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# Californias Budget Crisis and It's Impact on Higher Education

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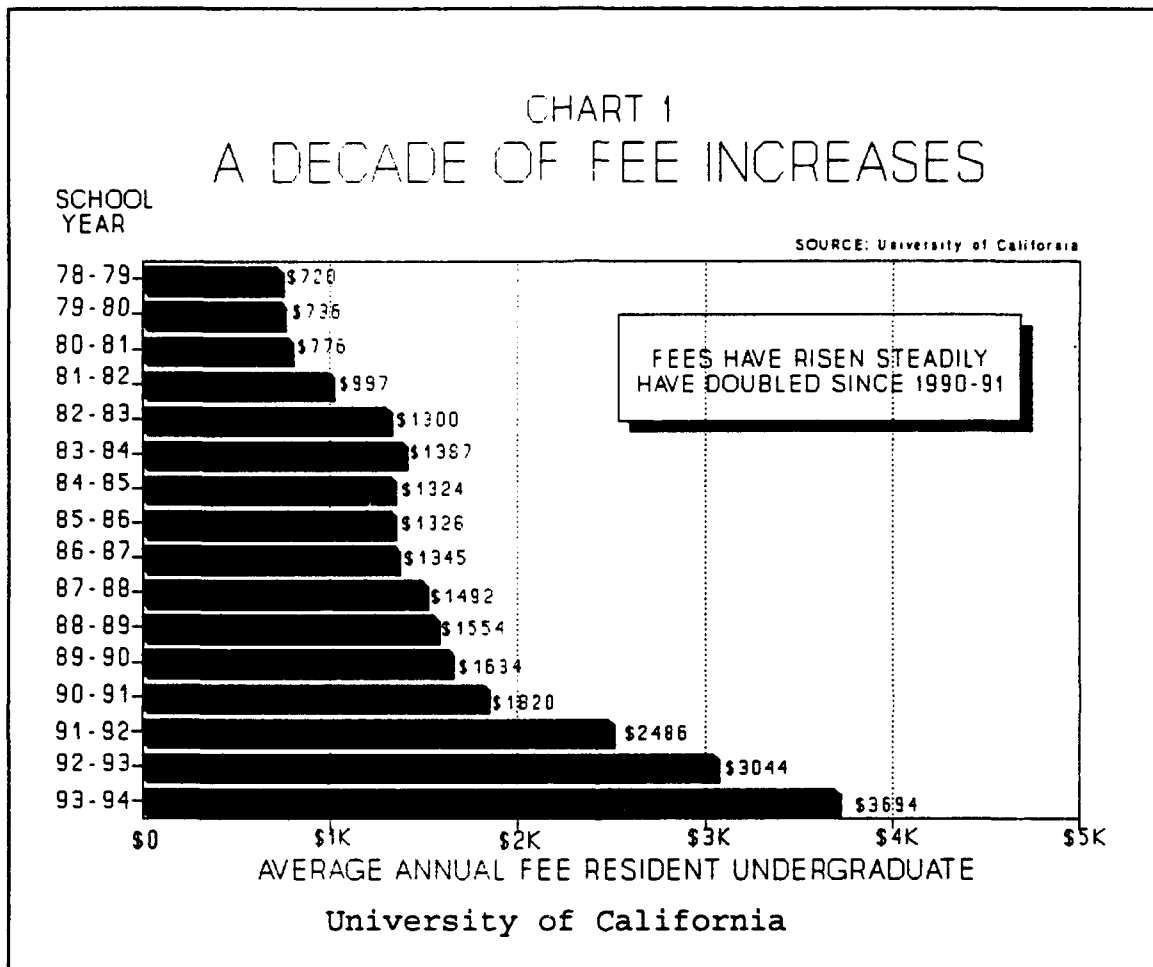
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# CALIFORNIA BUDGET CRISIS

## AND IT'S IMPACT ON HIGHER EDUCATION

In the not too distant past California's higher education system was the envy of the nation and regarded as a model for the rest of the country to emulate. The system was viewed as one that provided a quality higher education at a cost affordable to most citizens of the state. The facts show the state no longer provides the quality education at the low cost it did in the past.

The students at the California State University system face the second straight year with huge fee increases, this year fees will increase a whopping 40%. A student in the University of California system gets off a little better this year with an increase of only 24%. But over the last four years their fees have dramatically increased, and have in fact doubled since 1990-91, (see chart # 1). Students at the California Community Colleges will see their fees go from \$6 per unit to \$10 per unit, a 66% increase. They will also see the cap on fees go from \$180 to \$300 per semester, another 66% increase (Weintraub, 1992).



This paper will examine the factors that have caused this explosion in costs, the resulting impact on the education system, and the policies if any that should be implemented to correct the problem.

It is perhaps best to begin with a brief description of the higher education system in the Golden State.

## CALIFORNIA'S HIGHER EDUCATION SYSTEM

The system of higher education in California is a three tier scheme consisting of the:

- \* University of California System
- \* California State University System
- \* Community Colleges System

Each system is separate and distinct and exists to meet the needs of a particular segment of the population. Each system has it's own governing body and it's own separate funding sources. Taken together this is the largest higher education system in the nation and serves about 2 million students (Cal.Dep. of Ed., 1992).

### UNIVERSITY OF CALIFORNIA SYSTEM

The University of California (UC) system consists of 9 separate campuses. Eight are general campuses and one is a health science campus. The system has three law schools, five medical schools, two dental schools and one school of

veterinary medicine. The UC system has sole authority among California's public institutions to award doctoral degrees in all disciplines. In general, admission of first-year students is limited to those in the top one-eighth (12.5%) of California's high school graduates. There are over 154,000 students in this system (Cal.Dep.of Ed., 1992).

### CALIFORNIA STATE UNIVERSITY SYSTEM

The California State University system (CSU) consists of 20 campuses. This system offers over 1,500 bachelor's and master's degree programs. The system jointly offers a limited number of doctoral programs in conjunction with the UC system, or in some cases with private universities. In general, first-year admission is limited to those students in the top one-third (33%) of California's high school graduates. The CSU system serves approximately 270,000 students (Cal.Dep. of Ed., 1992).

### THE COMMUNITY COLLEGE SYSTEM

The California Community College system (CCC) consists of 107 campuses operated by 71 locally governed districts throughout the state. This system is by far the largest of the three with about 1.5 million students receiving instruction. These colleges are two year institutions that offer a variety of academic and occupational programs as well as basic skills and citizenship instruction. These colleges are essentially open to all California residents over the age of 18 (Cal.Dep. of Ed., 1992).

## WHY THE RISING COSTS ?

To say that costs for higher education in California have risen dramatically is an understatement. In the last decade for example the average annual fees for a full time resident undergraduate student in the UC system have gone from \$720.00 in the 1978-79 school year to \$3,694.00 in the 1993-94 school year. Not only have fees been increasing, they have been increasing at an increasing rate. More than doubling since the 1990-91 school year, (see chart # 1).

According to the Legislative Analyst's Review of the Governor's 1992-3 Budget Proposals, the primary causes for these increases as well as the increased costs in the CSU and CCC systems are:

- \* Salary increases to remain competitive
- \* Price increases and equipment purchases
- \* Enrollment growth
- \* Construction and operation of new buildings

### Competitive Salaries

The California Postsecondary Education Commission (CPEC) is

charged with submitting an annual report to the state Legislature in which the UC and CSU salaries are compared to a group of universities with which the UC and CSU systems compete for faculty. In order to bring faculty salaries to parity with their respective comparison group, CPEC's report for the 1992-93 school year recommended a 6.7% increase for the UC faculty and a 6% increase for the CSU faculty. As a point of interest the universities included in the UC system comparison group include; Harvard, Yale, Stanford and MIT. The UC and CSU systems each use a different methodology in making their comparisons (Legislative Analyst's, 1992). This has a significant impact on costs and will be discussed latter.

#### Price Increases and Equipment Purchases

Price increases effect such things as library subscriptions, utilities, laboratory supplies and replacement of instructional equipment. Using the current methodology to determine replacement schedules for equipment, the UC system will need about \$22 million and the CSU system will need about \$18 million, above the amounts contained in the budget to maintain the desired schedule of equipment update and replacement (Legislative Analyst's, 1992).

## Enrollment

The California Master Plan for higher education establishes the admission eligibility to the various segments of the higher education system, as well as such things as student teacher ratio, class size, etc. As enrollment increases so must faculty and staff to maintain the standards established within each system. According to the formulas established for this purpose it will cost the state General Fund \$6,000 to add a student to the UC system and \$4,400 to add a student to the CSU system for the 1992-93 school year. The CCC system costs \$2,700 per student (Legislative Analyst's, 1992).

## Construction and Operation of Buildings

In recent years there has been significant new construction at the UC and CSU campuses. There is in fact one new CSU campus under construction (California State University at San Marcos). As new buildings are constructed, budgets go up for maintenance and operation. There is also a requirement for increased funds to pay for the costs of the bonds used in the construction.

## SUMMARY

Expenditures for Higher Education from the state General Fund have naturally increased over the years. From the 1985-86

school year to the 1992-93 school year these costs have risen \$1.6 billion. This represents an average annual increase of 4.4%. When adjusted for inflation the increase in expenditures from the General Fund increased only 0.2% over this period, while enrollment increased greatly. The share of General Fund spending of higher education actually decreased from 16% to 14% over this period (Legislative Analyst's, 1992). Although the costs for these institutions has risen greatly it would appear that Higher Education has not been the source of the state's budget woes.

### **WHERE DOES THE HIGHER EDUCATION MONEY COME FROM ?**

The following figures were proposed for the 1992-93 school year. All figures are in millions of dollars.

<u>University of California</u>	<u>Proposed</u>	<u>Change From 1991-92</u>	<u>% of Total</u>
State General Fund	2,136.6	+ 31.0	22%
State Transportation Fund	1.0	-----	
California Water Fund	-----	- 0.1	
Cigarette & Tobacco Surtax Fund	11.9	- 15.0	
Lottery Education Fund	14.5	-----	
Federal Funds	13.4	-----	
Higher Education Income & Fees	669.2	+ 88.9	7%
University Funds	2,827.2	+ 172.9	29%
Extramural Programs:			
Federal Funds	3,412.8	+ 179.4	35%
Other Funds	742.0	+ 53.6	8%
 TOTAL	 <u>9,829.6</u>	 <u>+ 510.7</u>	

(Legislative Analyst's, pg. 101)

<u>California State University</u>	<u>Proposed</u>	Change From <u>1992-93</u>	% of <u>Total</u>
State General Fund	1,663.4	+ 23.2	58%
Student Fees	408.4	- 0.1	14%
Lottery Education Fund	26.0	- 0.7	
Special Account for Capital Outlay and Bond Funds	5.0	- 10.4	
Special Funds	120.0	+ 9.6	4%
Federal Funds	110.4	+ 2.1	3.6%
Reimbursements	62.3	+ 0.4	
Auxiliary Organizations	459.9	+ 35.2	16%
TOTAL	<u>2890.4</u>	<u>+ 59.3</u>	

(Legislative Analyst's Review, pg.117)

<u>Community Colleges</u>	<u>Proposed</u>	<u>Change</u>	% of <u>Total</u>
State General Fund	1,876.5	+ 170.9	61%
Local Property Taxes	947.4	+ 103.0	31%
Lottery Funds	75.4	-----	2%
Bonds Funds	5.8	+ 5.1	
Reimbursements	55.7	+ 0.7	1.6%
Student Fees	88.8	+ 0.6	3%
Other Funds	3.8	- 0.5	
TOTAL	<u>3053.4</u>	<u>+ 216.7</u>	

(Legislative Analyst's Review, pg. 128)

For all three of the systems, money from the state General Fund constitutes a significant portion of the budget -- for the CSU system and the CCC system the General Fund provides by far the largest portion of the budget. The portion of the General Fund destined for higher education as well as the money destined for grades kindergarten through 12th was at the heart of

the impasse in the budget crisis in California last year, resulting in the state being without a budget for over two months last summer and resorting to issuing vouchers to pay some of its bills.

The Legislative Analyst's Review of the Governor's 1992-3 Proposed Budget revealed that the proposed Higher Education budget outlined above called for increases from the General Fund of \$225.3 million over the previous year (Legislative Analyst's, 1992). Major proposed changes were for the following:

**UNIVERSITY OF CALIFORNIA** (Increase of \$31.1 million, +1.5%)

- + \$46 million for merit salary increases
- + \$17 million for enrollment increases
- + \$13 million for price increases and equipment
- + \$13 million for employee benefit increases
- + \$12 million for revenue bonds & maintenance of new spaces
- \$60 million to reflect an increase in student fees
- \$7 million reduction to the Office of the President

**CALIFORNIA STATE UNIVERSITY** (Increase of \$23.2 million. +1.4%)

- + \$17 million for enrollment increases

**COMMUNITY COLLEGES** (Increase of \$171 million, +10%)

- + \$155 million for student enrollment (new and current)
- + \$50 million for program improvements
- + \$38 million for a 1.5 percent cost-of-living increase
- + \$10 million for a reserve
- + \$8 million for revenue bond payments
- \$9 million for deferred maintenance
- \$101 million local revenue offset

It is difficult to trace these budget lines through the budget process and determine who is proposing what and how that compares to what was enacted because different groups, committees, and government bodies use different terms and include different funds in their numbers. It's particularly difficult with the Community College system because that budget is included in the K-14 budget. Looking at the UC and CSU systems only we see they proposed a \$54.3 million increase in their General Fund financing. They will actually get a 8.9% decrease or about \$360 million less than they received the previous year (Weintraub 1992).

**PROBLEMS WITH THE BUDGET**

1. Based on established formulas and anticipated enrollment growth, there should be an estimated increase of \$343 million in the UC and CSU budget for 1992-3 (\$124 million for the UC and \$219 million for the CSU) (Legislative Analyst's 1992). Instead the budget decreased \$360 million (Governor's Office 1992). This means the budget is about \$413 million less than what the

Universities asked for and about \$703 million less than what they would need to met the Master Plan requirements.

2. The proposed budget would have resulted in an estimated 12,000 fewer students -- who according to the Master Plan will be eligible to attend the CSU system -- not being able to attend (DeBare & Gray, 1992). The CSU budget would require approximately \$53 million more to accommodate these students (Legislative Analyst's 121). With the \$360 million budget cut even more eligible students will be unable to attend.

3. While there is a provision in the budget of each one of the systems for a student fee increase there is no corresponding increase for CAL GRANTS (aid to needy students). It's estimated that the fee increases will result in a CAL GRANT shortfall of \$19.2 million, (\$11 million for the UC system and \$8.2 million for the CSU system) (DeBare & Gray, 1992).

4. The CSU administration and the California Faculty Association intend to reduce the teaching load for the UC system and the CSU system by one unit (Legislative Analyst's, 1992). Not only will this increase costs, it will also add to an already serious problem at some CSU campuses of a shortage of course offerings.

5. Tax revenues may not be as high as estimated. The money to fund even this budget may not be available.

## DISCUSSION

There is indeed no free lunch. It could be argued that Californians have had it too easy too long with regard to higher education. For example, even with the relatively huge increase in Community College fees that will go into effect this year (\$10 per unit--up from \$6 per unit, and raising the cap from \$180 to \$300) California still will have the lowest Community College fees in the nation (Wilkie, 1992).

Governor Pete Wilson has brought a different approach to how services are funded in California. In the past the methodology was to determine the needs --- schools, welfare, health care, prisons, highways etc. --- then raise the revenues to fund them. The new approach is radically different. Governor Wilson starts with a given revenue level, ranks the needs in order of importance and funds as many of the needs, in order of priority, as the revenues will allow. This shift in methodology was the essence of the budget impasse last June between the Governor and the State Legislature. The education budget was at the heart of the battle. The Assembly Democrats looked at the need --

Governor Wilson looked at the revenues available (Yost, 1992). Since the requirement was a balanced budget, the only alternatives were (1) to raise taxes which is not a popular idea with the current recession hitting California so hard, or (2) reduce spending. The opposition to raising taxes was clearly demonstrated by the defeat in November 1992 of Proposition 167 which called for substantially raising taxes on the rich and on businesses to support education.

The Governor argues he has treated education generously and there is some validity to his argument. He claims Kindergarten through Community College (K-14) received 43.9% of the General Fund this year where as only 42.5% went to K-14 last year. He also points out K-14 students got the same amount per student this year (\$4,185), that they received last year. Which was a lot more generous than some other programs in the budget (Yost, 1992). Certainly more generous than the treatment the UC and CSU systems received. However, California has slipped to 35th in the country in spending per student ( K-14 ) (Cal. School Bd., 1992). Holding spending constant will undoubtedly result in a further slip in the ranking. This relative ranking in spending seems to me to be of little importance and a poor way to measure the effectiveness of an education system. It's possible that the state ranked 50th could be providing a quality education while number 1 is failing to meet the mark.

Proposition 98, which was passed by the California voters in 1978 impacts directly on the funding of the Community Colleges (grades 13-14). Proposition 98 requires that education (grades K-14) receive a certain minimum share of the state taxes. That share works out to be about 40% of the state's General Fund revenues which is test one, or prior year school funding adjusted for inflation (per capita personal income) and enrollment growth which is test two. To protect the state in periods of economic weakness a third test was added in 1990. This third test is activated when per capita General Fund revenues grow more slowly than per capita personal income.

If the per capita growth of the General Fund is more than one-half a percentage point below the growth in per capita personal income then the funding guarantee of Proposition 98 is based on per capita General Fund revenues and enrollment growth. There are other provisions in the proposition that allow the State Legislature to "temporarily" suspend the provisions of the proposition. This was done in 1989 following the earthquake which devastated parts of Northern California. Some legislators have argued that it would be proper to suspend the provisions of the proposition in order to balance the budget. Thus far this argument has been rejected. Instead the Legislature and the Governors office devised a plan that effectively cut funds Proposition 98 guaranteed while appearing not to do so. This magic was accomplished by "loaning" the school districts money

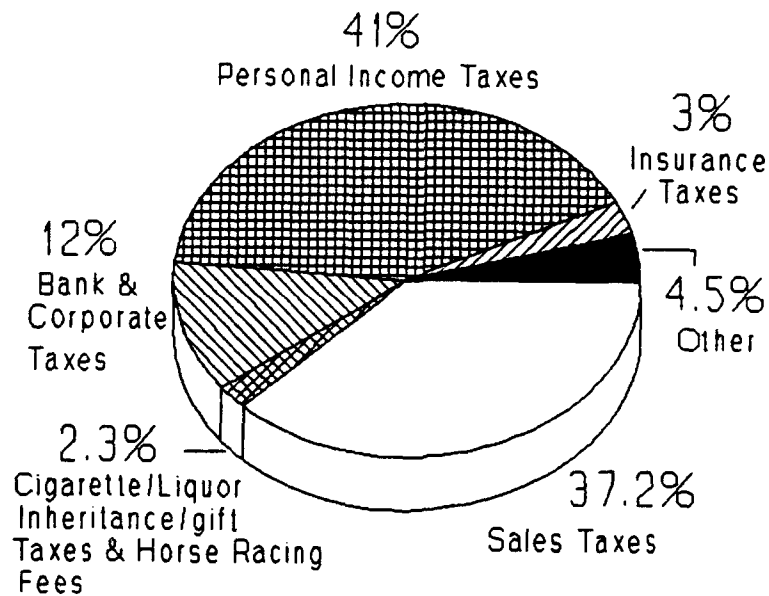
from future budgets that "must" be paid back by 1995 (Webb 1992).

The real problem with the funding of education rests with the state of the economy in California. While life in California has changed dramatically over the last few years the way the budget has been handled hasn't changed accordingly. It wasn't until this most recent budget that California really wrestled with the fact the state was in the middle of a recession. Up until then it seemed the feeling in Sacramento was that the recession wouldn't last forever so don't worry about budget gaps. California is not the only state that has had to contend with budget problems. But California hasn't followed the path chosen by many other states in dealing with these problems. The state until very recently was generous with big spending in many programs. There are some 60 programs in California that automatically accommodate inflation and more people, (Wilkie, 1992), even if revenues are going down. Proposition 98 discussed above is not atypical. Undoing many of these automatic features has been high on Governor Wilson's agenda.

Other problems such as demographic changes have resulted in cuts in state income or increases in state spending that have hurt a great deal. Things like more school children due mostly to immigration from; Mexico, Central America, South American and Southeast Asia (generally low skilled low paid workers) and not from other states, have raised costs for education but not raised

state revenues accordingly.

CHART 2  
CALIFORNIA BUDGET  
WHERE THE \$ COMES FROM



The expensive California business climate has resulted in an exodus of business from the state. Regulations protecting everything from animals to consumers have raised the cost of

maintaining a business and resulted in firms relocating to Arizona, Nevada and elsewhere where they find a more favorable business climate. The end of the "Cold War" has hurt California's large aerospace industry. There have been major cuts in Defense spending with more still to come. All this results in less highly paid jobs and a lower tax base. There are about 1.6 million Californians out of work and the impact of this lost income tax and sales tax is enormous (Cannon, 1992), (see Chart 2 for sources of state income). In order to balance the budget the state has had to cut the budget by \$450 million (5.2%), the first time the budget has been less than the previous year in 50 years (Weintraub, 1992).

Californians have shown a remarkable ability to shoot themselves in the foot in other ways. The effects of state revenue loss due to Proposition 13 are mindboggling. It's estimated that from 1978 when the proposition was approved until 1989 this proposition has cost the state about \$121 billion in lost revenue. The loss has been magnified because the state which does not collect property taxes directly has let local governments keep more of the property tax money to help make up for their loss and to send less of this money into the school systems, requiring the state to come up with the difference from other sources (Wilkie, 1992).

There have been other assorted tax-relief measures approved

by the state such as income-tax indexing, and corporate-tax loopholes that raise the estimate of lost revenues between 1978 and 1989 to about \$190 billion. This \$190 billion is roughly four times what the state budget will be this year (Wilkie, 1992).

## ALTERNATIVES

So is it hopeless? Is there nothing that can be done to solve the problems? Perhaps one solution is that Californians are going to have to start expecting and accepting less from the education system, or learning to pay more for what they get. As I mentioned earlier, even with this years increases, the CCC system is still the least expensive in the country. Some recommendations to deal with the soaring costs are:

### Competitive Salaries

The system of determining salaries for faculty should be the same for both the UC and CSU systems. The "weighted" system used by the CSU should be adopted for both. In the CSU system the data is "weighted" by the number of faculty employed at the "comparable University". In the UC system equal value is given

to each university regardless of its size. For Example:  
University "A" has two faculty and pays them \$80,000 each,  
University "B" has four faculty and pays them \$50,000 each. The  
"unweighted" average is  $\$130,000 / 2 = \$65,000$ . The "weighted"  
average is  $\$360,000 / 6 = \$60,000$  or \$5,000 less. I beleive the  
"weighted" average more accurately reflects the average salary  
being paid. Particularly when schools like Harvard, Stanford,  
Yale and MIT, which have smaller faculty and pay higher salaries  
than some of the public schools included in the UC comparison  
group. If this "weighted " method were used this year the  
recommended increase for the UC system would be 5% vice the 6.7%  
that was recommended. As each 1% amounts to \$10 million the  
saving would be \$17 million, this year alone (Legislative  
Analyst's, 1992).

The budget formula for adding faculty assumes a given  
faculty workload. There are several factors that go into  
determining that workload but a big piece of it is the number of  
courses taught. For the faculty at the UC system the average  
number of courses taught per year is five. At the CSU system the  
average is eight. At the CCC system the average is ten. As I  
mentioned earlier the cost of adding a new student to the UC  
system is \$6,000 per year and \$4,400 per year at the CSU system.  
Almost half of this cost is attributable to the additional  
faculty required (Legislative Analyst's, 1992). This difference  
in workload is due primarily to the requirement for UC faculty to

conduct research. The California Faculty Association and The CSU have proposed a one unit reduction in the CSU faculty workload for the 1992-93 school year. I have not been able to determine how much that would cost if the number of courses were to remain constant, but there are several of the campuses in the CSU system where students experienced severe problems in course offerings and course selection. A reduction in the number of units taught per faculty member, (assuming the number of faculty remains constant) could only make this already difficult problem get worse.

For the UC system, the addition of one course per year per faculty member will save a estimated \$7.5 million this year, and result in eventual savings when fully implemented of 47 million per year (Legislative Analyst's, 1992).

In neither of the two proposals do I advocate increasing the workload for the faculty, these proposals merely shift the workload emphasis from other areas to classroom teaching. There certainly are costs associated with doing this. Faculty time is spent; teaching, student advising, researching, participating in university and community public service, committee work, etc. All of these activities would suffer to some degree if the faculty were required to spend more time in the classroom. When we can't afford it all, some tough choices must be made.

### PRICE INCREASES & EQUIPMENT PURCHASES

There is little that can be done to alter or lower the costs in these areas. The only alternatives are reduction in the number of subscriptions, laboratory supplies or replacement of instructional equipment. All of these alternatives are detrimental to the purpose of the higher education institutions.

### ENROLLMENT

As enrollment increases, so do costs. The state has standard formulas that are used to set such things as student to teacher ratios, classroom size etc. So as the number of students goes up, so does the number of faculty, number of buildings etc. As I mentioned previously almost half the cost of adding a new student is in the cost of additional faculty. Yet the California State Education Master-Plan requires the universities to be able to provide an education to California residents (top 12.5% of the high school grads to the UC system and the top 33% to the CSU system). This Master-Plan also requires these institutions to meet certain standards with regard to student teacher ratios etc.

The most obvious solution, and the one used year after year,

has been to raise the student fees. The 1991 budget allowed large increases at both the UC and CSU systems. The 1992 budget again calls for large fee increases. The UC system expects to go from 150,000 students to 154,000 students in the 1992-93 school year. A fee increase of \$550 per student will raise an additional \$84 million in revenues. Even with this additional revenue it's estimated that there will be a \$124 million shortfall below what is required to maintain the same level of service offered last year. Without this fee increase there would be a \$184 million shortfall (\$20 million of the revenues from the fee increase are set aside for university-based financial aid to students to offset the fee increase for needy students). The UC system plans to deal with this shortfall in ways that will minimize the short-term impact on educational programs. For example faculty salaries has a \$50 million shortfall below what is needed to maintain parity with comparable universities, and replacement of instructional equipment is underfunded by \$23 million in order to maintain the replacement schedule. By simply not funding these and other budget items the UC system expects to be able to serve all the Master-Plan eligible students for one more year (Legislative Analyst's, 1992).

The CSU system will not be as fortunate. The fee increase this year at the CSU system will be \$372 or 40% over last year. This increase is expected to raise revenues by \$116 million. Approximately \$23 million of this will go to the university-based

financial aid to the needy students to offset this increase. This leaves \$93 million for program needs. Estimates are that even with this increase in revenues the budget is still \$126 million short of the amount needed to maintain last years level of service. The problem may be even greater than that estimate because the service level last year was plagued by significant problems with the number of course offerings, and the budget does not take that into account. There are an estimated 12,000 more students eligible this year under the Master-Plan criteria who were not eligible last year, (system expects to enroll 272,000 students this year, while the Master-Plan estimates 284,000 are eligible). These 12,000 students will be unable to attend due to budget constraints (Legislative Analyst's, 1992). In the past even when budgets were cut the budget included a statement to the effect that it was the intent of the Legislature that no qualified student be denied admission because of budget constraints. Such language is absent in this year's budget. Perhaps it is time to re-evaluate the goals of the Master-Plan.

The CCC system as discussed previously comes under the provisions of Proposition 98 which guarantees a given level of funding not enjoyed by the UC or CSU system. As was also previously discussed there will be substantial fee increases this year at the CCC system, although they will still be the lowest in the nation. There are budget problems in the CCC system but they are not as severe as in the other two systems. One reason

is that it is far less expensive to fund a student in the CCC system than in either of the other two. It costs \$2,700 per year for the state to support a student in the CCC system where as it costs \$6,000 in the UC, and \$4,400 in the CSU system. It makes fiscal sense for the state to encourage students to spend the first two years of their higher education in the CCC system. A program that accepts a student at one of the UC or CSU campuses but has them complete the first two years at a Community College would save both the state and the individual student money. The current system has the CCC students apply for admission to one of the university systems after they have completed the first two years of lower division work. The proposed system based on the UC Santa Cruz model would have them accepted and guaranteed a spot at one of the universities before they begin their higher education at one of the Community Colleges. The state would save about \$7,000 (for a UC transfer student, and slightly less for the CSU transfer) for each student that opted for this alternative. The student would save about \$5,400 in mandatory fees and as much as \$14,000 in living and other expenses. Overall there would be significant saving for both the state and the student (Legislative Analyst's, 1992).

## CONCLUSIONS

The days when California offered a quality higher education at a very low cost to the individual are most likely a thing of the past. Increasing enrollments, increasing costs and a declining tax and revenue base have doomed the system, as it presently exists, to extinction. The money is simply not available to continue to operate the Higher Education system the way it's been operated in the past. With state revenues declining tough budget decisions have to be made. It's interesting to note that the current budget has deep cuts in higher education, health and welfare services and local government support, while largely sparing the public schools (K-14) and the state prison system. The basic problem is twofold:

- \* The state is suffering from declining revenues
- \* The Higher Education System is seeing increasing enrollments

There are several things that can be done to "fix" these problems, none of the alternatives solve the problems without some downside.

- \* Raise taxes to make-up for the lost revenues.

In the recession hit California this is not likely to happen.

- \* Hope the recession ends and the increased tax revenues from the revived economy will solve the problem.

The prospects of this solving the problem quickly are very remote.

- \* Deficit finance until things improve.

The mood in California doesn't seem to endorse continued deficit financing.

- \* Give education a larger cut of the available budget funds.

Education (K-14) already gets at least 40% of the General Fund money. Higher education recieved a cut this year. I don't see higher education getting a larger cut of the budget in the near future given all the competing requirements.

- \* Require those using the higher education system to pay a larger part of the costs.

This is one alternative that has been adopted. As was discussed earlier there have been large fee increases in the past few years, and I would expect to see the trend continue.

- \* Accept a lower quality of education.

I believe we are seeing this happen now. Putting the UC teachers in the classroom more of the time and letting them devote less effort to reasearch. We are seeing efforts to slow down the rate of teacher pay increases. There will be less replacement of equipment in the future, and less support personnel. The plan being widely dissucssed to have more students attend the CCC system for the first two years is a lowering of the quality.

**\* Modify the Master-Plan.**

If we wish to maintain the quality of the education provided we may have to restrict the enrollments. One way is to make the UC available to the top 10% vice 12.5% and the CSU available to the top 25% vice top 33%.

**\* Repeal of Proposition 13**

As was disucssed the amount of revenue lost by the state due to this proposition is astronomical. Given the current economic climate in California, proposition 13 is probably going to be with us for awhile. Even though it's repeal would raise considerably more revenue and provide for a much more equitable sharing of the property tax burden among the citizens of the state.

Like all complicated problems there are no pat and easy solutions. There are only hard choices. Californians have

always placed a high value on education. That's what Proposition 98 is all about. Just how high a value and how much they are willing to pay for continued quality higher education remains in doubt.

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