

The California State University Employee Update

Wednesday, January 21, 2009

The State's Cash Situation and IOU's

The state controller has projected that there will be insufficient cash available to meet all expenditures in the 2008-09 budget because the Legislature and the Governor have been unable to reach a solution on the budget deficit. Hence the state controller's office will be forced to pursue payment deferrals or issue registered warrants—also known as “IOUs” – as early as February 1. Under the State Constitution, however, the state has an obligation to meet its payment to public schools and public higher education systems. Therefore, CSU employees will continue to be paid. Read the list of priority payments here:

<http://www.sco.ca.gov/eo/fiscalissues/payments01-2009b.shtml#paymentmenu>.

Funding Cal Grants

Due to the state's impending cash flow crisis, the state controller and the California Student Aid Commission have informed higher education institutions of possible delays in the payment of Cal Grant A and B awards for the spring 2009 term. In response, the CSU has announced that it will defer State University Fee payments for the spring 2009 term for CSU students who experience delays receiving Cal Grants from the California Student Aid Commission. To ensure that CSU's financially-neediest students who rely on Cal Grant A and B awards to cover their State University Fee will be able to enroll for the spring 2009 semester, CSU campuses will delay student payment of the State University Fee until the California Student Aid Commission is able to disburse Cal Grant funds to campuses.

In addition, Cal Grant B recipients receive a stipend from the state. However, due to the state's growing cash flow problem, CSU is not in a position to automatically cover these cash stipends to students until the California Student Aid Commission actually distributes the funds. While these students will receive their federal Pell Grant awards and other financial aid, some students may still face financial hardship for the spring 2009 semester. In these cases, campuses will try to provide short-term emergency loans to needy students on a case-by-case basis, provided students have exhausted alternative funding.

Furloughs

Several state agencies have reported that they will begin implementing the Governor's December executive order for furloughs two days a month on February 1. The Governor's furlough plan applies only to state Civil Service Employees under the State Employer-Employee Relations Act (The Dills Act) and does not apply to CSU employees. However, the governor's executive order requests that the CSU, the University of California, the California Community Colleges and other state entities implement similar measures to achieve budget and cash savings for the current and next fiscal year. The CSU is not planning furloughs at this time and has implemented several cost savings measures including: limiting student enrollment for fall 2009; freezing the salaries of vice presidents, vice chancellors, presidents and the chancellor; restricting travel; canceling equipment and supply purchases; and filling only essential positions.

Long-term Prognosis

It is difficult to say when and how the legislature and the governor will resolve the budget crisis. The CSU has been planning how to maintain operations under several different scenarios. CSU's leaders have committed to do everything they can to protect students, faculty and staff and to preserve the quality of the universities. However, the longer the state delays reaching a budget compromise, the more at risk the CSU will become to deeper budget cuts that will significantly impact programs, services, payroll and personnel. Employees will receive ongoing updates as news develops.