CSU/CFA Fact Finder's Report: There Are No Unallocated Resources Available to Meet the CFA Salary Demand This Fiscal Year

A multi-year solution is necessary to address the legitimate concern over faculty salaries.

Summary of Dissent:

The report from the Panel Chair is difficult to reconcile. The California State University agrees with much of the analysis and overview of evidence provided. However, the University disagrees with the unsupported conclusion and non-binding recommendation that the University pay CFA exactly what it demands. Specifically:

1) ***The Report finds that the University does not have the funds to pay CFA demands.*** The report acknowledges that the University does not currently have the funds to pay the CFA what it has requested, and we **agree**. The report simplistically suggests that the University should reallocate funds from other unspecified projects and delay implementation. This is not possible. The University **cannot agree** to this when funds for this year have already been distributed to the campuses and are fully committed; any attempt to pull back from these other high priority commitments would cause significant harm to students, faculty and staff, and California. The report suggests that the University should reallocate and delay based on the uncertain hope that the legislature will increase funding to the University. As a fiscally responsible public entity, the University **cannot agree** to create a structural deficit by spending money it does not have.
2) ***The Report confirms University faculty salaries lag market.*** The report concludes that faculty salaries in the University lag behind market comparators. The University **agrees**. The University also **agrees** that we should further refine an appropriate list of universities to use as comparators for purpose of measuring total compensation, salary and benefits in the future.
3) ***The University Cannot Spend Money It Does Not Have.*** The report recommends that the University pay the CFA what it has proposed – a 5% General Salary Increase (GSI) and a 2.65% Service Salary Increase (SSI). The University **disagrees** because the University does not have the funds to do so. The cost of the CFA proposal (5% GSI and 2.65% SSI) is $70 million more than the University proposal (2%; $33 million). Implementing the CFA proposal would also contractually require that we increase other staff compensation, leading to a total additional recurring cost to the University of implementing the CFA proposal of $110 million, more than three times the available funds.

4) ***The Report Recommends a Joint Strategy to Enhance the CSU Budget***. The report recommends that the CFA and University jointly advocate to the State of California to enhance the University budget. The University **agrees** and would welcome CFA's participation in this process. The University further **agrees** that we can and should craft a multi-year solution to solve the salary lag for our faculty (and other staff outside the CFA bargaining unit).

The University values its faculty and has demonstrated its commitment to improve compensation through a multi-year plan which could result in increases to faculty of 8.34% over four years. This multi-year plan is necessary due to limited resources and competing critical priorities facing the University. The Trustees have prioritized faculty and staff salaries and benefits, enrolling more California students to meet demand and need, improving graduation rates, enhancing facility upkeep for an appropriate learning environment, and supporting information technology for instruction, research and business operations. It must also be acknowledged that much of the University's budget is tied to expenditures it does not control. For example, the University must pay mandatory cost increases for healthcare, pensions, utilities and more. Unfortunately, none of our top priorities for serving California are properly funded. We must live within our means. Moreover, from a purely practical point of view, the University is unable to invest more than 2% this year in faculty salaries because we are 3/4 of the way through the year – students have enrolled, courses have been taught, faculty have been hired and the operating budget is fully committed. Spending more than 2% this year would create a structural deficit and effect a budget cut to every campus and the Chancellor's Office. The University is continues to advocate to the State of California for increased funding to support compensation and other mission critical priorities. However, the University cannot spend money it does not have.

Discussion:

1) The Report finds that the University does not have the funds to pay CFA demands.

The Report confirms that the University does not have $110 million available in 2015/2016 to pay a 5% general salary increase for all faculty and an additional 2.65% service salary increase for 43% of the faculty.

The University produced substantial and substantive evidence to explain the carefully considered budget needs for 2015/2016, along with detailed analyses of the University's financial statements and operating budgets.

The Report also acknowledges that one-time operating fund reserves cannot fund the CFA's ongoing salary demands and instead the Report recommends delaying unspecified "other projects" and reallocating the money "saved" to salaries.

The California State University Board of Trustees budget for 2015/2016 identified spending priorities used to request funding from the state. Money allocated for enrollment growth; student success and completion initiatives; mandatory costs; academic facilities and initiatives; and information technology renewal has already been distributed to the campuses and fully committed in their 2015/2016 operating budgets. The University is unable to invest more than 2% this year in faculty salaries because we are 3/4 of the way through the year – students have enrolled, courses have been taught, faculty have been hired and the operating budget is fully committed.

2) The Report confirms University faculty salaries lag market.

The Report affirms continuing problems that some faculty, especially part-time faculty, face in trying to make financial ends meet in a high-cost state like California, and the net loss in purchasing power experienced by all of the University's employees, and by Californians in general as a direct consequence of the recession.

The University initiated a multi-year effort to increase faculty salaries and the Report acknowledges the University's efforts including salary increase equal to 1.34% in 2013/2014 and 3% in 2014/15 as well as a two-million-dollar equity program. In addition, campuses have spent over $16.4 million on local salary increases for faculty. The remaining years of the University's multi-year plan would provide an increase equal to 2% in both 2015/16 and 2016/17.

The University agrees with the Report's conclusion that faculty are ". . . still suffering from structural salary issues. . ." and remains committed to negotiating in good faith with the CFA to resolve these structural salary issues over a multi-year period so that University faculty salaries more closely align with comparable higher education institutions.

3) The University Cannot Spend Money It Does Not Have.

The Report recommends that the University increase faculty salaries in 2015/16 with the cost "spread over the year to minimize the impact," again recognizing that the University cannot spend money it does not have. Nor can the University commit to spend money in 2016/2017 and every year thereafter to pay for the recurring $110 million additional cost of CFA's original proposal – a proposal which has not changed since bargaining began.

The University has no reason to believe that the State would now agree to allocate additional base funds to the 2016/2017 budget sufficient to cover the $110 million in recurring costs recommended by the Report, let alone agree to make the University whole for amounts spent over and above the 2015/2016 budget appropriations to pay the salary increases for this fiscal year.

The University remains committed to negotiating in good faith with the CFA, but cannot and will not create a long-term structural deficit by committing to pay for ongoing permanent salary increases beyond what is available in the current budget.

4) The Report Recommends a Joint Strategy to Enhance the CSU Budget.

The Report recommends that the CFA and the University "develop a joint strategy and documentation to go to the California Legislature and Governor in order to enhance the CSU budget." The University strongly supports working with the CFA and the State to develop a multi-year plan to obtain resources adequate to continue to increase faculty salaries and invest in other mission critical priorities.

For all the reasons set forth above, I as the University Panel Member, dissent.

Dissent issued on March 26, 2016 by

Brad Wells
____

Bradley W. Wells
Associate Vice Chancellor
Business and Finance
The California State University