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In California, a Teachable Crisis

By Christopher Newfield

When California's Legislature blew holes in the budgets of the University of California and California State University this year, one bit of good news resulted: The holes were so big that they showed above the waterline, where we all could see them and marvel at their size.

Newspaper articles finally declared that such extensive cuts in state support undermined educational quality. They were the first major budget reductions widely viewed as reducing the value and appeal of the universities' degrees. The reaction suggests that, at long last, the state, as well as the country, can have a realistic discussion about how to support large-scale public higher education.

The numbers themselves are the worst in modern higher-education history. To use the University of California as an example, the governor's Department of Finance allocated \$3.2-billion in September 2008. Then, in a series of confusing revisions, it cut \$814-million from the 2008-9 budget when the fiscal year was almost over and threw all of the university's federal stimulus money into the hole that created—resulting in a net loss of 5 percent. Then it cut an additional \$637-million for 2009-10—leaving university's state general-fund budget down 25 percent for 2008-10.

One-time savage cuts could be borne, were they short-term and applied to a financially healthy system. Neither of those conditions holds. Before the latest round of such cuts, the University of California had not yet healed from the previous round (2002-5), which had in turn blocked a complete recovery from the round before (1991-94). Coming into 2008-9, the university had already lost 40 percent of its state general funds, corrected for inflation and enrollments, since 1990. The new cuts mean that it has now lost close to two-thirds of that support. Nor is there a sense that those cuts mark the end of the bloodletting. University administrators say next year's budget could be as bad or worse, a prediction supported by Department of Finance reports that show an accelerating decline in state tax receipts.

Over all, California's political leaders are Herbert Hooverizing a struggling economy, taking money out when they should be putting

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it in, furloughing and laying off workers in transportation, medical services, and all levels of education when they should be hiring. The state has an unemployment rate nearly as high as Michigan's, a bond rating worse than Louisiana's, and no plan to use any aspect of the public sector to propel a turnaround.

Higher education is taking a particular beating. Together the University of California, California State, and California's community-college system will be forced to turn away close to 300,000 students this year, at a time when there are no jobs for them. In 2004 the state already stood at just 46th in its share of 19-year-olds enrolled in college; the crash in college-continuation rates must have set a national record, as the state plunged from fifth in 1996 to 47th. The 2009 report from which those rankings come is aptly called "California at the Edge of a Cliff"—but California has already fallen off.

Most commentators blame a dysfunctional political system for the disaster, and there is plenty of blame to spread between politicians and voters. But two other factors need much more attention than they have received. The first is higher-education leaders' destructive adherence to a broken model of financial support, one that misleads the public. The second is their failure—and that of higher education as a whole—to articulate a great social mission for universities, one that would justify the support they have needed all along.

On the first point, university leadership has for years stuck with what can be called the "dominant private partner" model. The idea is that private support—philanthropic dollars, industry alliances, extramural grants—is the true measure of a university's quality. The private presence has an aura of higher status, vision, and efficiency, while public funds are a baseline—dumb money that works best when leveraged by the smarter private kind. The premise, until this year's catastrophic cuts, is that slashing public money won't hurt quality; the truly important activities can shift their sources of support to the private sector, and instruction can be paid for with higher tuition.

Like other academic leaders, those at the University of California trumpeted its private fund raising, which tripled from 1990 to 2005, and its research grants, which doubled during the same period. On Web sites, in reports, and in news releases, fund raising and research came to be associated with entrepreneurial value creation—even though such private money would have mattered far less were it not able to leverage the much larger volume of state appropriations. Major donors and sponsoring companies were lavishly celebrated, while millions of taxpayers who had been

paying, often for decades, for high-quality education never got to be the heroes of the systems' success stories. No one heard about their dollars doing the humble yet glorious work of forming minds and workers, citizens and selves.

Academic leaders did not explain every day in every way how much public money matters to the university's core activities. They did not highlight that the campuses got only 20 percent of their gross revenues from private sources, combined with overhead from extramural grants. They did not explain that as much as 98 percent of philanthropic contributions to the university are limited to the projects the donors want. They did not describe how sponsored research pays for specific research, and that indirect-cost funds do not fully cover actual indirect costs. The silence on the irreplaceability of public appropriations is a key reason that universities like California's have now lost most of that support.

The failure of the current financing model becomes particularly clear when it comes to tuition. Were the University of California to make up for the budget cuts with tuition increases, I estimate that it would need to raise tuition from around \$8,000 to more than \$15,000 in one year. Getting back to the level of support it had in 2001 would require raising fees to more than \$23,000. The university has not and should not make up its shortfall entirely with fees, but those numbers show just how much the vanished public support has cost students who want the kind of quality available as recently as 2001.

Today the university combines tuition increases, program cuts, and, this year, employee pay cuts to fill that unfillable gap of public funds. Previous tuition increases—7 to 10 percent, year in, year out—have convinced voters that the university doesn't need more public money. Yet because the increases never truly make up for lost public support—more like one-third of it—state cuts have led, even before this year, to a reduction of programs and quality. Reductions of program quality, in turn, reduce the state's incentive to invest, students' incentive to pay more, and federal agencies' incentive to sponsor. The university, now unable to ask for a billion dollars back from the state or to ask students for doubled tuition payments, has resorted to experimentation on the margins: more nonresident students, higher nonresident tuition, higher fees for engineering and business majors. But such efforts do not ease the need for cutting and squeezing, even as they further alienate tuition payers and the Legislature.

The term that a top official at the university has used to describe the situation is "death spiral." For that spiral to stop, the model of financial support must change. That model must include a clearly

justified public-support component, which will require changing the public mood. And to change the public mood, the university must reinvent its social mission.

The first step for university leaders is to tell the public the truth: The current model has failed to support the university's full potential for helping advance society. They must link dollar figures to specific institutional capacities. Students can pay \$10,000 and get a degree diluted from the 2001 standard, a kind of "UC Lite." They can pay \$15,000 for a 2007-level degree or \$23,000 for a 2001-level degree. Or officials can keep tuition under \$10,000 and get back to 2001 quality by rebuilding public trust that will help restore state appropriations.

The second step is to explain why more public support is better for the state than higher tuition. The simple reason is that it will produce many more socially and culturally adept citizens. California's "master plan" institutions were just about the best thing ever invented in the world history of higher education. They offered access to the highest-quality education—not just for the top 1 percent, as in the Ivies, but for the top 12 percent via the University of California, for the top 33 percent via Cal State, and for everyone via the community-college system, with ready transfers among the segments. The dream was the deepest, fullest capabilities for everyone—and for a while, reality was on the road to matching it.

The third step: University officials must explain the humble yet extraordinary activities for which at public universities only public money pays. Everyone says knowledge economies require unprecedented powers of invention, vision, communication, and an understanding of other cultures and complex natural systems. Those capacities arise from the details of directed learning: math problems corrected, errors pains takingly explained, novel but unformed ideas elaborated through one-on-one conversation, intellectual goals and personal destinies developed class after class, office hour after office hour—with the kind of nurturing attentiveness that makes no one any money, but without which society doesn't move forward. The public needs to learn that government cuts fall the hardest on those unsung activities, all of which are crucial for fixing our underperforming states.

The processes by which selves and minds are created are sociable, interactive, complicated, and unprofitable: They lose money by their very nature yet contribute enormous value to society. They were necessary for an 80-percent-white California during the 1950s and 1960s, when the state's higher-education structure was built, and they are necessary for the minority-majority California we have today. The job now is to reinvent public financial support as a

collaborative state and national process. That is the best, if not the only, way to get California and its kindred floundering states moving forward again.

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