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The Fiscal Crisis of the Campus: The View from California

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Over the last generation, state governments have undertaken a major disinvestment in higher education. The questions raised by these funding reductions go beyond matters of crowded classrooms, dilapidated facilities, and altered pedagogies to challenge the basic function of college and university education in the United States. Will higher education continue to be the gateway to equality and provider of broad horizons for citizens, or will it be transformed into a bulwark of social privilege and narrow conveyor of vocational skills for private consumers? These are the ultimate questions posed by the funding priorities of the state legislatures in America today.

Determining how to successfully answer the funding question is often hindered by the way the problem is posed. Policymakers and commentators invariably cast the problem in a way that reifies the forces involved and obscures the fact that the fiscal problem of the American university is not an economic inevitability but a result of political choices, and it requires political responses to be resolved.

Disinvestment and its Discontents

Relative state expenditures on higher education in the United States have declined precipitously in recent years. Consider California, the largest state in the nation with 2,400,000 higher education students. With its 412 colleges and universities it enrolls 13.7%, or almost one

in seven, of the nation's community college, baccalaureate and Ph.D. students (Almanac, 2008)². It provides a perfect example for a case study of the problem, its effects, and its possible remedies.

California's funding situation for higher education provides an exaggerated version of the national pattern. As recently as 1976-77, higher education accounted for 18% of general fund spending, but a 1998 report comparing prison to higher education spending in California noted that baccalaureate spending had "reached an all time low of 12%" of the General Fund by that year. By 2008-09 that portion had slipped further to 11%.³ My own institution, the California State University (CSU), the largest university system in the country at 23 campuses and 450,000 students, accounted for 5.16% of the state budget in 1970, but fell to 4% of the total general fund by 1990-91, drifted down to 3% of the fund by 2005-06—just 58% of the 1970 amount—and has hovered between 3-4% ever since.⁴

The current recession triggered by mortgage foreclosures, bank failures and the stock market implosion has shrunk revenues, reduced the gross state product, and raised the costs of borrowing money, pummeling higher education even more in terms of acquiring what was previously allocated and what universities and colleges can borrow on their own. Federal student loan reforms were able to help students to some degree. Faculty union activity, bolstered by

¹ R. Jeffrey Lustig is the author of "Corporate MisEducation and The Liberal Arts Response," in Steve Rosow, ed., *Globalization and Corporatization of the University*, forthcoming.

² Data is for both public and private degree-granting institutions.

³ California Department of Finance, "General Fund Program (Expenditure) Distribution," Chart C, July, 2005; and CPEC, *Fiscal Profiles 2008*, Display 2: "State General Fund Spending...1965-66 to 2008-09." Also D. Macaller, Taqi-Eddin, and Schiraldi, "Class Dismissed: Higher Education vs. Corrections During the Wilson Years," Justice Policy Institute, Washington, D.C. 1998.

⁴ James Smith, "California Gross State Product, State Budget, CSU Budget," 1970-99," California Faculty Association, Sept. 1999. "CSU Final Budget Appropriation History," 1990/91-2005/06, CSU Budget Office, Long Beach, CA. CPEC, *Fiscal Profiles, 2008*, Display 27, "California State University Fund Sources, as Percentages of Total Expenditures, 1967-68 to Proposed 2008-09."

public outcries, initially kept Governor Schwarzenegger from cutting total funding for the 2008-09 budget further. But the University of California (UC), CSU and the California community college systems have never fully recovered from the severe cuts to faculty staffing and campus services like libraries and classroom building in the recessions of the 1990s and early 2000s. When 20 years of deficits and deferrals are considered, the under-funding of the state's higher education runs into the millions.

Eventually, however, the state slashed \$2 billion from its 2008-09 and 2009-10 budgets necessitating massive cutbacks and service reductions. Beginning in the fall of 2009, regular faculty were furloughed (in the UC system from 4 to 28 days per year with a sliding scale of pay cuts depending on job category, and 18 days and a 9% pay cut in the CSU system) and thousands of part-timers were laid off. In addition, a large number of courses were canceled, extending many students' years-to-graduation, despite recent efforts to contract years to degree. Class sizes grew, and consequently, the faculty who remained suffered a forced increase in workload—more work at less pay—to carry all the students.

The immediate effects of funding cuts of this magnitude have been well chronicled and often described. Colleges in the throes of reducing costs institute hiring freezes and cut some enrollments. *The Wall Street Journal* reported that the CSU in 2009 for the first time in its history dropped the policy of accepting all qualified applicants, and turned away 10,000 eligible Californians.⁵ Student tuition and fees have been forced up to compensate for lost revenues. After fifteen years of previous increases, between 2004 and 2008, UC student tuition and fees

⁵ Jim Carlton, "Budget Woes Take their Toll on Cal State University System," *Wall St. Journal*, April 6, 2009. Regarding earlier cuts in enrollment see David Kirp, "No-Brainer," *The Nation*, Nov. 10, 2003. 17; and William, Zumeta, "Higher Education in the Nineties: Lessons for the New Millennium," *NEA 2001 Almanac of Higher Education*, 84, n.20.

rose another remarkable 60%, and CSU student tuition and fees rose 36%.⁶ In just the 30 years between 1980 and 2008, fees for California resident students in the UC system had already more than tripled in constant dollars (from \$2,500 to \$8,900) and in the CSU system almost sextupled (from \$730 to \$4,150). Then in August, 2009, UC student tuition and fees rose another 32% while CSU fees rose 20% (though with recent raises in May, its total was also 32%). UC's fees wound up higher than the national average while the CSU's were still lower, but it had been a principle of the state constitution for over a century that public higher education would be tuition-free. That these fees hit minority ethnic families hard is clear from one study which showed that between 1980 and 1998 when tuition and fees rose from 5% to 8.7% of white families' median income, they grew from 8.6% to 14% of African-American families' income, and from 7.4% to 15% of Hispanic families' income.⁷ Students were also being saddled with immense loan debt that they would have to pay after graduation.

A further effect of this funding crisis has been to remove attention to equitable faculty salaries, retention, and recruitment as an item on the university policy-making agenda and a publicly-affirmed goal of higher education. CSU salaries have remained frozen over the last few years despite gains presumably guaranteed by contract (and despite federal officials' insistence in the wake of the AIG bonus scandal that we all have to honor contracts and the rule of law). CSU salary increases in the previous ten years were minimal or non-existent. The California

⁶. Tom Mortenson, "California at the Edge of a Cliff," Sacramento: California Faculty Association, 2009. 11; Laurel Rosenhall, "UC, CSU May be Bargain—But Ouch!," Sacramento Bee, May 7, 2009, A1. W. Zumeta, "State Support of Higher Education: The Roller Coaster Plunges Downward Yet Again," The NEA 2009 Almanac of Higher Education, 37.

⁷. "Class Dismissed, 5-6. CEPC, "Fiscal Profiles, 2008," Display 41, "Resident Undergraduate Student Fee in 2008 Constant Dollars;" and Mortenson, 11-12. The share of higher-education funding assumed by students' families

Post-Secondary Education Commission (CPEC) estimated in 2006 that on average they lagged 16% behind salaries of comparable institutions nationally—with full-time tenured faculty much higher. Even when “a tidal wave” of new students was felt to be imminent, faculty hiring was frozen. In one year, 2003-2004, the total number of system faculty actually dropped by 940. Nor has there been any sign in the CSU of the Chancellor’s implementation of Concurrent Resolution 73, passed by the State Assembly at the California Faculty Association’s (CFA) urging in 2001, which called for an increase in the ratio of tenure-track faculty to temporary or contingent faculty positions until it was 75% tenure-track, 25% contingent.⁸

Further deleterious effects of cut-backs include: increased student/faculty ratios,⁹ two-tier faculty structures as universities seek cheaper labor. Part-timers rose nationally from 36% of the faculty in 1990 to 46% in 2003, but by 2000 they already accounted for 69% of the faculty in the UC system, 52% in the CSU and 68% in California’s community colleges.¹⁰ Other deleterious effects include vast increases in deferred maintenance and the constant dispatch of campus presidents into the community in the earnest pursuit of private funding.

California now presents the curious picture of a private university, Stanford, garnering more in state monies than U.C. Berkeley, reduced to drawing only 16.6% of its budget from the state general fund (compared to 54% in 1960.) The CSU drew only 42.8% of its budget from the state’s general fund in 2007-08 (down from 68.5% in 1967-68, and the 70 percentiles in the

increased from 35% to 48% in those years while state and local support dropped from 55.5% to 43%. W. Zumeta, 2001, 81.

⁸ CFA, “Governor’s 05/06 Budget Proposal,” 9. The 940 included 482 tenure-track positions and 458 lecturers.

⁹ See J. Lustig, “Treadmill to Oblivion: The Coming Conflict Over Academic Workload, *Thought and Action*, The NEA Higher Education Journal, XVIII (1 and 2), Fall, 2002. 115-128.

¹⁰ David Kuchta, “The End of Tenure As We Know It,” San Diego: Faculty Coalition for Public Higher Education (FCPHE), May 20, 2002; and July 7, 2000, 3.

1970s).¹¹ Nationally, state and local sources supplied U.S. public higher education in 2008 with about 62% of its general operating revenue.¹² The bulk of the slack is generally being taken up by student tuition and fees, but outlying colleges and flagship research universities also regularly succor aid from private businesses, the resulting agreements presented under the uplifting banner of “public-private partnerships.” A U.C. Berkeley academic department was able in this way, for example, to strike a five-year contract with biotechnology company Novartis receiving millions of dollars in research support and agreeing in return to put its research agenda and parts of its graduate program under its “partner’s” outside control, restrict public notice of research discoveries for a period of time (though openness had been a core principle of a public university), place company representatives on the department’s research committee, and give the corporation first rights to license any discoveries made.

The arrangement was nationally criticized after it ended, but the campus was unable to resist the subsequent advances of British Petroleum, arriving with a half-billion dollar dowry. It now plans to build a large, new state-of-the-art laboratory in which university researchers will work side-by-side with for-profit industrial researchers. The strange issue of such couplings may make many members of the public question the wisdom of their previous pro-life positions.¹³

The smaller institutions make do with big-name local businesses. As the process continues, the

¹¹ CPEC, 2008, Display 24, “University of California Fund Sources, as Percentages of Total Expenditures, Fiscal Years 1967-68 to Proposed 2008-09;” Display 27, “California State University Fund Sources, as Percentages of Total Expenditures, Fiscal Years 1967-68 to 2008-09.” The Community College’s situation differs because it is protected by California’s Proposition 98 provisions. Kirp, 16.

¹² Zumeta, 2009, 30.

¹³ The U.C. deal was between UCB’s Plant Biology department and lapsed after five years. Eyal Press and J. Washburn, “The Kept University,” *Atlantic Monthly*, Mar. 2000, 39-42. G. Blumenstyk, “A Vilified Corporate Partnership Produces Little Change,” *Chronicle of Higher Education*, June 22, 2001. A24-A27. By 1988 Harvard already had sixty-nine such corporate relationships, Stanford forty, and MIT thirty-five. S. Aronowitz, *The Knowledge Factory, Dismantling the Corporate University and Creating True Higher Education*, Boston: Beacon Press, 2000. 44.

time is not far off when freshmen who once entered halls of learning emblazoned with the names of Newton, Darwin, Jefferson, or in California: Wheeler, LeConte, and Royce, will take their places in edifices garlanded with the titles McDonald's, Safeway, and Taco Bell.

Altered Funding Strategies Alter Institutions

Different kinds of funding and funding strategies pursued over the long-term produce different kinds of institutions. The developments noted above introduce deeper trends which, if permitted to play themselves out, will fundamentally transform American higher education itself, and should therefore be considered seriously by those concerned to preserve the more traditional mission and democratic functions of the American university. Three of these trends are of particular significance here: the erosion of academic freedom, the declining character of higher education as a public good, and the constriction of the university's larger social and intellectual purposes.

The erosion of academic freedom. Academic freedom is a main principle and precondition of the university as historically conceived, and sought as an ideal in the United States, Europe and Latin America. As generally understood, the principle refers to a professor's liberty to teach and conduct research by his or her own lights and the standards of his or her profession, and to initiate lines of inquiry and disciplinary innovation that may be unpopular in the society or even on his or her own campus. But beyond this and more profoundly, it refers to professors' rights to take part in the shared governance of the institution and to shape the institution so it can fulfill the principles of collegial scholarship and professional and liberal arts education. It refers primarily not to a freedom from power, though this is important, but to this freedom in power. Both of these are essential to the function of the university identified by

Immanuel Kant two centuries ago, which was that of speaking reason to society. As he saw it, the university

must contain a faculty that is independent of the government's command with regard to its teachings; one that ...is free to evaluate everything, and concerns itself with the interests of the sciences, that is, with truth: one in which reason is authorized to speak out publicly.¹⁴

By that reckoning the university must be independent of the command not only of state censors but of private business profit calculations as well.

Two of the trends noted above threaten to impair this freedom. First, the pursuit of funding from private donors and partners may easily chill free speech and preempt the application of scholarly standards. The extent to which this has happened with medical research has already been well documented. Writers from other business sectors urge the university to move along this path more quickly and abandon academic freedom in favor of commercial payoff. The authors of a tome for the times entitled *What Business Wants from Higher Education* candidly warn, for example, that "The autonomous culture of higher education may...work against developing the [marketable] skills" business now seeks. They recommend an education for "flexibility" and "teamwork" instead of intellectual autonomy and for service to an expected series of corporate employers rather than students' intellectual growth.¹⁵

It is significant on this point that the great educator and former U.C. President Clark Kerr (1995) early on called for a greater integration of university and industry and later wrote that there is "more to a university" (p. 182) than what sells in the market.

¹⁴ I. Kant, *The Conflict of the Faculties*, transl. Mary J. Gregor (New York: Abaris Books, 1979 (orig., 1798), 27–29.

Some such non-market needs are training for good citizenship, advancing cultural interest and capabilities of graduates, providing critiques of society..., and supporting scholarship that has no early, if ever, monetary returns. (pp. 192-193)

It was the need for autonomy from external forces that Kerr now stressed as an essential condition for a healthy university.

Secondly, the increased hiring of temporary faculty as a cost-saving measure creates a large sector of the faculty for whom the protection of academic freedom does not apply. To the extent colleges and university are organized or “reinvented” as simply another form of business organization, academic freedom is effectively impaired by abolishing it for the expanding ranks of its second-class citizens. If part-timers cannot exercise academic freedom and half of the tenure-track faculty are loathe to utilize, it until they achieve tenure, then academic freedom does not exist as a functioning norm for 75% of the institution.

The loss of higher education’s character as a public good. A college or university dependent on private funding comes under great pressure over time to become a privatized institution, whatever its formal charter and traditional role. Kelderman (2009) describes the “de facto privatization of public higher education” that is now “loosening the bonds between state governments and public colleges,” as the latter are given “more operating freedom [“to bolster their bottom lines”] in exchange for reductions of public aid.” (p. A16) It becomes difficult to uphold the status of public universities as public resources when the costs of their operations are paid increasingly by private donors and industries. “Operating freedom” to find new funding sources is also freedom from public oversight, public responsibility, ultimately the function of

¹⁵ D. Oblinger, and A-L. Verville, What Business Wants from Higher Education, American Council on Education

educating new generations of democratic publics. More, de facto privatization may well wind up serving the same functions in higher education that it has served elsewhere, permitting private industries to engross public and publicly-developed resources. Confusions on this score are already becoming evident as some major universities, for example, contract with high-tech providers, on a no-bid basis, to accept their computer technology, desktops and software in return for giving the providers exclusive rights to wire their campuses and market their products to students, a captive public resource.¹⁶

Individual student fee-payers lack the power of the high-tech corporations, but privatization via increased tuition and fees has its costs too. In the nineteenth century, one of the recognized functions of higher education, and its main function from the civic republican point of view, was to educate citizens in the skills, knowledge, and sensibilities necessary for self governance. Its function, that is, was political. C. Wright Mills (1957, 1959) saw this clearly when he wrote “the prime task of public education, as it came widely to be understood in this country, was politics: to make the citizen more knowledgeable and thus better able to think and judge of public affairs.” (1957, p. 317) Later, he reiterated that a true public education gave “individuals and publics ...confidence in their own capacities to reason.” (1959, 185-189)

Higher education was originally seen in America as a public good in which the public properly invested, “for the dignity of the commonwealth” as a minister urging public support for

and Oryx Press; Phoenix: Oryx Press, 1998. 18, 22.

¹⁶ David Noble reported that UCLA, U.C. Berkeley and the University of Colorado all struck deals along these lines. *Digital Diploma Mills: The Automation of American Higher Education*, New York: Monthly Review Press, 2002. The CSU system attempted to do this with the California Education Technology Initiative (CETI) in 1997, contracting with GTE, Microsoft, Hughes Electronics, and Fujitsu, but was prevented by the law prohibiting private profit-making from public resources.

what would later be the University of California phrased it.¹⁷ Now, however, as private fees come to be seen as a structural element of university funding, university administrators and legislators cease to see the university as a public good fulfilling public function and properly paid for by the public. They begin to think of it simply as the intersection of private career paths offering private services properly paid for by private investments. For them, college campuses become intellectual bazaars and malls offering goods to private individuals and properly financed out of personal savings or family income.¹⁸ The idea of a university as a knowledge commons, a place that requires openness, collegiality and the free flow of ideas, the notion of college as a gift economy that depends on members sharing their ideas and having obligations to each other as parts of a community,¹⁹ will be casualties of this view.

The constriction of the university's larger social and intellectual purposes. The decline in public funding and the transformation of colleges and universities into competitors for private funds introduces into American public higher education new criteria of performance, new forms of campus leadership, and ultimately a new model of what a university is. As fiscal considerations come to the fore and tangible and quantifiable measures of performance are rewarded at the cost of the intangibles of students' intellectual growth and faculty's intellectual life, campuses are encouraged to focus on external tangibles and projects that could conceivably attract local money, and to adopt a host of cost-cutting measures from the world of private

¹⁷ In this view University instruction was undertaken "for the dignity of the commonwealth...to furnish the citizen the means to discharging the duties imposed on him." John A. Douglass, The California Idea and American Higher Education, Stanford: Stanford University Press, 2000. 44, 95, and 22–39 passim.

¹⁸ "Lawmakers increasingly view higher education as a private good that should be supported more by students and donors, rather than as a public good that deserves state support." Jeff Selingo, "The Disappearing State of Higher Education," Chronicle of Higher Education, Feb. 18, 2003. A22.

business. They downsize, outsource, create two-tier job structures, institute speed-ups, convert programs into profit centers, and adopt costly technologies for fiscal rather than educational reasons. A flight from bricks-and-mortar planning to the aethereum of distance learning takes place, for example, not because the latter has anywhere proven valuable or even, if done properly, cost-effective but because of the accounting department's hope born of scarce funds.

Students are miscast as "consumers." Campus presidents are reduced to fund-raisers, and the role of campus educational leader goes vacant as the administrative staff concentrates on building programs, marketing, and creating identity packages for which the trappings of higher education begin to serve as simply a decorative lure.

Though university leaders and higher education advocates at first stressed the economic side of higher education's contributions only in order to elicit legislative support, administrative CEOs are eventually recruited who can't see beyond the economic perspective and begin to mistake the university for a vocational training center. They construe the main task of the new corporate university as those of "knowledge production and distribution" for the global economy, preparation of students for "labor market rewards," and growing the gross state product.²⁰

There have been grander and more accurate formulations of the fundamental purposes of a university—to help students "discover their own best powers," as Paul Goodman described it, prepare citizens for self-government in Jefferson's view, speak reason to society in Kant's

¹⁹ Lewis Hyde, *The Gift: Imagination and the Erotic Life of Property*, New York: Vintage Books, 1983; and J. Lustig, "From Art to Alienated Labor: The Degradation of Academic Work," *Thought and Action*, New York: National Education Association, Fall, 2006.

²⁰ Phrases are culled from literature on the topic. Kirp et al. Some might propose that true vocational training would be a step up from what would be provided under the rubrics of "teamwork," "communications skills" and "flexibility" for a life of shifting careers.

words, and give “individuals and publics ...confidence in their own capacities to reason” in Mills’.²¹

The alternate view of the task of the corporate university was described by then CSU Vice Chancellor and current President of the American Council on Education Molly Broad when she wrote “[H]igher education must [now] stand ready to measure institutional performance in terms of the demonstrated learning of our students, particularly in the areas deemed relevant by prospective employers.” (Oblinger, 1998, p. vii)

The Funding Crisis and Political Choices

“The fiscal trade-offs between [prisons and universities] can serve as a barometer of sorts, helping to gauge a state’s hope for its future.” (Macaller, 1998, p. 3)

The causes for the recent decline of public funding for American higher education are usually presented as inevitable and inexorable. That decline is attributed to cyclical revenue shortfalls or the cyclically-varying competition for funds to pay for rising social service caseloads (e.g. Medicaid) or for public assistance or corrections. That competition is particularly fierce in California because these programs all draw funding from the diminishing discretionary part of the state budget (now estimated to be less than 15% of the whole.) William Zumeta (2009) has shown, however, that this explanation of things entirely in terms of cyclical revenue flows ignores the increasingly structural character of the problem.²²

²¹ Paul Goodman, Compulsory Mis-education and The Community of Scholars, (New York: Vintage Books, 1964), 139-140, 172. Jefferson’s legacy is preserved in the Northwest Ordinance of 1787, the basis for the Morrell Act of 1862. Jefferson wrote Madison in 1787: “The only sure reliance for the preservation of our liberty is to educate and inform the whole mass of the people.” Benjamin Barber, An Aristocracy of Everyone: The Politics of Education and Future of America, (New York: Ballantine Books, 1992), 224. Mills, Sociological Imagination, 189.

²² Zumeta, 2001, 75.

It also ignores something more. It ignores the fact that the short-falls both in total revenue and in available discretionary resources are not the result of inexorable forces. They are the product of political choices, the result of people's decisions. It may be considered politically savvy not to keep saying that down at the capitol, nor to start pointing fingers during a continuous process of negotiations. but tactics pursued over the long term have a way of working their way back into consciousness. In addition, analysts and pundits habituated to avoidance may soon entirely forget the real sources of the problem. The fact that those problems arose as a result of human agency grows dim. Political trends become reified, misconceived, and treated as unquestioned "givens" when they are not given at all. That is unfortunate because a remedy proceeding from a faulty diagnosis can hardly be expected to succeed.

The politics of funding reductions

The role of political choice is particularly clear in California, the launch pad of the anti-tax revolt of the late 1970s. The primary and root cause of shortfalls in its social service budgets today was the passage of Proposition 13 (Prop 13) in 1978. That single measure, which cut tax rates (to 1% of a property's value) and the maximum amount rates could be raised in any year (to 2%) resulted in an immediate reduction in property tax revenues of 57% for the state and eliminated a \$120 billion from property taxes and state revenues over the next ten years.²³ It also put obstacles in the way of raising of property taxes (2/3 vote requirements, state and local) which remain to this day. It has directly affected the higher education institutions of the state.

It would be wrong, however, to conclude, that Prop 13 spelled a nullification of state investment in social services. It occurred, rather, simultaneously with a shift in the kinds of

²³ "10 Years Later, Voters in California are Asked to Make Up for Lost Taxes," New York Times, June 4, 1988.

social services to which state legislators were willing to respond. At the same time program revenues following Prop 13 imploded in California; spending on incarceration facilities exploded.

Between 1980 and 1998, while California was cutting its college and university funding, it tripled the number of its prisons. Where twelve had been sufficient to all its needs before, it now built 21 new ones for a grand total of 33 prisons at a time when it only added only one higher education (CSU) campus. During that period it also raised prison guards' salaries from an average of \$21,000 to \$46,200 a year, and mandated a future raise to \$50,800, when instructors at state universities make an average between \$32,000 and \$37,000 per year.²⁴ The \$46,000 position required only a bachelor's degree, furthermore, while the more poorly-paid position required a master's degree and teaching credential. What happened in the Pacific Province in the 1980s to finance this prison expansion as well as to pay for rising health care costs and increased tax exemptions was not just a drop, or a decline in investment in higher education, but an intentional *disinvestment*, a decision to cut support for higher education. A state which had excelled in the cultivation of human potential now devoted its energies to locking up that potential.

The politics of campus transformation

Adding to the destructive effects of these external decisions for the campuses of California and the nation were the effects of campus presidents' reconceptualization of their institutions' basic nature and purpose. These choices inside the ivied walls aggravated the results

²⁴ "Class Dismissed," 2, 4. The report noted that 1995 marked the first year in history in which states around the country spent more on prisons than colleges. 2. As this is written some California leaders talk of reducing the prison population but nothing has happened, and the size of the prison archipelago will continue to put a steady strain on state budgets.

of those made outside, especially for the university's core missions of teaching and learning. With the rise of the corporate university and of educational administrators who conceive of themselves as corporate CEOs and fund-raisers rather than as a support staff for teachers and researchers—who resent employees who insist on being co-governors—and there has been a redirection of the dollars away from classroom functions to other aspects of the enterprise. The CSU system again provides a telling example. In 1967-68, 80% of CSU total expenditures were spent on instruction, while only 17.2% were spend on institutional support (i.e. administrative overhead). By 1980-81, 61.5% was spent on instruction and 24.5% on institutional support. In fiscal year 2008-09, the amount spent on instruction had fallen to only 41.5%, while that spent on institutional support remained roughly the same. However, within that institutional support, administrative salaries, particularly presidential compensation, had risen enormously.²⁵

The history of the CSU since the 1990s, as of other universities in the country, has shown an absolute increase of both number of administrative positions and salaries while faculty hiring and salaries have lagged behind enrollment growth and sometimes inflation. This is a direct effect of the new business model of the university and the attempt to reorganize American higher education on business lines. Consider that in FY 1998-99 the CSU system as a whole had recovered from the recession cutbacks of 1992-93 and taught about 1000 students a year more than in 1990-91 but with 1400 fewer tenure-track faculty and with 33% more administrators. (The system also employed 66% more lecturers/part-timers). One analysis in 2002 reported a 34% rise in administrative costs in the system over the preceding three years.²⁶

²⁵ CPEC, "Fiscal Profiles, 2008" Display 34, "California State University General Purpose Expenditure Categories...Fiscal Years 1966-67 to 2008-09."

²⁶ Lustig, "Treadmill," n. 8 above. Newsletter, FCPHE, San Diego, VI (4), May 20, 2002. p.4.

In 2006-07, when the system budget and faculty salaries rose only 3% (after years of freezes in the latter), and the trustees authorized increases of 8% and 10% in undergraduates and graduates respectively, they raised executive salaries 13.7%. The faculty union calculated that the amount spent on these increases could have added 262 more class sections to serve 10,000 more class enrollments in the system.²⁷ The 13.7% increase for executive salaries did not include additional increases in transportation and housing allowances, It also did not include pay-outs to presidents and top system-wide officials in the form of “transition pay” in the \$150,000-\$560,000 range upon retirement, consulting contracts, and unused vacation time that were undisclosed publicly but were unearthed by journalists in 2006.²⁸ From 2002 to 2007, compensation for top executives in the system grew 25% while faculty salaries rose just 5.6 %. On my own campus in Sacramento, the president received a total compensation increase in 2006 of \$57,466 on top of his previous salary of \$258,000. As of early 2009, his compensation totaled \$369,000. When he arrived in 2003, he also received \$344,000 in what a California State Auditor's report later found "questionable reimbursements."²⁹ Average starting salaries for new tenure-track hires on the campus at that time, by contrast, were less than \$50,000.

The build-up of administrative personnel and remuneration in these amounts cannot be justified by any educational rationale. It removes resources from the classroom and support services and saps faculty and student morale. It partakes of the parasitic, with a managerial elite

²⁷ “Weekly News Digest from CFA, Special Headlines,” CFA, Oct. 31, 2005. (e-mail message).

²⁸ J. Doyle, “CSU Compensation: Extra Pay Follows Top CSU Brass Out the Door,” San Francisco Chronicle, July 17, 2006. A-1.

²⁹ B. Lindelof, D. Korber, “Audit Critical of Perks at CSU: Gonzalez got 33% in pay hikes, a kitchen remodel, special loan,” Sacramento Bee, Nov. 7, 2007. The perks included money to defray closing costs on his previous home, moving expenses, \$27,000 for remodeling his new kitchen and \$233,000 in loans for a new house at a 1.7 percent interest rate. Also CFA leaflet, “Making Choices,” Feb. 2006. Current salary from Sacramento Bee, State Employee Salaries, <http://www.sacbee.com/statepay/> accessed May 4, 2009.

battening off of and slowly debilitating what should be an educational community.

Consequently, part of what is often presented as the result of a fiscal crisis thus turns out to be the result, instead, of a mistaken organizational model, and avarice in high places that the country recently learned is a standard part of that model. The conclusion that follows, in any case, is that the fiscal crisis of the contemporary American university is not the product of inexorable forces but of people making choices, choices informed by premises and models that are now degrading the value of its core educational function.

A last “source” or cause of disinvestment should also be noted in conclusion. This is the loss of any larger public voice championing the broader purposes of higher education, the loss of what political scientists once called “Opinion Leaders” for what is not a special interest but a key element of the public interest. At mid century, higher education could count on the support of a wing of the Democratic Party for this. Before that, it counted on the Progressive break-aways from the Republican Party, and in the nineteenth century, education counted on civic Republican leaders in many states and in the federal government (e.g. Senator Justin Morrill, architect of the land grant college system).

Such circles are quiet today. In the meantime, an array of business roundtables, foundations, national commissions, educational administrators, and rump parliaments of term-limited legislators regularly turn out advice about everything from management by objectives to distance learning and from assessment to the replacement of “seat time” by “demonstrated outcomes.” Faculty and genuinely dedicated administrators, those with the most experience in teaching and most attuned to the minds and needs of college students, those often most informed

about the larger world, remain silent as a group, focused on their own articles or disciplines and hobbled perhaps by a mistaken understanding of academic neutrality.

Funding Strategies for the Future.

How can the hemorrhage in American higher education funding be stanching? The most obvious options are familiar to many. As the previous analysis suggests, however, the familiar remedies are also ultimately inadequate and may actually be harmful. These familiar remedies are to (a) encourage further privatization through the search for more private partnerships and gifts, (b) continue raising the price of college for students via higher tuition and fees, (c) increase competition with other social services for scarce discretionary funds, and presumably (d) link appropriations and allocations to accountability or performance measures.

The first of these options, privatization, poses a threat to the integrity of the university and to academic freedom as we saw. While short-term reliance on private funders and partners may be necessary as a stop-gap measure, it is not the responsibility of the private sector to provide for the society's higher education, any more than it is to provide its military or its judicial system just as it is not industry's responsibility to provide for the society's health care. Higher education is a public good. It is a necessity of self-government and should be provided by the public through its own mechanisms and with its own accountability.

Second, it is inconsistent with the promise of democratic access to saddle low-income students with greater loans, grants, and competition for scarce scholarships. Each incremental increase in tuition and fees raises the barrier to a further segment of the poor and to minorities. It also increases the working hours and loan burdens of those who remain enrolled, effectively turning the university into a buttress for American class divisions rather than a way out of them.

Increasing competition against other social programs for scarce discretionary funds is a third remedy and entails a beggar-thy-neighbor strategy which leaves all the programs poorer and leaves them politically fragmented. It can also be expected to leave higher education in a weak position because, as opposed to prisons or welfare services, others can argue that higher education has alternative revenue sources in the forms of tuition, research grants, and technology transfers.

A fourth remedy that has been popular with educational administrators and those in business circles is to link funding to performance measures. This is, however, ultimately a fanciful remedy and as unworkable because it is nonsensical, and not surprisingly, it has begun to lose support. Performance-based funding is unworkable because most of the most important things about learning are intangible and cannot be measured by outcomes tests at the end of the semester, no matter how much the production of complex “assessment mechanisms” has become a cottage industry. Measuring profit is simple. It is tangible, quantifiable, and calculable on a single scale, but the “end-product of a liberal education... is the self-educating, self-cultivating man or woman.” (Mills, 1957) How does one measure that at the end of the semester? How do we weigh one kind of cultivating against another? This is also a nonsensical solution because punishing the laggards, even if they could be accurately identified, is the opposite of what underperforming schools clearly need. They need more attention and resources, not less. One does not fatten a bull, in any case, by weighing him, as a retired matron from a rural county once advised me at a Sacramento legislative Lobby Day. The whole strategy seeks to recast the problem as one of outputs when it is clearly one of inputs. “Of 26 states that adopted performance-based college financing systems since 1979,” a 2009 report notes, 12 have scrapped

them,” two more do not really use them, and others ditched their original plans and are trying alternatives.³⁰

One other possible remedy might provide a dependable funding base for colleges and universities, though it would be unpopular and probably politically unwise. That remedy is to embed a state’s higher education funding in a some statutory formula. Revenues from a particular revenue source (e.g. oil or timber depletion fees) could be earmarked for higher education, or a percentage of a particular fund set aside for that purpose (e.g. from a tax on sales made over the Internet). Proposition 98 (Prop 98), passed in 1988, did this in California by reserving approximately 40% of general budget outlays for K-12 schools and community colleges. Prop 98 and its sponsor, the California Teachers Association, have come in for steady criticism for this over the years because it locks up such a large part of the general fund. However, passing such a measure makes sense as a defensive measure, and it was passed after Prop 13 to keep California’s schools from deteriorating further than they already had. It is hard to imagine what the currently abysmal funding levels for K-12 schools and community colleges in California would look like if Prop 98 had never been passed.

These remedies are all stop-gaps measures. Ultimately, no solution to the crisis of higher education funding can succeed if it fails to address the political roots of the crisis—the roots of the larger revenue shortfall outside the university—and of the flawed model and priorities within the university. Any discussion of future financing options that fails to take note of these two aspects of the problem in California and elsewhere cannot be said to have dealt satisfactorily with the issue.

³⁰ P. Schmidt, “States Fail in the Attempts to Pay Colleges to Perform,” *Chronicle of Higher Education*, April 24,

To talk about political roots and the need for a political response is not meant here to direct higher education organizations to greater lobbying efforts within state legislatures or to ever-larger contributions to campaign funds, though these may be parts of the task. Rather, it is meant to direct attention to politics beyond the legislature to the world from which public mandates emerge and new issues are raised for the legislative agenda. When we look to this larger social world, we see that the crisis of the university is part of the larger crisis of the public sphere that has been unfolding in America for the last three decades.

We also see the critical loss of a public voice for higher education, a voice made up not simply of foundations and trustees or administrative organizations, but of faculty, faculty unions, advocacy groups like the AAUP, students, and others. Legislators change their votes when they are publicly pressured to do so by organized constituencies. If the priorities causing the disinvestment in higher education are to be changed, it will be necessary to mobilize this educational “estate” into a larger campaign both for its immediate goal and on behalf of a public world of which the university should be a core element.

A constituency or “estate” that understands higher education, and its political and cultural as well as economic functions, must be willing to go to the public directly in meetings, hearings, Op-Ed pieces, and the like and to remind them of why we have public colleges and universities and why they are so important. It is also clear that 30 years of beating around the bush on taxes is enough. Educational groups must be willing to argue for higher taxes in order to increase the investment in higher education. The key to making this argument is to remind people what is ultimately at stake is not only in their own development as individuals but also the fate of

democracy itself. If, as a bumper sticker says, they think education is expensive, they need to add up the prices of mass ignorance.

The underlying argument of this paper is that different mechanisms for higher education funding carry different implications for colleges and universities. To rely on student fees to close the funding gap closes off access and removes the democratic promise of American universities. To turn permanently to private funding sources makes the university subject to private mandates and the requirements of private profit, destroying academic freedom along the way. A system of public higher education the purpose of which is to enrich public life and help create educated an public must be supported by the public. As Edward Bellamy (1960) wrote more than a century ago in 1888, what is at stake is not only the right of individuals to acquire an education, but also the right of us all to live in an civilized society and enjoy the benefit of educated public world.

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