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-trusteeses-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. 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 foresee 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).
- 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.

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 embargoring 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.

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 wherets 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.

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.