

OPERATING BUDGET REQUEST

2025-26

APPROVED BY THE
CSU BOARD OF TRUSTEES
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Executive Summary

THE CALIFORNIA STATE UNIVERSITY'S (CSU) PRIMARY BUDGET GOALS THIS YEAR ARE TO AVOID CUTS AND RESTORE THE STATE COMPACT FUNDING.

The CSU's budget situation is dire, with our primary goals this year centered on avoiding a harmful 7.95% ongoing cut to base funding, which equates to approximately -\$397 million, and preventing the deferral of compact funding, totaling \$252.3 million. These budgetary measures would have severe consequences for students, staff and faculty across all CSU universities, forcing difficult decisions that could lead to larger class sizes, reduced course offerings, diminished student services, layoffs and hiring freezes. The quality of education and university life would be significantly compromised, undermining our core mission. A -\$397 million cut is equivalent to the funding needed to educate and support more than 36,000 full-time equivalent students.

The proposed 7.95% cut and deferred funding would also jeopardize critical long-term investments in academic programs, student support services and infrastructure, creating substantial uncertainty for universities as they attempt to plan for future needs. Our efforts this year will focus on advocating against these cuts and ensuring that the necessary funding is secured to sustain high-quality educational opportunities and overall student success.

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FUNDING CUTS AND DEFERRALS COMPROMISE STUDENT SUCCESS.

Our universities are already facing significant cost pressures due to unfunded mandates, rising operational expenses and underfunded compensation increases from 2023-24 and 2024-25. The proposed state cuts for 2025-26 would exacerbate

these challenges, forcing universities to make additional difficult choices that could undermine long-term goals. Securing adequate funding is essential to maintaining the high standards of education and support services that our students deserve.

COMPACT FUNDING PROVIDES SOME FINANCIAL STABILITY TO MEET CSU GOALS AND INITIATIVES.

The CSU's multi-year tuition plan offers some predictability in revenue, which is crucial for addressing the budgetary shortfall. However, this alone is not enough. The additional revenue from tuition increases was carefully planned to complement the state's compact funding to ensure that the CSU can advance the most critical budget priorities without sacrificing quality or access.

Further complicating the budget landscape are emerging fiscal constraints, including the need for significant investments to implement Title IX and anti-Discrimination, Harassment, and Retaliation (DHR) program recommendations, support enrollment initiatives, close equity gaps, improve compensation and achieve a more sustainable financial model. These are essential priorities that only add to the financial strain the CSU is currently experiencing.

While the multi-year compact with Governor Newsom's administration has provided essential financial support, the current economic and state budget climate presents uncertainties. Market volatility, inflation and heightened interest rates contribute to an unpredictable financial outlook, making the CSU's advocacy efforts more crucial today. However, we remain optimistic about our partnership with the administration and the legislature. By working together, we can navigate these challenges and secure the necessary funding to avoid harmful cuts. Through continued collaboration, we can ensure that the CSU remains a beacon of accessible, high-quality education, providing the best outcomes for every CSU student and for California's communities and workforce. This united effort will not only protect our universities but also strengthen our shared commitment to fostering equity, student success and economic mobility across the state.

Funding Priorities: Avoid Cuts & Continue the Compact

2025-26 BUDGET PRIORITIES

The CSU proposes a \$9.2 billion operating budget for 2025-26. This budget requests an increase of \$593 million over 2024-25.

A 7.95% budget cut, amounting to -\$397 million, coupled with a \$252.3 million deferral of compact funding would significantly underfund the CSU's essential priorities and baseline commitments for 2025-26. The impact on students would be particularly severe, as these cuts would jeopardize vital services that support their academic success and overall well-being.

The CSU faces \$163.6 million in baseline commitments for the upcoming fiscal year, including necessary increases in financial aid, healthcare premiums, liability and property insurance, utilities and maintenance of new facilities. These are not discretionary costs.

Moreover, the reduction in funding would severely constrain the university's ability to support programs crucial to student access, equity and retention. These include initiatives under the Graduation Initiative, basic needs and mental health services, as well as financial aid enhancements, all of which directly contribute to student success. The compounding effect of these financial pressures would hinder the CSU's ability to provide an affordable, high-quality education to all students and would undermine the very mission of the university.

EXPENDITURE REQUEST (MILLIONS)	BASE	INCREASE	%
Baseline Commitments			
Financial Aid: State University Grant – Tuition Rate Increase	\$760	\$54.6	7%
Health Premiums	777	60.3	8%
Maintenance of New Facilities		7.0	
Liability and Property Insurance Premiums	115	10.0	9%
Utilities	132	31.7	24%
Essential Priorities			
Student Success / Graduation Initiative	400	20.0	5%
Beyond Completion		2.0	
Student Access and Enrollment		56.1	
Financial Aid: State University Grant – Enrollment Increase		8.0	
Faculty and Staff Compensation Pool	5,819	295.8	5%
Title IX and NAGPRA Compliance Programs	40	10.5	26%
Student Basic Needs and Mental Health	95	5.0	5%
CSU Artificial Intelligence Initiative		7.0	
Capital Infrastructure Investments	440	25.0	6%
TOTAL	\$8,578	\$593.0	6.9%



BASELINE COMMITMENTS

Financial Aid: State University Grant – Tuition Rate Increase	\$54.6 million
Health Premiums	60.3 million
Maintenance of New Facilities	7.0 million
Liability and Property Insurance Premiums	10.0 million
Utilities	31.7 million
TOTAL	\$163.6 million

FINANCIAL AID

The State University Grant (SUG) program is the CSU's primary institutional aid, providing need-based awards to eligible students. The budget plan includes an additional \$54.6 million for SUG due to a tuition increase, ensuring students with the greatest financial need are not impacted by the tuition increase scheduled for 2025-26. The SUG program has grown significantly, from \$4 million in 1982-83 to a projected \$823 million in 2025-26, with 9% of the CSU's total operating budget dedicated to this aid.

In 2022-23, the CSU provided over \$1 billion in institutional aid, including \$716 million for SUG. Additional student support came from the state Cal Grant program (\$754 million), the Middle-Class Scholarship Program (\$419 million) and the federal Pell Grant program (\$997 million). These aid programs help reduce attendance costs, allow nearly two-thirds of CSU bachelor's degree recipients to graduate with zero loan debt, and keep remaining CSU student debt lower than state and national averages. In 2022-23, CSU graduates had an average debt of \$17,346.

HEALTH PREMIUMS

Permanent base budget costs associated with January 2025 employer-paid health care premium increases are \$60.3 million, reflecting an 8% increase in costs. Health care premiums are shared between the CSU and its employees, with the CSU funding a significant portion of the costs. The CSU is governed by California Government Code Section 22871, which defines the employer-paid contribution rates.

MAINTENANCE OF NEW FACILITIES

The CSU is scheduled to open 296,528 square feet of new facilities in 2025-26. The cost to fund regular maintenance of these facilities is \$23.60 per square foot, for an additional \$7 million in 2025-26. Regular maintenance of new facilities includes the cost of utilities, building maintenance, custodial, landscape and administrative support.

LIABILITY AND PROPERTY INSURANCE PREMIUMS

The CSU estimates a \$10 million increase, equivalent to a 9% increase, related to property and liability coverage. Insurance premiums continue to rise across the country and more so for California public entities. Without the additional funding, the CSU must redirect existing resources to cover the increase to this required operating cost.

UTILITIES

CSU utility cost increases are \$31.7 million, equivalent to a 24% increase, as utility rates continue to climb. This increase reflects changes in both electric and natural gas rates. If the additional budget request is not met, universities must redirect existing resources to pay for the increased utility costs.



ESSENTIAL PRIORITIES

Student Success / Graduation Initiative	\$20.0 million
Beyond Completion	2.0 million
Student Access and Enrollment	56.1 million
Financial Aid: State University Grant – Enrollment Increase	8.0 million
Faculty and Staff Compensation Pool	295.8 million
Title IX and NAGPRA Compliance Programs	10.5 million
Student Basic Needs and Mental Health	5.0 million
CSU Artificial Intelligence Initiative	7.0 million
Capital Infrastructure Investments	25.0 million
TOTAL	\$429.4 million

STUDENT SUCCESS / GRADUATION INITIATIVE

Graduation Initiative 2025 aims to ensure that all students, regardless of their background, have the opportunity to graduate in a timely manner and contribute to California’s workforce. The initiative has successfully led to the graduation of over 150,000 additional students, and completion rates have reached all-time highs for students across various demographics.

As the year 2025 approaches, and after a decade of focused systemwide work and lessons learned, the CSU finds itself at an inflection point. Increasing retention and graduation rates while eliminating equity gaps remain the CSU’s imperative, and it is a consequential and opportune moment to remake, rebrand and reshape the Graduation Initiative.

CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS

			2016	2017	2018	2019	2020	2021	2022	2023	2025 Goal
GRADUATION RATES	First-Time Students	4-Year	21%	23%	25%	27%	31%	33%	35%	35%	40%
		6-Year	59%	59%	61%	62%	62%	63%	62%	62%	70%
	Transfer Students	2-Year	33%	35%	38%	40%	44%	44%	40%	41%	45%
		4-Year	74%	75%	77%	77%	79%	80%	80%	79%	85%
EQUITY GAPS (in percentage points)	Underserved Students of Color		12.0	12.2	10.5	11.1	10.5	12.4	12.0	13.4	0.0
	Pell Grant Recipients		10.0	10.6	9.5	10.2	9.2	10.2	11.0	12.3	0.0

CURRENT FUNDING ALLOCATION. To date, \$400 million has been strategically invested in several key areas, including academic preparation, enrollment management, student engagement and well-being, financial aid, data-driven decision making and the removal of administrative barriers. In 2022, the CSU and the Newsom administration established a five-year compact focusing on shared goals, such as closing equity gaps, promoting student success and enhancing workforce preparedness. Graduation Initiative 2025 remains central to achieving these goals, with a commitment to maintaining high-quality, affordable education for students across California.

CONSEQUENCES OF FUNDING CUTS. If existing funding is reduced, the CSU would face significant challenges in reversing declines in retention and enrollment, especially among underserved students. Graduation Initiative 2025 has been pivotal in launching strategies to eliminate equity gaps, such as reenrollment campaigns, expanded credit opportunities, digital degree planners and programs supporting Black student success. A reduction in funding would severely undermine these efforts, eroding years of progress and negatively impacting student outcomes, the CSU’s mission and California’s skilled workforce. Cuts would particularly affect the most vulnerable students, limiting their access to

academic support tools, advising, counseling and engagement programs. The efforts to promote Black student success, including the newly established CSU Statewide Central Office for the Advancement of Black Excellence, would be jeopardized by the lack of financial support. Overall, reduced funding would have a lasting detrimental effect on student success, equity outcomes and the CSU’s ability to serve as a critical engine for California’s economy.

FUNDING REQUEST. Despite the successes of the past decade, the evolving needs of today’s students, particularly those from underserved communities, demand a more comprehensive approach to student success. The CSU aims to serve as a national model in educating and supporting America’s new majority, including first-generation students, students of color, low-income students and adults seeking new opportunities. To meet these needs, the CSU requires an additional \$20 million to implement a reimagined approach to student success. This includes funding to support efforts to increase persistence, close educational opportunity gaps, and continue raising graduation rates, all within a framework of transparency and accountability across the 23 universities.

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. The CSU has made significant progress in expanding access and improving graduation rates, but the work is far from complete. The pandemic has exacerbated challenges for the most underserved students, and addressing their needs requires continued innovation and scaling of effective practices. Without an additional \$20 million in state funding, the CSU would struggle to advance its goals or maintain the progress made in closing equity gaps. The lack of resources would hinder the development of a systemwide framework to ensure alignment and transparency, putting at risk the CSU's ability to prepare students for successful careers or further education.

BEYOND COMPLETION

A new initiative, tentatively called the Beyond Completion Project, will first measure and then improve the CSU's effectiveness at placing CSU graduates into fulfilling and impactful careers in fields of their choosing or into graduate school. The initiative will deepen the CSU's relationship and alignment with industry partners and benefit California's workforce by strengthening the pipeline of career-ready graduates to fill critical positions in growing fields.

CURRENT FUNDING ALLOCATION. While the CSU does not currently have dedicated funding for the Beyond Completion Project, its 23 universities provide career services to students and recent graduates, including career exploration, assessment, expos, cover letter and resume development, interview preparation, and internship and employment opportunities.

CONSEQUENCES OF FUNDING CUTS. If existing funding is reduced, it is likely the universities would consider reducing staff that provide career services to students. This would contradict the logical need to expand career services because of the Graduation Initiative's success in increasing the number of CSU graduates entering the workforce.

FUNDING REQUEST. \$2 million is requested for this new initiative.

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. The Graduation Initiative has successfully led to an additional 150,000 graduates since its 2015 launch, firmly establishing a college-completion culture that will yield many tens of thousands of additional graduates in the coming years. The uptick in the number of recent and prospective alumni strongly suggests that additional resources would help connect

more students and recent alumni with their chosen career fields. Absent this additional funding, the CSU's effectiveness in ensuring economic mobility for its graduates and powering California's workforce would be limited.

STUDENT ACCESS AND ENROLLMENT

To accommodate more students at the CSU, the governor and the CSU committed in the compact agreement to grow enrollment by approximately 3,515 resident, undergraduate, full-time equivalent students (FTES) in 2025-26.

CURRENT FUNDING ALLOCATION. Over the past ten years, the CSU has invested \$564 million to increase student enrollment and access, increasing the CSU resident target by almost 45,000 FTES (13%). Each year, the CSU strategically allocates new enrollment funding to universities with high student demand, enabling them to expand seats in academic programs that support California's high-demand career fields. Additionally, the CSU has implemented an Enrollment Target & Budget Reallocation Plan that shifts enrollment targets and related funding among universities. In 2024-25 through 2026-27, enrollment at universities significantly below target will be shifted to those universities meeting or exceeding their state-funded resident targets to better allocate enrollment and related resources across the universities.

CONSEQUENCES OF FUNDING CUTS. A -\$397 million cut is equivalent to the funding needed to educate and support more than 36,000 full-time equivalent students. If funding is reduced, direct instruction, academic support, student services, institutional support and plant operations necessary to support enrollment—all of which are critical to the CSU's core mission—will be impacted. Larger class sizes and reduced course offerings would be an increasing burden to students and their ability to graduate. Enrollment reductions and increasing time to degree would significantly hamper the growth needed to meet California's future workforce needs.

FUNDING REQUEST. Using the marginal cost rate, which is the average cost of education per FTES, the funding required to increase resident undergraduate enrollment by 1%—or 3,515 resident FTES—is approximately \$56.1 million. To the extent the requested \$56.1 million is received for student access and enrollment, the plan includes an increase to the State University Grant program of \$8 million, which is equal to one-third of the estimated new tuition revenue associated with the 1% enrollment growth.

2024-25 Resident FTES Target	390,598
Proposed Growth	3,515
2025-26 Total Resident FTES	394,113
Marginal Cost Rate per FTES	\$15,966
Total Cost of Enrollment Growth	\$56,120,000
State's Share of Marginal Cost Rate	\$10,983

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. Without the requested 2025-26 funding, our ability to accommodate additional enrollment and increase student capacity while maintaining educational quality will be compromised. This outcome would contradict the governor’s and CSU’s commitment to grow enrollment. Without increased investment from the state, the CSU cannot meet its obligations to the people of California or provide a high-quality and accessible education to all students.

FACULTY AND STAFF COMPENSATION POOL

The faculty and staff compensation pool funding is flexible, allowing for various compensation elements such as salary and benefit changes across entire bargaining units. Through mutual agreements between the CSU and its bargaining units, this funding can address specific market needs, salary structures or job framework issues. The exact form of compensation will be determined by agreements between the CSU and each bargaining unit. Contingent agreements for roughly 25% of the CSU’s workforce are already in place for 2025-26 with a cost of more than \$70 million.

CURRENT FUNDING ALLOCATION. The CSU invests more than \$5.8 billion annually in its faculty, staff and management. Unfortunately, the CSU did not receive sufficient funding in the Budget Act of 2023 or 2024 to cover all necessary compensation priorities, so our universities were required to cover \$290 million of ongoing expenses through other reductions and the use of one-time funding sources.

CONSEQUENCES OF FUNDING CUTS. It is anticipated that our universities would be required to redirect tens of millions of dollars from existing priorities to cover current costs. Consequently, because compensation and benefits are roughly 75% of the CSU’s systemwide costs, a funding cut would lead to larger class sizes, reduced course offerings, diminished student services, layoffs or hiring freezes. In addition, the contingent bargaining agreement increases for 2025-26 would be impacted.

FUNDING REQUEST. This budget request includes \$295.8 million to fund 2025-26 compensation increases for all employee groups. The compensation pool is subject to collective bargaining and contingent on the state providing the funding to support this priority.

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. With continuing high inflation rates, there is pressure during the collective bargaining process to provide CSU employees with a general salary increase in 2025-26 that is at least commensurate with these high rates. Additionally, employee retention and recruitment would be hampered if the CSU cannot maintain at least some compensation parity with the job market. A more definitive estimate of compensation costs will be known at the conclusion of the collective bargaining process. The CSU’s commitment to fair and competitive employee compensation requires budgetary tradeoffs, which could result in other operating budget priorities receiving only some or none of the new funding.

TITLE IX AND NAGPRA COMPLIANCE PROGRAMS

In 2022-23, the CSU underwent a comprehensive review of its Title IX and anti-Discrimination, Harassment and Retaliation (DHR) programs, revealing significant weaknesses in its systems for handling complaints. In response, the CSU implemented substantial changes in 2023-24, including the creation of a systemwide Office of Civil Rights Programming & Services, increased staffing with new directors and civil rights attorneys, and the establishment of uniform standards for tracking investigations. New systemwide policies were adopted to prevent improper activity by employees, and training programs were expanded to foster a culture of respect and enact trauma-informed practices. With the funding allocation, the CSU revised its nondiscrimination policy and committed to further policy development, prevention education, and a shift toward care-centered practices in handling Title IX

and DHR issues. However, additional funding is urgently needed to continue building out these critical systems and implement changes as recommended. Without these resources, the CSU will face harsh trade-offs, including cutting classes and student supports, which would undermine the university's core mission and harm students.

The federal Native American Graves Protection and Repatriation Act (NAGPRA) and the California Native American Graves Protection and Repatriation Act (CalNAGPRA) were enacted to resolve and restore the rights of Native American, Alaska Native and Native Hawaiian lineal descendants and tribes to the ancestral remains, associated burial objects, sacred objects and objects of cultural patrimony held in institutions like the CSU. A July 2023 audit report of the CSU's legal compliance revealed that more than half of the 21 universities with collections have not repatriated any ancestral remains or cultural items and more than half do not know the extent of their collections. The audit report identified 15 universities as needing full-time repatriation coordinators with some universities requiring additional staffing resources based on collection size.

CURRENT FUNDING ALLOCATION. \$15.9 million has been allocated to hire additional personnel for comprehensive oversight of Civil Rights Offices across the 23-university system, aligning with recommendations from both the California State Auditor and Cozen O'Connor. This funding was the first of a multi-year effort to support systemwide and university Title IX and anti-DHR programs at levels appropriate to implement the recommendations. This investment is foundational to ensuring prompt and fair resolutions in civil rights cases and for developing resources to prevent harmful behaviors.

An additional \$4.3 million was allocated to support university compliance with federal and state repatriation laws, including, but not limited to, hiring and training staff, supporting university committees, engaging in tribal consultation and fulfilling tribal requests.

CONSEQUENCES OF FUNDING CUTS. Reducing funding for civil rights programs would severely hinder the CSU's ability to meet Title IX obligations, prevent discrimination and support affected individuals. It would also require reprioritization away from the classroom and student services to fund these unavoidable expenses and cost increases. Given its status as the largest and most diverse higher education institution in the U.S., it is crucial for the CSU to ensure a safe environment free from discrimination and harassment for its students and employees.

Reducing funding for federal and state repatriation would further delay efforts to restore the rights of Native American, Alaska Native and Native Hawaiian lineal descendants and tribes to ancestral remains, associated burial objects, sacred objects and objects of cultural patrimony.

FUNDING REQUEST. The 2025-26 operating budget request seeks nearly \$6 million in additional funds as part of a multi-year strategy to build essential infrastructure supporting civil rights programs across the CSU system. This includes addressing staffing shortages in university civil rights offices, providing support for respondents and covering operational needs like mandatory training and prevention programming.

The request also seeks \$4.5 million in additional funds to further expand repatriation activities.

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. Failure to secure the requested 2025-26 funding would compromise the CSU's ability to adequately staff and maintain systems necessary to effectively address Title IX and DHR and NAGPRA repatriation. Both the California State Auditor and Cozen O'Connor assessments have highlighted ongoing improvements needed in these areas, underscoring the importance of sustained investment in civil rights offices and programs. The state Joint Legislative Audit Committee similarly has highlighted improvements needed for legal compliance with NAGPRA requirements.

STUDENT BASIC NEEDS AND MENTAL HEALTH

Student basic needs remain a priority investment as the CSU takes a holistic approach to students' well-being both inside and outside the classroom. While the primary mission of the CSU is educational in nature, students cannot be fully engaged in or out of the classroom if they do not receive appropriate support services. Critical to student success at the CSU, the basic needs effort supports CSU students on their path to graduation.

CURRENT FUNDING ALLOCATION. State budget allocations have enabled significant enhancements in basic needs and mental health infrastructure across CSU universities. Over 50 new positions were created, including faculty counselors and case managers, reducing wait times, and increasing the number of students served. For example, CSU Monterey Bay implemented the "Let's Talk" program, which offers drop-in counseling in strategic university locations, improving access for students less likely to seek mental health services. Sonoma State added refrigeration to its food pantry, allowing the distribution of perishable items like eggs and dairy. Cal Poly Pomona established the CARE Center, centralizing housing, financial, food, clothing assistance, advocacy and case management services in one location. These efforts have been particularly beneficial for underserved populations, including undocumented, Latinx and Black students.

CONSEQUENCES OF FUNDING CUTS. If funding is reduced, the impact would be severe. Positions at nearly every university would be at risk due to hiring freezes, unfilled vacancies or layoffs. This would strain services, resulting in longer wait times for counseling and reduced outreach to underserved students. Universities like CSU Channel Islands, where a quarter of the student body relies on the food pantry, would struggle to maintain stock and open hours. Expansion efforts at CSU San Bernardino and CSU Fullerton might also falter, limiting their ability to meet student food insecurity needs. Additionally, loss of funding would jeopardize critical emergency housing programs and the ability to support students facing housing instability, which would likely harm student retention and graduation rates. At CSU Northridge, for example, 85% of students receiving housing support persisted to their next year of study or graduated.

FUNDING REQUEST. Additional funding of \$5 million is needed to keep up with rising living costs and increased demand for services. Specific needs include expanded pantry space and stock, as seen at CSU Channel Islands, where many students visit pantries multiple times a month, and emergency housing and case management, as highlighted by Stanislaus State, where a single staff member manages housing navigation for the entire university. More funding would also support additional counselors and innovative programming to address the growing college mental health crisis. A larger increase in funding would allow these services to expand and better meet student needs, while a smaller increase only covers rising costs with minimal service expansion.

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. If additional funding is not secured, universities would be unable to fully fund or expand their programs to meet the ever-increasing needs of students facing basic needs insecurities and struggles with mental health. An ongoing challenge is the ever-increasing cost of food and rent. In 2023, the United States Department of Agriculture reported a 5.8% increase in food prices and, even with rent control laws in California, rental costs increase 5 to 10% annually. Without additional funding, it would be difficult to maintain the current level of support needed, let alone increase support.

CSU ARTIFICIAL INTELLIGENCE INITIATIVE

The integration of artificial intelligence (AI) into the CSU's educational framework is crucial for advancing the university's mission to provide cutting-edge learning experiences and prepare students for a rapidly evolving workforce. Currently, the CSU lacks dedicated funding for AI, with only minimal resources devoted to support faculty development, technology testing and software licensing. AI has the potential to revolutionize teaching, enhance student learning outcomes, augment student support and equip students with essential skills for the future.

CURRENT FUNDING ALLOCATION. While the CSU does not currently have any dedicated funding for AI, the CSU has been able to divert less than \$200,000 in 2023-24 and 2024-25 to support faculty development efforts, GenAI technology platform testing and GenAI software licensing.

CONSEQUENCES OF FUNDING CUTS. Currently there is no dedicated funding for AI, and any budget cuts would make it difficult to maintain current operations and service levels, which would result in less capacity to support strategic priorities and put the CSU further behind other institutions in our expertise in, access to, and support of AI.

FUNDING REQUEST. If AI is to be a priority for the CSU, funding and resources are needed to enable equitable access for faculty, staff and students across all socioeconomic backgrounds, with a strong focus on enhancing student learning outcomes and empowering faculty to integrate AI into their instruction. Currently, the CSU lacks internal expertise and faces limitations in upskilling or re-skilling existing staff and faculty. This situation risks exacerbating the digital divide within our community and potentially widening the gap in AI literacy among our students. The CSU seeks \$7 million to build staff capacity and expertise in supporting AI efforts; build an AI hub for students that would provide hands-on learning, training and research; support faculty development and AI-driven innovation; help provide AI-ready infrastructure for campuses and purchase technology and licensing.

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. With flat or declining budget projections and increased operational costs due to inflation increases, the CSU does not currently have dedicated funds to explore AI technologies and capabilities. The impacts to the CSU include a widening gap in AI literacy among our students, a loss of knowledge production and falling behind in expertise. The lack of investment poses the greatest risks to the student learning experience and workforce preparation. Even a modest investment in the CSU to build internal capacity in staff and students and to extend the technology infrastructure and toolset to enhance AI-readiness would go a long way to expand our efforts.

CAPITAL INFRASTRUCTURE INVESTMENTS

To effectively educate all students, regular investment in critical infrastructure is necessary, along with refurbishing existing academic facilities and constructing new ones. The CSU strives to finance projects that address these critical infrastructure needs, renovate existing buildings and expand capacity to accommodate projected growth in student enrollment. Many of these projects would support students seeking careers in engineering, health care and the sciences. For every \$25 million in ongoing funding, the CSU could finance approximately \$300 million worth of new academic and infrastructure facilities.

For more information on specific projects and priorities, please reference the [CSU five-year capital outlay plan](#).

CURRENT FUNDING ALLOCATION. The total amount of ongoing operating funds committed to debt service is approximately \$440 million, or 5% of the CSU's 2024-25 operating budget.

Prior to 2014, the CSU was only allowed to issue debt to finance self-support projects that generate their own revenue sources separate from the operating budget, and academic facilities projects were financed by the state. Then, in 2014, the state enacted legislation that granted the CSU the authority to issue debt, and from that point forward, the Board of Trustees has decided how much of its operating budget is committed to supporting the issuance of debt to finance academic facilities.

Over the past two decades, the CSU also received \$803 million in one-time allocations from the state for deferred maintenance, covering critical deficiencies, modernization and enrollment growth.

CONSEQUENCES OF FUNDING CUTS. Reductions in funding would worsen the situation for the CSU's facilities, delaying critical projects and repairs, particularly in buildings that prepare students for high-demand fields like healthcare and engineering. Many facilities, over 50 years old, require urgent updates to provide a modern educational environment. Without increased funding, the CSU would struggle to attract and retain quality students, faculty and staff, essential for maintaining educational standards, enrollment and reputation.

FUNDING REQUEST. The CSU requests \$25 million to fund approximately \$300 million of 2025-26 capital projects and deferred renewal. The top 20 priority projects on the 2025-26 Academic Projects List total \$2.4 billion. This request would fund just over 12% of the need and would only support small infrastructure improvement projects and two university building projects.

IMPLICATIONS OF NOT RECEIVING ADDITIONAL FUNDING. The CSU faces a significant \$8.3 billion backlog in deferred maintenance, impacting student learning due to frequent outages and facility issues. The aging infrastructure also challenges recruitment and retention of faculty and staff, critical for a supportive educational environment. This backlog is expected to increase by \$397 million annually due to inflation and aging facilities.

Revenue

REVENUE SOURCES (MILLIONS)	BASE	INCREASE	%
Tuition: Rate Increase	\$2,636	\$163.8	6%
Tuition: Student Access and Enrollment		24.1	1%
Campus-based Mandatory Fees	707		
State General Fund	5,235	-397.0	-8%
TOTAL	\$8,578	-\$209.1	-2.4%

ESTIMATED INCREMENTAL NEW REVENUE

Forecasted revenues show a deficit of \$209.1 million available to support the budget request. It includes the tuition rate increase (\$163.8 million); tuition from the 1% resident, undergraduate enrollment growth (\$24.1 million); a -\$397 million General Fund cut as well as the deferral of the 2025-26 compact commitment (\$252.3 million). The estimated revenues are insufficient to support planned expenditures.

REVENUE FROM TUITION RATE INCREASE

The CSU's multi-year tuition plan will increase rates in 2025-26. The additional revenue resulting from the 6% rate increase for all levels of education is included in the budget request and will allow the CSU to invest in some of its budget priorities and advance student success. The additional tuition revenue estimated from the increase is \$163.8 million in 2025-26.

REVENUE FROM STRATEGIC ENROLLMENT GROWTH

As part of the compact, the CSU is committed to grow enrollment equivalent to a 1% increase, or approximately 3,515 resident, undergraduate, full-time equivalent students (FTES), in 2025-26. The additional tuition revenue from the enrollment growth is estimated to be \$24.1 million.

STATE GENERAL FUND

The CSU anticipates that the governor's administration will propose a 7.95% cut (-\$397 million) as well as the deferral of the ongoing state General Fund increase of 5% (\$252.3 million) for 2025-26. This intended cut and deferral was codified by the state legislature and governor's administration in the final Budget Act of 2024. Additional tuition revenue alone will not fully cover the expenditure plan.

Sources & Uses of Funds

The table below summarizes the sources and uses of funds that make up the \$593 million increase compared to 2024-25. The 2025-26 budget request prioritizes student success and retention, grows student enrollment and financial aid, provides workforce investments for all employee groups and covers institutional infrastructure costs.

An organization's budget reflects its values. This is the case at the CSU. As briefly shown in the "Budget Request" column, the 2025-26 Operating Budget Request includes new, aspirational investments that reflect the many values and priorities of the university. Also, the request contains necessary investments in required operational costs that are important for the long-term financial sustainability of the university. If these investments are appropriately resourced, the CSU and the state will be in a better position to meet the overall economic and future workforce needs of California.

SOURCES OF FUNDS (Incremental New Revenue in Millions)	BUDGET REQUEST	LIMITED OPTION
Tuition from Rate Increase	\$163.8	\$163.8
Tuition from Student Access & Enrollment	24.1	
State General Fund	-397.0	-397.0
TOTAL NEW SOURCES	-\$209.1	-\$233.2

USES OF FUNDS (Incremental New Expenditures in Millions)	BUDGET REQUEST	LIMITED OPTION
Baseline Commitments	\$163.6	\$163.6
Financial Aid: State University Grant – Tuition Rate Increase	54.6	54.6
Health Premiums	60.3	60.3
Maintenance of New Facilities	7.0	7.0
Liability and Property Insurance Premiums	10.0	10.0
Utilities	31.7	31.7
Essential Priorities	429.4	
Student Success / Graduation Initiative	20.0	
Beyond Completion	2.0	
Student Access and Enrollment	56.1	
Financial Aid: State University Grant – Enrollment Increase	8.0	
Faculty and Staff Compensation Pool	295.8	
Title IX and NAGPRA Compliance Programs	10.5	
Student Basic Needs and Mental Health	5.0	
CSU Artificial Intelligence Initiative	7.0	
Capital Infrastructure Investments	25.0	
TOTAL NEW USES	\$593.0	\$163.6
BUDGET GAP / REPRIORITIZATION	-\$802.1	-\$396.8

However, the “Limited Option” column in the table suggests that if the state were to adopt a -\$397 million ongoing reduction and defer compact funding in 2025-26, many of the CSU’s budget priorities would not be funded and a significant budget gap would occur requiring a reprioritization away from the classroom and student services to unavoidable expenses, including cost increases.

The request notes a significant budget gap between the baseline commitments and essential priorities and available revenue for 2025-26. At this early stage in the budget cycle, it is important to highlight the budget priorities that will advance many aspects of the university’s work. As we move along the budget cycle timeline, the state, the system, and each of the universities will explore many options and make many decisions that will narrow and eventually bridge the budget gaps noted in this document. Examples of those options include:

- The state partially or fully withdraws plans to permanently reduce CSU funding.
- The state restores compact funding.
- The CSU foregoes many or all new essential budget priorities.
- The CSU reprioritizes resources from current programs and services to unavoidable budget priorities.
- The CSU makes permanent budget reductions to current programs and services.
- The CSU utilizes one-time designated balances and reserves to bridge to 2026-27 until permanent reductions can be implemented.



Designated Balances and Reserves

As of June 30, 2024, one-time designated balances and reserves in the operating fund totaled \$2.4 billion systemwide. These balances and reserves support the core operations of the university. To mitigate the budget challenges in 2023-24, CSU universities used their designated balances and reserves. It is anticipated that one-time designated balances and reserves will be utilized again in 2024-25 and will be used further in 2025-26 to address some of

the budget gap. The 23 CSU universities and the Chancellor's Office only have \$777 million of reserves for economic uncertainty that are not obligated for a specific purpose. These funds are equivalent to about 34 days of operations for the entire CSU system. This is far below the university policy and national best practices that stipulate reserves cover at least three to six months of operations. The table below shows designated balances and reserves in detail.

OPERATING FUND (IN WHOLE DOLLARS) AS OF JUNE 30, 2024	
Designated Balances	
Short Term Obligations	\$1,247,309,000
Capital Infrastructure	315,559,000
Catastrophic Events	30,221,000
Reserves	
Reserves for Economic Uncertainty	776,585,000
TOTAL DESIGNATED BALANCES AND RESERVES	\$2,369,674,000

Designated balances and reserves are determined and reported annually by the universities and the Chancellor's Office and are published on CSU's financial transparency portal (calstate.edu/transparency).

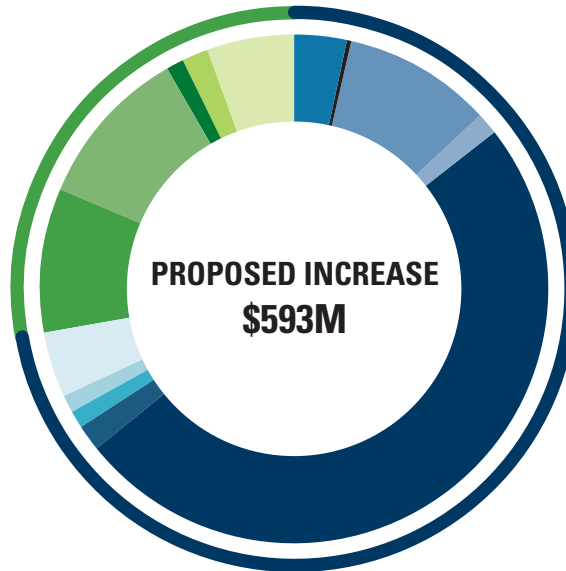


2025-26 PROPOSED OPERATING BUDGET

BASELINE COMMITMENTS

- Financial Aid: SUG – Tuition Rate Increase **\$55M**
- Health Premiums **\$60M**
- Maintenance of New Facilities **\$7M**
- Liability and Property Insurance Premiums **\$10M**
- Utilities **\$32M**

TOTAL: \$164M

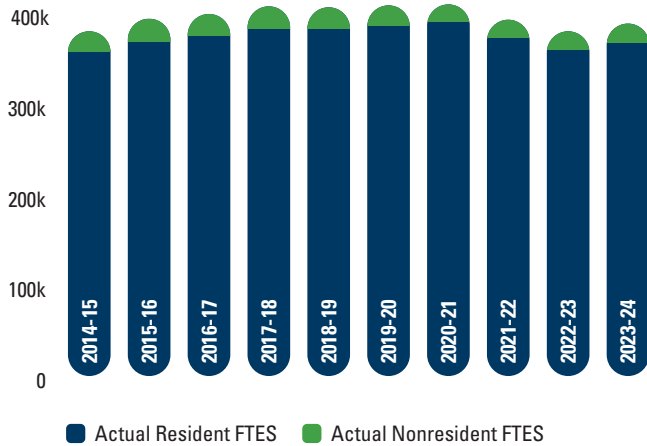


ESSENTIAL PRIORITIES

- Student Access / Graduation Initiative **\$20M**
- Beyond Completion **\$2M**
- Student Access and Enrollment **\$56M**
- Financial Aid: SUG – Enrollment Increase **\$8M**
- Faculty and Staff Compensation Pool **\$296M**
- Title IX and NAGPRA Compliance Programs **\$10M**
- Student Basic Needs and Mental Health **\$5M**
- CSU Artificial Intelligence Initiative **\$7M**
- Capital Infrastructure Investments **\$25M**

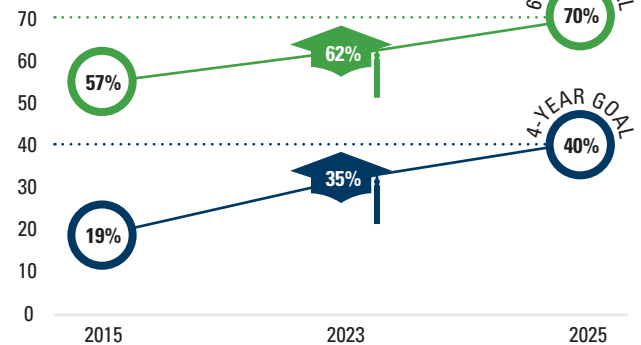
TOTAL: \$429M

95% OF CSU STUDENTS ARE FROM CALIFORNIA

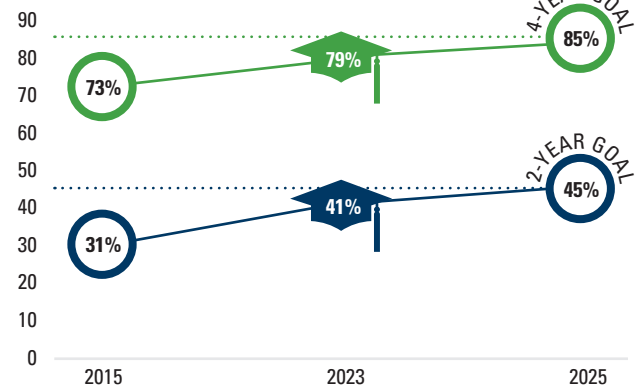


CSU IS MAKING PROGRESS ON GRADUATION RATE GOALS BY 2025

FIRST-TIME STUDENTS



TRANSFER STUDENTS



CSU TUITION AND FEES REMAIN AFFORDABLE (BASED ON AVERAGE RESIDENT UNDERGRAD)

CSU TUITION AND FEES

\$7,622

COMPARISON INSTITUTION AVERAGE

\$12,740



CSU The California State University

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