

2008-09 Final Budget Action

Thanks to the sustained efforts of you and many other alumni and supporters of the CSU, we prevailed in holding State funding for the system and its 23 campuses at 2007-08 budget levels. While this may appear to indicate no forward progress in meeting the 21st century challenges confronting the nation's largest institution for baccalaureate and master's degree education, achieving a statewide commitment to reverse \$97.6 million of previously recommended cuts to the CSU budget represents a key accomplishment in an extremely weak and hostile fiscal environment.

The following table compares the Governor's January proposal and the CSU Final Budget appropriation (which includes non-instructional budget adjustments for lease bond debt service payments), reflecting a restoration of the base level of State support achieved through CSU efforts.

2008-09 CSU Support Budget

	Governor's Budget	May Revise & Final Budget	CSU Restoration
CSU Total General Fund Budget			
Total State General Fund Dollars for the 2007-08 CSU Budget	\$2,972,407,000	\$2,972,407,000	
2008-09 CSU Budget Augmentation (General Fund)	\$213,581,000	\$213,581,000	
Adjusted State General Fund Reduction	<u>-\$312,900,000</u>	<u>-\$215,300,000</u>	
Total State General Fund Dollars for the 2008-09 CSU Budget	\$2,873,088,000	\$2,970,688,000	\$97,600,000
Total Fee Revenue Income for the 2008-09 Budget	\$1,521,077,000	\$1,521,077,000	
<i>(includes 10% fee rate increase which yields \$109.8 million. One-third of this amount is set aside for financial aid grants.)</i>			
Total, State Budget and Student Fee Revenue	\$4,394,165,000	\$4,491,765,000	\$97,600,000

While welcome under the circumstances, the budget approved by the state still places major funding challenges upon CSU. State funding for the university's budget remains flat between fiscal years, even though the Governor's workload budget identifies additional needs of roughly \$215 million, given our mandatory costs, enrollment growth and compensation lags for our employees.

The only new revenues for the CSU in the budget come from the 10 percent increase in student fees. After providing \$36.6 million for student financial aid grants, the fee increase yields a net \$73.2 million in operating revenue for the system. Although the net increase in fee revenues does provide funding to address some of our mandatory cost obligations, it does not allow the university to address a wide range of pressing needs. These needs include (1) providing adequate classes and student services to meet student enrollment levels that exceed funded targets by 11,000 students, (2) addressing critical deficiencies and necessary improvements in technology, libraries and deferred maintenance, and (3) workforce needs.

The budget solutions included in the 2008-09 Budget Act do not address the structural shortfalls in state resources. California will enter the 2009/10 budget planning process facing a \$1.5 billion budget gap in spite of solutions contained in the 2008/09 Final Budget. This shortfall could grow to \$6.5 billion if borrowing from State lottery revenues is not approved by the voters, and grow larger still if the state's economy does not rebound as anticipated. In the coming year CSU will face similar funding challenges to those it encountered in 2008/09, and the state's willingness to increase higher education funding will be tested, following significant funding declines for health and human services programs and growing cost pressures in the state's prison system. To preserve current levels of support and ensure adequate funds to maintain the quality and breadth of educational services CSU provides to over 450,000 Californians each year, CSU efforts will be critical throughout the 2009/10 budget process.