I: DECISIONS AND REVISIONS

This essay is in two parts. The first part describes the budget proposals that have been on the table for the CSU. The second part, you will be shocked to hear, is my opinion on the state of the state and on its mirror image, the state of the CSU.

The chart below captures—with some errors, I am sure—how budget proposals evolved this year. Column 1 records the increase over the budget for ’07-08 that the CSU Board of Trustees requested of the state for ’08-09. They assembled this request in summer and fall, ’07. They leagued with the unions to preserve recent contract settlements as well as older promises made in the Compact between the CSU and the Governor several years ago (A1). These pledges required more money than the CSU had. So, CSU and unions worked with the Associated Students to hold down student fees. Huh? Well, the logic was this: get students to lobby for funds that CSU and employees needed. In turn, the system would request that the state buy out a student fee increase with general fund dollars (B1). CSU also requested money to grow by 2.5% and the student fees that would come with that (D1, E1). Finally, the system sought support for academic technology (H1), which has not been as well funded as administrative systems. All this summed to $322.7m.

Column 2 is the Governor’s initial response. Conceptually, he agreed to fund contracts, Compact (A2), and technology (H2). However, the state lacked the money. Thus, he proposed a 10% fee increase. Law requires a 50% surcharge on the fee (C2) to fund more loans for students in need. Then in J2 he levied a general cut that left CSU with
only $22m more than in this year. Effectively, he wiped out Compact, contracts, and growth. Usually, the budget we get for the next year is this version, prepared in winter. That would not be good for ’08-09. Column 3 shows that when CSU responded to the Governor, they upped the ante, especially in A3. They were trying to capture labor costs that in summer they were resigned to absorbing in campus budgets.

In column 4 you see the take of the Legislative Analyst (LAO). She implied that CSU should renegotiate labor costs; see A4. She agreed with a fee increase (C4), argued that high school graduation numbers called for throttling back growth to 1.6% (F4, G4), eliminated technology dollars (H4), and levied a cut to administration in J4. She left us $162m to the good, though 50% would support growth. This stringent view acknowledged that, yes, we had a deficit in California; so tighten your belts.

The chart pivots in column 5, the May revision by the Governor. By then, he knew that the state was running at least a $15b deficit. Nonetheless, he retreated from his winter position because, in part, educators and students lobbied together. He added back $97m., so that his allocation topped $119m (N6). As is customary, he did not clarify a stable source for the augmentation. He surrendered to political pressure and resorted to financial sleights, such as securitizing the lottery, to sustain the illusion de jour.

Column 6 contains two changes to its approach that the CSU made in response to the May revision... First, the CSU yielded on the fee buy-out and accepted a fee increase (C5). Second, the system added $10m more to its request, to pay for the costly implementation of teacher assessment that the legislature mandated. Finally, the LAO in column 7 stuck to its guns.

So, where are we? We only can guess. In spring normally the legislature waivers between the Governor’s revision and original proposal. By September, exhaustion and discussion lead to compromise. But this year we go to election. Will those running for office seek an early resolution? Or will they shy from hard decisions until after November? Or will they bicker over explosive issues? For example, will lobbies and lawmakers try to link the $97m to agreements with workers? Will they try to use the money to restore a fee buy-out? Should the money go to operations, labor, or students as consumers?

Certainly we hope for an early curtain on the Sacramento silly season. We can glimpse what we might face when the house lights go on. There we are, shy and nervous; and there opposite us is the education governor, the Terminator. O6’ shows a $311m gap between CSU needs and the Terminator’s revision.
Subtract the $97m, and the gap appears to be over $400m. I get queasy when I recall that the CSUN share is between 7% and 8% (based on the CSUN budget relative to the CSU budget.)

Ah, but I exaggerate. Eliminate the $43m for technology; no negotiated or mandated priority is linked to it. And eliminate the $115m for growth since we have committed to no growth without funding. Now breathe in, breathe out . . . $311m decreases to $154m. CSUN’s share deflates to a mere $11.75m. If the restoration of $97m does not survive horse-trading, then the gap is $154m+$97m, with CSUN owing over $18.25m. Since the campus budget is @$320m, the likely range of cuts is from 3% to 6%. This presumes that the CSU does not opt to re-open contracts on the grounds of insufficient funding.

As long as so much of our budget is a request to state officials, we are subjected to political winds and the vagaries of state finances. And the referendum process has tortured finances into a convoluted, inflexible monstrosity. We have arrived at this mess because, as a public, we so distrust our representatives’ ability to deliberate that we opt for propositions that posit formulaic solutions. Besides expressing distrust of deliberation, these propositions express fear—fear of property appreciation outpacing fixed income (well, Prop 13 was so ‘70s, dude), race/ethnicity, and class difference, chief among them.

Ah, stop! I infringe on the next section of the essay.

II: FEAR ITSELF AND HIGHER EDUCATION FUNDING

Three quarters of a century ago, FDR said that we have nothing to fear but fear itself. We certainly prove that. Xenophobic, haunted by spectral after-images of angry children with weapons, we dream of impenetrable walls, failsafe security systems, and gulags outside the law. Higher education is the enemy—and the victim—of such fear. Like a hooded snake, fear of difference and change hypnotizes us. Higher education breaks the spell. It analyzes the motives, contexts, and mysteries beneath our differences; its spell is reason.

In the long term, we must flush fear out of the body politic. In the short term, we cannot expect that body politic to see clearly enough to fund higher education as we want. We can berate Sacramento; we can yearn for the ideal of nearly free higher education in the Master Plan. But since then, California passed Proposition 13, which capped local property taxes and, as result, squeezed school funding. 13 led to Proposition 98; it compensated by securing a hefty share of the general fund for K-12. Additionally, California allowed ethnic
difference to result in social inequity and responded to this travesty with prisons. On the positive side, California unionized and expanded social benefits.

Today fear itself probably would deliver the Master Plan stillborn. If the Master Plan reached the public, it would starve. Its once rich diet must nourish vast social programming. Ambition and fear have built a legacy of entitlement, institutionalization, and incarceration. Policymakers indulged the public’s wants but dodged fiscal responsibility. They wagered that this empire would be paid for the Californian way—that is, by speculating on the yield from innovation and growth.

We do not help ourselves when we ignore how Californian we, in the CSU, behave. We say that the state funds us terribly. In fact, fees are lower and state support higher than at most similar universities in other states. Self-justification, if not also self-righteousness, inflates our claim to entitlement. We see higher learning as a rite and a right, not a purchased good. Denying, in large part, that learning should have fees, we flail at inadequate taxes. We yearn for our alternative to Proposition 98, a tithing of the public that would guarantee entitlement yet keep filthy lucre at a distance.

Like California, the CSU now practices voodoo economics. As recently as last year, many of us claimed that higher salaries and better technology required no increases to the base budget. In turn, management settled contracts for which it did not have sufficient funding. Did everyone eat the same magic mushrooms, denying reality? Did we all wager on the California \textit{bifecta} of growth and innovation, once more? Or did we figure cynically that loans and bonds would patch matters until we left Dodge for the entitlement of retirement?

Are we really pleased that, in the May Revise, CSU gained $97M at the expense of social benefits for the poor? Can we take comfort in the fact that we might benefit from proposed changes to lottery revenues that, once again, would put off permanent solutions to California’s imbalance of wants with ways and means?

Public fear and changed priorities do not excuse our behavior. When we in the CSU ignore facts, we attract fools and panderers as partners. The fools are no help beyond chanting slogans. The panderers help themselves. They do not intend to exorcise the voodoo out of economics.

So, what is to be done? We start by facing facts.

1. California cannot tax its way out of a deficit that amounts to 15-20\% of its budget.
2. A 10% tax increase would blacken a fraction of the red. Personal and corporate taxes account for one-half of the resources in the general fund.

3. Such an increase likely would be offset by falling assets. Right now the greatest percent of home-owners are in default since the Great Depression.

4. A Democratic legislature is not likely to favor the CSU over social programs.

5. Fee increases (buffered by scaled financial aid) must be a major part of the long-term solution in the CSU.

6. Campuses also must accelerate fund-raising, grant-getting, and charging for clinical services that they provide the public. Otherwise, we soon will be like a stripped Chevy chassis outside Gary, rusting in the tall grass along the knowledge highway that leads . . . elsewhere.

5) and 6) need elaboration because we face a long-term imbalance between revenue and cost. CSU campuses average about 70% of the tuition/fees that public peers elsewhere charge. If these peers increase charges by 2.5% each year over the next decade, CSU should increase fees at least by 5% each year. That would halve the gap. Were we to increase the fees by 10% each year, we would close the gap in five years. Either way, we would plan for—instead of panic to—the inevitable decrease in the proportion of general fund dollars that CSU receives. This trend began years ago after propositions diverted California’s largesse from the Master Plan.

To the extent that CSU funds salaries and absorbs mandates that exceed these projections, we must find more resources. Unfortunately, we are mesmerized by the melodrama, one year at a time. We either do not see or refuse to see that rising energy costs, rising salaries and benefits, and flattening subsidies transform accidental crises in finance into structural instability in the whole system.

Thus, fees must rise. Saying so prepares the public. Within this framework we even can soften increases for those students who complete, say, in six years. This incentive can be offset by surcharges on additional terms, credits, and/or years.

But fees are not the whole answer. We must grow grants and contracts, as well as gifts. We must increase revenue from Extended Learning and entrepreneurial centers. The last three years we have more than doubled start-up funds and matches for researchers. Meanwhile, Extended Learning is investing in programs for people changing careers in a turbulent economy. And our efforts to link clinical centers within a “well-being” initiative show that we are beginning to construct a business model for our public services. Nonetheless, even if we increase yields on these activities from $55 million to $75 million over ten years,
a 10% fee increase in each of five years produces at least $60 million. Such is the scale of enrollment relative to other sources.

That is why we need to think outside the box of state subsidy. Can we, for example, raise fees but cut other costs for students? Why not pledge to control the Cost of Attendance—books, technology, and commutes—as fees rise? College costs mount over $17,000 annually. Can we arrange textbook rentals at one-third the cost of ownership? Can we collaborate across campuses on e-texts in GE courses that reduce costs for students and redirect revenue to departments?

Can we block-schedule for cohorts of students so that, for example, one day each week could be on–line, reducing commute costs? Can we convince the Department of Finance to fund digital expansion, not just bricks and mortar, to accommodate new FTES? This could save millions of dollars in bonding and fuel.

Can we partner with web-based companies? We want access to digital utilities like email. They must want access to educated consumers for targeted ads. Yes, this weds us to commerce. But we are paying already for versions X+ . . . of this and that, with no end in sight. We are universities, not ISPs. We do not have the revenue that supports innovation in web 2.0 companies. We should re-purpose internal expenditures on technology to focus on adaptations for teaching, when feasible. And we should leverage the appeal of our demographics to ISPs.

When we march on Sacramento, let’s go there with a self-help plan. We need a compact among ourselves. Haunted by the unfulfilled promise of the Master Plan, we ignore that it was a nightmare from which we must awake. It sentenced most college students, in the CSU and the CCC, to educational systems that were separated from research; it segregated faculty in a three-tiered caste system that romanticized research and smeared teaching as “workload.” It protected the PhD franchise of the UC, ignoring the logic of supply and demand, inflating costs partly by creating artificial scarcity.

We in CSUN and the CSU can control our destiny by controlling our funding. We can model collaboration and predictability for a body politic that special interests have startled and scarred with a thousand cuts.

We can lead. Or we can plead.

If we are to defeat fear itself in the body politic, we cannot depend on that body for our immediate cure.

CSU/N, heal thyself.