The California State University
OFFICE OF THE CHANCELLOR

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July 1, 2020

Ms. Tanya Marie Akel
Regional Director
Teamsters Local 2010
400 Roland Way, Suite 2010
Oakland, CA 94621

Dear Ms. Akel,

Yesterday, the Governor signed the 2020/21 State budget which contains a 299-million-dollar reduction to the allocation for the California State University system. This is a significant change from the proposed budget in January which suggested an increase in the appropriation of 199-million-dollars. The drastic nature of this reduction and the short time frame in which it occurred are reflective of the economic realities created by COVID-19.

It is very important that we understand the magnitude and the likely longevity of this financial problem. The Governor has stated publicly on several occasions that we should expect deficit state budgets through the 2023/24 fiscal year. This means that over the next few years additional reductions to the state allocation are likely.

Unfortunately, the reduction in state allocation is not the only negative financial consequence that the CSU will be dealing with in this year's budget. In addition to the reduction in state allocation, campuses will face financial challenges in other areas. As a result of the Fall semester being primarily virtual, as well as social distancing requirements, there will be a significant reduction in parking and housing revenues. The systemwide annual debt service on housing and parking totals 230-million-dollars. This debt service must be paid regardless of income generated. The CSU also anticipates a change in enrollment behavior including fewer out of state and international students. For each 1 percent drop in enrollment, the CSU loses 26 million dollars in tuition.

Another area that will add to the financial burden faced by the CSU is the lack of funding from the state to cover mandatory cost increases. For fiscal year 2020/21, the increased cost of employee healthcare will be 25-million-dollars, and the non-state covered pension increase is another 12-million-dollars. This 37-million-dollar obligation is in addition to the challenges described above.

In order to deal with the reduction in the state allocation alone, each campus will now be tasked with implementing the layoff provisions set forth in the collective bargaining agreements. Each campus will be looking at a reduction in work force to deal with the state allocation reduction. This does not factor in the other unique financial challenges that each campus will be facing.

We would like to begin dialogue with you and your team on potential mitigation opportunities as layoffs are the least preferred option. We have run some preliminary numbers regarding layoffs as well as preliminary numbers on potential options to layoffs. Each and every day we wait, only adds to the number of employees who will need to be laid off. Please contact us at your earliest convenience so that we can begin what we hope will be a collaborative effort to save jobs while dealing with the financial realities created by this global pandemic.

Sincerely,

\s\ Steve James

Steve James
Chief Negotiator/Employee Relations and
Collective Bargaining Expert
Labor & Employee Relations