January 11, 2011

M E M O R A N D U M

TO: CSU Board of Trustees
    CSU Presidents

FROM: Charles B. Reed
    Chancellor

SUBJECT: Governor’s Budget Proposal

The 2011-12 Governor’s Budget identifies a $26.4 billion state budget shortfall (including the need to provide a $1 billion reserve). Governor Brown proposes to resolve this 18-month shortfall with $12.5 billion of spending cuts, $12 billion of new revenues and $1.9 billion derived from various other steps. The budget proposes a $500 million to UC and a $400 million cut to the community colleges. The budget reduces state support for the CSU by $500 million (18 percent), bringing state support for the CSU to less than $2.3 billion, a low level not seen since 1999, when we had about 70,000 fewer students.

The governor’s overall plan is predicated on the legislature authorizing a special election for June, and then persuading state voters to approve five-year extensions of temporary tax increases that are scheduled to expire on or before June 30, 2011. Approximately $9 billion of revenue that is assumed in the budget plan would depend on this special election. The governor has not specified the consequences of failure to secure these revenues. Clearly, however, the loss of these revenues raises the potential for significant additional cuts to the CSU and higher education in general.

With this proposal, Governor Brown is trying to resolve a seemingly permanent state fiscal crisis in a fundamental way, without the “delay and denial” and the “smoke and mirrors” that have characterized so many previous budget cycles. This budget poses great challenges for the university. Just like two years ago, all options will have to be considered as we develop a comprehensive plan to address this cut.
The governor’s proposal indicates that the $500 million of reductions “…are intended to minimize fee and enrollment impacts on students by targeting actions that lower the costs of instruction and administration.” The governor’s proposal goes on to state that: “The Administration will work with the Office of the Chancellor and the Trustees, as well as stakeholders (including representatives of students and employees), to determine the specific mix of measures that can best accomplish these objectives.”

We will work with the Administration and the legislature to minimize, as much as possible, impacts to students. The reality is that there is no pain-free way to accomplish spending reductions of this magnitude, nor is it realistic to think that we can proceed to enroll as many students next fall as we had planned. With regard to our students, it is paramount that we preserve the quality of the academic programs, the quality of the academic experience and necessary support services to ensure student success. Access to the university must mean authentic access, where we can provide adequate classes and services for our students. It will be important as we work through the next few months to educate the new Administration and the legislature on the importance to California of preserving access that is authentic and to the need to be honest about necessary budgeting tradeoffs.

The presidents and I will be working over the next several weeks on a comprehensive plan to address the budget cuts.

CBR/rt

c: CSU Executive Staff