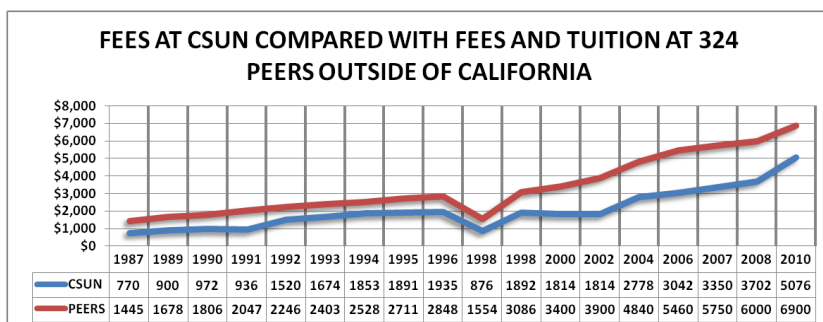


FUNDING SUBTRACTED, VALUE ADDED



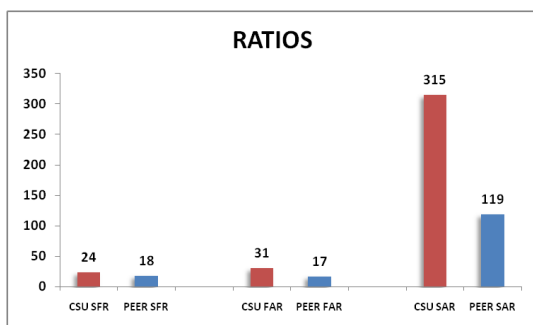
Fees have gone up a lot, and people are angry and confused. Newspapers berate high fees and low graduation rates. Politicians accuse the CSU for betraying the Master Plan. Student protestors claim entitlement to low fees and mismanagement of the budget.

But look at what has happened since 1980. (The results below are in 2010-11 dollars.) CSU system-wide fees have gone up 557%, or \$4,111, per full-time equivalent student. Meanwhile the state appropriation has fallen \$6,785, 47%. *Despite the increase in fees, the combined funding is down 18% per FTES, \$2,674. Fees have backfilled state revenue; they have fallen short, though.*

During this time, revenue for California's entire general fund budget declined 4% per capita, while expenditures tailed 11% (constant dollars). CSU funding has gone downhill faster and farther than support for other state functions.

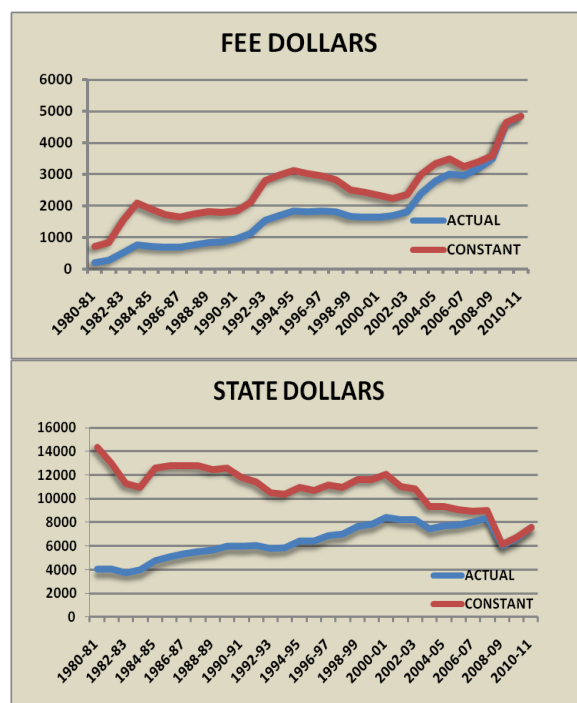
Nonetheless, we cannot argue that our plight is unique. We are echoing the pattern of funding at peer institutions. (See first chart. Peers are 324 non-Californian R2 and MA1-3 public universities with full data.)

Nor can critics argue that costs are high because professors do not teach enough. CSU campuses have the highest student to faculty ratios among their peers (SFR below).



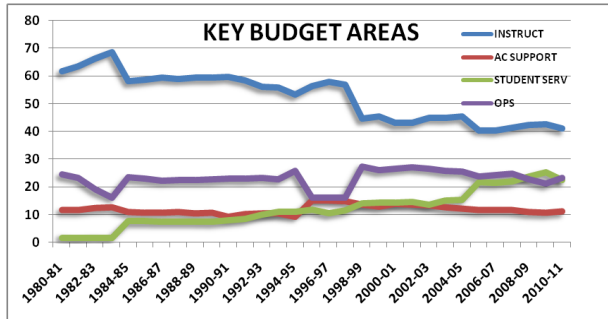
The claim that tenure causes runaway expense makes no sense. 35% of CSU faculty is tenured, while over 50% has partial and/or temporary appointments.

People who believe that the traditional model of teaching is bankrupting the system will be dismayed. As a share of total expense, instructional salaries have



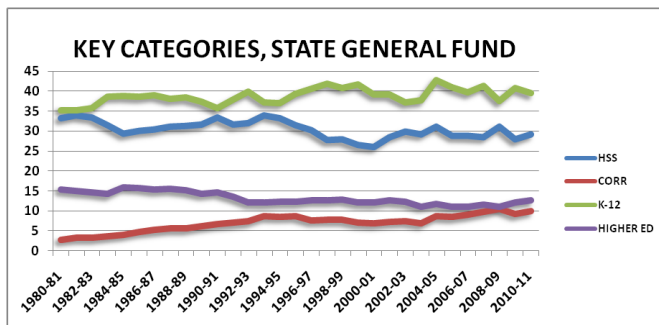
declined over three decades to 30%.

Well, surely someone has swindled or screwed up something that has kept overall costs high, thereby needing more fees to make up for less appropriation. No. Even the gauche increase in a few executive salaries is not material. The ratio of administrators to students and staff in the CSU is low because organization is similar across universities, but CSU campuses are, on average, large. (In the previous chart FAR and SAR stand for headcount faculty/student administrator ratios.) There is no obvious culprit to put in stocks, no one loose screw to tighten.



Ironically, the same forces that deflate higher education budgets from without inflate them from within. Doubly pressured, therefore, is the signature expense of the university, the direct cost of teaching. Since 1980, general instructional costs, including departmental resources, declined 30% while demand for technology, customer relations, and client diagnostics drove up the dollars for

operations and services. Across the university, fringe benefits jumped from under 10% of total cost to over 20%.



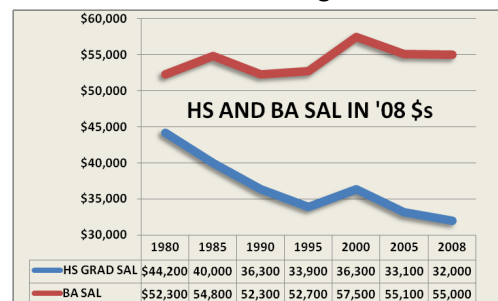
Meanwhile rising health care costs, expanding demand for social services, and an unquenchable thirst for energy in a technology-intensive state siphoned support in the general fund away from higher education. Efforts to economize by restructuring teaching, in effect, divert attention from the costly infiltration of the

therapeutic state and of markets that promote access to the good through technological goods.

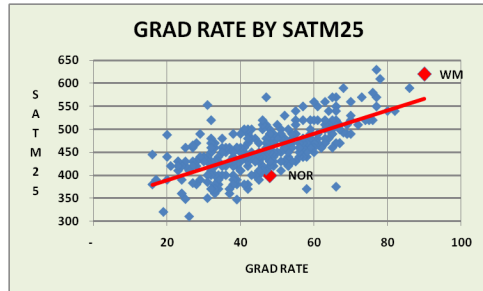
The 557% fee increase since 1980 outpaced the 300% growth in the difference in earnings of a B. A. relative to a high school diploma through 2008. The difference in earnings, however, reflected the collapse in the value of a high school diploma rather than an increase in the value of a college degree.

Naturally, the public scrutinizes the degree all the more.

Think on it. If we exclude forfeited earnings, the total cost of CSU attendance, materials, and living expenses now approaches \$25,000 each year for a student from a family with income over \$100,000 and \$12,000 for a family under \$30,000 in income. Even though eligibility for grants halves expense for the second student, that expense still overwhelms present income; it incurs indebtedness that taxes future income.

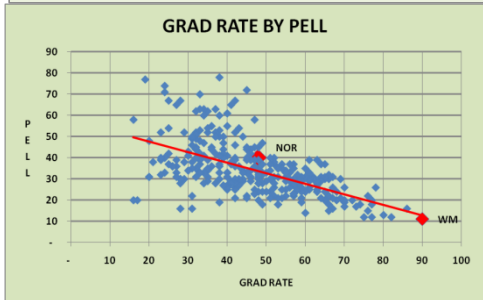


Graduation rates are an obsession, in part, because of such finances. Completion of college allows for cashing in the full value of the degree in income. Inevitably, pundits and publications treat the percentages as rankings. But rankings based on graduation rates often are misleading because they overlook the impact of academic capital—the knowledge of college ways that family wealth and education can provide a student.



Take two extremes, William and Mary and Northridge. In 2010-11, the Virginia school recorded a 90% six-year graduation rate, while Northridge settled at 48%. William and Mary seems a winner.

But fees of \$13,505 per FTES skew its appeal; only 17% of undergraduates qualifies for Pell grants. The average SAT score of the lowest quartile in math is 620.



Northridge, however, has by far the highest graduation rate for schools that work with a population that is 40% Pell, with an average bottom quartile score of 400. (In both charts Northridge's y value aligns with an x value on the red trend line that is a much lower coordinate for the graduation rate.)

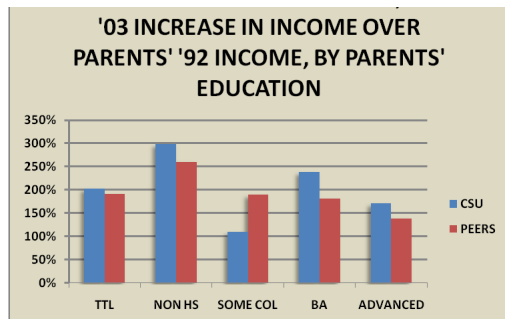
Fees per FTES are \$5,595. The campus leverages modest preparation and affordability, but the odds still are against graduation in six years.

The effort of such leveraging goes unappreciated since CSU rarely brags. No one mentions that while fees rose over 33% across the nation the last three years, grants to students in the CSU increased, on average, by 42%--doubling the rise in other states. Or that because community college fees have remained so low, a four-year degree still could be had for less than \$12,000 in fees.

Northridge typifies the effect of efforts to improve graduation rates in the CSU. In 2004, Northridge graduated all students, black students, and Hispanic students at rates below the national averages.

By 2011, Northridge exceeded these averages.

The budget decayed, and fees rose. More entering students needed remediation, and the campus became even more diverse. Meanwhile the Hispanic rate rose 32%, the overall rate 33%, and the black rate 72%. Funding subtracted. Value added.



The High School and Beyond data sets at the National Center for Educational Statistics allow us to correlate outcomes with college-going. One set tracks 1992 graduates for ten years. The inflation-adjusted family income of CSU graduates in 2003 exceeded their parents' total income in 1992 by 175-200%. If either parent did not finish high school, the value added to their income was 275-300%. And ten years beyond

college, the family income of this group significantly exceeded the family income of graduates whose parents had more education. CSU peer schools show similar, though less pronounced trends.

So why are we de-funding an institution like the CSU that adds value—that allows the American dream to be lived?

Reason 1, by and large formulas and prejudice drive policy, not evidence.

Reason 2, we believe our own rhetoric that the CSU is being corporatized, whereas the irony is just the opposite; were we as colonized as health care, business would be rabid advocates.

Reason 3, both CSU and CFA need to call a truce. They need a common plan to identify those forces that are corroding our budget from within and without. Then, they must go two-by-two everywhere to make the case, make clear the implication. When funding subtracted yields, as it surely will, value subtracted, it indeed will be good night, Irene.

Harry Hellenbrand
Provost and Vice President for Academic Affairs
July 2011