

CAL STATE UNIVERSITY IN A TIME OF FISCAL CRISIS: A CAUTIONARY TALE OF MANAGERIAL FLEXIBILITY

CALIFORNIA FACULTY ASSOCIATION
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Governor Brown's proposal for California's 2011-12 budget contains a proposal for a brutal cut of \$500 million to the California State University budget. However, it also calls for the cuts to be "targeted," rather than unallocated as have been the cuts in prior years. Specifically, the Governor's Budget describes the proposal for the CSU system as follows.

"Targeted Reductions: A decrease of \$500 million in 2011-12 to reflect necessary funding reductions to help resolve the budget deficit. These reductions are intended to minimize fee and enrollment impacts on students by targeting actions that lower the costs of instruction and administration. The Administration will work with the Office of the Chancellor and the Trustees, as well as stakeholders (including representatives of students and employees), to determine the specific mix of measures that can best accomplish these objectives" (Governor's Budget Summary 2011-12, p. 151).

At the time of this writing, the Legislature has begun its budget hearings and the governor called for initial meetings with stakeholders to discuss ways in which the budget cuts might be targeted. As in the past, CSU Chancellor Reed is arguing for maximum flexibility to manage the billions of dollars the system receives from the state and from students. Responding to budget cuts proposed to the 2009-10 budget, the chancellor actually appears to agree to accept large budget cuts to the system so long as they were not targeted. In a letter to the Chairs of the legislature's Conference Committee on the Budget, he wrote:

"I will not waste your time calling on you to refrain from the reductions to the CSU that the Governor proposed on May 14. I will ask that whatever reductions your committee recommends to the Assembly and the Senate be unallocated" (Letter to Hon. Noreen Evans and Hon. Denise Ducheny from Chancellor Charles Reed, May 27, 2009).

As an organization with members who interact daily with the CSU management and who have been feeling the brunt of the decisions the administration has made in the past, the California Faculty Association is acutely aware of where cuts are likely (and unlikely) to be "targeted" should the Chancellor again be faced with significant cuts and given maximum flexibility to address them. In this report, we highlight a few examples that together tell a cautionary tale based on experience. We believe

it confirms that the Governor’s intent to issue guidance on how the CSU administration should address a reduced budget next year is wise.

I: RAISES FOR TOP MANAGERS; CUTS AND THREATS TO FACULTY AND STAFF

Documents recently provided by CSU Chancellor Reed’s office to the California Faculty Association contain a list of management employee raises issued by his administration over the past two years. An analysis of the data suggests some truly shocking choices by the Chancellor and an apparent dismissal of the budget crisis affecting the university.

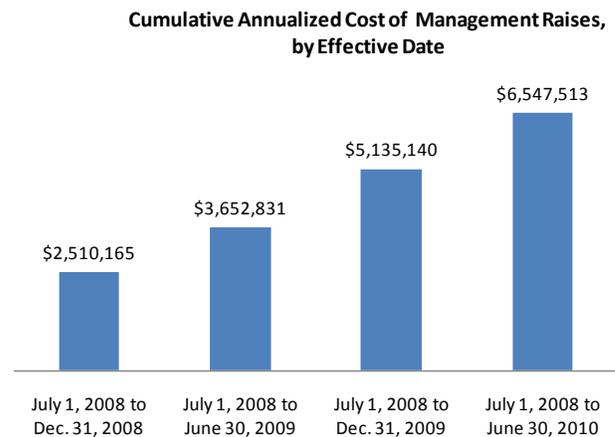
During the past two fiscal years (2008-09 and 2009-10), executives awarded at least 607 salary raises to CSU managers and administrators. Excluding promotions, Presidents of all 23 campuses approved 486 raises for their managers. The Chancellor approved another 80. On an annualized basis, these discretionary raises added \$6.5 million to the cost to run the CSU system. See the attached summary for a breakdown of why, where, and when the raises were implemented.

A number of these decisions raise particular concern and illustrate a stunning insensitivity to the day-to-day implications of multiple years of budget cuts for the faculty, staff, and students. These groups experienced first-hand the elimination of several thousand jobs and more than 10,000 course cuts while taking a pay cut and paying for double-digit fee increases.

- Discretionary “equity” raises for management employees in fiscal year 2008-09 and 2009-10 resulted in 99 raises to managers. These equity raises for managers continued into 2009-10, when faculty and staff agreed to accept the pay cut associated with furloughs and when the administration refused to implement the second year of a two-year equity program it negotiated with faculty (even after a neutral fact finder recommended the program be implemented). A sample of examples shows an equity rationale was invoked to provide raises to numerous managers already being paid more than \$10,000 *per month*.

EXAMPLES	Salary Before Raise (per mo.)	Salary After Raise (per mo.)	Percent	Annualized Raise Amount
<u>CSU East Bay:</u> VP Planning, Enrollment Management, Student Affairs	\$17,576	\$18,894	7%	\$15,816
<u>CSU Stanislaus:</u> VP University Advancement	\$10,834	\$11,917	10%	\$12,996
VP University Advancement (2 nd raise)	\$11,917	\$13,109	10%	\$14,304
<u>CSU Sacramento:</u> Assoc VP, Business and Administrative Services	\$10,174	\$11,542	13%	\$16,416
<u>Cal Poly Pomona:</u> Assoc VP for Research	\$11,777	\$12,930	10%	\$13,836

- Right in the middle of the worst budget year in recent history, the President at Cal Poly SLO also awarded the Athletic Director a 12% equity increase that raised her salary to \$15,698 per month (more than \$188,000 annually). Soon afterwards, she announced her retirement.¹
- At CSU Stanislaus, where the administration cut the jobs of 44% of its Lecturers in 2009, President Shirvani found almost \$27,000 to grant two raises to VP for University Advancement – the top campus executive involved in that campus’ refusal to comply with the public records act (a position that was later found unlawful after a suit brought by the open records group CalAware).
- Long after the depth of the budget crisis in California was known and the passage of the 2009-10 budget with severe cuts to the CSU, the Chancellor continued approving management raises well into 2010. More than 200 raises were granted by the administration to managers who were already making (on average) \$98,000 per year.
- The cumulative annualized cost of the raises we analyzed totals over \$6.5 million. These are worrisome findings of examples showing how CSU Chancellor Reed embraced “flexibility” to handle cuts to the CSU’s scarce resources.



In the meantime, Chancellor Reed and his top budget executives are making threats that the only way they will be able to address the budget cuts proposed by Governor Brown is through cuts to payroll. Just after the release of the Governor’s Budget, CSU Assistant Vice Chancellor for Budget put employees on notice, telling news reporters that the CSU would “have to reduce the amount [it is] spending on salaries and benefits” and suggested more furlough, layoffs, pay cuts, and reduced benefits would be on the table. He also said the university would cut the number of students that are admitted in 2011-12 (“California’s higher education in line for big budget hit under Brown’s proposals,” *Sacramento Bee*, 1/12/11).

II. CONTRACTS FOR SERVICES ALSO PERFORMED IN HOUSE: LOBBYING

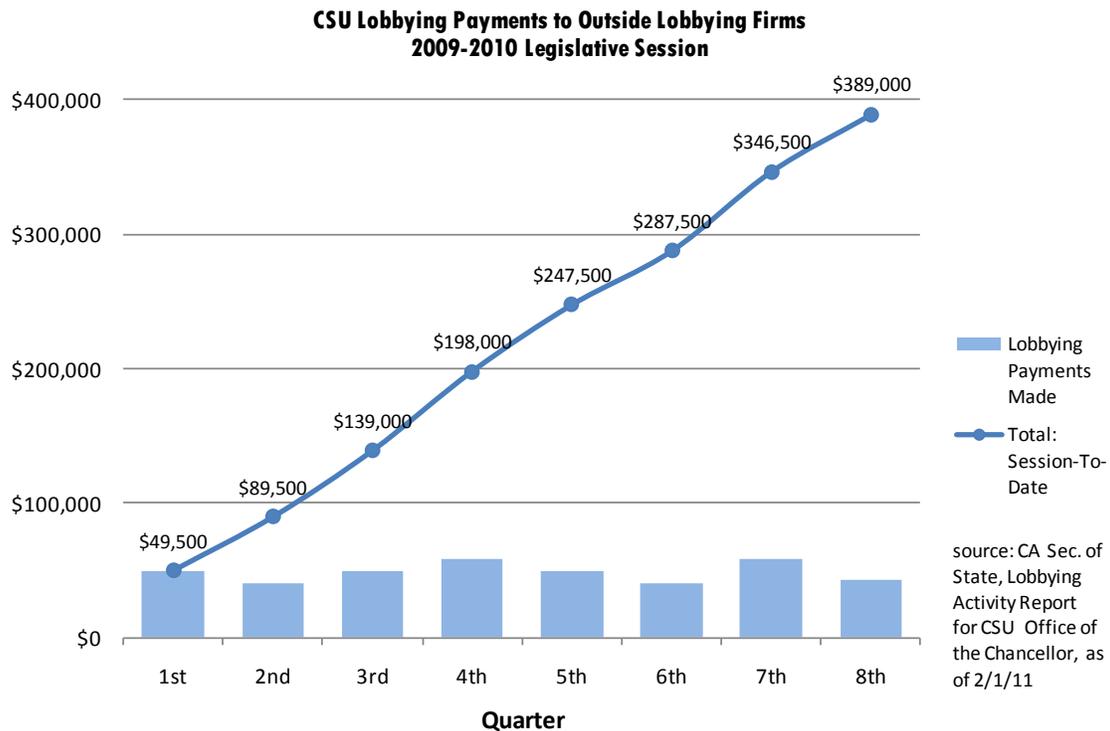
In spite of a robust, well-staffed Government Relations office in Sacramento, the CSU Chancellor spends thousands of dollars each month on contracts with large, lobbying firms: Capitol Advocacy and Sloat Higgins Jenson and Associates. In the 2009-2010 legislative session alone, the CSU Chancellor’s Office reported spending almost \$400,000. These lobbyists were apparently needed to assist the CSU’s

¹ See “Cone to Retire as Athletics Director in December,” at <http://www.gopoly.com/index.php?p=news&tab=news&id=103292>

Assistant Vice Chancellor for Advocacy and State Relations (and her staff of at least 3 additional lobbyists) and Assistant Vice Chancellor for Budget (and his staff of at least 6 directors and analysts) in their efforts. Lobbying Activity Reports show that during some periods, one firm did not have any lobbying activity to report, but nonetheless received a payment of \$28,500 for that three-month period. (See for example report for the filing period 1/1/10 – 3/31/10²).

During the 2007-2008 legislative session, the Chancellor spent \$419,000 for the lobbying efforts of these same firms and in 2005-2006, almost \$400,000. This means that in addition to the unknown cost of operating the CSU’s Government Relations division, the Chancellor spent an additional \$1.2 million since 2005 to lobby the state government. (The system also has a federal relations division that we have not studied.)

The CSU’s Advocacy and State Relations office in Sacramento reports employing three lobbyists plus an Assistant Vice Chancellor. The Assistant Vice Chancellor who directs this division receives a salary of \$183,000 per year and her staff are paid between \$74,000 and \$130,000 each. Each CSU campus also employs its own legislative advocates. For instance, San Francisco State University has a Government and Community Relations division and its director is paid \$124,000 to run the operation. With presumably highly competent advocates, as their compensation suggests, why does the California State University need to contract with even more lobbyists to advocate for the university? Why does the CSU



² Available at the California Secretary of State website: <http://cal-access.sos.ca.gov/Lobbying/Employers/Detail.aspx?id=1145283&session=2009&view=activity>

Chancellor not rely on his own personnel to carry his messages to legislators and the governor, as do the heads of the other public universities and state agencies?

According to our research, this practice of a state agency employing both in-house and external lobbyists is highly unusual. For instance, no lobbyist employer reports for the University of California, Office of the President or the California Community College Chancellor's Office are filed with the Secretary of State. We find no evidence of other state agencies engaging in this practice.³

III. CONTRACTS FOR SERVICES ALSO PERFORMED IN HOUSE: LABOR RELATIONS

Labor relations is another area which is apparently in need of expensive, external assistance. In spite of a large division housed at the Chancellor's Office in Long Beach and satellite staff on each of the 23 campuses, the CSU Chancellor employs an outside labor relations consultant, C. Richard Barnes and Associates, to run his operation. Between 2006 and 2010, Mr. Barnes has received at least \$4.3 million from the California State University for his services. During the month of January 2009 alone, the Chancellor agreed to pay more than \$21,000 plus travel expenses to Barnes.

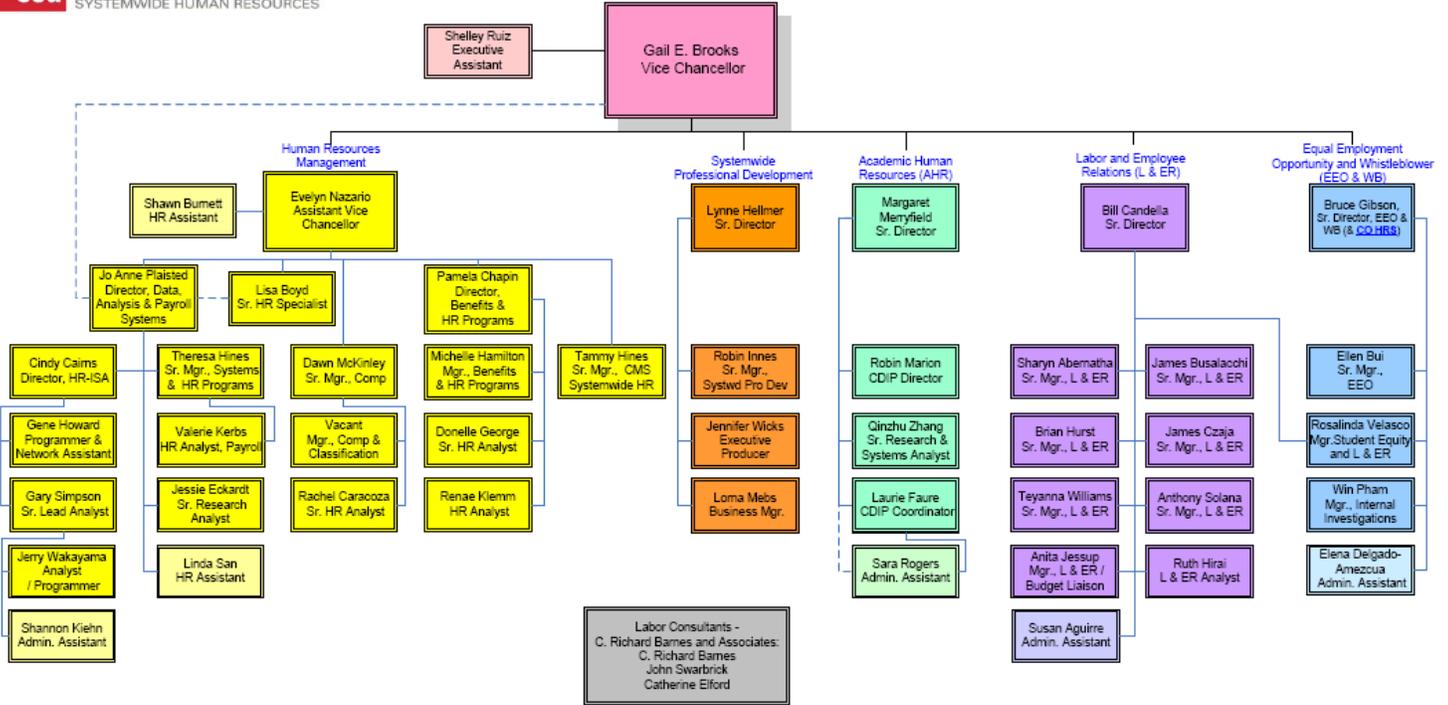
At a rate of \$5,000 per day, Barnes and his employees offer trainings to CSU employees in the Chancellor's Office and on the campuses. For \$4,000 per day, his team performs bargaining, mediation, and arbitration services. His top associate (who is stationed full-time at the CSU's Long Beach headquarters) acts as the chief negotiator for the CSU bargaining team charged with negotiating a successor contract with the California Faculty Association. The services of the Barnes group are in addition to the Chancellor's own Senior Director for Labor Relations who nominally heads up the administration's team and the Vice Chancellor for Human Resources, who are also stationed in the Long Beach office. Combined, these two are paid in excess of \$400,000 per year.

For purposes of comparison, it is notable that it also costs approximately \$5,000 for a CSU campus to offer one class or course section. In 2009-10, campus administrations cut 10,000 classes (and the associated jobs that such classes supported) from their prior year offering, stating budget cuts were responsible for the unfortunate reduction.

As the organizational chart suggests, the budget crisis has certainly not resulted in short-staffing in the human relations department. However, especially given the fiscal constraints facing the university, this contract is another redundancy that appears to be a luxury the state cannot afford. If the Chancellor argues this outside expertise is truly needed, then should not the capabilities of those employed by the university be questioned? The same should be asked regarding the outside lobbying firms.

³ See also *San Francisco Chronicle* report on this issue. "CSU chancellor hires 2 lobbyists without bids," 7/6/09.

Systemwide Human Resources



Notes:
 Comp - Compensation
 CDIP - Chancellor's Doctoral Incentive Program
 HR-ISA - Human Resources Information Support & Analysis (located in Sacramento)
 HRS - Human Resource Services for the Chancellor's Office ([see separate org chart](http://see.separate.org/chart))
 Systwd - Systemwide

Revised 11-23-2010

source: http://www.calstate.edu/HrAdm/documents/HROrgChart11232010_NoHRS.pdf

IV. "MANAGERIAL FLEXIBILITY" A THREAT TO THE CSU MISSION

The budget cuts proposed for the California State University are terrible. So too, however, is the Chancellor's record when it comes to making decisions that are fair, appropriate, and considerate of the very mission of the university he was hired to lead. With budget hearings underway in the Legislature, the Chancellor is again arguing that the university will be better off if he is given maximum flexibility – as opposed to *targeted cuts* as proposed by Governor Brown – to “manage” the budget crisis. The few examples described in this report tell a cautionary tale. What the CSU and the state of California need today is a new management culture that values careful stewardship of taxpayer dollars and focuses first on quality education in the classrooms.

Summary of Management Raises by "Reason"

Reason	N	Total Amount of Raises (Annualized)
Equity	99	\$823,506
Merit/Perf For Athletic Coaches	2	\$41,496
Promotion	41	\$609,604
Reassignment	291	\$2,878,843
Temp-Promotion	9	\$126,636
Temp-Reassignment	165	\$2,067,428
All-Total	607	\$6,547,513

Summary of Mangement Raises by Campus

Campus	N	Total Amount of Raises (Annualized)
Bakersfield	23	\$282,204
Channel Islands	19	\$239,616
Chico	33	\$280,128
Chancellor'S Office	81	\$643,200
Dominguez Hills	9	\$94,788
East Bay	9	\$106,716
Fresno	17	\$217,776
Fullerton	30	\$331,080
Humboldt	17	\$188,176
Los Angeles	21	\$220,884
Long Beach	38	\$532,464
Maritime	5	\$41,568
Monterey Bay	25	\$259,947
Northridge	31	\$300,380
Pomona	19	\$210,924
Sacramento	28	\$354,864
San Bernardino	23	\$264,564
San Diego	38	\$353,825
San Francisco	18	\$217,296
San Jose	25	\$332,436
San Marcos	17	\$204,636
San Luis Obispo	14	\$138,936
Sonoma	49	\$531,965
Stanislaus	18	\$199,140
CSU Systemwide Total	607	\$6,547,513

Summary of Mangement Raises by Effective Date

Raise Effective Date	N	Total Amount of Raises (Annualized)
July 1, 2008 to Dec. 31, 2008	255	\$2,510,165
Jan. 1, 2009 to June 30, 2009	115	\$1,142,666
July 1, 2009 to Dec. 31, 2009	121	\$1,482,309
Jan. 1, 2010 to June 30, 2010	116	\$1,412,373
All	607	\$6,547,513

source: CSU Chancellor's Office (summary by CFA)