To: F. King Alexander, President
From: Donald Para, Provost and Senior Vice President for Academic Affairs
      Mary Stephens, Vice President for Administration and Finance
Date: June 13, 2011
Subject: 2011-12 RPP Task Force Budget Recommendations

The purpose of this memo is to transmit the budget recommendations of the 2011-12 Resource Planning Process (RPP) Task Force. The state budget and CSU funding may not be resolved before Fall 2011. However, the RPP Task Force believes it is important to communicate current plans based on what we do know to the campus community.

In the past decade CSULB has made remarkable gains in academic quality and student success. The campus remains committed to our pursuit of excellence. Consequently, our academic purpose remains graduating students with highly-valued degrees. Budget challenges may slow our progress, but we are determined to continue.

**Executive Summary**
The following summarizes our understanding of the budget situation:

- CSULB anticipates that the 2011-12 state budget crisis and CSU funding will not be resolved any earlier than Fall 2011 because the Governor’s budget plan continues to depend upon a ballot measure to determine whether certain taxes should be extended.
- Potential CSU impacts appear to range from the $500 million budget cut (18 percent) proposed by the Governor in January to a $1 billion cut (36 percent) that might be included in an “all cuts” state budget.
- CSULB’s share of these cuts ranges from a $36 million (18 percent) overall budget reduction to a nearly $72 million (36 percent) reduction.
- CSULB expects to have resources to offset some of these cuts and continue to support the 2011-12 schedule of classes.
- Under the more pessimistic scenario ($1 billion CSU reduction), the operating and cash flow consequences for the campus are serious.
- While temporary funds will buffer impacts in 2011-12, the campus will have to plan for significant cuts in 2012-13, by which time the restoration funding will be exhausted.
Background
California continues to struggle with extremely challenging fiscal circumstances, including a re-emerging budget deficit of about $26 billion for 2011-12. The Governor’s January proposed budget included a $500 million – or 18 percent – reduction in state support to the CSU. The $500 million reduction was described as the “best case” scenario based on an extension of tax increases to be voted on in an anticipated June 2011 special election. However, due to the legislature’s failure to agree to a ballot measure, the anticipated revenues from these tax extensions may not be available as solutions to the state’s budget crisis. While the Governor has not formally specified the consequences, he has repeatedly mentioned the possibility of an “all cuts” state budget that could include doubling the cut to the CSU, for a potential total of $1 billion.

Current Budget Outlook
Governor Brown recently released his May Revision budget for the coming year. The May Revision assumes the proposed $500 million reduction in state support to the CSU, which has now been passed by the legislature. The plan continues to depend upon extending some taxes through a statewide vote. Although the Governor was unable to secure the required legislative votes needed to put tax extensions on a June ballot, he continues to seek a ballot, probably sometime in the fall. There remains much uncertainty about the prospects of the tax extension proposal, particularly since the news of enhanced state revenue collections was released.

If the Governor is unable to place the tax extensions on a statewide ballot or if voters decline to support those extensions, an “all cuts” state budget would be necessary. This “all cuts” state budget would include an additional $500 million cut to the CSU, for a total reduction of $1 billion. The consequences for the campus of an “all cuts” state budget are very serious indeed.

The CSU is actively working to make the Governor and legislative leaders aware of the vital connection between the CSU and the state’s economic and social future, and the need to avoid very damaging additional budget cuts. However, it is not operationally feasible for the CSU to simply wait on the state and its uncertain budget process and instead has an obligation to be prepared for an “all cuts” state budget that potentially could reduce state support for the CSU by $1 billion. Accordingly, at its May 2011 meeting, the CSU Trustees were presented a budget contingency plan of action to address this worst case scenario.

The contingency plan is made up of two elements. First, all campuses will “wait list” applications for winter and spring 2012 admissions by accepting applications for those terms but not making any admissions decisions until the budget is finalized. Under the worst case scenario, the CSU would be in the unfortunate position of turning away scores of qualified applicants in order to reduce instructional costs. Second, the board would be asked at its July meeting to authorize a tuition fee increase of up to an additional 32 percent beyond the 10 percent approved last November. The actual tuition fee increase would be contingent upon whether the CSU received additional cuts, and the size of the additional reduction. Making the tuition fee increase contingent upon
the budget outcome gives the CSU the ability to act quickly and flexibly once the state budget is finalized. Even if enacted, however, this fee increase would not offset all of the potential reduction.

**Preliminary Campus Mitigations and Net Impacts**

While we do not know the final amount or even the timing of budget cuts, CSULB most certainly faces substantial budget reductions this coming year. At a minimum, we know the legislature has approved the $500 million cut to the CSU included in the Governor’s January proposed budget. Fortunately, we have some resources available to mitigate these reductions. First, the campus took a conservative approach to budget planning last fall when we received a $19 million budget restoration from Governor Schwarzenegger. Because we set aside this budget restoration rather than permanently allocating it to the operating divisions, the full $19 million is available in 2011-12 to offset Governor Brown’s proposed cuts. These restoration funds were only allocated to the divisions on a one-time basis in 2010-11 with instructions to spend very frugally, so the majority of these funds will be carried over into next year to allow for a “soft landing” from the final 2011-12 budget cuts. Second, reductions will be buffered by tuition fee increases enacted in November 2010 by the CSU Trustees (5 percent for Spring 2011 and an additional 10 percent for Fall 2011). Moreover, the Trustees may further increase fees by up to another 32 percent if an “all cuts” state budget is enacted.

Under the $500 million CSU cut scenario, it is projected that the campus impact would be approximately $10 million after mitigations. It is not feasible to project a definitive campus impact under the “all cuts” state budget, although our best estimation is in the range of $15 million to $30 million.

**Recommendations of the Resource Planning Task Force**

- In the scenario based on the Governor’s January budget proposal ($500 million CSU cut), the net reduction to CSULB after mitigations is estimated to be $10 million. RPP recommends that this reduction be levied to all campus operating divisions pro rata. Although the permanent portion of restoration funds will be returned to the state as an offset to campus reductions, divisions will carry forward respective shares of the one-time portion. These funds can be used to buffer immediate impacts of the cut in 2011-12, allowing time to plan for permanent reductions totaling $10 million in 2012-13.

- The “all cuts” state budget scenario is far more challenging. In addition to not knowing the amount of the budget reduction in this scenario, the timing of final budget approval may complicate matters significantly. In this scenario, temporary strategies will be needed to bridge the budget into 2012-13. There is great concern that the campus could face serious cash flow issues in 2011-12. Because this situation is so serious, because the parameters affecting this scenario developed very recently, and because such significant unknowns remain, RPP recommends that campus leadership continue to work diligently on strategies to manage this scenario.
Given the substantial fee increases already enacted and the potential for a further 32 percent increase, RPP recommends that the campus seek to achieve at least our funded enrollment target of 26,875 resident FTES with fall admissions only. This will protect against a fee revenue loss in case the Chancellor orders a Spring 2012 closure, which is a real possibility.

California remains in the midst of extremely challenging fiscal circumstances and the state budget situation is mired in unprecedented uncertainty. We could be well into the fall semester before we have a final budget for 2011-12.

Depending on how uncertainties are resolved, it is possible that immediate actions will be necessary. Unfortunately, the RPP Task Force is not in a position to provide more definitive conclusions at this time.

**Enrollment**

For 2011-12, the campus funded enrollment target has been established at 26,875 resident FTES, an increase of 421 FTES from our 2010-11 target. At this time, the campus enrollment plans for 2011-12 are based on the $500 million CSU reduction scenario with no additional state cuts. However, initial plans have been put in place to close admissions to all students for Spring 2012 since additional state cuts are indeed possible.

Fortunately, at CSULB aggressive enrollment management has allowed us to avoid the academic program eliminations and large scale class cancellations seen at other CSU campuses. In contrast, CSULB has worked in a very orderly yet aggressive manner toward efficient class sizes and has essentially no undersubscribed programs.

**Concluding Thoughts**

The RPP Task Force recognizes that in order to mitigate the recommended budget reductions the divisions are relying on significant one-time restoration funds in 2011-12 for which there is no replacement funding source for 2012-13. While this provides a bridge to 2012-13, eventually permanent budget cuts will be required. This mitigation allows a softer landing and it is crucial that the additional time be used for careful planning and consultation.

Due to consecutive years of budget reductions, significant new reductions will become progressively more difficult and harmful. Students will be negatively affected by fewer class offerings, reduced services, higher fees, reduced graduation rates, and increased time to degree. Continued reductions of temporary and permanent staff positions as well as adjunct faculty are likely. There will be severely limited capacity to implement new programs, projects, initiatives, special requests, appeals, and ad hoc reports. We believe that managing workload is critical so we don’t squander employee morale and the positive campus environment we have worked so hard to create.

A comprehensive summary of the 2011-12 budget planning process is contained in **CSULB Budget Outlook 2011-12 and Beyond – April 2011** which can be found on
the CSULB Budget Central website. This report contains additional background information, updated planning parameters, key budget considerations, budget strategies, potential actions to manage reductions, and potential consequences.

The Task Force commends all divisions for their thoughtful, creative and proactive efforts. 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.

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

C: Associated Students Officers
All CSULB Employees