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THE GOLDEN STATE AT RISK

A Joint Statement on the Crisis Facing California Higher Education Prepared by the Higher Education Members of the Education Roundtable

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California's Great Promise: Educational Opportunity

Today California faces enormous economic, political, and social challenges. But just imagine what those problems would be like if California had not invested heavily in higher education starting immediately after statehood and continuing without fail until the onset of the current budget crisis. Soon after the Second World War, Carey McWilliams wrote about a dynamic state in *California: The Great Exception*. He argued that "It would be a brave man, indeed, who would undertake to chart California's growth for the next decade. There are too many unpredictable factors, too many variable elements." Yet, California's emergence as one of the world's major economic powers did not occur by accident. It happened because the Golden State nurtured a work force that was among the best educated on earth. It happened because employers knew that California, through its higher education system, could be counted on to lead the world in both technologic and industrial innovation, as well as in the creation of a large, talented, and well-trained labor force. Recognizing the value of California's dominance in research, as well as the wisdom of locating in an area with well-developed human resources, native-born entrepreneurs as well as out-

of-state and immigrant businesspersons flourished. They established small businesses and developed entire new industrial sectors, resulting in unprecedented prosperity for California's residents.

This commitment to higher education bore significant rewards for the state as a whole. California's leadership in biotechnology, computers, and aerospace came about because of these prior investments. It is not surprising that more than a third of the nation's fastest growing entrepreneurial firms are located in California.

The underlying principle that made such prosperity possible -- widespread access to high-quality educational programs for all residents -- can be traced directly to the wisdom of California's founders, as articulated in the State Constitution: "A general diffusion of knowledge and intelligence being essential to the preservation of the rights and liberties of the people, the Legislature shall encourage by all suitable means the promotion of intellectual, scientific, moral, and agricultural improvement." This visionary principle was later expanded upon in a landmark document called the Master Plan for Higher Education, which was enacted into law in 1960. The Master Plan is the state's blueprint for providing high-quality and affordable higher education to California's residents, and it has served this state well for more than three decades. Evidence of the success of the Master Plan can be seen in the fact that since its adoption in 1960, California has enjoyed almost uninterrupted economic growth and prosperity, owed in no small part to the non-stop vitality of higher education as an engine of economic innovation and growth. Over time, the Master Plan has come to be seen worldwide as one of the few models to be envied, and in many cases copied. But sadly, the past five years have seen a steady and precipitous erosion in the state financing necessary to fulfill the promise and vision contained in the Master Plan. The effects of this erosion are now beginning to show.

The Risks: Explosive Growth and an Ongoing Fiscal Crisis

To paraphrase a landmark report issued in 1983 by the National Commission on Educational Excellence, California is at risk. Whether we choose to recognize it or not, for the past several years Californians have been making the decision to slowly dismantle their world-renowned higher education system. Deep budget cuts now occur annually and appear inevitable for the foreseeable future. There is a broad statewide consensus that as a result of both population growth and the evolving demands of the State's economy, California should be planning to accommo-

date about 800,000 additional college students by 2005 than at present. But instead of planning for desperately needed expansion, ongoing budget cuts are now forcing higher education to examine the need to reduce enrollment and maybe even close some existing campuses in future years.

Like a beautiful building that is not properly maintained, California's higher education system is still more or less intact, but the telltale signs of decline are all around us. Fewer class sections, larger class size, huge fee increases, faculty layoffs, elimination of departments, and declining enrollment in the face of dramatic population growth are just a few examples of the pervasive forces at work. No one in higher education is exempt from these destructive pressures. The four systems that make up California's higher education system -- the independent colleges and universities, the University of California, the California State University, and the California Community Colleges -- are all facing substantial and ongoing reductions in state support, whether through student financial aid or direct appropriations.

Chronic budget cuts now threaten higher education's ability to meet current and future student demand. If these trends continue, the immediate result will be a diminished pool of college graduates (and by extension, high-skilled workers), despite a rapidly growing population. The long-term effect will be to see high-quality instruction and unprecedented research efforts sink into mediocrity. The implications of a systematic decline in both the size and skill-level of the state's labor force are obvious, as are the implications of allowing California to lose its reputation as the world's leader in high-tech research and innovation. Simply stated, by allowing the slow erosion of higher education, California's economic future is being placed in serious jeopardy.

The problems facing higher education stem from several sources. Defense cutbacks and the recent recession have combined to confront California with its worst fiscal crisis since the Great Depression, creating difficulties for every aspect of state government. While higher education has suffered from the recession like everyone else, the economic downturn has also served to mask a more fundamental crisis facing California's colleges and universities. For the true menace facing higher education is not the cyclical decline in the economy, but the structure of the state financing system itself -- a system that forces public policy decisions to divert funds away from higher education and into other state programs. At the same time, federal support for research is declining.

Regardless of the recession and the prospects for economic recovery, the long-term forecast for the state's budget is not good. Those populations most in need

of state services -- namely children and senior citizens -- are growing rapidly, while population among working-age (taxpaying-age) persons is declining as a proportion of the total population. The effect of these trends is that state expenditures are projected to grow faster than revenues through the remainder of the decade, even in the event of immediate economic recovery and consistent growth thereafter. This results in persistent state budget deficits through the 1990's, with a single year deficit of between \$7 billion and \$20 billion projected for the year 2001.

Because 85 percent of the state budget is driven by statutory and constitutional funding guarantees for certain programs, federally mandated government entitlements, and the cost of the state's correctional system, the Governor and Legislature have real discretionary control over only 15 percent of the budget. Despite its importance to California's future, higher education falls within that unprotected 15 percent. Ominously, that portion of the state budget committed to legally protected programs is expected to reach 100 percent of total projected revenues within ten years. According to these forecasts, by the end of the decade no state resources will be left to finance unprotected programs such as higher education. In fact, these trends are already well under way. Between 1984-85 and 1992-93, a period that includes several good budget years, the percentage of state general funds devoted to higher education fell from 15.5 percent of the budget to 11.4 percent.

The Challenge: California Must Maintain an Educated Society

As previously noted, this financial crisis comes during a time of tremendous population growth and exploding student enrollment demand. Moreover, by the year 2000 no single racial-ethnic group will constitute a majority of the state's population. One need look no farther than the public schools to see California's future, where Latino, Asian, Black, and Native American students already constitute a majority of total enrollment. In many respects, the future is now. In the Los Angeles Unified School District, 80 distinct languages are now spoken, and over the next 20 years only 15 percent of the new workers entering the labor force will be White males. Fully 85 percent of the net additions to the work force will be women and non-White males -- many of them recent immigrants.

Without question, these students deserve at least the same educational opportunities provided to previous generations, and preserving the health of California's economy probably requires more. Economists predict that 68 percent of the new

jobs created in California in the next five years will require some college education, which may explain why Federal Reserve Chairman Alan Greenspan has said that "you can't do much for the GNP these days with a strong back." To boost GNP we need strong minds; we need more people from all walks of life with college training. Our future as a state -- and as a nation -- literally depends on it. Our society has evolved to the point where it is now obvious that ideas, and the ability to articulate and develop them, will be to nations in the twenty-first century what oil, timber, and steel were to countries in the nineteenth and twentieth centuries.

The bitter irony is that the current crisis in higher education is emerging just as the K-12 school reforms of the 1980s begin to bear fruit. At precisely the time that more and more school children are working and studying harder to improve themselves through education, and at just the time when these students are coming from more diverse racial/ethnic backgrounds, society is applauding them with one hand and slamming the college door shut with the other. Now more than ever, it is imperative that California deliver on its historic promise of high-quality and affordable higher education for all those capable and willing to benefit. As we look back on our past and toward the future, it becomes self-evident that a well educated population has always been and must continue to be California's most important natural resource.

In the 1990 best-seller, *Beyond National Borders*, Kenichi Ohmae wrote that "the quality and number of educated people now determines a country's likely prosperity or decline." America is living proof of that. Our nation achieved its greatness in the late nineteenth and early twentieth centuries because we invented universal public education. We also invented public universities. The success and prosperity that these institutions brought to America, taken to new heights in California, have prompted nations around the world to imitate our model.

Ironically, as the rest of the world expands its investment in higher learning and begins to enjoy the benefits which flow from it, California stands on the precipice of abandoning its commitment to this invaluable resource by slowly but surely reducing its financial support for higher education. Two very serious repercussions result from these cuts: The first has to do with the State's ability to attract and retain good jobs, the second has to do with California's future workers.

Consider, first, the jobs of the future. The Minister of International Trade in Japan recently published a report entitled *Visions 90*, that identified the seven industries Japan needs to dominate in the decade ahead if it expects to be economi-

cally successful. They are microelectronics, biotechnology, telecommunications, civilian aviation, new material science industries, robotics/machine tools, and computers/software. Does this list read like a list of California's established and emerging industries? It should. Research breakthroughs in higher education and our state's highly skilled workforce have already provided California with a headstart in each of these crucial industrial sectors. But we cannot maintain, much less enhance our competitive position based on yesterday's accomplishments.

These are all industries that economist Lester Thurow describes as "brain power industries." As Thurow pointed out in a recent speech to the Economic Policy Institute, Japan is not alone in aiming to dominate those industries. Germany has the same list.

If California expects to compete in these industries of the future, it is crucial that our labor force be given the tools it needs to succeed. In these industries, the necessary tools are critical, creative, and well-trained minds. As a result, and in light of the increasingly information-based and technologic focus of economic activity, California's future economic competitiveness demands that access to educational opportunities be expanded rather than constrained. All credible forecasts indicate that more, rather than less education will be necessary to compete in the twenty-first century. College-level instruction is thus becoming even more important in maintaining the health of the economy. But to complete the cycle, in order to attract and retain those high-paying jobs California must continue to nurture a large and well-educated labor force. To break this cycle is to court economic catastrophe.

All Californians have a shared interest in ensuring that these new workers are given every opportunity to succeed. Very literally, our collective economic viability depends on our ability to provide these future workers with the same educational opportunities enjoyed by previous generations. It matters not whether one is a baby born into inner city or rural poverty, or a wealthy senior citizen living in a suburban gated community; our collective economic future rests on our ability to prepare tomorrow's workers to lead us into the twenty-first century. As Benjamin Franklin once said, "In this matter we must all hang together, or we will all surely hang separately."

If these new workers are going to succeed in microelectronics, biotechnology, computer science and the other industries of the future, they need a high quality and affordable college education. Given the chance, many of these future scientists and engineers will be the first in their family to attend college. And most will

simply not be able to do it without state financial aid or a vibrant college and university system available to them.

Can we afford to continue subsidizing their education as we have for past generations? If we want to compete with Japan, Germany, Korea and the other newly industrialized countries of the world, we have no choice. If Californians are committed to creating new wealth, rather than fighting over the remaining scraps of wealth left by our predecessors, then we must all renew our historic commitment to develop and nurture our most important natural resource -- the minds of our next generation of workers. The bumper stickers state it succinctly: "If you think education is expensive, try ignorance."

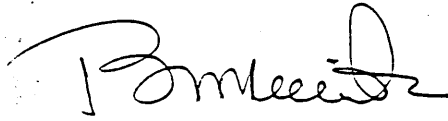
The Solution: Higher Education Must Again Become a State Priority

The fiscal crisis facing California is clearly monumental, and is not likely to improve substantially without fundamental reforms. In that climate, no state programs are going to get the full amount they need from governmental sources to function optimally. Higher education understands this and has been actively involved in restructuring itself for new efficiencies. But there is a difference between optimizing the use of available resources and slashing without reason or direction. As leaders of California's public and independent colleges and universities, we are prepared to suggest changes that will help us renew the promise that was made during the last period of growth. Higher education must be held accountable for achieving its varied missions as efficiently as possible, but we cannot be successful if funding for the state portion of higher education's budgets are relegated to a low priority within the overall state budget.

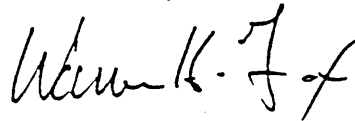
As California policy makers confront the tough choices on the allocation of scarce resources, higher education must move from the bottom to among the state's highest priorities. Higher education can no longer simultaneously absorb deep annual budget cuts and continue to meet the educational needs of the state, as outlined so eloquently three decades ago in the Master Plan. In many areas, cracks in higher education's foundation have already emerged.

The hope and promise of the Master Plan still drives higher education in California, although recently more in spirit than in practice. Time is running out. For the sake of tomorrow's students, for the economic future of California, we cannot continue dismantling our colleges and universities under the cumulative force of

deep annual budget reductions. To do so will surely signal the tragic demise of the higher education system we inherited from our predecessors. California's children -- indeed all Californians -- deserve much better.



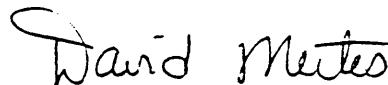
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