

Calamity in California

State's battered budget leads to huge fee increases and less access to public universities

By Jon Marcus

SAN DIEGO

CARVED FROM the rust-colored Palomar Mountains along the coast of the churning Pacific, the University of California at San Diego seems as close to paradise as any public higher education institution is likely to look.

A racial and ethnic rainbow of students stroll beneath clear blue skies wearing T-shirts and flip-flops in the 80-degree heat. The student newspaper prints the surf report on page one. Butterflies flit around the eucalyptus trees while hundreds gather on a manicured athletics field for the Chancellor's Challenge, a 5K road race.

The race has been organized to raise money for scholarships to help the poorest students afford the quickly escalating cost of attending this university, whose price increased almost ten percent this fall and will soon rise again by nearly a third.

In all, this event will generate about \$200,000, an inconsequential amount compared to the \$2.6 billion in cuts and added costs suffered by this and California's other public universities since the start of this recession, which came on top of a 40 percent inflation-adjusted drop in state support since the early 1990s.

"What I see in California and around the rest of the country is an emerging catastrophe," said California State University system Chancellor Charles Reed.

The Golden State has stumbled from higher-education success story to poster child for the crisis at American public universities. Its university system—by far the nation's biggest, divided into 110 community colleges, the 23 campuses of the California State University, and the ten University of California campuses—has traditionally also been among the best, including as it does UCLA and UC San Diego, both ranked among the nation's top 20 research universities, and flagship UC Berkeley, consistently named the best public university in America. Faculty at all the UC schools combined have won 55 Nobel prizes.

But huge and continuing population growth of about 50 percent since 1980, corporate tax cuts, a largely dysfunctional state government, an enormous increase in spending on prisons, and overdependence on income tax, capital gains and sales taxes—exactly the revenue streams most affected by recession—have combined to leave California with a staggering \$26 billion shortfall this year in revenues for public services.

The result has looked like something out of a Hollywood disaster movie. State buildings were put up for sale, healthcare services were cut for the poor, office equipment was auctioned off on eBay to raise money, parks and beaches were closed or left unsupervised, and departments had to resort to issuing creditors IOUs.

State allocations to California universities and colleges were slashed by up to one-fifth, with \$680 million cut from the

community colleges, \$584 million from the Cal State system, and \$813 million from the University of California—creating, as the university figures it, a \$1.1 billion hole, when increases in utility costs, health benefits and overenrollment are taken into account. This even after California's share of federal stimulus funding was applied against the leak—funding that will eventually run out.

"Higher education is in a competition it has never been in before," Reed said in his office in Long Beach, counting the many problems on his fingers. "It's in that competition with healthcare, and the burden Medicare and Medicaid have put on states." But mostly it's in competition with prisons, he said, in a folksy manner that evoked the years he spent in Tallahassee overseeing Florida's now equally troubled public university system.

"Somewhere in the mid to late '80s,"

Reed said, "legislatures all around the country... began to try to figure out how they could 'out-crime' each other. They didn't look at the consequences and the outcome of these severe penalties for nonviolent crimes." An inmate in a California prison, Reed said, costs the state five times as much as a student at a state university. "It's nuts," he concluded. Yet when the state Senate passed a bill that would have released 34,000 prisoners, the Assembly balked.

Most of the 180,000 faculty and staff at the University of California are being forced to take unpaid furloughs of from 11 to 26 days, depending on their salaries. At Cal State, faculty are being furloughed for about two days a month. "To call people profoundly demoralized is to be kind," said Lillian Taiz, president of the California Faculty Association. "Those who can leave are leaving."

Recruitment of new faculty has skidded to a halt. At Berkeley, which typically hires 100 new professors, only ten positions will be filled this year. At UCLA, the number of courses was reduced by 165 this fall, or ten percent. Average class size there has soared to 60. UC Irvine has halted admission to its doctoral program in education, UC Davis has eliminated 44 humanities and cultural studies courses and its liver-transplant program, and UC Santa Cruz has canceled courses with fewer than 100 students and deferred planned majors in earth sciences and environmental sciences. San



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Francisco State University has cut 354 courses, turning the first day of the fall semester into a chaotic free for all, with students “crashing” courses that were well beyond capacity and begging faculty to let them in. Some said they were giving up and quitting school, unable to enroll in the required courses they needed to eventually earn a degree.

In fact, in spite of the increased demand, California’s universities and colleges are intentionally shrinking their

enrollments. The overburdened community colleges, flooded with a record 2.9 million students this fall, nonetheless reduced course offerings by 20 percent. That’s 600 classes in the San Diego Community College district, for example, which told some 18,000 students—more than most American community colleges enroll—to come back in the spring.

The Campaign for College Opportunity, a coalition of business, labor and education leaders, estimates that the community colleges will ultimately have to turn away as many as 250,000 students. The Cal State system is following through on threats made during state budget deliberations to slash enrollment by 40,000, or almost ten percent. “It’s become this game of chicken, where the university says, ‘Well if you’re not going to give us money, we can’t take people,’” said Nancy Shulock, director of the Institute for Higher Education Leadership & Policy at Sacramento State University. Responded Reed: “What am I going to do? If I have half a billion dollars

less, what am I going to do? We have to ensure that the degree still means something.”

Whatever the degree means, it certainly costs a lot more than it used to.

On November 19, in a UCLA meeting room ringed by helmeted police in riot gear with tasers, surrounded by a crowd of angry students chanting, “Shame on you,” and singing “We Shall Overcome,” the University of California Board of Regents met. They voted 20-1 to approve a 32 percent increase in the cost of attending a UC school, which will rise by \$2,500 per student, to about \$10,300, not including room and board and other fees—more, for the first time, than top public universities in New York, Illinois, Michigan and Virginia. Students will see a mid-year increase of 15 percent starting in January.

The regents said they had no choice, and that the blame belonged with the legislature. Fourteen of the protesters at UCLA, 12 of them students, were arrested. In the following days, protests erupted at Berkeley and UC Santa Cruz (where students occupied campus buildings), and at UC Davis. Scores of people were arrested at Berkeley and Davis. Protesters at Santa Cruz relinquished an administration

building after a tense standoff with police officers in riot gear.

On the same day that the UC Regents voted, Cal State’s Board of Trustees approved an \$884 million budget request to the legislature, which would restore money previously cut and add new funding. However, it will not be known how likely this is until the governor releases his next budget in January.

In the meantime, the highly publicized reductions in enrollment at California’s colleges and universities have driven record numbers of panicked high school seniors to apply early for admission to the public universities. More than 25,000 submitted applications on the first day of the admission period, and 66,000 in the first week, double the usual number, heeding warnings that at least 12 campuses would slam the doors shut on November 30—not only on prospective freshmen, but also on transfer students from the community colleges.

Even the University of California has said that it is overenrolled by 11,000 students and will likely take fewer applicants next fall. At Berkeley, there is a conscious effort to accept fewer state residents, in deference to out-of-state students whose considerably higher fees generate an extra \$23,000 apiece. Berkeley wants its proportion of out-of-state students to nearly double, from 12 percent to 23 percent. “We’re rationing education here,” one insider grumbled.

As in many states, which have steadily reduced their share of the cost of public higher education, the calamity in California started well before this academic year. The share of the battered state budget that goes to higher education has been cut nearly in half, from almost 20 percent in the 1980s to ten percent today, while the proportion spent on prisons has tripled, from three percent to nine percent.

California has climbed to fourth among the 50 states in payments for prisons as a percentage of personal income, while plummeting to 29th by the same measure in spending on education.

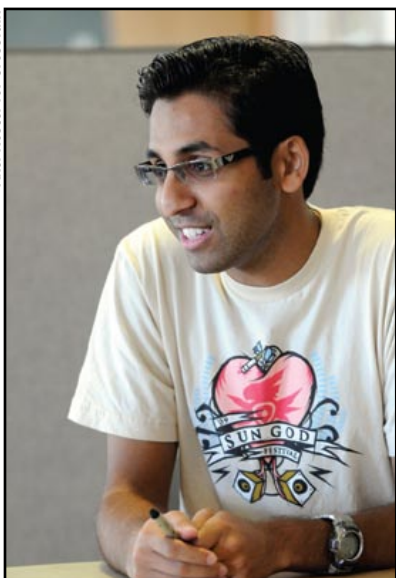
Combined with previous rounds of cuts, California’s universities have lost two-thirds of their state allocations, when adjusted for inflation, since the early 1990s. That means they now get \$7,730 from the state per student, compared to an inflation-adjusted \$15,860 in 1990, University of California President Mark Yudof has said.

In a state whose celebrated 1960 Master Plan for Higher Education guaranteed tuition-free access, California’s public universities have responded by increasing educational fees (in an Orwellian twist, it’s still not called tuition) by 127 percent since 2001 at the University of California, even before November’s increase, and by 161 percent at Cal State—11 percent and 13 percent per year, respectively. That’s far above any increase in inflation or household income.

Meanwhile, financial aid to students provided under the Cal Grant program was mostly shielded from the budget cuts, which is a relief to students, after Governor Schwarzenegger in the spring proposed eliminating the program entirely. With the increased fees and stagnant economy, there appears to be plenty of need: The number of recipients of Cal Grants has exploded by 68 percent since 2000, from 179,860 to 301,972.

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wondering, why are we taking the brunt of this?”

The state has already slipped dramatically in the proportion of its population with a bachelor's degree, falling from first among the 15 largest states in 1981 to 14th. It is now 49th in the share of its population over the age of 24 that has graduated from even high school, and 46th in the proportion of 19-year-olds enrolled in college. Even in better times, only about 106,000 of those nearly three million community college students were managing to successfully transfer to a UC or Cal State school, or even to private or out-of-state universities.

More than 300 University of California faculty have warned Governor Arnold Schwarzenegger—himself the product of a California community college—that the latest cuts will imperil not only the universities' prestige, but also the state's economy. Public universities produce 75 percent of all the bachelor's degrees in California. And if current trends continue, according to the Public Policy Institute of California, the increasingly knowledge-based economy will face a shortfall of a million educated workers by 2025. “I just don't think that people understand how that affects everybody—the tax base, the crime rate, everything,” said Shulock.

And there is little sign that things will turn around. Another \$7 billion state budget shortfall is projected for next year. Other areas, including primary education, have been promised first dibs on the money when revenues pick up again. In an October memo to campus business administrators, Cal State's chief financial officer wrote ominously that “tinkering with reductions at the margins will be insufficient. It will be necessary to change radically business processes and service delivery systems so that personnel costs and other expenditures can be reduced significantly on an ongoing basis.” Yet rather than banding together to defend the universities, higher education interests are feuding among themselves.

United Professional and Technical Employees, which represents 10,000 healthcare, research and technical staff at UC, took out ads criticizing bonuses and perks paid to administrators under President Mark Yudof. “Whose university,” the ads read—“yours or Yudof's?” The system responded that some administrators, mainly at medical centers, got more pay for taking on management responsibilities, but that most have accepted pay cuts. So has Yudof, though he still makes \$540,000 and has a home provided for him in Oakland that costs the university system \$10,000 a month.

In the middle of the budget crisis, the University of California paid \$125,000 to an administrator to move 70 miles from Santa Cruz to Oakland, then hired new chancellors at UC Davis and UC San Francisco at salaries of \$400,000 and \$450,000, respectively, about ten percent more than their predecessors had earned, along with free housing and, for the UC San Francisco chief, a \$100,000 relocation allowance. This so angered some legislators that they proposed an amendment to the state constitution that would put the system under their direct authority. Although it editorialized against the bill, the *Los Angeles Times* blasted the universities for what it called their “too-cool-for-accountability” attitude.

The attacks have not subsided. Yudof is particularly unpopular, especially after telling the *New York Times* that “the shine is off” public higher education. The chairs representing all ten University of California academic senates responded

with a letter declaring themselves “emphatically not ready to concede the defeat of California's exceptional experiment... If the legislators and the public have come to see investment in an educated citizenry as anything less than the central pillar of social and economic growth, then we educators must redouble our efforts to make the case.”

Students are not exactly thrilled with Yudof either. In a speech before the regents, he defended huge fee hikes by saying that, if more courses had to be canceled because of a lack of money, it would take students longer to graduate. “So raising tuition may, in fact, ultimately save students money.” On the day of the UC San Diego 5K, the student newspaper there and at the other University of California campuses published an open letter from Yudof (the UC San Diego editors gave it the headline, “A Few Desperate Words from Your President”), ending with the line: “Anybody game for a march on Sacramento?” Upstairs in the student government office, Gupta is frustrated by what he calls a lack of advocacy from the president's office. “We'd like to see more from the top down, but we aren't seeing anything, so we're working from the bottom up,” he said.

Administrators concede that they could do a better job of forming alliances. “The real dramatic decline in the budget happened very late in the budget year,” said Nathan Brostrom, interim executive vice president for the University of California system. “That precipitated a lot of things that are really jarring and unsettling. A lot of what we've seen this fall will be ultimately constructive, but I think it was people reacting to these dramatic events.”

Cal State's Reed has also been a target. In a vote taken by that system's faculty union, 79 percent expressed no confidence in him, and signs reading “Remove Reed” popped up in a protest at Cal State Fullerton. The central administration functions of Cal State cost \$75.1 million a year, more than the budgets of three of its campuses and almost as much as a fourth. “Does the chancellor need a whole bloody building to do what he does?” asked Taiz, the faculty union head. “Do we need all of these associate vice presidents? I don't begrudge people a decent wage, but I think they get a little carried away with themselves. These are public institutions. At the very least, if you're making that much money, with the free house and the free car, you should go out and find us a way to get more money.”

Reed said the blame game starts in Sacramento, where the politicians who cut state financial support are fully aware that the universities can, and likely will, pass the burden on to students. “Legislators know that,” he said. “They're going to



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criticize me and Mark (Yudof) and other leaders for raising tuition, but they know we can do this. So there is the shift to fund higher education, from a public good that government needs to pay for, to a private good that individuals will have to pay for themselves.”

As for the labor unions, Reed thinks they have a limited perspective. “They’re very insular,” he said. “In California the labor unions seem to think there’s a golden goose that’s going to fly over Sacramento and drop money. Guess what? There isn’t any money in Sacramento.” Taiz disagrees. “California is still the eighth largest economy in the world,” she said. “It’s not true that there’s no money here. It’s true that people don’t want to tax the money that is here.”

Some faculty also have attacked the ill-timed expansion of the UC system with the addition of a new campus in Merced in 2005, a time when resources already were becoming thinly stretched. In a letter to Yudof, 23 department chairs at UC San Diego called for the Merced campus to be closed. The system, they said, should “drop the pretence that all campuses are equal, and argue for a selective reallocation of funds to preserve excellence, not the current disastrous blunderbuss policy of even, across-the-board cuts.”

New construction, which continues at the universities, also is a lightning rod for anger in a time of budget cuts. Faculty have a saying—“The cement never dries at a UC campus”—and, in fact, construction cranes and hardhats seem ubiquitous. UC Berkeley alone is in the midst of a \$760 million building boom, including \$430 million on a new office, training and locker-room complex for athletics, and renovations to the football stadium.

But buildings don’t come out of operating funds, said Brostrom, even as he prepares to defend the football renovations before the academic senate. Many of the projects predate the economic downturn. And it’s a good time to build; bids are coming in at 20 to 30 percent below budget. Still, Brostrom said, “I can understand the frustration of faculty who are not only not getting raises, but getting furloughs, and still seeing buildings going up.”

That’s not the only spending that has drawn public ire. So has the handling of donations from foundations that now account for \$1.34 billion a year, or 20 percent, of the Cal State budget. Legislators passed a measure making the foundations more transparent and accountable, but Schwarzenegger vetoed that, too.

Reed said he is not reluctant to impose reforms, even radical ones. For starters, he would like to see an end to the 12th grade. “That’s the biggest waste in education,” he said. “Those resources could be so much more effectively used.” Reed also likes the idea of reducing the number of credits—and, as a result, the time—it takes to get a degree. “We’ve got to figure out how to open ourselves to change. You’ve got to push down, and you’ve got to pull up. We’ve got to provide incentives to have faculty, students and others come up with ideas for doing things differently.”

Inviting inevitable ridicule, UC Berkeley hired a private consulting firm to sniff out administrative efficiencies, for \$3 million. “We took some brickbats,” said Brostrom, who also serves as vice chancellor for administration at UC Berkeley. But

he said there is the potential for saving as much as \$75 million.

In addition to finding savings, there are efforts being made to find more cash. A coalition of students proposed a one percent tax on residents who make \$1 million or more a year, using the proceeds to freeze university fees for five years. Predictably in tax-averse California, it failed. Now they have joined with the faculty unions and some legislative allies to call for a 9.9 percent tax on oil drilled from under California—the only oil-producing state that does not have such a tax—to raise \$1 billion for higher education.

State officials have been pushing for the feds to step in, beyond the \$26 billion in stimulus money for all purposes (including \$4.35 billion for all levels of education), which the state is due for last year, this year and next. Yudof, in a policy paper, called for more federal support for public higher education.

Reed said Title I, under which Washington helps underwrite public elementary and secondary schools that serve low-income students, ought to be extended to the universities. “If Title I was such a great idea in equalizing opportunity for education, why does the federal government quit supporting the added cost of educating those students at the 12th grade? It doesn’t make sense to not guarantee a successful outcome,” he said.

Even if that succeeds, though, the budget crisis has exposed a lack of coordination among California’s massive higher education systems. “In general, across policy areas, California has a weak culture for planning,” Shulock said. “We don’t have strategic plans, we don’t do any kind of performance budgeting, we don’t do long-term planning. It’s just been part of the California culture, which I think can be attributed to its size and lack of unity.”

And students continue to be shut out. “The people who drop out are the newcomers, the immigrants, the first in their families to go to college,” Shulock said. “They don’t have the flexibility in work hours or the car to get to another community college across town. They don’t know that if they sit in the class long enough the professor will just let them in.”

Reed said that “students who are less prepared and less knowledgeable about what the requirements are to get into college,” will be left behind. The 20,000-plus students who were once accepted, even though they fell short of admissions standards, will not be anymore.

“When people start to be denied—and denied access for their children—they’re going to get mad as hell,” Reed said. “That’s a constituency that’s going to wake up.”

Back at the road race, UC San Diego Chancellor Marye Anne Fox said the unfortunate prospect is that America’s public universities “will slip into mediocrity. Everywhere around the world, when people want the very best in higher education, they come to the United States. Anything that impugns that is to the detriment of everybody, not just in the United States, but around the world.”

Then she mounted the podium and blew an air horn to start the race. ♦

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