



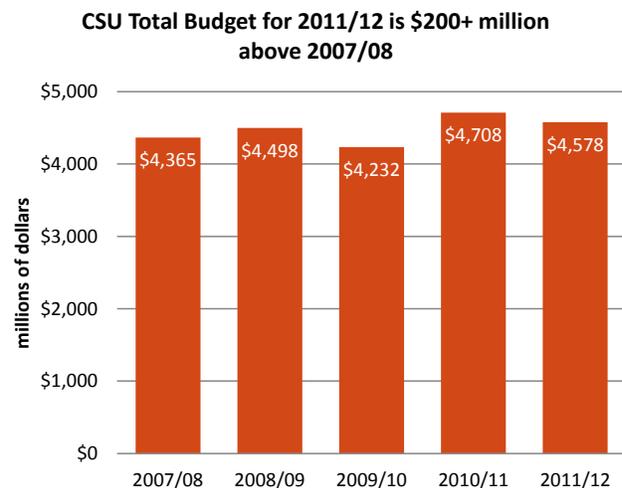
# Chancellor Reed's Inconvenient Truths

(or, 23 likely reasons why the neutral parties agree with CFA)

**AFTER THE CHANCELLOR REFUSED TO PAY PREVIOUSLY-NEGOTIATED FACULTY SALARY INCREASES FOR 2008/09 AND 2009/10, TWO NEUTRAL "FACT FINDERS" DISAGREED WITH HIS CLAIM THAT HE COULDN'T AFFORD TO PAY ANY OF THE RAISES.**

**[READ MORE ABOUT FACT FINDING: [WWW.CALFAC.ORG/HEADLINE/FACT-FINDER-SIDES-CFA-SALARY-DISPUTE](http://WWW.CALFAC.ORG/HEADLINE/FACT-FINDER-SIDES-CFA-SALARY-DISPUTE)]**

- ✘ Chancellor Reed claims he can't afford to pay any portion of the raises he negotiated for faculty but the CSU total budget for 2011/12 is actually over \$200 million (5%) more than it was in 2007/08 when the faculty contract was negotiated.<sup>1</sup>
- ✘ It would cost less than one-quarter of one percent of the CSU budget this year to implement the recommendation of Fact Finder Philip Tamoush to pay some of the raises negotiated for 2009/10.<sup>2</sup>
- ✘ According to the Chancellor's own staff, the on-going cost of the recommendations by Fact Finder Tamoush is only about \$10 million, not \$20 million as Vice Chancellor Gail Brooks and others have said to CSU faculty, staff, and news reporters.<sup>3</sup>
- ✘ It would have cost the Chancellor just half of one percent of the CSU budget in 2008/09 to implement the recommendation of Fact Finder John Kagel to pay some of the raises negotiated for that year.<sup>4</sup>
- ✘ In 2008/09 and 2009/10, Chancellor Reed spent approximately \$6 million to award Equity and other raises to around 550 management employees. Now he rejects a second third-party recommendation to spend the same amount to provide modest equity increases to almost 2,900 faculty members who are eligible for the equity program that he refuses to honor.<sup>5</sup>
- ✘ The Chancellor rejected Fact Finder John Kagel's recommendation in 2009 that the Chancellor spend \$7 million to implement the Equity Program for Associate and Full Professors "to resolve a mutually recognized management problem to pay employees based on their achievement and experience as demanded by fairness, equity and morale..."<sup>6</sup>



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- ✘ Fact Finder John Kagel questioned the Chancellor's (misplaced) priorities in his report about the 2008/09 faculty raises: "According to the University, it could not pay any GSI, SSI nor complete the equity increases agreed to because of other priorities...[H]owever, evidence of how CSU set its priorities in the fall of 2008...was not presented ...There was no evidence presented as to the specific process that the University went through in determining which programs to continue and which to drop to meet its general statements of priorities."<sup>7</sup>
- ✘ Fact Finder John Kagel criticized Chancellor Reed's refusal to pay the negotiated equity increases to faculty: "[T]he CSU did not explain why [the equity program] would be left uncompleted, particularly where only half-implemented it exacerbated, rather than resolved, the very problems the program was to fix."<sup>8</sup>
- ✘ Chancellor Reed's negotiators say that only the CSU general fund can be used to pay for salaries but he approves raises and perks for his top managers that are paid for by foundation and auxiliary funds.<sup>9</sup>
- ✘ This summer the Chancellor agreed to loan \$700 million to the state of California—just days after the CSU budget for 2011/12 was cut by \$650 million.<sup>10</sup>
- ✘ Chancellor Reed prefers to give money back to the state rather than honor the contract with faculty. In October 2008, Chancellor Reed voluntarily returned \$31.3 million of the CSU's state funds while at the same time he refused to pay faculty any raises negotiated for 2008/09. A 2% general salary increase was estimated to cost about the same amount.<sup>11</sup>
- ✘ According to CSU Assistant Vice Chancellor for Budget Robert Turnage, the CSU has about \$2 billion in short-term reserves.<sup>12</sup> This gives the university considerable financial flexibility.
- ✘ While the Legislature was considering a funding cut to the CSU of hundreds of millions of dollars in 2009, the Chancellor told a budget committee that the cuts were manageable: "These reductions will require tough decisions, but given adequate lead time and flexibility, we can manage them."<sup>13</sup>
- ✘ Virtually all other state agencies pay all eligible employees annual service step increases, regardless of the budget amount allocated to the agency.<sup>14</sup> But not the CSU under Chancellor Reed.
- ✘ The CSU's Self-Support (Extended and Continuing Education) division ended the fiscal year 2009/10 with a reserve balance of more than \$77 million. Since 2007, the year-end reserve balance has grown by 80%.<sup>15</sup>

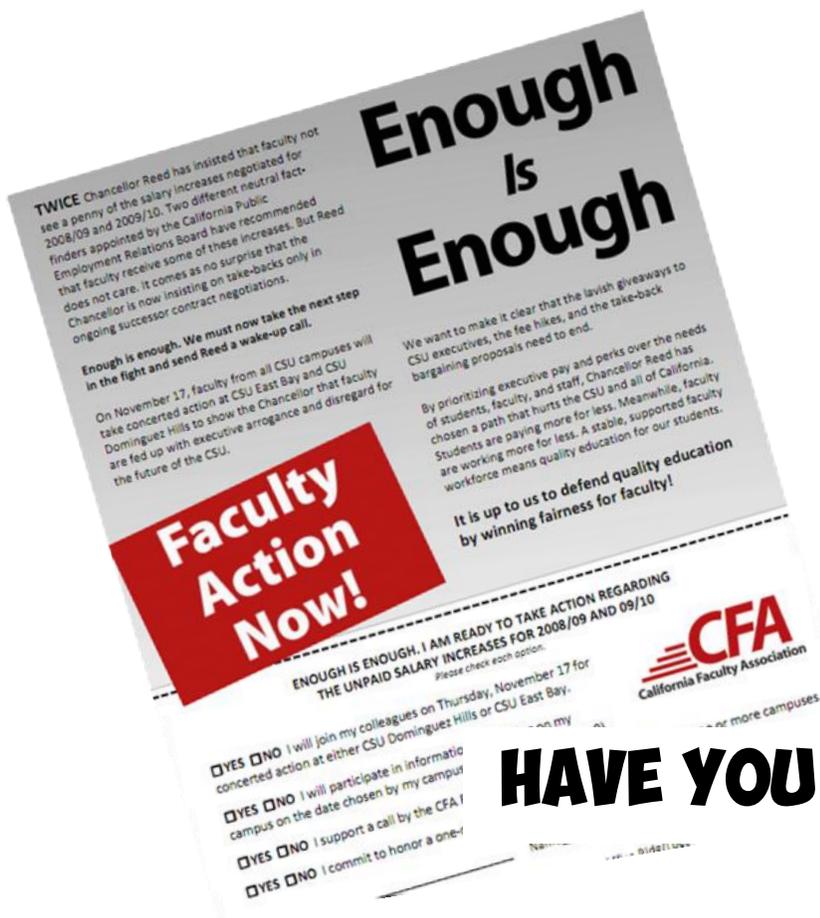


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- ✘ Chancellor Reed has a record of not really fighting hard against budget cuts to the CSU as long as the cuts are not targeted. Arguing in 2009 for the ability to make cuts at his own discretion, he told the Legislature’s budget conference committee, “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.”<sup>16</sup>
- ✘ Last year, Chancellor Reed found another \$2 million to extend a contract he made with outside labor consultants C. Richard Barnes and Associates, LLC. Reed pays Barnes and his associates to negotiate against faculty on his behalf, even though he has fully-staffed Human Resources and Labor Relations departments.<sup>17</sup>
- ✘ Since 2006, Reed has spent \$6.6 million on contracts with C. Richard Barnes and Associates, LLC. Last December, he gave them a raise increasing their daily rate 5% to \$4,209 *per day*. Barnes and his employees are expected to work 154 days this year. In addition, Barnes provides a full-time consultant (paid in excess of \$21,000 per month) to run the Chancellor’s Labor Relations department in Long Beach.<sup>18</sup>
- ✘ The two most recently hired CSU presidents were awarded salaries far greater than their predecessors. President Armstrong at Cal Poly SLO was hired at \$52,000 more than the previous president and the new president at San Diego State University, Elliot Hirshman, got a raise of \$100,000 above his predecessor.<sup>19</sup>
- ✘ CSU campus administrators are unable (or unwilling) to account for how furlough savings were used. In response to an information request by the CFA chapter at SDSU for a breakdown of how furlough savings were spent or planned to be spent, faculty were told the administration was “unable to provide the requested documents,” and further that “We do not have documents that reflect the information in that way.”<sup>20</sup>
- ✘ The CSU system recorded a \$508 million increase in net assets in 2009/10. At the same time, Current Liabilities decreased by \$773.7 million.<sup>21</sup>
- ✘ During 2009/10, the CSU system brought in an additional \$211 million in operating revenue, compared with 2008/09. In the same period, the Chancellor *reduced* the CSU’s operating expenses by \$267 million.<sup>22</sup>
- ✘ According to the Chancellor’s own financial audit of the CSU, only 35% of the university’s operating expenses went to “directly support the primary mission of the university, which is instruction” in 2009/10—down 3% from 2008/09.<sup>23</sup>



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 CAMPUS-CFA-CHAPTERS**

**HAVE YOU VOTED YET?**

**REFERENCES**

- 1 CSU Coded Memos B 08-03, B 09-02, B 10-04, and B 11-02
- 2 Attachment to *Factfinding Report and Recommendations*, PERB Case No. LA-IM-3616-H, issued by Philip Tamoush, Arbitrator, 9/6/11; and 2011/12 Final Budget Allocations, CSU Coded Memo B 2011-02, 7/14/11
- 3 See Attachment to *Factfinding Report and Recommendations*, PERB Case No. LA-IM-3616-H, issued by Philip Tamoush, Arbitrator, 9/6/11
- 4 Page 11, *CFA-CSU 2008-2009 fact finding report*, issued by John Kagel, Arbitrator, 4/5/09
- 5 Data provided to CFA by CSU management. See also CFA report, "Cal State University In A Time Of Fiscal Crisis" at <http://www.calfac.org/CautinaryTale>
- 6 Page 12, *CFA-CSU 2008-2009 fact finding report*, issued by John Kagel, Arbitrator, 4/5/09
- 7 Pages 7-8, *CFA-CSU 2008-2009 fact finding report*, issued by John Kagel, Arbitrator, 4/5/09
- 8 Page 10, *CFA-CSU 2008-2009 fact finding report*, issued by John Kagel, Arbitrator, 4/5/09
- 9 CSU Board of Trustees Agendas, e.g., Sept. 2011; July 2011
- 10 "California Cuts UC, CSU - then seeks ability to borrow from them," *Sacramento Bee*, 7/12/11
- 11 Letter to Victoria Bradshaw, Cabinet Secretary to Gov. Schwarzenegger, from Chancellor Reed, 10/21/08.
- 12 "California Cuts UC, CSU - then seeks ability to borrow from them," *Sacramento Bee*, 7/12/11
- 13 Letter to Hon. Noreen Evans and Hon. Denise Ducheny from Chancellor Reed, May 27, 2009
- 14 Transcript of testimony from State Department of Personnel Administration employees at CFA/CSU Fact Finding hearing regarding 2008/09 raises
- 15 CSU Support Budgets, Supplemental Documentation, multiple years
- 16 Letter to Hon. Noreen Evans and Hon. Denise Ducheny from Chancellor Charles Reed, May 27, 2009
- 17 Contract #2551 between Trustees of the CSU and C. Richard Barnes and Associates, LLC
- 18 Contracts (#2551, #80453, and #2206) between Trustees of the California State University and C. Richard Barnes and Associates, LLC
- 19 CSU Board of Trustees Agendas, various
- 20 Correspondence from SDSU administration to CFA
- 21 CSU Financial Statements for FY 2010
- 22 CSU Financial Statements for FY 2010
- 23 CSU Financial Statements for FY 2010 and FY 2009