

February 17, 2009
Presentation in Anthropology 139 at UC Berkeley
Laura Nader's course on "Controlling Processes"

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"Financing the University"

"The Cost of Undergraduate Education at a Research
University"

Mark Twain wrote:

“There are three kinds of lies –
Lies, Damned Lies and Statistics”

What does that mean?

What does that have to do with education at a university?

We often talk about imparting “Numerical Literacy” to our students as one task of the university.

My focus is not on the arithmetic but rather on asking what do the numbers really mean? My examples are based right here, at UC; and they have to do with money, public money and also your money.

Please feel free to interrupt me with questions as we go
along.

THE UNIVERSITY OF CALIFORNIA
as of 6/30/2008

10 Campuses

5 Medical Centers

3 National Laboratories (DOE)

220,034 Students Enrolled

131,568 Faculty & Staff (FTE)

\$18,990,509,000. Current Funds Expenditures

which Total expenditures are composed of:

\$ 5.3 billion in Restricted Funds (use specified by donor)

\$13.7 billion in Unrestricted Funds (Regents control use)

>>> This distinction will come up later.

the Unrestricted further decompose into:

\$ 3.4 billion in General Funds (~ state appropriations)

\$10.3 billion in Designated Funds (~ other UC income)

>>> Give some examples of other sources of money.

Data Sources (available at www.ucop.edu):

UC Annual Financial Report

UC Campus Financial Schedules

Disaggregation of \$19.0 Billion Total UC Expenditures

by FUNCTION

(\$ millions)

4,127	Instruction
3,496	Research
482	Public Service
1,451	Academic Support
4,758	Medical Centers
602	Student Services
1,093	Institutional Support
561	Operation and Maintenance of Plant
426	Student Financial Aid
956	Auxiliary Enterprises
1,039	DOE Laboratories

The University has a three-fold mission: Teaching, Research, Public Service. You might be tempted to think that the top three expenditure categories shown above represented what is spent on each of these three missions. But that would be a big mistake.

Let's look at the expenditure data for two UC campuses to uncover one layer of mystery.

Expenditures of Current Funds (2007-08)

<u>Uniform Classification Category</u>	<u>Berkeley</u>	<u>Los Angeles</u>
	\$ Millions	\$ Millions
Instruction	545	1,060
Research	423	619
Public Service	58	78
Academic Support	118	317
Medical Centers	-	1,067
Student Services	117	68
Institutional Support	127	133
Operation & Maint. of Plant	76	89
Student Financial Aid	69	63
Auxiliary Enterprises	<u>118</u>	<u>240</u>
Totals	1,652	3,734

These two campuses are very similar in size and character; the main difference is that UCLA has a Medical School and UCB does not. There is a lot of money in that sector. But wait, Why should the amount spent on Instruction at UCLA be twice the amount at Berkeley? Something is hidden here: lots of money flowing in from the medical practice is paid out to the Med School faculty and it is recorded as an expenditure for Instruction.

It turns out that some important research studies have used government data (IPEDS) that is infected in this way.

In UC's official Budget it says that the Average Cost of Education at UC was \$16,430 per student last year; and Student Fees pay for 31% of this cost.

Many other research universities make similar claims. While undergraduate tuitions and fees have climbed rapidly in recent years, they say students' education is still heavily subsidized by state funding or other university funds.

Independent experts, using this data, make similar claims.

THESE ARE ALL LIES

Not just because of the Medical School business; there is an even bigger fraud at work.

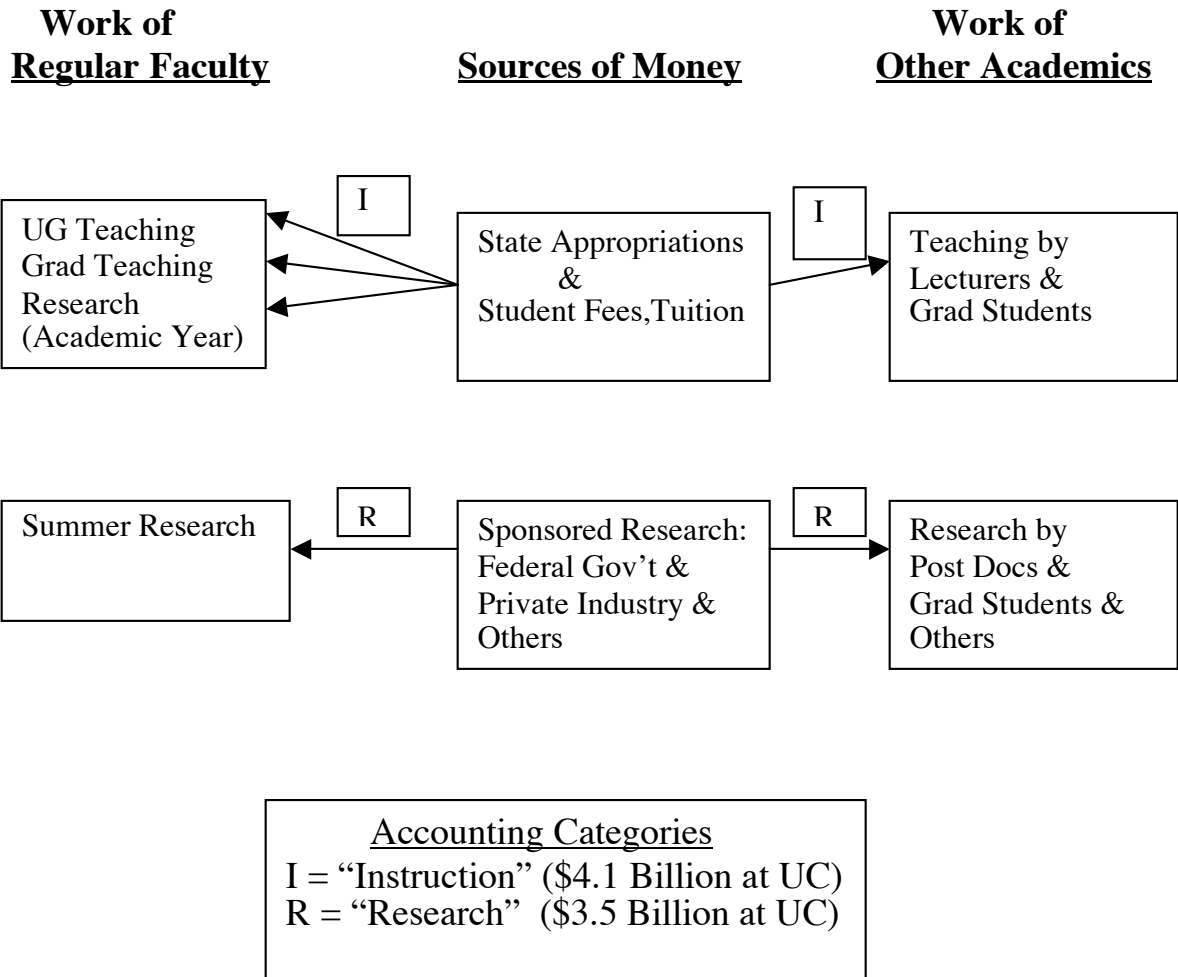
It turns out that that official number is not the cost of undergraduate education; it is the cost for all of the university's core academic functions – undergraduate plus graduate instruction, plus faculty research.

I have disaggregated this bundle, using official UC accounting records and I come out with the average cost of Undergraduate Education at around \$7,400 per student.

Therefore, you are now paying 100% of the actual cost of your undergraduate education. The state subsidy has vanished.

How can this be true? What does it mean?

Basic Financial Picture of the Research University



NOTES

Other Costs – Libraries, Facilities, Administration, Student Services – are to be added on.

The official "Cost of Education" (\$16,430 per student) covers all of the "Instruction" expenditures (excl. Health Sciences).

An honest evaluation of the "Cost of Undergraduate Education" requires that we **disaggregate** that bundle of Faculty Work.

How the Faculty Spend their Time
UC Faculty Time-Use Survey 1983-84

<u>Principal Activity</u>	<u>Hours/week</u>
All UC-related Activities	Total = 61.3
Instructional Activities	26.0
Original Research/Creative Activities	23.2
University Service	6.6
Professional Activities/Public Service	5.5

<u>Details of Instructional Activities</u>	<u>Hours/week</u>
Regularly Scheduled Courses (classes, labs, fieldwork, giving exams)	5.1
Supervising Independent/Special Study (197-199, 297-299, etc. courses)	2.5
Non-credit Instruction (seminars, colloquia)	0.7
Student Advising	3.2
Giving Oral Exams	0.2
Course Preparation	10.1
Other Instructional Activities (preparing & grading exams and papers, confer with TA's, letters of rec., reading theses, committee discussions)	4.1
Total Instructional Activities	26.0

Breakdown of "In-Class" Hours/Week by Level of Instruction

	<u>Lower Div.</u>	<u>Upper Div.</u>	<u>Grad</u>
Regularly Scheduled Courses	1.1	2.3	1.8
Supervising Indep./Special Study	0.0	0.5	2.1

***** Conclusion: Faculty spend about 23% of their work time at undergraduate education. See elsewhere details of the full calculation that leads to UG unit cost = \$7,400.

The results of this analysis can be carried over to other research universities with the formula $C = aF + bS$

Estimated Actual Costs for Undergraduate Education (2004-05)

	S/F Ratio	Cost-per-Student	Tuition & Fees
U. California	18	\$7,000	\$7,000
Harvard U.	7.0	\$18,000	\$32,000
M.I.T.	3.5(?)	\$26,000	\$32,000
Stanford U.	6.4	\$16,000	\$31,000
Yale U.	6.6	\$19,000	\$31,000
U. Illinois	14	\$7,000	\$9,000
U. Michigan	15	\$7,000	\$9,000
SUNY-Buffalo	17	\$6,000	\$5,000
U. Virginia	15	\$7,000	\$7,000

Stanford is another school that can't talk straight about where their money goes. Their official statement is that tuition covers only 60% of the cost of undergraduate education. My calculation says it is more like 200% !!

Recently I wrote to the president of Stanford suggesting an alternative statement of where their money goes:

While the actual expenditure directed to undergraduate education at Stanford is only about half of that tuition (\$32,994 per student per year), it is important to recognize the importance of the other half, which is mostly spent in support of the university faculty's research endeavors and related graduate programs. The research accomplishments of our faculty are of great significance to the whole of society and are responsible for the outstanding international reputation of Stanford University. That reputation adds greatly to the value of any diploma Stanford awards to its students; and we believe this justifies the added cost which we pass on as tuition.

How did all these great universities get into the habit of misleading their publics about how they spend the money they collect? (I&R)

So what are the consequences of this strange accounting?

Let's look at this year's UC budget deliberations by the UC Board of Regents:

At the November meeting, the President gave them a plan: The University's "core funds" come from state money and student fees; there are other sources, it said, but "Use of these funds is restricted." NOT SO. (See our earlier data.)

I wrote up a paper on Budget Alternatives, showing how there was plenty of unrestricted money available for the Regents to redistribute in this emergency budget situation. My proposal avoided the choices of increasing student fees or curtailing enrollment, which were in the official plan. My approach involved the idea of shared sacrifice in a progressive manner. My plan got no response from UC officials.

At the January meeting of the Board, President Yudof justified the plans to raise student fees and to curtail enrollment by saying, "We cannot take the money that is at UCSF that is used for x-rays for patients and divert it to student services. That is not the way our world works." Nobody suggested that. My proposal did take some of the excess income from medical practice, which is paid out to some faculty on top of their academic salaries, and redirect that to more urgent priorities. That is unrestricted money, completely under the authority of the Regents to allocate.

--- But maybe his statement "That is not the way our world works" meant something different. (Any suggestions?)

They chose to curtail freshman enrollment next fall because their standard budget plan says the state should provide UC with \$11,000 for each additional student we enroll. And this year California has such a big budget shortfall that Sacramento will not be able to provide that funding.

My calculation says that undergraduate student fees cover the entire cost of undergraduate education. The state subsidy for undergraduate education has vanished. Thus, it makes no economic sense to turn away new students!

At their last meeting, earlier this month, I took my 1 minute allowed for Public Comments to the Board of Regents to suggest another alternative idea for them to put on the table.

I took inspiration from our new President, Barak Obama, who announced that members of his staff would have their salaries capped at \$100,000 because they were there for public service, not personal enrichment. The University of California is also dedicated to public service; and it has a great many employees who are paid over \$100,000 per year. I suggested that if they were to take 1% - just 1% - of the salaries of all UC personnel who were paid over \$100,000 a year, that would provide \$29,000,000; and that was more than enough to cover their total cost for those 2,300 new students they are planning to exclude next year.

Let's see how the Board of Regents plans for the long-range future financing this great public university.

A few years ago they adopted some principles to guide in setting budget priorities. Three principles encapsulated the ideals of California's Master Plan for Higher Education: UC should maintain Quality; Access; and Affordability. However, they made it clear that if state revenues were insufficient for all three, Quality would be priority #1. So student fees have risen sharply in recent years.

Recently the Regents formed a new Task Force to Evaluate University Funding Options. They meet in secret and their assignment is to study and make recommendations on:

- California's expected state revenues in coming years;
- What to do if UC will not get enough of those revenues;
- UC's ability to recruit and retain talented faculty, staff and administrators.

Note that this mission statement has completely dropped the priorities of Access and Affordability; it is only maintaining Quality that they have as their goal. So watch out for continued escalation in student fees.

* * * * *

I believe that we (at UC) are on the path of Privatization. Just how far and how fast this will proceed is not yet known.

Another financial issue of contention:

Bureaucratic Accretion

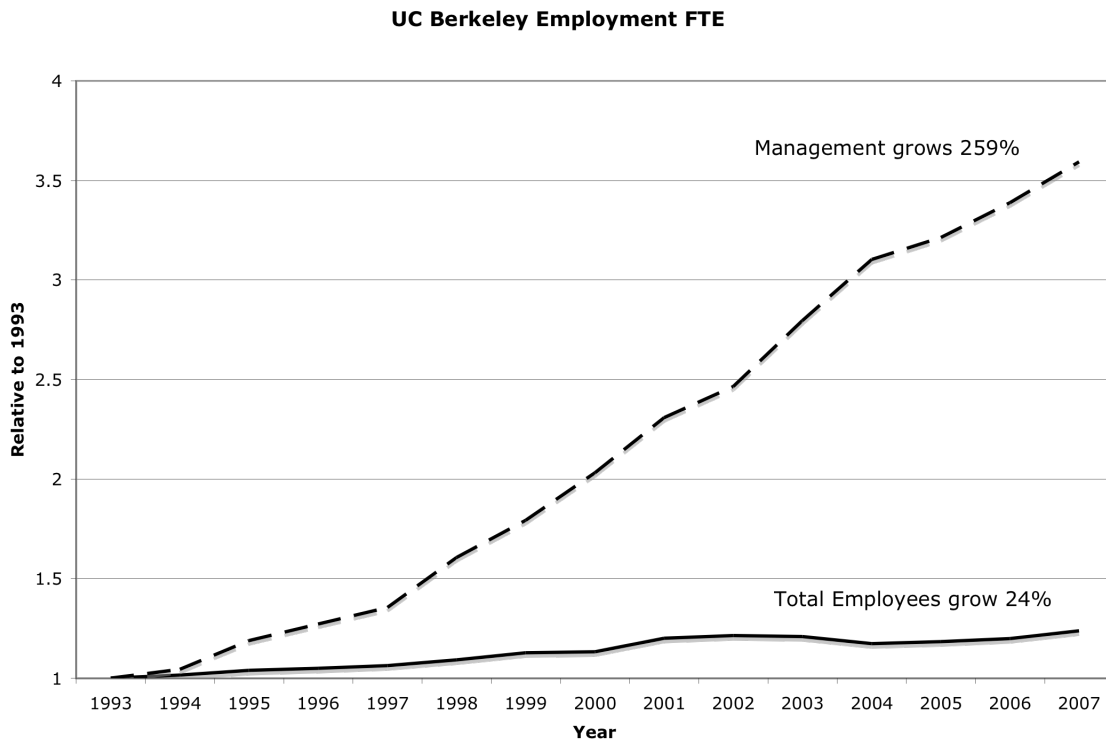
From official UC data we can see how the major categories of employment have grown from 1996 to 2006:

Management	+118%
Academic Staff	+ 34%
Non-Academic Staff	+ 27%

I have estimated the excess cost at \$600 million per year.

UC officials have not offered any justification for this.

This graph shows the data for the Berkeley Campus.



Another subject of some controversy is the financial emphasis on Intercollegiate Athletics. A recent article in the Chronicle of Higher Education tells that UC Berkeley is about to launch a \$500 million fundraising drive for this purpose.

Here is some related data on payroll priorities on this campus:

Top Pay at UC Berkeley for 2006-07

<u>Employee Name</u>	<u>Job Title</u>	<u>Gross Pay</u>
TEDFORD, JEFF	HEAD COACH-INTERCOLG ATHLETICS	\$2,756,654
BRAUN, BEN	HEAD COACH-INTERCOLG ATHLETICS	\$980,833
ISAACS, ANDREW	ADJ PROF-ACAD YR-BUS	\$445,767
BARBOUR, ANNE	HEAD COACH-INTERCOLG ATHLETICS	\$445,067
BOYLE, JOANNE	HEAD COACH-INTERCOLG ATHLETICS	\$423,623
BIRGENEAU, ROBERT	CHANCELLOR	\$420,916
AAKER, JENNIFER	PROFESSOR-ACAD YR-BUS	\$394,859

.....

1542 employees at UC Berkeley had gross pay over \$100,000

compiled by C. Schwartz 2/6/2009 from data at www.sfgate.com/webdb/ucpay

Looking at the list of the top 100 paying jobs for all of UC that year, paying over \$489,000, we find that:
 90 were Faculty in the Medical Schools, and another 7 were executives in the Medical Schools and Hospitals.