

## **California State University: *Action Plan to Address Budget Deficit***

### **Overview**

The state of California is facing an estimated \$26.3 billion deficit for 2009-10. As a result, the California State University is anticipating a \$584 million revenue shortfall for 2009-10. Overall, state general fund support of the CSU is expected to be about \$1.6 billion. That is almost \$600 million less than the level of state support provided a decade ago. But, the CSU today has about 100,000 more students than it did 10 years ago.

### **Budget Plan**

The CSU has laid out a plan to address the \$584 million deficit. Elements of the plan include employee furloughs and reduction in workforce; increased student fees, reduced enrollment and additional cost cutting measures across the system.

#### *Employee Furloughs*

More than 85 percent of CSU's budget expenditures are from employee salary and benefits. The CSU has proposed a two day per month furlough for all 47,000 employees. If all employees furloughed, it would generate \$275 million in cost reductions. All management and non-represented employees – including the chancellor, executives and presidents – will begin furloughing August 1, 2009 following board action to change Title 5. Members of the California State University Employees Union (CSUEU), representing 16,000 non-academic employees, are voting on a tentative furlough agreement. The California Faculty Association (CFA), representing 23,000 faculty members, is holding a vote of its members on whether to negotiate a furlough option. A number of other smaller labor unions have either chosen to negotiate furloughs or have chosen layoffs per their contract.

#### *Student Fees*

The CSU Board of Trustees will vote on a \$672 per year fee increase at their meeting on July 21. This would raise the full-time State University Fee to \$4,026, effective fall 2009. Including the average campus fee of \$801, undergraduates would pay approximately \$4,827 per year, which continues to be the lowest fee rate among comparable institutions.

- *Financial Aid:* One-third of the revenue from the fee increase will be set aside for financial aid (\$79 million). The remaining \$157 million in fee revenue will help offset part of the \$584 million budget cut. Approximately 187,000 students will pay no fee increase due to financial aid. In addition, the CSU is the largest recipient of Pell Awards.

The federal stimulus package increased the maximum Pell Awards, and as a result, the CSU will receive an additional \$81 million for students. The university has 120,000 students receiving Pell Grants. After factoring in financial aid, students with families making \$75,000 or less will not pay any fees.

### *Enrollment Reductions*

CSU has already announced that it will be closed for spring 2010 admissions, and closed early on July 6 for winter 2010 admissions. CSU normally enrolls about 35,000 students systemwide during this time. In addition, the CSU will be reducing its enrollment by 40,000 students over the next two years in order to align state funding support with the number of students enrolled. CSU will continue the enrollment management tools used last year when it declared systemwide impaction such as increased admissions criteria for out-of-area applicants. The fall application period begins October 1, 2009, and priority application period ends November 30, 2009.

### *Campus Cost Cutting*

Overall, the 23 campuses and the Chancellor's office will need to reduce their overall budgets – even after employee furloughs and increased student fee revenues – by \$183 million for 2009-10. The CSU has already taken a number of cost cutting measures including a salary freeze for vice president/chancellor level positions; a hiring freeze on non-essential positions, cancellation of all non-critical equipment, deferred maintenance and travel restrictions.

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