



CALIFORNIA STATE UNIVERSITY, LONG BEACH
DIVISION OF ADMINISTRATION AND FINANCE

To: F. King Alexander, President

From: Karen Gould, Provost and Senior Vice President for Academic Affairs
Mary Stephens, Vice President for Administration and Finance
Co-chairs, 2008-09 Resource Planning Process (RPP) Task Force

Handwritten signatures of Karen Gould and Mary Stephens.

Date: June 30, 2008

Subject: 2008-09 RPP Task Force Report

We are pleased to transmit the report of the 2008-09 RPP Task Force including the planning parameters and funding challenges that shaped this year's process and recommendations. Throughout this year's planning process one common theme gained consensus: CSULB is committed to protecting our students, our faculty, our staff, and the integrity of our core mission. Your support for the utilization of temporary resources to help mitigate the effects of budget reductions was critical to our planning and greatly appreciated.

PLANNING PARAMETERS

RPP was confronted with two differing sets of planning parameters, one based on the Governor's January budget proposal and one based on the Governor's revised proposal in May. We cannot know at this time which budget plan will be closer to the final state budget. Therefore, you will find below recommendations responding to both scenarios.

The Governor's January Budget, based on a projected state deficit of \$14.5 billion, proposed a net funding reduction of \$99.3 million from 2007-08 levels for the CSU. This budget provided no funding for CSU mandatory cost increases, compensation increases, or enrollment growth. For CSULB, the proposed reduction and mandatory cost increases translated into a funding problem of \$16 million, a \$7.4 million cut from prior year funding and \$8.6 million in unfunded mandatory cost increases for health benefits, energy, the operation and maintenance of new space, and the full-year costs of compensation increases agreed to in 2007-08. The budget provided no support for CSULB enrollment growth, despite the very high demand from students to attend the campus. In addition, the campus has essential initiatives costing \$3.5 million for emergency notification, classroom maintenance, and the comprehensive fundraising campaign.

The Governor's May Revision eliminated almost all (\$97.6 million of the \$99.3 million) of January's proposed CSU cut, maintaining almost the same level of state funding as provided in 2007-08. However, the May budget still provided no support for the \$8.6 million in unfunded mandatory cost increases for CSULB. Also, the May budget added a new teacher performance assessment mandate. The May proposal would reduce CSULB's budget problem to \$9.4 million from the originally anticipated problem of \$16 million. The May budget continues to provide no support for enrollment growth. Also, the campus still must deal with essential initiatives costing \$3.5 million for emergency notification, classroom maintenance, and the comprehensive fundraising campaign.

Whether the Governor's May Revision will be approved by the legislature remains uncertain because there are very strong competing claims from State programs, such as health and welfare, that have been threatened with reductions. Moreover, the legislature could also decide to earmark funding for a specific purpose which would mean that we would have to implement reductions nevertheless.

CAMPUS STRATEGY

Given the uncertainties associated with the proposed May Revision budget, RPP had no choice but to develop a plan that imposed budget reductions on the operating divisions. Recognizing the commitment to protecting instruction, the Task Force recommends a lesser percentage reduction in the instructional budget than on other non-instructional budgets. Based on your recommendation, \$5.6 million from the university reserve will be used to provide welcome relief across the board.

To provide even more essential protection for instruction, the Division of Academic Affairs budget plan proposes to use nearly \$5 million of carryover and non-General Fund resources to backfill budget losses in order to avoid dramatic reductions to the 2008-09 schedule of classes that would have denied students access to necessary instruction. The Division of Administration and Finance proposes to use \$700,000 of carryover to backfill budget losses to avoid dramatic reductions in critical services. The Divisions of Student Services and University Relations and Development also plan to backfill some critical functions.

During the budget cuts of the early 2000s, a prior RPP Task Force developed a "budget recovery plan" to cope with those losses by phasing budget recovery over a period of years with the aid of enrollment growth funding. Fiscal year 2008-09 would have been the final year of recovery, but unfortunately this plan cannot be sustained. In addition to state budget cuts, non-instructional areas will have to deal with the cumulative loss of \$2 million they had use of in 2007-08, based on that recovery plan. Although these funding losses will result in undesirable consequences, it is intended that early notification to the divisions will enable them to plan for future years without the support of these temporary funds.

The Task Force would like to commend all divisions for their thoughtful, creative, and proactive approaches to proposing strategies for 2008-09 to handle anticipated budget reductions. Essential services have been examined and efficiencies have been maximized. While necessary, the Task Force recognizes that reduction strategies will force the elimination of many less critical services and will slow the delivery of critical services to students and campus constituents. Our university has made virtually all of the reductions that can be made without beginning to affect core mission activities. Furthermore, temporary university reserves and carryover amounts will be seriously depleted, and divisional flexibility to deal with future cuts will be diminished.

RECOMMENDATIONS

At the present time RPP is confronted with two differing sets of planning parameters, one based on the Governor's January budget proposal and one more closely aligned with the May Revise. We cannot know at this time which will become the final budget for the State.

Scenario 1: Final Budget Similar to Governor's January Proposal

Recommendations: (1) Implement budget adjustments as outlined in Exhibit 1 (see "Guidelines for Budget Submissions" (Appendix Section A, directly after page A8), with a net reduction to the divisions of \$7.8 million. (2) Direct divisions to exercise spending prudence during 2008-09. (3) Direct divisions to exercise extreme budgetary restraint with respect to new commitments for 2009-10.

Although this plan provides for 2008-09, the university will have to plan for major needs and risks for the following year:

- The need to reproduce or deal with the loss of over \$11 million in temporary funds used in 2008-09 to backfill budgets and avoid very disruptive service and quality reductions:
 - \$5.6 million from the university reserve,
 - \$4.8 million from Academic Affairs carryover and non-General Fund budgets,
 - \$700,000 from Division of Administration and Finance carryover,
 - \$72,000 from Division of Student Services carryover,
 - \$65,000 from Division of University Relations and Development carryover.
- The possibility of additional state budget cuts in 2009-10.
- The possibility of collective bargaining agreements that might be reached in 2008 or 2009, which could impose unfunded expenses on the campus.

A further complication may develop in light of the CSU system goal to reduce carryover funds. Campus budgetary restraint in 2008-09 may result in accumulated funds that necessitate negotiation with the Chancellor's Office. Nevertheless, the

consequences of not being prepared for a second year of cuts would be so difficult, that extreme budgetary prudence is necessary.

Scenario 2: Final Budget Similar to Governor's May Revise Proposal

Recommendations: (1) Implement budget adjustments as outlined in the attachment to this letter, with a net reduction to the divisions of \$400 thousand. (2) Direct divisions to exercise budgetary prudence during 2008-09. (3) Direct divisions to exercise budgetary prudence with respect to new commitments for 2009-10.

Although this plan is less problematic than Scenario 1 in 2008-09, the university must still plan for major needs and risks for the following year (2009-10):

- The need to reproduce or deal with the loss of \$5.6 million from the university reserve used in 2008-09 to backfill budgets and avoid very disruptive service and quality reductions.
- The possibility of additional state budget cuts in 2009-10.
- The possibility of collective bargaining agreements that might be reached in 2008 or 2009, with the potential to impose unfunded expenses on the campus.

Final Recommendation

The RPP Task Force recognizes that the May Revision is only a recommendation and is subject to the actions of the Legislature. Moreover, a key element of the May Revision is subject to voter approval which will not occur until November. There is risk in such a highly political process and a final state budget is not expected to be completed until well into the fall semester. Therefore, even if the final state budget is similar to the May Revision, we would not be able to implement Scenario 2 in a timely manner.

Accordingly, the RPP Task Force recommends that budget planning Scenario 1 be adopted as we begin the fiscal year in July 2008.

BACKGROUND INFORMATION

Governor's 2008-09 Proposed January Budget

The Governor's Budget acknowledged a workload-based funding increase for the CSU that appears to honor parts of the Compact with Higher Education but then inversely implements an overall reduction of 10 percent. Additionally, the Governor's Budget does not provide funding in lieu of a student fee increase as requested by the Board of Trustees. In summary, the Governor's Budget for the CSU:

- Provides a workload-based funding increase of \$213.6 million

- Reduces the CSU budget by \$312.9 million (10 percent)
- Reduces net funding to the CSU by \$99.3 million from 2007-08 funding levels (\$213.6 million minus \$312.9 million)
- Fails to provide \$73.2 million of funding in lieu of a student fee increase

Governor's 2008-09 Proposed May Revised Budget

The Governor released the May Revision to the 2008-09 budget on May 14, 2008. Overall, the May Revision estimates a worsened state general fund problem of approximately \$17 billion. To bridge this gap, the Governor proposes further reductions to state programs such as health and welfare and proposes to borrow against future lottery revenues up to \$15 billion over the next three years. This change in the use of lottery revenues requires voter approval in November. The May Revision proposes a contingent one percent sales tax increase if voters reject the proposed lottery borrowing. These proposals allow the Governor the ability to reduce some previously proposed cuts, particularly in education.

For the CSU, the May Revision deletes the earlier proposal to cut \$97.6 million. This would almost maintain the same level of state funding for the CSU as in 2007-08. This is good news, and we are grateful that the Governor has recognized the importance of higher education as a state investment. However, this action would leave the CSU still facing great fiscal challenges in 2008-09. CSULB must still deal with a funding problem of \$9.4 million (\$8.6 million in unavoidable mandatory cost increases for health benefits; energy; the operation and maintenance of new space; the full-year costs of compensation increases agreed to in 2007-08; \$700,000 for a new Teacher Performance Assessment program; and \$100,000 in unallocated reductions). These costs are additional expenditures that CSULB must make in 2008-09 and for which no resources exist, even under the improved proposal provided in the May Revision.

The May Revision remains a recommendation and is subject to the actions of the Legislature which is likely to have serious objections to key parts of the proposal. The Legislature may seek other means of balancing the overall budget, may reduce the restored funding, or could choose to target some or all of any restored funding to a specific purpose. Much can happen between now and when the Legislature and Governor craft a final budget, which is not expected to be completed until well into the fall semester.

CSULB Strategic Priorities and Goals

The rising excellence of CSULB is increasingly recognized. The university is ranked as one of the top five public comprehensive universities in the western United States for the fourth consecutive year and as the third best value public university among all American public colleges and universities. *CSULB Strategic Priorities and Goals* articulate a university desire to achieve still greater distinction with four strategic priorities: *student success, academic quality, service excellence, and campus life and environment*.

The CSULB *Strategic Priorities and Goals* are reviewed and revised annually and guide our budget planning process. Each division provided a budget plan demonstrating how campus priorities and goals will be affected by budget reductions or protected by divisional strategies. The Task Force commends all of the divisions for preparing responsible budget plans, for their commitment to advancing the campus goals, and for promoting student success and improving essential services.

Campus *Strategic Priorities and Goals* for 2008-11 are available on the university's strategic planning website: http://www.csulb.edu/divisions/aa/planning_enrollment/

Comprehensive Fundraising Campaign

CSULB is in the early stages of a very important comprehensive fundraising campaign. Interrupting the momentum that is already building would set back the university considerably. Campaign results will provide better educational opportunities for our students, build our endowment, significantly build annual fundraising efforts, and strengthen our statewide and national reputation. Furthermore, the Board of Trustees has mandated that every campus have in place a comprehensive fundraising effort to further the academic mission of the university. With an expected return on investment of 7:1, the campaign has received broad university support since 2006-07 and has been funded with temporary resources due to a lack of permanent discretionary funds.

The Division of University Relations and Development has developed a very thoughtful budget at \$1.8 million annually, and the Task Force recognizes that sustaining such an endeavor will eventually require permanent funding. It was hoped that we could begin funding this requirement with permanent funds in 2008-09. However, given the state fiscal situation, the campaign will need to remain on temporary resources for the near term.

Partial Funding of Current Budget Recovery Plan

In 2007-08, the university allocated \$3 million in temporary resources to divisions to continue key services under the current budget recovery plan. Because of the expected 2008-09 budget reductions, we cannot continue all of this funding, but partial funding will help mitigate the reduction to non-instructional budgets next year. Therefore, the Task Force recommends that \$1 million in temporary resources be allocated to non-instructional budgets in 2008-09.

Enhanced Classroom Maintenance

For the past two fiscal years, the enhanced classroom maintenance program has enabled the frequency of items such as routine classroom maintenance, carpet and floor cleaning, and painting to be increased beyond former levels. Because these maintenance enhancements are so visible and benefit both faculty and students, the Task Force recommends continuing to fund this program in 2008-09 with temporary campus resources, although at a slightly reduced allocation.

Campus Messaging

With recent episodes of campus violence and disruption across the nation, it is imperative that the university create a campuswide messaging system to notify students and employees of emergency information. The Task Force recommends a \$100,000 base budget allocation to our emergency preparedness program to activate and maintain an electronic emergency notification system that will enable the university to broadcast emergency information via telephones, cell phones, and email/text messages to all students, faculty, and staff.

Mitigation from the University Reserves

In an effort to mitigate the budget problem, you decided to apply \$5.6 million of temporary university resources in 2008-09. Recognizing that the budget problem is sizable and would certainly result in substantive disruption, the Task Force fully supports this decision to help moderate impacts next year and appreciates your leadership in this area.

ENROLLMENT

In recent years CSULB experienced increased enrollment and strong application demand for several reasons. The Beach is attractive to students because of the quality of our programs and our faculty. A statewide increase in high school graduates has also increased freshman demand.

For 2007-08, CSULB exceeded its enrollment target by about 1,400 FTES. Although new admissions were reduced, a strong increase in continuing students accounted for most of this increase. For 2008-09, the system office assigned CSULB an enrollment target of 29,357 FTES, level with the 2007-08 year. CSULB cannot accommodate additional enrollment growth in 2008-09 since we already are asked to educate the same target enrollment as the current year with fewer resources. As a result of these changes, the university developed a plan to downsize enrollment. We expect that overall CSULB enrollment will decline about 200-300 FTES for the coming college year (summer, fall and spring). Summer enrollment was sharply reduced in order to save resources that are planned to protect fall and spring schedules of classes.

2008-09 CONTINGENCY PLANNING

Although the assumptions and planning parameters contained in this document are based on the latest available information, it is possible that circumstances will change and necessitate adjustments. The university and each division must develop plans to cope with several likely contingencies:

- A final state budget that resembles the January proposal, the May proposal or a budget that is somewhat better or worse than either.
- Collective bargaining agreements that might be reached in 2008 or 2009, imposing unfunded expense on the campus.

The Task Force will remain alert to external budget factors and changing conditions that could affect these scenarios and will be available to reconvene in the fall to consider modifications that might be necessary.

2009-10 OUTLOOK AND CONTINGENCY PLANNING

It is impossible at the present time to have a high degree of confidence about the outlook for 2009-10 because the national and state economies are unstable and the state strategy for managing its current budget predicament is not yet established. Other demands on the state budget, such as health care and prison reform, could affect available funding.

On the other hand, in recent years, governors of both parties and the Legislature have been reasonably supportive of higher education. Growing public awareness of a number of higher education issues could help us. The CSU is increasingly recognized as one of the most accessible and efficient models for high quality higher education in the United States. More leaders in our state are recognizing the vital need for California to help a larger percentage of its young people obtain a college degree in order to strengthen economic opportunity, promote economic development, and enhance global competitiveness across the state. Political awareness of these issues could work to the benefit of our students and campus.

The RPP Task Force recognizes that state budget problems may not be resolved in one year and that the campus could be faced with additional reductions. Significant reductions will become progressively more difficult and harmful. In the event of continued reductions, the campus may need to explore a range of budget approaches to successfully sustain the campus core mission of delivering high-quality, student-focused education as a premier institution.

The university and each division must develop contingency plans for the following potential budget scenarios and conditions:

- Another budget cut for 2009-10, or
- Resumed funding for enrollment in 2009-10;
- The need to reproduce the provision of or deal with the loss of temporary funds used in 2008-09 to backfill budgets and avoid very disruptive service and quality reductions;
- Collective bargaining agreements that might be reached in 2008 or 2009, resulting in additional unfunded expense on the campus.

The need for fiscal constraint will be especially challenging over the next few years, given our growing ambitions to hire more tenure-track faculty, increase our research support and scholarly and creative productivity, improve student success rates, give increased attention to graduate education, enhance support for academic technology and our technology infrastructure, improve our physical plant, and promote excellence in all that we do. The campus will need to be strategic, entrepreneurial, and very creative to address all of these ambitions and continue to move forward in a tight fiscal environment.

CONCLUDING THOUGHTS

The Task Force would like to acknowledge the continued hard work of the entire university community and the resolve shown by all. CSULB is a vital premiere institution of higher education that remains one of the nation's best. This would not be possible without the energy, creativity, dedication, and positive attitude by all faculty, staff, and students.

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C: RPP Task Force
President's Cabinet
Deans, Directors, Department Chairs
Academic Senate Executive Committee
University Resources Council
Staff Council Executive Committee
CSULB Faculty and Staff Union Chapter Presidents