



OFFICE OF THE PRESIDENT

Budget Update

January 12, 2026

Dear Colorado State Community,

The Colorado General Assembly begins meeting later this week, which means I am writing with a budget update as I do every year about this time. As is the case for many universities in Colorado and across the country, federal, state, and university-level budget challenges are continuing to grow and become more complicated. For a variety of reasons that I will outline in this message, CSU is facing a significant funding gap for the fiscal year beginning July 1. While analysis and planning have been taking place for months now, we are entering a phase of detailed scenario planning with campus stakeholders as part of an effort to prioritize student success and preserve CSU's core mission of teaching, research, and service.

CSU's Education and General (E&G) budget is comparable to a family's checking account. This account is filled by revenue that comes from two primary sources – state funding and tuition – and we use the E&G budget to pay for classroom instruction, academic and student support, salaries, benefits, administration, and most campus operations. Sponsored research activities, other grants, donor-funded programs, and self-funded auxiliary programs (e.g., parking, housing and dining) are accounted for in separate, restricted accounts that do not rely on tuition or state dollars. For the purposes of this message, I'll be talking about the challenges we face with the E&G budget, including:

- **State Revenue** – Colorado is experiencing large, persistent budget challenges that have been compounded by recent federal policy changes. Colorado's support for higher education is 43rd in the nation, and now the state faces an annual budget shortfall that could exceed \$1 billion for the second year in a row. A recent letter to state lawmakers signed by nearly all presidents and chancellors from Colorado's public colleges and universities estimated \$61.2 million in new state funding would be needed next year to maintain current levels of service and tuition affordability. The governor's budget proposal would increase funding for higher education by just \$10.6 million, less than 1 percent. According to the letter from higher education leaders, such a level of state funding would result in "a combination of

tuition rate increases and budget cuts, which can harm affordability, the quality of a post-secondary education and our employees.”

- **Tuition Revenue** – CSU welcomed a strong incoming class last fall, including the largest cohort of Colorado residents in the institution’s history, a reflection of our reputation and value in Colorado. The challenge within the class is the ratio of resident, nonresident, and international students. Nonresident undergraduates and international students generate income for CSU that directly supports the E&G budget. Like many universities, however, CSU is experiencing increased competition for out-of-state students and a general decrease in international enrollment. For the coming fiscal year, softening of nonresident and international enrollment equates to roughly \$10.8 million in lost revenue. There are early signs that the situation may improve next year – particularly as it relates to out-of-state undergraduates – but we will not know how it will impact the revenue situation until after the fall student census.
- **Health Care Premiums and Benefits** – This year we are seeing considerably increased health care costs – a trend that is hitting organizations nationally. Even with prudent planning and having changed the structure of our plans last year, actual costs came in higher than our best estimates. When we add in cost increases related to other employee benefits – pensions, FMLI leave, vision, dental, etc. – it equates to \$15 million in new expenses that are hitting the E&G budget next year. Ultimately, benefits are a very important part of compensation here at CSU, and we are committed to ensuring that employee benefits packages remain strong and affordable.
- **Other Mandatory Cost Increases** – Just like with a family’s budget, every year CSU sees costs increase for things like insurance, utilities, debt service, and other mandatory expenses. For the coming fiscal year, these costs at CSU are increasing by \$11.6 million.

When we look at all these factors together, the university is facing a potential gap on the order of \$38 million to \$48 million next year. There are multiple avenues for addressing the potential shortfall, and we are going to look at all of them. First, we will continue to work with higher education leaders and other stakeholders to advocate to the General Assembly for increased state funding. In the past, that strategy has been successful, but the state’s budget situation may limit what is possible. Second, if the state cannot increase direct support, it could offer colleges and universities tuition flexibility. The governor’s current proposal would cap in-state tuition rate increases at 2.6 percent. While increasing or eliminating that cap could generate additional revenue, we would want to maintain affordability and monitor constraints based on competitive national market conditions.

The General Assembly begins meeting Wednesday and runs for 120 days, and we will be active throughout the session looking for ways to encourage increased state support for higher education. We will turn to a variety of internal and external partners to work alongside us in that effort. It’s possible that state revenue could close some of the funding gap, but we will not know what that might look like until closer to the end of the legislative session.

In the meantime, we need to take responsible steps on campus to be prepared to act quickly once the state funding picture becomes clear. Last week, Vice President for University Operations and Chief Financial Officer Brendan Hanlon, Interim Provost and Executive Vice President Lise Youngblade, and I met with all vice presidents, deans, business officers, and senior human resources leaders to provide a common understanding of the challenges and to set out the plan for addressing them.

We are asking units to take some immediate steps to curtail spending and to engage in scenario planning that would lead to an overall institutional budget reduction of up to 8.75 percent. Going through this exercise allows us to protect the university's primary mission and functions and to be strategic about where and how any reductions are made. As we have done in the past, we will meet with campus leaders over the next two months to review those scenarios and provide direction on what will ultimately be implemented in April or May.

CSU will also take the following actions:

- **Vacant Position Review** – An organization CSU's size typically has hundreds of vacant positions at any given time. All divisions are being asked to provide an analysis of vacant positions, with the idea being we may eliminate some of those positions as a way of prioritizing current employees. Searches that are currently underway will not be included in the review, and there will be a process for seeking an exemption for mission-critical roles.
- **Continuing Hiring Chill** – CSU implemented a hiring chill last year as a proactive measure to manage financial risk during a period of budget pressure. Applying the hiring chill more stringently going forward will allow the university to slow the growth of recurring personnel costs, preserve budget capacity for core priorities such as compensation and essential services, and create time for leadership to assess longer-term structural adjustments. The objective is to avoid net new positions for the remainder of this fiscal year and likely into the next fiscal year. Exceptions will continue to be granted for positions that are mission critical, necessary to address life, health, and safety needs, or funded with sponsored projects and restricted gifts. The launch of Workday earlier this month means we have a powerful new campus tool that will benefit employees and make it easier to deliver strategic workforce insights.
- **Consider Compensation** – Providing competitive compensation packages is a priority for CSU. We know faculty and staff feel the pain from limited raises over the past two years. As a rule of thumb, every 1 percent increase in pay costs about \$5 million. Even a modest compensation increase would require reductions somewhere within the institution, a trade-off we always weigh during difficult budget years. We will have conversations about this with campus stakeholders in the coming weeks and make a final decision in late February.
- **Curtail Discretionary Spending** – Expenses for training, travel, events, small capital projects, and hospitality will be limited to mission-critical purposes.
- **Budget Model Redesign** – For the last few years, CSU has been working toward a new budget model that is geared toward providing greater incentives for revenue growth on campus. Implementation of this model includes a parallel year where campus can view the old and new model side-by-side. We are still completing the policies and procedures of the new model, meaning that this year has not served as a true parallel year. The decision has been made to complete the model policies in the coming weeks and spend the next year running the model in parallel with the current budgeting practices. This will allow for continued refinement and calibration before we fully shift over to the new model in FY28.
- **Prioritize Student Success, National Profile, and Revenue Growth** – Student success is our top priority, and we will continue to preserve and potentially invest in efforts that support our students and their path to graduation. To the extent it is possible, CSU also will protect funding for functions that are directly tied to our principal mission of teaching, research, and service. In addition, we will continue to prioritize positions and initiatives that boost our national profile and raise revenue, including functions such as fundraising, enrollment,

corporate partnerships, and athletics. Maintaining current and growing new revenue streams is vital to strengthening CSU's ability to weather future fluctuations in state support.

CSU is not alone in facing budget challenges. The University of Northern Colorado made significant budget cuts earlier this year, and we are seeing similar situations at institutions such as the University of Oregon, Duke, Utah State, USC, Michigan State, the University of Nebraska and more. While we will get through this challenging period, we must use this as an opportunity to improve and become stronger. Leaders across this campus will have to make some difficult decisions in the coming months, and our goal is to make those tough calls with an eye toward structural and operational changes that will benefit the university for years to come and put us on a sustainable financial path. We also know that many of the best ideas for improving efficiency and reducing costs come from the people doing the work every day, and we encourage employees to share thoughtful, multi-year efficiency and improvement ideas with their division and college leadership. We will continue to lean into our relationship with our shared governance partners across campus as we work together to address these challenges and seize opportunities.

The underlying fundamentals of what we do at CSU are incredibly strong, we are well positioned within the higher education marketplace, and our profile is rising nationally. Grounded in our strengths, we will overcome these challenges and continue to move forward together.

I will share more information with our university community throughout the semester.

Thank you for all you do for CSU every day,

Amy Parsons
President

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