



CALIFORNIA STATE UNIVERSITY, LONG BEACH

MEMORANDUM

DATE: March 17, 2006

TO: Vice Presidents Abrahamse, Griffith, Robinson and Taylor
Director of Athletics Masner

FROM: 2006-07 Resource Planning Process Task Force *RPP*

SUBJECT: Campus Budget Planning for FY 2006-07

The purpose of this communication is to provide the instructions and a brief fiscal context for the 2006-07 campus budget planning process. The fiscal outlook for the coming budget cycle is generally positive. The Resource Planning Process Task Force recommends continuation of the budget strategy that has been so effective for the campus these past two years. The Budget Recovery Plan has enabled CSULB to continue to protect instruction and provide some budgetary relief to the non-instructional areas.

California's Fiscal Context

- California's economy grew at a solid pace through 2005 and it is projected that this growth will continue through 2007, although at a more restrained pace.
- There has been definite improvement in the state's financial picture over the past three years. The state's projected shortfall has been reduced from a high of \$22 billion in May 2003 to an estimated \$6.4 billion for 2006-07.
- This steady improvement in the state's financial picture and the positive revenue assumptions for the coming year have allowed the governor to provide an increase in spending of \$2 billion for 2006-07, while making a \$1.3 billion reduction in the state's accumulated debt without tax increases.
- In addition to the recommended budget plan, the governor is recommending a ten-year funding plan to improve state infrastructure. Areas of capital improvement include transportation, flood control and water supply, education, public safety and courts, and other public service infrastructure.
- But the state outlook is not without risk. If interest rates were to rise, the stock market to falter, the housing market to contract, or consumer spending to deflate, both economic growth and revenue performance could decline.

California State University

- The governor fulfilled his promise under the Higher Education Compact Agreement and provided \$216 million in new resources for the CSU, which funds the trustees' 2006-07 budget request. This proposed budget includes \$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.
- Consistent with the compact, the budget provides the CSU funding for mandatory costs (\$33.5 million), a 2.5% systemwide enrollment growth of 8,490 full-time equivalent students (\$65 million), financial aid (\$6.2 million), compensation (\$94 million) and long-term needs (\$10 million).
- Funding for enrollment growth will be based on an improved marginal cost formula that will generate \$5 million more than the trustees approved last fall. The change in the funding model recognizes increased salary costs for starting faculty, redefines graduate student enrollment, and includes a new component to recognize the cost of opening new space to maintain existing enrollment levels and accommodate enrollment growth.
- A major component of the budget plan is funding for an increase in faculty and staff compensation. These increases are subject to collective bargaining and are expected to be effective July 1, 2006.

Campus Budget

- The Long Beach share of the CSU general fund budget increase is estimated to be about \$16.8 million, an 8% increase over the 2005-06 operating budget. This includes a reallocation due to an adjustment in the campus's CalPERS retirement funding netted from the general fund increment.
- The majority of new resources are earmarked for mandatory cost increases, student aid, compensation increases, and additional faculty associated with the planned increase in our enrollment.
- The remaining \$4 million in discretionary funds will be directed to continuing CSULB's budget recovery plan.
- **Exhibit 1** provides a summary of the estimated changes in system and campus resources and expenditures for the coming budget year.

"Rebenching" Graduate Enrollment

- The redefinition of graduate student enrollment referenced earlier will change the computation of full-time equivalent graduate students from 15 student credit units (SCUs) to 12 effective with the 2005-06 target. This provides parity with national and UC reporting standards and more accurately reflects the workload associated with graduate education for both faculty and students.
- Assuming no change in the mix and number of graduate student enrollment in the current year, our target for 2006-07 will increase by the same amount. As such, this "rebenching" will not affect our institutional planning, just the numbers.
- Applying this new 12-unit definition to our current year target results in an increase of +524 FTES -- from 27,551 FTES to 28,075 FTES. In the short run, it will have no effect on resources available to support graduate education and will not change internal allocations. It does reduce the effort needed to generate graduate FTES and therefore it may make growth of graduate programs easier. In the long run, it will provide a modest amount of increased funding, assuming graduate enrollments grow at the same rate as our target.

Target Enrollment

Our “rebenched” enrollment target for 2006-07 has been set by the Chancellor’s Office at 28,898 FTES, an increase of 823 FTES or 2.93% over our funded “rebenched” enrollment target for 2005-06. This includes an additional 50 FTES for the Masters of Science in Nursing program. With the use of enrollment tools such as the impactation of the 2002 freshman class, Long Beach has been successful in managing enrollment within one-half of one percent of its budgeted target. This is important because it matches resources to student needs. For 2006, the campus is again actively managing enrollment and we are reasonably confident that we will achieve our budgeted enrollment target for next year.

Several factors will help the campus meet our enrollment target.

- The size of the 2006 freshman class will be similar to 2005. We should have no trouble filling these seats as freshman applications have risen about 10% on a year-to-year basis. We have experienced this upward trend in first-time freshman applications for the past four years.
- A planned increase in offerings for the summer term will add about 200 FTES.
- Stimulating transfer applications has proven more challenging. This year, the campus extended the application deadline for transfer students to February 15, which created an increase in transfer applications. Except for specific impacted programs, the extension of the deadline was accompanied by a decision to remove impactation restrictions from the transfer class. This decision was necessary because of lower enrollments and fewer transfer course offerings in community colleges.
- Student unit load is at an all-time high, probably due to a combination of the large number of freshmen admitted in recent years and improved class availability. Higher unit load may also be attributed to the desire of full-time students to make more rapid progress toward degree completion.
- The Division of Academic Affairs is moving parts of one program (Social Work) from self-support onto the general fund, which will add about 120 FTES per year.
- Enrollment growth from the increase in unit load and from moving programs from self-support to state support will have less impact on campus physical resources than growth from additional new students. Both types of growth are generally funded at the same rate.
- The state and the CSU have allocated additional funding and established incentives to grow our nursing program. Accordingly, the campus target for 2006-07 includes a specific increase of 50 FTES for our Master of Science in Nursing (MSN) program.
- A base budget allocation of \$2.4 million in faculty resources will be made available to the Division of Academic Affairs to accommodate the enrollment increase of 823 FTES.

Budget Strategy and Local Recovery Plan

For the past two years, our local budget process has focused on multi-year planning.

- The university has operated very conservatively and has accumulated reserves of temporary funds. Given the severity of the past budget cuts and on the assumption that the budget outlook would improve, two years ago RPP recommended that the university use these temporary reserves to budget beyond our base budget in order to protect the instructional capacity and buffer some of the cuts in the non-instructional areas.
- Based on this planning, in the current year we have applied temporary funds including accumulated division savings to mitigate the budget reductions. Next year, the university plans to continue this mitigation with \$4 million in base funding and \$4.5 million in

temporary funding. To the extent divisions have accumulated savings in the current year, it is expected that these funds will also be pledged to further restore services and enhance operations.

- While this planning strategy continues to protect our instructional capacity, limited funding makes it impossible to eliminate the budget impact to non-instructional units.
- Since the recovery plan requires that all new discretionary funds be pledged to restoring base budget cuts, funding of new initiatives becomes the responsibility of the divisions by using recovery plan allocations and/or temporary savings.

Division Planning

- Each division will receive a base budget increment and an allocation of temporary funding.
- Each division is asked to present its expenditure plan for recovery dollars in three categories:
 - Continued Mitigation: services that were started in 2005-06 or prior and continue to be funded with either new base or non-recurring dollars.
 - Restoration of Services: services that were previously suspended or performed in an alternate, less-than-optimum manner, due to prior year budget reductions.
 - New Requirements: newly identified priorities or unfunded mandates.
- Each division should explain its budget planning assumptions and strategies, and identify the priorities for mitigation, restoration, and new requirements.
- Divisions should also identify total divisional carryover resources and detail any use of these savings into their expenditure plan.

Contingency Planning

- Our plan is based on the assumption that the Higher Education Compact Agreement will be reflected in the final state budget. And while there is no certainty in a political process, RPP considers the risk of a significant reduction in the general fund increase to be minimal, and it was not necessary to set up a separate contingency reserve. Instead, each division is being asked to identify its priorities in the presentation of its expenditure plan.

Campus Goals

- A major objective of the task force is to create effective links between campus goals and the budget planning process. Each division is asked to submit a concise narrative describing how its departments are contributing to the fulfillment of the campus goals.
- With a Vision for Excellence¹, CSULB now aims to achieve still greater distinction with four strategic priorities: student success, academic quality, service excellence, and campus environment.
- CSULB goals identify all-university priorities for the upcoming three-year planning period and shape annual budget decisions to achieve the campus mission. Each campus division also pursues goals that help contribute to fulfilling the campus mission. Goals are revised each year by the provost, the vice presidents for Administration and Finance, Student Services and University Relations and Development, the chair of Staff Council, and the chair of the Academic Senate. The director of Strategic Planning facilitates.
- CSULB was again named among “America’s Best Universities” by U.S. News & World Report for 2004-05. This continuing recognition is the result of sustained efforts on the part

¹ <http://www.csulb.edu/divisions/aa/provost/vision/>

of many people across the campus working to improve retention and graduation rates, the quality of the student experience, support for faculty, our technological infrastructure, and our campus environment.

- Annual campus goals provide the framework for achieving these distinctions and guide RPP resource recommendations. Campus Goals for 2006-2009 are included in this document (**Exhibit 3**) and are also available on the university's strategic planning website: <http://www.csulb.edu/web/projects/planning/>
- CSULB is preparing to launch a major capital campaign under the leadership of our new president. CSULB's Vision for Excellence recognizes that achievement, a large alumni base, and excellent relationships with donors position the campus to be very successful with a major campaign in the coming years. This activity is a substantial undertaking and will require an initial investment. Sufficient funding has been identified in prior year savings to provide for start-up costs without interfering with the university's recovery plan. A formal budget request will be considered in the 2007-08 RPP deliberations.

Forms and Instructions

- Prescribed formats (Form 1, Mission Statement; Form 2, Program Objectives; Form 3, Budget Augmentation Impact Statement and Carryover Plan; and Form 4, Resource Summary) as well as presentation instructions will be provided under separate cover to each division executive.
- **Exhibit 2** (attached) provides the specific allocations (base and non-base) for Form 3.
- Division submissions are due in the Office of Administration and Finance prior to the 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 change into the budget planning process. Divisions are asked to inform their areas of these latest developments.

Attachments

Exhibit 1: Summary of Budget Changes
Exhibit 2: Summary of 2006-07 Budget Augmentations
Exhibit 3: Campus Goals 2006-2009

c: President Alexander
Deans, Directors and Department Heads
Academic Senate Executive Committee
Staff Council Officers
Associate Students Inc. (ASI) Officers
CSULB Faculty and Staff Union Chapter Presidents
Library Reserve Book Room