Date: August 28, 2003

TO: University Community

FROM: Robert C. Maxson, President

SUBJECT: The 2003-04 Budget Message

As I start my tenth year as President, I would like to welcome you back for the beginning of the Fall semester. I hope you all had a wonderful summer. I look forward to the beginning of the school year with great excitement and anticipation—it is my favorite time of the year! I can’t wait to be a part of the hustle and bustle on the campus as our students, faculty and staff start the new academic year.

As everyone is aware, California’s difficult financial condition resulted in great uncertainty in the budget process this year. The Governor and the Legislature were faced with closing a $38 billion deficit. With a problem of this magnitude, the outcome of the budget process and the effects on our own budget were very uncertain. The leaders of the political parties finally forged a compromise budget. In my opinion, this may have been the best budget we could have gotten in this fiscal environment.

I would like to commend Chancellor Reed and the Board of Trustees for their leadership and political effectiveness during a tough budget year. The Chancellor and his staff were extremely helpful to our own internal planning by keeping the campus informed of ongoing developments and by regularly sharing preliminary System budget plans. I would also like to express my appreciation to the Vice Presidents and the Resource Planning Process (RPP)
Task Force. I am grateful for the excellent planning on our campus. RPP has once again been extremely helpful to me in developing a prudent and responsible budget plan for the University. The Task Force members accurately anticipated the possibilities and provided us with useful recommendations and contingency plans.

Our highest priorities in this budget year are to protect classroom instruction, ensure the availability of classes for our students to graduate, and preserve the quality of the academic experience on campus. I am so impressed with the unselfishness demonstrated by our campus community and the willingness to work together towards these priorities. I have never had a better job and never worked with a better group of men and women. I want you to know how proud I am to be your President.

The California State University (CSU) Budget
After endless hours of negotiation and legislative debate, the Governor signed the State Budget on August 2\textsuperscript{nd}, providing for a nearly $100 billion spending plan. The budget was constructed during a time of slow economic recovery and lays out a plan to resolve the enormous $38 billion shortfall over multiple years through a combination of program cuts, borrowing, deferrals, and new revenues.

In light of the serious deterioration in California’s fiscal condition, the Governor and the Legislature could not exempt education from budget cuts. I am appreciative of everyone’s efforts to support higher education and to minimize the reductions to the CSU. Even so, the CSU Budget experienced a total net reduction of approximately $304 million, which is the largest budget cut in its history. In addition, another $79 million in unfunded costs must be absorbed within the existing budgetary resources. Under the new budget, system wide enrollment growth will only be funded at 4.3 percent, instead of the expected 7 percent. Moreover, the budget contains legislative language that precludes any new funding for growth in 2004-05.
For several years, California was blessed with tremendous economic expansion, and for eight consecutive years mandatory system wide student fees were either reduced or held constant. However, as a result of the current fiscal crisis and the magnitude of the budget reductions, the Board of Trustees had no choice but to make the painful decision to increase student fees. Therefore, effective this fall, the State University Fee will increase by 30% for both undergraduate and graduate students, which will represent about $18 million in additional revenue for our campus. Approximately one-third of the fee increase will be directed to student financial aid, with the remaining $12 million available to help protect classroom instruction.

Enrollment
We have experienced tremendous growth in our enrollment over the last few years. The sharp increase in the number of applications we have received from students who want to come to school here, I believe, is a giant vote of confidence in the academic reputation of this campus. This popularity, however, has made it necessary for us to engage in substantive discussions regarding enrollment management. In the last few years, we simply have been growing too fast and getting too large. Our enrollment management plan called for establishing higher admissions standards, which we implemented last year, in an effort to regulate our growth. We simply cannot admit all of the CSU-qualified students who want to come to school here. As much as we would like to accommodate all students, these actions are critical to maintaining our educational quality, as well as ensuring that students who are enrolled will get the classes they need and make timely progress toward their degrees.

Given that the Legislature has indicated that no enrollment growth funding will be provided in 2004-05, our total enrollment will have to remain constant for at least the next year. Our enrollment management plan was developed with extensive campus consultation. The plan has given considerable attention to developing and implementing policies that reflect our priorities, such as providing access to students from local school districts and maintaining our commitment to the diversity of our campus. As a result of our planning, we now have the ability to manage our enrollment to be consistent with our funded enrollment target and resources.
Compensation
A most unfortunate outcome of the State’s financial condition is that the new budget contains no additional funding for salary increases for our deserving faculty and staff. Even though the budget picture for the near future is not bright, we remain committed to continuing our efforts to keep salaries competitive. This is an important priority, and we will continue to seek funding for salaries as the State’s finances allow. Fair compensation is not only fundamental to our ability to retain and recruit the very best faculty scholars and most talented staff, but it is also the right and fair thing to do for the men and women who have devoted their professional lives to this place.

Campus Response to Budget Reductions
Despite California’s discouraging budget picture, our University is well positioned with a thoughtful budget plan. I continue to be amazed by the accuracy and foresight of the faculty, staff and student representatives who comprise our RPP Task Force. Although this year’s planning was extraordinarily difficult and unpleasant, I am pleased to accept their recommendations.

For 2003-04, CSULB’s General Fund budget will suffer about a $30 million reduction, or a 16% decrease in our operating budget, as a result of directed cuts and unfunded costs. For this fiscal year, we will be able to mitigate somewhat the impact of the budget reductions by using temporary funds. Even though we will commit the $12 million from the student fee increase and the $7.0 million provided by the State for enrollment growth, it is still necessary to make permanent reductions in order to balance our budget.

In order to accomplish the fundamental cornerstone of the agreed upon budget strategy, which is the preservation of classroom instruction, all non-instructional budgets will have to be permanently reduced by 5 percent from the 2002-03 base. While these cuts will result in some service reductions across the campus, the willingness to do so is representative of the cooperative and unselfish spirit of our campus community.

We have been preparing for this budget for some time now and everyone has
done a good job of managing their budgets and implementing reductions in a manner that maintains the quality of our programs and services. Since the reductions are permanent and a portion of our plan relies on temporary funding that will not be available in future years, a permanent solution must be finalized in the next budget cycle. This requires creative thinking, cooperation and careful planning. With the State still facing a structural budget deficit of nearly $8 billion in 2004-05, it is likely we will experience additional reductions in future budget cycles. Therefore, it is important that the divisions follow prudent spending plans and carefully review all new initiatives.

**Closing**

This is an extremely difficult and challenging budget time for our University. The challenges of the fiscal crisis that we face require budget reductions that will affect our faculty, staff and students, including the reality that we will no longer be able to accept all CSU-eligible students who want to attend Long Beach. Despite the difficulties we presently face, I have great confidence in our campus community. Over the past few years, we have made great strides as a university. During that time, we have never wavered from our shared vision and our commitment to advance the academic reputation of the campus. The campus has embraced the concept of “Beach Pride” and the morale of our students is very high. I know our campus community, and I am confident that we will continue to work together to preserve the wonderful qualities that have earned us such a stellar academic reputation. This University is truly a wonderful place to teach, to learn, and to work.

Go Beach!