DATE: August 23, 2001

TO: University Community

FROM: Robert C. Maxson, President

SUBJECT: The 2001-02 Budget Message

As many of you know, this is my favorite season. I love the excitement that surrounds the beginning of a new school year. I am starting my eighth year with you, and I want you to know how proud I am to be your President. I have never had a better job and I have never worked with a better group of men and women. With a shared vision, we have accomplished a lot and we have many reasons to celebrate. Our success in many ways is a direct result of the mutual respect and the genuine friendships that exist among the men and women on this campus. I am especially proud of these wonderful professional and personal relationships.

We continue to be the University of Choice for many of California's highest achieving students. This fall we will have approximately 350 high school Valedictorians and National Merit scholars studying on our campus as President's Scholars. In addition, we have experienced a steady increase in the average SAT score of our freshman class, and I am pleased to report to you that the percentage of students entering the University in need of remediation continues to decline.

Chancellor Reed, his staff and our Trustees are to be commended for their strong leadership at home and in Sacramento through what we know were very uncertain budget conditions. It is evident that their talents and political reputations have resulted in the CSU enjoying elevated status and increased visibility in the legislative process over the past few years.

Our campus Resource Planning Process (RPP) Task Force has again provided me with thoughtful and prudent advice for this year's budget. The members of this committee are among the finest university citizens we have on campus, and I appreciate their dedication and hard work.
California's Economy and the Budget
In striking contrast to recent years, the Governor's final budget reflects the sharp downturn in California's economy. A steep decline in the State's tax revenues and unanticipated energy costs required the Legislature and the Governor to make significant changes to the CSU's original budget plan. I am disappointed that the final State budget did not include full funding of the CSU's request for salary increases for faculty and staff. I am committed to supporting the Chancellor's and the Trustees' efforts to keep salaries for our employees competitive. This is fundamental to our ability to recruit and retain the very best faculty scholars and the most talented staff.

There are parts of the final budget, nonetheless, that are good. Our operating budget provided by the State will increase by roughly ten percent, which brings our overall campus budget to nearly $500 million. The budget includes funding to support our planned enrollment growth of five percent and a supplement to our financial aid program for the fall, spring and summer terms. Another piece of good news for our students is that for the seventh consecutive year, there will be no increases in system-wide mandatory student fees.

University Advancement
We have had another exceptionally good year in our efforts to secure external funding to benefit the University. We have many wonderful alumni, parents and friends who continually support us in many ways and view their contributions as an important investment in the future of our community. This past year, we received nearly $27 million in philanthropic giving. We are well on our way to achieving our five-year goal to triple our endowment-directed donations. Our performance in securing grants and contracts last year was equally impressive, as we achieved a total of $39.3 million in funding. I am very appreciative of the efforts of our extraordinarily dedicated faculty who continue to generate this essential source of funding for instructional programs and research activities.

Enrollment Planning
A high priority for the CSU, as reflected in this year's budget, was enrollment growth. One-third of the budget increase was dedicated to accommodating enrollment growth across the 23 campuses, including state-supported summer sessions at four campuses. Because our campus is nearing capacity, Long Beach was specifically designated in the Governor's Budget to convert to state-supported summer school, effective this summer.
Our greatest challenge on campus continues to center on the question of how we will manage our resources in response to our increased popularity, particularly among freshmen. This fall, we will enroll the largest freshman class in our history, with approximately 4,400 new freshmen attending our campus. Freshman applications for this fall increased by nearly twenty percent over last year, and, overall, we received a total of 36,800 applications from students interested in our campus. At this rate of growth, we are quickly approaching the campus's physical plant capacity.

Universities do not respond particularly well to sudden surges in enrollments. Several years ago, we anticipated that our rapid rate of growth would continue, and we began a planning process to address the pressures created by the increasing number of students. Our planning led to efforts to better coordinate our student service functions and to initiate an enrollment management strategy. Our Enrollment Management Committee has developed a thoughtful and responsible enrollment strategy that enables us to manage our enrollment in steady, predictable ways and to minimize the pressure on our students and on the men and women who work here.

Our enrollment management plan, which was developed in accordance with guidelines set by the Board of Trustees, has been approved by the Chancellor's Office and will take effect in Fall, 2002. The plan will enable us to establish a manageable size for the entering freshman class by guarantees admission to local students who meet CSU requirements and by raising admissions standards for freshman applicants from outside our local area. The approved plan has provisions for exceptions in cases of documented hardship, and we believe that it will also protect access and maintain the diversity of our students.

It is important to recognize that one of the consequences of our enrollment management decision to intentionally slow our growth will be a decrease in new state funds generated by enrollment increases. Discussions of appropriate strategies are taking place, and we will continue to prepare very thoughtfully for the approaching steady-state budget in the "no-enrollment growth" environment. In sum, we must attempt to right-size the campus to match our available resources.
NEW CAMPUS AUTHORIZATIONS

Even though a substantial portion of our total budget increase has been earmarked for specific costs such as salary increases, financial aid, summer operations and energy, we have received a respectable increase in our state operating budget that provides us with some discretionary funds. I am delighted that I am able to encompass the RPP Task Force’s recommendations in making these allocations. Although our flexibility remains limited in terms of permanent base budget allocations, the following funding authorizations will provide much-needed enhancements to our academic programs and support areas.

Faculty Resources to Meet Targeted Enrollment $2,794,150
I am authorizing a base budget allocation of $2,794,150 to accommodate 1,175 additional full-time equivalent students. These resources are provided to the Provost to respond to tremendous enrollment demands in the classroom, to ensure that we meet the instructional needs of our students, and to maintain our commitment to facilitate their timely graduation.

Funding to Accommodate Non-Faculty Workload $1,117,660
The University's unprecedented enrollment growth during the past few years has created additional workload pressures, and I truly appreciate everyone's efforts during this time. I am authorizing a pro rata base budget allocation of $1,117,660 to assist with the workload pressures exerted outside the classroom campus-wide.

<table>
<thead>
<tr>
<th>Department</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$466,064</td>
</tr>
<tr>
<td>Administration and Finance</td>
<td>$402,358</td>
</tr>
<tr>
<td>Student Services</td>
<td>$140,825</td>
</tr>
<tr>
<td>Sports, Athletics and Recreation</td>
<td>$42,471</td>
</tr>
<tr>
<td>University Relations &amp; Development</td>
<td>$46,942</td>
</tr>
<tr>
<td>President's Office</td>
<td>$19,000</td>
</tr>
</tbody>
</table>

New Faculty Assigned Time for Scholarly and Creative Activity $600,000
I am pleased with the increases in the number of faculty engaging in research and the ability we have had over the past few years to support faculty scholarship. This year, I am delighted to reaffirm the University's commitment by authorizing a non-base budget allocation of $600,000. These funds will provide support for our new faculty who are engaged in research and other scholarly activity.
Library Acquisitions $400,000

Our Library is central to the mission of the University and the academic community. Despite the fact that we did not receive any direct funding from the State for our Library, I am continuing my pledge to make an appropriation from our available funds. I am authorizing a base budget allocation of $100,000 and a non-base budget allocation of $300,000 to help meet the campus community’s need for books, journals, electronic indices, and databases this year.

Admission Processing $342,000

The volume of applications from prospective students is increasing at a record rate. We have clearly become a campus of choice within the CSU as well as among other institutions of higher education in California. I am authorizing a base budget allocation of $237,000 and a non-base budget allocation of $105,000 to ensure timely responses to new students' applications. The base budget allocation includes funding for the application processing services that occur outside Enrollment Services, specifically in Student Services and in the College of Education.

Support for Students with Disabilities $60,000

Along with overall enrollment growth, the population of students with disabilities is increasing. I am authorizing a base budget allocation of $30,000 to provide comprehensive services in the Career Development Center to ensure that students with disabilities are afforded the opportunity to participate in the full range of internship and employment opportunities. In addition, a base budget allocation of $30,000 is authorized to support services such as real-time captioning for visually impaired students and note-taking support for hearing-impaired students.

Additional Funding for Faculty Travel $200,000

Travel funds are vital to the success of faculty who wish to remain current in their academic and professional disciplines, especially those who may not have access to external funding from grants or other sources. I am authorizing a non-base budget allocation of $200,000 to support faculty professional travel, which represents an increase from the traditional level of support for this activity. These funds will be in addition to the faculty travel budgets that already exist in the colleges and departments.
Common Management Systems (CMS) $196,000
The CSU launched the CMS project a few years ago in response to the requirement that each campus develop and maintain updated electronic systems for student information, human resources, and finance. The first phases of the campus implementation have now been completed, and there are new workload demands on our operations. I am authorizing a base budget allocation of $196,000 to ensure that the campus community receives the expected level of support and benefits from the human resources and finance systems and that we minimize the shift of workload to departmental staff.

New Faculty Start-Up Costs $400,000
Our ability to recruit well-qualified faculty is directly dependent on the ability of the campus to provide them with a strong start. I am authorizing a non-base budget allocation of $400,000 to ensure that our new, beginning faculty are provided with the necessary resources to teach their courses and conduct instructionally-related research.

Tele-Fundraising Management System $128,000
I am authorizing a base budget allocation of $30,000 and a non-base budget allocation of $98,000 to enable the campus to invest in a new Tele-Fundraising Management System. This investment will enhance our efforts with current donors and will allow us to approach our prospective donors more effectively and efficiently.

Operational Support for Financial Aid Program $80,000
One piece of good news in this year's budget was the increase in the State's Cal Grant Program. This support is expected to increase financial aid awards to our students by nearly 40%. I am authorizing a base budget allocation of $80,000 to minimize the increased workload demands and to ensure full compliance with new federally mandated reporting requirements.

Additional Operating Expense for Colleges $500,000
As the campus accommodates increased enrollment and additional faculty, it is critical that the operating expense and communication needs associated with supporting the instructional program are also addressed. I am authorizing a base budget allocation of $400,000 and a non-base budget allocation of $100,000 to assist the colleges with these expenditures.
Police Communications Center $37,000
I am authorizing a base budget allocation of $37,000 to support a multi-year purchasing plan to replace the radio console in the University Police Communications Center. This equipment is vital to the day-to-day operations of the police and security functions on campus.

Funding Assistance for Faculty Promotions $175,000
Each year the colleges are responsible for the funding of faculty promotions and range elevations. To assist the colleges with this funding requirement, I am authorizing a non-base budget allocation of $175,000.

Staff Training and Development $75,000
Since my arrival on campus in 1994, one of my priorities has been to create opportunities for the staff to be actively involved at the University. I wish to continue to support this effort with a non-base budget allocation of $75,000 to support the campus-wide staff training and development program, which has proven to be very valuable and cost-effective.

Groundskeeper for the Athletic Fields $32,000
I am authorizing a base budget allocation of $32,000 to augment the normal landscape maintenance schedule for the athletic fields which are heavily used throughout the year for baseball, softball, soccer, track, and rugby.

Faculty Scholarship $90,000
I am pleased to reaffirm my commitment to faculty scholarship and to authorize a base budget allocation of $90,000 to further expand the Scholarly and Creative Activity Committee (SCAC) awards program. This augmentation will support twenty additional research awards and will make a significant difference in facilitating the scholarly mission of the University and in keeping pace with the recent growth in the number of professionally-active faculty.

Operation and Maintenance of New Building Equipment $88,000
Mandated Fire Alarm Certification $98,000
I am authorizing a base budget allocation of $88,000 to assist with the operating costs associated with new building equipment that has been added over the past few years. We also have been fortunate to receive funding from the CSU Fire and Life
Safety Capital Project to upgrade alarm systems in order to meet the State of California regulations. Annual certification of these newly added fire alarms is now required and failure to comply subjects the campus to heavy fines and building closures. I am authorizing a base budget allocation of $98,000 to cover this phase of the certification costs.

**K-12 School Partnerships  $132,000**
A high priority for the State and for our Board of Trustees is the strengthening of our partnerships with the K-12 education sector. I am authorizing a non-base budget allocation of $132,000 to enhance our commitment to fostering cooperative partnerships in the community.

**Campus and Student Initiatives  $200,000**
One of my highest priorities since I arrived has been to find ways to support campus and student initiatives and activities that advance the mission of the University and are central to the learning environment. I am authorizing a non-base budget allocation of $200,000 to assist with the funding of these activities.

**Faculty and Academic Department Offices  $300,000**
With our recent enrollment growth and associated hiring of new faculty we are experiencing a shortage of faculty offices in some departments. I am pleased to authorize a non-base budget allocation of $300,000 to support a plan designed by the Division of Academic Affairs to maximize availability of space on the south campus.

**Affiliations and Teaching Agreements  $50,000**
As enrollment has grown these past few years, we have experienced expansion in the number and complexity of teaching affiliations with school districts, medical care facilities, etc. I am authorizing a non-base budget allocation of $50,000 to ensure accurate and timely placing of our students in off-campus, experienced-based learning programs.

**University Web Site  $50,000**
I am authorizing a non-base budget allocation of $50,000 to assist in the continued development and maintenance of our University's award-winning web site.
Enrollment Services Phone Responsiveness $43,000
As enrollment has increased, student demand in vital service areas, such as Financial Aid, has outpaced enrollment growth. I am authorizing the continuation of a non-base budget allocation of $43,000 to maintain the level of personal responsiveness to telephone inquiries from students and parents. This provision will reduce waiting time and busy signals experienced by callers.

Student Retention and Graduation $32,000
I am pleased with the progress that we have made over the years to improve our retention and graduation rate. Last year, we began the important task of collecting and analyzing qualitative information about student retention and graduation. That work has proven to be extremely valuable and I am authorizing the continuation of a non-base budget allocation of $32,000 to support these activities.

Total 2001-02 Recommended Budget Priorities $8,219,810

Please indulge me as I tell you once again how happy I am doing what I do, not for a living but for a life. It is my job, and the job of those around me, to make sure that you will be able to pursue your intellectual, pedagogic and artistic goals--as well as your careers--unimpeded. I am honored to be your President, and I thank you for allowing me to begin one more year in that capacity.

Go Beach!