

**MONDAY MORNING GROUP OF WESTERN RIVERSIDE COUNTY  
ANNUAL ADVOCACY TRIP – SACRAMENTO, CA  
FEBRUARY 3-4, 2025**

**CALIFORNIA STATE UNIVERSITY AND UNIVERSITY OF CALIFORNIA 2025-26 BUDGET**

**ISSUE:** The California State University (CSU) and the University of California (UC) systems face significant financial challenges due to the persistent state funding deficit, threatening the quality of education provided at CSU's 23 campuses and UC's 10 campuses and health centers.

A potential 8% cut will negatively impact the CSU and UC Systems and, specifically, the California State University, San Bernardino (CSUSB) and University of California, Riverside (UCR) campuses. This proposed cut will impact on academics, student services, course offerings, and workforce. It will also put recent graduation rate and enrollment gains at risk, which will lessen the CSU's and UC's positive impact on the state's economy.

**ACTION:** The Monday Morning Group supports measures to preserve the full funding of CSU and UC and to avoid 7.95% reductions in each system in FY 25-26, including the deferrals outlined in the outyear compacts. The Monday Morning Group urges Riverside and San Bernardino legislative leaders to support the CSU and UC funding requests to avoid further budget cuts and restore state compact funding to the CSU and UC systems.

Specifically, support is needed for the following actions:

- Urge Governor Gavin Newsom to propose a policy change in future budget proposals to avoid budget cuts and restore full state compact funding for the CSU and UC systems.
- Support CSU and UC funding restoration in the May Budget Revision or the Final FY 2025-26 budget to be adopted in September 2025.

**BACKGROUND:** For the FY 2024-25 budget, Governor Newsom proposed no expansions to student financial aid or base funding increases for the CSU and UC. Instead, the 5% base increase was deferred to FY 2025-26, with a promise of one-time back payments. Additionally, \$2.4 billion in one-time reductions were made to higher education initiatives. The FY 2025-26 budget proposes a further \$397 million ongoing reduction to CSU's and UC's baseline funding, equivalent to the resources needed to support 36,000 students at CSU and 24,800 students at UC.

The CSU and UC systems anticipate this ongoing reduction in 2025-26, equivalent to 5% of the Operating Fund. Compounding this issue, the California Department of Finance projects a state General Fund budget gap of 6.5% in 2026-27 and 8% in 2027-28. This poses significant concern, as the state General Fund serves as a critical revenue source for the CSU and UC Operating Funds.

The proposed cuts would have severe consequences. Systemwide, they would result in reductions to academic programs, student services, and course offerings, as well as a decline in workforce capacity. Progress in closing equity gaps and improving graduation rates would be jeopardized, directly impacting CSU's and UC's standings as national leaders in economic mobility. These cuts would also exacerbate enrollment declines and threaten the financial stability of the CSU and the UC systems, which are vital to California's workforce and economy.

Several CSU universities have experienced a significant decline in student enrollment, resulting in a loss of tuition revenue, a key source of the CSU Operating Fund. Over the past two years, the CSU system faced substantial financial challenges, with gaps between anticipated revenue and expenditures for CSU amounting to \$138 million in 2023-24 and \$218 million in 2024-25. These ongoing shortfalls, totaling 4% of the Operating Fund for CSU, highlight the pressing need for strategic solutions.

UC system has met and exceeded the enrollment expectations outlined in the compact. UC campus costs, particularly for academic represented employees and all employees' health care, have outpaced inflation. In addition, while the tuition stability plan has been great for students and their families during the implementation period, tuition increases for only 25% of undergraduates annually have not covered the full cost increases in proportion to the operating expenses covered by tuition. These factors have resulted in operating deficits for UC in the Regents' budget plan as follows: 2023-24 deficit of \$67.9 million; 2024-25 deficit of \$69.9 million; and 2025-26 projected deficit of \$504.7 million (including 7.95% cut and not receiving compact funding).

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Investing in the CSU and UC systems is not an expense - it is an investment in California's future, driving equity and economic growth. CSU serves over 460,000 students annually and contributes \$15 billion to the state's economy every year. The UC system serves more than 295,000 students annually, and has 265,000 faculty and staff, with two million alumni living and working around the world. Beyond contributing to groundbreaking research and excellence in higher education, UC generates \$82 billion in economic activity per year nationally. And UC-related spending and activities support more than 500,000 jobs across California. Sustained funding for the CSU and UC will secure the future of its students and continue to ensure prosperity for our region and state.

**CSUSB IMPACT:** At CSUSB, the financial challenges are particularly troubling. The majority of CSUSB students are first-generation college students, with 79% of students being the first in their families to attend college. These students rely heavily on accessible and affordable higher education to transform their lives and contribute to their communities. In FY 2023-24, CSUSB experienced a \$11 million budget gap, leading to 5% cuts across all budgets. For FY 2024-25, the gap increased to \$21 million, resulting in a 9% cut and the elimination of fourteen positions. Looking ahead to FY 2025-26, the proposed budget cuts will create a \$18 million gap. The cumulative budget deficit of \$50 million over three years will force a further workforce and programmatic reduction at a time when no other areas remain to be cut. These ongoing deficits threaten CSUSB's ability to serve its diverse student body and maintain operational effectiveness.

Despite these financial pressures, the CSU and CSUSB remain committed to student success through unprecedented investments in financial aid, student support services, and evidence-based strategies that prioritize student needs. The CSU has made notable progress in reducing persistent equity gaps and was recently ranked #3 nationally for improving economic mobility. However, these efforts are taking place against the backdrop of rising and unavoidable operational costs, underscoring the urgency for sustained innovation and support.

**UCR IMPACT:** Throughout its long history, the University of California has been an important partner to the State in transmitting knowledge, making discoveries, and serving the people of California. UCR values diversity and inclusiveness, and student success which is reflected in its students, staff, and faculty who make contributions to the campus, region, state, and world.

UCR enrolls more than 26,300 students including undergraduate and graduate students. UCR is the academic home of over 1,100 faculty, including two Nobel Prize Winners, three Guggenheim Awards, four UC University Professorships, and 30 National Academies Members. Of all the prestigious Association of American Universities (AAU) members in Southern California, UCR is the most affordable option based on cost of living, Pell, and other federal grants awarded. Nearly 50% of UCR's undergraduates receive a Pell Grant. In 2024, UCR was again named the No. 1 university in the nation for social mobility by *U.S. News & World Report*. This is the sixth year that U.S. News has featured a breakout category for social mobility, which considers the degree to which a university elevates its low-income graduates to a higher standard of living. The first three years, UCR was ranked No. 1 in the nation among four-year universities; for the past two years, it was No. 2.

During this challenging budget year, UC and UCR look forward to working with the Governor and the legislature to ensure that the University's contributions to California continue through strong innovation, education of the future workforce, and public service that uplifts all Californians. The University remains committed to the shared goals of access, affordability, student success, and intersegmental collaboration outlined in the compact.

The UC Regents budget request is focused on protecting and expanding State investment in the University's students, innovation, and public services. Expenditure elements of the budget plan include those related to undergraduate and graduate enrollment growth, sustaining core University operations, and expanding access to a debt-free educational pathway for California resident undergraduates.

The University of California requests approval of the investments detailed: 1) reject 7.95% reduction to the ongoing base budget: \$396 million; 2) request additional ongoing funding: \$280 million; and 3) request one-time capital outlay funding: \$1.36 billion.