs for starting faculty, redefines graduate student enrollment, and now includes a component to recognize the cost of opening new space to maintain existing enrollment and accommodate enrollment growth.

The redefinition (change in unit of measure) of graduate student enrollment will change the computation of full-time equivalent graduate students from 15 student credit units (SCUs) to 12, effective with the 2005-06 annual target. This change provides parity with national and UC reporting standards and more accurately reflects the workload associated with graduate education for both faculty and students. Assuming that there are no changes in the mix and number of graduate student enrollments, this “rebenching” will not affect our anticipated resources, just the official enrollment numbers.

On May 12, 2006 the governor released the May revision to the 2006-07 budget. Based on much stronger-than-expected collections of personal income taxes in April, the May revision projects an additional \$7.5 billion in revenues in 2005-06 and 2006-07 combined. It allocates about \$4.3 billion of these increased funds for additional program spending, \$1.6 billion for the prepayment of budgetary debt, and \$1.6 billion to increase the 2006-07 year-end reserve. While the revised budget plan provides the CSU with some one-time funding for the nursing program, there are no adjustments to our base budget, and therefore, no impact our campus planning.

CSULB

The campus share of the CSU general fund budget increase is estimated to be about \$16.8 million, which represents an 8% increase over the 2005-06 operating budget. While a substantial portion of these additional resources is dedicated to mandatory expenditures and faculty costs to accommodate new enrollment growth, \$4.9 million in base discretionary funds will be available to continue the campus budget recovery plan. To these base resources, \$4.5 million of central non-base funding will be available to augment divisions’ operating budgets in 2006-07.

In addition to the centrally-funded resources, the divisions have planned to apply \$5.23 million to advance the restoration of services that were lost or diminished over the past few years.

Enrollment in 2006-07

The campus expects to receive an enrollment target of 28,898 FTES, an increase of 823 FTES or 2.93% over our funded enrollment target for 2005-06. The divisions have collaborated on next year’s enrollment management plans and are confident the campus will achieve the new budgeted enrollment target.

Factors that will help CSULB achieve the new target:

- Student demand continues to increase, particularly at the undergraduate level. The campus received nearly 62,000 applications for fall 2006, an increase of 12% above the previous year. Freshman applications increased 10% while transfer applications grew by 20%.
- We have planned for 4,500 new freshmen, approximately the same size class as in fall 2005. We expect new transfer student enrollments to increase by nearly 600 (17%). Graduate and credential student enrollment is projected at similar levels

as fall 2005, 1,304 and 699 respectively. Our ability to increase graduate and credential enrollment is significantly impacted by demand and physical capacity.

- A planned increase of 200 FTES for the summer term is projected to bring the total summer 2006 enrollment to 1,800 FTES. Current enrollment trends indicate this target will be met.
- The campus was initially concerned about transfer applications and decided to extend the application deadline for transfer students to February 15, which yielded positive results. New outreach activities within area community colleges are designed to increase applications to CSULB beginning spring 2007.
- The average student unit load is at an all-time high of 11.7. This may reflect a combination of the large number of freshmen admitted in recent years and improved class availability. The higher unit load may also be attributed to full-time students' desire to complete their degrees more quickly and to maximize the value of their tuition given dramatic fee increases over the past two years. This trend is likely to continue.
- The campus moved a component of the social work program from self-support to the general fund, adding about 120 FTES.

Campus Strategic Planning

CSULB Strategic Priorities and Goals 2006-2009 (included in the appendix of this report) is the campus strategic planning document. It identifies all-university priorities for the upcoming three-year planning period and guides annual budget decisions. Four key strategic priorities have been identified: improving student success, strengthening academic quality, achieving service excellence, and protecting the campus environment. The *Vision for Excellence* (<http://www.csulb.edu/divisions/aa/provost/vision/>) recently adopted by Academic Affairs focuses the campus on achieving still greater distinction. Moreover, a stabilizing state budget will facilitate our efforts to realize these goals.

Annual campus goals are the collaborative effort of the vice presidents, the chair of the Academic Senate and the chair of Staff Council, facilitated by the vice provost/director of strategic planning. Annual goals are incorporated into the division plans as submitted to RPP. The task force commends the divisions for continuing to advance campus goals while coping with budget reductions.

Campus Budget Recovery Plan

In approaching the recent state budget crisis, the campus made the judgment that the state's economy would improve and that campus funding would increase under the higher education compact. Based on this judgment, two years ago the RPP task force developed a budget strategy that allowed for temporary solutions rather than permanent reductions. Because the campus had operated conservatively and accumulated reserves of one-time temporary funds, the means to accomplish such a budget plan were available. Implementing this strategy involved a calculated risk in that during the recovery period the university would spend beyond its permanent base budget and use one-time funding to bridge the funding gap.

This strategy has brought enormous benefit to the campus. Student needs for classes continued to be accommodated and any major damage to the quality of academic programs and to support services was avoided. These results stand in contrast to the budget crisis of the 1990s when needs were not met, damage did occur and the campus reputation was significantly tarnished. These results also stand in contrast to the situations now facing many of our sister CSU campuses.

Clearly, this strategy has avoided the significant pain of permanent budget cuts. However, if the plan is not fully funded to completion, we will be unable to fully restore base budgets to the 2002-03 level.

The only source of new general fund discretionary dollars allocated to the campus is that associated with planned enrollment growth. After providing base funding for the additional faculty needed to accommodate the increase in our enrollment target next year, the remaining base funding will replace temporary funding allocated in previous years.

Both base and non-base dollars must be allocated to preserve instructional capacity and provide relief for non-instruction areas to partially recover budget cuts of the prior three years. Based on current funding assumptions, continuation of the plan would restore instruction's base budget by 2007-08 and non-instructional budgets would be substantially recovered by 2008-09.

Contingency Planning

The RPP task force considers the risk of a significant reduction in the general fund increase to be minimal and it is unnecessary to set up a separate contingency reserve at this time. Instead, each division has identified its priorities in its expenditure plan.

Improvements to Campus Operations

The divisions' expenditure plans were presented in three distinct categories: continued mitigation, restoration of services, and new requirements. The task force commends all the divisions for preparing responsible budget plans that reflect stability, renewal and enhancement of services and programs. These plans will help to accomplish the following:

- Student progress toward degree completion by ensuring students get the classes they need.
- Continued progress toward increasing the proportion of tenure track faculty positions.
- Improvement of essential services that directly affect student success.
 - Within Academic Affairs, budget commitments can be found in every academic college and in every major administrative unit at the divisional level. For the second year, the division will allocate \$1.2 million to the colleges based upon a plan to promote student success. These funds will be used to reduce class size, improve advising, and provide learning supports to students. Academic Affairs will also allocate significant funding to better support faculty academic advisors, increase staff advising

resources, expand assistance for writing proficiency, develop a systematic process to reform high failure rate courses, evaluate graduation rate data at the college and department levels, orient new faculty to campus student success goals, and target high-need populations for services.

- In Administration and Finance, commitments to student success can be seen in Enrollment Services' production of reports useful in working with at-risk students and in Institutional Research and Assessment's development of department-specific web pages to support understanding of student success data.
- In Student Services, a commitment to student success is seen in collaborative efforts with Academic Affairs to strengthen student orientation and support programs that target high-need student populations.
- Hiring support staff to meet increased workload demands, improving student success, and addressing emerging needs. This is particularly important to ensure the campus meets its increased enrollment target next year and in subsequent years. Freshman demand remains strong and we recognize the need to increase outreach and yield activities directed toward transfer applicants.
- Restoring key publications that are critical tools in maintaining our lines of communication with all university audiences.

Outlook/Challenges

Summer Enrollment and Capital Planning. For capital planning purposes, CSU System policy expects urban campus summer enrollment to achieve 40% of the academic year average. If a campus does not achieve this benchmark, it is judged to have excess physical capacity and therefore a reduced priority for capital expenditures. In 2006-07 CSULB expects to achieve only about 15% of academic year enrollment. For the past two years, the campus has funded all of the summer enrollment that colleges have been able to generate. Thus our summer shortfall is due to lack of demand from students, not due to lack of supply of classes. To achieve the 40% target at the current summer average unit load, we would have to enroll 85% of our fall term head count in the summer.

There are several barriers that prevent the campus from attaining the 40% benchmark in the next several years future. Of primary importance is the relatively less financial aid in summer which makes taking classes in summer more expensive and prohibitively so for many students. Many students make a rational calculation that taking an extra class in fall or spring is free and fulfills the same credit requirement as taking the class in summer at significant cost. Many students need to work in summer to support themselves during the academic year. Many students choose to take summer classes at community colleges because costs are less. Because of these barriers, there is no reasonable prospect that CSULB summer enrollment will grow at the pace expected by the chancellor's office capital planning forecasts. This places several of our major capital projects in jeopardy unless the chancellor's office and Department of Finance can be convinced to support these projects despite the likely shortfall in summer enrollment.

Achieving Enrollment Targets in 2007 and Beyond. In the mid-1990's California higher education began to experience "Tidal Wave II," the demographic bulge of children of the "Baby Boom" generation coming of college age. In California, this nationwide phenomenon was compounded by growth in the late adolescent demographic category due to immigration and the children of immigrants. These prompted steady increases in high school graduates each year and steady increases in college enrollments of first time freshmen at all three California higher education segments. It has long been expected that an increase in community college transfers would follow this trend, lagging a few years. In the early 1990's there was some increase but more recently it has been observed that the numbers of students transferring from community colleges is less than might be expected. Community college colleagues have told us that this shortfall is due to the funding cuts experienced in prior three years. This shortfall in transfers is particularly important to CSULB because we have grown the size of the freshman class nearly as large as we are able to accommodate and additional growth, consistent with our growth plan, depends largely on growth in transfer students. CSULB has not emphasized transfer outreach in the past decade but needs to develop much more effective strategies to recruit transfer students in coming years and we are capable of being competitive in this arena.

Conclusions

The RPP task force recognizes the challenges that face the legislature and the governor in balancing the budget and eliminating the state's ongoing deficit. The task force is optimistic that the CSU's final budget will survive legislative deliberations, allowing the campus to meet enrollment commitments and advance the budget recovery strategy to restore programs and services throughout the campus.

- c: RPP Task Force
- President's Cabinet
- Deans, Directors, Department Chairs
- Academic Senate Office
- University Resources Council
- Staff Council
- Associated Students
- CSULB Faculty and Staff Union Chapter Presidents