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Why the U. of California Has to Raise Tuition

By Mark G. Yudof

California is experiencing an economic crisis that will most likely take years to resolve. The result has been a devastating reduction in state appropriations to the University of California. As its president, I am well aware that we must stabilize the situation and preserve the university as a great institution.

I want to speak directly to the students. I want you to know why we are bringing painful recommendations of fee increases to the University of California Board of Regents for its consideration. As a leader, it is important to be truthful and direct. For that reason, I must tell you that the worst is not over today.

The economic crisis will not end quickly; the state has few options; it already faces a \$7-billion projected deficit for next year; private giving is declining. Tragically, many Californians are unemployed; too many have lost their homes. That has led to a drastic cut in the university's appropriations, one that marks the culmination of decades of underinvestment in students at all levels of public education.

Before it sounds as though this is an exercise in blame, let me say that I have the utmost respect for the governor and our legislative officials. It's the system that is broken, not the people. A dysfunctional state-government process has run into the financial crisis. Other states are experiencing similar troubles—although California's governance and tax structures are the most fractured.

To begin to rebuild the university, we will have to raise tuition in two phases by a total of 32 percent over the next two years—from \$7,788 to \$10,302. Students are angry about that, and they have every right to be; I am angry, too. The closer that the university comes to being free, the happier I am. But the fact is that the university has half as much money per student today as it did in 1990, based on current dollars. That's because the state is no longer a reliable partner.

In the 1980s, for example, higher education made up 17 percent of

the state budget, and prisons accounted for 3 percent. Today those figures are 9 percent and 10 percent, respectively. Students, by and large, have been forced to pick up the difference because, when it comes to our core support, we have are only two main sources: taxpayer dollars from the state and student tuition. When one decreases, the other almost inevitably must go up by an equal measure. In effect, while the state once provided a freeway to higher education, it can now only offer a toll road, with students paying more and more of the cost.

The university cannot continue what we have been doing for the past decade—faith-based budgeting. That is the approach that, somehow, if we wait, the legislature will turn on the spigot. If we don't approve a fee increase, maybe the state will do better. Maybe if a favorite candidate gets elected, things will change. It is faith-based. The truth is, we have half as much money per student as in 1990.

Contrary to our golden mythology, the University of California has never experienced a time of grace and ease. We've confronted all sorts of struggles in our history: the Great Depression, the loyalty-oath controversies of the 1950s Red Scare, the campus unrest of the 1960s, and the recession of the early 1990s—which produced tuition increases larger than what we've just proposed. Despite all that, the university has always managed to forge ahead and amaze the world with its excellence and its dedication to open access.

We will make it through today's challenges as well. At the end of the day, the university will be stronger and reach even higher levels of achievement.

But that will happen only if we don't surrender to our greatest enemy: the easy allure of mediocrity. Mediocrity is easy to achieve. It would be easy to shrug and say we cannot afford greatness anymore. It would be easy not to raise tuition, although it would create an economic environment on the campuses that would vastly diminish the education that we can offer students and force some of our finest professors to leave.

Some people also contend that it would be easy to reach into some golden pot of reserves and find the money to forestall tuition increases. But there is no such pot. That is a myth—one that dies hard but a myth nonetheless. What reserves we do have are scattered throughout the system in literally thousands of accounts, and many campuses have already dipped deeply into them.

Accountants require us to call some funds unrestricted or unallocated, but the money in each of them is tied up or must be maintained at a certain amount for the fiscal health of the university.

For example, \$900-million, which we obtained through selling bonds, is earmarked for buildings. Other money must be used to pay bills at the hospital. And such funds are still not enough to remain financially flexible, given the cutbacks from Sacramento. We have already spent more than \$300-million in reserves this year—more than all the budget cuts that we have made through employee furloughs—and my concern is that if the downturn continues too long, we will not have any wiggle room whatsoever.

Another widely held myth is that "the fat cats are getting fatter"—that university administrators are making lots of money or hiding it in some way. But no senior administrator in the president's office has received a raise, and most are paid 10 percent less than what they received a year ago.

Many misconceptions, unfortunately, are in play at the moment. Some come from well-meaning professors who refuse to accept just how severe this financial crisis has become—after all, it's human nature to hope for a painless reprieve from a difficult passage. I understand—and share—the frustrations of students, and faculty and staff members. But it is important to note that the numbers participating in a recent walkout to protest the handling of the budget crisis were modest compared with our 180,000 employees and more than 200,000 students. And many people focused as much or more on state support as on campus and system administration.

In truth, if we want to avoid mediocrity, there are no cheap and easy ways to stop the downward economic spiral that we find ourselves in. Until the State of California steps up to its responsibility, everyone in the university community—administrators, faculty members, and students—must bear a burden. I'm sure that, from your perspective as students, higher tuition must seem indefensible. But staff and faculty members have been asked share the pain as well, not just with furloughs and added workloads, but also—for too many of them—the loss of their jobs. Two thousand employees will be laid off between this year and next.

In addition, although two-thirds of the budget cuts have been on the administrative side, we are receiving reports that class sizes are getting larger, and the availability of courses is rapidly diminishing.

If you can't get into the classes you need, it will take you much longer to get your degrees—which means it will be more expensive to graduate. So raising tuition may, in fact, ultimately save students money.

Moreover, if we ignore a competitive employment market, it would eviscerate our cadre of faculty members, physicians, staff members, administrative leaders, and others. Their certain departure would significantly damage our university.

There are worse pains than having to write a larger check than before to cover higher tuition. There is the pain of seeing the best professors and researchers depart, not because they are disloyal, but because they feel the state has lost its way and won't ever find it again.

There is the pain of not being able to get into courses needed to complete a degree on schedule, of long lines at every turn, of decaying facilities, of outdated lab equipment.

There is the pain of being surrounded by demoralized staff members, as they watch what was once the state's greatest pride lose the support of its stewards in the statehouse.

There is the pain of seeing your degree devalued as a result of it all, along with your postgraduation prospects.

Students have been asked to do much, but if we can maintain our quality, our dedication to educational excellence, you will also receive invaluable benefits, and your degrees will continue to have meaning.

Besides raising tuition, we will continue to slash costs, as we have been doing since the day I arrived as president. But too much cost-cutting will destroy the essence of our university. So we are feverishly seeking other sources of support and pressing our case hard in Sacramento, the rest of California, and Washington. I've been to Sacramento more than 20 times, and university faculty and staff members, alumni, and friends have sent 18,000 letters in the last three weeks. We are looking for a reset. For a while, much more will depend on student fees than before. Then, if the Regents approve the proposed two-year budget, we can put the university on the road to recovery. We can end the furlough program in the summer of 2010; we can arrest the slide in the academic program by improving access; we can restart employer contributions to the retirement plan.

I will make a pledge: We will do our best to see that students do not

receive less. Despite a tuition increase, you can at least be assured that you will be attending a university that will ignore the temptation of mediocrity. Between two burdensome alternatives—cutting costs and higher tuition—higher tuition is more protective of your welfare.

The Regents and I know that many of you are struggling financially. The university has an extraordinary—if imperfect—system of financial aid, thanks to previous state legislatures, the federal Pell Grant program, and the tradition of setting aside a third of each tuition increase for scholarships. Students from families with incomes under \$60,000 who qualify for financial aid, for example, will not pay a penny of tuition.

Indeed, our university system is the only one in the nation that brings together world-class research and serves so many low-income students. As many as 30 percent of our students are eligible for Pell Grants. According to *Washington Monthly's* recent college rankings, that is more than twice that of the Ivies and other distinguished private research universities. We cannot go back on the promise of access for students from all economic backgrounds.

Some public institutions have more low-income students than ours, but they are not great research universities. And elite private research universities in Cambridge, New Haven, Palo Alto, and elsewhere do not provide the access that we do for families of modest means, despite recent financial-aid programs for middle-class students.

If anyone has a better plan for resolving the financial crisis that the University of California faces, I'm for it. But that plan cannot compromise quality; it cannot compromise access. We must preserve our university's distinct combination of those features.

We will not privatize the university. We will continue to enroll students from all economic strata. We will not go the way of other states and rely on a vast expansion of nonresident enrollment. We will fight every day, and in every way possible, to preserve the greatness that some Californians seem to now take for granted.

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