

Teach the Budget

(A lot of detail is included here to give teachers the flexibility to read their audiences and emphasize the points they think are most relevant. Key points are in bold.)

Intro: We're here to: provide some information on the effects of the budget cuts and what you can expect in the future; explain how the UC crisis connects to the broader economic crisis; talk about how students and workers are taking action to turn this around.

Section I: The Continuing Crisis in Higher Ed and How It Affects YOU.

- **Fee increases** at the UC are **out of control with no end in sight:**
 - Tuition at the UC has **more than doubled since 2000, from less than \$5,000 to over \$12,000**—and it's about to **go up AGAIN** (inflation-adjusted.)¹
 - The UC Administration announced at the September Regents meeting that **if state funding doesn't increase, the UC will need to raise fees 16% per year** for the next four years—RESULT: **today's freshman would pay about \$21,800 in 2015 for their senior year** at the UC.²
- **Paying more for less. --**
 - Cheating Top California Students
 - UC officials admit that they are **turning away California residents** who qualify for top schools—in order **to make room for out-of-state and international students who pay \$36,000/year. Non-residents were 13.6% of Berkeley's 2009 freshman class—this year, they are 31.2%**³
 - Declines in Quality
 - **Increased class sizes and fewer TAs.** In UCSC's sociology, history, education, and music departments, the ratio of students to TAs has increased dramatically in recent years, to about 75-150 students per TA.
 - **Fewer classes offered** each quarter. Last winter UCSC cut course offerings by 11%,⁴ making it difficult to get the classes to graduate on time.⁵
 - Fewer resources for students.
 - **Departments and programs across campus that emphasize community and accessibility have seen their budgets slashed.**⁶
 - **Dramatic cuts to:** the Chicano and Latino Resources Center, and The Equal Opportunity Programs Office, among other programs and resource centers.
 - **Defunded and closed** Community Studies and American Studies
 - **Library resources cut:** UCSC's libraries have been hit hard with millions of dollars in cuts. Library staff has been cut and, at salaries 20% below those of CSU librarians, our campus has had trouble finding staff.⁷
 - **Cuts to tutors, faculty, and lecturers.**⁸
 - Faculty Flight: The UC is internationally known because of its world-class scholars—but as the crisis continues, many are leaving for schools that can provide more competitive

¹ Elyse James, "UC schools increase fall tuition 8%,%=" *Orange County Register*, Nov. 18, 2010, <http://www.ocregister.com/articles/increase-276647-percent-schools.html>

² Larry Gordon, "Tuition increase alarms UC board," *Los Angeles Times*, Sept. 16, 2011 <http://articles.latimes.com/2011/sep/16/local/la-me-uc-20110916>

³ Jennifer Gollan, "State budget cuts threaten California's Master Plan," *The Bay Citizen*, Apr. 18, 2011

⁴ <http://www.latimes.com/news/local/la-me-classes20-2010jan20,0,4770272.story>

⁵ Chris Newfield, "UC Budget Questions and Answers," available at www.teachthebudgetucsc.org

⁶ Tamar Lewin, "University of California Makes Cuts After Reduction in State Financing," *NYT*, July 10, 2009

⁷ <http://library.ucsc.edu/collections/budget-reduction-process>

⁸ "The future of UCSC: Chancellor, EVC, discuss looming budget cuts," March 8, 2011, <http://news.ucsc.edu/2011/03/budget-forums.html>

salaries and more supportive work environments. If this trend continues, the value of a UC degree will decline.

Section II: Evaluating the Arguments.

- By now we all know that **the UC is in financial trouble** and is managing budget problems with tuition hikes, service cuts, and layoffs.⁹
- **Students, workers, and parents are angry** and have protested for years.
- **Several arguments** have been offered to make the case that students should accept fee increases and cuts in services.
- **We'd like to offer you a second look at these arguments.**

Argument 1: “We’re broke; our society can no longer afford to provide services.”

- California has the **8th-largest economy in the world.**¹⁰
- California’s **Gross State Product has more than doubled since 1987**, rising from about \$803 billion to \$1.9 trillion in 2010.¹¹
- In 2010, California **ranked 12th in per capita income among the states.**¹²
- In 2010, California’s **ranked 9th among states with the highest concentration of millionaires**, as the population of 716,316 households reporting liquid assets of \$1 million or more jumped 8% over 2009.¹³
- **BUT state funding for the UC declined 50% between 1970 and 2005**, (well before the current recession). Per-student state funding has decreased **from \$16,430 in 1970 to \$7,570 in 2009-2010.**¹⁴

POINT: While California’s incomes and output have grown, *the state has chosen to defund California’s universities.*

Argument 2: “But isn’t the UC in particular broke?”

- Yes and no. While state funding for the UC has been cut sharply in the last few years, **mismanagement by UC Administrators and Regents has worsened the impacts of these cuts and squandered workers’ pensions.**

UC Regents prioritize administrators’ salaries over instruction:

- While the UC administration has been **laying off workers**, watching faculty positions go unfilled, and **cutting services**, it has been **hiring more senior managers.**
- The **ratio of managers to professors in 1994 was 3 to 6—by 2010, there were actually more senior managers than professors.**¹⁵
- While cutting pay and hiking fees, the UC Regents **approve millions in 20-25% raises and bonuses for top executives nearly every time they meet.**¹⁶
- The **cost of administrative bloat in the UC is about \$600 million a year.**¹⁷

⁹ University of California Budget News, July 14, 2011, <http://budget.universityofcalifornia.edu/?p=1583>

¹⁰ http://latimesblogs.latimes.com/money_co/2010/12/california-economy-ranking.html

¹¹ California Department of Finance, Miscellaneous Economic Data, Gross Domestic Product, http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm

¹² Bureau of Business and Economic Research, University of New Mexico, <http://bber.unm.edu/econ/us-pci.htm>

¹³ Paul Toscano, “States with the Most Millionaires,” CNBC News, Sept. 29, 2010, Source: Phoenix Marketing International, http://www.cnbc.com/id/39405689/US_States_with_the_Most_Millionaires_2010?slide=8

¹⁴ University of California Budget News, http://budget.universityofcalifornia.edu/?page_id=5

¹⁵ University of California Office of the President, <http://www.ucop.edu/ucophome/uwnews/stat/>

¹⁶ UC Regents Meeting Minutes, <http://www.universityofcalifornia.edu/regents/minutes/>

¹⁷ <http://changinguniversities.blogspot.com/2009/11/more-on-executive-growth.html>

POINT: While it is true that state funding for the UC has declined, *the UC Administration and Regents have made repeated decisions to benefit themselves and to reduce the money available to educate students.*

Argument 3: “Higher Fees Aren’t So Bad”: This argument says that since **education is an investment, individuals should bare the costs.** Besides, higher education leads to higher wages so **students will be able to pay off their loans.**

Student loan debt has grown by 511% since 1999—to \$1 trillion this year.¹⁸

- **The average debt for a college graduate is \$24,000.**
- While **students take on more risk, their earning outlook is gets worse.**
 - **Tuition for the UC has doubled since 2000—BUT the national average earnings for college graduates is down by 11%.**¹⁹
 - **RESULT:** Economists predict that the **large debt of the next generation will be a drag on the economy for years to come,** because debt discourages people from entering public service, taking risks, and making large purchases.
- **Default rates have nearly doubled since 2003, and are now about 9%.**²⁰
- **Only 50% of students graduating in 2006-2010 found full-time jobs.**²¹
- **As many as 85% of college graduates will move home after graduation.**²²

Benefits of higher education

- A high rate of college education provides **economic and social benefits to society as a whole—including to those who have not attended college.**
- The UC **generates \$46.3 billion annually in economic activity for California.** For every **\$1 invested in the UC,** the university produces the support and innovation for **\$14 in overall economic output.**²³
- Experts note that higher educational attainment leads to **higher incomes, more tax revenue, and less demand for social services.**²⁴
 - Higher rates of education are **correlated with greater economic equality, lower crime rates, and higher rates of political participation.**
- **But MOST IMPORTANTLY: Quality, accessible education and an informed citizenry are essential to a functioning democracy.**

POINT: *Higher education leads to economic growth and improves the lives of regular people. BUT while the earning potential of college graduates remains high, it is not keeping up with the cost of a degree.* Moreover, large rates of personal debt can counter-act these benefits and lead to economic decline.

Section III: Our Perspective: A History Bad Priorities

The current crisis is the result of choices by the government and the University to *pick winners and losers.* But this is not just a reaction to a temporary crisis.

¹⁸ Dennis Cauchon, “Student loans outstanding will exceed \$1 trillion this year,” *USA Today*, <http://www.usatoday.com/money/perfi/college/story/2011-10-19/student-loan-debt/50818676/1>

¹⁹ Bloomberg News, “Earnings of Young College Grads vs Costs,” Sept. 12, 2009, http://www.businessweek.com/the_thread/economicsunbound/archives/2009/09/earnings_of_you.html

²⁰ U.S. Office of Federal Student Aid, numbers for 2009: <http://www2.ed.gov/offices/OSFAP/defaultmanagement/defaultrates.html>

²¹ Erica Ho, “85% of New College Grads Move Back in With Mom and Dad,” *Time Magazine*, <http://newsfeed.time.com/2011/05/10/survey-85-of-new-college-grads-moving-back-in-with-mom-and-dad/>

²² The Huffington Post: http://www.huffingtonpost.com/2011/07/08/college-graduates-jobs-unemployment_n_893495.html

²³ University of California News, “UC generates \$46.3 billion in economic activity for state,” <http://www.universityofcalifornia.edu/news/article/26271>

²⁴ Public Policy Institute of California, “Higher Education in California: New Goals for the Master Plan,”

Federal Priorities: -- say something about the history of deregulation and tax cuts for the rich (Reagan and Bush 2, but what about Clinton—as income inequality accelerated, taxing the wealthy somehow became the “third rail” of US politics.)

- When the economy crashed, the federal government spent **\$580 billion to bail out the banks that caused the crisis with irresponsible and predatory lending.**²⁵
- The Bush and Obama Administrations reassured voters that the bailout would benefit “Mainstreet” because **it would protect jobs and keep home loans flowing.**

Four years later:

- The bailouts were supposed to be loans, but **banks still owe the US \$2.4 billion.**²⁶
- Bailout recipients are **making fewer loans, laying off more workers—and paying their CEOs millions.**²⁷
- In 2008, the 20 financial firms who received the most bailout aid paid their **CEOs an average of \$13.8 million each. Since then, these same companies have laid off more than 160,000 employees.**²⁸
- Bank of America received a \$25 billion bailout and now plans to layoff 40,000 employees.²⁹ In 2010, the bank paid no taxes and got a \$1 billion refund.³⁰

Meanwhile:

- **tax rates on the wealthy are the lowest they’ve been since 1928.**
- **economic inequality in the US is the highest it’s been since 1928.**
- The top 10% of Americans receive 53% of the US’s total annual income.
- The top 1% control 43% of the financial wealth.

POINT: When the banks were in trouble, **Washington acted swiftly to pour trillions into the financial sector but did little to help those suffering the most.** Four years later, **the U.S. foreclosure rate is worse than it was in 2006 and unemployment in California is 12%.**

State Priorities:

- The economic crisis has **defunded state governments in two ways:**
 - **Cuts to federal subsidies** that pay for important services.
 - **Declining wages and jobs** for middle-class and working people
- **California’s budget problems are passing the cost of the crisis onto those who have already been hit the hardest.**
- But the legislature has been limited in its ability to raise revenue by **2 major obstacles:**
 - **Corporations** use complex property tax loopholes to **dodge billions in taxes.**
 - Prop 13 requires that **any increase in revenue be approved by 2/3rds of the legislature.**
- Republicans make up 35.8% of the legislature and maintain a strict no-tax stance.
- This means that the **Democratic majority is unaccountable to constituents on a range of issues because their hands are tied when it comes to funding.**

POINT: *If Californians want a change, we’ll have to do it ourselves.*

²⁵ See Pro Publica’s Bailout Tracker: <http://projects.propublica.org/bailout/main/summary>

²⁶ Ibid

²⁷ Fox News: <http://www.foxnews.com/politics/2009/01/27/bank-executives-bailout-layoffs-grow/>

²⁸ Sarah Anderson et al, “America’s Bailout Barons,” Institute for Policy Studies, Sept. 2, 2009, http://www.ips-dc.org/reports/executive_excess_2009/

²⁹ Reuters via Huffington Post: http://www.huffingtonpost.com/2011/09/09/bank-of-america-jobs-cuts-layoffs_n_955227.html

³⁰ Dan Freed, www.thestreet.com, “Bank of America Pays No Taxes, Gets \$1B Refund,” March 25, 2011

The UC's Priorities: In 2004, Governor Arnold Schwarzenegger and the presidents of the UC and CSU signed the Compact for Higher Education. This was a **plan to reduce state funding to higher education and to shift costs to students and workers.**

POINT: *In a time of prosperity, the UC made an explicit decision to shift the cost of education onto students and those who work in the UC.* In the current crisis—when students can least afford increases in tuition—the UC has decided to accelerate and deepen this shift.

UC Regents gambled with UC funds:³¹

- Ignoring warnings from the UC's in-house treasurer, the Regents hired an outside firm to **invest the UC's pension funds and savings in high-risk investments that benefitted several of the Regents, as well as Governor Schwarzenegger.**³²
- For example, Regent Richard Blum has **siphoned \$748 billion in UC investments to his own companies.**
- By 2009, the Regents' bets had **lost \$23 billion in UC money, endangering a pension fund that was once the largest in the country.**³³
- The Regents **are now trying to balance the pension fund on the backs of workers and students**, by cutting pensions and raising the employee contributions and by dipping into funds for student instruction.
- **Part of a larger national trend:** *The Chronicle of Higher Education* reports that 1 in 4 private universities and colleges have investments with companies linked to members of their governing boards. Also, *"as endowments themselves took a hit in the recession, the financial pain from university budget cuts rippled beyond campuses to local economies, in layoffs, wage cuts, and tuition hikes."*³⁴

POINT: Much like Wall Street, **the UC Regents are shifting the costs of their own reckless financial decisions (and winnings) onto students, workers, and the community.**

Section IV: Big Challenges—Big Thinking:

Today's leaders, cowed by Wall Street's financial crisis, and bullied by corporate interests—**have begun to think small.** Political debate has been reduced to worry over the next deficit and the next election cycle. **Politicians are now in the business of persuading us to ask for less.** We demand more.

- Students and workers are **tired of endless protests and no response.**
- **The Occupy Wall Street Movement shows that we are not alone.**
- **We have big problems, and we are tired of thinking small.**

ReFund California!

- **California's college enrollment rates are among the lowest in the nation.**
- **Our state leads the nation in economic inequality and foreclosures.**
- **State revenue for the UC has declined by 50% since 1980 and our tax structure has grown more regressive:** if we're going to fix education and restore services to Californians, we need to **ReFund** our state.

³¹ <http://spot.us/pitches/337-investors-club-how-the-uc-regents-spin-public-funds-into-private-profit/story>

³² The Regents were warned in the UC investment advisory group meeting minutes (2009) that the risks and liabilities involved in investing with the UC's retirement plan assets had reached "unprecedented levels." <http://www.universityofcalifornia.edu/regents/minutes/2009/invest2.pdf>

³³ <http://changinguniversities.blogspot.com/2009/11/how-regents-sold-university-down-river.html>

³⁴ Paul Fain, "Wealthy University Endowments Help Fuel Financial Crisis, Report Says," *The Chronicle of Higher Education*, May 21, 2010, <http://chronicle.com/article/Wealthy-University-Endowments/65641/>

- **ReFund California** is students, workers and educators working toward **progressive tax reforms and to make Wall Street pay for the crisis they caused.** *We have 11 regional coalitions across the state mobilizing around our cause.*

ReFund California initiatives:

- The “**Make the Banks Pay**” campaign that has been doing bank actions all over the state and defending communities against predatory banks.
- A **ballot initiative** for 2012 that would **raise taxes on the state’s top 1%.**
- An initiative in **2014 to close large tax loopholes on corporate property.**
- **Partnering with Occupy movements.**

What YOU can do: Spread the Word and JOIN the week of action:

Nov. 9: Rally and statewide day of action

- **Noon Student-Worker Rally @ Baytree Plaza**
- **2:00 Lunch on the lawn @ base of campus:** FREE Lunch, workshops, sign-making, fun!
- **3:00 March to Clock Tower (& Dance Party!)**
- **4:00 Clock Tower Community Rally with local workers from K-12 and the city, and Occupy Santa Cruz**
- **Bank Action!** *(This action is aimed at raising awareness and building community and will involve a rally and symbolic action. Students and workers will be targeting Wells-Fargo for a number of reasons: It is one of the largest servicers of student loans. It has been found guilty of systematically targeting communities of color for predatory lending practices. It was one of the largest recipients of federal bailouts: paying -1.4% in taxes from 2008-2010, and receiving more federal subsidies than any other corporation: \$18 billion.)*

Nov. 16: Get on the bus – Education, Actions, Occupy – Sign up today to get your seat!

Workers, students, and faculty are mobilizing Nov. 16 for meetings of the UC Regents at UCSF and CSU Trustees at CSU-Long Beach. *(Both boards are meeting that day. This will be a statewide action, with buses transporting UC and CSU students in So-Cal to Long Beach, and CSU and UC students in Nor-Cal to SF.)*

- **FREE RIDE, FREE LUNCH:** Buses will depart Santa Cruz in the morning and return in the afternoon and evening. We’ll even provide lunch!
- **SCHEDULE:**
 - **Get on the Bus!**
 - *Buses leave UCSC at 7:45 am from East Remote Parking lot.*
 - *Students and workers from SF state, Davis, UCSC, and UC Berkeley, as well as Community Colleges and K-12 will converge at the Regents’ meeting at UCSF*
 - **10 am Rally @ the Regents’ Meeting.**
 - **11:30 – Press conference and lunch**
 - **Noon -- March through Financial District!** *(1,000s are expected to turn out!)*
 - **Meet-up with Occupy San Francisco!**
 - **2 – 3pm – Buses returning to Santa Cruz.** *(Buses should be back by 5pm.)*

Teach the Budget! Download and share this curriculum with your friends, professors, parents--everyone! Available at www.teachthebudget.com.