



Office of Government, Tribal,
and Community Relations

CSU Budget Advocacy Brief

ISSUE: The California State University (CSU) system faces significant financial challenges due to the persistent state funding deficit, threatening the quality of education provided at its 23 campuses. We advocate measures to preserve the full funding of CSU and to avoid \$375 million cut to the CSU's ongoing state funding, or 7.95%, and preventing the deferral of compact funding, totaling \$252 million.

Background: How are CSU's Funded: *a brief overview.* In the state budget, the General Fund allocations for the UC and CSU systems are classified as discretionary funds. This designation makes them particularly vulnerable to budget cuts and funding deferrals during periods of fiscal uncertainty or economic downturns. The CSU system receives a significant portion of its budget from the California General Fund, which covers operational expenses like salaries, benefits, academic programs, and infrastructure. In 2024-25, CSU's General Fund appropriation constituted about 60% of its operating costs. Student tuition and fees are the second-largest source of funding for the CSU system, supporting essential academic operations. CSU's tuition remains relatively low compared to other states.

The UC system, like the CSU, relies on the California General Fund for operational support but receives a higher per-student allocation due to its research mission and higher-cost programs. UC tuition is higher than CSU tuition and is a significant revenue source. Out-of-state and international students pay additional tuition, contributing to the system's revenue. Community colleges, on the other hand, are funded through the General Fund under Proposition 98, which ensures a minimum level of state funding for K-14 education, supplemented by local property tax revenues.

In his 2024-25 budget proposal, the Governor proposed no expansions to student financial aid or base funding increases for the CSU. Instead, a 5% base increase was proposed to be deferred to FY 2025-26, with a promise of one-time back payments. The final state budget ultimately provided a small funding increase for the CSU, while signaling a 7.95% cut (\$375 million) in 2025-26. Therefore, a \$375 million ongoing reduction to CSU's baseline funding was proposed in the Governor's January budget proposal. This amount is equivalent to the resources needed to support 36,000 students.

Why CSU Funding Matters: Investing in the CSU system is not an expense - it is an investment in California's future. CSU serves over 460,000 students annually, drives equity and economic growth, and contributes \$15 billion to the state's economy every year. Sustained funding for the CSU will secure the future of its students and continue to ensure prosperity for our state.

Consequences of Cuts: As of this point in the budget cycle, we want to share our strong concerns on how a 7.95% cut will negatively impact our students. This proposed cut will impact on

academics, student services, course offerings and workforce. It will also put recent graduation rate and enrollment gains at risk, which will lessen the CSU's positive impact on our state's economy. The consequences of these cuts, if enacted, are immense.

Systemwide, they would result in reductions to academic programs, student services, and course offerings, as well as a decline in workforce capacity. Progress in closing equity gaps and improving graduation rates would be jeopardized, directly impacting CSU's standing as a leader in economic mobility. These cuts would also threaten the financial stability of the CSU system, which is vital to California's workforce and economy.

Over the past two years, the CSU system has faced substantial financial challenges, with gaps between anticipated revenue and expenditures amounting to \$138 million in 2023-24 and \$218 million in 2024-25. These ongoing shortfalls, totaling 4% of the Operating Fund, highlight the pressing need for strategic solutions.

CSUSB Impact: At CSU San Bernardino (CSUSB), the financial challenges are particularly troubling. CSUSB serves a predominantly first-generation student population, with 79% of students being the first in their families to attend college. These students rely heavily on accessible and affordable higher education to transform their lives and contribute to their communities. In FY 2023-24, CSUSB experienced a \$11 million budget gap, leading to 5% cuts across all budgets. For FY 2024-25, the gap increased to \$21 million, resulting in a 9% cut and the elimination of fourteen positions. Looking ahead to FY 2025-26, an 8% proposed budget cut will create an \$18 million gap. The cumulative budget deficit of \$50 million over three years will force a further workforce and programmatic reductions at a time when no other areas remain to be cut. These ongoing deficits threaten CSUSB's ability to serve its diverse student body and maintain operational effectiveness.

Despite these financial pressures, the CSU and CSUSB remain committed to student success through unprecedented investments in financial aid, student support services, and evidence-based strategies that prioritize student needs. The CSU has made notable progress in reducing persistent equity gaps and was recently ranked #1 nationally for improving economic mobility. However, these efforts are taking place against the backdrop of rising and unavoidable operational costs, underscoring the urgency for sustained innovation and support.

ACTION: We appreciate Riverside and San Bernardino State Legislative Delegation members support avoiding budget cuts and restore state compact funding to CSU system.

Specifically, we request your support for the following actions:

- **Advocating during the budget cycle** (January to June) to support CSU funding restoration in the May Revision or the Final FY 2025-26 budget to be adopted in summer 2025.