



**October 23, 2008**

**TO:** All CSU Employees  
**FROM:** Charles B. Reed, CSU Chancellor  
**RE:** CSU Budget Update

As we've all heard, economies around the globe are facing significant challenges. California is experiencing very difficult economic times with seven straight months of job losses, and unemployment now at the third-highest level among the 50 states. This has all had an impact on the 2008-09 budget signed by the Governor on September 23. Revenues flowing to the Treasury to fund this year's budget are already more than \$1 billion below those forecast in May, and it is estimated that the total shortfall will be between \$3 billion and \$4.6 billion.

California's 2008-09 budget provided \$2.97 billion of state General Funds to the CSU. That is essentially the same amount we received the previous year, and \$215 million less than what we need to meet enrollment growth and fund other operational expenses. The only significant source of additional revenue for the CSU is \$73 million from the student fee increase that will be used to cover mandatory cost increases such as energy and employee health benefits.

However, we have been informed by the state Department of Finance that state agencies and departments receiving General Funds need to cut a total of an additional \$390 million from the current budget. For the CSU, this amounts to \$31.3 million of the money we receive from state funds. We anticipate that we will be able to manage this reduction without disrupting campus operations or impacting instruction, student services or public safety. Campuses will be encouraged to take measures such as curtailing travel, deferring purchases and delaying filling vacant positions.

The state's worsening budget situation also brings the possibility of additional mid-year reductions in the 2008-09 budget, which would require action by the legislature in a special session. Governor Schwarzenegger plans to call such a session with the current legislature for later in November before new legislators take office in December.

For a university system such as ours, no budget cut is easy. But, whenever the CSU is faced with budget reductions, we strive to manage those cuts with minimal disruption to campus operations, the quality instruction of students, the maintenance of our high quality programs, and the safety of students, faculty and staff. As a precaution, campus presidents will review the impact of possible additional cuts and report back to me. I

want to stress that this is a precautionary move. The Governor and the legislature have not made decisions on any additional cuts beyond the \$31.3 million.

Now, more than ever, we need to continue to advocate to the legislature and Governor about the impact of such cuts, and stress the importance of funding higher education. The CSU plays a critical role in the state's economy by providing more than 90,000 graduates each year into the workforce. We are a vital part of the long-term solution to righting the state's [economy](#).

I know these are challenging times, and we all feel a sense of anxiety over the continuing bad economic news. But, together, we need to keep telling our friends, our community and our legislators about CSU's contribution to California, and the importance of higher education to the future of our state. As the budget picture evolves, I will continue to keep the CSU family updated on the developments. If you don't already subscribe to the newsletter *CSU Leader*, I'd encourage you to sign up for the most up-to-date information. For information on how to subscribe, please see <http://www.calstate.edu/CSULeader>.

Thank you for the hard work that you do every day for the California State University.

Sincerely,

CSU Chancellor Charles B. Reed