

THE SACRAMENTO BEE

EDITORIAL

CSU hid a \$1.5 billion surplus while raising tuition. Where is the accountability?

BY THE SACRAMENTO BEE EDITORIAL BOARD
JUNE 21, 2019

Here we go again: Another scandal involving a state-funded entity hoarding a secret stockpile of money. This time, an investigation by California State Auditor Elaine Howle discovered \$1.5 billion in surplus funds hidden in outside accounts controlled by the California State University system.

Yes, that's billion with a "b." While CSU was squirreling away this massive fortune, it was simultaneously raising tuition costs for students and begging the California State Legislature for more money.

"CSU put the money, which primarily came from student tuition, in outside accounts rather than in the state Treasury," according to a story by The Sacramento Bee's Sawsan Morrar.

We've seen this story before. In 2017, Howle's office busted the University of California Chancellor's Office for hiding a \$175 million slush fund from public view – while also hiking tuition on students. And in 2012, California state parks Director Ruth Coleman was forced to step down when it became public that the parks department had been shielding \$54 million in "hidden assets" from the state Department of Finance.

Apparently, nobody learned anything from the previous scandals. If anything, the dollar amounts in these secret pots of money just seem to be getting bigger and bigger.

For his part, CSU Chancellor Timothy P. White rejects the auditor's conclusion and calls her report "misleading."

"Reserve funds are like a family savings account or the much-acclaimed state of California Rainy Day Fund which is built up gradually over time and used to pay for one-time necessary expenses or protect against uncertainties – not ongoing expenses today," he said.

It's tortured logic and, even if it's true, it doesn't explain why it took an audit to make CSU come clean about the massive surplus lurking in the shadows of its financial books. As for the "family budget" metaphor: Few families have an extra \$1.5 billion lying around, and families generally don't raise tuition on their own children. So, White's explanation fails to convince.

Even worse: "At the same time, the CSU Board of Trustees increased pay for the top administrators, including those in the Chancellor's Office and CSU presidents, said union legislative director David Balla-Hawkins."

"By failing to disclose this surplus when consulting with students about tuition increases or when projecting CSU's resources and needs to the Legislature, the Chancellor's Office has prevented

legislators and students from evaluating CSU's financial needs in light of its unspent financial resources," said Howle in a statement.

Any way you look at it, CSU stockpiled a massive reserve while keeping state officials, students and parents in the dark.

In addition, Howle's audit "criticized CSU for building costly parking facilities at four of its 23 campuses: Sacramento, San Diego, Fullerton and Channel Islands. It said CSU had raised student parking permit fees as high as \$236 per semester to pay for the new structures, which did little to increase parking capacity."

If the new structures raised costs for students while also failing to increase parking capacity, who exactly got the benefit of these construction projects? The mysteries abound.

Here's what needs to happen to restore public trust:

- CSU must follow the auditor's recommendation and make a full public accounting of its massive surplus. This should be posted publicly to CSU's website for all students, parents and members of the public to see. Transparency is key.
- CSU must explain why its expensive new parking lots raised costs for students without increasing parking capacity.
- Gov. Gavin, the California State Legislature and the CSU board of trustees must use the full weight of their authority to hold Chancellor White and his team fully accountable.

How many more times will we learn of secretive massive funds, hidden from view by so-called public servants who apparently consider themselves above the rules? To let such outrageous behavior, go unpunished is to encourage its spread.

It's time for some serious accounting – and some major accountability – at CSU.