

*Remarks as delivered*

**President Mark G. Yudof  
University of California  
Board of Regents Meeting  
UCSF Mission Bay  
September 16, 2009**

Thank you for those very kind remarks.

I regret the personalization as well. We live in the time we live. We don't control all the variables, we live in the time we live and each of us does the best we can.

These recommendations for the fee increase are painful, but as a leader it is important for me to be truthful and direct. And there's a lot of disinformation out there.

So I want to lay out the facts, without the disinformation and lay out what the stark choices are.

I have a number of things to say.

Perhaps the first is that the worst is not even over today.

**Unreliable Partner**

We heard from the state finance director, who agreed with my observation that the state is not a reliable partner. This is from the finance director: that the state will have billions of dollars in deficit next year; that the federal stimulus money for higher education will go away; that we have difficulty in all the retirement plans, and not just at the University of California; and the list goes on and on.

This is a terrible time. Californians are losing their jobs; their houses are being foreclosed upon. What I'm saying is that we are not going to come

out of this easily. It's not going to be a matter of months; it's probably going to be a matter of years.

Even when we do come out of it, the state government is sufficiently dysfunctional so that even when we do come out of it we will still have difficulties meeting our obligations in California, even as the economy recovers.

So what has happened is that we have a devastating reduction at the University of California, over \$800 million and another \$300 million in expenses, much of it going into those very union contracts, much of it going into our retiree health benefits and on and on the list goes with regard to that.

And we have to meet those obligations.

So I felt that what we needed was a two-year budget. We needed some stability.

It's kind of like kindergarten. I hate to say it, but we need some "quiet time" around here.

We need to stabilize our situation and then we can build the University of California back. But it is not stable as we sit here today. It simply is not.

### **Students "Ought to be Angry"**

I actually think the students ought to be angry about the fee increase proposal. I mean, I don't see why they shouldn't be. They are going up by tens and tens of percents. I'm angry about it too. I liked the old system. The closer it was to being free the happier I was. But that's not the world I live in. And that's not the world the Board of Regents lives in. And you could have 18 or 26 new board members and a new president and 10 new chancellors. But unless President Obama gives them a printing press, they are going to have much the same sort of decisions. Maybe some nuanced differences, but there aren't many choices.

One of the things I want to emphasize and I say this with the able Lieutenant Governor sitting next to me, is that I've talked to Gov. Schwarzenegger and I think he gets it with regard to higher education —

its role in creating jobs, culture, democracy. I think Speaker Bass gets it. She's a very honorable, intelligent woman. She's on our side. Speaker Pre Tem Steinberg is in the same category as is the Speaker, a great public servant.

It's the system that's broken, not the people. It's the system. It is a dysfunctional state government and therefore that is piling on top of these dire economic circumstances.

The point I want to make to the media — and I'm glad you stuck around — is this: I would characterize my wife and I as people of faith. She's considerably more of faith than I am; I'm the partial infidel in the family.

But I do not think the University of California can continue faith-based budgeting and what we have been doing for a decade is faith based budgeting.

Somehow, if we wait, the legislature will turn on the spigot. If we don't approve a 9 percent fee raise, maybe they will do this, maybe they will do that, maybe they will do better.

Maybe if your favorite candidate is elected governor or speaker or something or you get a change in the committee assignment, things will change.

It is faith-based.

Nothing has changed. Nothing has changed for the last 25 years. We have half as much to spend today as in 1990 in current dollars. That's the truth. You can talk about layoffs and furloughs and you don't like salaries and you can have some grand narrative of some sort or another. But the truth is we have half as much money per student.

The cost is not going up in that it costs more to educate a student; the cost is going up in that the co-pay is going up. The state has backed out. It has been an unreliable partner for 20 years and the students are paying the price. I'm sorry they are paying the price. But at the end of the day, there are very few sources of money that can be used, as I'll explain.

In the 1980s, 17 percent of the state budget went to higher education and 3 percent went to prisons. Today, we are down, according to Director Genest, to about 7 percent going to universities, the UCs and the Cal States and about 9-10 percent goes to prisons. You have more of a future in prisons than in universities. And when I look at our salary schedules and Regent Blum said this, I *wish* that our people in each category were paid like prison guards. We'd be much better off. We'd be much more competitive.

### **The Toll Road to Higher Education**

So my point to the students is: I'm sorry, I regret it, but the state has stopped building freeways to higher education and it has started building toll roads. That's what you have. You have a toll road to higher education. I don't like it, but that's what they've done.

And therefore with all the splendid public good aspects of it — the medical care, the arts, the culture, the scientific breakthroughs, the demographers, the people who teach languages, the poets — with all the public benefits, students are paying more and more as if it's just a private good to them and not a public good that benefits all of us of having an educated population.

Now in the past we have been through many struggles: the Great Depression, the loyalty oath controversies of the Red Scare days, the campus unrest of the 1960s, even the recession of the early 1990s, which produced fee increases larger than what we will propose today.

This is a very difficult time, but the University of California will get through this. I have no doubt in my mind. And at the end of the day it will be stronger, and it will have more access and its quality will be preserved. And its faculty will be preserved and we'll do what we need to do.

## The Threat of Mediocrity

What we cannot do is surrender to the greatest enemy of the university of California, which is mediocrity. The greatest enemy of the University of California is mediocrity. And mediocrity has a lot of allure to it. Mediocrity is relatively easy to achieve. It's well represented in some bodies.

It would be easy to sit here and say we are not going to raise your fees, even though it would create an environment on the campuses that would force many of our best professors to leave. Some are leaving as we speak now. That's what we are talking about.

It would be easy to shrug and say we cannot afford greatness because it costs too much. We have a lot of room to descend. There are all sorts of tiers and levels of universities.

## The Reserve Myth

It would be easy, though imprudent and sometimes illegal, to take the coffers of the medical centers, the so-called operating reserves, the two months of operating expenses and to move around federal research dollars. Who cares? You get money for nanotechnology? The anthropology department looks good. Let's just do it.

It would be easy to look at our physician practice plan and sweep their reserves and not worry about endangering the health and the safety net for Californians. It just isn't so. I wish it were so. It just isn't so.

We don't actually have reserves, if you want to know the truth. It's a complete misnomer. We have funds that the accountants require us to call — they're unrestricted or unallocated. But each of them is tied up. You know, \$900 million is tied up in building proceeds. You sold bonds; you put it into a bank account. For the media, I'd say think of it as a checking account, not as a reserve. So, some of it is to build buildings, some of it's to pay bills at the hospital, some for the physicians, and I'll

tell you what the problem the Board of Regents has. It's just the opposite of what you heard this morning. Your risk is, in the last 14 months, our reserves — so-called — are down, I suspect, at the end the day by one third. And the free reserves are gone. That is, the ones that really were not encumbered. That is, they weren't for the residence halls and things like that. You better be alert and I will be alert that we are not out of reserves in another year.

We actually spent over \$300 million in the so-called reserves in the current year, which is more than all the cuts combined for the furloughs. The furloughs were \$184 million; we hit \$300 million for the reserves and we're still counting.

So, the real challenge, and I urge you to pay attention to what Peter Taylor says, is not that we are squirreling money away, not that we just have all this largesse; the real challenge is, if we're not careful and this downturn continues a couple of years, there won't be any checking account and we will not have any wiggle room whatsoever.

It would also be easy to say that we shouldn't do anything, that we should eviscerate our cadre of faculty and there is a really big narrative out there that's just a flat-out lie.

People have not been getting administrative raises.

### **Compensation Myths**

I can't remember the media asking me for it. I just went through every high officer in the Office of the President. Not one of them received a raise. Not one. And yet, it's a truism. Everybody agrees — the fat cats are getting fatter. Not true. In fact, most of them are paid 10 percent less than they were paid a year ago and there's one case where someone got additional duties. I mean, it's just fabulous the way that the truth never seems to catch up to the lie in the media.

You can accuse us of lots of things — like, my jokes aren't funny. That's a serious criticism. But if you actually say, "I want to see the data — I have a chancellor here, I have a vice-president out here, what were they paid last year and what are they paid this year?" It's a pretty simple question — file your open records request and we'll be glad to share that

information with you. So, it's just not true.

It *is* true we don't ignore competitive markets. And you better believe there are competitive markets and we have physicians and if we don't pay them competitively, they'll go elsewhere. We have great professors, they don't want to leave, they love the university, but they can go elsewhere if they're not paid ... and believe it or not, there are some people better at being deans than other people. There are some people who can raise 2 billion dollars for a hospital, and Sue [Desmond-Hellman], we're expecting that of you. [Laughter] And you'll be held accountable for that. And I don't think a random person in a population is going to get it done.

Maybe I'm wrong, but you look for certain skill sets, so I don't think there are any easy ways. There's not a reserve that can be used in the fashion that is being suggested. The salaries of the administrators aren't being raised. Occasionally somebody does two jobs — apparently that's a sin, to pay someone for doing two jobs even though you saved money, so we're stopping doing that. And even if you saved all those salaries, it wouldn't come near to the budget cuts that we face.

So, there are no cheap and easy solutions. It is just a flaw in the grand narrative that's been put forth and I understand that. It's easier to say, "It's Mark Yudof's fault, it's the Board of Regents fault, you're hiding the money," and then you don't have to face the hard reality.

But we have a hard reality ... and I do wish, and I say this with all due respect, I wish some of the union leaders that are appearing --- I want them to go to the homes of people who were laid off. And I want them to explain why they would not negotiate a furlough one day a month, so that those people would not be laid off. I want them to explain it to their children and to their husbands and to their wives, why it is they did that.

And I want them to explain why it is in the state of California they have three-days-a-month furlough. It's not income-adjusted and why that's unfair, when the people at the top of the income distribution have a 10 percent pay cut, the people at the bottom have a 4 percent — what's unfair about that? Does the state of California do it? No. You have your three days' furlough and it's right across the board — rich and poor alike, middle income. None of that took place and they're taking their furloughs in a mandatory way and we asked to engage with the unions and they

would not even meet with us, particularly Lakesha Harrison at the AFSME union. Wouldn't give us the time of day. So, I'd like the members to question your leadership about how irresponsibly you can treat the own members of your union.

To me, that would be a productive discussion to have.

### Fixing UC

As for the students, we have to arrest this downward spiral. And that's what it is. Everyone's been asked to take a share of the pain. Two thousand people will be laid off. A thousand last year and next year in this budget.

There are furloughs for this year, but we need to come out of this with a better university and one that serves the students better. We've asked the students to do much and I understand that, but we've asked for sacrifices of others.

The truth is that this budget will be on the backs of a lot of people. It will be on the backs of administrators and faculty and students. It's not sort of an only "we went to the fee increase first." If you read the whole budget document, there's a lot more going on and in my judgment, unfortunately, there's too much going on.

So, these are some unhappy truths and there is a grand narrative, but facts are facts.

And if you want, I invite anyone to bring in his or her auditor and take a look. These are all true and we don't have a printing press, I asked Chairman Bernanke, he wouldn't give it to me. I don't blame him.

And the fact is that at the end of the analysis, we have an unreliable partner.

Next year will not be better and the year after that may or may not be better. So, the Regents and I, I think, we need to fix it. We need to continue slashing costs. We need to continue going to Sacramento. We are going to Sacramento. They don't have any money. I've been up there over 20 times. We have a great group of advocates. Eighteen thousand

letters went to Sacramento in the last three weeks. Eighteen thousand. And I predict the numbers will go up even more.

We have an effective Government Relations office. I'd like to see some of our critics march arm-in-arm with us to the Capitol so that we'd have our combined strength. But when you contact our political leaders, they flat out don't have the money.

I saw a letter from Governor Schwarzenegger in response and the governor in effect said I don't have any money. It's horrible — I didn't want to do this to you. And you know what he suggested? He said, "You're among the best universities in the world, but you're not anywhere near the most expensive to the publics, you ought to consider raising fees." That's what the governor said in his letter and I think he was accurate about that.

### **Ending Furloughs**

I think if you approve this budget a lot of things will happen and we can avoid the mediocrity; and let me talk to the faculty in particular and the staff. If this budget's approved, we can arrest the slide in the academic program. Two-thirds of the cuts have been on the administrative side, but we are receiving reports class size is getting bigger, availability of courses is getting worse. If the availability of courses is getting worse, then it's going to take you longer to get a degree and one extra semester or two extra quarters swamps the fee increase. So, we're actually trying to save you some money and you have our pledge on that.

The furloughs are a morale buster. They're a morale buster for the faculty, it's terrible for the faculty; it's terrible for the staff. People are unhappy. We are a very complex institution; it is very hard to make it really fair to everyone. I did the best I could; you did the best you could, but it's not fair to everyone. Some people are on research funds, some people work in hospitals and some are at the national labs. All sorts of complexities.

This budget would get rid of the furloughs in the summer of 2010. The third thing, which I'd be very concerned about as a faculty member in particular, we have a problem with your retirement plan, it would restart the employer contributions, starting in April when the employee

contribution comes in on the two for one basis and this is absolutely essential.

If we're to attract and retain talented faculty and staff, if we're to be fair to the people who've been here 10, 20, 30 years, we have to do that and that is extremely expensive.

So, I believe the budget will stop the decline in the academic program in the sense of not the quality, but the accessibility of it and it will do away with the furloughs, which I think will help our morale considerably and get us on the road to recovery in the retirement plan.

### **Financial Aid**

Now, I want to say something about who is going to be hit by these fee increases because there is a lot of misinformation there and we will have some revised proposals out probably in October. We have, for those of you who haven't covered this before — we have a Blue and Gold program and in the Blue and Gold program, no family with income under \$60,000 pays one penny of their fees. Neither their education fee nor their registration fee. Not one penny. And that was true this year and that will be true next year.

So, it may be convenient to say the very poor will be adversely affected, but it's not true. And our average grant is over \$10,000. And why is that?

Because Pell grants have gone up and because we have the Cal grants; because we set aside one-third of the fee increase for scholarships.

We do have a problem — we need to discuss this later today. We have a middle class problem. They will be paying more money. The people between \$115,000 and \$180,000, actually they'll do pretty well because under President Obama's bill, for the first time they get a federal tax credit. Before they didn't have one. So, virtually the whole two years of increase is covered. But I confess, we do pay a portion of the group's \$60,000, to \$80,000 to \$90,000 of the new increase, but we have an issue there. But it is not the genuinely poor.

And the key thing to remember about the University of California, we have many things that make it unique. But the most unique — we're the

only university in the world that brings together a first-class, powerful research university with an enormous commitment to poor students. We enroll over 30 percent Pell-eligible poor students. That's more than twice as many as any Ivy League institution that I know.

Now, there are other institutions that have more poor kids, but they're not research engines.

And of course if we have research engines — the MITs, the Cal Techs and Stanfords, and they're trying hard, but they are not as successful at enrolling these poor kids — I think this budget will preserve that. That is, that we'll preserve our commitment to access and simultaneously we'll preserve our research, which really means preserving our wonderful faculty and building the facilities that they need.

### **No Compromise on Quality or Access**

So, my view is today that we need to keep this place whole. We need to avoid the mediocrity and we need to retain our public character. I do not want to be a private university. I do not want to privatize the university. That's not the University of California. Eighty-four percent of Californians in higher education attend public universities. That is not true in Massachusetts or New York, and other states.

So, we need to maintain that character and so I presented the board this time and I want to be clear also this is for discussion, I knew the students would be unhappy, but I wanted to give them to have two months to cogitate, think about the alternatives, give the board some time to think. So, none of this is for action today.

But I would appreciate your support and I do want to say to all of you and to all those in the audience — if you have a better plan, I'm for it. But that plan cannot compromise quality and it cannot compromise access to the University of California. On other issues we can all compromise, but on those two, we cannot. So, thank you for your attention.