UCSB
Faculty Association newsletter
A Membership Organization of Faculty at the University of California, Santa Barbara
P.O. Box 13930, Santa Barbara, CA 93107

UC Santa Barbara Faculty Association May 2008

Cuts and More Cuts

by Christopher Newfield

Like the Chrysler Corp. of the 1970s, the University of California is too big to fail. But it is certainly not too big to fall into decline. Budgetarily speaking, this is what has happened to UC over the the past fifteen years. It has happened through successive waves of cuts that have been followed by only partial funding recovery.

This same pattern has held true in the first decade of the 2000s. The budget reductions of the early 2000s were followed by the "Higher Education Compact" that "stopped the bleeding" and apparently set the stage for a return to normal. This year, a new round of cuts in state funds has been proposed by the Governor. This new round may lead not only to more of doing the same with less, but to the de facto end of the "master plan" model for the University.

The Master Plan combination of UC, CSU, and the community colleges had its faults, but the core idea was remarkable. It was to offer a top-quality education to the vast majority of the state's population. Nobel-prize winning chemists, great novelists, legendary sociologists, pioneering art historians - cutting-edge research and creativity in all its forms would be accessible not just to the top 1 percent of the college population that went to the Ivy League and its handful of equivalents but to the top 10 percent and, in varying modes, much more. The best possible education for everybody? Putting this idea into practice would be a unique experiment in the history of the world. And it would fulfill the "California dream" by creating the capacity for a permanent economic boom, while also delivering vast social and cultural benefits.

In 2005-06, the Academic Senate's University Committee for Planning and Budget (UCPB) decided to analyze the effects on this "Master Plan" university of the combination of cuts and Compact that had been programmed in through the years 2010-11. This effort resulted in the "Futures Report" that was endorsed by the Academic Council and presented to the Regents in May of 2007. (http://www.universityofcalifornia.edu/senate/reports/AC.Futures.Report.0107.pdf). The crucial data assembly for this report was conducted by UCSB's Henning Bohn, and we had major assistance from Calvin Moore at UC Berkeley and UCPB's chair that year, Stanton Glantz of UCSF.

We wanted to know whether the Compact really was a recipe for recovery and, if not, whether the University could indeed replace increasingly unsecured state funds with revenue streams from the private sector.

The standard budget storyline looks like this chart, which is taken from the Office of the President's Budget for Current Operations 2005-06.

Figure 1: State General Funds Supportfor UC, 1980-2007

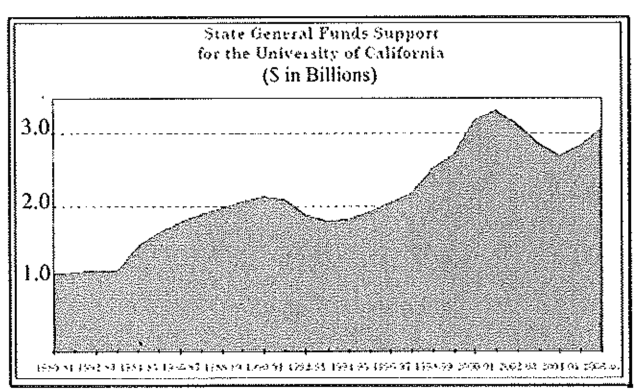

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Figure 1 says that we may lose ground in bad economic years, but we make it back and more in good years.

Unfortunately, this chart is misleading. It does not correct for inflation, or for enrollment growth, or for the cost of academic innovation, including the great expense of advanced research. When we looked at the state's resources that were available for various public purposes, and then calculated the share going to UC, we saw a very different picture (see below).

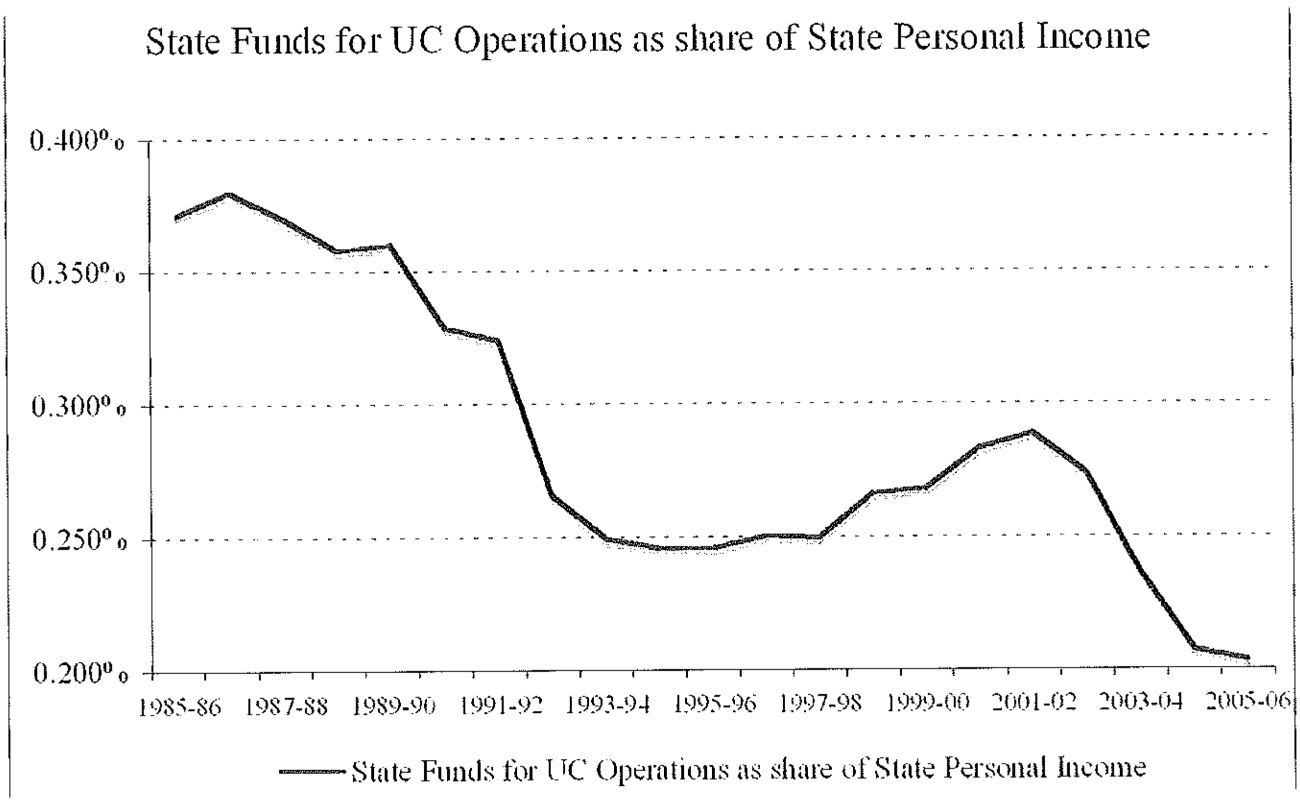
State personal income is a measure of the overall financial resources available to support higher education - what people actually earn, in part because of their access to education. This is down 35% in real dollars since 1990.

Observers often remark that public universities are less dependent on state funds than they used to be - that UC gets perhaps only 25 percent of its budget from the state, and that other major universities such as the Universities of Michigan and Virginia get even less. The implication is often held to be that the loss of state funding can be made up with funding from other sources, since these sources already seem to dominate university revenues.

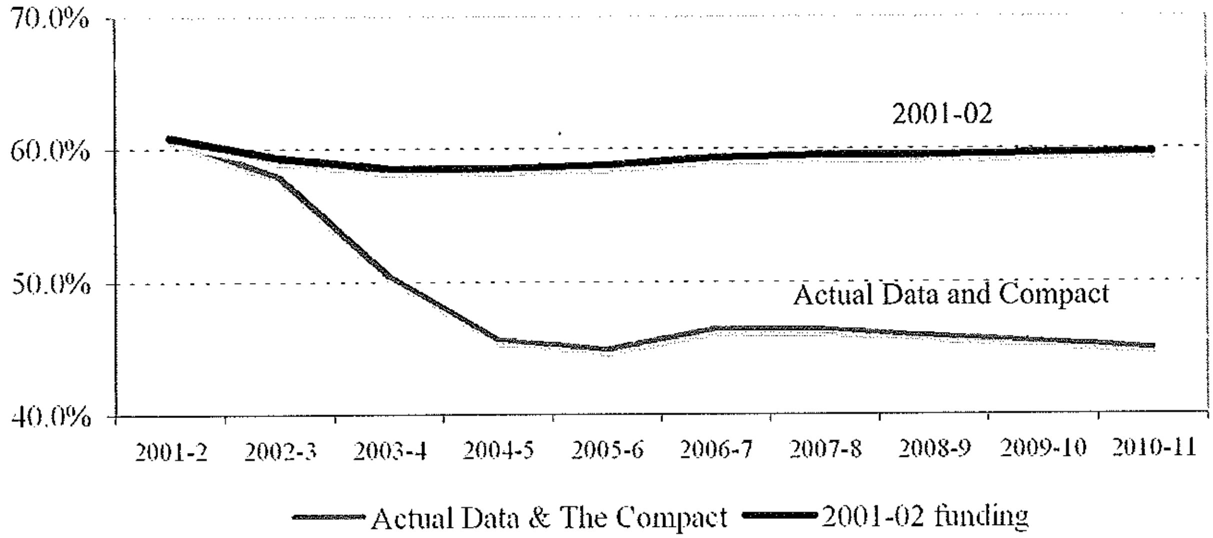
When we looked at the funds that are actually available for campus operations, we found that in 2001, state funds still furnished 60 percent of the total. We took this definition of "Core UC funds" and projected the impact on these funds of several scenarios. What would happen if we extended the Compact? What would it take to return to a recent benchmark of "Master Plan" quality, that is, the funding levels of 1990? Similarly, what would it take to recover the relatively healthy level of 2001? Finally, what would happen, if the state decided to freeze its General Fund allocation at current levels?

Regarding the Compact, the news was not good. We can see this when we compare its General Fund levels to those of 2001-02 (held steady at an annual increase that matched the actual growth of state personal income).

The Compact in effect locked the cuts in. It permanently reduced the share of Core UC funds that the state provides (see top of page 3).



State Funds / Core Funding



The effect on the total amount of the Core UC Budget was equally unfortunate. Remember that we are not talking about UC's overall budget, which includes federal research funding, auxiliary enterprises, the sale of clinical services, and much more. We are looking at the funds that are available for general campus operations, centered on instruction, student services, and related support functions. The thick black line in the chart below shows where the state

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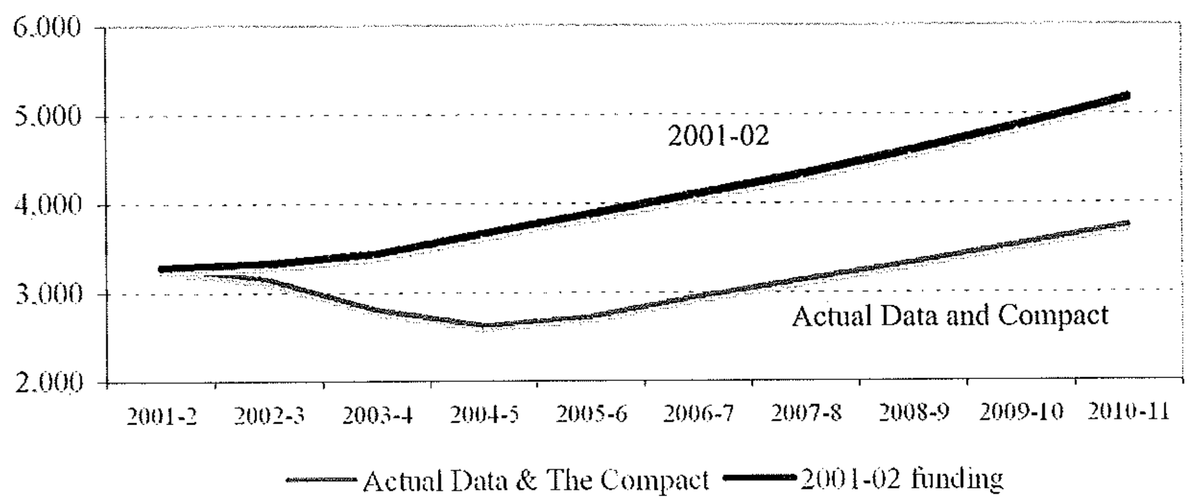
The Faculty Association Newsletter is an independent venue for sharing and debating ideas pertaining to the challenges faced by the university. If you are interested in pursuing this opportunity, please forward submissions to Carl Gutierrez-Jones (carlgj@english.ucsb.edu), or to Marguerite Bouraad Nash (bouraad@polsci.ucsb.edu).

State Funding: The Compact vs. 2001-level Funding (Millions)



General Funds would have been for a given year had they increased at the rate that state personal income increased. By the current year, the Compact funding level was over one billion dollars below that of the "2001 Pathway."

The Compact did nothing to change the shift in revenues of the 2001-04 cuts away from the General Fund. The pie charts below make clear where the substitute funding came from (see Figure 5).

State Funds were directly replaced by student fees. The latter increased their share of core funding by 50 percent in 3 years. Note that the share coming from Indirect Cost Recovery (ICR) funds on grants increased slightly, but that the share from endowment and other private income was virtually unchanged. In short, UCPB's analysis found that the Compact would not allow UC's state funding to recover to a "2001 Pathway" - that is, make up in the "boom" what we lost in the "bust." The Compact installed a General Fund decline. We quantified the gap between returning to the 2001 Pathway and the 07-08 budget request as $1.1 billion. We also found that a return to traditional UC quality (a 1990 Pathway calculated analogously to that of 2001) would require over $2 billion in additional funding.

In response to our first key question - does the Compact allow the core UC budget to recover to pre-cut levels - our answer was no, not by a long shot.

Public universities have seen their state funding fall by about 1/3 in real dollars over the last quarter of the last century. Higher education leaders have wearied of fighting cuts and asking for restorations, and have understandably looked to other sources. We wanted to know, therefore, how UC could make up for continued shortfalls in state funding?

To get back to the 2001 Pathway, could the University rely on increases in federal and private research funding? UC had done extremely well in recent years, nearly doubling its dollar volume of contracts and grants. But federal funding was flattening out again. In addition, research brings in gross revenues but often has a net cost to the university. This means that research success can often leave the University deeper in hock rather than better off, particularly in the absence of the formerly-adequate state subsidies that cost recovery formulae assume.

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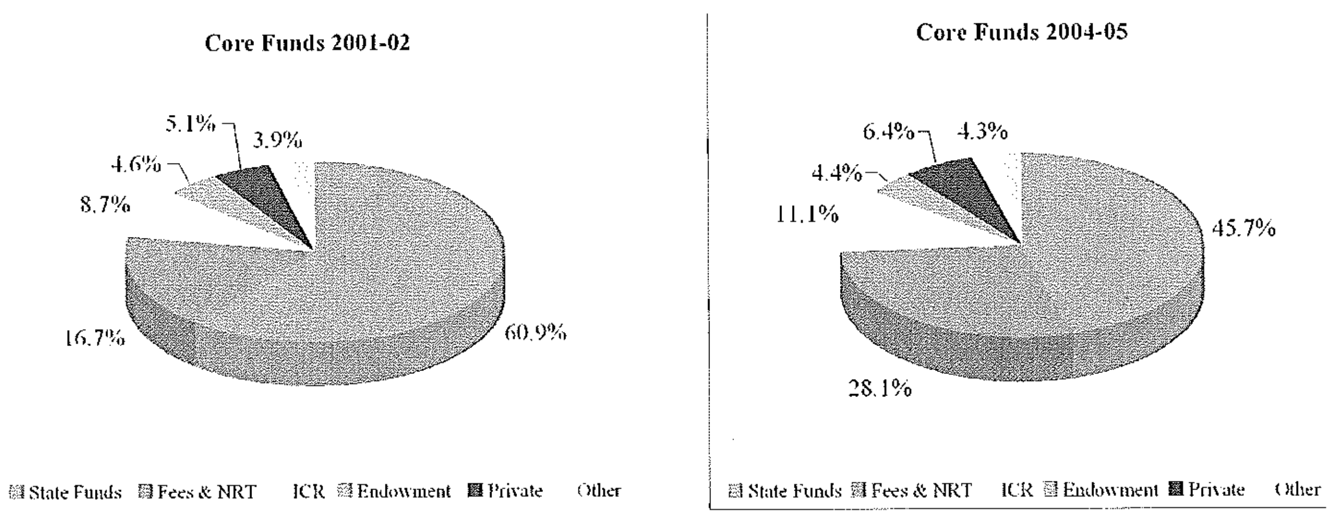
Figure 5: Composition of Core Funds, 2001-02 and 2004-05



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What about private fundraising? UC has been very successful here as well, tripling its annual intake since 1990. But endowment funds are largely restricted to special purposes (our most recent estimate from the Treasurer's Office is 98 percent of giving is targeted to specific projects). Endowment funds also pay out at relatively low rates. We estimated that UC would need to raise $25 billion in three years, on top of its current $7 billion endowment, just to sustain levels had the Compact rather than a freeze been in place. Making up the shortfall between the "funding freeze" General Fund levels and the 2001 pathway would require an incredible $54 billion, the equivalent of nationalizing the centuries-old endowments of Harvard and Yale before shipping them west to California.

This brings us back to the subject of fee increases, which has been the tried-and-true substitute income source in active deployment in higher ed all over the country. In our final scenario, in which state funds are frozen at 2005-06 levels, we calculated that we would need to raise fees to $15,000-18,000 per year by 2010. This would only return us to Compact levels of core UC funds.

In our presentation to the Regents last year, we offered three fairly simple conclusions:

1. **UC's quality depends on getting back to the 2001 Pathway;**

2. **Getting there with fee increases would change UC's character to preserve its quality;**

3. **Preserving UC as a great public university requires a greater investment of public funds.**

Around the same time, the Academic Senate asked the UC President to inform the Regents that every year's delay in closing the $1 billion gap further jeopardizes the quality of the university. Nothing has come of this request.

That brings us to Gov. Schwarzenegger's State of the State address earlier this year. He called for 10 percent cuts for all state agencies in 2008-09, and for the passage of a "Budget Stabilization Act" that, among other things, would mandate 5 percent cuts when the state deficit rises above $1 billion (which it usually is). Since the Governor technically maintained the Compact, the net cut to the university for 2008-09 is slated to be 3.6 percent for 2008-09.

Though the University is better off this year than other agencies that are taking mid-year cuts, UC and CSU are not constitutionally protected agencies that have been growing at the 7.2 percent annual rate about which the Governor complained. The new cuts terminate a very limited recovery from the cuts of less than five years ago, breaking even the appearance of the "boom recovery" in which the University arrives at the end of a decade back more or less where it began it. The size of the cut (from the Regents fall budget) is about the same in nominal dollars as that of the bad year 2003-04. The cuts block the implementation of every one of the Regents' official priorities, even in their modest multi-year ramp-ups. The second year of the 4-year repair of the faculty salary scales will mostly likely be scaled back or interrupted, leaving faculty average salaries languishing at their current 10 percent under Comparison 8 peers, and our actual scales lagging by quit a bit more. And for the $400 million gap to be filled with fee increases, fees, including campus fees, would need to jump to about $10,500 in one year, or a 1-year increase of over 40 percent.

All this has led us, in the "Cuts Report," to posit a Fifth Scenario. This does not assume economic meltdown, just lingering economic weakness coupled with the passage of the Governor's "Budget Stabilization Act." This leads to another three-year cycle of cuts, of 3.6 percent next year, and then 5 percent in each of the next two years. The result, once we graphed it out, startled us. The new round of cuts amount to a short cut from the Compact to the "public funding freeze," which would result in increased reliance on private funds. The outcome can be seen in Figure 6.

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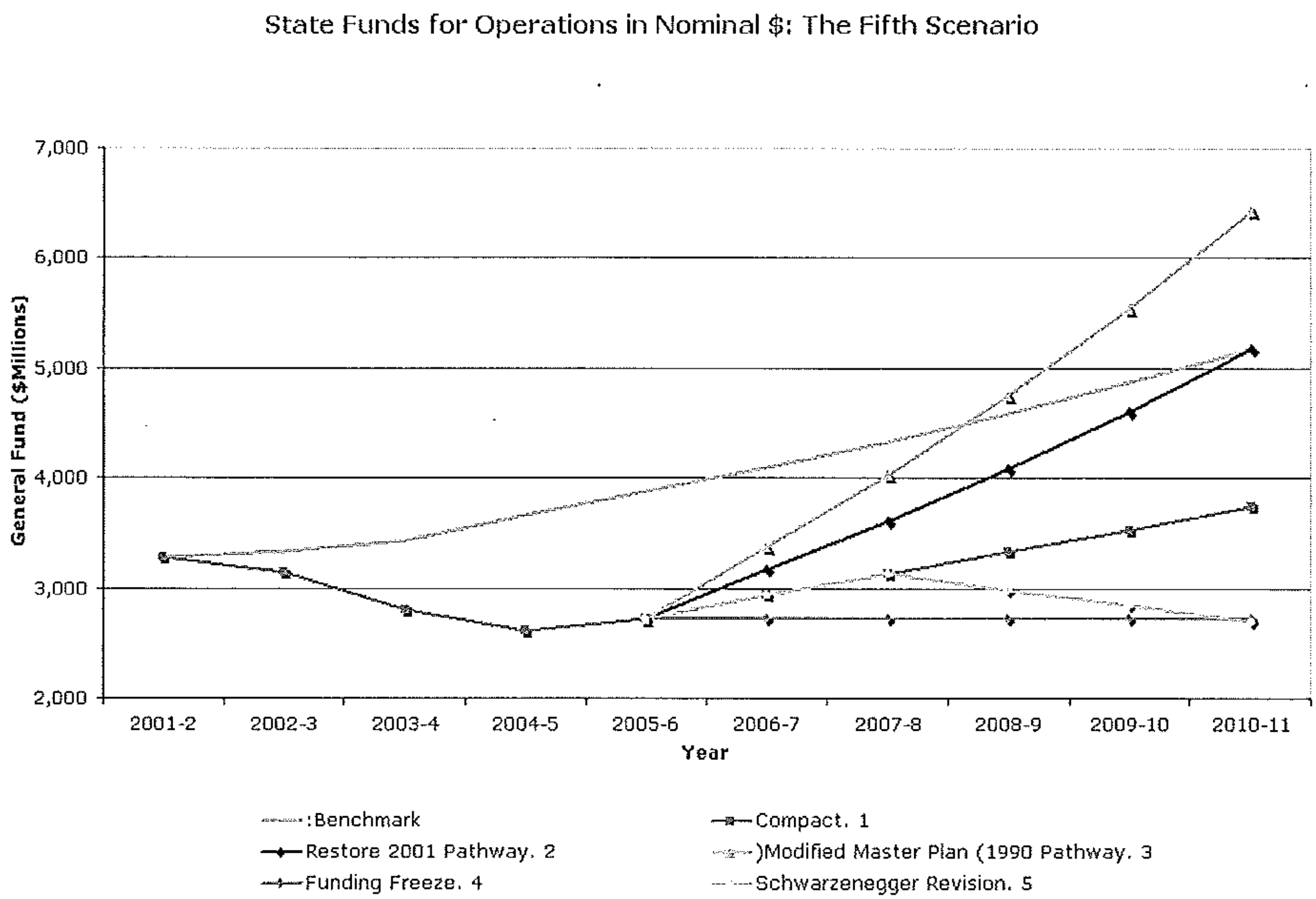
Figure 6: The Schwarzenegger Revision



The line with squares imbedded is the Compact, and the line with circles imbedded is the freeze. The Schwarzenegger cuts (extrapolated to three years) take the University down to a level by the end of the decade where it will need to charge at least $15,000 a year in fees simply to stay in place.

The University has been playing a waiting game for many years - waiting for the recovery of a Master Plan level of public funding that could support the Master Plan combination of access and quality. This recovery was incomplete under the Compact and will be destroyed by the new budget cuts.

We thus find ourselves at a crossroads. One option is to accept privatization. Gov. Schwarzenegger made "Public-Private Partnerships" a centerpiece of his State of the State address, and UC, with its fee capacity, is a logical test case for the spread of this model in California state government. PPPs are effective in some arenas, but they always depend on increased user fees. These increases would be quite dramatic in UC's case, and would at some point begin to suppress enrollments. Fee increases have contributed to a national pattern in which students of color move "downmarket" to community colleges and less-expensive regional schools. African American enrollments plunged as the University of Michigan became "state-assisted" in the 1980s. The same damage to the enrollment of students from underrepresented populations could be expected at UC.

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Another likely effect is the gradual disappearance of UC as "One University." Privatized institutions are highly sensitive to customer perceptions and to already-accumulated resources. The two or three largest UC campuses would probably be able to follow Michigan in attracting a national student body and their non-resident tuition dollars. As they dig deeper into their applicant pools, however, these flagships would dampen enrollments at other campuses, which in turn would become increasingly less selective in order to maintain enrollments. Since most UC campuses do not have strong brand recognition with the out-of-state public, regardless of their academic profiles and research successes, and since most have relatively young and small alumni pools to tap in fundraising efforts, they would have little choice but to adapt to the students and the resources they have at their disposal. This would in turn affect graduate education: funding for attracting top students would become increasingly scarce, which would in turn make top faculty more likely to leave. Faculty workloads would suffer as teaching and research come into unprecedented conflict, again prompting higher rates of faculty departure. Resource shortages would force individual departments to downsize, close, or redefine their missions as primarily instructional.

Given the very different maturities, program structures, locations, and demographics of campuses that under the Master Plan had been developed as an ensemble, UC campuses would increasingly go their separate ways, find different educational niches, and settle into different levels of quality. By 2020 the UC system could look much like a large version of the University of Michigan system, the Texas system or the SUNY system: it would have three flagship research campuses, and then an uneven assortment of differentiated campuses that range from Research I doctoral institutions to state colleges with reduced facilities for students, higher teaching loads for faculty, and lowered knowledge output for the state.

No one actually wants this downgrading and unraveling. But preventing it will require the same determination and clarity that assembled the Master Plan system in the first place. At that time, participants were afraid that the permanent hostility of Californians to high taxes would doom the system before it got off the ground. But they had a simple message: a great economy requires great public universities, and great public universities require strong public funding.

Few people now think the public will accept this kind of message. But our future depends on getting it across.

Christopher Newfield is a Professor in the Department of English at UC Santa Barbara. He is also the Chair of the UC Systemwide Committee on Planning and Budget.

Application for UCSB Faculty Association Membership

The Faculty Association at UCSB is a voluntary, dues-supported organization of UCSB Academic Senate Members, founded in 1979. The purpose of the FA is to influence the decisions of the University administration and the State Legislature that affect faculty salaries, benefits and working conditions broadly defined. The FA at UCSB supports the Academic Senate in all academic matters and works closely with the Senate on welfare issues. Because it has no state funding, the FA at UCSB can and does engage in lobbying and other non-partisan political activities on behalf of the faculty. Membership in the FA at UCSB is open to all faculty eligible for membership in the UCSB Academic Senate

I wish to join the Faculty Association at UC Santa Barbara. I agree to pay the following dues (check one) by payroll deduction (in which case, please sign and submit the form below), or by personal check.
$5.00 per month for Assistant Professors;$7.50 per month for Associate Professors;$10.00 per month for Professors.
Lecturers with security of employment, please designate the dues that most nearly approximate your salary range.
Faculty Association dues are tax deductible, either on Schedule A of your income tax (to the extent that they and other profession related and income-producing expenses exceed two percent of your adjusted gross income), or in some instances on Schedule C (without the two percent limitation). Please check with your tax consultant. Please forward the completed form to:

UC Santa Barbara Faculty Association, P.O. Box 13930, Santa Barbara, CA 93107

EMPLOYEE ORGANIZATION MEMBERSHIP
PAYROLL DEDUCTION AUTHORIZATION
UPAY 669 (R7/87)

CAMPUS	LOC	EMPLOYEE I.D.	DATE

PLEASE PRINT OR TYPE

ACTION ON THIS FORM TO BECOME EFFECTIVE THE PAY PERIOD BEGINNING: DATE

LAST NAME, FIRST, MIDDLE INITIAL	MONTHLY DEDUCTION	ENROLL	CANCEL	CURRENT AMOUNT
DEPARTMENT EMPLOYED AT U.C.	DUES			
TITLE AT U.C.	INITIATION FEES			
ORGANIZATION NAME (INCLUDE LOCAL NAME AND NUMBER) UCSB Faculty Association	GENERAL ASSESSMENT			
		TOTAL		

I authorize The Regents of the University of California to withhold monthly or cease withholding from my earnings as an employee, membership dues, initiation fees and general assessments as indicated above.
I understand and agree to the arrangement whereby one total monthly deduction will be made by the University based upon the current rate of dues, initiation fees, and general assessments. I ALSO UNDERSTAND THAT CHANGES IN THE RATE OF DUES, INITIATION FEES AND GENERAL ASSESSMENTS MAY BE MADE AFTER NOTICE TO THAT EFFECT IS GIVEN TO THE UNIVERSITY BY THE ORGANIZATION TO WHICH SUCH AUTHORIZED DEDUCTIONS ARE ASSIGNED AND I HEREBY EXPRESSLY AGREE THAT PURSUANT TO SUCH NOTICE THE UNIVERSITY MAY WITHHOLD FROM MY EARNINGS AMOUNTS EITHER GREATER THAN OR LESS THAN THOSE SHOWN ABOVE WITHOUT OBLIGATION TO INFORM ME BEFORE DOING SO OR TO SEEK ADDITIONAL AUTHORIZATION FROM ME FOR SUCH WITHHOLDINGS.
The University will remit the amount deducted to the official designated by the organization.
This authorization shall remain in effect until revoked by me - allowing up to 30 days time to change the payroll records in order to make effective this assignment or revocation thereof - or until another employee organization becomes my exclusive representative.
It is understood that this authorization shall become void in the event the employee organization's eligibility for payroll deduction terminates for any reason. Upon termination of my employment with the University, this authorization will no longer be in effect.
This authorization does not include dues, initiation fees and general assessments to cover any time prior to the payroll period in which the initial deduction is made. Payroll deductions, including those legally required and those authorized by an employee are assigned priorities. In the event there are insufficient earnings to cover all required and authorized deductions, it is understood that deductions will be taken in the order assigned by the University and no adjustment will be made in a subsequent pay period for membership dues, initiation fees and general assessments.

EMPLOYEE SIGNATURE DATE

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TRAN CODE	EMPLOYEE ID NO.	DATE	ELEMENT NO.	BAL CD	AMOUNT
1-2	4-12	13-18	19-22	23	24-31
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X1			6	G	
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RETENTION: 1 YEAR AFTER INACTIVE - ACCOUNTING OFFICE

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