California Federation of Teachers
American Federation of Teachers, AFL-CIO

FOR IMMEDIATE RELEASE:
Tuesday, December 8, 2009

Contact: Steve Hopcraft, 916.457.5546
steve@hopcraft.com; Fred Glass,
510/579.3343, cftoakland@igc.org

In case you missed it…

Inside Higher Ed December 7, 2009

Lost Trust *By Bob Samuels*

There are two main narratives battling to define the current crisis at the University of California. While the California situation is an extreme example of what is happening to public higher education these days nationally, these dueling narratives can be found in many other states as well.

On the one hand, President Mark Yudof and the Board of Regents want everyone to blame all of the university's problems on the state. According to the administration's narrative, the simple issue is that the state has defunded higher education, and due to a $1.2 billion cut from the state, the only thing the campuses can do is raise tuition (which we in California call fees), cut courses, lay off workers, increase class size, furlough faculty members, and demand that the state increases the university's funding by $913 million.

The counter narrative, articulated mostly by the unions and the students, is that the university just had a record year of revenue, and the system does not have to raise fees or cut services. Instead, the counter discourse argues that the profit-making units should share their profits, and money earmarked for instruction should actually be used for educational purposes. While unions and students also insist that full state funding should be restored, they recognize that most of the state reductions were made up by federal recovery money ($716 million), fee increases (43 percent -- 9.3 percent in September, 16 percent in January, and another 16 percent next September) and cost saving measures that have already been undertaken.

A close analysis of the university's own audited financial statements (see page 52 of this document) for the fiscal year ending June 30, 2009 shows that in every major category of the budget -— research, medical profits, extension programs, and even state appropriations — the university increased its revenue. Thus, even though President Yudof declared a fiscal emergency during the summer of 2009 and was granted emergency powers to impose an austerity plan that included across the board salary reductions, it turns out that the university was never in better fiscal health. In fact, the university's finances were doing so well that after the state reduced the university's funding, the university turned around and lent the state $200 million.

When reporters asked Yudof how he could lend the state money at the same time he was cutting salaries, reducing enrollment, and laying off non-tenured faculty, he responded that when the university lends money to the state, it turns a profit, but when the university spends money on teachers' salaries, the money just disappears. According to this logic, the university should just get out of the education business and concentrate on generating high bond ratings.

What many people do not know is that this emphasis on pleasing bond raters in order to gain a better interest rate drives many of the decisions of private and public universities today. For example, it was recently discovered that one reason why the university continues to raise tuition each year is that it has promised its bond issuers to use student fees as collateral for construction bonds. In this credit default swap, students take out high-interest loans to pay for their increased tuition, while the university gets low-interest bonds to build more buildings. Moreover, the bond raters have recently praised the university for having such a diverse revenue stream and for holding such a high level of unrestricted funds that can be used for any purpose.

When Yudof is questioned about the fungible nature of the university's $20 billion operating budget, he usually responds by arguing that almost all of the funds are restricted, and only money from student fees and state funds can be used to close the budget deficit. However, much of the university's money is only restricted by its priorities, and Yudof himself has admitted that the university needs to protect its reserves and help grow the profitable aspects of the university.

Yudof's protection of the profit-centered units was highlighted when many of the highest earners in the university system were able to remove themselves from his furlough plan. First the people funded out of external grants were exempted, and then the medical faculty, some of whom make over $800,000 a year, were able to fight off any salary reductions. Meanwhile workers making less than $40,000 were having their pay reduced and non-tenured faculty were being laid off. The result of this process is the increased growth of income inequality in a system where already in 2008, 3,600 employees made over $200,000 for a collective pay of $1 billion.

Even with the revelation that many of the top earners are administrators and that there are now more administrators in the UC system than faculty members, many tenured professors have sided with the administration because it is much easier to attack the state for all of the UC's problems. By blaming the state and the anti-tax Republicans, there is a clear enemy and an easy narrative. Moreover, by placing the onus of responsibility on the state, the university does not have to look at its own internal problems. However, if the faculty continue to buy Yudof's narrative, there will be no way of fighting the continual increase in administrative costs and the further privatization of the university. This double move of corporatization and administrative growth should be a concern of all faculty members across the United States.

Yudof's latest gambit is to ask the state, which he knows is facing a $21 billion deficit, to increase the university's funding by $913 million. Everyone knows that the state cannot provide this money, and so when the state does not meet Yudof's request, he will feel justified to make another round of fee increases and budget cuts. In this version of the shock doctrine, a fake crisis motivates people to give power to a centralized authority and to privatize a public good, while wages are decreased and profits are kept by a small group of power elites.

It is time for the faculty to stand up and join with the students and the unions to resist. Moreover, the university's lack of shared governance and budget transparency is but a symptom of the national move to strip faculty of any power and to shift control to an administrative class that sees higher education institutions as investment banks dedicated to pleasing the bond raters. Only the faculty can make education the priority at these institutions.

Bob Samuels is president of the University Council - American Federation of Teachers, which represents lecturers and librarians at the University of California. He teaches at UCLA and writes the blog Changing Universities.

For more information please visit www.cft.org. (end)