CSU Reviews Initial Strategies to Address $500 Million Cut in State Funding

Additional $50 million in mandatory costs brings total budget gap to $550 million

(March 22, 2011) – At today’s California State University Board of Trustees meeting, university officials reviewed a series of initial strategies to address the governor’s proposed year-to-year reduction of $500 million in state funding for the 2011-12 fiscal year. The CSU will actually need to address a $550 million total gap in funding once $50 million in mandatory costs, including increased energy and employee health premiums, have been factored in.

CSU will apply an estimated $142 million of revenue (net of financial aid) from the tuition fee increase already approved for fall to the budget reduction, leaving the system with an approximate reduction of $400 million. Across the system, campuses will be asked to reduce their budgets by a total of $281 million. In addition, funded student enrollment for 2011-12 will drop by over 10,000 students, representing a $60 million cost savings. The CSU Chancellor’s Office budget will be cut by $10.8 million or approximately 14 percent. This is proportionately more than the campus reductions because the Chancellor’s Office does not receive student fee revenues.

“We have tasked the presidents with managing most of these budget cuts at the campus level, and they will have to make some very difficult decisions in light of the magnitude of this reduction in state support,” said CSU Chancellor Charles B. Reed. “The Chancellor’s Office will also be facing a large cut and we will make some tough choices there as well.”

Because 84 percent of CSU’s operating cost is for personnel, the CSU will need to reduce expenses in that area by at least $250 million. 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. Also, since 2008-09, the Chancellor’s Office has reduced management personnel by 11 percent.

The governor’s budget proposes a $500 million reduction in state funding for the CSU, bringing the level of state support down to 1999-2000 levels, though the CSU currently serves over 70,000 more students. The $500 million cut reduces the CSU’s state funding by 18 percent from last year and equates to funding for over 85,000 students across the state.

The CSU could face a greater reduction in state support if tax extensions backed by the governor do not reach the ballot of a proposed special election in June or are not approved by voters. While the exact amount of an additional reduction is unknown, CSU could potentially face a $1 billion reduction in state funding. That potential level of reduction – to $1.79 billion in state
general fund allocation - would drop the CSU’s state support below 1996-97 levels ($1.81 billion) when the CSU served 100,000 fewer students.

“A cut of $1 billion in state support would have devastating effects on the CSU,” added Reed. “A reduction of that level would force us to reexamine potentially drastic measures including much larger cuts to enrollment and increased tuition fees among other strategies. This type of cut would have long-lasting effects on the level of access and service that CSU can provide to students and would negatively impact California’s economy, both in the near and long term.”

A recent Legislative Analyst’s Office report provides a series of recommendations if state support for the CSU is cut by $1 billion including:

• A 5 percent reduction in budgeted enrollment levels, which would mean over 20,000 fewer students served
• A tuition fee increase of 10 percent or $480 per year (generating an additional $120 million) for undergraduates added to the increase already in place for fall 2011
• A 5 percent decrease in faculty and staff compensation (saving up to $158 million, but only if negotiated and put into place almost immediately)

Even if these recommendations were enacted, the CSU would still face a $162 million shortfall.

Over the past two years, in addition to reducing the number of employees, CSU has implemented a number of strategies to address decreased state funding support including raising tuition fees, employee furloughs, enrollment cuts and other cost cutting measures. Student enrollment has been reduced and the CSU serves 24,000 fewer students than in 2008-09.