

Executive Privileges

In this exercise we see how simple arithmetic plays a part in CSU's budget crisis politics. You will start to see that "political math" is somewhat different than "pure math."

Issue 1:

California Faculty Association (CFA) and students complained that CSU executives receive excessive salaries. For example, see this article <http://taxdollars.ocregister.com/2012/05/29/mystery-math-how-much-do-csu-bigwigs-make/155668/>

Let's see how big the savings is if CSU executives lose some of their salary and perks. For example, say the 23 CSU presidents and the Chancellor of the CSU lose their \$60,000 housing allowance, \$12,000 car allowance, and have a \$100,000 salary cut.

Q1. Calculate the savings of cutting executive perks? (Please round your answer to the nearest million.)

Q2. The CSU's budget is close to \$4 billion per year. What percent of the CSU budget was spent on executive privileges? Was the reaction to executive privileges based on cost or symbolism? Please explain.

Issue 2: See [Age Distribution Chart](#)

Q3. What percent of the faculty will retire in the next 5 years, if all faculty must retire at age 65?

The CSU Chancellor's Office believes that they will save money by not hiring replacements for the faculty retiring. OK. Let's think about this. What would be the impact on enrollment and class availability if we do not replace 1500 retiring faculty members soon? Not replacing 1500 faculty at \$100,000 (salary, health care and pension) "saves" \$150 million in salary annually.

Let's assume that each faculty member teaches 4 classes of 40 students. How many students attend those classes? $4 * 40 * 1500 = 240,000$ students. Now suppose -- just for the sake of argument -- that CSU would have to cancel 15 % of all its classes and close the door on 60,000 students if they do not replace those faculty members; that is reduce enrollment by 15 %.

How much revenue comes from the tuition & fees of 60,000 students? Each full time undergraduate students pays roughly \$7000 in tuition and fees annually. Assuming no other funding from the state:
 $60,000 \text{ students} * \$7000 \text{ per student} = \$ 420,000,000$.
That means that tuition & fee revenue comes to \$420 million.

Now let's think about the net change in revenue after reducing the faculty by 1500 and shrinking enrollment by 15%.

Q4. What is the cost of not replacing 1500 faculty members and cutting enrollment by 60,000 students? (Hint: Compute net revenue loss or gain = fee and tuition revenue from 60,000 students - cost of hiring 1500 replacement faculty.)

Q5. Is this a financially wise decision for university system? Why do you think that there is a lot of publicity about executive perks, but very little about not replacing faculty?