

UCOP Town hall - February 20, 2009

Elihu Harris State Office Building Auditorium

PRESIDENT YUDOF: Thank you, Paul. And thank you for putting up with all the security. Maybe next year we'll do it at the Oakland airport. (LAUGHTER) This all comes of having a system office that doesn't have large rooms to accommodate the people who work there. But thank you.

I must say I was tempted to call this off. On the way in, I noticed there was a place that sold Philadelphia steak sandwiches and hoagies, and I thought I'd treat everyone. (LAUGHTER) And (APPLAUSE) yeah, I figured, yeah.

I wanted to cover a few things, and I guess we'll have to extend the time to make sure we get at least an hour in. Let me cover a few things, and then I'm sort of looking forward to your questions, and I'll answer to the best of my ability.

Obviously, we have some key issues. One issue is the budget and in some ways -- it probably doesn't make you feel good, but the office of the president was ahead of the curve, right? Because this restructuring began whenever -- you'd know better than I -- a year or almost two years ago, and the state budget situation is difficult, and our budget situation is difficult.

If you're interested -- and I'm sure you would be -- the budget that was enacted by the state legislature, I guess there is some good news and bad news, you know. The good news is, the cuts

were not extreme, at least, compared to other types of state activities. We're down about \$115 million in '09/'10, and we were down about 98 million in the current fiscal year. That's on a \$3 billion base of state appropriations. So you can see it's in the range of three to four percent. And there are many other activities of the state of California being hit a lot harder.

We have some things which are at issue there, like the Prime program and some of the nursing programs and other things that are very important. The California centers, research centers, I don't believe they were funded.

The most critical element and the most disappointing from my standpoint is the Governor had proposed a restart of the employer contributions to the retirement plan, and the legislature took it out. And we'll talk about the retirement plan. I know none of you are interested in that. You're too young a group. (LAUGHTER) But anyway, we can talk about that, but I think that's totally unacceptable, and we can talk about what we need to do about that.

I've worked very hard to maintain the quality and the access on the campuses with the chancellors. I'm proud of the blue and gold program. I thought that was a positive thing to do. Most of the money, as you know, comes from Pell grants and from Cal grants. But if you've ever worked with low income students -- and I did that extensively -- clarity is very important. So at a relatively modest price, we can absolutely say, if your family makes less than \$60,000, we've got you covered on the registration

fee and the education fee. And I'm hoping it will be a great marketing tool and will help get at least the poorest families through this terrible economic downturn.

I think the accountability report is very important. I mean, you cannot pick up the newspapers without reading about Madoff or Enron or something that went wrong at Fannie Mae or one of the other government agencies, or the Securities and Exchange Commission didn't do its job investigating people. And on and on the list goes. And I think we live in a make-believe world if we think we can simply say, we did great last year. Take my word for it; I'm the president. It just doesn't work. So the idea that we take responsibility for our graduation rates, we take responsibility for our diversity of student body diversity and faculty, we take responsibility for our research accomplishments or lack of accomplishments -- I think it's a precursor to sort of getting the funding we want, to build up some trust in us that when you look at our numbers, they mean something and that we are making progress on things that are critical to the people of California.

A big part of the job is articulating why the University of California is important to the people of California. And I don't think we've done a particularly good job. Indeed, I don't think any public university in this country has done a particularly good job. The mindset of most people is, if I don't have a son or daughter at this institution and if I don't work in the office of

the president or work on one of the campuses, why should I care? I mean, that really is the mindset. It's viewed largely as a consumption good, not a public investment, by many members of the public and the legislature.

When I get calls from the legislature -- I never say it because I'm nice -- I'm always thinking that this call could have been made to a prison warden. Right? I mean, all the things they're interested in have to do with labor relations and other things. They never say, well, what's happening at the Lawrence Berkeley Lab? Are they really going to come up with a better battery? I don't even get questions, what is happening to the poor kids? You know, are you admitting those kids in large numbers? Are they succeeding? Are they going on to graduate programs?

There's a real lack of understanding. And they think we're in one business. They think we're only sort of like Peter O'Toole in "Mr. Chips." I arrive at work, I light the fire, and invite the whole faculty over. And all we do is educate undergraduates.

And the truth is, we're in multiple businesses. And the truth is, when they go to a physician, that physician was probably trained at the University of California. And probably the nurse and probably the dentist that they see. The truth is, a lot of the cultural life of the state is dependent upon our art museums and novelists and poets and the people they attract. And if they're worried about climate change and the carbon footprint and

all, the people who are making world-class progress on those things are at the University of California.

So we have to persuade them, go over the heads of the legislature, and sort of make the point that this is like -- if the University of California is underfunded, it's just like closing down the local fire station or something else that you think is important in your community. Because you will benefit even if you're not in that direct line of benefits, that is, again, receiving an education here or having a job here.

The other challenge I said I'd mention is the University of California retirement plan, and we probably should look forward rather than backwards. If you're worrying about the performance of the investments, in terms of the benchmarks and the peers, they're good. I wouldn't say they're great, but they're good. Sort of top third, top 40 percent of all large endowments and trusts in the country. The problem is not the investment return. The problem is, we didn't make contributions for 20 years, and the problem is, the State didn't make contributions for 20 years. That is an actuarially unsound way to go.

And what we have learned is, markets go up, but markets also go down. The stock market today is at the same level as it was, roughly, in 1997. I learned that this morning. It's my one data point this morning. (LAUGHTER)

And so, what are we going to do? Well, we have a restart of contributions. I think it's in the last quarter of '10. This is

not a good time to do this. So we put it out there, and we had some strategic reasons for not doing it tomorrow morning. And we're going to have a task force with a lot of able people on it, with staff people on it and so forth, professors, to take a long-range view.

Now, what I want to say -- and I want to get this message exactly right -- we can pay our pension benefits today. It really is not a problem today. But in five years, we're only 60 percent funded. That is, we'll have in the bank only 60 percent of what we should have to pay all our liabilities. And I don't know the exact date, but maybe in 10 years, we would begin taking money out of the operating funds of the university, which we don't have, to do it. So it's a little like Social Security.

I think we can fix it. And my number one goal -- I just want to tell you -- my number one goal is to maintain the pension benefits of all current employees. I have to have experts look at this and see how we do it. But you could see some differentiation of new employees; you could see different vesting periods. I'm not an expert on this. But I can't just let it fester and have a time come 10 years from now when people stop getting their checks. I mean, that is just unacceptable. So it will be painful. We'll have a restart.

Now, the other part of that is, the State is being irresponsible, and I want you to get angry about it. I mean, I don't mind if you write me letters and say, you might have

invested it better, or why this or that. I'll answer your letters. But the truth is, the State got a buy for 20 years. They were investing in the Cal State retirement plan, and they were investing for the teachers and the other state employees, and they're investing today, and they're putting zero into the University of California employees. That is unfair. And indeed, I mean, I would say it comes under the category of no good deed goes unpunished. You know, they didn't contribute to us for all that period of time, and now they don't want to restart, whereas they have been contributing to all these other retirement accounts for that entire period of time.

So we'll probably put out some fact sheets and do some other things, but I think it's time for some democracy here for all of us, and I'm talking about the staff and the labor groups and the faculty and administrators, everybody, that we ought to be getting 500 or 1000 letters a week in to our elected representatives. It's an outrage, and we have to get it reversed, or it's going to be terrible to restructure this thing to make it work going forward. So we can talk some more about that.

In terms of the office of the president, I have sort of two notions. And California is organized differently than most other systems. We really have two primary jobs. One is to provide leadership on systemwide issues. So we have one general counsel's office; we have a budget office; we have federal relations, state relations; we have admissions; we have benefits administration; we

have things historically which are at the center. That's our job. We should do it well.

In other areas, we're really facilitators. So we give out research grants, but we're not in charge of the research on all the campuses. But it seems to be a good idea to enable campuses to collaborate with each other and get more returns for their work, qualify for more grants. So we give out these grants that facilitate that process.

IT. California is very much behind some other states in the software infrastructure. So the idea that we would get in the business of moving toward common financial systems or student systems or HR systems is probably a good idea, and we can show leadership there. We have great programs in pre-K through 16. And I do it as part of our role. Not exclusively ours -- it's sort of a shared role, to do what we can do to improve public education in California, to improve transfer students and the like. So we're facilitating.

Now, people have asked me about my philosophy about the restructuring, and we are under a lot of pressure to do it. But I can tell you, the light is sort of at the end of the tunnel. As I said, you took your hits early and often. But I think we're much further along than many other taxpayer-supported entities.

The philosophy is that we should never do anything at the office of the president that does not add value to the work of the campuses. I don't think we're smarter. I really don't. I don't

think I know more about more selecting a chemistry professor at San Diego than the faculty and the deans and all the rest of that. So it has to be that if we do something, there is value added. That is, we are greater than the sum of our parts. That by having a University of California press, by having a digital library, by having a larger office of the general counsel, and so on down the line, there are economies of scale. And we do it in a way that's better than if the 10 campuses each stood alone and did it for themselves.

The second thing is, if it's a value-added approach, are we doing it in a reasonably efficient way? How long does it take to get something approved? How long does it take to get something built? How long, how long, how long? So that is the focus.

And the way I view it -- and if you looked at -- I actually did write this white paper. You saw it if you looked at the website. Because I was trying to figure out our finances, for myself. And it's pretty dull. But you know, if you have a sleepless night, you might want to download it. (LAUGHTER) You know, we really have restricted and unrestricted budgets.

And so what I want to say about that is, if we spend a dollar we do not need to spend on an unrestricted budget, which means it comes from state appropriations or it comes from indirect federal cost or some source like that, it's a dollar out of the hands of the campus, and that dollar can be spent on student scholarships, on faculty salaries. It can be spent on renovating the

facilities. You name it. It could be spent on recruiting in high schools. We have to be careful because it's not a free ride. There's an opportunity cost because, in effect, we have sticky fingers, and we take a share of what would otherwise go to the campuses from those general types of appropriated funds.

Then we have restricted budgets, and we do some great things. We have breast cancer research, you know, and we have AIDS research, and we have MESA and all sorts of programs, and that money can't be spent anywhere else. There the issue is primarily one of efficiency in the following sense. If we have too much overhead in the office of the president, we're sending fewer people into the high schools to do the job that we want them to do. And those programs have to be administered and overseen and done carefully. So it's always a balancing act, but we want to make sure that we're not so high on the administrative costs that we're making the program less effective.

Now, that type of analysis -- and I'll do it if you want -- you know, calls for a vision which is almost one office at a time. So, you know, I actually believe that the type of work that Patrick Lens and his colleagues in the budget office do is essential. The question is mainly, do they do it efficiently and well? I don't think it would be a good idea to have dozens of different budget officers running around Sacramento begging for money simultaneously.

If you ask me about the continuing legal education for

lawyers -- and I'm a lawyer, so there are lots of footnotes in this speech (LAUGHTER) -- if you ask me about that, it doesn't make any sense to me. It's not that it doesn't add value, but why shouldn't it be on a campus with a law school or actually, law professors, law students -- parking (LAUGHTER)?

And then I had some of the same concerns about the education abroad program. I'm in favor of education abroad. The question is, where should it be lodged? And we now have Dr. Pitts looking at that. We want to enhance the program. But is it better to have it integrated with campus international offices rather than having so much of it run out of Oakland. And so forth down the line. So we can go through that for each office, but that's the sort of analysis that I go through.

As I said, I think we're far along. We will have report to the Board of Regents in March. And I'm hoping that we'll get some stability. And to be candid about it, one of the reasons I delayed these town hall meetings, when I arrived, we were sort of midstream in the restructuring. And I wanted to bring some more stability and frankly, be in a situation where I could say more positive things, which, I think, one month into my presidency here, it would have been more difficult. And here I am, seven months later. You know, my job security, I have an agreement with the chairman. If he doesn't call by 10:00 in the morning, my job is good all day. (LAUGHTER)

I wanted to say two last things, and then I'll shut up. You

do really important work. You work hard. I think you get it in terms of the mission of the university. I want to thank you for that. It's been a horrible time for the institution, and that obviously seeps into the daily lives of all the people who work there. But I do have an appreciation of all that gets accomplished. And maybe the San Francisco Chronicle doesn't. In fact, I know they don't. But I do. And so does the Board of Regents, and so do the other officers. I wanted to say that. I wanted to say thank you and say that overall, the work that we do is very impressive.

The second thing is, I always feel that in my office, that it's the email, it's the telephone calls, it's the meetings, and I'm getting wrapped in sort of rigmarole at the office. But we are associated with a very, very important, unique enterprise. And we have 220,000 students. We have the highest concentration of poor students of any major universities in the country, Pell-eligible students. I learned yesterday that we have almost 2 million books that we have put online for people to read, including visually impaired people. We have people working on nuclear reactors that don't have nuclear waste, better batteries, carbon footprint. President Obama appoints a leader of the Berkeley Lab because of his vision for energy as the Energy Secretary. And the list just goes on and on and on.

So the thing that keeps me going, and I hope it will keep you going, is simply that for all the travails in our daily lives, we

are associated with something special and important. And that should keep us all going.

Now, the next step is to make sure the people of California know it's special and important. And we have a ways to go there. In my view -- I say this as a quasi-outsider -- we are living off the legacy of people like Clark Kerr and Pat Brown. We get it, but they don't, and we are going to have to persuade a lot of people.

Let me stop there, and then please ask your questions, and I'll answer as best I can. If I don't know, then I'll furlough Katie. (LAUGHTER) We'll have immediately accountability.

(LAUGHTER) Yeah.

SPEAKER: I can start with a presubmitted question just to get the ball rolling.

PRESIDENT YUDOF: Sure.

SPEAKER: Let's see. We had someone who asked us through the website.

(READING) The office of the president has reduced its size from 1700 employees to 1400 and may now be looking at 1100 as a figure, as many employees have been led to believe. Is this actually the final number? Is there a final number?

PRESIDENT YUDOF: The truthful answer is, there is no final number. I think we're most of the way. I do want to say that. And a lot of the reductions -- and you all know better than I -- some have been not filling vacancies. There have been some

layoffs. But a lot of it has been moving operations to the campuses and doing things like that. I mean, I called Provost Pitts his first day in office -- I was so thrilled he hadn't quit yet -- and we talked about academic affairs, and I said, there is no number. I want you to go through academic affairs and apply these litmus tests that I'm talking about. Do we add value? Are we delivering it efficiently? And it's unlikely it's going to grow by 10 percent in this budgetary environment, but if you tell me that a particular office desperately needs two more people but some other office should not exist, those are hard decisions, but that's what I expect you to do. So there is no hard number.

I think, Katie, we're down to about 1400 now or 1350. 1400 now. So my hope is that most of this is behind us. We have a few more areas that we need to look at, I think it is. But there is no target of 11 or 1200. We have to retain the functionality of these offices, and the most important thing is to make sure whatever the enterprise is that we're engaged in really is helpful to the campuses. And I hear from the chancellors, because they don't agree that all our activities are. And sometimes I disagree with them, and sometimes I take their advice.

SPEAKER: Does anyone have a question?

PRESIDENT YUDOF: There are questions.

AUDIENCE MEMBER: Hi.

PRESIDENT YUDOF: Hi.

AUDIENCE MEMBER: Yes. I've worked for the university for 30

years, and I'm very proud of systemwide, all of the campuses, and I think all of us in this room are very proud to work for this institution. I totally agree with you that our name has gone downhill, not only within the state but in the nation. Are you planning a national or even a statewide campaign to help our reputation?

PRESIDENT YUDOF: Well, it's interesting. I can tell you this as someone who's from out of state and has attended all these national meetings. The University of California campuses are very highly regarded. The disclosure scandals hurt us a lot in terms of the office of the president and how it's regarded, and the honest criticism of the Board of Regents, the criticism of the officers of the university. But when you go around the country, people are pretty positive, and it's pretty much across the board, whether it's Santa Cruz or Berkeley or UCLA or whatever. So I'm not considering a national campaign. Maybe I should. If you want to send me a plan, I look at all that stuff. (LAUGHTER)

On the state campaign, I think it's integrated with why we're important to the people of California. I think if we tell them why we're important, the lives that we save, the research that's going on.

I mean, take agriculture alone. If you had strawberries with breakfast this morning, they came from Davis. The state is overwhelmed with world-class almonds. I learn that at one of Dooley's lectures. (LAUGHTER) And we out-produce the Spaniards,

so I don't know. So I think that would be part of it. I mean, it wouldn't just be bragging. How do I want to say it? I mean, there's smoke, and there's fire. I think we have the fire, and we haven't put up enough smoke. So I intend to actually try to identify the things that we have done so extraordinarily well.

And then I want the reputation of the office of the president to improve. That we have rapid turnaround times on things, that we're not another level of bureaucracy, that we're not taking money from the campuses when it's unnecessary.

And there's a fair amount of distrust. We have a problem on the campuses. There is a fair amount of distrust of our operations. We're treated in some quarters like the revenueurs. Or I'm here from the IRS to help you type of thing. (LAUGHTER) And that's not universal, and there are things that people are grateful for. But I do think we need to work on our reputation there.

I think we'll probably need some additional campaigns in California. I'm looking at it, if you have ideas. There's some discussion of whether we should try to identify a revenue stream, like everybody else seems to do in California, and get it before the voters. And could that be successful? What would Cal State and the community colleges think? How much would it cost?

And then we need to think about how an organization that can't afford Super Bowl ads, how do you get something before the public when you really can't buy air time and do the other things

that are traditionally done by large corporate and even private foundation entities. We just can't do that. So the answer is yes.

Somebody asked me last meeting -- I'll babble a little bit more -- about am I pitching the university in Washington and in Sacramento. I wanted to assure you that I am. If you read the Carnegie proposal in the newspaper saying that \$40 billion should go to higher education in the stimulus package mainly for facilities projects, I did the first draft of that. And then there's other chancellors and presidents who diluted my outstanding prose. (LAUGHTER) And so I've tried to be a leader in Washington.

And I'm in Sacramento a lot. And I'm trying to send this message. And I think Governor Schwarzenegger understands it. I really do. And frankly, we'd be in much worse shape without him. Because I know what various parties proposed by way of cuts to the University of California, and he stood tall for us. And that's just the truth. It's descriptively true, whatever your politics.

But my own feeling is the legislature will become educated when the people of California are educated. They respond to what they think is important. President Obama has tremendous support for his proposals because that's what the American people want, to deal with foreclosures and other things. And when four or five years ago, the elderly said, we couldn't afford our pharmaceuticals, we ended up with Plan D in the Medicare plan. I

think the politicians respond when they think that's where the voters are, and we're not touching the voters today, by and large.

SPEAKER: Other questions?

AUDIENCE MEMBER: You recently visited all the different campuses, and I'm curious about your perceptions of the different campuses from your trips.

PRESIDENT YUDOF: I haven't visited all of them yet. I have visited most of them, and I think by the end of spring, I'll have been to all. I think I'm missing only Merced and Santa Cruz. I was waiting for them to get the people out of the trees.

(LAUGHTER) This is a problem I hadn't encountered in Texas.

(LAUGHTER)

You know, it's really very impressive. You know, I come from Minnesota and from Texas -- really, essentially had one flagship campus. And Texas had some great medical institutions like M.D. Anderson. These campuses are incredibly strong. It sort of fortifies me to see how strong they are. You go to Davis, and it's incredible operation there and what they do on the medical side, what they do with their agriculture, engineering, science. I mean, it's just across the board. And San Diego, UCLA, and so forth. So I'm tremendously impressed. The faculty has struck me as very able. The people on the campuses are very dedicated.

There are cultural variations in the campuses. Obviously, Berkeley is a very different place than Davis, culturally speaking. Even I've observed that in the tenure that I have. And

that's the second thing.

So it puts us really in the driver's seat from the standpoint of quality. Now, there is a lot of angling for position, you know. It's sort of like "Sophie's Choice." Remember the movie? You know, you love them better, like I really have sort of taken up romantically with Riverside. (LAUGHTER)

And you know, and all I've been saying so far, because we have to figure this out, because we really haven't been good on the disclosure side about how we allocate our money. All I've said is, all 10 of you can't be right. (LAUGHTER) And we will look at and try to be more fair.

I have been impressed, but I do need to get to Riverside and Santa Cruz and Merced. I guess there are three that I haven't been out to. Merced, I'm going out to the graduation, we have an inauguration in Riverside, and Santa Cruz one of these days soon.

AUDIENCE MEMBER: To achieve the lower number that you've targeted for UCOP, will you offer another program for people who wish to retire?

PRESIDENT YUDOF: I want to emphasize again, I don't have a lower number that I've targeted. That's the truth. That does not mean there won't be further reductions, but if you asked me, have I told someone it will be 1225 or 1172 or 1301, the answer is no. Because it will be an office-by-office review.

We might do that. I think we've learned some lessons about how to handle it. (LAUGHTER) And that's another big topic of

conversation in Sacramento. But that's perfectly possible, a separation program or an early retirement. We'd have to look at the numbers and see what the staff interest in it was. It's possible.

SPEAKER: We have one presubmitted question, followed by a couple of folks behind me.

(READING) How will UC absorb the huge losses to its budget that may occur as a result of the state budget cuts?

PRESIDENT YUDOF: Okay. Let me go through a little bit of that. If you take the fact that they don't fund our enrollment fully, and the real cuts that I've just described this year and next, our energy costs or whatever inflationary costs we have, we have to absorb about \$450 million in cuts over the two-year period. There is a chance that we could get \$50 million back if we get a certain amount of money in the stimulus package that goes to California. There's a trigger that would reduce that 450 to 400 million. Fifty million would come back.

I've met for hours with each of the chancellors and all their acolytes on budgeting. And it's really, what they've tried to do is to preserve the student services, and they've reexamined virtually everything. There have been no real across-the-board cuts, which is not a good idea. So the campuses are doing different things. They're reducing administrative costs. They are deferring IT-type projects. They have reduced a number of searches for new faculty. Berkeley is going down -- I can't

remember exactly -- but 125 recruitments, they're down to 25 recruitments, and they have a process for deciding which 25. Those are the types of things they're doing.

It is hard for them. But they have a hard time closing down a particular program and saying it's not worth it. And I frankly think they ought to do more. The politics are difficult because every program has its supporters, graduates, and so forth. That's the type of thing the campuses are doing.

And then we're doing our share in OP. And frankly, we're trying to get more money to the campuses. Some of the reductions in OP are going directly to the campuses to help them absorb their cuts. It's a very small fraction of it, but it's happening.

AUDIENCE MEMBER: Hello. Are there things that universities have done in the past during depressions, recessions, whatever, to open their doors and provide the community with some of the human resources and the creative and innovative things that universities can contribute? And is there a way maybe that the university could gather its intelligence and resources to do such a thing in California?

PRESIDENT YUDOF: That's a great idea, and I probably should have thought about that. The answer is, I don't know what the precedents are. I know that we have campuses that are deeply involved in their communities, but I don't know if they've stepped it up in this economic downturn, which I think is the point of your question. I think it's a good idea. I don't think we can do

it from Oakland. I mean, classically, I think I could sit down with the chancellors and say, I want to know what you're currently doing, and could you do some more. Your community is undergoing great angst, great economic hardship. Are there ways to open up our campuses that would make life easier for your surrounding communities? Let me look into that, and I'll find out what they're currently doing. But I think it's a wonderful idea. I.

Don't know the precedents. I mean, there are -- I just wasn't around during the Great Depression. I mean, there were -- (LAUGHTER) I know you find that hard to believe. (LAUGHTER) I was still resting up from the Civil War (LAUGHTER).

But I think that's a wonderful idea. I mean, obviously, it could consume resources, and we'd have to look at it carefully. But helping people secure jobs, providing some maybe cultural and entertainment relief. I don't know. That is an interesting idea. Maybe Wisconsin and some others -- there were some very socially engaged universities in the Great Depression, I think in the Midwest primarily, in the University of Wisconsin.

SPEAKER: We have a brief question from a UC Berkeley employee.

AUDIENCE MEMBER: President Yudof, I first just want to say thank you for holding this meeting. It's great that you're reaching out to employees, and that we'd love to have something like this in Berkeley too. It's a bit of a trek.

But I just wanted to ask, you know, of this 400 to 450

million of cuts to come from the State over the next couple of years, would you be willing to do something that Stanford executives have done, which is to take a pay cut yourself? With your salary and benefits and \$130,000 paid for rent --

PRESIDENT YUDOF: Well, you know --

AUDIENCE MEMBER: -- just, like, a 50 percent pay cut (LAUGHTER) could provide a salary and benefits for ten employees, you know, at the campuses.

PRESIDENT YUDOF: I have a couple of responses.

AUDIENCE MEMBER: Is this something you'd be willing to do? Thank you.

PRESIDENT YUDOF: I have a couple of responses. I would consider a pay cut. Fifty percent strikes me as a little severe, (LAUGHTER) but, sure. I would consider it. I mean, that's, in effect, what a furlough is. I mean, what is it but a pay cut?

And if you apply it your highest level employees.

Second, it's unrealistic to think you could come anywhere near to solving your problem. When I froze the salaries, we saved some money, but you're not going to save enough money for an \$18 billion system, enough money to get it done. I think it's more of a moral point. Maybe that's your point, that you have to lead by example. You don't expect other people to suffer if you haven't taken some cuts yourself.

The last thing I want to say, I don't think we're going to get anywhere through a -- how do I want to put this? -- I mean,

people need to be paid fairly. This is not about envy and someone who is paid more than you or retaliating against one group or another. I think we have to hang together. Hanging together to me means, if we furlough, everybody gets furloughed. The president gets furloughed; the chancellors get furloughed; everybody gets furloughed.

Salary reductions, I probably would have it more income -- adjusted if we ever got to that point. That is, the cuts would be higher in the higher income groups than in the midlevel and lower groups. That strikes me as fair. Just like we continued support for graduate fellowships in the current budget, so all the people who can't afford to support their families, those graduate students that rely upon these stipends and often have dependents and often do not have other sources of income.

So I'd be willing to look at any of that. But this is about adequately supporting the University of California, not about class warfare. That's what I think.

SPEAKER: I have one presubmitted question and another audience member.

(READING) Is UC going to follow the State by furloughing employees?

PRESIDENT YUDOF: Well, I'll tell you where we are on that. Katie, you're furloughed. (LAUGHTER) I'm going to go through the whole first row, and I'm going to get very close to that 50 percent you're recommending (LAUGHTER), except for the president,

and then you're messing around. (LAUGHTER)

My current thinking is, we won't need to go there. Now, things can happen in May and June and so forth. But right now, I'm not persuaded that we're in such dire circumstances that we need to begin furloughs. That's point one.

Point two, I am persuaded, for the reasons I've just stated, that it's all for one and one for all. That is, if we have a furlough policy that takes effect, it will be the office of the president, all ten campuses, and all employees except people who are in emergency rooms taking care of accident victims, and we obviously have some emergency people. I think that's fair.

We would obviously have to negotiate that with the representatives of the union groups, so there are a lot of steps that would have to be taken. But I think it would have to be, if it's AFSCME employees or UPTA employees, obviously, you negotiate with the bargaining unit for all the campuses on which they have employees. And the same thing for the faculty, it would be all faculty on all the campuses.

The third thing is, I have asked the general counsel's office and Vice President Lapp to look at our legal authority to do that. I mean, I have to be prepared. It's the only sensible thing to do, is to be prepared. And what am I allowed to do and not allowed to do, and what do the Regents' standing orders say, and so forth. So that degree of preparation has taken place. I'm really hoping we can avoid this.

AUDIENCE MEMBER: Good morning.

PRESIDENT YUDOF: Good morning.

AUDIENCE MEMBER: I have a two-point question.

The first part is that the university is internationally renowned for its quality, and in times of budget difficulties, one of the things that is of major concern is the quality of the university. So I'm interested in hearing about how you intend to maintain the quality of the university system.

And the second part is very linked to that. And that is, very similar conditions, with difficult budget times, diversity becomes an issue. And I know our Regents have spoken very eloquently about their concerns for diversity, and diversity is inexorably linked to quality. We can only have quality by having diversity, and we can only have the parallel of that, as well.

So I'm interested in hearing your thoughts on both of those issues, separately and how they may tie together. Thank you.

PRESIDENT YUDOF: Well, I go to work every day trying to maintain the quality and enhance it. Otherwise, it really would be easy. We could reduce the neurosurgeon's salary by 50 percent, and he would go practice neurosurgery somewhere else. It is really the classic tradeoff. You could abandon all faculty searches. But that's not good, because the life blood of your teaching and your research would be abandoned. So the quality issue is critical.

And the quality is very good today. And I guess what I've

tended to do is to look to some things like the accountability report. So if you're committed to diversity, how did you do last year? How did you do compared to the year before? How did you do compared to other institutions? So, to hold the campus accountable for diversity.

If you say your faculty is outstanding, but they brought in a dollar and a half each in research grants, then obviously there's been some disconnect there. So part of that is built in to make sure the campuses are focused on the quality issues. And it also will be in the performance evaluations of each of the chancellors. Diversity will be a separate item, but other quality indicators will also be there.

The second thing is, I do have a sense of role, and you may disagree. I mean I think these campuses know how to maintain quality. My job is to facilitate and to keep the chancellors focused and to get the data. But I don't think I should be saying that a university of the first class would add seven nanotechnology people or something like that, even if I knew what nanotechnology was. (LAUGHTER) So I think that's a question of role.

I felt differently, by the way, in Texas, where the universities did not start at that same level. I felt I had to be much more attentive to some of the interstitial judgments about maintaining quality.

The quality of a university is judged by many things, but one

of the things is the quality of the faculty. When people say Harvard is great, they may not be talking about the average undergraduate experience of a sophomore. They are talking about Nobel laureates and people who write great books, Henry Gates and people who are scientists and physicians and so forth. So the faculty is critical. A lot of it is to support the faculty. A lot of it is the graduate students and the quality of the undergraduates.

So I think they need to keep doing what they're doing, and I'm scared to death they won't be able to. So I want to enhance it, but I'm scared to death that as student/faculty ratios rise, as we are less competitive on salaries for good staff people and good faculty, as we can offer less fulsome financial aid to graduate students, that we could actually see some decline.

But the good news is that everybody else is in the same rotten condition. It's not like they're all flushed with money. Maybe the Harvards and Yales, even losing 10 or \$20 billion, are. But most of our competitors are suffering similar problems.

The diversity issue is complex, particularly in a state with Proposition 209. I've never minced my words about it. I thought Proposition 209 was a mistake. And when I was in Texas, when it was reinstated by Justice O'Connor in the Gratz and Grutter decisions, we immediately went back to an affirmative action system consistent with those Supreme Court precedents. It's a very conservative state. We got a nine to zero vote of the Board

of Regents and -- those were the days, nine regents. (LAUGHTER)
And we reinstated it.

So we have one arm tied behind our back here. What I continue to do is to work with the -- we're getting reports from -- we've gotten diversity reports. I've given them to the various outfits of the office of the president to distill them and get them down to operational principles. And I believe Vice President Lapp, I think the provost is engaged in that. I mean, we're responsible for our diversity here, but on campus, we're not the people who can implement. We need to get it implemented there. So I'm hoping to make some improvement.

A big thing behind the blue and gold proposal are the transfer students. I've said this publicly. Potentially, maybe not today, but these are much more diverse groups. And there's nothing unconstitutional, unlawful about taking poverty into account, even if we can't take race and ethnicity into account. So one of my hopes is that that will increase diversity in the student body.

Faculty recruitment. That really is something the chancellors need to beat the beans over the head on, and the deans need to beat the department chairs over the head. I mean, it's department by department. But I can look at the numbers at the end of the year and say, chancellor, you're not getting the job done. So that's what I'm doing on diversity.

You know, in terms of the links, there are multiple theories

of diversity. One has to do with the sort of educational environment it creates for the minority kids and for the majority kids and professors. I believe that. I have no trouble. But my background is, I also believe in a second thing, that you can't have a democracy with a permanent underclass, and that universities are a place of opportunity, and we closed down those opportunities for a very long period of time. So I sort of look at it also from the standpoint of a sort of principle of distributive justice, that it is the fair thing to do to have the university look more like California in terms of diversity.

AUDIENCE MEMBER: (INAUDIBLE)

PRESIDENT YUDOF: I guess my views on this issue, I hope everyone understands -- well, let me repeat it because I have the mic. (LAUGHTER)

There is concern as we adjust to this new era and we take some actions -- differential tuition was mentioned -- which undercut the historic culture of the University of California that it was in reality one university even if it had many parts, and further, that you could have a Berkeley and a southern branch and develop a San Diego and so forth and a fear that if you go this other route, that you won't be able to achieve that.

It probably would take too long; I have sort of complicated views on this. My first view is -- some of this astounds me, but it's hard to argue with success. This is the greatest public university system in the world. Everyone acknowledges that. It's

not debatable. Even in Michigan, they tell each other that.

(LAUGHTER) And so that makes me much more conservative in terms of some of these radical -- I don't know if they're radical -- but ideas that really have germinated other places. So I do sit back, and if I forget, the provost tells me about that. I've thought about differential tuition, and I wouldn't rule it out forever, but we've ruled it out for right now. Because there are all sorts of institutions that have done it around the country. The problem is, they don't look like the University of California. They're really one-flagship systems.

I think there are some core central things that we do exceedingly well. And they're all over the map. But I mean, it could be the budget office; it could be the University of California press; it could be the university library, some of the K through 12 initiatives, general counsel's office. Some of the business functions that we perform here -- I know many of you are involved in that -- I think are better done. And we'll probably preserve all of that.

But I want to be candid about this. I think part of my job is to question, do we always need to do it the same way we have been doing it, particularly since the ground has been taken out from under us. I mean, the master plan is in tatters today in terms of the amount of financial support. So we will probably look at things like -- well, let me say this.

There are other models out there. Michigan takes half its

students from out of state, charges them an arm and a leg and pays for the resident students. Virginia does something similar to that. Places like Illinois, Penn State, they even charge residents more money, so they've gone to a more high-fee, high-financial aid model.

There are differing price tags for nonresident students. Some public universities around the country have attempted to make some money off that. I'm not in favor of any of those things, standing here today, but I have to look at those things, and I have to decide -- maybe you'll help me -- how much of this is still real at this one university and to what extent we're being held back by some convenient cultural myths that we really need to re-examine. And believe me, the academic senate has been trying to educate me for seven months. I just thought we had centralized salary scales and all of that. I'd never seen anything like it. It's almost unheard of. On the other hand, a system as successful as ours is unheard of. The peer review process on campus, I've never seen anything quite like it. It's extremely effective. I don't think I answered your question, but I danced around it.

(LAUGHTER)

SPEAKER: Any more questions? I am going to ask that you use the mic just so everybody can hear you.

AUDIENCE MEMBER: I believe -- and I'm not certain -- but I think that the compacts with the State and the governor are still in place through 2010 and maybe 2012. Was the governor able to

maintain those numbers that were set forth in the compact, or did we lose money that had been set aside for higher education through that compact?

PRESIDENT YUDOF: We lost it. We flat out lost it.

Katie, if I get this wrong, correct me.

But it's an exercise now, you put in so many tens of millions of dollars which you're entitled to under the compact, and then you get whatever they call it, some sort of reduction, to zero it out again. That was the problem. And I hated the idea of reducing enrollment. I just hated it. But we're \$120 million in the hole, with 11,000 students who received zero, and they were supposed to pay for these people. I mean, I guess the governor was trying to help us by maintaining the idea that the compact was still effective. So up here, it says, compact, you get all this money. And down here, it says, unallocated adjustment, and it just takes it all back out again.

What I meant by the master plan was it tatters, by the way -- I thought maybe you were asking about that -- what I meant was, a lot of the assumptions about the way the State would support us in the master plan, and we have actually pretty good relationships with community colleges -- under Dean Edley's leadership, we're trying to improve that -- and good relations with Cal State. You notice that the freeze was identical at Cal State and UC. We had talked about that beforehand. We're working on some joint projects.

But the tatters part of it is, the State has been systematically underinvesting in us for 25, 30 years.

And of course, the state has also grown. I mean, that's another thing. The new boards' admissions proposal is partly -- actually, is -- sort of a response to wanting more diversity, reviewing more files, having a more comprehensive review. But it's also -- this state has a great multiple of the population that it had. If we had 12 percent of high school graduates who could demand to go to any campus of the University of California, we would sink.

Maybe it didn't necessarily make all the headlines, but there have been a series of modifications of the master plan, probably going back 25, 30 years, I guess.

Okay. Are there no more questions? Thank you all for coming out, and I appreciate all your work, and hopefully if we do it next year, all the seats will continue to be filled.