

Teach the Budget

How to use this curriculum:
For a short (10-12 min.) presentation, stick to the outline on the left.
For a longer presentation or more background, check out the extra info and discussion questions in the gray boxes on the right.
Note: all numbers are adjusted for inflation unless otherwise noted.

Intro: We're here to talk about what it means when the university says it is moving in the direction of privatization, how this affects students and Californians, and give you some important information about SMTHG ABOUT BAL-LOT

Part I: What is Privatization?

What do we mean when we talk about the budget and the privatization of our University?

- Privatization is the process through which a public institution--like the UC--becomes a private one.
- An institution is private when individuals are required to pay all or most of the cost for the services it provides.

POINT: The UC is now essentially a private institution: In Fall 2011, for the first time ever, students paid more in tuition than the California government contributed to the cost of a UC education.¹

What Does Privatization Mean for Students?

1. Out-of-control Tuition Hikes:

- Tuition has more than doubled since 2000, from less than \$5,000 per year to over \$13,000 today.²
- Tuition continues to rise – proposals for increasing tuition are reviewed ever year by the UC Regents.³

2. Declining accessibility:

- To raise revenue, the UC is turning away qualified California students to make room for non-resident students because they can afford \$36,000/year in tuition.
- Out-of-state students were about about 14% of Berkeley's freshman class in 2009. By 2011, this number had more than doubled, to around 30%--or nearly 1 in 3 students.⁴

Prisons over Pupils?

In 1967, California spent 13.4% of its budget on the UC and CSU systems. In 2009 that had dropped by over half to 5.9%. To compare, during the same time period spending on corrections (prisons) more than doubled (from 4% to 9.7%).⁵

Paying to Play

Systemwide, out-of-state admissions rose 43% this past year, with almost 19,000 new non-resident and international students, while in-state admission rose only 3.6%. These students pay \$36,000/year to attend the UC, just below Stanford's pricetag, which is \$41,000.⁶

Sources

(See endnotes for links)

1. LA Times, 2011
2. UC, 2012
3. SF Chronicle, 2012
4. UC Berkeley, 2010
5. UC, 2012
6. LA Times, 2012

Part I: Privatization (continued)

3. Continuing Cuts:

- Since 1990, the state's contribution to the UC has decreased by more than 60%.
- The 2012-13 state budget includes \$6 billion in automatic trigger cuts, the bulk of which will fall to public education, including \$375 million to the UC.⁷

4. Declining Quality:

- Growing class sizes.
- Cuts to course offerings.
- Faculty Flight.

5. 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.⁸
- Libraries have seen some of the biggest cuts, including closures and layoffs.
- The UC is cutting tutors, faculty, and lecturers.⁹ Retiring faculty are not being replaced, and experienced lecturers are being laid off when courses are cancelled.

6. Marginalized Communities Hit Hardest:

- Low income students, communities of color, and students with families are hit hardest by privatization--especially students in the "Blue and Gold" plan, and those who rely on CalGrants.¹⁰
- Students have to fight every year against cuts to the Cal Grants program.¹¹
- Studies show that students of color are more adversely affected by federal and state grant inadequacy.¹²

Quality Up Close

* At UCSC, some departments now regularly assign 150 students to one TA. Writing and research assignments are being abandoned for multiple-choice exams and scantrons.

* In 2009, UC campuses slashed courses by as much as 11%, making it difficult for students to get classes they needed to graduate on time. UC administrators predict that continuing cuts will mean further reductions.¹³

* The UC is internationally known because of a talented and dedicated faculty of researchers and educators. **Faculty flight** means that as the crisis continues, top professors are leaving for schools with more competitive salaries and more supportive environments.¹⁴

* Middle-class students are also feeling the "squeeze" and are enrolling in smaller numbers at the UC.¹⁵

Sources

(See endnotes for links)

7. UC, 2012:

8. NY Times, 2009

9. UCSC, 2011

10. Johns Hopkins

11. Huffington Post, 2012

12. L.A. Times, 2010; Newfeld, 2009

13. Bay Citizen, 2010

14. UC, 2009

15. SF Chronicle, 2012

Part II: Who Benefits from Privatization?

So, even if you agree with privatization, let's take a look at how individuals vs. the private sector fair under the privatization model.

1. Let's start by comparing tuition vs. income:

- UC tuition is now \$13,200 a year, nearly a quarter of what the average family earns.
- This means if you're working a minimum-wage job full-time and 100% of your earnings go to tuition, it would take over 10 months to pay for one year at the UC.
- Compare this to 2000, when it would have taken only 5.5 months, and we can see how tuition is rising at a rate that far exceeds lower- and middle-range incomes.

POINT: Faced with rising tuition, more and more families and students going into debt to afford higher education.

2. Rising Loan Debt Benefits Banks and Private Lenders:

- Total national student loan debt has reached more than a trillion dollars.¹⁶ Yet while students are saddled with thousands in debt, banks (such as Wells Fargo and Bank of America) and lenders are raking in billions in profits.
- Sallie Mae, the nation's largest student lender (which used to be public and government-owned but is now itself entirely private), recently reported a quarterly profit of 1.3 billions dollars, and is projecting 3.2 billion for the year.¹⁷
- This is not an accident: banks and lenders practice predatory lending, lobby against student loan reform, and donate millions to political campaigns that support privatization/tuition increases over government funding.¹⁸

POINT: So even though we are in a recession, banks and private lenders are doing better than ever, not in spite of--but because of--student debt.

3. Most people go into debt thinking it will pay off with a degree and a good job-- **BUT... While costs of college and debt are soaring, earnings are decreasing.**

- Average earnings for young grads have fallen by over 15% since 2000, or by about \$10,000 per year.¹⁹
- This means more and more grads are going into default, which means they are unable to pay off their loans.
- But because a 2005 law made it impossible to declare bankruptcy on student loans, this debt—a national average which hovers around \$25,000 per student—can never be erased and will follow grads for the rest of their lives.²⁰

But isn't California Broke?

California has the 9th-largest economy in the world. There are countries that don't make as much money as California does.²¹

California ranks 12th in per capita income²⁰ and has the 9th highest concentration of millionaires among the states.²²

California's Gross Domestic Product (GDP) has more than doubled since 1987, rising from about \$803 billion to \$1.9 trillion in 2010. (GDP is the total market value of all goods and services produced in the state.)²⁴

While recovery for the 99% has been slow, especially in California, America now has a record number of millionaires²⁵ and boasts 39% of the world's millionaires.²⁶

Sources

(See endnotes for links)

16. NY Times, 2012
17. Money, 2012
18. Jaffe for Alternet 2011
19. Census Bureau, 2012
20. Center for American Progress, 2012
21. Reuters, 2012
22. Bureau of Business and Economic Research, 2010
23. CNBC, 2012
24. CA Dept. of Finance, 2011
25. Wall Street Journal, 2011
26. Atlantic Monthly, 2012

Part II: Who Benefits? (continued)

Economists predict debt will be a drag on individuals and the economy for a generation to come, as young people avoid big purchases, making risky business ventures, and entering public service.

What we should keep in mind:

- Expecting students and families to finance tuition on their own—as privatization does—leads to crippling personal debt and default, AND:
- Turning to private banks and lenders to cover tuition costs only increases *their* profit margins.

Part III: A Closer Look

How did we get here? What accounts for the shift to the privatization model?

1. Let's start with the 1960 Master Plan for Higher Education

- Laid out the modern structure of Higher ed in California and obligated the state to fund the university system.
- Provided a free college education for EVERY Californian.
- Required that all state funds be spent on the university's core functions of education and research. (This last part becomes more important later.)²⁵

2. Fast-forward to 2004: the Compact for Higher Education

- The UC dramatically revised the Master Plan in 2004, when the Governor (Schwarzenegger) 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.²⁶

Three key points to note about this change:

1. 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.
2. In the current crisis—when students can least afford increases in tuition—the UC has DECIDED to accelerate and deepen this shift.
3. Take-Home Message: The current budget “crisis” is the result of choices by the government and the UC to de-fund public higher education

The Master Plan

* Laid out the relationship between the CA state government and the UCs, the CSUs, and the Community Colleges.

* Qualified all Californians graduating high school for a FREE UC education.

* Campuses could charge auxiliary fees (for dorms, parking, etc.) but not tuition.

Sources

(See endnotes for links)

25. UC Office of the Pres., 2009

26. UC, 2004

Part III: A Closer Look (continued)

This raises some big questions:

- ***Why would the state want to make this deal?*** (Remember that in 2004, California was not in its current budget crisis, and most legislators have a stated commitment to Public Higher Ed.)
- ***Why would the University itself agree to less money from the state?***

3. Following the Money

To understand this shift, let's take a look at the structural changes in how the UC is funded.

- The 2004 Higher Education Compact ensured that the UC would take in more money in tuition and less in government funds.
- What's the Difference?
- Money from the government has strict rules about what it can be spent on, typically focusing on the costs of instruction, research, and campus maintenance.
- BUT: Money from private sources (including tuition) can be spent however the Regents please. So what does the UC do with its private sources of revenue? It uses that money to borrow more money.
- Just like people, the University has a credit score that determines how much it can borrow.
- Since 2004, the UC's credit score has been very good, precisely because it can always extort more money from its students. All of our tuition sits in a general fund that functions as collateral the UC can borrow against.
- So when the UC borrows money, it promises to pay back its interest and debts with our tuition. The UC is a safe and thus popular investment for Wall Street bond markets because, as we all know, our tuition can always be raised at the behest of the Regents.

POINT: Your tuition is not directly paying for your education. It is an item on the UC's increasingly complex balance sheet.

Part III: A Closer Look (continued)

4. Where does tuition go? Construction and the UC:

If the UC is broke, and having to cut services so much, where is your why is so much construction happening all the time?

- The main thing that the UC does with its credit score is borrow money from wall st in the form of construction bonds.
- After Furloughs were announced in 2009, cutting pay for employees and lecturers, UC announced 70 new and ongoing construction projects. This added to the hundreds already in progress.
- At UCSC, that means the Long Range Development Plan, which would demolish 120 acres of forest by 2020 and increase the campus population by at least 6,000 people.¹⁹

Our ability to continue to borrow depends on the assets the university has (which include tuition and facilities.) Construction projects add to the UC balance sheet in a much more direct way than investment in quality of education.

The UC prioritizes construction over instruction, or things over people.

Part IV: Public vs. Private

All these shifts in UC funding structure indicate a fundamental shift in how we think about what a university education is FOR.

A Tale of Two Models

There are currently two models for organizing a university, a public model and a private one. Let's take a look at what these two models mean:

1. The University as a Public Good

- Based on the idea that a robust system of higher education benefits the people as a whole, economically, socially, and politically.
- Economic advantages include innovation in technology and in understanding social problems.
- In social terms, a well funded university can (potentially) help ameliorate historic disadvantages attached to impoverished communities and communities of color.
- An educated citizenry is crucial for a well functioning democracy; Universities provide critical skills that can (potentially) make them engines of positive social change.

The Public Model & Technology

A high concentration of research universities is largely responsible for Northern California's Silicon Valley and Southern California's aerospace industry.

Part IV, continued

2. The University as a Private Good

- Based on the idea that a university education primarily benefits the individual.
- Under this model, the university is a business that provides a service or a commodity for a fee.
- A university degree is considered valuable because it will get you a better job after college, and therefore a higher income.

The Logic of Privatization

Under the logic of privatization, the university's priorities are dramatically transformed in two important ways:

- » ***Endless fee increases make total sense:*** *If a university is just providing a product (your diploma) for a fee (tuition), then the state is no longer obligated to pay anything, and it is actually logical for students to pay whatever the state won't.*
- » ***When we think of the University as a business, the priorities of the University and the State are no longer to educate citizens and fund world-class research, but instead to simply maximizing profits and protecting the profits of investors and banks that lend money to students.*** *This requires both tuition increases demanded by the UC's creditors, and also cuts in services that don't return a profit, transferring the costs onto those least able to bear them: workers and students.*

Discussion Questions:

We had begun by describing the problem at the UC in terms of paying more and getting less. But if we think of the problem in these terms are we thinking about a university education as a public good or a private good? What might be a better way to frame the problem?

Do we need a new model for higher education? What would such a model look like? How would it resemble or depart from the model set forth in the 1960 Master Plan?

Summing up: What Privatization Means

We use the term **privatization** to describe the process that UC is undergoing. Here are three ways we have talked about Privatization:

- ***Who pays?*** Privatization means an increasing amount of money comes from private sources--in the form of rising tuition, Wall Street investments, and private grants.
- ***Who benefits?*** Privatization means that private corporations, banks, and individuals are profiting off of the changing structures of university funding.
- ***How do we think about the value of education?*** Under the logic of privatization, the university's role is transformed: instead of providing an essential function for the whole community, but is a private good, selling a service for a fee.

Part V: Taking Action!

So what now? What can you do to take action?

1. At the Ballot Box

On election day, Tuesday, November 6th, Californians will vote on a couple of propositions that have major implications for the UC workers and students: Prop 32 & Prop 30.

- **Proposition 32:**

- » Would prohibit unions from making contributions to political campaigns or other groups that advocate for workers' interests.
- » At the same time, Prop 32 would exempt corporations and Super-PACs from campaign spending limits.
- » Would cost the state more than \$1 million for implementation and enforcement.

- **Proposition 30:**

- » Would raise \$6-9 billion in new revenue for public education, through small increases in the sales tax and income taxes for the top 3% of Californians.

- **If Prop 30 fails:**

- » It will trigger more cuts totaling \$6 billion, including \$350 to 500M to the UC.
- » The Regents plan to impose a total of 26.5% in tuition increases by next fall, starting with an immediate 15% tuition hike for the winter quarter.
- » By next fall, tuition could rise to about \$17,000/year.
- » These cuts would lead to more layoffs and service cuts, but also a massive restructuring of the university. Whole departments, whole divisions, and possibly even whole campuses would be closed.

- ***BUT Prop 30 is NOT a cure: It's a Band-Aid.***

- » It's a temporary fix: the income tax portion expires in 2019.
- » It does not address the UC's deeper funding issues because it does not restore any of the \$1 billion that has been cut from the UC budget since 2008.
- » It provides no guarantee that tuition will not rise in the future because it does nothing to change the UC's current funding model, which relies on endless tuition hikes.
- » It does nothing to hold the Regents or the UC Administration accountable for their bad priorities.

More on Proposition 30:

- * Permanently increases sales tax by a quarter of a cent (from 7.25 to 7.5)
- * Temporarily raises tax rates (for the next 7 years) on Californians with incomes over \$250,000, or in the top 3%. The increases range from 1 to 3 percentage points.
- * Those earning \$250-300K would see their rates go from 9.3 to 10.3%.
- * Rates for those earning up to \$500K would go from 9.3 to 11.3%
- * For those earning more than \$500K to \$1M, rates would increase to 12.3%
- * Rates on millionaires would go from 9.3% to 13.3%

Occupy the Regents 2011!

- * Last fall, the UC the Regents planned to pass yet another fee hike at their November meeting at UCSF.
- * Students and workers, in coalition with the Occupy Movement, planned coordinated demonstrations, starting with an encampment the night before.
- * When the Regents responded by cancelling the meeting, students and workers mobilized anyway, busing in folks from L.A., Davis, Santa Cruz, Fresno . . .
- * Protesters shut down San Francisco's financial district, touring the many banks and financial institutions where UC Regents hold positions of power.
- * The day culminated in an occupation of Bank of America and a rally on the steps of SF's federal building.

Part V: Taking Action! (continued)

2. In the Streets!

Privatization isn't inevitable – students and workers around the world have joined together to oppose these changes – and have WON.

- **In Quebec:**

- » When the government announced an 82% hike in tuition and privatization plans for the province's public college system, students formed a student union and organized a strike in coalition with workers and faculty.
- » **AND WON:** After months of campus shutdowns, the government announced it would abandon its plans.

- **Similar victories have been won in Puerto Rico, and here at the UC:**

- » When UC campuses make noise, Sacramento is forced to listen.
- » Following massive demonstrations on March 4th, 2010, the state restored \$100 million in cuts to the UC.
- » Last fall, students and workers, in coalition with the Occupy movement, successfully shut down the UC Regents November meeting at UCSF, where the Regents planned to pass yet another fee hike.
- » In the spring, the student movement kept up the pressure with a system-wide day of action March 1st, including a one-day strike at UCSC.
- » By the summer, the UC had promised a 1-year tuition freeze IF Prop 32 passes.

- **Let's Keep Up the Pressure!: Occupy the Regents 2012!**

- » The next Regents meeting is scheduled for the week following the elections, November 13-15, (Tues-Thurs).
- » If Prop 30 fails, the Regents will raise tuition by more than 20%.
- » If Prop 30 passes, the Regents and Sacramento will kick the can down the road, leaving the UC's deep funding problems unsolved.
- » The Regents will continue to lend out our tuition to build campuses few of us can afford to attend.
- » Sign up to get on the bus to UCSF and join us to Occupy the Regents!
- » Let's show the Regents and Sacramento that UC students, UC workers, and Californians deserve better--and we won't stop fighting until we get it!

Quebec Fights Back!

- * Quebec's student union, CLASSE (CLASS-uh), was formed with the explicit purpose of organizing a strike to oppose fee hikes and privatization.
- * CLASSE organized 65 local groups with a total of more than 100,000 members. The union makes decision by direct democracy in well-organized general assemblies.
- * CLASSE formed coalitions with campus workers and faculty, as well as the broader community and waged a campus strike that began in early February and involved up to 300,000 students.
- * When the government responded by passing the repressive Law 78, limiting free speech and freedom of assembly, the Quebec people responded with massive demonstrations, including a march of half a million people in Montreal.

VICTORY!

In September, a newly elected government repealed Law 78 and announced they would abandon the tuition hike plan.

UCSC Bus Info:

- Buses leave the East Remote Parking Lot at 5pm Nov. 14th and 5am Nov. 15th, returning 5pm Nov. 15th.
- Sign up online or on the sign-up sheets provided by your presenter. We'll contact you with more details, so be sure to include your full contact info.