

The California State University Employee Update

Wednesday, July 22, 2009

Trustees Face Hard Choices in the Face of Massive Budget Cuts

The CSU Board of Trustees finalized a plan to manage a \$584 million budget deficit that includes furloughs for employees, a fee increase for students, and enrollment reductions for the next two years.

The budget deficit, the largest in the CSU's history, is the result of the state's reduced support to the CSU in the face of California's \$26.3 billion budget gap. Gov. Schwarzenegger and legislative leaders reached agreement on closing the gap late Monday with the legislature expected to vote on the budget plan Thursday.

The CSU for the past several months has examined every option to deal with the budget deficit as no single solution will solve it. Aiming for a balanced approach that attempts to serve as many students as possible and preserve as many jobs as possible, the trustees approved a four-pronged plan that includes the following:

- **Student Fee Increase:** Fees will increase \$672 for full-time undergraduate students and \$828 for graduate students in fall 2009. There will also be a \$990 tuition increase for full-time non-resident students. CSU undergraduate students will pay approximately \$4,827 per year (which includes an average campus fee of \$801), the lowest fee among comparable institutions.

One-third of the 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. The CSU also expects to receive an additional \$81million 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. In addition, federal tax credits, increased work study and student loan improvements will also offset the fee increase for many students. Including financial aid, families who make \$75,000 or less will not pay any fees. Financial aid and federal tax credits will also be available for many other students, including those with family incomes of up to \$180,000.

- **Student Enrollment Changes:** The CSU will reduce enrollment by 40,000 students over the next two years and has closed enrollment for winter and spring 2010 in attempt to enroll only as many students for which the state provides funding. In addition, to increase space for new students, the board also approved changes to state regulations that will preclude students from enrolling in courses once they have met all the necessary degree requirements by allowing campus presidents to confer their degree.
- **Employee Furloughs:** The board also approved changes to state regulations that will allow management and non-represented employees to be furloughed two days per month beginning August 1. Employee salaries and benefits make up 85 percent of the CSU's operating budget and the CSU has proposed to furlough all 47,000 of its employees (except public safety personnel) to reduce spending by \$275 million and to preserve jobs.

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. The California State University Employees Union (CSUEU), representing 16,000 non-academic employees, and the United Physicians and Dentists (UPD), with 117 members, have ratified a furlough agreement. The California Faculty Association (CFA), which represents 23,000 employees, is polling its members on a furlough option with the results expected after July 22. The CSU is in the process of negotiating furloughs with the Academic Professionals of California (APC). The remaining unions have opted for layoffs per their contracts.

The CSU, since early June, has been attempting to negotiate furloughs with all of its unions for an August implementation. Accordingly, Chancellor Charles B. Reed announced a deadline of July 28 at 5 p.m. for those unions who have not reached a final agreement on furloughs so campuses have time to prepare for the new academic year which begins August 24.

- **Operations:** Even after accounting for expenditure reductions from employee furloughs and revenue from the student fee increases, CSU campuses and the Chancellor's office will be asked to cut an additional \$183 million from their 2009-10 budgets. The CSU has already implemented a number of cost cutting measures including a salary and hiring freeze and travel and purchasing restrictions.