

## 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 and background info is in parentheses. "POINT" paragraphs provide a conclusion or take-home message for each section.)

**Intro:** The purpose of this presentation is:

- to provide some information on the budget cuts and what you can expect in the future;
- to explain how the UC crisis connects to the broader economic crisis; and
- to talk about how students and workers are taking action to turn this around.

### Section I: The Current Crisis at the UC

Tuition hikes are out of control—and there's No End in Sight:

- Tuition has **more than doubled (even adjusting for inflation) since 2000, from less than \$5,000 to over \$12,000—and it's about to go up AGAIN.**<sup>1</sup>
- The UC Administration has stated that **without more funding from the state, tuition will have to increase by up to 81% over the next four years.**<sup>2</sup>

The State Promises Continuing Cuts:

- **In December, the governor announced mid-year cuts to both the UC of \$100 mill.**<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? Paying More for Less.

Cheating Top California Students.

- **UC campuses are turning away qualified California students 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.

- **Across the state, class sizes are growing.** In some departments, TAs are now regularly assigned 150 students each—resulting in less personal attention and a lower-quality education. Writing and research assignments are being abandoned for multiple-choice exams and scantrons.
- **Course offerings are being cut.** In 2009, UC campuses slashed courses by as much as 11%,<sup>6</sup> making it difficult for students to get classes they needed to graduate on time.<sup>7</sup> UC Administrators predict that continuing cuts will mean further reductions.<sup>8</sup>

Cuts to Student Resources and Services.

- **Departments, programs and resource centers that emphasize community and offer services to underprivileged students have seen their budgets slashed.**<sup>9</sup>

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

<sup>7</sup> Chris Newfield, "UC Budget Questions and Answers," available at [www.teachthebudgetucsc.org](http://www.teachthebudgetucsc.org)

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

- **Libraries have seen some of the biggest cuts**, including closures and layoffs.
- **The UC is cutting tutors, faculty, and lecturers.**<sup>10</sup> Retiring faculty are not being replaced, and experienced lecturers are being laid off when courses are cancelled.

Talented Faculty Abandoning the UC.

- **The UC is internationally known because of a talented and dedicated faculty of researchers and educators—but as the crisis continues, many are leaving for schools with more competitive salaries and more supportive work environments.** If this trend continues, the value of a UC degree will decline, *even as tuition increases*.

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**Section II: The Cuts in Context** (*This section is designed to help facilitate a critical discussion about some common justifications for cuts to education. It provides an overview of three of these arguments, their core assumptions, background and context, and discussion questions.*)

- **Some argue that these cuts are merely the result of an unavoidable budget crisis**, so students, workers, and faculty should just accept them. But this is not the whole story.
- **We'd like to offer a second look at some of these arguments.**

**Argument 1:** "We're broke; California can no longer afford to provide quality social services."

- **Assumption: If the state is having budget problems, it must be because California is too poor to afford the education and services enjoyed by previous generations.**

BUT: California's economic numbers tell a different story:

- **California has the 8<sup>th</sup>-largest economy in the world.**<sup>11</sup>
- **California ranks 12<sup>th</sup> in per capita income and has the 9<sup>th</sup> highest concentration of millionaires among the states.** (*In 2010, 716,316 households reported liquid assets of \$1 million or more, an 8% increase over 2009.*)<sup>12</sup>
- **California's Gross Domestic Product (GDP)**<sup>13</sup> **has more than doubled since 1987**, rising from about \$803 billion to \$1.9 trillion in 2010.<sup>14</sup>

**POINT: California is not broke**—we live in one of the richest states in the nation and the world. But while top incomes have grown, ***our state leaders have made a choice to defund California's universities.***

**Argument 2:** "But isn't the UC in particular broke?"

- **Yes and no.** While state funding has declined sharply, **the mismanagement and priorities of UC Administrators and the Regents have worsened the impact of these cuts on students, workers, and overall educational quality.**
- **Assumption: Because the UC is a public university, the Regents who manage the UC must be transparent and accountable to voters—and share our priorities.**

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<sup>9</sup> Tamar Lewin, "University of California Makes Cuts After Reduction in State Financing," *NYT*, July 10, 2009

<sup>10</sup> "The future of UCSC: Chancellor, EVC, discuss looming budget cuts," March 8, 2011, <http://news.ucsc.edu/2011/03/budget-forums.html>

<sup>11</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>12</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>13</sup> GDP is the total market value of all goods and services produced in the state.

<sup>14</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)

BUT: the Board of Regents is neither transparent nor accountable.

- 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>15</sup>
- 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.

SO: What are those priorities?

- **The UC prioritizes construction projects, administrative growth, and executive bonuses—over students, workers, and faculty.**
- **The ratio of managers to professors in 1994 was 3 to 6. But by 2010, there were actually *more* managers than professors.**<sup>16</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>17</sup>
- **The cost of administrative bloat in the UC is estimated at \$600 million a year.**<sup>18</sup>

**POINT: The UC is not broke. Like the state, UC Administrators and the Regents have made a choice to respond to state cuts by funneling money to administrators and executives, while forcing pay cuts and tuition hikes on UC workers and students**

**Argument 3: “Higher Fees Aren’t So Bad”:**

- **Assumption: Education is a personal investment, so individuals should bear the costs. Because higher education leads to higher wages, 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>19</sup>

**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>20</sup>
- **Quality, accessible education is essential to a functioning democracy.** Citizens must be informed to be capable of self-governance.

**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>21</sup>
- **The average debt for a college graduate is now \$24,000.**

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<sup>15</sup> 18 of the Regents are governor appointees. The rest are ex-officio

<sup>16</sup> University of California Office of the President, <http://www.ucop.edu/ucophome/uwnews/stat/>

<sup>17</sup> UC Regents Meeting Minutes, <http://www.universityofcalifornia.edu/regents/minutes/>

<sup>18</sup> <http://changinguniversities.blogspot.com/2009/11/more-on-executive-growth.html>

<sup>19</sup> Public Policy Institute of California, “Higher Education in California: New Goals for the Master Plan,”

<sup>20</sup> University of California News, “UC generates \$46.3 billion in economic activity for state,” <http://www.universityofcalifornia.edu/news/article/26271>

<sup>21</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>

- While tuition for the UC has doubled since 2000, the average earnings for US college graduates is down by 11%.<sup>22</sup>
- Only 50% of students graduating in 2006-2010 found full-time jobs.<sup>23</sup>
- As many as 85% of college graduates will move home after graduation.<sup>24</sup>
- Default rates have nearly doubled since 2003, to about 9%.<sup>25</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, and 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: A History of Bad Priorities:** *(This section is designed to help students draw parallels between trends at the federal, state, and UC levels. You can use it to facilitate a discussion linking campus issues to broader economic structures and the concerns of the Occupy Wall Street movement, either over one class period or in installments. You can also just present sections that interest you.)*

**Overview:**

- Our leaders maintain that current budget shortfalls are the result of a temporary crisis.
- But we'd like to give you some historical context.
- In our view, the current budget "crisis" is the result of a failure of political representation, and choices by government and the UC to pick winners and losers.

Discussion:

- What do you think should be the priorities of federal and state governments and the UC Regents in collecting taxes and funding services like public education?
- Do you think the government and the UC administration have managed taxpayer money in a way that serves these priorities?

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**Federal Priorities: Bailing Out the Banks**

- Since the 1980s, the federal government has made a series of decisions that benefit the 1% at the expense of the rest of us: cutting taxes on the rich, defunding public education, and loosening rules on banks.
- When the economy crashed in 2008, the federal government spent **\$2.4 trillion to bail out the banks that caused the crisis through irresponsible and predatory lending.**
- Presidents Bush and Obama **said the bailouts would help ordinary Americans by protecting jobs and keeping home and business loans flowing.**

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<sup>22</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>23</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>24</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>25</sup> U.S. Office of Federal Student Aid, numbers for 2009: <http://www2.ed.gov/offices/OSFAP/defaultmanagement/defaultrates.html>

BUT: Four years later:

- These same banks are **making fewer loans and more layoffs—while paying their CEOs millions.**<sup>26</sup>
- In 2008, the 20 financial firms that received the biggest bailouts **paid their CEOs an average of \$13.8 million each. Since then, these firms have laid off more than 160,000 employees.**<sup>27</sup> (Bank of America received a \$25 billion bailout and now is laying off 40,000 employees.<sup>28</sup> In 2010, BofA paid no taxes and got a \$1 billion refund.<sup>29</sup>)

Meanwhile:

- **Economic inequality in the US is the *highest it's been since 1928.***<sup>30</sup>
- **Incomes for the top 1% have nearly quadrupled since 1980—while their tax bills have been cut nearly in half.**<sup>31</sup>
- (At the same time, the top 20% hold about 85% of total net worth in the US economy, and the top 10% hold 85-90% all financial wealth, i.e., stocks, bonds, etc.)<sup>32</sup>
- **Unemployment and foreclosure rates remain high nationally, with California near the top for both.**<sup>33</sup> (CA's foreclosure rate is #2 in the country, behind AZ.)

**POINT:** When the banks were in trouble, **Washington acted swiftly to pour trillions into the financial sector—but did little to help Americans losing their jobs and homes.** Four years later, **the majority of Americans have seen little return on their \$2.4 trillion investment.**

Discussion Questions:

- What do you think about the current state of economic inequality in the US?
- Do you think anything should be done about it? If so, what? Who should do it?
- Do you see any parallels between the economic crisis and the crisis in higher education?

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**State Priorities: Roadblocks to Accountability:**

- Despite the voter support for public education, state government has been unwilling or unable to fund public schools and universities.
- 74% of Californians say the state does not adequately fund public higher education
- 68% think it should be a top priority.<sup>34</sup>
- **But the state continues to make deep cuts to the system at all levels—WHY?**

The Politics of Prop 13

<sup>26</sup> Fox News: <http://www.foxnews.com/politics/2009/01/27/bank-executives-bailout-layoffs-grow/>

<sup>27</sup> Sarah Anderson et al, "America's Bailout Barons," Institute for Policy Studies, Sept. 2, 2009, [http://www.ips-dc.org/reports/executive\\_excess\\_2009/](http://www.ips-dc.org/reports/executive_excess_2009/)

<sup>28</sup> Reuters via Huffington Post: [http://www.huffingtonpost.com/2011/09/09/bank-of-america-jobs-cuts-layoffs\\_n\\_955227.html](http://www.huffingtonpost.com/2011/09/09/bank-of-america-jobs-cuts-layoffs_n_955227.html)

<sup>29</sup> Dan Freed, [www.thestreet.com](http://www.thestreet.com), "Bank of America Pays No Taxes, Gets \$1B Refund," March 25, 2011

<sup>30</sup> Emily Kaiser, "Special Report: the haves, the have-nots, and the dreamless dead," *Reuters*, Oct. 22, 2010, <http://www.reuters.com/article/2010/10/22/us-usa-economy-inequality-idUSTRE69L0KI20101022>

<sup>31</sup> According to Avi Feller and Chuck Marr, "Tax Rate for Richest 400 Plummeted in Recent Years," Center on Budget and Policy Priorities, Feb. 23, 2010, the tax rate for the richest 400 taxpayers has declined from 30% to 16.6% since 1995. According to the Congressional Budget Office, incomes for the top 1% have increased 275% since 1979, (Source: Andrew Taylor, "Top 1 percent has nearly quadrupled income since 1979," *Christian Science Monitor*, Oct. 28, 2011.)

<sup>32</sup> G. William Domhoff, "Who Rules America?: Wealth, Income, and Power," from <http://www2.ucsc.edu/whorulesamerica/>, based on the book *Who Rules America?: Challenges to Corporate and Class Dominance*, 2009: McGraw-Hill. Domhoff is a professor of sociology at UCSC.

<sup>33</sup> Jim Christie, "Less budget rancor seen for California legislature," *Reuters*, Jan. 4, 2012, <http://www.reuters.com/article/2012/01/04/us-economy-california-budget-idUSTRE8030PD20120104>. California's current rate is 11.3%; the national rate is 8.5%.

<sup>34</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>

- The state’s budget problems are not new and most analysts trace them to Prop 13.
- **Prop 13 is a voter referendum that was 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.**
  - **Any law that raises state revenue—for education or other services—must have a “yes” vote from 2/3rds of California lawmakers to pass.**
- California Republicans have held just over 1/3<sup>rd</sup> of the legislature (35.8% right now) and have consistently blocked initiatives to fund education.

Discussion Question:

- What effect do you think this rule has on political represent in California? How does the 2/3rds rule affect the accountability of California lawmakers?

**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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The UC’s Priorities: Defunding by Design

- **In 1960, California developed a “Master Plan for Higher Education,”** which guaranteed a **free**, quality education to all Californians who qualified.<sup>35</sup>
- **But the UC abandoned this commitment in 2004**, when the Governor and the UC and CSU presidents signed the **Compact for Higher Education, a plan to reduce state contributions to the UCs and CSUs—and to shift costs to students and workers.**

TWO POINTS:

- ***In a time of prosperity, the UC made an explicit agreement with the governor that it would no longer look to the state for funding—but instead would rely on tuition hikes, layoffs, and pay-cuts.***
- ***In the current crisis—when students can least afford increases in tuition—the UC has decided to accelerate and deepen this shift (of costs from the state to students.)***

***BUT: the UC’s financial troubles are not just the result of agreements with the state to defund public higher education: They’ve also been caused by the Regents’ mismanagement of workers’ retirement funds.***

The Regents gambled with UC faculty’s and workers’ retirement:<sup>36</sup>

- **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 of dollars to Regents’ own business interests, and cost the UC tens of millions in brokerage fees.**<sup>37</sup>

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<sup>35</sup> Larry Gordon, “California universities consider adopting the T-word: tuition,” *L.A. Times*, June 14, 2010

<sup>36</sup> This section is based on an investigative piece first published on spot.us, which has been reprinted in numerous reputable publications and has won an award from Society of Professional Journalists, the major professional association for American journalists. The original article can be found here: <http://spot.us/pitches/337-investors-club-how-the-uc-regents-spin-public-funds-into-private-profit/story>

<sup>37</sup> The Regents were warned in the UC investment advisory group meeting minutes (2009) that the risks and liabilities involved in investing with

- **By 2009, the fund had lost \$23 billion and was performing far below its peers.**<sup>38</sup>
- The Regents are now trying to balance their losses on the backs of workers and students, by cutting retirement funds that UC employees have worked decades to earn.
- (This is part of a larger national trend: *The Chronicle of Higher Education* reports that 1 in 4 private universities and colleges have similar conflicts of interest. In many cases, the results have been the same: board members have made risky investments in their own interests, which have resulted in huge losses for students and workers, in the form of layoffs, wage cuts, tuition hikes and declines in quality.)<sup>39</sup>

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

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**Section IV: Big Challenges—Big Thinking:** (*This section provides some suggested talking points and questions to help wrap up discussion, as well as information for students who want to get involved.*)

- Now that you're familiar with the challenges facing the UC, we want to talk to you about how students, educators, and workers are acting to make change.

Discussion Questions:

- What do you see as the main problems or contradictions in what we've just discussed?
- We've pointed out some parallels and connections between the different systems we've discussed. Have you noticed ones we haven't discussed?
- What changes would you like to see?

**Wrap-Up: Three Main Points**

**1 – The UC is walking away from its debt to students, workers, and parents.**

- **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.

**2 – This is a result of failures of political representation at every level:**

- **Our political leaders have bailed out banks while selling out students and workers**, showing that they care more about corporate interests than voters.
- **Our leaders claim there's no money for education, while the incomes of those at the top have more than tripled**, even as their tax rates have declined.

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the UC's retirement plan assets had reached "unprecedented levels." <http://www.universityofcalifornia.edu/regents/minutes/2009/invest2.pdf>  
<http://changinguniversities.blogspot.com/2009/11/how-regents-sold-university-down-river.html>

<sup>39</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/>

**3 – This moment offers us an Opportunity to Think Big:**

- **Politicians 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.
- **We have big problems, and we are tired of thinking small.**
- **We are not alone**, as the Occupy Wall Street Movement has shown. Students and workers are tired of protesting the policies that foreclose on our futures—and getting no response from those we elect to represent us.
- **We deserve more and we should demand it.**

Discussion Questions:

- What do you see as the solution to these problems?
- What can students do to fight for their education?
- Have you participated in any of the rallies and protests of the last few years?

Ways to Get Involved: **Occupy Education**

- A nation-wide movement calling itself **Occupy Education** is organizing actions on campuses across the country beginning March 1st.
- **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!
- **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, both as a concept and a grassroots movement taking direct action. These coalitions of students, workers, and faculty focus on education but connect the struggle for public ed directly to the broader struggle against economic inequality and corporate power.

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