



OFFICE OF THE PRESIDENT

Budget update

January 23, 2025

Dear Colleagues,

As we start the spring semester and begin more detailed planning for next year's budget, we find ourselves in familiar territory – facing uncertainty about higher education funding from the state of Colorado and needing to take responsible, proactive steps to prepare for a range of potential financial challenges.

Unfortunately, the state government's fiscal headwinds are stronger and more complicated than they have been in recent years. This means our budget planning process must anticipate the potential for levels of state funding far below our needs. The planning process also needs to account for our commitment to faculty and staff compensation, with about \$17 million set aside for increases – equivalent to a 3% pool.

Here is some context followed by an update on this year's planning process. CSU's Education and General (E&G) budget – which funds instruction, academic and student support, salaries, benefits, administration, and campus operations and maintenance – comes primarily from two sources: tuition and state appropriations. When I talk about CSU's budget outlook, it refers to the E&G budget. Most research activities, various grants and auxiliary programs (e.g. parking, housing and dining) are accounted for in separate, restricted accounts that do not rely on tuition or state dollars.

In Colorado, state support for public higher education is among the lowest in the country, ranking 42nd out of 50 in per-student funding. This year, the governor's proposed budget included a less than 1% increase in funding for public colleges and universities and recommended capping resident undergraduate tuition increases at 2.3%. This budget would cause significant cuts at higher education institutions across Colorado, not just CSU. The governor's recommended budget is generally a starting place, with the legislature setting final funding levels during its 120-day session that runs from January through May. In the past few years, lawmakers were able to provide new dollars to higher education over and above the governor's recommendation. This year, however, the state is facing a \$750 million budget

shortfall, rising Medicaid costs and voter-required spending increases. This means state lawmakers will have to make difficult funding decisions across many areas, including public higher education.

In response to this proposed budget, 14 university chancellors and presidents signed a letter to the state's Joint Budget Committee advocating for funding that would allow us to maintain current levels of service at our institutions across the state. The letter proposed \$80 million in new state funding and a 2.7% cap on resident undergraduate tuition (still lower than the inflation rate). We will continue to partner with other institutions of public higher education in Colorado to make the case that maintaining an appropriate level of support is critical to the state's economy and meeting workforce demands. At CSU, we will work closely with campus stakeholders and our shared-governance partners to ensure that lawmakers understand the vital nature of our mission of teaching, research and service and the positive impact CSU has on every corner of Colorado.

While we are hopeful those advocacy efforts will bear fruit, at CSU we need to take responsible and prudent planning steps now so that we can act quickly once next year's budget details become clear later this spring. You'll recall we took similar steps last year. We've been planning for this for some months, with CSU Chief Financial Officer Brendan Hanlon and his team conducting multiple budget presentations for campus stakeholders throughout the fall.

Last week, we asked all deans and vice presidents to model budget reduction scenarios of 3%, 5% and 7%. Just as we did last year, we asked campus leaders to protect funding for programs and initiatives that align with institutional priorities, including student success and academic and research excellence. We've been through this before and learned that across-the-board reductions are blunt instruments that spread challenges evenly but not necessarily fairly, impacting high-priority programs just as much as programs that are not as well aligned with our core mission. Creating plans for a wide range of reduction scenarios allows us to be strategic and thoughtful about where savings could come from.

In addition to budget planning, we are taking steps to position CSU to operate more effectively. Based on input and consultation with campus leaders, CSU will move forward with an administrative alignment strategy. Coordinating administrative services university-wide will provide synergies and economies of scale that will lead to improved overall performance and reduced costs over time. The goal is to provide consistent service excellence across campus. To start, we will align human resources and finance from all academic and administrative units under our HR and Finance leadership. This will occur across the institution, and each unit will receive an incentive credit to count for a portion of their reduction proposals.

CSU has operated in a decentralized model for many years, with stand-alone administrative functions evolving within many academic and administrative units. The alignment process will be approached methodically, thoughtfully and with engagement across campus.

In the coming fiscal year, FY25-26, HR and Finance budgets and reporting lines from academic and administrative units will shift to CSU HR under the Vice President for Human Resources and to University Operations under the Vice President for Operations. At that time, however, employees will remain embedded in their historic areas. Over the fiscal year, CSU HR and Finance teams will work with those employees and their respective leadership to assess and understand unit needs and craft a plan for meeting those needs in a new service model. More

details about the transition to this new integrated model will be shared throughout the spring. In future fiscal years, we will take steps to align other administrative functions, including IT and Communications and Marketing.

Paired with these initiatives, we will continue to work with campus to identify opportunities to stand-up programs and initiatives that could create new revenue streams for CSU. We must be entrepreneurial, willing to take risks, and operate differently to insulate CSU from volatility created by fluctuations in state funding. This needs to be an ongoing effort, and it's critical that we take steps now so that we are better positioned in the future.

I want to briefly touch on tuition and enrollment, which are also significant components of our E&G budget. We will always work to keep tuition rates and fees as low as possible for Colorado residents and remain competitive with peers for nonresident students. Our flexibility on resident tuition will ultimately be set by state lawmakers. Two other factors are the size of the incoming class and retention of existing students. We experienced excellent gains in student retention last year and are seeing promising increases in applications and admission numbers. We will not know, however, the size and make-up of this class until well into the fall semester, so it would be irresponsible to incorporate estimates into our budget planning process.

This is a tough reality, and it's important to put these challenges in context. We have faced and overcome more difficult budget challenges in the past. We also are approaching this budget cycle following a year of tremendous accomplishments and upward momentum. We saw one of the largest gifts in CSU history in support of our engineering program; we achieved record levels of research funding at more than \$576 million; our incoming class was among the largest, most accomplished and most diverse in CSU history; and we are reimagining critical educational facilities like the Clark Building and our Veterinary Teaching Hospital. Even with the challenges we face, the foundation that each of you has helped build at CSU is rock solid. Our commitment to our mission is steadfast. We will meet these challenges head on and continue to prioritize our students, advance discoveries and support communities in Colorado and beyond.

Thanks to all who are involved in this budget planning process. Please look for additional updates on the budget in the coming weeks and months.

Sincerely,

Amy Parsons
President

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Business

Walter Scott, Jr. College of Engineering

Health and Human Sciences

Liberal Arts

Warner College of Natural Resources

Natural Sciences

Veterinary Medicine and Biomedical Sciences

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