



OFFICE OF THE PRESIDENT

Update on next year's budget

January 23, 2024

When I started as president almost a year ago, I heard clearly the need for greater transparency and accountability around CSU's budget. It's in that spirit I'm writing with an update on next year's budget and steps we are taking to prudently and responsibly prepare for the variety of fiscal scenarios that could come our way.

Here's what's important to know. We foresee potential budget challenges as we look to the future and are creating contingency plans so we are prepared to react quickly and strategically. It is relatively early in the budget planning process and a number of variables are still in play – meaning the outlook will shift and evolve in the coming weeks and months. Given the uncertainty in those variables, we are initiating this planning exercise from a position of strength and with an eye toward ensuring we preserve financial resources to support core functions and [institutional priorities](#).

For the purposes of this note, we are talking about the Education and General (E&G) Budget. It is the main “checking account” CSU uses to pay for operations and services, including instruction, academic and student support, salaries, benefits, administration, and campus operations and maintenance. The roughly \$810 million E&G budget primarily consists of funding from two sources: tuition and state appropriations. Most research activities, various grants and auxiliary programs (e.g. parking, housing and dining) are accounted for in different budgets that do not rely on tuition or state funding but are restricted to a specific purpose.

The biggest question for next year pertains to state appropriations. As you may know, the Colorado General Assembly started meeting earlier this month. Lawmakers approve the state budget, including funding for public higher education, during the 120-day legislative session. The starting point for that process comes from the Governor's proposed budget, which is submitted in the fall. In this case, the Governor submitted a proposed budget that would only increase state funding for higher education by 2.9 percent while capping allowable tuition increases – a disappointing proposal that would create a significant budget shortfall and make it nearly impossible to provide another round of competitive compensation adjustments for faculty and staff. During recent remarks to the Joint Budget Committee, CSU System Chancellor Tony Frank

told lawmakers it was one of the lowest levels of proposed state funding he's seen in 20 years, absent a recession or other national economic crisis.

We are confident that the state appropriations picture will improve in the coming weeks and months, but there is still a great deal of variability. Some of the state funding scenarios we are modeling still result in budget shortfalls. We are working diligently with our shared governance partners across campus as well as the other public universities in Colorado to emphasize the importance of our mission to the state and to ensure lawmakers understand the cost-drivers associated with maintaining a world-class university. It will take a team effort, and I want to thank leaders representing CSU's students, faculty, and staff for their willingness to engage in this work. It will have a positive impact, but we won't have a clear picture of where state funding will net out for a couple of months.

Tuition rates and enrollment are other factors that drive revenue in the E&G budget. We will always work to keep our tuition increases as low as possible, but part of that will be determined by the state funding picture. As a rule of thumb, a higher level of state support equates to lower tuition rates. That's part of the conversation and negotiations we're having with state lawmakers. On the enrollment side, we've had strong first-year classes recently, but we've also seen robust graduation rates. Solid enrollment growth next year across our various streams – resident undergraduate, nonresident undergraduate, graduate, transfer students, online, etc. – would help the budget situation. We have put significant energy and resources toward smart and sustainable growth in recruitment and enrollment – and there are positive early indicators about next year's class – but we won't have final numbers until fall, so we're being conservative in our enrollment modeling and its potential impact on the budget.

So where does that leave us? With uncertainty in our two main sources of revenue, we must turn our eye toward managing expenses. Over the last week, we have asked all deans and vice presidents to go through an exercise where they model budget reductions of 2, 4, and 6 percent for next year. As part of this exercise, we've asked our leaders to protect funding for programs and initiatives that align with our institutional priorities, including student success and academic and research excellence. I recognize and greatly appreciate that CSU already runs a lean operation – we've had to tighten our belts a number of times over the years – and asking to consider budget reductions of any size is difficult and uncomfortable. It's unlikely we'll make cuts of 6 percent, but it is responsible and prudent to model a worst-case scenario. In addition, modeling a wider range of reductions will allow us to be strategic and thoughtful about where savings could come from. Ultimately, we may be forced to stop doing some things so we can continue to support institutional priorities.

We also will continue to work with campus stakeholders to identify opportunities to stand-up programs and initiatives that could create new revenue streams for CSU. Fostering an environment that supports creativity and a spirit of entrepreneurship is one of the ways we can promote innovation, and I'm pleased to say we are actively reviewing some promising proposals that were submitted late last year. If you've got an idea, please send it our way. Finally, the effort to [reform our institutional budget model](#) (the way E&G funds are allocated to academic and administrative units) will continue. At a time when we are seeing pressure on the revenue sources that underpin the E&G budget, it is more important than ever to have a flexible and transparent internal budget model that aligns financial decision-making with institutional priorities.

CSU is an amazing institution and thriving academic community. We've weathered plenty of adversity in the past, and it has never dampened our shared sense of optimism, commitment to excellence, or focus on our students and mission. This moment is no different. I know we have a shared interest in meeting challenges head-on and ensuring CSU is prepared to respond quickly and strategically so we can continue to improve and strengthen the ways we serve our students, advance discoveries, and support communities in Colorado and beyond.

We will continue to provide regular updates on the budget in the coming weeks and months.

Thank you,

Amy Parsons

President

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