

A BETTER PLAN for UC's FUTURE

Draft 10/29/2009 from Schwartz@physics.berkeley.edu

Preamble

Most ongoing discussions about the financial future of the University of California fall into one of two camps:

PLAN A: We must get the State of California to return to its old ways of full funding for the public missions of UC; or

PLAN B: We must recognize that state funding will not return to what it was and therefore increased privatization is necessary to preserve the excellence of UC.

The present PLAN finds a different footing; it is compatible with Plan A, though less ambitious for now, and it is an alternative to Plan B.

Overall Concept

The overall concept is to seek a partial renewal of state funding for the University of California *together with* substantial changes in the way that UC handles the money it receives. This approach (“walking on two legs”) should be the best way to bring the University and California together again and thus avoid the perils of UC either decaying from its preeminent academic standing or abandoning its invaluable public character.

The goals of Quality, Access and Affordability are held central to the three missions of teaching, research and public service. A singular new feature of this PLAN is that, while we continue to recognize the interrelation between teaching and research, we also recognize that substantial distinctions need to be made between funding for undergraduate teaching and funding for research and related graduate programs.

Once that basic financial lesson is learned and put into place, several other longstanding problems at UC – such as bureaucratic bloat and the excesses of executive compensation – can be addressed through a renewal of the basic philosophy that the university is a place for learning in the service of the public good, rather than just another place where a smart person can make a buck. The inadequacy of The Regents is also noted.

Background

In the past, the state provided all of the core funding - that means: state appropriations provided for all the academic year salaries of the faculty plus their departmental support, institutional infrastructure and overhead - and there was no need to distinguish between money for research and money for teaching.¹ That whole bundle is called the I&R Budget (for Instruction and Research). With the rapid rise in student fees at UC, by far most of which are paid by undergraduate students (and their families), that old financial arrangement must be revised.

¹ There is also a lot of external money for research projects, but that is outside of the core funding.

When UC continues to announce that student fees now cover 30% of the Cost of Education, that is a very misleading representation of the present situation. That calculation looks at student fee revenues compared to UC expenditures for that entire I&R Budget and then presents the result as if it referred only to the Instructional component. That habit of (mis)accounting is not unique to UC, but is endemic to all of higher education, infecting private research universities even more severely than the public ones. That bad old habit has serious consequences; it misleads the public and their representatives in Sacramento, it distorts internal funding priorities and it paves the way for this great public university to move more and more in the direction of privatization.

Summary of the PLAN

The overall PLAN consists of twelve actions, which are summarized below.

1. UC must acknowledge that its calculation of “The Cost of Education” is really the Cost of the Core Bundle - undergraduate education and graduate education and faculty research throughout the academic year – and UC shall commit itself to disaggregate that bundle to the extent of providing an accurate average Cost of Undergraduate Education.
2. That calculation of the Cost of Undergraduate Education shall be carried out by a rational and objective method, using the best available input data. The best model now known for this disaggregation is the work of Professor Emeritus Charles Schwartz of UC Berkeley. (Schwartz’ latest work² concludes that undergraduate fees at UC amount to 100%, not 30%, of the actual per-student Cost of Undergraduate Education. He acknowledges that this result may be refined by better data and further analysis.) The process adopted by UC for defining this calculation shall involve full participation by the most relevant parties, including student representatives and state representatives along with faculty and administrative staff.
3. The Regents shall declare as a matter of firm policy that mandatory fees (tuition) for resident undergraduate students at UC shall never exceed the average per-student Cost of Undergraduate Education, as determined above. This has implications for some other aspects of UC finances; it also sets a nationwide precedent.
4. The State of California shall commit itself to providing UC with reliable funding for the remaining portion of that total Cost of the Core Bundle, that is, for the maintenance of the core research funding (faculty salaries and graduate students and support staff and institutional overhead) that is necessary to maintain the breadth and the quality of UC as a top ranking research university. The details of this commitment remain to be negotiated between UC leaders and state officials (and perhaps, also, leaders from the private sector); and it must be realized that failure to reach some agreement will likely lead to the collapse of UC’s excellence as the top research faculty flee for greener pastures.

² <http://socrates.berkeley.edu/~schwrtz/> “Cost Accounting at a Research University”

5. The state shall also strive to reduce the financial burden on undergraduate students below that maximum amount specified above. Adequate funding for other components of public higher education (CSU, CCC) is a related issue that UC should support.
6. The state shall also commit to providing adequate funding for need-based financial aid for students throughout all of California's higher education.
7. The UC administration must justify or eliminate \$600 million/year of excess bureaucratic growth, which has been documented. (See http://socrates.berkeley.edu/~schwartz/Seminar/Seminar10_13_09.pdf)
8. UC shall cap executive compensation, following a 1992 recommendation by the Berkeley faculty, at no more than twice the average compensation of Full Professors. <http://academic-senate.berkeley.edu/archives/documents/ExecCompResolution19921.pdf>
9. Acknowledge the need for more real transparency at UC. Budget discussions should be more open, so should policy discussions; use of discretionary funds reported; truth about intercollegiate athletics; more open management of the pension fund.
10. Reject the corrupting language in the University: the Market rules; the Entrepreneurial professor; Competition. Alternative: a learning community; a calling for teachers and researchers; a public service.
11. Acknowledge misdirection coming from the regents – corporate values rather than academic. How to change that?
12. Call for leadership on the national scene of higher education to control irrational inflation – these shortcomings are not unique to UC.

The PLAN should have an objective and consistent logic: Reform UC's financial mismanagement while preserving its academic excellence. The goal (an intermediate if not ultimate goal) is to regain public support without demanding a return to the old ways of full state financing.

Another way of expressing this is: Undergraduate students are now paying their full share of the educational costs, so the state must carry its burden of providing for UC's top quality research mission, which benefits everyone.

Politically, this PLAN should earn strong support from University faculty and students and also from the general public of California. It does step on the toes of the existing UC leadership – The Board of Regents and their hired executives.