ARGUMENT: IN THE ’60s AND ’70s FEES WERE LOW BECAUSE HGH GDP FED THROUGH BALANCED TAXES INTO A GENERAL FUND FOCUSED ON GROWTH. IN ’78, PROP 13 REVEALED FEAR ABOUT CHANGE. IT STAUNCHED TAXES, FORCING THE GREAT SOCIETY TO COMPETE AGAINST ITSELF. AS MANUFACTURING COLLAPSED, CA TRADED ON ASSETS FOR WEALTH. BECAUSE THE GENERAL FUND NOW WAS STRAINED AND VOLATILE, CSU RAISED FEES BUT DENIED THE NEW REALITY. FEES CAN BE MADE PREDICTABLE, AND THEY CAN BE OFFSET BY STRATEGIC REDUCTIONS IN TOTAL COSTS OF COLLEGE GOING.
WHEN WORDS FAIL

I have been thinking about this graph. Two years ago, revenue into the state’s general fund from taxes and charges peaked. See the green line.

Then the piranha pool that we politely call the market went into a frenzy, eating its own flanks and gashing the flesh of fish that it normally consumed at a pace slower than natural replenishment. Therein is the saga of our day, the wreath of nations—death by manic consumption.

Someone blew a whistle in the pool. “Red in tooth and claw,” the eatery returned to . . . cutlery. Still, for two years, we have been unable to align green revenue with red spending. Republicans invoke the 2/3 vote provision in Prop 13 to nullify increases in revenues that Democrats propose. Democrats are so tethered to the state as mommy dearest that they convulse at the mere mention of charter this or enterprise that. Politicians disdain compromise because we the people confuse religious belief and politics claims.

In sanctuaries we worship beliefs-as-truths. We are of like mind. But the political hall holds an aggregation, not a congregation. Claims to truth clash. This can only end in impasse, minority nullification, or majority tyranny unless we surrender whole cloth for patch cloth. Like the quilt maker and kettle mender, the compromiser stretches, bangs, and adapts disparate parts into a shape that serves a function. The patch will tear, the function will fade, and the assembly will begin again.

NEVER A BURROWER BE

Higher education works against such public patching. I am not criticizing ideologues and de-constructionists. There always will be zealots and skeptics who see the nothing of everything else, who erase all the squares on the checkerboard except the one that they stand on. Rather, most academics mimic specialization. Each discipline subjects us to its methods, typical problems, and paradigmatic solutions. However, the citizenship and stewardship to which students graduate require something more. They require the habit of patching, of melding different metals into functional shape. But academics mine, we rarely mend.
Further, when we sermonize that oil revenue be dedicated to higher education or that funds from welfare and prisons be routed to us, we rarely argue merits. We assume superiority. We inadvertently mimic the clamorous partisanship that surrounds us. We, too, confuse adamancy with advocacy and narcissism with vision.

So, this essay explores and recommends patches. It suggests that the macro-economic trends that allowed for very low fees ended in the ’80s; it shows the inadvertent effects of tax “reform” on agency fees in general, as well as on the CSU in particular. It lays out policy changes, like fee increases and aid decreases in the community colleges, that could help the CSU; and it points out market interventions in health care and book costs that alliances could undertake to reduce the pressure on budgets and hence on fees.

I argue that, even with changes, fees will rise to national levels. Instead of chasing the no-fee phantom, we should project increases predictably; and we should include in our models the buffering effects of transfer and aid. This leads to the main recommendation. A fair fee policy requires alliance. Alliance requires a broad agenda. A broad agenda needs compromise. And compromise takes empathy and imagination.

OF GOOD AND GOODS

The storyline that I shall tell is well known, but not as context for fees. In the 1960s and 1970s, UC, CSU, and CCC benefited from the R and D and workforce demands for the aeronautical and armament industries. The state was a manufacturer. Steel plants towered over orange groves. Industry demanded managers and technicians from higher education. Clark Kerr, who discussed the uses of the university with Mephistopheles, foresaw this. He bargained low fees for complicity.

After the self-criticism of the ‘60s, university leaders were still willing to do deals with captains of industry and captains of captains. However, the engine of growth sputtered in the smoggy, congested, and NIMBY state. The chart, left, illustrates four decades of diminishing growth rate in GDP. Manufacturing lost a third of its jobs and half of the value it added to raw goods. (See above two red charts.)
Reason not the why. Capital expected growth to climb steeply, not feebly. In the black box (where else?) is the solution that finance delivered to capital. Make money, not things. As average wages declined, dividend, property yields, etc. accelerated. By 2006, 12% of taxpayers accounted for 60% of personal income tax, with a large share coming from supplements to salary. Since personal income supplied more than 50% of revenue from state taxes, these supplements affected the general fund profoundly.

The lending habits of banks changed in a way that foretold trouble ahead. The chart on the left follows the pace of loans for real estate, business, agriculture, and individuals since the ‘60s. Loans for agriculture have grown at a low constant for decades. The share for individuals has declined, in part because credit diversified instruments and institutions in the ‘60s. Now, look in the pale green ovals. Just before Prop 13 in ’78, loans for real estate surged past loans for businesses. Indeed, real estate loans skyrocketed in the late ‘90s, with business activity a near inversion.

These trends matter for social well-being, taxes, and higher education. Banks and individual earners abandoned the assumption that growth and profit should cycle through the production and consumption of goods. Now, I could but won’t go metaphysical on the relative virtue of raw good, manufactured good, service good, and asset good. The compressed time that it takes to modify asset instruments, compared to produce a traditional good, launches us into fiscal volatility. The general fund, which feeds education, draws heavily on personnel income tax. Therefore, low fees for college depend on volatility only upward, never downward.

Or, approach these issues another way. We had low fees when state GDP ran in double digits. (This chart landscapes CSU fees over four decades. GDP for the low plateau epoch is in the inset.) We could have gunned up taxes to make up the difference as GDP growth
became flatter. But many wince at taxes weighing down GDP.

Without galloping production of goods and without large changes in tax rates, Californians gained wealth by converting assets to paper and then using the paper to leverage access to more resources. The gain in the representation of wealth, in turn, supplemented tax revenue. It was a gold rush, without gold but with bytes and paper, speculative frenzy, and volatility.

The foes of current increases in fees invoke the bargains of the 1960s. But those fees depended on growth that globalization—see the disparate cost of labor, raw materials, intellectual capital, and logistics—made hard to sustain. The fix was rational in design, unreasonable in fundamentals. Gains depended on the rapid calculation of advantage—this was rational. Advantage depended on the timing and extent of future gains always beating the call on prior liabilities—this was unreasonable.

HOME, SWEET HOME

In the ‘70s, the romance of finance for property rearranged relations in the political household in California. Money moved aggressively into real estate, catching construction flat-footed. Buyers competed; home prices shot up. Voters feared rising value would generate intolerable tax bills for owners on fixed income.

Hence, the tax rebellion of ’78 culminated in Prop 13. 13 capped property tax increases to 1% of current value or 2% of sales price. 13 also required a 2/3rd vote to approve new levies.

13 nullified Serrano vs. Priest. That court decision had legitimized moving substantial local revenue to poor areas. 13 subverted this strategy by slashing the source of funds.

13 legislated paranoia about modernity. It rejected market-driven growth that treated “my” castle as a commodity on a contract. It fulminated against the liberal state. Taxes were unjust tribute. 13 projected a future that was the past. It rolled home value back to the level of ’75.

The financial fallout from 13 was overwhelming really. Per $1,000 in personal income, the yield from taxes on property fell over 50%, while the yield on all the major sources for state and local revenues slipped 25%. These drops
never reversed.

But wait. There is more! In the 1950s, the sales tax provided nearly 60% of tax revenue; by ’06-’07, it share was less than 30%. The corporate tax once ran to 17% of revenue; it dropped to 10%. Meanwhile the share of personal income tax increased from 12% to 54%.

In other words, the taxes narrowed. At the same time, the main source of funds became more volatile. We mixed nitro and glycerin. We gambled. Prop 13 limited options. We had misgivings about large moves, like jacking up sales taxes. Sales taxes affect low incomes disproportionately. On the other hand, the number of transactions and vast range of prices decrease the risk that a failed sector can damage a whole category of revenue, as the collapse of assets knocked down the personal income tax. But planners and public did not see the virtue of such diffusion of risk. Accordingly, they condoned smaller contributions from the estate tax, as well.

Money that taxes pass over is not lost entirely to the state. Some of it transfers to other taxes that no longer record the deduction; some of it is invested, thereafter trickling into the public pool. Nonetheless, 1978-82 and 2007-09 show that when property taxes decreased, the system never developed satisfactory alternatives. 13 won.

Right after 13, the state moved in with a greater share from the general fund to offset the loss of tax revenue to local districts. K-12 ascended from 24% to 39% of the general fund through ’82; it reached nearly 50% after Proposition 98.

Meanwhile higher education fell from a steady 17% to 14%. After 98, its share tumbled under 11%. But loss of state dollars was steeper still. The proportion of fees in the general fund increased 65% for CSU, from ’78-82.

This was hardly unusual. Health, Transportation, and Utilities raised fees and multiplied licenses. They moved from a service to a business model.

1978-82 set in motion the effects from decreasing taxes and shifting revenues. 2007-11 set in motion the effects from financial volatility. Like a funnel cloud, it ripped through layers of the economy; it rattled the general fund. Its fury was selective, though; it left whole sectors unscathed. It vacuumed livelihoods out of the economy but left industries and services standing. Through ’09, state GDP remained steady. The diversity of sectors, logistical adjustments in the supply chain, and increases in productivity masked the losses in wages and employment. However, personal income tax collection fell by 20% because of hits to
wages, wage supplements, and employment. Since this tax accounted for more than 50% of state revenue, the general fund suffered.

Fee increases neared 40% in higher education as tax subsidy decreased in ’08–’10. Excluding reductions in enrollment, CSU lost more than 20% in budget. In Sacramento, the Terminator and term-limited relied on one-time props like furlough and federal stimulus funds to keep the house of state from caving in.

LOOKING FOR EVIL IN THE SUNSHINE STATE

Proposition 13 is not the root of all evil in California. It is, however, a major landmark on our highway to impasse.

Until then, the state had been a national leader in funding K-12 and even in school performance. After 13, even after 98, funding deteriorated, pupil/teacher ratios increased, and classrooms lacked more and more resources. Eventually, the state lagged the national average in dollars for FTE in attendance by more than $1,000.

The long-term effects on higher education have been profound. Rand concluded that, without a longitudinal data base and consistent scales in test, financing and achievement cannot be linked definitively. Yet analysts agree that across the board California scores hit bottom soon after 13. Despite some improvements, the scores remain low. Poor preparation wastes college-going. 20,000 CSU students require at least two remedial courses. This amounts to $100,000,000 fees in added cost.

We need to survey what we ruined in the ‘70s. Then we need to rebuild in the context of the ‘00s.

We wanted to keep school funding local. But we now disburse most K-12 support at state level. State funds propped up 13.

We wanted to improve student performance. We have fallen farther behind other states; racial achievement gaps persist.

We wanted to improve home availability and affordability. In general, ownership rates are returning to rungs at or below
national averages. Median salaries (66) have not kept up with annual increases in home prices (346) and fixed rate thirty-year loans (116).

Nor have they kept up with increases in college cost. Since ’87, median salaries increased 2x. But private tuition skied 6x; and public fees, though comparatively low, rose 8x.

Indeed, the 30% of homeowners who purchased in peak years before the crash are behind an eight ball. They have lost home equity that otherwise could buffer cost increases in colleges. Because property taxes jump the most when sales trigger new estimates, they are paying significantly more for services than neighbors with tenure in their residence.

Do you own a home? Did you relocate between ’02 and ’07? Do you have children near college age? This land might be my land, but it is not your land. It was not made for both you and me.

Prop 13 itself did not cause this divide. Rather, it was one element in the turn against the equalization of opportunity in California in the ‘70s. Access to home and higher learning became a greater gamble each year. You borrowed more and more to stay at the table. Your borrow was your bet on “making it.”

“THEY WOULD PREFER TO SPEND THE MONEY MORE ON HIGHER EDUCATION THAN PRISON”

Shortly, I will get to the ways in which we in the CSU can affect fees. But we cannot pretend that history is bunk, that context had no effect on fees. High GDP prior to globalization mattered. Anger over redistributive tax policies mattered. Fiscal innovation to maximize growth mattered.

And fear mattered.

In 1994, Pete Wilson cited the gruesome crimes of repeat offender Richard Allen Davis and the abduction of Polly Klaas as chief exhibits in the brief against liberalism and for “preventative government.” Calling for the passage of Three Strikes and drug laws that targeted street sales, Wilson spoke on behalf
of citizens who viewed the state as a bulwark against depravity, not as an agent of progress. Already the Age of the Master Plan—of progress lead by academic frontiering—was being eclipsed by the facilitative state of K-12 reform and welfare. Then Wilson hurried the exit of the Great Society.

The chart below is like a fossilized imprint. The black columns record the sizes of four budget areas from 1977—K-12, Health and Social Services, Corrections, and Total general funds—as a percent of the higher education budget. Green sums the 2010 epoch. From ’77 to ’10, the populations in K-12 and higher education grew similarly. Case loads followed this pattern in HSS. However, the state inmate population burgeoned by over 500%. At the same time, the budgets for each of these departments outpaced its population.

In other words, demand on the general fund intensified. And higher education lost the funding derby. Out-sized needs hammered the state; but the people wanted to down-size per capita revenue.

There were 80% more Californians. Just in the ‘90s, the state accommodated nearly 2,000,000 immigrants, less than 10% with professional careers. Social services were stretched.

School-aged children as a group did not grow disproportionately, but poverty and linguistic diversity added expenses. Public school budgets were strained.

Higher education passed projections in the Master Plan. Campuses and classrooms swelled.

Meanwhile industries morphed. As manufacturing faded, so did permanent jobs.

Inner cities decayed; population density increased. But cities and counties lacked resources to maintain services. And commerce fled because there was little disposable income. Sales taxes required sales.

Neighborhoods segregated by race, education, and wealth.

Californians had funded the helping hand. As the ‘70s wore on without problems wearing away, they funded the handcuff.

They simultaneously slashed property taxes and squeezed obligations into the state-level general fund that relied inordinately on the income tax. Ironically, as localities cashed in on fees and charges after the ‘90s to fill coffers, they frustrated local
businesses. Death by a thousand cuts of fees or torture by taxes—California stumbled into the former way.

Fee increases in the CSU, therefore, are symptoms of a problem that many agencies faced. They mounted fees to get by. An adequate alternative would have required compromise, raising some taxes, canceling some fees, lowering some services, and putting others on a business footing. However, this assumes prior discussion of a society’s secular values by that society. Instead, we designated media talkers and value merchant to feign this conversation.

The marketplace of ideas in the media, then and now, is dominated by verbal bullies and spenders behind sloganeers. As long as we see, through their eyes, Richard Allen Davis as typical and the spendthrift bureaucrat as rampant, we will see fees as the best way to restrict funding. As long as we believe that a Goldman-Sachs is an exception to an orderly market, we will take down walls within finance and build fences along the Rio Grande.

Perhaps we need to re-think how we teach critical thinking, government, and institutions.

SUCH A DEAL

So far, I have specified the economic trends and public policies that affect fees from outside of higher education. The account links very low fees to conditions that are by-gone. It suggests that we really must tackle the over-reliance on personal income tax. And it is time to assess whether the unintended consequences of 13 have been hurtful and broad enough to generate an alliance for change. I also indicate how policy needs to be integrated into university instruction, especially in general education, so that the public sphere is re-peopled by persons who can speak dispassionately about correlations and probable effects. The posture of superior principle—that, for example, higher education is most worthy---does not entice debate.

Now I will look at the fees themselves. I will argue that fees should rise to national levels. If they do, then we should focus on reducing the expenses external to the university that have kicked up the other costs of college-going. Our discomfort with the topics appears in the word, “fees.” We cannot say, “tuition.” Fee is like the skirt that hangs from a Victorian chair so that you cannot see its “privates.” To acknowledge the need for fees is vile.

Yet compared to other states, not absolute zero, fees remain a bargain in California. The state has the lowest average public
fees and one of the largest average disbursements of Pell grants.

“Bargain” actually understates the deal that Californians have arranged for the college-going. The chart with yellow in-lay translates rank and cost into dollars. Because the community colleges charge so little but enroll so many, they rely on high subsidies from the state. If CCC and CSU charged the national average for tuition and fees, the general fund would gain 2.9 billion dollars. 16% of the deficit in the general fund could melt away if we priced to the market.

While CSU fees still lag (left), they have increased since '01 nearly twice as fast as at public peers. Such a rate of increase reinforces the impression that fees are too high. Also, fees become a target for discontent with the overall cost of going to college. Note that CSU essentially has been at or above this average total cost since '01. Note, too, that the proportion of tuition and fees that covers “for teaching” is but a slender part of the total cost.

But because many of these other categories are subjected to the market directly, fees become the object that policy moves up or down in reaction. Since faculty pay is the most recognizable element in the mix, it suffers blame for costs that it did not incur.

REIGNING IN FREE RIDERS, ROOTING OUT PARASITES

To have any chance of controlling costs, including fees, we must understand them differently. They are charges for bundled services that maintain outlets in higher education. Here are two examples:

As a state, we must get housing and transportation policies correct before we make a dent in 2/3rd of the cost of attending college. On average, sticker cost for going to public university in California ran $18,000 in 2008, with $12,000 in living and traveling. We must disambiguate fees from cost. Then, we need to review aid and link its components to the costs that can be subsidized without inflating demand. We also need to weigh the cost of bonding for more subsidized student housing near campus against the benefits of reduced costs for students. Typically, on-campus housing beats off-campus housing by $1,500-2,500 annually.
Universities can intervene in the market in other ways that reduce the pressure on fees. Librarians can accelerate their collaboration with faculty on building indices to inexpensive e-texts. Instructional materials have become very expensive very quickly, outstripping increases for teaching itself. We should structure incentives for faculty to produce together e-learning materials that under-price commercial versions. If the population using the material is sufficiently large, then controlled access can direct payment to department and author accounts. Faculty who already see teaching as a form of scholarship can devise a process for peer review. This way, we integrate teaching, scholarship, and publishing house.

We argue for lower fees and higher pay; but we do not attack the conditions that throttle them. In addition to strategies on market moves, we need to think differently about public finance. For example, twenty years ago, more money as a percent went into salaries, less into benefits, more into direct cost of instruction, less into ancillary services that capture revenues to make up for the fall off in state subsidy. But have we leagued with workers in other industries or even consumers to moderate the conditions that push up the cost of benefits?

Consider this paradox. Essentially we have tenured money, vast amounts, in reserves. But we have untenured the faculty.

We have tenured money in assets, investments, and endowments. The sum for all higher education is staggering, nearly two trillion dollars. We created financial reservoirs and canals to compensate for increasing drought in subsidies. But when non-profits park funds to yield revenues, they remove taxable resources from the rolls; and the parked funds are usually restricted to special uses. Meanwhile the ranks of tenured professors continue to diminish. Their cost exceeds the trickling returns from endowments and assets.

Bok, Slaughter, and Leslie among others have studied how the academic capitalism of corporations and faculty researchers has generated vast wealth but undermined the public responsibility of departments. By analogy, when entire non-profits mimic the methods in the private realm to shelter wealth and fiscalize it into endlessly convertible forms, they not only lose control to money managers but conceptualize public purpose as a trickle effect. In other words, the academic core is on the financial periphery.

Now, the argument I am making has complications. We need to control costs, both internal and external. Even so, fees must rise because taxes do not keep pace with increases in the
commodities and services behind higher education. Traditional approaches to supplementing pinched resources do not work well for public MABAs. Obviously R1s can capitalize on PhD programs and public investments in lab to generate indirect return on grants. Public MABAs lack the infrastructure and capacity. The chart shows that public PhD universities average 164M in research funds; private institutions average 120M. Universities that grant through the MA average 18M. Advancement activities are challenged by most MA1s moderate size and recency, as well as modest wealth of graduates. While four-year non-profits have an average endowment of $129,000/FTES, public MABAs average $3,463/FTES.

Together, CSUs’ endowments total 790M. If interest and gifts generate 10%, half of which goes to projects, then management costs will be hard to come by. At least 2% goes to fund managers, leaving 20M to cover other Advancement costs over 23 campuses. Thus, this approach cannot widen the trickle effect into a stream for public good. But as a tool for an outlet of the finance industry, the method works well. It parks money beyond taxes. And it generates regular fees for financiers.

FEES: FACT, FICTION, FACTION

We need to face this fact. Nationally public fees began to escalate after GDP slowing and tax revolts in the ‘70s and ‘80s. Across 400 public MA schools, 12,000 institutional years average an 8% tuition/fee increase, including inflation. Given this predictably, we should be able to forecast cost and structure tuition packages that fix a ceiling for year to year increases if a student stays in good standing and on track.

But we live by a fiction. The impossible commitment to lower fees drastically and permanently leaves power brokers scrambling for a last minute solution each year. The solution inevitably is reactive, not strategic. Fees move in reaction to state subsidy. So, as in the middle to late ‘90s you can luck into years with no increases. Or as in the early ‘90s, you could be born to attend when fees made maddening jumps, as now.

Because we fail to face facts, we have converted college cost each year into a lottery.
The fiction that we ought to lower fees drastically is supported by factions who rarely agree. Fiscal conservatives argue that fees feed academic scams. Friends of the oppressed view fees as signs of pernicious privatization.

When we say fees are too high, usually we do not think of how transfer and aid dampen list pricing. Nearly 50% of students transfer into CSU 56 credits on average from community colleges. There, they pay 1/6th of the CSU fee. At a CSU fee of $4,800 in 2010-11, they would pay less than $12,000 for a four-year or 120 credit degree. Paid fees are even lower. We must account for aid. In the '80s and '90s, the federal government adopted a policy that favored loans over grants. This shift implied that college was more of a personal gain than a social good. But the Obama view returns to the social good. More funds to Pell have been complemented by CSU’s historical commitment of 1/3rd of fees to aid. At the same time, Cal. Grants have increased in response to fee increases.

The following chart from a year ago reviews the grants and aid for three student groups: those with resources up to 150% of the poverty level, with resources through 400% of the poverty level, and those with resources above and beyond. From left to right the columns tally term earnings, work study, family income, total fee, other expenses w/o housing, and total cost. Next, the chart captures Pell, federal/institutional grants, vet benefits, and tax credits, as well as the subtotal followed by loans and then loans and grants. The adjacent bluish columns indicate the ratio of grants and benefits and tax breaks to tuition/fees and then total cost. The last set lists government loans, loans not subsidized, total borrowing, and the ratio of borrowing to family income.

More than 100% of tuition/fees is covered for CSU students through 150% of poverty, 87% through 400% of poverty, and 37% for amounts over and above 400%. The challenge is really that these amounts barely impact the commercial cost that ride on top of education. Close inspection of the chart reveals areas that need repair, such as the regressive burden of loans on poorer students. Does that result from inadequate funding or heedless policy that essentially subsidies non-graduation from college by community college students?
Here is a fact stranger than fiction. The combined effect of fees lowered by transfer and then by grants and aid can be profound. Four years at full fare can be nearly $20,000 in fees. However, two years of transfer can reduce that almost by half; and as the chart on aid suggests, grants effectively wipe these amounts out for more than 2/3rd of students. So, we can reverse the question. It is not why are fees so high? Rather, can we afford to keep them so low?

Data from HigherEdInfo.Org and Rand suggest that the investment is worth it. A benchmark investment of a note for 30 years at 4% will return between 3 and 4x the original amount. Spending at the state and local levels on public higher education, including aid, brings a similar return per $1,000 of income over and above what is spent on and earned by high school graduates. Incalculable is the cultural benefit, the legacy to future generations until regression to the mean erodes the gains.

Of course, non-profit and for-profit universities cost the state much less since they draw down aid, not subsidize to the same degree. But consider the private cost against the return. NCES data show CSU graduates out-earn peers from these types of institutions. They also begin careers with smaller debt ratios. For example, a graduate from a for-profit faced 4x the tuition each year that a CSU grad paid before aid. Aid discounted tuition by 25%, far below CSU’s 80+%. Family income tended to be 50%-66% of the earnings of the CSU students’ family. Graduate income lagged the CSU average, whether the student came from for-profit or non-profit. Typically, for-profit university students entered work after college with a ratio of debt to salary 5x greater than a CSU student carried.

A corollary is that debt does not shadow the CSU graduate’s job choice to the same degree. (See chart; FP is the first line, PUMABA the second in the details.) A publicly subsidized model decouples study from debt so that learning can be exploration. The public benefits when the market is defanged. The privately funded models impose market discipline on study. This discipline is not compulsive, though. It supposes that “femina
oconomica” will choose rationally.

WHAT IS TO BE DONE?

Like Humpty, California has had a big fall. I doubt it can be pieced together, but . . . This is the state of quake and cataclysm, of gold rush and bum’s rush. There is much to do.

We need to change our values. Our sense of entitlement is insufferable.

Our assumption that the market is self-correcting and that representative government is unbalanced is toxic. Deregulating finance has mixed with the delegitimizing representative government. Together they expose us to infatuation—bubbles and fads—that once indulged, become entitlements.

We grow the economy to stay ahead of the incurred debt. But the strategy results in trivial products and hyper-concentration on fiscal tools that accelerate waste and privilege money managers. Meanwhile we protest taxes on the private for the public. But without reducing our spending commitments, we still tithe but for the market. The tithe is the interest on the public debt.

It is embarrassing to use entitlement as justification for fees. Supporters need to forego the faddish remedy of referendum. That is the prime tool of serial impulsiveness in our direct democracy. The call for low fees cannot be taken seriously until it accounts for the impact of grants and aid on the relative cost of the three segments.

We need to consider predictability. Periodically, the legislative analyst and others recalculate the entire marginal cost of instruction. Generally fees have gone up 8-9% each year over forty years in CSU and peers. Were we to accept the trend, we could package fees with a stable escalator to cohorts over 4 to 6 years. Right now, the reactive approach imposes steep increases on unlucky students who attend in famine years.

Yet, fees also can be moderated and offset by attacking the cost that contribute to them and the total cost of attending college. For example, benefits and utility costs have outpaced increases in faculty salaries since the early ’80s. A coalition of state employees to hold down these costs fees would widen the constituency for a union’s pitch.

Also, fees become a target for people who are appalled by the total cost of college but frustrated by the fact that much of it seems untouchable. How does one reverse off-campus housing costs? An answer might be found in a mix of entrepreneurialism, philanthropy, and partnership. The purchase and development of real estate might not reduce the downward pressure on fees significantly. But a fair lease could help students while over time the property--one hopes—appreciates. Similarly, the campaign against rocketing prices for textbooks can offset fee increases. Comprehensive
indexing in tools like WorldCat can complement the libraries’ collections of e-texts in another effort to hold down book expenses.

Of course, this is idle speculation until it is converted into strategy and then action. The strategy requires that we focus on buying out pre-conditions for some fee increases and offsetting other necessary increases with commercial reductions.

- For instance, academic units can save 1.5% by paring devices on networks, paring networks, and regulating licenses.
- Usually, non-resident fees run 2x to 3x resident charges, so doubling from nonresidents from 2% to 4% can buy down in-state tuition by 10%.
- Extension and auxiliaries can compete for contracts with overhead. Even without R1 infrastructure, an institution can drive indirect funds up 1-2% just by adapting peer practices.
- Building dorms to offset living expenses might not be possible; but economy meals plans, rebates for not driving, and/or virtual semesters can reduce total expenditures considerably, as can a campus-wide effort to find alternatives texts.
- If campuses deliver remediation within BA credits, and if they discourage electives beyond the minimum for the degree, they can offset fee increases with a 6% reduction in total cost.

Our first law for fee finance should be: every increase must have an equal offset.

Fees have gone up rapidly the past three years. Even then higher education remains a bargain in California because of high transfer and significant aid. The size of the campuses and the extensive pools of part-time faculty enable the campuses to weather fiscal storms. Gradually, however, the campuses have watched the advantage in support that California once provided decline.

I have traced the onset of this decline to the 1970s. Voters opposed change. They feared dislocation brought on by rising home value and equalization of educational opportunities. Today, the after-effects of policies based on such fears seem even more pronounced: unbalanced taxes, insufficient revenue for K-12, and vast inequities in home ownership.

These problems impact most Californians.

Fixing the problems requires compromise, not righteous nullification. Now, many things need repair in California; the need for lower fees is low on that list. But if higher education could lead in the debate about priorities, not just whine, it might show people that thinking is practical.
SOURCES

They include the US and CA Departments of Labor and Education, the CA Legislative Analyst Office, the CA Commission on Student Aid, Departments of Finance, Correction, Commerce, and Housing, as well as California Postsecondary Education Commission, the National Center for Educational Statistics, the DELTA Project, Rand CA, HigherEdInfo.Org, the Bureau of Economic Analysis, the Saint Louis and San Francisco Federal Reserve Banks, Association of Homebuilders and Realtors, UCB Center for Higher Education, American Factfinder and Tiger at Census.

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INDEX

<table>
<thead>
<tr>
<th>Years</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>'00s, 7</td>
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<td>'60s, 3, 4</td>
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<td>'70s, 5, 7, 8, 9, 13</td>
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<td>'90s, 4, 9, 13, 14</td>
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<td>'01, 11</td>
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<td>'08-'10, 7</td>
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<td>'77 to '10, 9</td>
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<td>'78, 4, 5, 6</td>
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<td>'87, 8</td>
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</table>

13. See Prop 13
1950s, 6
1977, 9
1978-82, 6
1994, 8

2006, 4
2007-09, 6
2007-11, 6
2010-11, 14

equalization, 8, 17
estate tax, 6

F

fact, 13, 15, 16
fees, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17
fiction, 13, 14, 15
finance, 4, 5, 10, 12, 13, 16
for-profit, 15
FTE, 7
FTES, 13
furlough, 7

G

gaps, 7
GDP, 3, 4, 6, 8, 13
general fund, 2, 4, 6, 9, 11
globalization, 5, 8
Goldman-Sachs, 10
Graduate income, 15
grants, 11, 13, 14, 15, 16
Great Society, 9
growth, 3, 4, 5, 8

H

Health, 6, 9
higher education, 3, 4, 6, 7, 9, 10, 11, 12, 13, 15, 17
Higher education, 2, 9