

Subject: University Update - Budget Outlook
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From: President of CSU Maritime Academy
To: President of CSU Maritime Academy
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MESSAGE FROM THE PRESIDENT

Dear Campus Colleagues,

I am recently back from the Board of Trustees meeting in Long Beach where we received an update to the state's budget projections for FY2024-25. To keep everyone informed, the following is a summary of the latest budget information. Please understand that some of this information will change as the state legislature finalizes next year's budget.

Budget timeline

As you know, the Governor recently issued his revised budget plan, more commonly known as the May Revise. The state legislature is now working to craft and adopt the state budget and that will be announced in June. Of importance to CSU, one of the proposals on the table is to reduce the Middle Class Scholarship program from \$633M to \$100M. This could affect 200K CSU students. We will know more once the state legislature finalizes the FY2024-25 budget in the coming weeks.

State budget outlook

Based upon current revenue numbers, the state anticipates a \$27.6B multi-year deficit for the 2024-25 budget cycle. The state also projects a \$28.4B deficit for 2025-26. On an unusual note, it is atypical for the state to project budget deficits a year in advance as they recently did.

The State's ability to provide the CSU compact funding is dependent on available resources in FY2025-26. Under the May Revise, CSU has been told to plan for a \$75M reduction in its budget. We were also advised that CSU could see additional budget reductions over the next several years that will mirror the reductions applicable to all other state government agencies.

CSU system fiscal challenges

Currently, CSU anticipates budget gaps of \$138M in 2023-24; \$458M in 2024-25; and \$235M for 2025-26. The three-year budget gap is estimated to be \$831M if budget assumptions continue to hold. This represents a \$500M cut to CSU's overall budget.

Way ahead

The Board of Trustees and CSU system staff continue to examine all avenues for achieving cost savings and reducing expenses. They are also taking steps to require the use of “shared services” across the system. Additionally, CSU will continue to strongly advocate for increased funding, evaluate low utilized & low degree conferring programs, and identify additional cost-saving measures the system can employ as the state’s fiscal picture evolves in the coming weeks and months.

Our goal is to create a fiscally responsible budget to ensure the success of our academic and cadet & student-centered programs and activities, which are core to our mission as a residential university. As these additional budget pressures emerge, please know we are going to act decisively to ensure a firm financial footing that will allow for sustainable growth in the years ahead. It is critically important for us to get financially healthy as we begin the pier construction project and prepare for the arrival of the NSMV in 2026. In the meantime, our objective must be to achieve enrollment and budget stability.

While this will be a difficult storm to weather, I know we can take additional steps to reinforce our financial health and find opportunities for more cost savings. Given the reduced revenues and significant fiscal challenges to the state budget, it is incumbent upon each of us to review every expenditure we are involved in while also seeking new opportunities to generate revenue for our university. I appreciate your help in this regard. Thank you.

Respectfully,

Mike

Michael J. Dumont, J.D.

Interim President



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