

January 9, 2009

To: All CSU Employees

From: Charles B. Reed, Chancellor

Re: Cost Saving Measures and Budget Update

Today I want to update you on several things that pertain to the state's fiscal challenges and the ways in which the CSU is responding.

The governor released a summary of his 2009-10 budget proposal on December 31, 2008. This early notification, made in advance of the formal budget that is being released today, underscores the urgent nature of the state's economic downturn and the necessity of immediate action by the governor and the legislature to shore up the state's finances to maintain statewide operations. The state faces a staggering budget shortfall between now and the end of 2009-10 of almost \$42 billion unless the governor and the legislature take rapid corrective action.

For the past several months, the CSU has been taking actions to reduce costs while doing everything we can to protect our students, faculty and staff and to preserve the quality of our universities. These actions have included steps to limit the number of new students admitted in fall 2009 based on the state's inability to fully fund enrollment growth and CSU's operational needs. Today I am announcing additional mandatory measures for the Chancellor's Office and all campuses including: travel restrictions for employees; the cancellation of all non-critical equipment and supply purchases; and a hiring freeze on all positions except those essential to the operation of the university.

In addition, we are implementing a salary freeze for all vice president level positions and above including presidents' and vice chancellors' salaries and my salary, effective immediately through the 2009-10 budget year.

We have also been forced to suspend and shut down state-funded design and construction projects on all of our campuses in response to the state's freezing of \$600 million in general-obligation and lease revenue bonds used to finance these projects. Unfortunately, hundreds of projects will be affected including libraries, performing arts centers, classrooms, administration buildings, seismic upgrades, laboratories and more.

Across all state programs, the proposed 2009-10 budget identifies a \$14.8 billion revenue shortfall in 2008-09 that will grow to \$41.6 billion by the end of 2009-10 if proposed solutions are not adopted by the legislature. The budget proposal reflects \$14.3 billion in revenue adjustments, \$17.4 billion in spending cuts, and \$10 billion in warrants and borrowing to achieve a balanced budget over the next 18 months that leaves a \$2 billion reserve.

For the CSU, the governor's budget would make permanent \$66.3 million in budget reductions proposed for 2008-09. It restores the \$31.3 million budget reduction CSU received in 2008-09 (treating it as a one-time budget action). Compact funding of \$217.3 million for operating costs and 2.5 percent enrollment growth were not funded. The budget provides \$3.6 million in new state funds for 340 full-time equivalent nursing students. These proposals are subject to approval by the legislature. Finally, the budget assumes that the CSU Board of Trustees will increase student fee rates by 10 percent, which is projected to achieve \$130 million in revenues, with one-third set aside for student financial aid. However, mandatory costs, enrollment funding and financial aid costs required for 2009-10 total \$84.4 million, \$15.8 million more than available revenue.

Our focus in the coming months will continue to be maintaining jobs and preserving access and quality for students. I encourage our students, faculty, staff, alumni, and labor unions to work together to tell our elected officials as well as our local business, community and civic leaders, that the CSU is the economic powerhouse that provides the highly skilled professionals to the industries that make California successful, and that higher education is a long-term investment that benefits everyone.

I want to thank all of you who work hard every day to bring excellence to our university system through outstanding teaching, research and the management of our campuses. I wish you the best for a productive year.