POSTSCRIPTS

News of the CSU East Bay Hayward Emeritus and Retired Faculty Association
Fall 2011

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President's Message:

Welcome to the fall, 2011 news and views of Hayward/East Bay ERFA.

Our luncheon on November 3, as you can see on page 2, is still being held at Dino's and the menu has the usual choices. The speaker will be Steve Gutierrez, Professor of the Year on the campus and professor of creative writing. He is known to be an interesting speaker and one who will provide us with a fine presentation.

The cost of the lunch has been raised to $25–"Why," you say, "when $20 was such pleasant sum." Well, with tax, tip, and additional drinks it was costing us $24 per person. In order for us to honor a retiree, contribute $100 in his or her name to the Library Endowment, pay for the speaker's lunch, **and** give a $35 gift certificate to the Castro Valley Library Book Store, we need more money. We have no local dues and our ERFA reimbursement covers the newsletter and other minor items. (There is a rumor that Statewide ERFA wants to reduce the amount, which, I assure you, is a small sum.) Almost all expenses are paid by volunteers but we need a little more money to operate. And remember, you can eat, drink, be entertained, get some gossip, hear about things you may or may not care about, greet old friends, ignore enemies, and dine in splendor in the back room of Dino's, Castro Valley.

I have met with the Interim President Morishita and also Provost Houpis. The president shows interest in working with emeriti and about the time you receive this newsletter you will know about the Fall Faculty Reception. We hope to have him as a speaker in the spring. All I have heard about him has been positive—bright, capable, competent, personable. Sounds good to me.

Bea Pressley, President

Comment: ...and additional alcoholic drinks...
-ed.

Fall Luncheon

Guest Speaker:
Steve Gutierrez, Professor of the Year, Professor of English, and Director of Creative Writing
Date: **November 3, 2011, Thursday**
Time: Gather starting at **11:30, social hour of 45 minutes, sit down 12:15**
Place: Dino's at 3600 Castro Valley Blvd., Castro Valley

All lunches are $25, in cash or by check, paid when you arrive at Dino's. Checks are **payable to Helen Sowers**, our treasurer. Lunches include food, gratuity, tax, coffee, tea, tossed green salad with Italian dressing, vegetables, rolls, iced tea, red wine and white wine.

Menu	• Eggplant Parmigiana
	• Broiled Salmon with dill cream sauce and rice
	• Bay Shrimp Louie with Louie dressing
	• Veal Scallopini with pasta

Please make reservations and menu selections by Thursday October 28, Friday, with
- **Helen Sowers:** (510) 537-2377 hmsowers@comcast.net or
- **Alan Smith:** (510) 836-3144 amsmith38@aol.com

Your timely RSVP is appreciated; they have to tell the restaurant how many meals to prepare.

Emeriti Academic Senator's Message

The Senate met on Tuesday, Oct. 4, 2011. Some of the interesting announcements are the following:

Warren Hall is now vacant because it would not be safe during a major earthquake. The top floors need to be demolished. This demolition has now been moved to the highest priority for a building project of the CSU system. Probably the "Tower" will be taken down within the next 18 months. The master plan for the University includes adding dormitories for students near the current location of Warren Hall.

The budget of the University now has about 60% of the cost for each student coming from tuition and fees. The taxpayers of California provide about 40% of the support. CSU, East Bay has an unusually high percentage of foreign students paying full fees; they constitute about 10% of the budget.

A new four-year contract between the CFA and the administration of the CSU was due on July 1, 2010. There is no agreement. The CSU administration now wants essentially no salary raises but does not want major changes in the hiring of new faculty that seem to threaten the system of tenure. The CFA advocates a one-day strike to demonstrate the conflict.

David R. Stronck, Academic Senator for Emeriti, david.stronck@csueastbay.edu

Budget in Small Type

Members June 2011 = 150
Start balance 2/1/11 = $2,137; End balance 9/22/11 = $2,723

Income:	CSUERFA =	1,186
	Lunch =	1,200
	total	**2,386**
Outgo:	Postscripts printing, postage and labels	225
	speaker	35
	Library Endowment	100
	Name labels, candy	22
	Lunch*	1,418
	*Of which wine $162, soda $16, tip $32, tax $17 = $227	
total		**1,800**

Obituaries

The Board has decided to cut full obits and only provide links, so that we can have more on issues, while still providing access to obits for those interested. The Office of Academic Affairs has a page, Honoring Deceased Faculty, http://www20.csueastbay.edu/oaa/memorial/index.html. There you will find many obituaries including recent ones for
William M. Alnor, Jim Perrizo, Dan Cerutti, Joel Grose, and
Theodore Roszak (also New York Times [no link here] and others:
http://www20.csueastbay.edu/news/2011/07/Roszak-Telegraph-072011.html
http://www20.csueastbay.edu/news/2011/07/Roszak-BayAreaNewsGroup-071511.html
http://www20.csueastbay.edu/news/2011/07/Roszak-LATimes-071411.html)
Missing from OAA:
John Baird (Contact Jack Samosky <jacksamosky@comcast.net> and Andy Kennelly (Contact Ned Lyke eblyke@comcast.net>). No information: Jean Dugger

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Note concerning Hank Reichman's comments, ERFA News Spring 2011: He used a figure from the Dept. of Finance with CSU cut at $216.3 million. The LAO reported it at $352.3. Thus, one could conclude the CFA might be wrong in thinking the CSU had $136 million more than the CSU and LAO said it had because the budget crisis was even worse than DOF reported. My take is that it doesn't matter and should not distract us from the need to cut admin overhead, close tax loopholes, and be nice to students. -ed.

The Social Security Funding Problem by John G. Kilgour

Social Security was enacted in 1935 and paid its first benefits in 1940. By the late 1970s the program was in serious trouble. Congress responded with the 1983 amendments which, among other things, increased the "FICA" payroll tax rate, increased and indexed the wage base and gradually raised the full retirement age from 65 to 67. The result was a substantial annual surplus from the mid 1980s through 2009.

The Social Security funding debate usually focuses on when the system will hit the point at which expenditures exceed revenues (exclusive of interest payments), the year when the trust funds will actually start to decline, and the year the trust funds will be exhausted and no longer able to pay full "scheduled benefits." The 2011 Trustees' Report, using intermediate assumptions, estimates those dates as 2011, 2023 and 2036 respectively. Beginning 2037, "payable benefits" will be about 77% of scheduled benefits, if nothing is done before then.

Revenues come from a 6.2% payroll tax on earned income up to $106,800 paid equally by employees and employers, from taxation of income of Social Security benefits above a specified level and from interest paid by the Treasury on accumulated assets.

Surplus revenue, that which is not needed to pay benefits and expenses, must be deposited in two trust funds maintained by the Treasury Department: the Old Age and Survivors Insurance (OASI) fund and the Disability Insurance (DI) fund. The DI trust fund will be exhausted before the OASI trust fund. However, when the DI program was about to run out of money in 1994, Congress legislated that OASI revenue be channeled into the DI fund. It is widely assumed that this will happen again. Consequently, it has become the convention to focus on the combined OASDI trust funds as though they were a single entity.

The eventual ending of the OASDI surplus is due to a combination of developments. They include the aging of the Baby Boomers (the leading edge of which turns 65 in 2011), increased life expectancy, a reduction in fertility rates, earlier average retirement age and an increase in the number of disabilitants. The result is a decline in the ratio of beneficiaries to workers from 3.4 in 2000 to an estimated 2.5 in 2020 and 2.1 in 2030. None of this should have come as a surprise.

The Baby Boomers, for example, were all born between 1946 and 1964 and we have long known when they would attain retirement age.

Social Security reform proposals usually involve the size of revenue increases and benefit reduction needed to make the system fully funded over the next 75 years. In 2010, the Congressional Budget Office identified and "priced" 30 such potential changes. While there are many ways of packaging them, they amount to a 2.15% increase in payroll taxes (half employee and half employer) or a 13.8% reduction in benefits or some combination thereof. These are not large numbers. Moreover, reforms can be a combination of options implemented over time and targeted to particular groups, such as high earners, in a way that makes for an easy transition. "Saving Social Security" would be relatively easy, especially if Congress acts soon. However, that is not the real problem.

When the Social Security Administration deposits surplus revenues in the trust funds, Treasury gives the SSA special nonnegotiable certificates (IOUs). Interest earned on the accumulated assets is also paid with additional IOUs. Treasury then spends the surplus money in the OASDI (and other) trust funds to pay for other government programs under what is called the Unified Budget. Consequently, there is no money there. None!

The $2.6 trillion in accumulated surpluses that the SSA holds as assets are liabilities to the Treasury. In terms of the Unified Budget, they are a wash. The OASDI surplus has served to mask a large portion of the real federal deficit for the last 25 years. During the 2000 - 2009 decade, the OASDI asset values increased by an average of $165 billion per year due, primarily, to the surplus and interest payments. That surplus has just ended. Beginning 2023, when the SSA starts cashing in its IOUs, the Treasury will have to find the money somehow.

The Social Security funding problem is part of a larger federal government fiscal problem. While the Social Security funding problem, by itself, should be relatively easy to fix, the disappearance of the surpluses this year, continuing large federal deficits, tax rates below historic levels, and the eventual cashing in of the IOUs in 2023 are, combined, a big problem. When the SSA begins to cash in its IOUs, the U.S. government will have to restore historic tax rates, close tax loopholes, increase taxes, reduce spending on other programs, borrow more from the public, including foreign holders of our debt, or have the Fed expand the money supply. When this is added to the projected increases in the other large entitlement programs, Medicare and Medicaid the budgetary situation is unsustainable.

The United States federal government has been living way beyond its means since early in the George W. Bush Administration and is continuing to do so under the Obama Administration. The Office of Management and Budget in its 2012 Historical Tables reports that **U.S. public debt grew from 34.7% of GDP in 2000 to 62.2% in 2010 and will reach 76.3% in 2013.** That is the real problem.

In immortal words of Maury Dance (circa 1981), "all money is fungible at the margin." When our elected officials are looking for a solution to the U.S. debt problem, a dollar of Social Security benefit cuts or payroll tax increase is as good as a reduction in federal spending in any another area or an increase in income taxes. The trick is going to be to keep Congress from gutting the OASDI program while addressing the larger problem.

Postscripts editor Sherman Lewis

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