

**FINAL – AS PREPARED FOR DELIVERY**

**STATE SENATE EDUCATION COMMITTEE  
AND SENATE BUDGET COMMITTEE SUBCOMMITTEE ON EDUCATION  
INFORMATIONAL HEARING ON UC COMPENSATION**

**Robert C. Dynes, President  
University of California  
Wednesday, February 22, 2006**

Mr. Chairman and members,

I know time is running short and you have many questions. I'd like to take just a moment to answer and clarify some of the issues that have been raised, both today and at the last hearing:

**1992 Principles.** There's been a lot of discussion about these principles, adopted more than a decade ago. The University has complied with many, but certainly not all, of these principles. I pledge to you that there will be full compliance going forward.

**Celeste Rose.** It seems that well-intentioned people were trying to avoid lawsuits and public embarrassment. In my view, this was a settlement agreement that should have been approved by the Regents. That is why we have adopted a new policy that requires that the Regents approve separation agreements that exceed \$100,000. That said, I am as frustrated as you are that we have not resolved her work assignments. Chancellor Vanderhoef and General Counsel Holst are making every effort to resolve this matter.

**MRC Greenwood.** Provost Greenwood's full compensation was not disclosed to the Regents or to the public, as it should have been. When she resigned, I was advised that the preexisting terms of her sabbatical and administrative leaves were legally binding upon the University. This is why she was able to leave with a \$301,000 sabbatical salary. In the future, such items will be fully disclosed up front.

**The UC Santa Cruz dog run.** We approved expenditures totaling \$7,000. It ended up costing \$30,000. Clearly there was not appropriate review and controls. Therefore I have directed the University Controller to put into place appropriate controls on all such expenditures.

**Exceptions to policy.** Senator Simitian put it well: what good are policies if exceptions to them are commonplace? At the last hearing, I announced that, as an interim measure, I have taken back the authority to grant exceptions for executive compensation policies. I will exercise this authority only in consultation with the chair of the Regents and the chair of the Regents Compensation Committee. Exceptions to policy are going to be rare.

**Outside Professional Activities.** I continue to believe that outside board service brings real benefits to the University. However, we must look at whether these outside activities compromise executives' commitment to the University, and then set appropriate limits on such activities where it is warranted. In addition, beginning at the next Regents' meeting, we will report compensated outside professional activities to the Regents and the public in a full and timely manner.

**A freeze on executive compensation.** Senator Denham suggested such a freeze at the last hearing. I misspoke by saying that the Senior Management Group had not received salary increases for the past three years. In November of 2005, a 2.5% increase for senior managers was approved by the Regents after two years in which salaries were frozen. I apologize for speaking off the top of my head in this way.

However, I do not support a blanket freeze on executive salaries nor on the salaries of any other group of University employees. One of my concerns is how the freeze might affect my ability to recruit for five top senior management positions currently open. These include the UCLA chancellor, the provost, the senior vice president for business and finance, the treasurer, and the general counsel.

**Business practices.** We are reorganizing our business practices; investing in new information systems to better analyze, track and report our compensation; and recruiting new managers to strengthen our leadership team. For instance, we have hired Dennis Larsen, an experienced personnel manager from the private sector, most recently from eBay, to bring rigor and discipline to our executive hiring and compensation practices.

**Holding people accountable.** If the internal and external audits demonstrate the need for individual disciplinary actions, then I will take them – in keeping with the nature of the error or the transgression.

But I don't think just firing people is going to solve the problem.

I'm going to solve the problem by requiring appropriate disclosure. The 1992 principles provide a reasonable standard; the Hertzberg-Kozberg task force will provide even further guidance, reinforced by rigorous oversight of the new Regents' Committee on Compensation.

I am going to solve the problem by bringing in a new management team. As I just mentioned, I have five senior manager openings. The people I hire for these positions will have to demonstrate an understanding of what it will mean to work for a public trust and how to make the University responsive to the public.

I am going to solve the problem by making organizational changes that will modernize the University's business practices, making it more effective, efficient and responsive to the public.

I commit to you that we are going to do these things. The problems will be solved.

I will be pleased now to answer your other questions.