FOOLS' GOLD: '10-11 BUDGETING

DO OSTRICHES DO THIS? Last night, I sat down to write an update. I had the sudden urge to upchuck. The state of the state and of the CSU made me upset. Logic, it seemed to me, was upturned.

But then like Saint Theresa, I was pierced by rapture. In search of Riesling (unlike her) to still my soul, I stumbled into the black kitchen; I opened the refrigerator. The cool light of the fruit and dairy sections engulfed me. My eyes fixed on the mottled flesh of a misplaced rib-eye.

A voice—Vin Scully?—spoke to me. "God loves fools."

I fell to my knees. I cried. We were saved! Who could dispute that the sign of the dunce was upon the door frames of California and the CSU?

Saved? Us? Compare us with true devouts. They battle doubt. But we mistake a familiar voice within for the Word without. God may love fools to the world but probably not fools in the world, who act on beliefs that do more harm than good.

So, what is foolish? Our belief in entitlement to the way we were is unshakable. Think of how state leadership has responded. Faced with the decrease in tax revenue from personal income and capital gains, the Governor tried to sell state property, even the lottery. With the legislature, he repaired the '08-09 budget by using money from '09-10; they filled the '09-10 hole with stimulus money (**http://www.lao.ca.gov/handouts/FO/2009/EDSource_041709.pdf**).

Meanwhile revenues have fallen, and criminal justice and medical expenses have risen. Even though budget makers for '10-11 might believe otherwise, the state seems to lack the funds to restore the dollars in '10-11 that the federal stimulus dollars replaced in '09-10. The state forecasts a $21,000,000,000 pile of debt, about a third of it recurring, as we begin to budget what insiders say is needed for '10-11--about $87,000, 000 **(http://www.lao.ca.gov/laoapp/main.aspx)**.

LOOKING BACKWARDS: In short, California needs a plan to right imbalance, pay down debt, and align policies and services with budgets. The plan must forego fools' gold. It must rely more on taxes and/or fees for services. It must invest as a guardian in education, not speculate as a short seller in the markets. It must tackle cross-cutting costs in health and energy that bleed all the other budgets. And it requires the public to vote down special-interest propositions; these initiatives diminish the general fund by enhancing disproportionately the support for someone's pet rock.

Now look at the CSU budget for '10-11 **(http://www.calstate.edu/PA/News/2009/budget-trusteees-adopt-2010-11.shtml)**. It claims entitlement to $884, 000,000. Some, we claim, is owed since the '06 Compact and ensuing contracts. Some consists of buy-backs of student fees that were added in '09-10 to offset cuts to the general funds; and some buy down fees for '10-11 **(http://www.csun.edu/academic.affairs/contract_gap.pdf)**. It proposes that we drop another 32,000 FTES, without losing the state subsidy so that overall dollars/FTES would return to parity with '06. And it assumes that the $350,000,000 that were removed in '09-10 to patch '08-09 and then replaced one-time in '09-10 with federal stimulus funds will be filled by the state. CSU, therefore, asks for $1,200,000,000 in a year of near record state debt. The budget is self-righteous; it flatters internal audiences. Of course, it is DOA. It is an anti-plan that looks backwards.

Unions crab crawl into the future, too. They grieve long sanctioned practices as another way to get funds that, they believe, members are entitled to but that budget cuts eliminated. Settlements today cannot compensate for a yesterday that was not funded without ransacking tomorrow. The '06 Compact and subsequent contracts were not supportable then and are not now. People express dismay that today's settlements, to make up for yesterday's broken promises, lower tomorrow's funds. We believe that we are entitled to a river of resources that restores itself as often as we step into it. Let us chant,

Woe to Heraclitus,
no fool he.
The geeky Greek said, no
double-dipping
in the same river.
But we fools know
this is not so.

IMPLICATIONS: So, on the campuses we must guess what will happen when the system budget appears as fools' gold.

09-'11 CSU BUDGET IMPACTS	M
REDUCE FTES BY 6%	86.1
24% CUT TO CSU	621
REMOVE 355 TO FILL '08-'09	355
BACFILL 355 WITH FED STIM, '09-10	355
30% FEE HIKE FOR '09-10	390
REMOVE 33% FOR STUDENT GRANTS	130
FURLOUGH AS 1X FIX FOR '09-10	275
END FURLOUGHS, '10	275
FED STIM EXPIRES, '10	355
RESTORE 355 WITH GEN F, '10-11	355
COVERT FEE INC IN '10-11 BUDGET	120
REMOVE 33% FOR STUDENT GRANTS	40
DROP 10% IN ENR IN '10-11; LOSE FEES	148
POSSIBLE LOSS OF GFF DUE TO DROP	190
EST. LOSS IN LOCAL FEES, REV	50
IN GENERAL, CSUN IS 7.4% OF CSU	

The Compact will not be restored, nor will students' fees be bought out. The loss of 32,000 FTES translates into opportunity denied to 40,000 students; without their fees, many employees will be let go. Further, the state will not provide $275,000,000 to fill the gap in funding that furloughs bridge. So, unless someone flinches at the negotiating table, more jobs will vanish. Then there are the uncertainties. Will the state withdraw the general funds linked to the 32,000 FTES? Will the state backfill the hole opened when the federal stimulus funding terms out in '10? Will there be more sizeable fee increases? The CSU budget calls on the state to fund raises. The legislative analyst foresees no raises through 2014. How do we reconcile this?

For CSUN, all this amounts to cuts that range from $20,000,000 to $45,000,000. But I get ahead of myself.

Without a plan, the system will lurch from crisis to crisis. Without meaningful partnerships with unions, we only can blame each other or scapegoat someone else. Without a legislature that is more than the sum of factions, those who might plan, do not, lest a faction take advantage of an institution's foresight. Rather, agencies contrive just as the CSU does today. Meanwhile, a large group of faculty rejects a practical plan because they await the revolution. Level the prisons, end the wars, and socialize Wall Street. Accomplish all this, and then fees need not rise because federal dollars could be redirected to support public higher education. These goals are worth working for; however, such change requires a long march. The CSU needs a plan for the interregnum.

CRYSTAL BALL: During this interregnum, state support likely will decrease per FTES, inflation will be modest, and workers will want wage increases. Population growth will moderate because of economic recession, water shortage, and the deterioration of infrastructure in the Southwest (**http://uclaforecast.com/**). California will require three broad categories of workers—in service, therapeutic applications, and symbolic systems (**http://www.labormarketinfo.edd.ca.gov/**).

- Thus, a plan would develop capacity to generate non-state revenues in fees, gifts, grants, and contracts. The target would be synthesized from states that have emerged successfully from similar downturns.
- Unlike now, the three tiers of higher education would coordinate fees and grants to reduce the chance that the policies of one body will frustrate another. In particular, a plan would use grants so that, as fees rise, the net cost in constant dollars for an AY would not exceed 19XX levels for the bottom income quartiles.(See **http://www.cpec.ca.gov/completereports/2009reports/09-09.pdf** and **http://www.cpec.ca.gov/completereports/2008reports/08-10.pdf**).

	ENR	% GR	% NO AID	TU/FEE	TF-GR	GR/AID	AV PELL	AV ST	AV INST
IN DOLLARS THEN CURRENT									
1989	20,450	21	76	744	706	43	1,381	1,002	1,013
2007	24,388	44	43	2,710	2,528	78	2,956	3,185	1,919
INFLATION ADJUSTED TO '09									
1989	20,450	21	76	1,295	1,228	43	2,403	1,744	1,762
2007	24,388	44	43	2,846	2,655	78	3,104	3,344	2,015
		2X INCR	AVERAGED OVER ALL UNDERG. GR/AID HAS IMPROVED, BUT TU/FEE HAS OUTPACED GR GROWTH				AVERAGED OVER GR RECIPIENTS		

- A plan for the CSU would focus academics on symbolic systems, as now. However, it would pursue advanced degrees, too, so that it could broaden expertise for external funding. A plan would require campuses to stake out,

benchmark, and improve social conditions, as in education, energy use, and health care, in their immediate regions. Linking symbol to action and reform, CSU could work for the revolution that it otherwise waits for.

- A plan for the CSU would not feed the recession with unemployment and idle the young with no advancement. It would encourage administration and unions to innovate new revenues linked to access and readiness for the young.
- A plan for the CSU would convert central administrators from compliance bullies to facilitators. It would require services that rely heavily on information technology to do what they claimed but rarely achieved: reduce administrative costs and ease transactions for occasional users. In sum, it would change CMS from sump pump for rarely read reports to legible dashboard for key indicators of performance.
- A plan for the CSU would link aspiration to revenue, not to nostalgia. It would integrate, not scatter-shot, efforts to improve access, graduation rates, K-12 quality, and community so that we do more with less. It would restore roles and thereby capitalize on expertise—faculty as originators and standard bearers, administrators as facilitators, and BoT as guardians. It would consign accountability to researchers, not accountants and not bureaucrats who serve the whimsy of politicians.
- A new plan would escape "Master Plan" (**http://sunsite.berkeley.edu/~ucalhist/archives_exhibits/masterplan/**). It would toss the "Compact" into the compactor (**http://www.calstate.edu/PA/news/2004/compact.shtml**). It would restore access to "Access to Excellence" (**http://www.calstate.edu/AccesstoExcellence/**).

So much for my "I had a plan" speech.

WHAT IS TO BE DONE? I conclude with a broad-stroked picture of what we at CSUN must do and can expect. We must make decisions about how to save funds and grow resources that, we estimate, will make us stronger in five to ten years. For example, instead of reducing enrollment simply by embargoing freshmen, we moved up deadlines to test commitment; and we enforced rigorous continuation policies. We hope that the students learn the plus of responsibility. Likewise, we are not looking for blockbuster solutions in the curriculum/program and technology. We are monitoring expenditures on electives, directed studies, course duplication, and bottlenecks so that, indeed, we can support approved programs in the years ahead. The alternative of beginning with program elimination—usually small but rooted programs— can distract attention from larger trends.

IN GENERAL, AA IS 70% OF CSUN	M
CSUN RESERVE PRO-RATED	1-2.5
AA RESERVED CUTS FROM '07-09	8
09-10 ENR REDUCTION	6.6
REMOVE SUMMER FROM GF	4
SUMMER RETURN ABOVE SAL	1
EST CENTRAL, TECH, AND OP REDUCT	1.75
THINKING THRU 11/09	

We must design our technology so that it, too, promotes intelligent conversation by minimizing complications for users and by controlling otherwise vampire-like extractions of money for purchases. Gradually, we want to separate our ownership of hardware from functionality so that thousands of work stations and printers are replaced by clients that connect to shared resources. Especially if upgrades, fixes, and power settings are networked, we should be able to decrease energy consumption and operational costs.

Needless to say, units are reviewing assignments, like GE recertification, that remove people from their main work. However, we must be careful. Even in dire budgets we must invest not just in the schedule but in longer prospects for grants, contracts, auxiliaries, and improved learning. To make financial and intellectual profit from research and development, we first must sink funds into their support. This approach implies that revenue partly offsets cuts. Thus, moving summer term out of the general fund generates tuition that the campus largely keeps. As with the campus quality fee and the plan to take more non-resident students, this move strengthens the campus by improving access, providing salaries, and reserving some profit for the colleges. Efforts to develop a plan for our well-being clinics follow a similar approach.

AT SEA IN UNCERTAINTY: Like a navigational chart, a plan changes with weather—in this case whether. Consulting with various governance groups, we must decide on priorities and timing. For example, when we moved summer to Extension from the general fund, we decided whether to allow Academic Affairs the unique opportunity to credit the savings and the redirected revenue. We value

teaching, as this implies. But we must decide next whether we value advising equally, whether we have a special obligation to protect the core collection in the library, etc.

Then, of course, we must adapt the plan to the politics and budgets of the state. Beginning with the Governor's budget in January and running through and beyond his May Revise, we will see whether revenues are sufficient to replace the federal stimulus funds, whether he will support a plunge of 32,000 FTES without a subtraction from the state subsidy, whether he will back fee increases and/or changes in the level of state support, and whether he or others impose new unfunded mandates. We then watch the serial responses of the legislators as they attune allocations to their factions' interpretation of tax revenues, spending priorities, bond ratings, availability of federal financing, and the yearnings of higher education.

These whethers suggest why it is impossible to know the final budget before we must build the schedule for next year. Meanwhile, CSU itself must resolve uncertainties. Bargainers must decide whether to convert $275,000,000 to reductions or to condone a patch like furloughs; they must decide whether to fund raises out of existing resources. The Chancellor and the BoT will revisit whether to raise fees, increase or decrease enrollment, maintain the grant to fee ratio of .33, allow campuses to raise local fees, redirect money from stable to precarious campuses, and coordinate personnel reductions across the system.

CSU '06-07	FTES AND FUNDING			STU PER EMPLOYEE		% FULL TIME		% IN WAGE BEN	
	CY FTES	TU FEE/FTES	STAT/FTES	FTES/FTE STAFF	FTES/FTEF	FULL T/TIL EMPLOY	FT LEC/TIL LEC	SAL+BEN/ TIL EXP	SAL+BEN/ TIL INSTR
BAK	6,914	$ 2,577	$ 7,278	8	21	0.81	0.37	71	97
CHI	15,828	$ 2,401	$ 7,043	10	22	0.74	0.15	75	94
CI	2,994	$ 2,878	$ 13,863	6	17	0.75	0.21	65	87
DH	9,209	$ 3,175	$ 6,830	9	21	0.68	0.17	67	96
EB	12,466	$ 3,534	$ 6,679	10	25	0.69	0.08	66	89
FR	19,007	$ 2,553	$ 6,970	10	21	0.73	0.23	72	100
FU	29,479	$ 3,767	$ 6,102	11	23	0.68	0.16	67	90
HUM	7,237	$ 2,751	$ 9,477	8	20	0.74	0.12	70	94
LA	17,805	$ 2,950	$ 6,461	11	22	0.69	0.12	65	92
LB	30,679	$ 3,155	$ 6,189	10	22	0.67	0.16	75	95
MARI	1,020	$ 4,573	$ 19,935	5	16	0.88	0.44	61	67
MB	3,864	$ 2,347	$ 12,931	6	20	0.74	0.16	66	88
NO	28,284	$ 3,044	$ 6,314	10	24	0.68	0.11	67	92
PO	19,265	$ 2,886	$ 7,232	10	24	0.76	0.12	71	95
SAC	23,293	$ 3,480	$ 6,136	10	22	0.73	0.13	68	91
SB	14,597	$ 2,214	$ 6,260	10	24	0.73	0.16	64	91
SD	30,994	$ 4,226	$ 7,139	10	25	0.74	0.19	63	93
SF	25,548	$ 3,630	$ 6,039	9	22	0.71	0.12	66	97
SJ	25,683	$ 3,912	$ 6,148	10	23	0.62	0.07	67	91
SLO	18,835	$ 3,993	$ 8,030	9	22	0.82	0.28	70	92
SM	7,537	$ 3,307	$ 7,566	9	22	0.74	0.13	64	89
SON	7,919	$ 3,566	$ 7,304	8	21	0.71	0.08	65	93
STAN	7,565	$ 1,614	$ 8,608	8	20	0.79	0.24	76	92
AV	15,914	3,154	8,110	9	22	0.73	0.17	68	92
	RED INDICATES SEPARATION FROM AV THAT COULD BE DANGEROUS IN BAD BUDGETS								

MAKING OUR WAY: We cannot let uncertainty paralyze us. Yes, there will be major changes. But we have a sufficient framework and forecast to plan and to act in stages. Now, there is grim inexorability to this. Faced with a 16% reduction in enrollment within a budget that is nearly 70% in personnel and much of the rest in fixed and/or mandated costs, we have and will let many employees go.

However, at this stage of converting plans into action, the general-fund side of the university will "contain" bargaining units reductions within the ranks of temporary employees, excluding voluntary departures. This approach is likely to work unless the federal stimulus dollars are not replaced, the state withdraws the subsidy for the reduction in FTES, additional de/re-allocations exceed 5%, and/or . . . you get the idea.

This crisis is not an act of God. It should be soluble. But why is it that, as a system, we concoct plans for weathering pandemics and earthquakes, complete with motorized command posts, badges, and special assignments? Yet we cannot reverse-engineer a crisis that society itself has engineered.

So much depends upon whether our ship of fools cures the weather that we have made. Therein is presage and parable for the new century. God bless the children, for they inherit our works.