



CALIFORNIA STATE UNIVERSITY, LONG BEACH

DATE: March 29, 2007

TO: Vice Presidents Gould, Griffith, Robinson and Taylor  
Director of Athletics Cegles

FROM: 2007-08 Resource Planning Process Task Force *RPP*

SUBJECT: Campus Budget Planning for FY 2007-08

The purpose of this communication is to provide the instructions and a brief fiscal context for the 2007-08 campus budget planning process.

**Executive Summary**

Overall, we have a good budget from the State. Despite recent declines in the housing industry, the State's economy has continued to improve at a modest rate over the past several years. This enabled the Governor to honor his commitment to higher education and support the Compact Agreement with the UC and CSU. Consistent with the agreement, the 2007-08 budget provided the CSU with a \$299 million or 7.4% increase over the prior year. It assumed the Trustees would implement a 10% student fee increase, which occurred on March 14, 2007, and that the CSU would retain all revenues from the increase.

For CSULB, we estimate our support budget will increase by \$22 million. Approximately \$16 million of this increase is earmarked for mandatory costs, financial aid, and salary increases, leaving \$6 million to enable the continuation of the multi-year budget recovery strategy that has been effective in ensuring fiscal stability for the campus over the past three years.

As a reminder, the campus budget recovery strategy was developed in response to state budget cuts imposed on the CSU in 2003 and 2004. The first priority of the budget strategy is to fund additional faculty to accommodate the increased enrollment target assigned to the campus. The remaining balance of available funds is then allocated to instructional and non-instructional areas to restore base budgets to funding levels prior to the cuts.

Recently, the campus was notified that collective bargaining agreements already in place and offers by the Chancellor's Office will exceed the funding contained in the CSU budget plan. The resulting shortfall will require campuses to cover the unfunded cost from their existing support budgets. Fortunately, our campus has sufficient temporary resources to provide a financial bridge until such time as permanent funding generated by enrollment growth becomes available. This same strategy will be used to fund the comprehensive fund-raising campaign that we committed to support last year.

Maintaining this financial strategy is dependent on both achieving and being funded for modest enrollment growth while preserving the quality of our outstanding programs and services. Although continuing the budget recovery strategy in dealing with new commitments will limit our flexibility for a few more years, RPP believes it is the best course of action for the campus.

### **California's Fiscal Context and the Governor's Budget**

It is expected that California's economy will continue to grow at a modest, but subdued pace in 2007 and 2008. In balancing the State's Budget, the 2007-08 budget plan is based on

- Optimistic revenue growth projection of 7%
- Prevailing on several legal issues
- Proposed limited spending in many areas of state government.
- No tax increases

The Legislative Analyst Office (LAO) has made an independent analysis of the budget and concluded

- The Governor's overly confident assumptions total at least \$3 billion
- Higher education should be among the budget-balancing solutions

There is always risk in any political budget process, but at this time, RPP does not consider the LAO's recommendations to be a serious threat on the CSU Budget.

### **California State University Support Budget**

The Governor's proposed budget for 2007-08 honors his commitment to the Compact Agreement with higher education by providing a \$299 million increase in new resources (state support and fee revenue) to the CSU.

Systemwide Resources:

- \$ 96 million base budget support
- \$ 78 million to support a 2.5% enrollment growth plan

- \$123 million in student fee revenue. The proposed budget did not include a fee buyout, but the Governor was supportive of a 10% fee increase and is permitting the CSU to retain the revenue proceeds in the budget plan. On March 14, 2007, the CSU Board of Trustees approved the 10% State University Fee increase for undergraduate and graduate students.
- \$ 2 million for the CSU Math and Science Teachers' Initiative. The CSU had requested \$71 million for a variety of high priority items above the provisions of the compact, including an additional 1% for compensation increases. The only item supported in the Governor's budget is \$2 million to continue the Math and Science Teachers' Initiative.

#### Systemwide Expenditure Plan:

- \$ 42 million in mandatory costs (health benefits, space, energy, SSI)
- \$ 78 million for CSU enrollment increase of 8,355 full-time equivalent students
- \$ 39 million in student financial aid
- \$129 million for compensation
- \$ 9 million for library, technology, deferred maintenance
- \$ 2 million for Math and Science teacher initiative

#### **Campus Budget Increase**

CSULB's share of the CSU budget increase is estimated to be \$22 million, a 7.4% increase over the 2006-07 operating budget (Exhibit 1).

- \$16 million of the budget increase is designated for specific expenditures such as health benefit rate changes, insurance premium increases, student financial aid, and salary increases.
- \$ 6 million generated by enrollment growth will fund the continuation of the multi-year budget recovery strategy that has been effective in bringing fiscal stability to the campus the past three years.

#### **Campus Budget Recovery Strategy**

The Campus Budget Recovery Strategy was developed in 2003 in response to major state budget cuts.

- The campus operated in a very conservative nature and accumulated reserves of temporary funds at the university and division levels.
- Rather than having to assess significant budget cuts throughout the campus, the application of these temporary reserves allowed us to fully protect the instructional capacity and buffer some of the cuts in non-instructional areas.
- The first priority of this budget strategy is to provide base funding for additional faculty to accommodate the increase in the enrollment target assigned to the campus.

- The remaining balance of funding generated by enrollment growth is allocated to instructional and non-instructional areas. Over a period of years, this will replace temporary dollars with permanent dollars, thus restoring base budgets to funding levels prior to the cuts.

The RPP Task Force believes that continuing the recovery plan to completion is in the best interest of the campus. Although this recommendation will limit our flexibility for a while longer, the only other alternative would be to cut base budgets. Maintaining this financial strategy depends on modest enrollment growth for our campus and that we are funded for that growth, while maintaining the quality of our outstanding programs and services.

### **Compensation**

A major component of the CSU's 2007-08 budget plan is compensation increases and \$129 million is reserved for a 3% base salary increase to all faculty and staff and an estimated 1.7% for employee groups with identified salary lags.

Improved salaries for our faculty and staff are an important priority and in support of that objective this year

- The Chancellor's Office negotiated contract agreements or has made salary offers that exceed the available compensation budgets allocated to the campus this year and next.
- The campus was recently notified that the resulting shortfall will require campuses to cover these additional costs from their existing support budgets.
- Based on the terms of the last offer from the system office, we estimate the annual cost requirement for our campus to be \$3 million by 2008-09 with no permanent funding source available.

RPP was faced with this same sort of dilemma three years ago when the State reduced our support budget and we developed a budget strategy that ensured fiscal stability during some very difficult budget times. Fortunately, our campus has sufficient temporary resources to provide a funding bridge for the unfunded salary shortfall until permanent funding is available from enrollment growth. The campus community will need to understand that utilizing this funding strategy will result in limited flexibility because our new resources have been pre-committed.

### **Comprehensive Campaign**

Last year the President announced a plan to conduct a comprehensive fundraising campaign.

- A major thrust of the campaign will be the university's endowment, with special focus on student scholarship, support for faculty, facilities and equipment

improvements, and academic program needs as defined by the individual colleges.

- In recognition that this would require an initial investment, RPP recommended last year that the start-up funding be supported with temporary resources so as not to interfere with the university's recovery plan. RPP planned to begin addressing the permanent funding in the 2007-08 budget cycle, but because of the unexpected compensation cost requirement, campaign funding will continue on temporary sources a while longer. Sufficient reserves have been identified for this purpose.

### **Enrollment**

For 2006-07, the campus over-achieved its enrollment target by about 700 FTES due primarily to five factors.

- First, there was an increase in enrollments from community college transfers who were responding to new campus outreach efforts that were more successful than expected.
- Second, there was a marked increase in rates of continued enrollment due to the success of retention efforts and changing student mix.
- Third, the campus increased slightly the size of the freshman class to nearly 4,500 as applications from freshmen continued to rise.
- Fourth, student average unit load rose to an all-time high because of effective efforts by colleges and academic departments to meet student needs with class schedules and because of the changing student mix.
- Fifth, 2006 summer enrollment rose because of a special offering of financial aid funds to students. This offer cannot be repeated and a slight decline in summer enrollment is expected in 2007.

For 2007-08, the system office has assigned CSULB an enrollment target of 29,357 FTES, an increase of 637 resident FTES over our funded enrollment target for the current year.

- The campus this year already achieved next year's assigned enrollment target. We expect continued enrollment demand and current projections suggest that our campus could be overenrolled again next year.
- Over-enrollment poses a significant challenge in being able to provide necessary classes and services to students. Continued enrollment growth places significant pressure on academic facilities, which will require efficient scheduling.
- We are exploring additional enrollment management controls to avoid excessive over-enrollment. The campus aims to reduce the size of the freshman class to approximately 4,100 FTES, and to reduce transfer enrollments by about 200 FTES to avoid excessive over-enrollment.

### **Division Planning**

The divisions' 2006-07 base budgets will be continued and represent the point of departure for the distribution of 2007-08 recovery dollars (Exhibit 2). Divisions are asked to present their expenditure plans in three categories:

- Continued Mitigation – services that are being continued from 2006-07.
- Restoration of Services – services that were suspended or performed in an alternate, less than optimum manner, due to prior year budget reductions.
- New Requirements – newly identified priorities or unfunded mandates.

Divisions should identify total divisional carryover resources and what portion of savings, if any, will be incorporated into their expenditure plan. In addition, all divisions are asked to incorporate into its presentations division planning assumptions, priorities for restoration and contingency strategies.

### **Contingency Planning**

RPP judges the risk of a significant reduction in the general fund budget to be modest. And while there is no certainty in a political process, RPP does not believe that risk high enough to warrant a separate contingency plan for the campus. Each division is asked to reflect some contingency planning in its presentations to RPP by identifying expenditure priorities.

### **Campus Goals**

A major objective of the task force is to create effective links between campus goals and the budget planning process. In respective budget plans, each division is expected to demonstrate how campus goals are advanced. Campus Goals for 2007-10 are included with this document (Exhibit 3) and are also available on the university's strategic planning website:

[http://www.csulb.edu/divisions/aa/planning\\_enrollment/](http://www.csulb.edu/divisions/aa/planning_enrollment/)

CSULB has achieved recognition as the third highest ranked public Master's granting university in the West by *U.S. News & World Report*, and as one of America's Best Value Universities by *The Princeton Review*. These recognitions are the result of sustained striving for excellence on the part of the university community.

CSULB now aims to achieve still greater distinction with four strategic priorities: Student Success, Academic Quality, Service Excellence, and Campus Life and Environment.

- Student Success: By 2008, CSULB aims to raise already-improving graduation rates to a leading position among comparable universities in California and in the nation.

- Academic Quality: Excellence in research and creative activities strengthens academic programs, leads to new areas of disciplinary and interdisciplinary focus, and adds value to CSULB degrees. The campus aims to expand external support for faculty scholarship and creative activity, student research, and study abroad opportunities.
- Service Excellence: CSULB seeks to deliver “Excellence Every Day” in services through skillful deployment of technology and through the concerted efforts of staff.
- Campus Life and Environment: CSULB aims to enhance its distinctly beautiful campus, update and expand the existing infrastructure, and preserve the quality of the physical environment.

### **Forms and Instructions**

Exhibit 2 (attached) provides the specific base and non-base allocations for Form 3, which are based on a preliminary estimate of the campus’ share of funding. Deans, directors and department heads should look to their respective division offices for specific instructions on how to respond to internal divisional planning strategies.

Prescribed formats, as well as presentation instructions will be provided under separate cover to each division executive.

### **Future Updates**

As the university receives new budget developments, the Task Force will incorporate any appropriate changes 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 Planning Budget Augmentations
- Exhibit 3: 2007-10 Campus Goals

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