

January 25, 2008

To: Faculty and Staff

From: **Paul Zingg**, President

As we start the spring semester, I know that there is great concern about the state budget and its impact on all of us at Chico State. As I'm sure you are aware, Governor Schwarzenegger has proposed sweeping reductions in spending to address a deficit estimated at \$14 billion. His proposed 2008-09 budget includes 10 percent reductions to nearly all General Fund departments, programs, boards, commissions, and elected offices. Regarding the CSU, it proposes cutting \$312.9 million from the budget requested by the CSU Board of Trustees. As a result, the Governor's budget does not fully fund CSU enrollment increases and other cost increases including health benefits and compensation agreements. One immediate response to the proposed cuts is that, with some exceptions, the Chancellor has set a Feb. 1 deadline for all first-time freshman applications, so the CSU System does not enroll more students than it can serve.

As those of you who have worked in the CSU for a few years know, the state budget historically cycles through projected deficits and surpluses. Combined with the annual delays in getting the state budget completed, this makes our campus-based fiscal planning difficult year in and year out. The only positive aspect of the situation is that many of us have been down this road before, and have some experience dealing with the fluctuations and uncertainty.

The presentation of the Governor's budget is only the first step in the California budget development process. On Jan. 15, the Legislative Analyst's Office (LAO) released its overview of the Governor's proposed budget and called for setting state priorities with regard to spending instead of across-the-board cuts. The LAO's full analysis is expected Feb. 20. We can hope that the LAO will identify public higher education as a priority for the state, with appropriate recommendations to support it. In May, the Governor will submit a revised budget (called the May Revise) based on the forecast of state revenues. Following Legislative approval, the Governor is required by law to approve a budget by July 1, the first day of the new fiscal year, though that deadline, as mentioned above, is routinely not met.

Here are a few important points to keep in mind as we move into the spring semester:

- The Governor's recommendations for reducing the state deficit concern the 2008-09 budget and do not involve our current-year budget. There were no comments about mid-year budget cuts or layoffs for 2007-08. Of course, as always, we will approach our spending this year in a prudent fashion, recognizing that state funding may be in a downswing. No matter what our budget situation is, we will manage our resources consistent with our strategic plan and the need to support our priorities as they have been articulated in that document. But it's important for you to know we are not anticipating significant fiscal changes this year on campus.
- In the months ahead all of us in the CSU – administration, faculty, staff, students, and alumni – will be advocating to the Governor and Legislature that the funding targeted for a cut be restored. No one wants to deny new students access to higher education. No one wants to revisit bargaining agreements that will provide much-

deserved compensation increases for faculty and staff. You will hear plenty of tough talk and dire consequences in the weeks ahead, as the combined voices of the CSU make our case to Sacramento. Many of these messages will focus on the question of what kind of state California will be in the future. I will be lending my voice to the call that a first-class higher education system is more important than a world-class prison system.

- As important as it is to point out the shortsightedness of higher education cuts, it's equally important to recognize that our overall financial standing is good. Thanks to the hard work of the Enrollment Management staff, Chico State has done a good job staying close to its FTES target as set by the CSU. In that regard, we are the envy of many of our sister campuses, and I am confident we can scale back our enrollment growth next year in anticipation of tight state funding. It's also nice to know that we remain one of the most popular CSU campuses for prospective students, with a 6.4% increase this year in applications as compared with last year. Once again, this is a situation in which many other campuses would like to be.

I will have more to say in the weeks ahead on our budget. I realize the uncertainty of not knowing next year's budget makes planning very difficult. Quite frankly, the state's budget process is a mess, and needs major re-thinking. But, for now, we will keep a close eye on events in Sacramento, and continue to serve our students and advocate on their behalf. I am deeply grateful for what all of you do to make this such an outstanding university.

As an addendum, two related Web links to pass along:

The Chancellor's Office has a Web page that is a clearinghouse for budget information -- <http://www.calstate.edu/BudgetCentral/>

The *San Jose Mercury News* published an editorial Monday strongly advocating for higher education funding -- http://www.mercurynews.com/opinion/ci_8032171

(If you are not a frequent visitor to the *Mercury News* Web site, it may require a sign-in.)