June 26, 2001

TO: President Maxson

FROM: Karl W. E. Anatol
William H. Griffith
Co-Chairs, 2001-02 Resource Planning Process Task Force

SUBJECT: 2001-02 Resource Planning Task Force Recommendations

We are pleased to transmit the 2001-02 RPP Task Force Recommendations for your consideration, along with the planning parameters that shaped this year’s process. Although the May Revise requires reductions to the increases that had been recommended for the CSU in January, overall we still find a good budget for the campus with the opportunity to address several major priorities.

**Governor’s Proposed Budget – January 2001**

When the Governor released his 2001-02 proposed budget for California on January 10, 2001, the State’s fiscal outlook was very uncertain. Following the robust year of 2000, the State’s general economy had slowed due to depressed revenues and the escalating energy crisis.

Nevertheless, Higher Education ranked high in the Governor’s funding priorities with the CSU receiving a $291.5 million (9.3%) general fund increase to the CSU. The upcoming year will be the second that Governor Davis has supported a budget agreement or “partnership” with higher education. The partnership as originally defined by the Governor in his proposed budget provided the CSU with funding for an average annual increase of 4%, plus additional funding for enrollment growth and long-term budget needs, capital outlay and selected high priority initiatives. In return, the CSU agreed to certain accountability goals. The Governor’s budget plan incorporated funding for a 4.0% salary increase pool for all employees, mandatory cost increases, technology improvements, library acquisitions, and deferred maintenance projects. Four CSU campuses (San Diego, San Francisco, Fullerton and Long Beach) were provided funding to help convert summer instructional programs from self-support to state-support.
We estimate that CSULB’s share of the system’s budget increase would be nearly $26 million, which represents a 12.5% increase over the prior year. To these funds, we will add local revenues bringing the total increase in our state-operating budget to nearly $30 million. A substantial portion of these new resources will be earmarked for specific expenditures and prior claims such as employee salary increases, energy, state-supported summer operations, financial aid, and the new student administration system, leaving an estimated $8 million in discretionary funds available for campus priorities. After allowing for faculty and support costs to accommodate the new enrollment and related workload demands, roughly $4 million remains to consider budget requests from the divisions for new and continuing needs.

**MAY REVISION – May 2001**
The May Revise is considered to be an important milestone in the budget process and becomes the new benchmark by which the final budget will be measured. This year, the updated financial forecast reflected a drop in the state’s tax revenues and cash flow problems. The Governor’s revised plan for the CSU reduced our partnership funding, which in turn cut our compensation pool from 4% to 2% and eliminated new funding proposed for libraries, deferred maintenance and high costs programs. Fortunately, funding for all projected enrollment was preserved which is critical to us since it is our only source of discretionary revenue. One other piece of good news is that the Governor’s revised budget plan adds $34.1 million ($18.6 million in one-time funding and $15.5 million in base budget funding) to cover the rising natural gas costs, which for this campus have tripled over the past few months.

**RECOMMENDED BUDGET PRIORITIES**
Despite some of the disappointments in the May Revise, we expect the campus will still receive a good budget for FY 2001-02. After allowing for certain mandatory cost increases, the RPP Task Force recommends a set of budget priorities totaling $8.6 million which includes $3.9 million to continue the workload funding model. These funds will assure faculty resources are available for the budgeted enrollment target, as well as funding to each of the operating divisions to address other non-faculty workload pressures. The recommended budget plan also includes funding for individual priorities totaling $4.690 million. The entire budget plan exceeds the estimated funding by nearly $700,000 to provide a contingency plan in the event the final budget amount differs from the planning estimate.

Last year, the campus developed mid-range (2-3 year) goals to help guide the Resource Planning Process. The collective work of the vice presidents to develop a set of Mid-Range Goals proved to be very useful in identifying some of the most pressing all-university challenges, along with specific division issues. The Task Force’s recommendations are intended to help advance these Mid-Range Goals.

**CAMPUS ENROLLMENT**
The campus has been assigned an enrollment target of 24,000 FTES for the 2001–2002 academic year, an increase of 1,175 FTES over the current year’s target and 906 FTES over this year’s actual enrollment. Because the campus received substantially
increased numbers of applications for next year, the new, higher target may once again be exceeded. The campus has also been assigned a target of 1,145 FTES for its first state-supported summer term in 2001. With somewhat lower fees and financial aid available to matriculated students for the first time, initial demand has been very strong and enrollment for the summer will substantially exceed the funded target.

**LONG-RANGE BUDGET PLANNING**

Our current rate of enrollment growth will probably bring us to the master plan capacity (25,000 FTES) within two years. Just in the past year alone, CSULB has added more than 1300 full time equivalent students. Once we are filled to capacity, all of our existing resources will be required to deal with a large but stable enrollment. A stable enrollment implies no additional funds for the University based upon enrollment growth, traditionally our most important and often only source of new discretionary support. After we reach our enrollment capacity, we will still have new ongoing cost items that are unavoidable and require funding. Another issue is the absence of any inflationary funds for general operating expenses or unfounded mandates from the state or system. It is also reasonable to assume there will be new campus initiatives that we may wish to undertake without a corresponding revenue source with which to fund them.

We are going to face this “no growth era” in two years, and it is imperative that we develop a comprehensive budget strategy to deal with these new conditions. The RPP Task Force will convene in the Fall to further discuss these issues and begin planning for future budget cycles.

In closing, the members of the Task Force are to be commended for their cooperative efforts and dedication to the process. As in prior years, the Task Force has agreed to reconvene for further consultation, if necessary.

C: RPP Task Force  
President’s Cabinet  
Deans, Directors, Department Heads  
Academic Senate Office  
Financial Affairs Council  
Staff Council  
Library Reserve Book Room