

UNIVERSITY OF CALIFORNIA  
EXECUTIVE VICE PRESIDENT - BUSINESS OPERATIONS  
Office of the President - Budget and Capital Resources

May 12, 2009

Dear Professor Schwartz:

President Yudof shared your April 11 letter with me and asked me to respond on his behalf. I regret that you found "The UC Budget: Myths & Facts" misleading, and I am pleased to have the opportunity to address your concerns. I will venture to respond to each of the points you made, although I suspect the information I am providing here will not be new to you.

With respect to funds generated from sales and services, these activities may not be restricted in the legal sense, but they are of limited use in a budgetary sense. The University's medical centers and auxiliary enterprises compete in the marketplace. Prices charged for services are subject to market pressures and do not yield profits sufficient to subsidize the University's educational and research activity. These enterprises are facing economic pressures similar to those of other parts of the University - rising costs for employee health benefits, purchased utilities, and equipment, the need to re-start retirement contributions, and an economic climate making stable revenues highly uncertain. There is little room in their budgets to help fund the rest of the University's operations.

In response to your statements about medical faculty compensation, UC medical schools receive State funding to cover only a fraction of the salaries of their faculty, and must fund the salaries of many clinical faculty entirely from non-State sources, including income from the medical enterprises. Medical school faculty and other health sciences faculty who are members of the University's Health Sciences Compensation Plan receive a base salary according to the University's faculty salary scales and may also earn negotiated additional compensation (funded by clinical services or grant funds) as well as occasional additional compensation that includes funds generated by the faculty themselves from outside professional activities. This supplemental income is necessary to retain them as our faculty. Without an ability to pay competitive salaries, we believe we would lose faculty to our competitors.

Regarding the growth in management and senior professional employment, the University is an increasingly complex and growing organization which necessitates an increase in staffing levels to provide

management/administrative infrastructure and professional analytical support. Some of the forces driving these changes include student enrollment growth, a concomitant increase in University owned and maintained space, the number of primary courses offered, growth in our medical centers/hospitals and a very significant increase in the number of contracts and grants awarded. In addition, over the last 10 years, the University has increased the power and availability of information systems and technology available to students, faculty and staff, enhancing and streamlining business processes and providing an enhanced student experience. In some instances, new financial, payroll and personnel, and student service systems have improved the business structure of the University, and the popularization of the internet and computer technology has introduced on-line capabilities in course settings when none has been there before. The University is a microcosm of the increased complexity and technological sophistication that the world has experienced as a whole since 1996. While technology has enabled productivity improvements in many areas, it has also created new needs for professional analysts to meet the needs of a modern organization.

Finally, concerning the cost of education, consistent with the Master Plan for Higher Education, the University of California is a research university whose faculty are charged with - and the State provides funding for - a three-part mission of instruction, research and public service. Undergraduate and graduate students alike benefit from the full complement of faculty activities and our students choose to pursue an education at UC specifically because of the high quality of the University's faculty, quality that includes excellence in teaching, cutting-edge research, and leadership in academia.

UC faculty are exceptional because of their direct, inextricable, and ultimately unquantifiable links to research, which informs their instruction and their ability to serve as real-time mentors in the development of undergraduates' own research skills. This link to the research mission is essential to the nature and quality of instruction that UC faculty expect undergraduates to receive, differentiating it from the instruction received at other types of colleges and universities. While State support for UC has declined over time, it remains a critical component - nearly double the contribution from student fees - that helps the University attract and retain these faculty.

UC undergraduates are immersed in a culture of high discourse and intellectual orientation in all parts of campus life and the value and substance of undergraduate education is intrinsically related to the

student's presence on campuses of UC's nature and quality. Reductions in State support make it more difficult for the University to recruit and retain the high quality faculty who contribute to the rich intellectual environment of the University.

We at UC are hopeful that the state will renew its commitment to support public higher education, helping to relieve the burden on students and maintaining its obligation to the Master Plan. In the meantime, UC is forced to make difficult decisions while trying to mitigate the impact on students, faculty, staff, and the citizens of California. I appreciate your continuing interest in the UC endeavor.

Sincerely,

Patrick J. Lenz  
Vice President - Budget and Capital Resources

cc: President Yudof  
Executive Vice President Lapp  
Senior Vice President Dooley