This memo transmits the budget recommendations of the 2015-16 Resource Planning Process (RPP) Task Force. The final state budget and CSU funding will not be known until later this summer, but the RPP Task Force believes it is important to communicate budgetary plans to the campus based on what we currently know.

Fortunately, for the third straight year, the CSU will be receiving an increase in the system’s budget. We can continue to focus on our academic purpose, graduating students with highly-valued degrees, focusing on academic quality, continuing to support the schedule of classes, and continuing to support student progress to degree completion. It is noteworthy that the governor’s budget proposal once again emphasized the importance of timely degree completion in all of the state’s higher education segments. With the proposed funding, we will be able to better serve students and meet the educational needs of more Californians, thereby positively affecting the workforce and the state’s economy.

Executive Summary

The Governor’s May Revise Budget contained some additional permanent funding increases for the CSU budget as compared to his January proposal. The following summarizes our understanding of the current budget situation:
• The governor’s 2015-16 budget proposal invests new General Fund resources in higher education, consistent with the four-year budget plan he set for the system in 2013-14.

• The governor’s budget proposal includes $157.5 million in additional funding for the CSU. While this funding increase is welcome, it still falls short of the $217 million requested by the Board of Trustees.

• The chancellor has allocated $64 million of the proposed $157.5 million from the governor’s budget proposal to the campuses. A total of $16 million has been allocated for enrollment growth, $16 million for mandatory cost increases (healthcare and new space), and $32 million for 2 percent compensation increases for all employees except faculty.

• The chancellor is holding the balance of $93.5 million until further notice. This amount is expected to fund faculty compensation increases (pending collective bargaining), student success and completion initiatives, additional enrollment, and the financing of physical plant maintenance and infrastructure.

• CSULB’s estimated share of the funds allocated by the chancellor is approximately $600,000. In addition, we estimate that campus revenues will increase by about $1.5 million due to resident enrollment growth and an increase in non-resident enrollment.

• RPP recommends supporting the increased instructional costs for the allocated enrollment increase by allocating almost $1.2 million for instruction.

• RPP also recommends allocating $800,000 for current year compensation increase shortfalls, a salary set-aside for the Chief Information Officer, risk pool premium increases, and State University Grant adjustments.

• In order to respond to the Chancellor’s directive that campuses implement their own salary equity adjustments for faculty and staff, CSULB has identified permanent funds totaling $1 million from the campus-wide utilities budget to fund equity adjustments. RPP recommends allocating $960,000 to process faculty equity adjustments effective January 1, 2015 and $250,000 to process staff equity adjustments effective July 1, 2015 (both including benefit cost increases).
The recommended allocations exhaust the available new resources and the repurposed utility savings and in fact create a $100,000 deficit, but this deficit is small enough to manage.

Campus budget planning by RPP was based primarily on the Governor’s January Budget proposal for a $119.5 million CSU funding increase. While the May Revise includes an incremental $38 million for the CSU, allocation decisions for this additional funding will likely not occur until later this summer. Therefore, RPP budget planning concluded at the end of the spring semester based on the best estimate that was available. While the net effect of the changes above based on the Governor’s January Budget results in a budget deficit of about $100,000, it is inconsequential enough for preliminary planning purposes. Furthermore, with the Chancellor yet to allocate $93.5 million until later this summer, it was felt other budget changes will still affect the bottom line.

**Current Budget Outlook**

The May Revise now projects that state revenues will exceed the January Governor’s Budget estimate by an additional $6.7 billion. Given this positive revenue forecast, the governor has announced his priority is retiring some of the state’s outstanding debt and contributing more to the “rainy day fund.” Additionally, large portions of the additional surplus will be applied to Proposition 98 related spending increases.

The CSU was one of a very few state programs to receive an increase in the May Revise budget. The CSU received a base budget increase of $38 million beyond the $119.5 million increase in the January Governor’s Budget. The additional $38 million is designated as follows:

- **Support efforts to improve student success at all of the campuses, as approved by the Trustees. Over the long term, reducing the time it takes students to complete degrees should provide access to significant numbers of new students and significant savings to students and families.**
Enroll more transfer students beginning in the coming year. While timelier completion should improve access to the CSU, the Administration recognizes the demand campuses are facing today, particularly from transfer students who have completed associate’s degrees for transfer and are guaranteed admission to the university. The additional funds will allow campuses to enroll approximately 1,500 more transfer students by the spring of 2016. (May Revision – 2015-16, p.28)

The May Revise also maintains the governor’s commitment to a multi-year stable funding plan for higher education. Under this plan, the CSU would receive up to a 20-percent increase in General Fund appropriations over the four-year period (2013-14 through 2016-17). In exchange, the CSU is expected to freeze resident tuition for that same period to ensure affordability for students and their families. Additionally, the CSU is expected to achieve the following priorities: decrease the time it takes students to complete a degree; increase the number of students who complete programs; and improve the transfer rate of students from community colleges. The multi-year funding plan increases funding and strengthens accountability to encourage the CSU to become more affordable and to maintain quality and access over the long term.

The 2015-16 CSU budget also includes several one-time funding allocations. Twenty-five million is allocated to help the CSU address its deferred maintenance backlog and $25 million will fund the Governor’s Awards for Innovation Program, which bolsters degree completion and student success. Another $35 million will be used to modernize existing CSU facilities to maximize energy efficiency and natural resources.

Campus specific allocations of the additional $38 million of base budget funding or the one-time funding allocations have yet to be announced by the Chancellor.

While the proposed CSU budget is short of the Board of Trustees’ request, we are grateful for the addition of new funds and the ongoing support of the governor and
legislature. It is anticipated that a final CSU budget will not be available until late June or early July.

**Preliminary Campus Budget Outlook and Planning (2015 Spring Term Planning)**

Despite the projected lack of discretionary funds for 2015-16, the RPP Task Force was informed of the importance of establishing a campus-based salary equity program for faculty and staff. The Task Force immediately understood the critical nature of fixing some salary equity issues that have resulted from many consecutive years of frozen salary levels. To that end, $1 million of the campus-wide utilities budget was identified as a potential source to fund salary equity adjustments. The campus-wide utilities budget has developed some flexibility due to constant investments in energy savings projects over the years. As energy saving projects translates to budget savings, we have been investing these savings in additional projects. While this redirection of $1 million from the utilities budget to fund campus salary equity adjustments will slow the pace of new energy projects, we will continue to make such investments.

**Divisional Budget Planning**

While the CSU is projecting to receive incremental funding in 2015-16, most of the funding is earmarked for specific purposes such as compensation increases, enrollment increases, and mandatory cost increases. There is very little truly discretionary funding that will be available. As such, the operating divisions were told very early in the spring to expect a status quo budget for 2015-16. No budget reductions, but no funding augmentations should be anticipated either. Therefore, divisions were not asked to develop specific expenditure plans for 2015-16 nor were budget hearings conducted as in prior budget cycles.

Both the amount of campus discretionary funds and details for the use of these funds may change by the time we have a final budget later this summer. Plans may also
change depending on how much and for what purpose CSULB receives funding designated for student success and completion measures.

**Recommendations of the Resource Planning Task Force**

- RPP recommends that the limited discretionary funds be allocated as prescribed in planning for enrollment increase instructional cost funding, current year compensation increase shortfalls, a salary set-aside for the Chief Information Officer, risk pool premium increases, and State University Grant adjustments.
- RPP recommends that $1 million of the campus-wide utilities budget be redirected to fund the campus salary equity program for faculty and staff. RPP understands that this redirection will reduce the amount that will be invested in future energy savings projects, although these investments will continue as funds allow.
- It is assumed that the majority of CSU funds yet to be allocated to campuses are earmarked for specific purposes. RPP recommends that the campus allocate these funds as prescribed.
- Should unexpected discretionary funding become available during the summer, RPP recommends that the President determine an appropriate process to consider additional allocations, depending on the amount of additional funding.
- RPP further recommends that a report detailing final 2015-16 allocation decisions be published in the fall.

**Enrollment**

For 2015-16, the campus funded enrollment target has been established at 28,057 resident FTES, an increase of 209 FTES or 0.8 percent over our 2014-15 target. At this time, the campus enrollment plans for 2015-16 are based on our resident FTES to come in approximately 0.5 percent over target for 2015-16. This increased enrollment contributes positively to our net budget.
Concluding Thoughts

Compensation remains particularly problematic with many years of little or no pay increases for faculty and staff. The combination of state-funded compensation increases and the campus-based salary equity program will help alleviate the pressures some, but more is needed.

We expect technology to continue to drive changes in pedagogy and service delivery. New initiatives, such as instructional technology, must be pursued despite limited resources. It is important that the campus be as well organized as possible to effectively adapt to technological changes in both services and instruction.

Some form of performance-based funding is likely in our future. The campus has long been focused on the core performance metrics: student retention and graduation. Student success is increasingly in the campus’s best interest. The campus may have to adapt to accommodate more students, while continuing to improve quality, using any or all of several strategies such as reduced time to degree (which could dramatically increase capacity), online and blended technology instruction (which can improve efficiency of facility usage), and other creative strategies.

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