

IN THE DONNER PASS



After watching the budget debates for a few weeks, I am a little clearer on where we are, the short term options, and the long term choices. We know that CSU faces at least a 683M permanent cut, about 13%. We have participated in various legislative charades like selling the lottery to offset the shrinking general fund on which we rely. Like the Beverly Hillbillies we have dreamt of bubbling crude oozing cash into our coffers. And now we fantasize of federal stimulus lubricating fiscal dysfunction. But a temporary potion won't restore our power permanently. While we try to avoid long-term reality with short-term fixes, reality returns to haunt us. The ghoul grows, feasting on mounting debt as we procrastinate.

We need to stop thinking that this crisis is both temporary and caused by others. Here is why. The state general fund relies disproportionately on income tax and capital gains from stocks and property sales. Real estate escalated because Proposition 13 held down the public cost of private ownership. Financiers brokered elaborate instruments to stimulate more buyers, raise prices, increase capital gains from sales, and thereby enrich the state. But with 11% unemployment and the halving of real estate value, California's general fund now has the sustaining capacity of . . . the Los Angeles River.



Look at CSU in this context. Because our fees are 60% of the peer MA average, we rely on more than peers do from the state. Our salaries, though, beat the peer average by nearly 20%, and we have fringe and benefit programs, like health care for retirees, that are not common. So, we have unusually high fixed costs, diminishing public funding, and cultural antagonism to raise fees. Is it poetic irony or merely coincidence that the UAW has boarded our GM bus?

No wonder we procrastinate.

So, what to do? Here is where we must think short and long. Because the fall is close and agreement on permanent solutions far, we will try, I assume a one-time fix to remove 13%, 683M, from the '09-10 budget. A 10% student fee increase could net 90M for this cut, with another 1/3rd going to state university grants. Or double this to 180M. However, less money from fees for positions leads to higher ratios of students for everyone.

So, naturally we will try to reduce the 1.6B that we spend on purchases, contracts, fuel, energy, etc. A 10% cut might yield 160M but would require discipline: paperless business, virtual travel, fewer and thinner computer clients, self-reliance instead of service, etc.

But salaries and benefits amount to over 60% of the budget. They must be part of the solution, it appears. A 10% furlough provides 240M for one-time reduction. Were employees empowered locally to choose their days, the odds are high that diffusion of choice would minimize deterioration of service.

Temporary action buys the time to build support for a solution. Below I go over likely approaches, with affordability, access, and stable staffing as guiding stars.

GOLDEN HANDSHAKES. Well, without them we all will retire, die, resign, or be disappeared in due time. They accelerate due time; they achieve savings, normally spread over several years, into one year. For this, the system pays a premium; it advances the service and age credited to employees to get them to leave now.

Say that an eligible member earns 75K. The premium of credits for age and service might run to 33% over two years. In other words, to get our hands on 50K for permanent reduction now, we pay 50K in one-time funds. After

that we recover 25K—33%--for reallocation. Typically this approach saves part of the 50K job of a lecturer, who on average teaches 25% more. We trade leadership for student capacity and devolve more leadership on mid ranks. Were 1,000 professors to go, the system gains 50M for retrenchment, preserves lecturer capacity, and pays an added one-time premium of 50M. These figures are illustrative, not exact. Nonetheless, the cost relative to gain strikes me as usurious, appealing especially to the desperate with no alternatives.

The GH is a surgical tool best used in classifications with a large difference between senior and beginning salaries and with a higher ratio of clients to employees in the lower salaried ranks. The national record shows, however, that universities attenuate the effect by making the option widely, if not universally available.

LAYOFF. Layoff is the circular saw to this scalpel. Were the 683M to be removed from employees, the system would lose 1,500-1,800 FTE positions out of 36,000. Proportioned across things, non-faculty, and faculty, the cut would hack 230M from things, 260M from non-faculty, and 190M from faculty. If a GH could be confined to the latter, the loss at the lower ranks would be 140M, 2,500 FTEF at 55K each. Lost, too, would be capacity for 60,000 FTES, 16% of the current level. This scenario kills the Master Plan, destroys access, and fosters chaotic bumping rights on non-faculty staff. With at least 1,000 sr. faculty GH'd and mainly 2,500 FTE lecturers deep-sixed, pity the surviving middle rank faculty who will be chided for not teaching enough, leading enough, and getting enough grants to regain the output of status quo ante. (These data are mine, not official.)

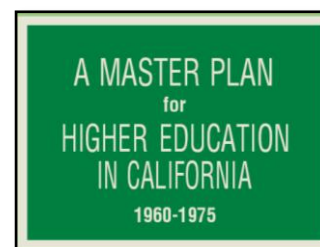


SUPPLY SIDE. Or, we could dare the third rail, raise fees and reexamine aid. A conservative estimate averages our fees at 3,600 and peers at 5,800. The difference is 811M for CSU. With 1/3rd removed for grants, we are left with 540M. Fund the added burden on Cal Grants, and we are left with over 400M.

Now, the increase itself funds university grants through the 1/3rd set-aside. Federal Pell and other federal grants will cover their shares of the increase as in other states, unless some bureaucratic or legislator has dreamed up a plan to throttle fee increases at low fee institutions.

But return to fees and grants. Right now total undergraduate fees are nearly matched by total federal, state, and institutional grants. Though allocated to insure that students in good standing from families of <49K attend tuition-free, grants still direct over 100M to families with 85K>. Also, we continue grants to students through 150-180 credits. 50,000 FTES complete degrees yearly with 150 credits on average, using 35M more in grants than @ 120 credits warrant. There are hard choices implied here. Rationing grants to extend access shortens the credit hrs for which one is covered.

Now, we can apply that principle further. Were we to charge students full freight for credits above 130, we could either gain 130M or encourage focus. The first way, we buy seats for other students. The second way, we increase the unduplicated headcount that generates FTES. If campuses abuse these approaches to generate funds, then remove the funds from the local campus. Also, students tend to transfer in 10 credits more than we accept due to archaic notions of residency. Accept the credits, expend 1/12 less for an FTES, repent, self-flagellate, and move on.



Because we are enamored with a Master Plan that thrived for six years in the '60s, because we are blissfully ignorant of facts, because we are contemptuous of 49 states and various territories, because we are caged in by ideologues and UC/private advocates who deny us access to advanced degrees, market rates, and large grants, we behave like the Donner party. We eat ourselves to survive. To survive and thrive, we need a revolution in thinking. We need to

empower campuses to act creatively. And we must join, be permitted to join the market world that we are chided to praise.

Robert Frost wrote about a crucial choice once made in a yellow wood. We live under a yellow sky. It would make all the difference were we to take the more traveled road.

(Data and opinion are HH's, neither CSU's nor CSUN's.)

