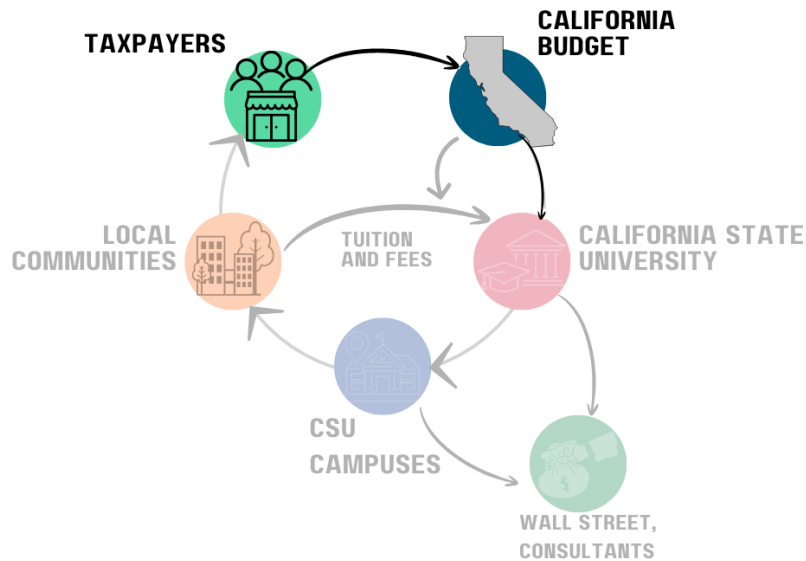
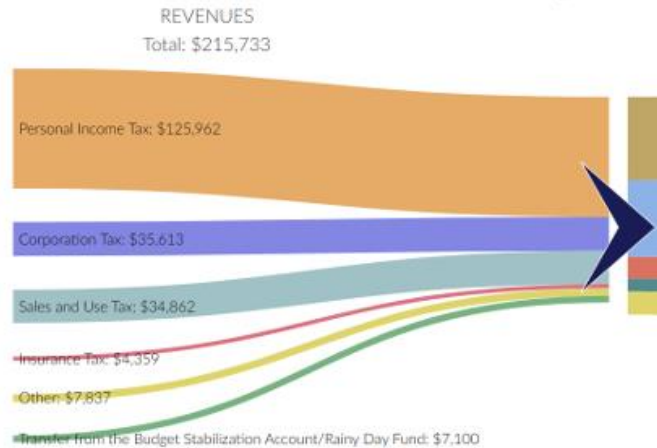


The California Budget and Why It Feels Like We Are Always Fighting For CSU Funding



The California State University system relies on the state budget for approximately 60% of its total annual revenue: that is, money that it brings in each year. The state budget represents both a process and a plan for allocating state funds, which come from tax revenue. These revenues are made up of approximately 61.7% personal income tax, 18.9% from corporate income tax, and 15.2% sales and use tax (SUT), which constitute the “big three”, with other smaller revenue streams making up the rest, as depicted in Fig. 1 below (for the FY 2025–26 budget).



A common rejoinder used regarding the use of funds from budgets is that budgets are “one-year documents”, implying that budgeted expenses are only relevant to the immediate fiscal year in question, and have no bearing on future budget allocations. This is technically true—one year’s budget generally does not bind a future year’s budget. Funding can be moved, cut, or reallocated, largely independent of where those dollars were allocated in the previous fiscal year. Nonetheless, there are two important ways this oversimplifies California’s budget process. The first is Proposition 98, which, for K-14, binds state decision-making and establishes minimum, multi-year funding formulas—though it does not apply to the CSU, UC, or other state agencies. The second is that past-year funding levels are used as a non-binding, but *de facto*, starting point for determining current and future funding. While claims are often made about how “guaranteed” or not future funding is, relying purely on the notion that budgets are one-year documents is simply a way to distract from current use of funds and reasonable expectations about future dollars.

After Prop 98 dollars, the remainder of the state general fund is a zero-sum game; any dollars given to the CSU deplete the finite resource of dollars the state has and means new dollars cannot be given to other areas of the budget. The general fund consists of 200+

state agencies and departments¹ plus special funds, programs, and other designations, all vying for those dollars. The inverse is true as well; the state is constitutionally required to pass a balanced budget so, in years of deficit, agencies are vying to not have their funding reduced to offset reductions in state revenue.

After Health and Human Services (and Prop 98), Higher Education is the next largest area of the budget that the state funds. This makes the CSU an attractive agency for the state to balance its budget on. For a single state agency, it receives a significant amount of money from the state, and most agencies do not control the lever that drives their expenses in the way that the CSU does. For the CSU, costs are dictated by enrollment. Lowering enrollment leads to lower labor costs, predominantly, by not reappointing lecturer faculty. This happens one step removed from the state's decision to cut funding and generally in the academic year that follows when the cut comes. This lets the state distance itself from the responsibility of the cut while CSU management simultaneously blames funding issues on the state.

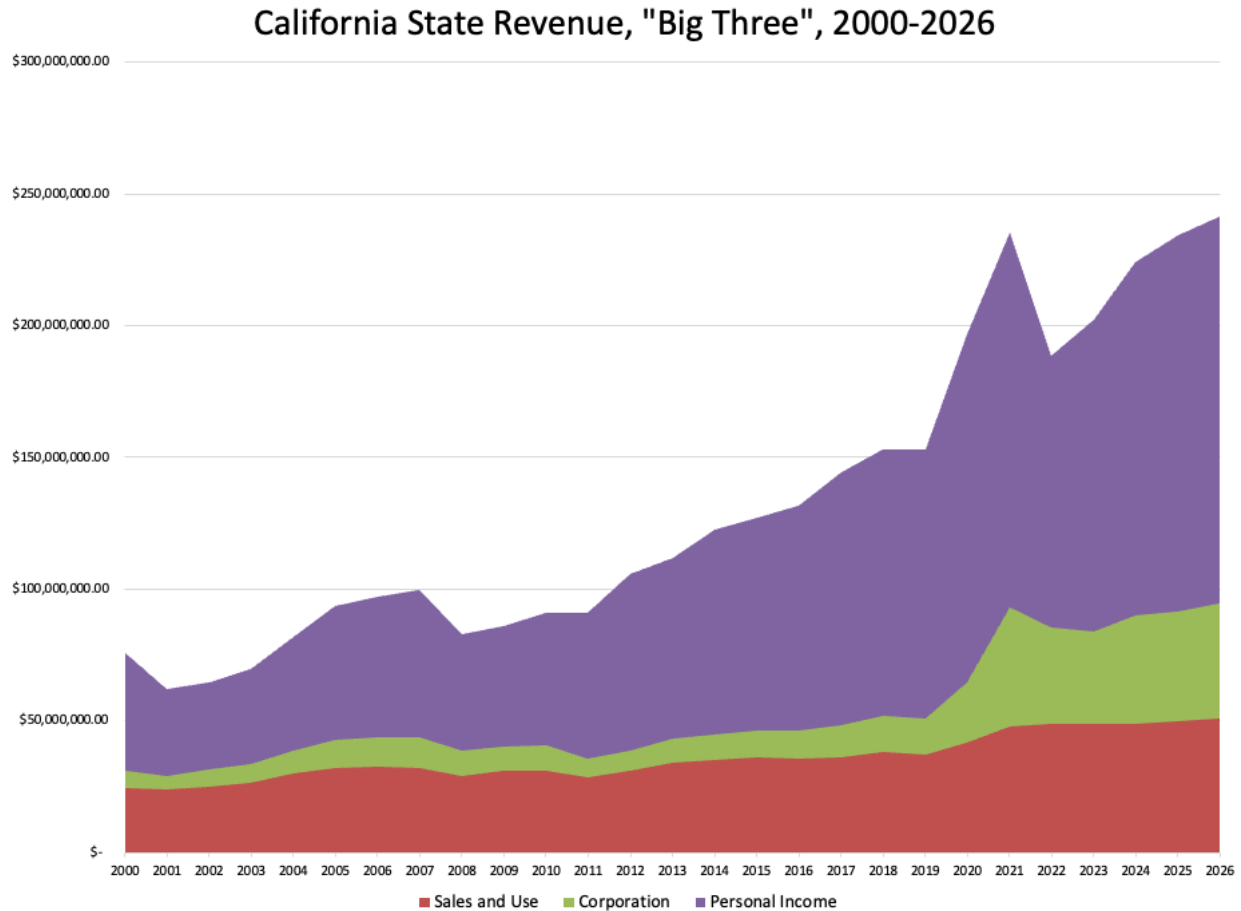
The CSU operates within these constraints in part due to the state budget's relative volatility. The volatility is baked into how the state generates revenue and the reliance on personal income tax since Proposition 13 capped property taxes. The progressive nature of the California tax system means that the state heavily relies on taxes paid by high-income earners, and increasingly this is via capital gains and stock holdings.² The January budget proposal estimated 60% of general fund revenue would be from personal income tax³. This means, fundamentally, a portion of the budget for the state of California relies on

¹ <https://www.ca.gov/departments/all/>

² pg. 182. Revenue Estimates, California Budget Summary 2026-27. <https://ebudget.ca.gov/2026-27/pdf/BudgetSummary/RevenueEstimates.pdf>

³ Governor's Budget Summary 2026-27, pg 10. <https://ebudget.ca.gov/2026-27/pdf/BudgetSummary/FullBudgetSummary.pdf>

investments and the stock market. Figure 2, below demonstrates that volatility. The trend is up, but the year-to-year change fluctuates significantly.



As a result, we often find ourselves in this cycle of feast and famine: fighting for dollars in good budget years, fighting against cuts in bad budget years. As figure 2 demonstrates, personal income tax has years of growth mixed with years of flat or declining revenue.

All of this taken together provides for some of the logic of CSU management, which is risk-averse and materializes as an unwillingness to commit long-term spending for core operations, and a fixation within the scope of a single budget year. Their increasing dependence on bond ratings and investments. A focus on consultants and “cost savings.”