

The California State University Employee Update Wednesday, July 8, 2009

Trustees Discuss Plan to Manage Budget Crisis

Furloughs, enrollment reductions and a possible student fee increase were among the options the CSU Board of Trustees discussed Tuesday as ways to deal with a proposed \$584 million budget cut, the largest in the system's history. The budget reduction is the result of the state's attempt to close a \$26.3 billion budget gap.

"We have never before seen such a devastating cut in a single year," said CSU Chancellor Charles B. Reed. "I am concerned because the CSU system has a national reputation for access, quality and diversity."

Because employee salaries and benefits account for approximately 85 percent of the CSU's operating budget, large expenditure cuts will require significant reductions in labor costs, explained Robert Turnage, assistant vice chancellor for Budget. The magnitude of the CSU's problem, however, means that one single solution will not produce the needed savings. To illustrate, Turnage said the proposed \$584 million cut is equivalent to the funding provided by the state for about 95,000 students, the approximate number the CSU graduates each year.

Part of the CSU's plan to reduce salary expenditures includes a furlough for all employees two days a month, which would reduce spending by roughly \$275 million and preserve 22,000 course sections or 15 percent of all classes for students for the academic year. In addition, furloughs are temporary and do not affect employment status, health benefit eligibility or pay rate for retirement benefits. CSU executives, management and non-represented employees will begin furloughs August 1.

Labor agreements between the CSU and its employee unions do not include provisions for furloughs, therefore each union must agree to negotiate furloughs. If a union has not agreed to negotiate furloughs, the CSU will follow the options under the contract which may include layoffs and non-retention of temporary employees to reduce CSU's employment costs for that employee group.

The California State University Employees Union (CSUEU) representing 16,000 non-academic employees has reached a tentative agreement with the CSU and the Academic Professionals of California (APC) representing 2,400 student service employees has agreed to discuss furloughs. The CSU has met with the California Faculty Association (CFA) to discuss furloughs and the CFA has scheduled a vote of its membership beginning July 13. There are approximately 23,000 faculty personnel.

Employees in the public safety union will be exempt from furloughs and several other labor groups have either rejected furloughs or are still negotiating.

In addition to furloughs, trustees were briefed about student enrollment reductions for 2010-11. CSU will look to reduce its student enrollment by 32,000 students systemwide by using a combination of enrollment management tools such as increased grade point averages for out-of-area applicants.

There will also be a student fee increase considered at the July 21 Board of Trustees meeting that will go into effect this fall. While the exact increase has not been finalized, increases in financial aid included in the federal stimulus package will cover a fee increase for 187,000 of the CSU's 450,000 total students. The CSU also expects to receive an additional \$81 million in federal Pell awards for its neediest students, and would also set aside one-third of any fee increase for financial aid. Tax credits, increased work study and student loan improvements will also offset the fee increases for many students.