

May 15, 2009

TO: All CSU Employees

FROM: Charles B. Reed, CSU Chancellor

RE: Budget Update

Today I want to update you on the California State University's budget and an important election that will determine further reductions to our budget.

The CSU's budget is almost \$600 million below its basic "workload" needs for the 2008-09 and 2009-10 fiscal years, due in large part to the state's deteriorating economy. In April alone, the state's General Fund revenues were down \$1.89 billion, 16 percent below what the February budget projected. It is projected that the state will face a \$15.4 billion shortfall by the July 1 start of the new fiscal year, which could grow as high as \$21.3 billion.

The CSU has implemented several cost-savings measures to protect our students, faculty and staff, and to preserve the quality of our universities. This week, the CSU Board of Trustees took another action to mitigate our budget shortfall. The Trustees voted to increase student fees for the 2009-10 academic year. The student fee increase was included as part of the 2009-10 budget adopted by the legislature and the governor. It is always a difficult choice to raise fees and it is a decision that the Trustees and I contemplated very carefully, understanding that there are consequences to our students. But we are in a dire budget situation that requires us to look at all the options we have to operate our universities. Information about fees and financial aid is available on our Budget Central website: <http://blogs.calstate.edu/budgetcentral/>.

The outcome of the May 19 Special Election will determine the magnitude of further reductions to our budget. Nearly \$6 billion in revenue in the 2009-10 state budget depends on the passage of Propositions 1A through 1E. The CSU Board of Trustees has endorsed 1A through 1E because of the direct impact they will have on the CSU. Most of the measures provide new revenues to help balance the state's General Fund budget over the next several years. This directly impacts the CSU as two-thirds of its budget comes from the state General Fund. If the measures are not approved by voters, the state will face a revenue shortfall of \$21.3 billion. This will result in a \$410 million reduction to the CSU's budget according to the governor's May 14 revision of the state budget. These deep cuts will require us to consider drastic actions such as further enrollment reductions, layoffs, additional student fee increases and the potential closure of campuses. Even if the ballot measures pass, the CSU will likely face a \$292 million budget reduction for the 2009-10 fiscal year. (More information on the special election is on the [state's elections website](#).)

As we manage this unprecedented financial crisis, we have been working hard to make our voices heard in Sacramento to minimize impacts to the CSU. Our message to legislators has been clear: Continued reductions to the CSU's budget will erode our ability to educate and graduate the students that are critical to the state's economic success.

I want to encourage you to continue 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 makes California's economy work, and that higher education is a long-term investment that benefits everyone.

Thank you for working hard every day during difficult times to bring excellence to our university system through outstanding teaching, research and the management of our campuses. I will continue to keep you updated on our budget.