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MEMORANDUM

DATE: October 2, 2009

TO: Chief Administrators/Business Officers (CABO)

FROM: Benjamin F. Quillian *B.F.Q.*
Executive Vice Chancellor and
Chief Financial Officer

SUBJECT: Mid-Year Updates to Budget Reduction Plans

In my memorandum to Chief Administrators/Business Officers (CABO) dated July 23, 2009 [Subject: Budget Plan Strategies to Address 2009-10 Budget Reductions], you were asked to submit a two-year budget strategy report for fiscal years 2009-10 and 2010-11. The report included a template that had been developed with the assistance of CABO colleagues and a narrative to explain the strategies your respective campuses would use to reduce the budgets. Those preliminary plans were carefully reviewed in this office, and you were informed that campuses would be expected to provide more detailed plans around the middle of the year.

This memorandum summarizes the parameters and assumptions to be used as you prepare the mid-year reports, due December 15, 2009. The basic format of the mid-year reports will be the same as the previously submitted reports—a template and a narrative. Next week you will receive the template, which will ask for more specific information in certain areas. The template is to be accompanied by a comprehensive narrative that explains in detail the strategies the campus will employ to reduce its budget. Please ensure all documentation includes notations that say, “Confidential / For Collective Bargaining Purposes”.

As you know, a dramatic turnaround of California’s fiscal situation is not expected any time in the near future. In fact, the Department of Finance is already projecting a shortfall of over \$7 billion in the state’s budget. In that context, campus budget plans should be developed within the following guidelines and conservative estimates:

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

Chief Administrators/Business Officers

October 2, 2009

Page 2

- For planning purposes, we expect the General Fund allocation to the CSU in 2010-11 to be the same as the 2009-10 base—\$2.338 billion.
- Employee furloughs will be discontinued at the end of the current fiscal year.
- Campuses are expected to achieve their enrollment targets. Campuses that exceed their enrollment targets will have all surplus revenue associated with the over-enrollment subtracted from the 2010-11 budget allocation.
- Campuses must account for budgeted fee revenue loss associated with reduced enrollment targets for 2010-11. Also, with regard to fee revenue, campuses should include revenue equivalent to a ten percent fee increase in their planning assumptions. (The CSU is planning to ask the State to buy out a ten percent fee increase.)
- Layoffs, as necessary, may commence pursuant to applicable CSU policies and negotiated labor agreements. The mid-year updates should be consistent with campus layoff plans and should specify estimated FTE position reductions for 2009-10 and 2010-11, by bargaining unit.
- A mid-year budget reduction is possible this year. However, because of the Maintenance of Effort requirement related to federal stimulus money we are not currently anticipating such a cut.
- The use of one-time resources should be avoided, as base reductions in budgets will be required. If it is absolutely necessary to use one-time funds, campuses will be asked to explain why using such resources was necessary and explain the plans for rebuilding those resources.

I urge you to think creatively and recognize that tinkering with reductions at the margins will be insufficient. It will be necessary to change radically business processes and service delivery systems so that personnel costs and other expenditures can be reduced significantly on an ongoing basis. Campuses will need to collaborate and work together to reduce unnecessary duplications of effort and create synergies to leverage strengths and minimize weaknesses. Twenty-three independent plans will not get the job done. If we expect to continue effectively fulfilling the mission of the CSU, the budget reduction strategies must yield a fundamental transformation of the ways we meet the needs of our students, faculty and staff.

Shortly after the templates with instructions have been distributed to you, I will schedule a conference call to answer questions you may have.

BFQ:lje

c: CSU Presidents
Dr. Charles B. Reed, Chancellor
Dr. Jeri Echeverria, Executive Vice Chancellor and Chief Academic Officer
Ms. Gail Brooks, Vice Chancellor, Human Resources
Mr. Garrett Ashley, Vice Chancellor, University Relations and Advancement