January 28, 2013

To: The Campus Community

Welcome to the start of the Spring 2013 semester. I hope everyone had an enjoyable holiday season. I am writing to update you on our budget situation and will follow soon with a second update on non-budget matters.

Here is the good news: We seem finally to have stopped the free fall. The governor's proposed 2013-14 budget (it is a proposal, not yet adopted) leaves the current CSU budget intact and adds back $125 million to cover most of the shortfall produced by this year's rollback of the last of the tuition fee increases. Additionally, the governor has proposed adding another $125 million to the CSU budget in 2013-14 and increasing the budget over the next four years, as long as no tuition fee increases occur during that period.

Here is the more sobering news: The proposed "restored" $125 million and "new" $125 million — Governor Brown immediately designated $10 million of the latter for development of online mechanisms to improve student progress to graduation — still do not return us to where we were just a few years ago. The governor and the Board of Trustees have made clear that these funds are not meant to reestablish past funding patterns, but rather to move ahead innovatively to increase and speed up graduation rates. We do not know whether the "new" funds will be tied to enrollment targets. We do not know the percentage of the "new" funds that will remain after new mandatory system costs (e.g., increased health coverage expenses) are deducted. The governor also has proposed moving debt service and pension budgets from the state to the CSU, thus bringing those items more directly into longer-term competition with other elements of the budget. Finally, signals from the Capitol portend considerable legislative wrangling between now and the signing of a final budget in June.

So, breathe a bit easier; we may have turned the corner. But please understand that we need to approach budgeting for 2013-14 quite conservatively and holistically. We must continue to pursue efficient, effective use of assured ongoing funds. We must look carefully at proposed uses of the "restored" funds and plan independently for potential uses of the not-yet-guaranteed "new" funds. We must think very strategically about long-term stewardship of the reserves currently available to us. In sum, new state
budget realities translate into the necessary setting of priorities within and across all campus divisions — never easy, but nonetheless truly critical.

I will work with the vice presidents and the University Budget Advisory Committee (UBAC) to focus on these issues in practical ways. Meanwhile, I am pleased to note that the Ad Hoc Committee to Recommend Changes in UBAC has been launched. I thank its members in advance for the effort they will put into reconsideration of UBAC’s charge, membership and leadership.

Again, welcome to a new semester. With great pride and confidence in our campus community, I look forward to working with you to develop a transparent, practical university budget for the coming and future years.

Joseph F. Sheley

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Joseph Sheley
President (Interim)
California State University, Stanislaus
One University Circle
Turlock, CA 95382
(209) 667-3201 – Office
(209) 667-3206 – Fax
president@csustan.edu