

The California State University Employee Update

Wednesday, July 15, 2009

Trustees to Finalize Plan on CSU Budget Deficit

Faced with a projected \$584 million shortfall to its 2009-10 budget, the CSU Board of Trustees will meet July 21 to finalize plans to manage the budget deficit. The budget deficit is the result of the state's reduced support to the CSU as lawmakers contend with closing California's \$26.3 billion budget gap.

At next week's meeting, the trustees will vote on a proposed \$672 fee increase for full-time undergraduate students as well as increases for part-time and graduate students. The trustees will also vote on a proposed \$990 tuition increase for full-time non-resident students.

In addition, the trustees will take action on proposed changes to state regulations that will allow the chancellor to furlough management and executive employees.

These are a few of several measures the CSU is implementing as part of a comprehensive, balanced approach to solve the budget deficit which stems from a historic reduction in state support. Given the magnitude of the deficit—the largest in CSU's history—no single solution is sufficient. The CSU's plan includes a combination of employee compensation reductions focused on furloughs, student enrollment reductions, an increase in student fees, and additional cuts that will be implemented campus-by-campus.

"These are not easy choices," said CSU Chancellor Charles B. Reed. "We are asking everyone to make sacrifices so that we can continue to serve as many students as possible and to preserve as many jobs as possible under very difficult circumstances."

Here is a look at the effects of the reduction in state funding on the CSU and the actions the CSU is taking to respond:

State Budget Impacts on CSU Students:

State general fund support of the CSU for 2009-10 is expected to be \$1.6 billion, \$500 million below the level of state support provided a decade ago. At the same time, the CSU is serving 100,000 more students than it did a decade ago. To preserve quality and access and to maintain the resources needed to serve students, the CSU has been forced to take the following actions:

- Limited student enrollment this past fall.
- Reducing its enrollment by 40,000 students in 2010-11.
- Closed student enrollment for winter and spring 2010.
- Proposing to raise full-time undergraduate student fees by \$672 per academic year and non-resident tuition by \$990 per academic year beginning fall 2009.

CSU's Steps to Minimize the Impact on Students:

- One-third of the proposed State University Fee increase will be set aside for financial aid.
- This set-aside, as well as increases in financial aid included in the federal stimulus package, is expected to fully cover the fee increase for 187,000 of CSU's 450,000 total students.
- CSU expects to receive an additional \$81 million in Pell Grant awards for its neediest students. The CSU is the largest recipient of Pell awards in the country with more than 120,000 students receiving grants.
- Federal tax credits, increased work study and student loan improvements will also offset the fee increase for many students.
- The CSU is deferring State University Fee payments for the summer and fall 2009 term for CSU students who experience delays receiving Cal Grants from the California Student Aid Commission due to the state budget deficit.

State Budget Impacts on CSU Employees:

Employee salaries and benefits make up 85 percent of the CSU's operating budget. To manage the deficit, the CSU is forced to reduce labor costs and has taken the following actions:

- The CSU has implemented a salary freeze for executives and a hiring freeze for non-essential positions.
- The CSU is proposing to furlough its 47,000 employees, including management and executives, two days a month with the exception of public safety personnel. This would reduce spending by about \$275 million and preserve 22,000 course sections or 15 percent of classes for students for the academic year.
- The CSU is in the process of negotiating furloughs with several of its labor unions as their labor agreements do not include provisions for furloughs. To date, the California State Employees Union (CSUEU) has reached a tentative agreement.

CSU's Steps to Minimize the Impact on CSU Employees:

- The CSU is implementing a furlough option to save the maximum amount of jobs possible. In addition, furloughs are temporary and do not affect employment status, health benefit eligibility or retirement benefits.
- Furloughs reduce salary expenditures for the CSU while preserving jobs for employees and course sections and classes for students.
- The CSU is covering its payroll. CSU employees will continue to be paid as normal and will not be subject to the IOUs the state controller is currently issuing.

State Budget Impacts on the CSU's Operations:

The state budget deficit has required the CSU to curtail construction projects and modify operations as follows:

- More than 130 infrastructure projects on CSU campuses were suspended last December and restarted in April.
- There is still a suspension on lease revenue bond funded projects, including five that are CSU projects.
- The state budget has not provided funding for increased costs in energy, electricity and other operational necessities.
- The state budget has not provided funding for increased costs in employee health benefits which have risen by \$8.4 million this year.

CSU's Steps to Minimize the Impact on its Operations:

- The CSU last fall implemented employee travel restrictions.
- The CSU last fall canceled all non-critical equipment and supply purchases.
- The CSU is covering the increases in costs for employee health benefits.