

DATE: June 29, 2009

TO: Cal Poly Employees

FROM: Robert Koob, Provost and VP for Academic Affairs
Larry Kelley, Vice President for Administration and Finance

RE: Update

Budget –

The California budget is making daily headlines as the legislature attempts to produce a budget bill that will be acceptable to both parties and the Governor in addressing the state's \$24 billion shortfall. As the July 1 date draws closer there is the added pressure of the state running out of cash to pay its bills if a revised budget is not enacted.

State Controller John Chiang has announced that he will have to issue registered warrants or "IOUs" as early as July 2 if the legislature and governor cannot find a solution to close the state budget gap. CSU employees, however, will be paid as they normally are and will not receive IOUs. Chiang said the state will have a \$2.8 billion cash shortage at the start of the fiscal year July 1 which could grow to \$6.5 billion in September in the absence of a balanced budget. More information: <http://www.sco.ca.gov/>.

While we await word on the final state budget, we are continuing our planning efforts on campus targeting a \$33 million reduction for Cal Poly based on the Governor's proposed reduction to the CSU of \$584 million. To date we have imposed a hiring freeze on all staff positions, restricted travel, and cancelled all non critical equipment and supply purchases. A cut of this magnitude however equates to approximately 15% of our total operating budget and with the bulk of our budget spent for salaries and benefits the CSU has entered into discussions with the employee labor unions regarding labor cost reductions and other mitigation measures.

Many of you have seen the recent communications from the Chancellor's Office and the unions suggesting unpaid furloughs as a means for mitigating a portion of the budget shortfall. The Chancellor's Office estimates that a furlough program for all employees, including management, would save the CSU approximately \$275 million and protect the maximum number of jobs. Two of the unions, CSUEU and APC, have agreed to discuss the concept. There has been much speculation as to when and how a furlough program might be implemented however nothing has been finalized to date.

CSU Chancellor Charles B. Reed and the 23 campus presidents met last week to discuss options to manage a proposed \$584 million budget deficit. While no details were finalized, discussions will continue with the Board of Trustees at a special meeting July 7. The trustees will then use their regularly scheduled July 21 meeting to adopt an action plan that will be implemented systemwide and at the campuses. We will keep you informed as events unfold and the implications to Cal Poly are known.

We continue to be committed to doing the best we can under the circumstances to serve our students during these difficult times and to preserving jobs for our employees.