TO: Members of the Legislature
FROM: Karen Y. Zamarripa, Assistant Vice Chancellor
Advocacy and State Relations

Robert Turnage, Assistant Vice Chancellor
Budget, Business & Finance Office

RE: CSU Budget Update

The state and in turn the California State University (CSU) continues to face severe budget challenges, which will have serious consequences for all of us in the near term and into the future. As the Board of Trustees grapple with the 2012-13 budget and planning for the 2013-14 budget, we thought it was important to bring you up-to-date on budget actions we have taken and inform you of our planning efforts as we move forward.

Enrollment Demand and Funding Disconnect

The CSU has lost nearly one-third of its state funding in the last four years, despite being in a time when we have received a record number of applications. More than 166,000 entering freshmen and more than 92,000 community college transfer students are seeking admission to the CSU in fall 2012. We also expect that two out of every three community college transfer students will want to complete their degree at the CSU, especially as we begin to implement the transfer reforms called for in SB 1440 of last year. Our system now faces the challenge of how to provide courses and services to these students in light of nearly $1 billion in state budget cuts and increased mandatory costs that will exceed $160 million. Without funds to hire more faculty and staff, we face a dilemma -- do we enroll students knowing that we cannot serve them -- or do we restrict access to be in line with the resources that we have been allocated, and thereby preserve program quality and access to courses for our enrolled students.
Increased Student Tuition Fees Have Not Replaced General Fund Cuts

There seems to be significant confusion about whether student tuition fee increases have covered the loss of General Fund revenues. They have not. It is true that student fees have risen over the years, but these increases have been the direct result of state budget cuts, and they have NOT fully covered the losses of state funding. Taking all factors into account -- including mandatory costs and student financial aid set-asides -- tuition fee increases will fall short of covering state cuts by about $400 million in 2012-13. If the proposed trigger cut occurs, the gap will widen to $600 million.

CSU Budget Challenge

CSU has implemented numerous cost cutting measures, including maximizing operational efficiencies, decreasing faculty and staff, increasing class sizes, consolidating administrative functions and restricting enrollment to address this shortfall. Despite these measures, we are facing even more difficult choices with our ongoing deficit and looming budget trigger cut. For the past several months, the Board of Trustees, system and campus leaders have been engaged in detailed discussions and planning about how to manage current funding reductions as well as the possibility of an additional $200 million cut in the middle of the fiscal and academic year.

2012-13 Budget Actions to Date

The disconnect between the calendars of the state budget process and admissions decisions have always been challenging and this is made worse when we are managing current shortfalls and face further cuts. Given this difficulty, we have taken the following actions to manage enrollment in order to provide quality experiences to current and incoming students:

* **Enrollment Management**
  - Beginning in fall 2012, campuses will restrict the number of units that students can take to no more than 16 units per term for traditional baccalaureate degree programs. This limitation would still allow students, who take a full-time course load, to complete a degree in four years and will allow all students fair access to needed courses.
  - CSU is committed to our students’ academic success and moving students through to graduation in a timely manner. We will continue our efforts aimed at boosting overall retention and graduation rates of all our students. However, for students that are not meeting academic progress standards, we will strictly adhere to existing academic progress policies, which may include academic probation, suspension and/or disqualification. This policy is particularly needed so that enrollment “slots” are available to CSU eligible high school seniors and community college students.
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- Campuses will continue to focus on graduating “super seniors.” These are students who have completed many more units than are needed to complete a degree program, but who have not yet graduated. We will conduct degree audits and give these students priority registration in the courses they need to complete their degree. These actions will help us to accommodate other students seeking admission and access to classes.

**Limited Winter/Spring 2013 Admissions**
- Only nine CSU campuses will open for winter/spring 2013 admissions with the specific purpose of serving SB 1440 transfer applicants. The campuses that will be open for these transfer students are Channel Islands, Chico, East Bay, Fullerton, Humboldt, Los Angeles, San Francisco, San Bernardino and Sonoma. All other campuses will be closed for admissions in spring at this point.

**2013-14 Admissions**
- The CSU will strictly adhere to our application period of October 1 to November 30 for fall 2013 admissions. We will not make any admissions decisions and students will be waitlisted until after the November election when we can confirm our final budget and enrollment targets.

**Financial Aid**
- We are not making any changes in the distribution of our institutional aid, known as the State University Grant (SUG) program, for graduate students in the current year.
- In an effort to maximize financial aid available to students, the board has asked the Chancellor to consider ways to make better use of changes in federal financial aid and to provide more grant aid to undergraduate students as early as the 2013-14 academic year.

**Next Steps: Planning for the 2012-13 and 2013-14 Budgets**

The Board of Trustees will meet next week (May 8 and 9) and will discuss two informational items related to managing the ongoing CSU budget deficit. The board has asked the Chancellor to present a menu of options to address our budget deficit and planning for the future. The presentation will include all options, most of which will not be preferable or even palatable for any of us. The board wants to make sure they see the complete picture and understand their choices in implementing a final 2013-14 budget given ongoing shortfalls and a possible mid-year cut. The CSU community, including students, faculty, staff, alumni, parents and even Trustees will not like most of what is on the table for discussion, but we believe that a complete and honest assessment of our situation is critical for us all. *No actions will be taken at this meeting*, given the need to see the May Revision and final state budget actions before moving forward. The agenda items can be found on our website at: [www.calstate.edu/bot/agendas](http://www.calstate.edu/bot/agendas).
The impact of budget cuts and the resulting increases in student fees and reductions in course offerings and services have been difficult on our students and their families as well as our faculty and staff. As we move forward, we believe that we have to be pragmatic and honest about what we can or cannot do, what is possible, and how we need to prioritize our resources in order to best serve our students and the state.

We hope you find this update helpful and we stand ready to answer questions. Feel free to contact either one of us at our Sacramento office, (916) 445-5983.