


THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

May 27, 2009

CHANNEL ISLANDS

The Honorable Noreen Evans
Chair, Conference Committee on the Budget
State Capitol, Room 6026
Sacramento, California 95814

CHICO

DOMINGUEZ HILLS

EAST BAY

The Honorable Denise Moreno Ducheny
Vice Chair, Conference Committee on the Budget
State Capitol, Room 5035
Sacramento, California 95814

FRESNO

FULLERTON

HUMBOLDT

Dear Assembly Member Evans and Senator Ducheny:

LONG BEACH

Thank you for allowing me to share my thoughts with you about the California State University budget as you start conference committee deliberations in this time of fiscal crisis.

LOS ANGELES

MARITIME ACADEMY

In my forty-plus years working in higher education I have never seen a more dire fiscal situation for a state or for its institutions of higher education. I am aware of the state's need to resolve the escalating budget gap of more than \$24 billion as soon as possible, given the overriding need to craft a credible budget plan that enables the state to meet its immediate payment obligations during the summer. A timely and reliable budget plan will also be essential for those of us charged with the operation of university campuses. Higher education institutions have long lead times for the planning and scheduling of each academic term. We are rapidly running out of time to change plans for the scheduling of course sections and faculty for the fall term. If we are unable to make necessary adjustments for the fall, due to lingering uncertainties about the ultimate level of funding for the 2009-10 fiscal year, we could find ourselves forced into even more punishing changes for the spring term, with all the attendant disruption to the lives of students, faculty and staff.

MONTEREY BAY

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

I am aware that to accomplish a timely and credible budget plan, it will require large budget reductions across all programs. I will not waste your time calling on you to refrain from the reductions to the CSU that the Governor proposed on May 14. I will ask that whatever reductions your committee recommends to the Assembly and the Senate be unallocated. Our challenge in managing these reductions, while at the same time preserving the university and its ability to serve California, will be unprecedented. The Board of Trustees and I will need flexibility in managing these reductions in order to balance their impact on students, faculty and staff.

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

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It is not in the state's best interest for the Legislature to single out student academic outreach for specified reductions, as proposed in the May Revision. These reductions would eliminate some of the most successful programs in the state for improving educational access and outcomes, such as the Early Assessment Program that helps identify eleventh-graders in need of additional work for college success in time for that work to be accomplished before they arrive at a university campus. This is one of the things that California is getting right—other states now see it as a model to emulate. We have less disruptive ways to reduce spending if we are granted the flexibility.

Finally, on the subject of unallocated reductions, I ask that reductions to the segments of higher education follow a principle of equity and fairness.

There is one positive step the conference committee can take for higher education in the midst of this crisis. That is to approve the capital outlay projects proposed by the Governor from lease-revenue bonds for the CSU and the University of California. Moving forward now on these projects makes sense for the state in several respects. They will provide desperately needed economic stimulus and job creation—over 3,400 direct jobs in the case of the six CSU projects (please see enclosure). They address important educational priorities, including modernized laboratories for instruction of students in science and engineering, and larger classroom spaces allowing more efficient utilization of faculty and space. Moving forward on these projects now will lower design and construction costs by taking advantage of the current competitive bidding climate. Finally, moving forward now has no impact on the state General Fund in 2009-10 or for several years beyond because debt service on these bonds does not start until after the projects are completed.

In the last decade, the CSU has accomplished significant efficiencies in its operations. This was necessary, in part, because state support per student, adjusted for inflation, had declined by 25 percent since 1998-99. Now the situation has become dramatically worse. The May 14 proposals would place our General Fund appropriation at \$2.485 billion, a level that is \$485 million—or 16 percent—below the 2007-08 level. Even with the recently authorized increase in student fees, and even with one-time federal stimulus funds, we face an operating deficit for 2009-10 of \$314 million. This amount is equivalent to state support for 39,000 students, based on the marginal-cost formula traditionally used by the state. Reductions of this magnitude will require the university to take many difficult actions. The easy options for closing large budget gaps are gone, and only unpalatable options remain. These options will include reducing labor costs—given the fact that salaries and benefits comprise almost 80 percent of our spending—and further restricting admissions and course sections. As a result, I would ask that your recommended budget bill language not specify an enrollment target for 2009-10. The target that was placed in the budget act last February is not feasible under the present circumstances.

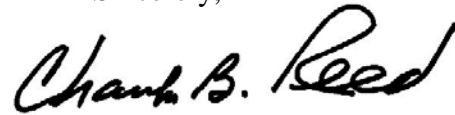
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These reductions will require tough decisions, but given adequate lead time and flexibility, we can manage them. I must tell you, however, that the “options” that have been placed before you for yet more reductions of hundreds of millions of dollars would cause lasting damage to the institutions’ ability to serve students and the university’s ability to facilitate California’s economic recovery and future prosperity.

On behalf of the CSU, I look forward to working with you during this difficult period.

With kind regards,

Sincerely,

A handwritten signature in black ink that reads "Charles B. Reed". The signature is written in a cursive, flowing style.

Charles B. Reed
Chancellor

Enclosure

CBR/rt

c: Members of the Conference Committee on the Budget
CSU Trustees
CSU Presidents
President Mark Yudof, University of California
Chancellor Jack Scott, California Community Colleges
CSU Executive Staff
CABO

California State University 2009-10 Capital Outlay Request Governor's Proposed 2009-10 Budget

Lease-revenue Bonds--\$324,983,000

The following capital outlay projects are part of the Governor's Proposed 2009-10 Budget and will be considered in this spring's budget subcommittee hearings. They represent the leading capital priorities of the CSU and address key instructional needs. *Moving forward on these projects will create an estimated 3,464 jobs.*

Chico: Taylor II Replacement Building. Preliminary plans, working drawings and construction.

\$57,185,000. Demolishes an instructionally obsolete 33,100 gross square-foot building and replaces with a new 98,500 gross square foot-building to accommodate the College of Humanities and Fine Arts. Net increase in instructional capacity of 627 full-time-equivalent students (FTES) in lecture space, 124 FTES of laboratory space and 81 faculty offices. **584 jobs**

Fullerton: Physical Services Complex Replacement. Preliminary plans, working drawings and construction.

\$23,781,000. Consolidates shop, warehouse and related physical services space that is currently dispersed among 18 temporary buildings into a compact and efficient four-building complex and corporation yard. **243 jobs**

Sacramento: Science II, Phase 2. Preliminary plans, working drawings and construction.

\$97,921,000. Builds a 134,800 gross square foot-replacement science facility, including 596 FTES of lecture space, 328 FTES of laboratory space, 77 graduate student research stations and 77 faculty offices. **1,016 jobs**

San Bernardino: Theatre Arts Addition. Preliminary plans, working drawings and construction.

\$60,506,000. Building addition for the College of Arts and Letters, including a 500-seat performance auditorium, interdisciplinary classroom space, a dance studio and music teaching labs. Provides 182 FTES of lecture space, 23 FTES of laboratory space and six faculty offices. **750 jobs**

San Diego: Storm/Nasatir Halls Renovation. Construction phase.

\$48,453,000. Renovates existing space, as a secondary effect of recently-completed building for the College of Arts and Letters. Renovated space will contain 2,237 FTES of lecture space, 48 FTES of laboratory space and 163 faculty offices. **485 jobs**

Channel Islands: West Hall. Preliminary plans, working drawings and construction.

\$37,137,000. Renovates part of West Hall and adds new space, including 373 FTES of lecture space and 182 FTES of laboratory space and 38 faculty offices. Affected disciplines include anthropology, computer science, environmental science, geography, geology, physics and psychology. **386 jobs**