(May 10, 2011) - California State University officials today laid out a budget contingency plan of action to address an "all cuts" budget that potentially could reduce state support for the CSU by $1 billion. Calling it a "scorched earth budget that would devastate the institution," CSU Chancellor Charles B. Reed told the board that such a drastic budget cut would have long-lasting consequences.

"There are no good options, only extreme choices," said Reed. "But, we need to ensure that our students still receive a quality education, that we preserve the institution, and that a degree from the CSU maintains value.

"We are actively working to avert further cuts to the university," continued Reed, "and have been aggressively working to encourage elected officials and the public to support a final budget that includes tax extensions. However, we also have an obligation to be prepared for a worst-case scenario, and we do not have the luxury of a great deal of time. We cannot wait on the state and its uncertain budget process."

Measures the CSU has already taken to address the initial $500 million cut already approved by the legislature include cutting enrollment, increasing tuition, reducing personnel and other cost cutting measures. In addition, the university is one of the most efficient systems in the country.

However, Reed told the board that there are few alternatives left if the system is cut by an additional $500 million.

"The steps we are taking to address the first $500 million cut are coming dangerously close to harming the quality of the institutions on a lasting basis," said Reed. "Whatever we do, we must preserve the quality of our institutions and our academic programs."

**Contingency Plan**

To prepare for the possibility of a total $1 billion year-over-year budget reduction, CSU plans to "wait list" applications for winter and spring 2012, and consider an additional tuition fee increase...
of up to 32 percent. CSU will accept applications for winter/spring terms, but will not make any admissions decisions until a budget is finalized. Under the worst case scenario, CSU estimates it could turn away 20,000 qualified applicants who would otherwise enroll for the winter/spring 2012 terms.

In addition, the board could be asked to take action at its July meeting to authorize a tuition fee increase of up to an additional 32 percent (on top of the 10 percent increase approved last November). For full time undergraduates, that would mean an additional $1,566 or a total of $6,450 tuition fee per year. The possible increase is contingent because any tuition fee increase depends on whether the state imposes further budget cuts, and the amount of those reductions. In addition to tuition fees, campuses charge various fees that average $950 per year. As per board policy, one-third of the increase would be set aside for financial aid.

"Raising tuition is always a painful choice," said Reed. "But we would be faced with just trying to keep our classroom doors open."

Examples of the magnitude of what an additional $500 million budget cut would translate into include:

- The combined state funding for 10 of CSU's smallest campuses
- Enrollment funding for 85,000 students
- $500 million, added to the first $500 million = 36 percent of state support for the CSU

Over the past two years, CSU has implemented a number of measures to address steep budget reductions that include employee layoffs, enrollment reductions, tuition increases, employee furloughs and other cost cutting measures. Since 2008, CSU has reduced 8.8 percent of its workforce or 4,145 faculty and staff, and will be reducing positions even further in dealing with the initial $500 million cut.

"At some point, it becomes impossible to instruct and serve more than 400,000 students," continued Reed. "We cannot rely on this as a viable strategy for additional cuts."

**Actions To Address Initial $500 Million**

In response to the already-approved $500 million cut, the CSU will enroll 10,000 fewer students this fall, and will apply an estimated $146 million from tuition increase already approved for fall 2011 to the budget reduction. Across the system, campuses will be asked to reduce their budgets by an additional $281 million, and the Chancellor's office will be cut by $10.8 million or 14 percent.

Since the state's fiscal crisis began in 2008-09, CSU has reduced the number of its employees by 4,145 or 8.8 percent. The Chancellor's office has reduced management personnel by 11 percent. In addition to reducing the number of employees, CSU has implemented a number of strategies to address decreased state funding support including employee furloughs, raising tuition fees, enrollment cuts and other cost cutting measures.
The CSU has also made strides in recent years to become more efficient, and is working on many fronts to do even more. Federal data shows that 10 of the 20 most efficient large campuses in the country are CSU campuses, in terms of institutional spending per student. However, officials stress that the system cannot address a $1 billion or 36 percent budget reduction in one year with simple efficiencies.

"Neither of these extreme measures – raising tuition or closing spring admissions – will be necessary if the tax extensions are continued," concluded Reed. "It is critical that we continue to advocate in Sacramento that they are part of the final budget solution. That is the only way to avoid going down the budget path of no return."