



2025-26 Final Budget

CSU Board of Trustees
Committee on Finance
Agenda Item 2
July 21-23, 2025

Presentation Objectives

- **GOAL OF WORK**
Provide the board with a summary of the final 2025-26 CSU budget outcome and identify the potential risks
- **GOALS OF THE PRESENTATION**
 - Provide an overview on the state's fiscal condition
 - Recap state funding assumptions
 - Update on the CSU budget situation
 - Examine potential CSU federal funding issues
 - Discuss the continuing state and federal concerns
- **CALLS TO ACTION AND NEXT STEPS**
Proceed with caution

CSU faces significant fiscal challenges in 2025-26

State:

- **\$143.8 million funding reduction** approved by governor and legislature with option to offset with a zero-interest loan
- **Ongoing state fiscal pressures** with potential for additional cuts

Federal:

- **Fall budget revision uncertainty** depending on federal decisions
- **Federal funding risks** to several key programs

Despite 6% tuition increase generating \$165 million, CSU still faces an increased budget gap of \$164 million

CSU State Funding Assumptions

- **Budget Warning (2024-25):** up to -\$395 million reduction
- **Governor's January Proposal:** -\$375 million cut (-8%)
- **Governor's May Revision :** -\$143.8 million cut (-3%)

Final 2025-26 Budget Bill

- **CSU Funding Reduction:** \$143.8 million deferral until 2026-27
 - Offering a zero-interest General Fund loan to offset
- **Funding Deferrals for Year 4:**
 - 2026-27 – \$100.9 million, ongoing
 - 2027-28 – \$252.3 million, one-time
 - 2028-29 – \$151.4 million, ongoing
- **Enrollment Goals:** Revised growth expectations to 7,152 FTES
- **\$50 million one-time** for Sonoma State (\$45M) & low enrollment universities (\$5M)

Increasing Budget Gap in 2025-26

	(in millions)
Tuition Revenue from Rate Increase	\$165.0
General Fund Reduction	(\$143.8)
New Revenue	\$21.2
Required Operational Costs and SUG	(\$165.0)
Projected Cost of CSUEU Steps Implementation	(\$20.2)
Increasing Budget Gap 2025-26	(\$164.0)

Impact on Universities

- CSU cannot adequately fund priorities in 2025-26 Operating Budget Plan
- Universities must implement:
 - Cost reduction strategies
 - Focus on enrollment growth
 - Use of designated balances and reserves
- Each university faces distinct fiscal pressures requiring individualized approaches

Operating Fund | Designated Balances & Reserves

(in millions)

	As of June 30, 2024	As of June 30, 2025	Change
CSU Operating Fund Total Balance	\$2,370	\$2,344	-\$26
Designated Balances	\$1,593	\$1,584	-\$9
Capital	316	235	-81
Catastrophic Events	30	31	1
Short Term Obligations	1,247	1,318	71
Reserves	\$777	\$760	-\$17
Economic Uncertainty	777	760	-17

<https://www.calstate.edu/csu-system/transparency-accountability/financial-transparency-portal>

Ongoing Uncertainties

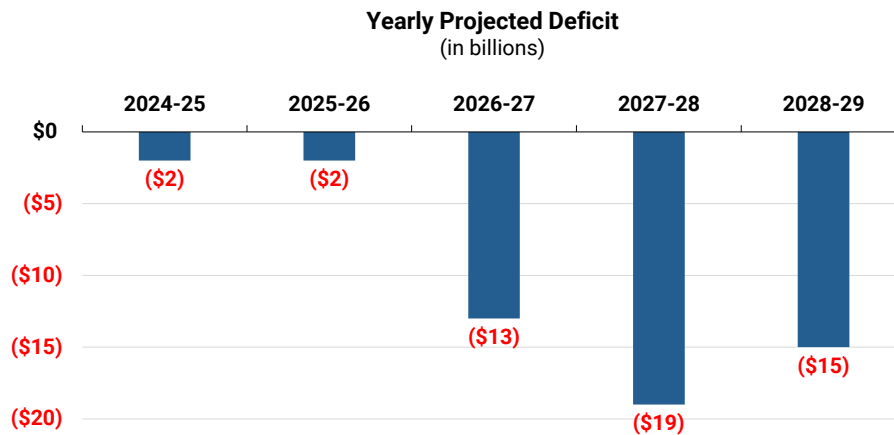
State Budget Volatility

- Economic assumptions can change dramatically
- Potential fall legislative session if federal decisions require budget revisions

Federal Funding Risks

- **Pell Grants:** Potential eligibility/award reductions
- **Research funding:** \$602 million supporting 3,000+ grants at risk
- **Other programs:** Medicaid, food assistance reductions

Overview on State Fiscal Condition



By 2028-29, the state's operating reserves are projected to decrease to **(\$42)** billion.

Proceed with Caution

- **Avoided worst case:** \$375 million reduction prevented
- **Still challenging:** \$143.8 million reduction, enrollment growth expectations and compensation and mandatory cost pressures
- **Multiple uncertainties:** State volatility, federal risks, and fall session potential
- **Path Forward:**
 - Preparing scenarios for additional reductions
 - Universities managing through budget committees
 - Maintaining flexibility while protecting core operations