The purpose of this memo is to transmit the budget recommendations of the 2012-13 Resource Planning Process (RPP) Task Force. The final state budget and CSU funding will not be known until late November 2012 due to the potential trigger reduction tied to Governor Brown’s tax increase initiative. However, the RPP Task Force believes it is important to communicate current plans to the campus based on what we currently know.

In the past decade CSULB has made remarkable gains in academic quality and student success. The campus remains committed to our pursuit of excellence. Our academic purpose remains *graduating students with highly-valued degrees*. We are committed to the mission of continued excellence, but the budget crisis we are facing is of unprecedented magnitude.
Executive Summary
The following summarizes our understanding of the budget situation:

CSULB’s 2012-13 state funding will not be finalized any earlier than November 2012 because the Governor’s budget plan depends upon a ballot measure to determine whether certain taxes will be increased, allowing the state to avoid further budget cuts.

- The CSU budget is even more uncertain than usual, with potential effects ranging from a status quo budget to a massive budget cut depending upon the outcome of the November 2012 tax increase initiative. If the tax initiative is not approved by voters, the CSU is subject to a “trigger” reduction of $250 million effective January 2013.
- CSULB’s share of the trigger reduction is $20.8 million, based on the Governor’s May Revise budget. With the addition of mandatory cost increases and current year budget cuts that have been mitigated with one-time funds, we could face a budget problem of $32 million for 2012-13.
- Campus budget planning by RPP has been completed based on a $27 million budget problem, the best estimate that was available during the spring semester before the release of the Governor’s May Revise budget.
- Even if the trigger reduction is not enacted, the campus must implement budget reductions for 2012-13 because one-time restoration funding that has mitigated prior budget cuts is being exhausted.
- While temporary funds will buffer the full impact of cuts in 2012-13, the campus will have to plan for further cuts in 2013-14, by which time the restoration funding will be exhausted.

Background
California continues to struggle with extremely challenging fiscal circumstances. The Governor’s January budget proposal assumed a re-emerging state budget deficit of about $9.2 billion for 2012-13. A key component of the Governor’s January budget plan relies on voter approval of a tax measure that would temporarily raise income taxes on high-income earners and increase the state sales tax. If voters do not approve the tax
measure, a series of trigger cuts would go into effect, including a $200 million reduction in state support to the CSU. There is great uncertainty whether voters will approve the tax measure and prevent the trigger reduction. The CSU Chancellor’s Office has assumed the tax measure will not be approved by voters and has given campuses budgets that reflect the anticipated $200 million reduction.

Current Budget Outlook
Governor Brown recently released his May Revise budget for the coming year that reflects a worsening state budget situation. The May Revise now projects a state budget deficit of $15.7 billion, primarily due to continued weak state revenues. Despite this deterioration in the state budget, the May Revise does not include a direct base funding reduction to the CSU. However, the potential trigger reduction to the CSU has been increased from $200 million to $250 million should the November tax measure fail to be approved. We do not know at this time how the Chancellor’s Office plans to address this increase in the trigger cut.

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 budget cuts. However, it is not operationally feasible for the CSU to simply wait on the state and its uncertain budget process. The CSU has an obligation to be prepared for a mid-year trigger cut that would reduce state support for the CSU by $1 billion over two years. Accordingly, the CSU Board of Trustees is currently reviewing a variety of cost reduction and revenue enhancement strategies that may help address this unprecedented budget problem.

Preliminary Campus Budget Outlook and Planning (Spring Term Planning)
While we do not know the final amount of budget cuts, CSULB most certainly faces budget reductions this coming year. We know the $100 million mid-year reduction to the CSU in December 2011, once thought to be a one-time cut, is a permanent reduction. CSULB’s share of that reduction is $7.7 million. We also know that we have unfunded mandatory cost increases for the coming year that are estimated to be $4
million. And if the trigger reduction is enacted following the November election, we know the campus share of that cut is $15.6 million based on a $200 million trigger cut. The sum of these reductions and unfunded costs is $27 million. This projected $27 million campus budget problem was the basis for RPP budget planning this spring.

Fortunately, we have some remaining one-time restoration funds received in fall 2010 from the Schwarzenegger administration to help mitigate the budget problem. Because these restoration funds were allocated to campus divisions with instructions to spend very frugally, a portion of these funds will be carried over into next year to allow for a “soft landing” from the final 2012-13 budget cuts. However, we must be mindful that the use of one-time resources to mitigate permanent reductions in 2012-13 only pushes the budget problem into 2013-14.

Results of Divisional Budget Planning

The projected $27 million campus budget problem was allocated to the operating divisions on a pro rata basis. The divisions were asked to develop budget reduction plans including the use of their remaining restoration funds to help mitigate their share of the projected 2012-13 reduction. Below is a summary at an aggregate level:

- The divisions have already implemented permanent budget reduction actions in the current year totaling $5 million.
- A total of $7 million in one-time funds will be utilized in 2012-13 to mitigate some of the budget problem. This only pushes the problem into 2013-14.
- Therefore, the divisions have developed plans to implement permanent budget reductions totaling $15 million in 2012-13 if necessary.

A comprehensive summary of the 2012-13 budget planning process is contained in CSULB Budget Outlook 2012-13 May 10, 2012 which can be found on the CSULB Budget Central website. This report contains additional background information, planning parameters, key budget considerations, budget strategies, potential actions to manage reductions, and potential consequences.
Recommendations of the Resource Planning Task Force

- RPP recommends that the $27 million reduction be levied to all campus operating divisions pro rata as prescribed in planning. Consistent with the direction adopted by the Chancellor’s Office, the campus should assume the November ballot is unsuccessful and the trigger reduction is enacted. Non-personnel related division reduction plans should be implemented with the start of the fiscal year.

- The Governor’s May Revise increased the potential trigger reduction to the CSU from $200 million to $250 million. As of this writing, we do not know how the Chancellor’s Office will address this increase in the trigger reduction. However, we have received notification from the Chancellor’s Office that our share of the $250 million potential trigger reduction is $20.8 million. Should this occur, our cumulative budget problem would increase from our planning figure of $27 million to $32 million. For more information about the May Revise, please see CSULB Budget Outlook - May Revise 2012-13 which can be found on the CSULB Budget Central website.

- Because the increase from $27 million to $32 million developed so late in the campus’ planning cycle, it is the recommendation of RPP not to require divisions to resubmit formal plans based on this change. Rather, the vice presidents should develop their respective division reduction plans over the summer to accommodate their portion of this change.

California remains in the midst of extremely challenging fiscal circumstances and the state budget situation remains mired in unprecedented uncertainty. Because of the contingent nature of the trigger reduction, it will be the end of the fall semester before we have a final budget for 2012-13.

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 2012-13, the campus funded enrollment target has been established at 26,875 resident FTES, the same as our 2011-12 target. At this time, the campus enrollment plans for 2012-13 are based on enactment of the $200 million trigger reduction to the CSU and closed admissions to all students for Spring 2013. Despite these conditions, we are anticipating our resident FTES to come in approximately 1.0 to 1.5 percent over target for 2012-13. Because of higher student tuition fees, in the short term this increased enrollment contributes positively to our net budget.

Fortunately, at CSULB enrollment management decisions have 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 projected budget reductions the divisions are once again relying on significant one-time restoration funds in 2012-13 for which there is no replacement funding source for 2013-14. While this provides a bridge to 2013-14, eventually permanent budget cuts will be required. This mitigation allows a softer landing but it is crucial that the additional time is used for careful planning and implementation.

Due to consecutive years of budget cuts, 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 to employee morale and the positive campus environment we have worked so hard to create.
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 crucial services to students and campus constituents. Our university, however, 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 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