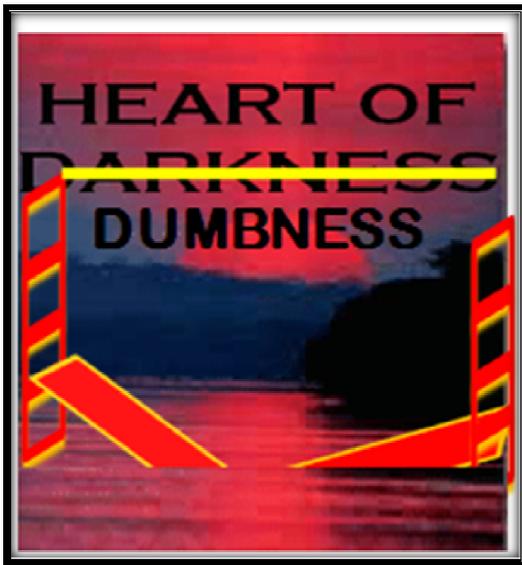


HEART OF DUMBNESS

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THE HORROR

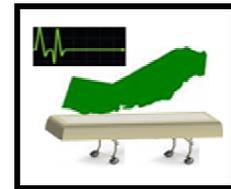


Kurtz did not die in Africa. Conrad's Polish was mistranslated. His draft read, "Mistah Kurtz, he fled."

According to Ford Maddox Ford, Conrad wrote another paragraph, since lost, in which Kurtz traveled to America. He opened a sandwich shop in Stockton. Riding the popularity of his baloney, he became a part-time lobbyist and part-time fortune teller. The Governor of California, who just invented the proposition, visited his shop-and-parlor. He asked Kurtz to peer into his crystal ball. What would California be in a hundred years? Kurtz squinted. Suddenly he clutched his throat. He was choking on a baloney sandwich! The Governor was no help; Heimlich was not yet born. Kurtz's eyes

bulged, he pointed at the crystal. He rasped, "The horror, the horror!"

The horror indeed. The state now has a budget problem of at least 28 and perhaps 42 billion dollars over two years. Either number is incredible. Neither the Governor nor legislature has a credible answer, not that one is easy. But keep in mind that our recession heavy, or depression lite, has exposed fundamental flaws in California's political economy. Yet, on the table are gimmicks—a nickel increase on booze—that almost all expire in three years. Eventually, California and the US will need to face these facts:



- Love us, hate us, no matter; give us your yen, your lira, your riyal! US charisma and power have attracted investors to our bonds and currency really since Bretton Woods confirmed the dollar as the sun of the financial solar system after WWII. With credit to spend, we spend. Having detached "trust" from silver and gold—hard currency—we peddled anything under "trust in us." Eventually, we fell for our own racket. Ah yes,

every boob was a Barnum to the next boob. Then, we ran out of boobs . . . until we gazed into the mirror.

- In the 50's and 60's, the US was proud of civil rights cases and laws that theoretically extended the American dream to those who lived its nightmare. But as Clinton and Gore admitted in their efforts to reinvent government in '93, we never reigned in the expenses of social programs that failed. We allowed our litigiousness to spawn costly regulations of all sorts of behavior. And in the tradition of the New Deal, we nursed a program for every social ill, paid for by the promise that the remedy was cheaper than the illness.
- Remember Reaganomics (“voodoo economics,” according to Bush the elder before Mephistopheles tempted him with the vice presidency)? The Gipper preceded the Bubbas with the answer: “spend! What, me worry?” The Reagan team gorged on tax rate cuts,



deregulation, and deficit spending like an Atkins fanatic pouncing on meat. They perfected our national role as Ponzi schemer and pyramid racketeer; thus, David Stockman (recall?) adorns the dollar with Ponzi and Madoff.

- At least 42 other states are broke. For years, governments chastised higher education for being an antique industry. Well, guess what? Fixing Detroit will be a warm-up to fixing the states, which like the car industry, require structural reform. Higher education, which typically balances its books, is not the problem. But we suffer because we are connected. The feds can print money at will. California can borrow without limit. Why worry?
- Here is why. Through [pooled money investment boards](#) (PMIBS), states float bonds not only for building projects but also for filling in the gaps between expenses from the general fund like monthly salaries and revenue into the general funds from tax collection. Revenue in does not match expense out, day by day. Now, envision a [line of planes](#) at sunset at O’Hare. 43 planes line up to get



clearance to go. But they are behind 43 jumbos awaiting clearance (to finance long-term debt). And they are stacked up behind 43*X jets seeking approval (for construction bonds that voters approved but cannot be marketed because the emptors are caveating). And at the head of the line are waves of mega-jumbo jets under the insignia of US Treasury. Printing notes to cover bailout debt, the Treasury believes that people will trust it . . . because it alone can print money. Still, investors are leery. Indeed, so is the federal government; it now offers 0% return on some instruments, promising only to return principal. It will be a long night.

- The Obama team will have to help to restructure state debt, without destroying federalism. What will make this so difficult strategically is that the debt is the by-product of state-level mechanisms like propositions and term limits. Like failsafe deterrents, once they are activated, these programs kill civil states; there is no easy off switch to this timed bomb. Slowly, intoxication with social spending worsens, as abstinence from paying for this out of reliable, current funds becomes habitual. The result? California vies with the

Gumbo state for worst credit rating. And California carries probably 150 billion dollars in bonds, not counting the financing of county and municipal debt.

ANOTHER NICE MESS

Actually, we have messes, not a mess. I discussed the impact of the 28 through 42 billion dollar shortfall before (<http://www.csun.edu/academic.affairs/mooseandmen.pdf>). I will return to the impact on enrollment and budget shortly. But I want to begin with the news. The state has not finalized a budget for the fiscal year, and it is overwhelmed by the next two. It cannot secure bridge funding for ongoing expenses; we face the Grand Canyon of gaps.



Meanwhile, the people are distracted by the sweet sour pungency of holidays and recession. Unnoticed, the state runs out of money—rather, credit. No Governor worth his weight in barbells would miss the chance to stress urgency and blame his opponents. As a result, the Governor accepted the [advice of the PMIB](#) that construction projects close until the credit market is not constipated. He added that agencies implement furloughs and cuts equal to 10% of their budget, 50% of the way through the fiscal year. And he blamed the legislature for playing iPods while we burned. The impact on CSUN is:

- We have two major projects under way that are funded by state revenue bonds, Chaparral Hall and the Valley Performing Arts Center. The parking structure and student housing are funded differently, by fees. These enterprise monies can support improvements or secure borrowing to do so. Such is not the case for the science building, Chaparral Hall, and the Valley Performing Arts Center, even though its financing depends partly on donors. Since Chaparral is nearly finished, we are making plans to borrow against funds that the University Corporation and other “enterprises” (that is, not general funds, not student fees) generate, if the state cannot pay the construction bill



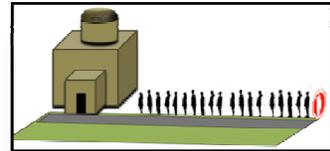
temporarily in early '09. We are estimating how much we need to borrow, if needed, to get to a satisfactory level of usability for fall. The VPAC project, which is much more recent, will be slowed or shuttered temporarily, if these conditions continue. Obviously, such actions cost; starting back up costs more. We could eat through the reserve for the projects quickly.

- Now as the Governor and legislators heave deck chairs at one another in the press, the ship of state is taking on water. Thus, Arnold's order to agencies to initiate furloughs, layoffs, and up to a 10% cut in the '08-09 budget is both PR ploy against legislative dead-enders and preparation for doomsday without dollars. Such edicts do not apply to CSU directly. Nevertheless, it is possible that we will have to deliver up an added cut this year, although not as Arnold prescribed to others. Since we already registered students, hired faculty, and committed to a normal—uh—spring, such a cut would have to come out of reserve funds. Eventually, if this stalemate in Sacramento and this credit freeze in the markets continue, we will part from many lecturers in fall, '10, as reserves diminish.

However, while nonrenewal might come into play for lecturers in fall, our financial reserves and sizeable temporary workforce should insulate permanent employee from the chaos.

IMPACTION

We turn to impaction. Recall that the state was unable to match the money that the CSU expected for the Compact and employee contracts. That has sent parties back to the table to bargain. The shortage of state funds for the CSU also led the Chancellor to decide that CSU should not accommodate in the future the 12,000 FTE that the system is over its target; for that enrollment we collect only the student fees. So, CSUN is 1,800 FTE over target; that translates into roughly 90 positions and 6.3 million dollars in fee revenue. Reed is demanding that California fund us appropriately; he fears that, if we absorb the 12,000 FTE and a cut, the legislature will conclude that the CSU does not need the money.



There was considerable debate about this approach before Reed decided. The political logic is sound. Since the legislature is thrashing about, they will punish CSU good behavior if that provides a partial answer to other budget problems. However, the state is in debt massively. And closing college doors, at the same time that the high school dropout rate and unemployment are increasing, will leave many young people on the street. Some will go to the CCCs; however, few make it through to CSU. Also, system impaction limits college participation just when experts on human capital are jumping up and down. They are telling us that for America to remain competitive, the younger generations must get college-level skills in increasing numbers. If one agrees with these propositions as the basis for policy about enrollment, then one assumes that the legislature would decrease FTE support, as Reed feared. Reed could not think this way; understandably he put the CSU's interests first. We turn to the details of impaction.

- Impaction means that there are too many FTE, given the funding formula. CSUN must come down 1,800 FTE by '09-10. This year, the freshmen class had 4,100 FTE. Clearly the full 1,800 could not be subtracted from that without devastating college-going locally. So, after wide consultation with faculty, staff, administrators, and community partners, we concluded that our approach should conform to principles in the CSUN mission—access, regional service, and recognition of achievement. We are aiming for a freshmen class of roughly 3,500 FTE. To achieve that, we will accept all CSU-eligible students from the high school districts that we historically work with in LA and Ventura Counties; we call this group Tier 1. We will admit freshmen applicants from outside this region, but from within California, as space permits. We will rank-order applicants in Tier 2, according to scores on the CSU eligibility index. EOP admissions are not affected (<http://www.csun.edu/anr/impaction.html>.) All admitted students will be told that they

must take the EPT and ELM no later than June. The research literature claims that those who delay, who commit late, often don't deal successfully with the academic deadlines.

- Obviously, if we do not reduce enrollment wholly through admissions, we must affect returning students. The following approaches have broad support; they reward, in a way, those students who make CSUN a top priority. Well, actually we intend to convince one group to reduce CSUN's priority for them. Each year, several hundred students complete their majors, GE, and upwards of 140 credits. We are running reports to identify them; then we can put holds on these people, mandating that they see the chairs. We need the chairs to ask, "What the hey?" In fact, many students do not know when they are eligible to graduate. The 140 Inquisition begins this spring.
- Historically, we have granted a large proportion of appeals from students on aid who have stumbled and not maintained "satisfactory progress" toward degree completion. No more. Undergraduate Studies, Student Affairs, and the associate deans are working out ways to insure a tougher stance on these cases, beginning in fall. This is harsh; the alternative is to turn away a freshmen-to-be who has not had a chance. We also will disqualify, not put on probation, students with a 1.0 cumulative GPA.
- We also have told deans and chairs to reduce summer by 25%. We have another safety valve to turn, if needed. We can close transfer enrollment early for spring '10, if these other efforts fall short.

We are using several approaches. Just one approach would be too risky and too damaging to a subset of students. We are focusing on undergraduates, since we want to stabilize, at least, graduate enrollment. We are shaping enrollment according to core values—access, regionalism, and priority to the academically successful students.

People suggested other ideas like raising fees for students once they exceed their stipulated total by 50%. For example, 180 credits would blast a student into a new cost-o-sphere. Since college success correlates with math success, people suggested that we only accept in Tier 2 pupils who are ELM exempt. But fee hikes require the approval of the Board, the legislature, and—this being Hollywood—Snowbabe and her righteous seven height-challenged individuals. And the math idea violates trustee policy that a placement test and/or exemption cannot be made a condition for admissions. Huh?

Remember what Churchill said, in the midst of war, "Never give up, never give up, never, never give up . . ." "Well, our fate is far less fatal, so we have no reason to despair. We must continue to be prudent, although the state is not. We must follow our mission and respect those whom we teach, those who teach, and those who support the teaching. I have a dream that one day the state of California will rediscover its mission and the people their common purpose. This renaissance only can occur if the regions, institutions, and people of the state lead the way. After all, the government is a creature of the people.