

The California State University Employee Update

Monday, March 23, 2009

Chancellor Underscores CSU's Vital Role in State's Economic Recovery

CSU Chancellor Charles B. Reed emphasized to legislators that the CSU plays a key role in California's economic recovery and that further cuts to the university would cause lasting damage. Speaking before the Assembly Budget Subcommittee March 18, Reed detailed the fiscal impact to the CSU of the state's recently enacted budget, saying he is deeply concerned about the erosion of quality and student access in the absence of adequate funding. State general fund support to the CSU was reduced in 2008-09 by \$97.6 million below the previous year; \$66.3 million of the cut was a permanent reduction to the CSU's base budget that will continue in the 2009-10 budget. Another \$50 million cut for 2009-10 is possible.

Overall, the fiscal impact to the CSU over the last two years is \$600 million in cost obligations or basic workload needs that the state has been unable to fund. This includes funding for enrollment growth, faculty and staff compensation increases, and CSU's operational needs. The shortfalls come at a time when the CSU is seeing large spikes in applications because record numbers of students are graduating from California high schools and laid off workers are looking to retrain. While California's economy faces immense challenges, Reed warned that decisions made in the short-term may prove detrimental to the state's future recovery. "It is essential that the state invest in higher education and avoid further cuts to the CSU so that we can enroll and graduate the skilled professionals the state's businesses need to succeed," Reed said. "The state's economic future depends on the ability of higher education to prepare more graduates—not fewer." The CSU graduates nearly 92,000 students each year and prepares the majority of California's workforce in the state's key industries including agriculture, technology, entertainment, engineering and nursing. More: www.calstate.edu.

State and Federal Budget Updates

- One month after state lawmakers passed a budget, the Legislative Analyst's Office predicts that the budget is already \$8 billion short due to the state's deteriorating economy. The shortfall may grow in future years—from \$12.6 billion in 2010-11 to \$26 billion in 2013-14—because many of the solutions adopted in the budget are temporary.
- April 1 is the date by which State Treasurer Bill Lockyer and State Finance Director Mike Genest will determine whether California will receive at least \$10 billion from the federal stimulus package that meets certain conditions. If the \$10 billion threshold is reached, then \$1.8 billion of increased income tax revenue and \$948 million of spending cuts that had been included in the state budget would not occur—including a \$50 million cut to the CSU. Following a public hearing last week, Lockyer and Genest said they believe the state will not meet the \$10 billion threshold but will continue to analyze the details of the stimulus package.
- Good economic news for the CSU: The federal \$410 billion domestic spending package for FY 2009 signed by President Barack Obama recently includes spending increases for a number of CSU's priorities. [HR 1105](#) will boost Pell Grants, GEAR UP, and TRIO programs and also includes \$693,000 for the CSU's Agricultural Research Initiative, along with funds for numerous campus projects.

Cal Grants Payments Underway

Cal Grant payments, which were delayed for several weeks during the state's budget negotiations, are getting back on track. The payments that were due in February for winter quarter or spring semester are being processed and will be paid by check instead of electronic funds transfer. These payments will make campuses 'whole' in relation to the partial spring semester advances the campuses received earlier. Spring quarter advances that normally occur in March are on hold. The CSU is awaiting notice from the Student Aid Commission as to when they will be paid.