

## Teach the Budget

*(This is an abridged version of our larger curriculum for presenters with limited time. It necessarily leaves out some detail, so we recommend that if you're planning to use this shorter version, you also read the longer curriculum so you'll be prepared to answer questions. "POINT" paragraphs provide a conclusion or take-home message for each section.)*

**Intro:** The purpose of this presentation is to talk about the budget cuts and give some background on the economy and the history of the UC, and to tell you about how students and workers are taking action.

### Section I: An Overview of the Current Crisis at the UC and How It Affects Us

- Tuition at the UC has **more than doubled (even adjusting for inflation) since 2000, from less than \$5,000 to over \$12,000. The Regents have a history of hiking tuition from 8-32% about every 2 quarters.** —and it's about to **go up AGAIN.**<sup>1</sup>
- The UC stated that **without more state funding, tuition will have to increase by up to 81% over the next four years.**<sup>2</sup> (The Regents have rejected this proposal for now.)

The State Promises Continuing Cuts:

- **In December, Governor Jerry Brown announced more mid-year cuts to both the UC and CSU of \$100 million each, and \$30 million to community colleges.**<sup>3</sup>
- **On top of that, the governor says he will cut another \$5 billion from public education from next year's budget** if voters do not pass a referendum raising taxes.<sup>4</sup>

### How Do These Cuts Affect Us? We're Paying More for Less.

Cheating Top California Students.

- **UC campuses are turning away qualified California residents to make room for out-of-state students who can pay more.** In 2009, non-resident and international students, who pay \$36,000/year in tuition, were 13.6% of Berkeley's freshman class—this year, they are 31.2%.<sup>5</sup>

Declining Educational Quality.

- **Larger class sizes, fewer TAs, faculty, and lecturers.**<sup>6</sup>
- **Cuts to: resource centers,<sup>7</sup> library hours and collections, tutoring services, and continuing cuts to courses offered will continue.**<sup>8</sup>
- **Closing departments and canceling majors. Top faculty are leaving.**
- **The value of a UC degree is declining, even as tuition is rising.**

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### Section II: The Cuts in Context *(Some background info on some common justifications for cuts.)*

- **Some argue that these cuts are merely the result of an unavoidable budget crisis.**

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

<sup>2</sup> 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>

<sup>3</sup> "California's \$1B automatic budget cuts at a glance," *The Sacramento Bee*, Jan. 1, 2012 <http://www.sacbee.com/2012/01/01/4156387/californias-1b-automatic-budget.html>

<sup>4</sup> Anthony York et al, "Gov. Jerry Brown's new budget plan targets schools," *L.A. Times*, Jan. 6, 2012 <http://www.latimes.com/news/local/la-me-state-budget-20120106,0,680610.story>

<sup>5</sup> Jennifer Gollan, "State budget cuts threaten California's Master Plan," *The Bay Citizen*, Apr. 18, 2011

<sup>6</sup> "The future of UCSC: Chancellor, EVC, discuss looming budget cuts," March 8, 2011, <http://news.ucsc.edu/2011/03/budget-forums.html>

<sup>7</sup> Tamar Lewin, "University of California Makes Cuts After Reduction in State Financing," *NYT*, July 10, 2009

<sup>8</sup> <http://articles.latimes.com/2011/jan/12/local/la-me-colleges-budget-20110112>

- **They say the state is broke, the UC is broke, and students and parents should just accept this and take out more loans** because they'll be able to get a good job and pay them back once they graduate.
- But this is not the whole story—let's take a look at these arguments.

**Argument 1: Is California really broke?** Let's look at the numbers:

- **the 8<sup>th</sup>-largest economy in the world.**<sup>9</sup>
- **12<sup>th</sup> in per capita income and has the 9<sup>th</sup> highest concentration of millionaires among the states.** (*In 2010, the number of millionaires 8% increased over 2009.*)<sup>10</sup>
- **California's Gross Domestic Product (GDP)**<sup>11</sup> has more than doubled since 1987.<sup>12</sup>

**POINT: California is not broke**—we live in one of the richest states in the nation and the world. Top incomes have grown, **but state leaders continue to defund California's universities.**

**Argument 2: Is the UC really broke? Yes and no.** Let's look at some UC history:

- **In 1960, California developed a "Master Plan for Higher Education," which guaranteed a free, quality education to all Californians who qualified.**<sup>13</sup>
- **But in 2004, the governor and the UC president signed the Compact for Higher Education, a plan to gradually reduce state funding to the UCs—and to make up for that reduction by increasing tuition and other budget cuts.**

**TWO POINTS:**

- The rise in tuition at the UC is part of ***an explicit agreement with the governor signed in 2004, in a time of economic prosperity*** and before the current crisis.
- ***In the current crisis—when students can least afford increases in tuition—the UC has decided to accelerate this plan.***

(Transition: *But the UC's financial troubles are not just the result of the 2004 compact: They've also been caused by bad priorities and mismanagement by the UC Regents.*)

So what are the UC's priorities?

- construction projects, administrative growth, and executive bonuses.
- **The ratio of managers to professors in 1994 was 3 to 6. Today, there are actually more managers than professors.**<sup>14</sup>
- **The Regents approve millions in 20-25% raises and bonuses for top executives nearly every time they meet**—even as they are cutting pay and hiking fees.<sup>15</sup>
- **The cost of administrative bloat in the UC is estimated at \$600 million a year.**<sup>16</sup>

Who sits on the UC Board of Regents?

- The majority of the 25 Regents are appointed by governors to serve 12-year terms, (usually as political favors for large contributions or fund-raising efforts.)<sup>17</sup>

<sup>9</sup> [http://latimesblogs.latimes.com/money\\_co/2010/12/california-economy-ranking.html](http://latimesblogs.latimes.com/money_co/2010/12/california-economy-ranking.html)

<sup>10</sup> Bureau of Business and Economic Research, University of New Mexico, <http://bber.unm.edu/econ/us-pci.htm>; 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](http://www.cnbc.com/id/39405689/US_States_with_the_Most_Millionaires_2010?slide=8)

<sup>11</sup> GDP is the total market value of all goods and services produced in the state.

<sup>12</sup> California Department of Finance, Miscellaneous Economic Data, Gross Domestic Product, [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Misc.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm)

<sup>13</sup> Larry Gordon, "California universities consider adopting the T-word: tuition," *L.A. Times*, June 14, 2010

<sup>14</sup> University of California Office of the President, <http://www.ucop.edu/ucophome/uwnews/stat/>

<sup>15</sup> UC Regents Meeting Minutes, <http://www.universityofcalifornia.edu/regents/minutes/>

<sup>16</sup> <http://changinguniversities.blogspot.com/2009/11/more-on-executive-growth.html>

<sup>17</sup> 18 of the Regents are governor appointees. The rest are ex-officio.

- Voters, students, and even lawmakers have almost no say about who gets to be a Regent or what their priorities should be in managing the University.

How have the Regents managed the UC?

- In the 90s, **the UC's pension fund was among the largest in the country and its investments were performing well above similar funds.**
- But in 2000, a few key Regents took control of the fund's investment committee, **fired the treasurer, and hired an outside firm, who put UC pension funds into high-risk investments, channeled hundreds of millions to Regents' own business interests, and cost the UC tens of millions in brokerage fees.**<sup>18</sup> (This part of a growing trend that has fueled the economic crisis, according to the *Chronicle of Higher Education*.<sup>19</sup>)
- **By 2009, the fund had lost \$23 billion and was performing far below its peers.**<sup>20</sup>
- **The UC is now trying to balance these losses through tuition hikes, layoffs, and cuts to the retirement funds that UC employees have worked decades to earn.**

THREE POINTS:

1. *The UC's financial state is not just a result of the current economic crisis. The UC **made a choice years ago to cut state funding and raise the cost of a UC education.***
2. *Much like Wall Street, the UC Regents gambled with other people's money and lost—and are now **shifting the costs of their own reckless financial decisions (and winnings) onto students, and workers.***
3. *The UC and the Regents **prioritize administrators, executive bonuses, and their own financial interests—over the education mission of the university.***

Argument 3: "Higher Fees Aren't So Bad. Students can just take out loans."

- This argument makes two assumptions:
  1. **Education is a personal investment, so individuals should bear the costs.**
  2. **Higher education leads to higher wages, so students will be able to pay off their loans.**

BUT: There are **three problems** with this argument:

**First:** Studies show that high rates of education provide social benefits beyond the individual—even for those who do not receive a college education.

- **Social benefits include:** economic growth, social cohesion, increases in tax revenue, lower demand for social services, higher rates of political participation, greater economic equality, lower crime rates, and lower unemployment.<sup>21</sup>
- **Quality, accessible education is essential to a functioning democracy.**

**Second:** Through research and innovation, public universities also benefit communities:

- **The UC generates \$46.3 billion annually in economic activity for California.**
- **For every \$1 invested, the UC produces \$14 in overall economic output.**<sup>22</sup>

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<sup>18</sup> 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>

<sup>19</sup> 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/>

<sup>20</sup> <http://changinguniversities.blogspot.com/2009/11/how-regents-sold-university-down-river.html>

<sup>21</sup> Public Policy Institute of California, "Higher Education in California: New Goals for the Master Plan,"

<sup>22</sup> University of California News, "UC generates \$46.3 billion in economic activity for state," <http://www.universityofcalifornia.edu/news/article/26271>

**But third and most troubling:** As tuition and student debt are rising, college graduates' earnings are declining.

- **Total student loan debt has grown 511% (6x) since 1999—to \$1 trillion this year.**<sup>23</sup>
- **The average debt for a college graduate is now more than \$25,000.**
- **While UC tuition has doubled since 2000, average earnings for college graduates is down by 11%.**<sup>24</sup>
- **Only 50% of students graduating in 2006-2010 found full-time jobs.**<sup>25</sup>
- **As many as 85% of college graduates will move home after graduation.**<sup>26</sup>
- **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 career or business risks, or making large purchases.

**POINT:** *Higher education is not just an individual investment—it provides benefits to the community as well as the individual. An investment in higher ed. is an investment in a healthy community—but high levels of debt can counter-act some of its benefits.*

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**Section III: Political Roadblocks** (*This section is designed to help students connect the crisis in public education to dysfunctions in state government.*)

**So what are state legislators doing about this? Do Californians care about education?**

- 74% of Californians say the state does not adequately fund public higher education
- 68% think it should be a top priority.<sup>27</sup>
- **But the state continues to make deep cuts** to the system at all levels—WHY?

The Politics of Prop 13

- The state's budget problems are not new and most analysts trace them to Prop 13.
- **Prop 13 is a voter referendum that passed in 1978 and created two major obstacles for lawmakers attempting to fund services for Californians:**
  - **It allows corporations to use complex property tax loopholes to dodge billions in taxes.**
  - **In order to pass any law that raises money—for education or other services—it must have a “yes” vote from 2/3rds of California lawmakers.**
- California Republicans have consistently run on a “no new spending, period” platform and have been able to hold just over 1/3<sup>rd</sup> of legislative seats (35.8% right now).
- This means that a small minority of lawmakers can block initiatives to fund education or other services—even if 62% of the state's legislature supports them.

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<sup>23</sup> 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>

<sup>24</sup> 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](http://www.businessweek.com/the_thread/economicsunbound/archives/2009/09/earnings_of_you.html)

<sup>25</sup> The Huffington Post: [http://www.huffingtonpost.com/2011/07/08/college-graduates-jobs-unemployment\\_n\\_893495.html](http://www.huffingtonpost.com/2011/07/08/college-graduates-jobs-unemployment_n_893495.html)

<sup>26</sup> 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/>

<sup>27</sup> Public Policy Institute of California, “PPIC Poll: Funding for higher education is inadequate,” *Capitol Weekly*, Nov. 18, 2010 <http://www.capitolweekly.net/article.php?xid=za9us0kf9cxiw4>

**POINT:** *While most Californians vote for lawmakers who claim to support funding education, these **elected representatives are unaccountable on this issue because they are unable to raise the revenues it would take to provide a quality, affordable education.***

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**Section IV: Wrap-Up:** *(Some suggested talking points and info on how to get involved.)*

Possible Discussion Questions:

- What do you see as the main problems or contradictions in what we've just discussed?
- What changes would you like to see?
- Do you have any questions about the information we've just gone through?

Talking Points:

- **UC parents—your parents—have paid into the UC system for years**, working hard and paying the taxes that have built our libraries and classrooms—based on the promise that if *you* also worked hard, you would have access to a quality, affordable education.
- **Likewise, UC workers and faculty work hard every day to make the university run**, taking pay-cuts and putting in extra hours—based on the UC's promise that it would honor the retirement that workers have earned.
- **But now the UC, and the state, want to walk away from the debt owed to students and to workers**—by making you pay twice for an education your parents' hard work and tax dollars have already purchased—and by raiding the retirement funds UC workers and faculty have worked decades to earn.
- **Politicians and the UC are now in the business of persuading us to ask for less.** Most debate ignores the big picture, focusing only on the next deficit and how much can be cut—with no recognition of just what we are cutting.
- **The UC and the state are trying to walk away from the debt owed to students, workers, and parents. Let's tell them it's time to collect.**

Taking Action: Occupy Education

- **In California, a coalition of hundreds of students, workers, and educators from across the state and across California public education**—the UCs, the CSUs, the Community Colleges, and K-12 schools—is planning two statewide days of action:
- **March 1<sup>st</sup> – Campus Actions:** Students, workers, teachers, and faculty are planning actions on campuses across the state. See how you can get involved on your own campus—or start something yourself!
- **March 5<sup>th</sup> – Occupy the Capitol/March on Sacramento:** Californians from across public education will converge on the capitol to show lawmakers that we care about the education of our state. Carpools are being organized now—plug into one or coordinate your own!
- **Teach the Budget!** Download and share this curriculum with your friends, professors, parents--everyone! Get this curriculum and more @ [www.teachthebudget.org](http://www.teachthebudget.org)
- **Information on campus actions can be found at [www.teachthebudget.org](http://www.teachthebudget.org)**

More About Occupy Education: Inspired by the global Occupy movement, Occupy education sprung up on campuses across the country, as a grassroots movement taking direct action. These coalitions of students, workers, and faculty focus on education but connect their struggle to the broader struggle against economic inequality and corporate power.