

**California State University, Long Beach
2007-08 Resource Planning Process
Future Challenges and Additional Recommendations**

Shortfall in Compensation Funding

The final salary increases negotiated by the system office significantly exceed the available compensation budget allocated by the Chancellor's Office. These increased salaries are well deserved, important for recruiting and retaining faculty and staff, and will enhance the quality and future of the campus enterprise. However, there are financial consequences for our campus budget. In April, we were notified that each campus must fund its respective share of the unfunded salary increase from local resources.

The table below displays the cost of salary increases in excess of compensation funding provided by the system office. These amounts are annual, permanent shortfalls for the current year (2006-07), and four subsequent fiscal years (2007-08 through 2010-11). The figures include the salary and associated increase in benefit costs.

CALIFORNIA STATE UNIVERSITY, LONG BEACH					
UNFUNDED COMPENSATION INCREASES					
(Campus estimates based on CFA Contract and additional 1% GSI for CSUEU, APC, SETC)					
<u>COSTS IN EXCESS OF FUNDING PROVIDED</u>					
All bargaining units including CFA Contract					
	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
		(b)			(c)
GSI/SSI/Equity/Post-promo increases	\$500,000	\$1,724,000	\$2,242,000	\$2,617,000	\$2,261,000
- Benefits for above at 21.45%	107,250	369,798	480,909	561,347	484,985
1% GSI for CSUEU, APC, SETC eff. 1/01/07	240,500 (a)	481,000			
- Benefits for above at 21.45%	51,587 (a)	103,175			
TOTAL FISCAL YEAR IMPACT	\$607,250	\$2,677,973	\$2,722,909	\$3,178,347	\$2,745,985
CUMULATIVE ANNUAL IMPACT	\$607,250	\$3,285,223	\$6,008,132	\$9,186,478	\$11,932,463
<p>(a) Chancellor's Office to provide one-time funding for FY 06-07, therefore figures not included in TOTAL line.</p> <p>(b) These figures DO NOT take into account probable salary reopeners for non-faculty unions beginning in FY 07-08.</p> <p>(c) There are costs beyond the contract period (FY 2010-11) due to the 1% GSI to CFA effective 6/30/10. Compact agreement remains in effect in FY 10-11, but there is no guarantee that compensation funding will be available to offset this prior contract commitment.</p>					

Since salary increases are permanent ongoing annual costs, each fiscal year's increase compounds, and by 2010-11, the total annual shortfall will reach \$11.932 million.

The RPP Task Force recommends we adopt the same budget philosophy and strategy that we've been so successful relying on the past several years. That is, utilize temporary resources to fund these unanticipated costs until permanent funds become available. The Task Force fully recognizes that this financial strategy depends on achieving and being funded for enrollment growth. The campus community will need to understand that this plan will result in limited flexibility over the next several years because all new resources have been pre-committed.

Comprehensive Fundraising Campaign

The activity related to private fundraising is somewhat new for the CSU. It wasn't until the early 1990s that CSU presidents were made accountable for bringing philanthropic dollars to their campuses and were encouraged to fund the staff and resources in order to accomplish this. As many institutions have known for some time, private gifts are essential to a university's ability to excel. State resources alone simply are not sufficient to take CSULB to the next level. While private dollars do not replace state revenues, they are a catalyst for the extraordinary and can provide better educational opportunities for students, strengthen the campus' statewide and national reputation, and enhance volunteer support.

Under the leadership of our new president, the campus launched the initial planning phase of a comprehensive fundraising campaign last year. Some discussion of priorities has begun with the college deans and operating divisions to include student scholarships, support for faculty, buildings and equipment improvements, as well as special academic program needs.

CSULB is well positioned to be successful with a major fundraising campaign for the future, particularly given our recognized achievement, large alumni base, excellent reputation in the community and our compelling vision. The final campaign goal will be established after a feasibility study is conducted. While the initial start-up costs during 2006-07 were supported with temporary dollars, the RPP Task Force recognizes such an endeavor will require permanent funding. The division of University Relations and Development has developed a very thoughtful budget at \$1.8 million annually that the Task Force believes is a conservative investment for the potential return of 7:1.

It was hoped that we could begin funding this requirement with permanent funds in 2007-08. However, given the recent labor settlement and the compensation funding shortfalls that resulted, the campaign must remain on temporary resources for the near term.

Enrollment Pressures

Campus Demand: In the past several years, CSULB has had strong demand for enrollment from freshmen. During this period, demand in other categories (transfer, graduate and credential) has been relatively flat. Freshman demand was sufficient to fuel growth in the past era of limited funding for growth. At CSULB, the size of the freshman class has become about as large as the campus can effectively serve. In 2005, CSULB expanded efforts to recruit more transfer students, and these efforts appear to have had a positive effect. At CSULB, there is ample demand from freshmen and transfers to achieve anticipated enrollment targets.

However, high school graduates in California have peaked and are forecast to decline slightly in the next several years. Some observers believe that there will be continued growth in transfer demand lagging the freshman demand by two or three years, but recent observations of transfer demand at the state-wide level do not consistently support this expectation. A risk factor for the campus is the possibility that a change in state demographics will reduce the state's willingness to fund enrollment growth, despite the robust demand at a few campuses.

Summer: Current CSU system capital policy calculates campus enrollment capacity to include summer enrollment at 40 percent of the academic year average. In 2007, the campus expects to achieve only about 15 percent. For the past two years, the campus has funded all summer enrollment that colleges have been able to generate. Thus, our shortfall in summer enrollment is due to lack of demand from students, not due to lack of supply of classes. To achieve the 40 percent target at the current summer average unit load, we would have to enroll 85 percent of our fall term head count. There are several barriers that prevent this from happening. Of primary importance is the reduced financial aid in summer which makes taking classes more expensive, prohibitively so for many. 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. Moreover, many students choose to take summer classes at community colleges where costs are less. Because of these factors, 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 probable shortfall in summer enrollment.

For 2007-08, the campus expects to exceed its enrollment target by 600 to 800 FTES. This will place significant strain on facilities and other campus resources to adequately serve this increased number of students. Enrollment growth will require more efficient use of instructional facilities.

Campus Capacity (Campus Master Plan)

In May 2003, the Board of Trustees adopted a resolution that directs CSU Presidents to review their respective master plans for enrollment and consider increasing their campus enrollment ceilings. The resolution noted that the CSU must be prepared to accept more than 100,000 additional students by 2011.

Under current CSU guidelines, major capital projects for new buildings and major renovations of existing old buildings require increases in campus enrollment capacity. Thus, a major reason for the campus to consider growth is the opportunity to gain approval for much-needed renovations and new campus buildings.

In 2002-04, the RPP Task Force organized faculty and staff representatives to study the key issues related to growth and their reports contained a wealth of valuable ideas and analyses. The RPP Task Force developed a recommendation and a set of accompanying stipulations regarding campus growth. The recommendation was for the campus to request an increase in its enrollment ceiling from the current figure of 25,000 full time equivalent students (FTES) to 31,000 FTES.

However, it was stipulated that growth should be permitted only if a set of key conditions is met. These included a controlled and gradual timetable, accommodation for adequate parking, preservation of campus green space, maintenance of the quality of instruction, maintenance of the quality of student experience, provision of adequate instructional and instructional support resources, preservation of campus diversity, preservation of tenured/tenure-track faculty as a proportion of all faculty, continued improvement of retention and graduation rates, relocation space where possible and needed, improved efficiency of scheduling practices, and preservation of the balance of undergraduate and graduate programs and professional and arts and sciences programs. Recommendations, stipulations and other documents can be found on the Strategic Planning web site at:

http://www.csulb.edu/divisions/aa/planning_enrollment/#masterplan

Resolutions approving the decision to request a change in the Master Plan ceiling have been approved by the Academic Senate twice, in 2004 and again in 2006. The campus expects to be ready to seek Board of Trustees approval by spring 2008 to avoid negatively impacting our multi-year enrollment growth plan. In preparation for that request, the campus engaged in extensive consultation with the campus community in 2004 and then again in 2006. We are now preparing for the requirements of the California Environmental Quality Act (CEQA) which involves sharing our capital improvements and development plans with the Long Beach community.

Classroom Maintenance

Initiated during 2006-07 and included in the budget plans for 2007-08 is an enhanced classroom maintenance program made possible from a one-time utility settlement. This program has temporarily augmented the regular classroom maintenance budget of the

Facilities Management department and provides for enhanced maintenance services to university classrooms. Painting of classrooms has increased to once every three years, floor stripping and waxing and carpet cleaning has doubled to twice each year, and attention to the repair/replacement of chairs, tables, window coverings, floor tile, and white boards is increased from twice to three times per year.

Beyond this one-time infusion of new funding, there has been no decision to fund this improved maintenance schedule on a permanent basis. The RPP Task Force acknowledges the importance of investment in our classrooms and hopes that the university will be able continue this level of enhanced services after 2007-08. One suggestion to consider is the development of a utility conservation program that will redirect utility savings to help fund the classroom maintenance program.

Academic Technology

The RPP Task Force is pleased that Academic Affairs has engaged the services of an information technology consultant to review Academic Technology operations and provide the new provost with an assessment and recommendations.

The RPP Task Force recommends that the 2007-08 university-wide budget allocation of \$651,000 designated for Baseline, Access, Training and Support (BATS) be finalized after the Provost has an opportunity to review and consult on the findings.

The current allocation model distributes funding between Academic Affairs, Administration and Finance, and Student Services. The RPP Task Force recommends that the portion allocated to Academic Affairs areas be delegated to the Provost for redistribution. All non-Academic Affairs allocations are to be maintained at the current levels.

Accessible Technology Initiative

With the intent to bring all campuses into federal and state regulated compliance in terms of providing full access to the disabled, in January 2006 the CSU launched the system-wide Accessible Technology Initiative (ATI). This was followed in February 2007 with a CSU Coded Memorandum (AA-2007-04) defining the three priorities of the initiative as well as timelines. ATI priorities include 1) accessibility of the Web, 2) accessibility of instructional materials and 3) accessibility of electronic and information technology procurement.

CSULB began planning for compliance along with policy and procedures development during spring 2007. Implementation of the campus plan will begin in 2007-08. California Government Code 11135 of 2003 – Section 508 establishes accessibility standards for electronic and information technology, including Web applications, hardware, software, telecommunications, multimedia, and self-contained products like

copiers, fax machines, and kiosks. The campus must incorporate these Section 508 standards as it develops or acquires new electronic and information technology resources.

CSULB has a long tradition and excellent reputation for its service to the disabled, and is committed to meeting fully the requirements of the ATI. However, this mandate was not funded by the system. As the campus amends its procedures to adhere to these new requirements, increased funding requirements can be anticipated across the campus.

Common Management System (CMS)

The Common Management System (CMS), a system-wide initiative designed to replace disparate and outdated administrative application software with a common, integrated system, was successfully implemented on this campus in 2004. CMS is now our legacy system. Since that time, the campus has completed three major upgrades. The original plan and budget for this initiative was established as a project with a beginning and an end. However, it is now clear that, given an environment of constant and rapid technological change and to avoid system obsolescence, administrative systems management is an ongoing venture.

The vendor's business philosophy is to routinely upgrade CMS for both functionality and architecture. We are currently experiencing these upgrades every 18 months. The CSU has taken a policy position that we will remain current, which means the campus will enjoy the benefits of the same product that is available in the marketplace.

The CMS budget never contemplated the full costs associated with the frequency and complexity of system upgrades, modifications, and maintenance. Fortunately, the current budget has been sufficient to fund the full costs of the implementation and the first three upgrades. However, these ongoing cost requirements have delayed the repayment of the initial investment to the university.

While the initial implementation relied heavily on expensive consultants, the upgrades were completed more economically and efficiently using information technology staff. Since these staffing requirements have become ongoing rather than project oriented, the CMS budget will be adjusted to reflect this change beginning 2007-08.

The Oracle Corporation acquired PeopleSoft a few years ago and plans to consolidate the functionality of both product lines. We do not expect the new product line to be available until 2010-11, and subsequently released to the campuses by 2013. In the meantime, the campus believes the current budget and funding strategy is sufficient for the known environment. At the point in time that the university knows more about the implementation of the new Oracle product line, the RPP Task Force will need to revisit the funding requirements for CMS.

Faculty and Staff Housing

CSULB faculty and staff experience a severe housing affordability crisis. Long Beach is one of the most desirable places to live in the country, but it is also one of the most challenging housing markets in California and rapidly escalating housing prices have had a major impact on the recruitment and retention of our employees.

Because CSULB does not have developable land, we can't pursue the more traditional solutions that most other universities have to address their housing needs.

Consequently, we must explore possibilities to collaborate with private developers to provide housing opportunities for our faculty and staff. To date, one project in downtown Long Beach has been approved by the City which will provide us with an equity position in 60 housing units. This underwriting by the developer gives us the ability to discount the sales prices to our employees as if the units were being built on our own property.

The university is actively pursuing other opportunities for affordable housing in the area and the RPP Task Force looks forward to receiving a progress report next year on these very important efforts.

Accumulation of Reserves

The CSU has recently been delegated the authority to deposit and manage its own student revenues (Revenue Management Program) rather than through the state treasury as in the past. While this delegation affords more autonomy and flexibility, the CSU system must demonstrate even greater fiduciary responsibility because of greater visibility. Accordingly, the Chancellor's Office is developing guidelines related to the amount of carryover and reserves each campus is allowed to retain.

These guidelines are still in the development stage, but it is certain that the allowable limits will be lower and more restrictive than our current practices. Therefore, the campus must adjust its carryover and reserve practices. While these new restrictions will not be in effect for the end of the 2006-07 fiscal year, all divisions will be communicating the importance of this issue for fiscal year 2007-08. The university community will need to be mindful of these soon-to-be-announced limitations as financial plans for 2007-08 are developed, particularly for the 2007-08 yearend process.