

Why Privatizing the University of California won't work.
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State funding; we have half the money we had in 1990 on an inflation-adjusted basis," University of California President Mark Yudof, said in his appeal to legislators in Sacramento this week.

Multiple Page View

University of California President Mark G. Yudof went to Sacramento this week in another valiant effort to convince legislators that they're playing with fire when they shortchange the state's higher-education system.

In the course of his presentation, he gingerly mentioned the P-word.

The state university, he told them, is a statewide boon, adding: "We do not want to partially privatize it through raising fees."

"Privatization" is a crowd-pleasing nostrum for public officials seeking to shed the budgetary cost of programs and services that they nevertheless know to be a public responsibility. It has a cheap but bright surface allure, like a fresh coat of whitewash.

The idea, among critics of UC as well as those of other public universities, is that the cut-rate tuition of these systems has long been too much of a bargain for their direct beneficiaries (the students) and too expensive for the state's taxpayers. So why not cut the discount?

An important subtext is that the public systems have been too long insulated from the real world, with inflated staffs and salaries. It wouldn't kill them to become more subject to market forces, the argument goes.

The most common instruments of university privatization are raising tuition closer to private university levels, raising the ratio of out-of-state students paying nonresident tuition and fees, and eliminating marginal programs.

The model is the University of Michigan, which began evolving into a quasi-private university in the late 1970s -- presciently, given the trend line of that state's mainstay automobile industry and the consequent decline of its statewide per-capita income. Wisconsin and Virginia, among other states, eventually followed suit.

No one on the budget-cutting side ever spends much time pondering what these changes mean for the mission of the public university. And there's been precious little thought devoted to what privatization would mean for the University of California, or whether the Michigan model is a practical solution to UC's perennial alms-seeking in Sacramento.

So with another in a series of steep budget cuts for UC looming next year, now is as good a time as any to examine the issue. To begin with the conclusion: Privatization, as

commonly defined, wouldn't work here. That said, the inquiry does help focus our attention on the economic and social roles UC plays in the state.

It's beyond question that UC has been a driver of the California economy. That's been true since at least the development of the state's master plan for higher education in 1960, which codified the complementary roles of UC, Cal State and the community colleges and set UC on the path that made it the envy of the nation.

Berkeley is a seedbed for Silicon Valley's chip, computer and dot-com industries. UC San Diego performs the same function for telecommunications and biomedicine. UC Davis is an indispensable resource for farmers and winemakers.

The university also has been an engine of socioeconomic advancement. UC officials are justifiably proud that the percentage of their students receiving federal Pell grants, which assist lower-income families, is 31%. (Michigan, 13%; Virginia, 8%.) The percentage of fees covered by California need-based grants in recent years has been second only to New York. Overall, California still leads the nation in spending per student at its state universities.

But that record is poised on a knife edge. Every year, university and college officials have to battle for resources next to every other claimant -- prisons, healthcare, roads, tax cutters. "In state funding, we have half the money we had in 1990 on an inflation-adjusted basis," Yudof says.

The students are left to take up the slack, not only via the 32% fee increase approved by the UC regents last month (to \$10,302 a year) but also by fewer class spaces and other academic constraints. State student aid is threatened annually with the ax.

The impoverishment of the public university -- UC is hardly alone -- undermines that favorite conservative axiom that America guarantees equality of opportunity, not equality of outcome. (This is often cited to defend a let-the-rich-get-richer philosophy.) Yet where is equality of opportunity to be found in a system in which the number of spaces in public universities shrinks while tuition rises and student aid grants evaporate?

There's no question that some of UC's problems are of its own making. It waited too long to cut administrative spending, try to get its retirement costs under control and reexamine its basic educational model. "There's some truth to the claim that we'd be able to weather this better had we started five or six years ago," Yudof says.

But it also faces a unique challenge, given its size and the needs of the state. UC doesn't have the same options as many other state systems, observes James J. Duderstadt, president emeritus of the University of Michigan, which he helped shepherd through its transition from full state support. Michigan's shrinking population of young persons allowed the university to ramp up its out-of-state population paying full freight (now more than 35% of undergraduates) while insulating state residents from rising tuition and fees.

Systemwide, out-of-state residents today account for only 7.6% of UC undergraduates. It's doubtful whether raising that percentage much more is politically tenable, given the overwhelming in-state demand for slots. Some experts also question whether UC really has enough appeal to attract a large cadre of nonresidents at private-university tuition rates, especially as seats in the most popular classes become scarcer. Facilities and other amenities would have to be upgraded, cutting into the profit margin from out-of-staters.

Nor will it be easy to supplement state funds from private sources, one of Yudof's goals. Most private contributions to universities, says Jane Wellman, director of the Delta Project, a Washington think tank on higher-education issues, target specific programs, not the general educational functions that are most affected by cutbacks in Sacramento. "Privatization means raising tuition," Wellman says. "There is no other major source of revenue."

By that measure, UC is already partially privatized, argues former Regent William T. Bagley, a vigorous champion of the university's public mission. He notes that the brunt of the change has been shouldered by "the middle class, those making \$80,000 a year and higher" -- who typically aren't eligible for the most generous aid grants. "UC tuition is the most progressive income tax there is."

Former Regent Ward Connerly, a paragon of idiosyncratic thinking (to say the least), argues that the financial crisis gives the state a chance to reexamine the value of a UC education. "Let elite UC campuses like Berkeley and UCLA charge market rates," he says. "Students who go there would be high achievers who could afford it. Others would go to the other campuses or CSU or community college for two years. We've created the impression that you have to go to the UC system to be successful."

Yet would the state really gain from knocking UC off its pinnacle? Part of its role is to provide a gilt-edged education to all qualified Californians, blind to their financial need. "UC can survive as an institution by increasing its tuition," comments Wellman. "Can it survive and serve its public mission? I'm not sure about that."