

Academic Senate Chair Shane White
Remarks to the University of California Board of Regents
July 2018

A Legacy of Missed Opportunity can be Undone

“Resist the rust, arrest the cracks, restore the funding” was my call at our September 2017 meeting. It appeared to be another good year: the State’s economy grew, general fund revenues grew, demand for a UC education grew, UC admissions grew, UC enrollment grew, and state expenditures were increased in the 2018-19 budget. The opportunity was there, but the proportion of the higher education State Budget spent on UC was decreased. In contrast, the proportional spend on the Community College and CSU systems was increased.

This is a continuation of a thirty-year trend. The approval of Proposition 98 in 1988 redistributed higher education funding; it required that 40% of the state General Fund be spent on K-12 schools and the California Community Colleges. UC and CSU did not participate in that guarantee. In the late 1980s state funding for higher education was roughly evenly divided among the three segments, but Proposition 98 was a major turning point. Funding for the CCC system has steadily increased; whereas, funding for UC and CSU has steadily decreased. Currently the CCC system receives nearly 60% of the State General Fund higher education spend, allowing it to keep its tuition very low, facilitating access, and the remaining 40% or so is split between UC and CSU. However, there has been a small recovery in the last couple of years. Proposition 98, appears to have had the consequences of a long term run down of State funding to UC and CSU, as well as limiting the Legislature’s budgetary flexibility.

During economic downturns, California has tended to disproportionately cut higher education. UC received substantial cuts following the recessions of 1990, 2001, and 2008, but in the following upturns, funding was not restored back to the baselines. This pattern has accelerated the long-term downwards trend.

Since 1990-91, average inflation-adjusted expenditures for educating UC students have declined. The State-funded share has declined even more rapidly, with student-related charges playing a larger role; even so, tuition increases have been unevenly applied over time, leading to increased student and budgetary uncertainty. State funds and student tuition are the only major sources of funding for instruction. Student tuition and fees have now surpassed State General funding for instruction. After taking inflation and increased expenditures on financial aid, debt service, & contributions to the University of California Retirement Plan (UCRP) into account, UC has much less available funding from core funds per student now than in 2000-01, 31% less.

It has been claimed in recent years that UC and CSU have been treated equally, but this is not so. The State has continued, and even increased, its support for CSU employee pensions, but it has still not come close to supporting its share of UC employees’ pensions. Furthermore, by holding parts of the UC budget flat, the net increase to the UC budget was just 2.9% when the

Governor's compact had promised 4%; CSU received a deserved 6+% increase, and CCC a warranted 5+% increase.

Our current student body, including the highest proportions of underrepresented minority, fiscally disadvantaged, and first generation students in our history, more than any other American public research university, should be celebrated, not shortchanged. Abrupt unfunded, or partly funded mandates, from the State to increase enrollment play havoc with the classroom and campus. Students rightly complain of overcrowding, in the classroom, in waiting lists for classes, in the dorms and for critical services. One-time state funding for ongoing activity doesn't provide stability, it raises the ante for the next year.

The student to faculty ratio is a universal metric of academic quality. Interaction with the faculty is the key factor in achieving the research university's mission of teaching, research and service. In order to promote access, affordability and economy, the Master Plan designated UC as the research and graduate institution, while limiting its enrolment and funding to support the top one eighth of high school graduates along with qualified transfer students, inherently limiting the number of research faculty to serve the state's social and economic needs. Our student body has grown dramatically, but faculty growth has lagged. A steady worsening of the student to faculty ratio adversely impacts the ability of the faculty to serve our students. In 2000 the University of California had a student to faculty ratio that was as good as its AAU Public and Comp 4 Public peers, but UC has progressively been left behind, and the gap continues to widen. This negatively impacts the faculty diversity pipeline; diminishes research capability; decreases graduate program quality; and accordingly devalues the undergraduate experience, leading to overcrowding of many kinds.

Predictable multi-year budgeting is needed so that the University can best provide access, affordability and quality to meet the needs of the youth and State of California. Admitting a student is a one-time moment, but their education must typically be supported for 4 years or so. Our core faculty typically manage their careers in terms of multiple decades, not moving for the next quarter's gig. Classrooms, laboratories, and dorms take much money and time to build and maintain. Support staff and services cannot quickly be scaled up or down. Investments in infrastructure need to be weighed and amortized.

Compacts since the '90s between State Governors Davis, Schwarzenegger, and Brown with the University have done little to provide long term fiscal stability or long term alignment with the State's interest. Aims were those of the Governors, changed with the Governors, and the fiscal responsibilities of the State were generally abandoned in times of difficulty. It is especially disappointing that the current compact was broken in a time of state fiscal health. Tuition was again disconnected from long-term fiscal policy. Students and their families need to plan too.

It is also disappointing that recent budgets have ran around the University's constitutional autonomy; line iteming of substantial offices and programs has restricted the University's ability to best use its resources; whereas, the University has by all measures been a good steward.

There has been much debate about operating budgets, but current liabilities are approximately \$14B. The University is living on debt because that has been the only way to serve its students and to fulfil its mission for the people of California. Funding enrollment below, or even at, the marginal cost of instruction is unsustainable because the needed bricks and mortar either eat operating funds or drive debt. The state has abdicated its essential role in providing educational infrastructure; a state general obligation bond including the University has not been issued for over a decade.

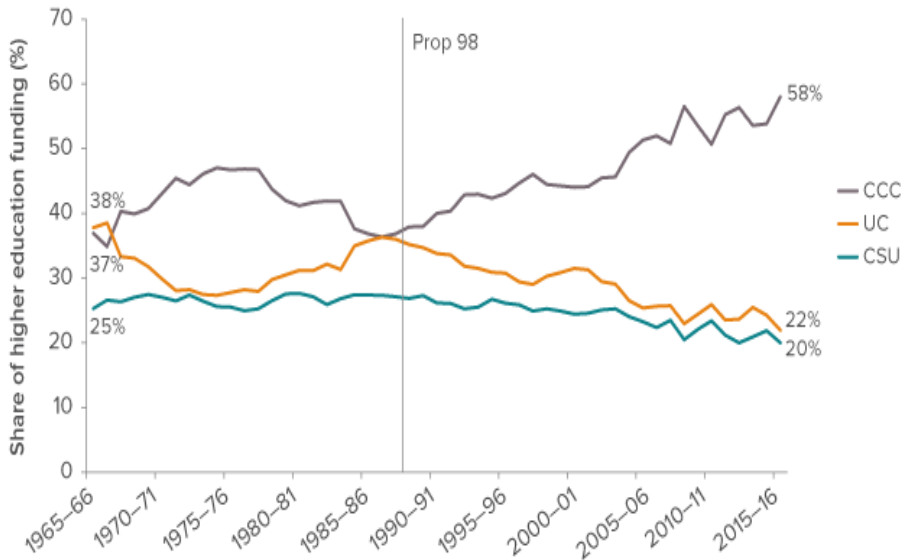
These are just the facts, but if progress is to be made, it must start from the reality of the facts. We have gone past the tipping point. Something is going to give, UC cannot sustain its teaching and research missions at the productivity and quality levels that have served the State for decades, and to continue to grow in enrollment capacity and programs without a significant increase in State investment.

I ask you, the Board of Regents, the public trustees and the fiduciaries of the University, what you want your legacy to be? You are the leaders of our State; you are the governor's appointees; you represent the current and former students. You hold full powers of governance of the University; under the California Constitution you are responsible to ensure that the University be kept entirely independent of all political and sectarian influence both in the administration of its affairs and in the appointment of future Regents. A legacy of rust and decline is your choice to make, but is that really what you want?

Steady, predictable funding, adequate to meet the state's expectations and the University's need, is necessary. Policies to protect the University from the State's rollercoaster budget and short-term political whim are needed. State government has been focused on admission, but incentives need to be tied to student progression and success so as to better align the goals of the State, University, and People. The legacy is yours to make.

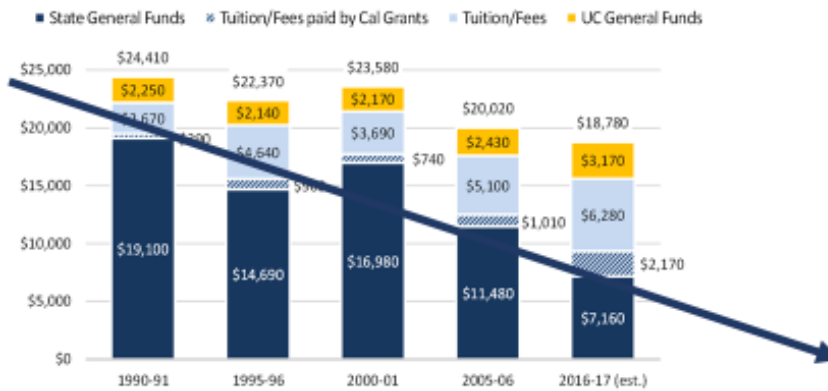
Chair Kieffer, that concludes my remarks.

PROPOSITION 98 HAS INCREASED THE SHARE OF COMMUNITY COLLEGE FUNDING



From the Public Policy Institute of California (PPIC)
 Just the FACTS, Higher Education Funding in California, March 2017
 Author Kevin Cook, Associate Center Direct
 Newer data suggests a small rebound

Average Expenditures for Instruction per Student from Core Funds, Constant 2016-17 Dollars



Since 1990-91, average inflation-adjusted expenditures for educating UC students have declined. The State-funded share has declined even more rapidly, with student-related charges playing a larger role. Figures are inflation-adjusted resources per general campus student, net of financial aid.

Material from UCOP, Budget Analysis & Planning

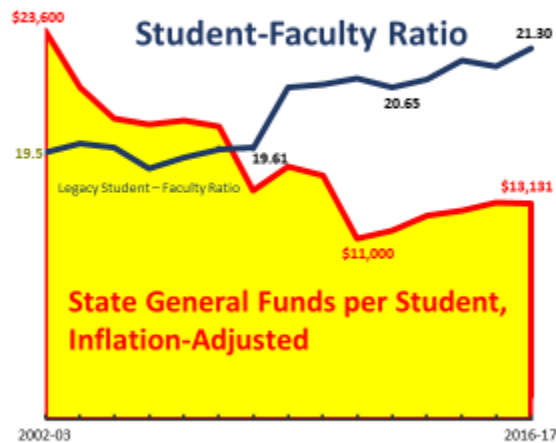
Change in Available Resources from State General Funds and Student Tuition/Fees

	2016-17	2000-01	
		Adj. for Inflation	Not Adj. for Inflation
State General Funds - Permanent (\$M)	\$3,306	\$5,000	\$3,192
Tuition/Student Services Fee	\$3,151	\$940	\$600
Professional Degree Fees	\$315	\$68	\$44
UC General Funds	\$1,418	\$581	\$371
	\$8,190	\$6,590	\$4,206
Resources Unavailable for Current Operations (\$M)			
Financial Aid	(\$966)	(\$337)	(\$215)
Lease revenue / GO Bond payments	(\$344)	(\$168)	(\$107)
UCRP Contributions	(\$424)		
	(\$1,735)	(\$505)	(\$323)
Available Resources (\$M)	\$6,455	\$6,084	\$3,883
Number of Students Enrolled (FTE)	263,957	171,270	171,270
Available Resources per Student (\$)	\$24,456	\$35,524	\$22,674
\$ Change since 2000-01	(\$11,068)		
% Change	-31.2%		

After taking into account inflation and increased expenditures on financial aid, debt service, & contributions to the University of California Retirement Plan (UCRP), UC has much less available funding from core funds per student now than in 2000-01. Inflation is based on changes in the Higher Education Price Index (HEPI).

Material from UCOP, Budget Analysis & Planning

Student Faculty Ratio Worsened as Funding Declined



The student-faculty ratio after 2008-09 includes faculty paid through all fund sources (other than self-supporting program fees), not just core funds (i.e., state general funds, UC general funds, and tuition and fees).

Material from UCOP, Academic Affairs