

The California State University Employee Update

Monday, February 23, 2009

State Budget Will Impact CSU's Ability to Serve Students

Gov. Arnold Schwarzenegger and state legislators last week reached a long-sought agreement on a state budget that contains a mix of tax increases and spending cuts aimed at closing the state's estimated \$42 billion budget deficit. The budget is a 17-month plan that addresses the remaining months of the current 2008-09 fiscal year and the 2009-2010 fiscal year which begins July 1. Here is what the budget means for the CSU:

- The budget reduces state general fund support to the CSU by \$97.6 million for the current 2008-09 fiscal year, placing the CSU \$313 million below its operational needs.
- The budget falls short of operational needs for the 2009-10 fiscal year by \$283 million. These cuts could grow by an additional \$50 million depending on the size and scope of the economic stimulus package.
- The Legislature will discuss in upcoming budget subcommittee hearings the following CSU-related proposals that were not included in the enacted budget:
 - \$325 million proposed from lease-revenue bonds for six capital outlay projects;
 - \$3.6 million for a new cohort of 340 bachelor of science in nursing students.

Although the severity of the state's fiscal crisis required difficult decisions by the legislature, the budget will negatively impact CSU's ability to maintain quality and services for its 450,000 students. CSU is currently serving 10,000 students for whom the state provides no funding and has been forced to reduce enrollment levels by 10,000 this coming fall. CSU has also implemented several cost saving measures including freezing salaries for employees at the vice president level and above, restricting travel, deferring purchases, and holding vacant positions.

The CSU is exempt from the furlough orders now in effect for state agencies and is not planning furloughs at this time, but will continue to closely monitor its risk to further budget cuts as the details of the economic stimulus plan are analyzed.

Economic Stimulus Bill to Aid CSU

The federal government's recently signed \$787 billion "American Recovery and Reinvestment Act of 2009," more commonly known as the economic stimulus bill, will significantly assist the CSU in several areas. Here is what's in store:

- A \$619 increase in the maximum Pell Grant award to \$5,350 starting July 1. More than 120,000 CSU students receive Pell Grants. CSU is the largest recipient of Pell Grant awards in the country.
- \$200 million added nationwide to the Federal Work-Study program, which could help an additional 1,500 CSU students earn an average of \$2,400 per year.
- The new partially refundable American Opportunity Tax Credit will cover up to \$2,500 of the cost of tuition and course-related expenses per year for the first four years of college.
- \$200 million nationwide to expand funding for the Corporation for National and Community Service to support an expansion of AmeriCorps State and National and AmeriCorps VISTA programs. CSU students lead the nation in participation in national and community service.

The bill also injects \$16 billion nationwide into research through a number of federal agencies, such as the National Science Foundation and the Department of Energy. Of particular interest to the CSU is support for programs related to the science, technology, engineering and mathematics fields, such as Professional Science Master's programs. The legislation also includes a complex new \$54 billion "State Fiscal Stabilization Fund," a large portion of which is slated to go to governors to backfill state budget cuts to public education, from K-12 through college. For the CSU, this funding potentially could help offset \$50 million in additional cuts for fiscal year 2009-10. While not mandatory, governors may also use some of these dollars to modernize, renovate, and repair public university infrastructure but no new construction is permitted with these funds. More information: <http://blogs.calstate.edu/federalrelations/?p=63>.