



UCLA and the Future of Public Higher Education

Thank you for being here. I appreciate this opportunity to speak to you about a set of issues that is of great importance to all of us.

Some of you probably have young children at home who plan to go to college. You're encouraging them to do well in school, so that they can get into a quality institution. They may be considering UCLA or some other fine university, or they may be considering a place you wish they weren't considering. In any case, college is on your minds. So it's obvious why you might be interested in a talk about UCLA and the future of public higher education.

But what about the rest of you? Why should you be interested if you don't have children, or if your children are already through college? Why should you care about this topic? Why should you care about UCLA or the University of California (UC)?

Let me give you one good reason. It's because you own the University of California. It is a public university.

When I first arrived at UCLA from a private university seven years ago, I told my friends on the East Coast, "One of the toughest things about leading a place like UCLA is that everybody in California seems to think they own it." And then it occurred to me — actually, they do.

I realized that one of the most wonderful things about being the chancellor of UCLA is that everybody feels that they own it. You are the stakeholders. The university is important to you; it's important to the quality of your life.

UCLA'S IMPACT

As California taxpayers, you are our shareholders. And you have a large stake in UCLA's future as an engine for many things, particularly for our region's economy. This major public research university reaches out not only with education and health care, but also with technology, commerce, and public service; it affects much of your lives. It is of great value to the people of this region. It is society's think tank, essential to our progress.

A few numbers will illustrate the magnitude of the enterprise. UCLA has some 38,000 students, and 27,000 faculty and staff. It has about a \$6 billion impact on the greater Los Angeles region. We're the region's 10th-largest employer. For every \$1 that California taxpayers invest in UCLA, the university generates about \$9 of economic activity.

Last year, for example, UCLA spent almost \$750 million on research that was funded through competitively awarded grants and contracts. That figure likely places us at number one in the nation in terms of competitively awarded research grants and contracts. Most of this funding was in science, engineering, and medicine.

RESEARCH UNIVERSITIES IN THE NATION AND CALIFORNIA

Several images will provide a context in which to examine the importance of public higher education in the United States and in California. The first [Figure 1, page 3] is a map that indicates the location of the member institutions of the Association of American Universities (AAU), which comprises the top 60 research universities in the country, both public and private. The triangles represent the private universities that are members of the AAU, and the circles are the public members. The next slide [Figure 2, page 3] shows only the 26 pri-

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vate universities that are members of the AAU. They are concentrated very much on the East Coast. Only a few are west of the Mississippi River. (Remember that some of the Eastern institutions have been around for more than 300 years.)

The next slide [Figure 3, page 5] shows the 34 public research universities. Note how they are distributed across the country, indicating the extent to which the West is dependent upon public universities.

The next slide [Figure 4 page 5] shows only California. Of the 60 top research universities in the country, nine are in California. You will recall that the triangles are the private universities. California is a state with 38 million people, and there are only three triangles. Only three private research universities in California are members of the AAU. This means that California has only three private research universities on which to rely for the kind of research and education necessary to ensure that the state remains a national leader. Since the three triangles are members of the AAU, they represent the three best private research universities in California — Stanford, Caltech, and the University of Southern California (USC). They also are the three worst private research universities in California. There are only three, total, in a state of 38 million people.

As a comparison, the first state that probably comes to mind when you think of competing for high-technology industry is Massachusetts. Massachusetts has fewer than 7 million people. It has three universities that are members of the AAU, all private: Harvard, MIT, and Brandeis. That state has four additional private research universities: Tufts, Boston University, Boston College, and Northeastern University. Comparing seven private research universities in a state with about 7 million people with three private research universities in a state of about 38 million people, one can see that California cannot conduct the research, cannot produce a highly skilled workforce, and cannot provide the ingenuity and entrepreneurship required to compete with the Eastern states if it relies solely on its private universities for excellence.

The comparison to Massachusetts underscores the reason why the future of public institutions is so crucial for California. The matter is not that public universities simply want to be first-rate, but that it is essential for California to have top-notch public institutions if it is to compete with other states and other countries.

UNIVERSITY OF CALIFORNIA HERITAGE

A brief history of the UC will give you a sense of where we are and where we're headed. The University of California is a great heritage that has been passed to us from previous generations. It was founded in 1868, with, of course, only one campus, Berkeley. In 1919, the Southern Branch of the University of California was established at the Vermont Avenue campus here in Los Angeles. In 1929, the Southern Branch, now UCLA, moved to its current location in Westwood. Since that time, the UC system has added eight more campuses, the latest one being built in Merced and slated to open next year.

The original idea was that these institutions should be tuition-free. The state was not quite able to fund the UC at a level required to achieve that goal, but the fees were very low.

After World War II, California's taxpayers came to realize that the UC was going to be an important engine for the progress of the state. They were determined to make this university all that it could possibly be. In 1960, the Master Plan for Higher Education in California was adopted, helping to create the largest and most distinguished system of higher education in the country,





FIGURE 1
60 MAJOR U.S. RESEARCH UNIVERSITIES
ASSOCIATION OF AMERICAN UNIVERSITIES



FIGURE 2
26 MAJOR PRIVATE RESEARCH UNIVERSITIES
ASSOCIATION OF AMERICAN UNIVERSITIES



which the University of California still is today.

The Master Plan calls for both exceptional quality and broad access for students. It stipulates that the UC system should select its students from the top one-eighth — the top 12.5 percent — of high school graduates. The California State University system selects from the top one-third of high school graduates. And all high school graduates in the state have the opportunity to attend a California community college. It was a stratified system, unusual at that time, and it remains so today.

The top 12.5 percent of high school graduates in the state are called “UC-eligible.” They are eligible to be admitted to a campus in the University of California system, although not necessarily to the campus of their choice. Individual campuses select their students from the top 12.5-percent eligibility pool. Because of the limits on enrollment capacity, UCLA admits fewer than one out of four applicants.

Determining the top 12.5 percent involves a calculation that takes into account grade-point average, honors and AP courses, and SAT scores. To decide admission to UCLA and other selective campuses, comprehensive review is used. Admissions officers read the students’ entire folders in making the decisions.

The Master Plan has made California the envy and exemplar of higher education, not only in other states, but in nations around the world. It is widely recognized that the world’s finest public institution of higher education is the University of California.

In recent years, the University of California has been transformed from a first-rate regional university to an elite world university, in large part because California’s taxpayers have been willing to support it, even though seven-eighths of their children, 87.5 percent, have not been eligible for admission. That is a remarkable show of support. With this extraordinary system, California has established a true meritocracy that rewards and advances performance and is dedicated to the mission of serving the public good.

NEW REALITIES

Forty-four years have passed since the Master Plan was adopted, and the established model is no longer entirely adequate. In the knowledge-driven economy we have now, universities’ contributions to society are more important than ever. Public needs are vast and cover an enormous range of fields: science, engineering, medicine, education, public policy, economics, the arts, and more. Yet the proportion of the state budget devoted to the UC, and the proportion of the UC budget provided by the state, have both decreased.

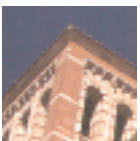
Inadequate state funding is probably a permanent reality. For more than a century, California’s taxpayers have been generous in supporting the state’s higher-education infrastructure, but they can no longer bear anything close to the full cost of meeting world-class academic standards, which is what we have all come to expect of the University of California.

To continue to thrive, there are key challenges to which we must adapt.

First is increased demand. There are more people in California, and an increasing proportion of them are going to college. Second, there is less state funding. This year, state funding accounts for less than 20 percent of UCLA’s operating budget.

Unfortunately, in large parts of the country, few low-income families can afford to send their children to college. Leading private universities have decreased the proportion of their students who are on Pell grants (federal grants to students from families whose income falls below \$41,000); they’re down to numbers such as 6 percent or 8 percent of enrolled students.





Among leading research universities, we're number one in the nation in the proportion of students who attend on Pell grants. Last year, 36 percent of UCLA students came from low-income families. Those students were UC-eligible, independent of family income. They were UC-eligible because of their academic performance in high school, and they were admitted to UCLA on the basis of comprehensive review. While UCLA leads the nation in this respect, the universities that rank second, third, fourth, fifth and sixth are the five other UC campuses that belong to the AAU. So, unlike the rest of the country, California educates students from all socioeconomic backgrounds in its public university system.

A VITAL RESOURCE; A POWERFUL PARTNER

UCLA is an amazing place, an institution of great achievement. For instance, you may have heard the story of the little Marias, the twins who were born joined at the skull, and were subsequently separated during a 23-hour operation at UCLA. UCLA was not the first hospital to be approached for that surgery. Others turned the twins away for a variety of reasons, including a lack of confidence that the surgery would be successful and the inability of the twins' family to pay for their surgery. At UCLA, however, our surgeons decided that they could successfully separate the girls, and we felt that if they were able to do so, they should.

That case is exceptional, but do you know that each year we provide health care in our medical facilities for about a half-million people? Your doctor likely was trained at the University of California. Six out of every 10 doctors in California were trained at the University of California.

More than a half-million people per year come to the campus to enjoy UCLA's public-arts offerings — concerts, museums, theater, and the like. A recent story in *The New York Times* focused on the Hammer Museum and its rise to prominence in the art world. Note that the story appeared in *The New York Times*, not the *Los Angeles Times*. The Hammer — like so many of UCLA's arts programs — quickly has garnered far-reaching acclaim.

Through our UCLA in LA initiative, we now are engaged with the city more than ever before. We're working with 40 community-based organizations and, through these partnerships, contributing to knowledge and expertise on the UCLA campus while also supporting programs in the community. We're focused on children, youth, and families; economic development; and arts and culture.

We also offer an academic-advancement program to help ensure that students admitted to UCLA from poorer high schools get the help they need not simply to graduate from UCLA, but also to prepare for graduate school and professional work. Our early-academic-preparation program is engaged in 92 middle and high schools in the Los Angeles region, helping young students and their families plan for getting into college and then completing college. Maintaining these programs has become increasingly difficult as state support decreases.

A WIDENING RESOURCE GAP

The resource gap between public and private universities is large and is widening. Allow me to share some numbers by way of illustration. UCLA has a \$1.4-billion endowment, which is large for a public university, but small compared to the elite privates with which we compete. If one assumes that an endowment pays about 5 percent a year, the payout at UCLA is about \$2,000 per year per student. Since much of this money is restricted to use for narrowly

defined purposes, that figure does not translate directly into support for education, but it does give an idea of how much money flows through the institution.

Stanford's endowment is about \$10 billion, and it has about half as many students as UCLA. So instead of \$2,000 per year per student, Stanford has about \$30,000. Harvard has the highest endowment overall, about \$25 billion, which provides about \$70,000 per student per year. Much of that money is designated for such things as medical research and endowed chairs, but once again this gives an idea of the sheer magnitude of activity. It is clear that the resource gap between public and private universities is large, and that it would exist whether or not California had budget problems.

Even more significant, in some ways, are unrestricted resources, and that relates to fees. What should an institution like UCLA charge students? How much money does it receive from the state? At UCLA, the fee this year for an entering freshman is \$6,585. This does not include room and board, which costs roughly the same at a public or a private university. The state then provides us with about \$13,000 per student, bringing the total we receive to about \$20,000 per student. (This is separate from the endowment.) Stanford, Harvard, and USC charge about \$30,000 per year for tuition. UCLA's funding of \$20,000 a year per student is about a third less than that available to the privates. Another way to state this is that the elite privates have about 50 percent more. The gap of \$10,000 per student per year presents us with challenges that require new solutions, because the privates are the institutions with which UCLA competes for the very best faculty and students.

There are members of the faculty at UCLA whom elite privates are eager to hire. There are UCLA students who have many other options. UCLA and the other UC campuses must find funding alternatives if we are going to remain competitive with the best universities — public and private. This is critical — not just for us as a university, but, as the map indicates, for California's ability to compete with the rest of the world for the technology-based industries that will follow information technology and biotechnology.

DOING OUR PART

First, we must continue to increase our efficiency and effectiveness. We've already done a great deal.

At UCLA, for instance, in business functions such as purchasing and travel services, we've adopted the best practices of the private sector.

Second, we must continue to increase private fund-raising. Private universities traditionally have raised a lot of money. Thanks to our many supporters in Los Angeles and beyond, UCLA's private fund-raising has been phenomenal. Campaign UCLA formally began in 1997, with a goal to raise \$1.2 billion by the end of 2002. At that time, it was the most ambitious fund-raising effort ever undertaken by a public university. We met our goal sooner than anybody expected; extended the Campaign to the end of 2005; and doubled the original goal. Recently, we passed the \$2.6-billion mark, and the Campaign still has more than a year to go. This level of fund-raising is crucial if we're going to compete. Last year alone — not the best year for the economy — we raised about \$270 million in private gifts and grants.

Third, we must continue to win competitively awarded research grants. That funding helps us to support graduate students, and serves to drive the economic engine for California. UCLA now leads the nation in competitively awarded research funding.

Fourth, we must be creative in exploring additional measures to remain competitive with other elite universities, public and private. At UCLA, we are

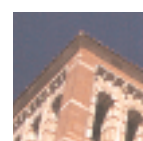
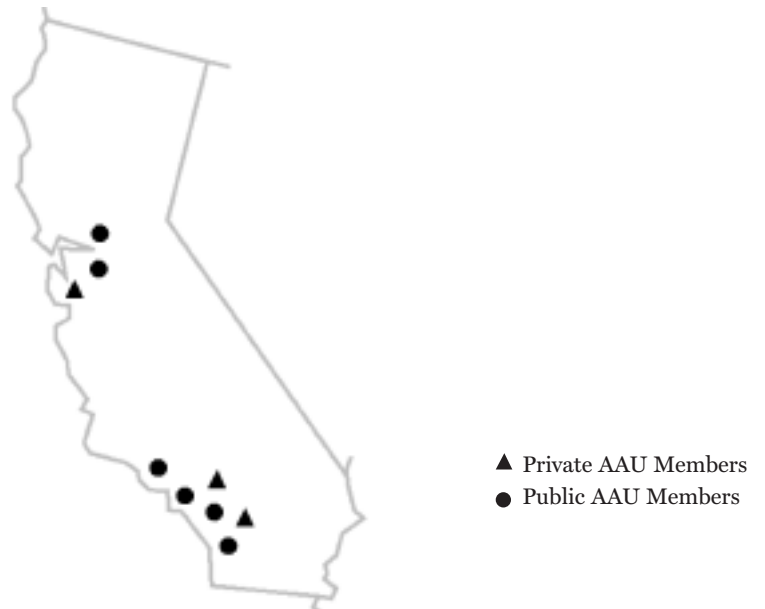




FIGURE 3
34 MAJOR PUBLIC RESEARCH UNIVERSITIES
ASSOCIATION OF AMERICAN UNIVERSITIES



FIGURE 4
9 INSTITUTIONS IN CALIFORNIA
ASSOCIATION OF AMERICAN UNIVERSITIES



exploring every avenue. In June, I created a Competitiveness Council, an advisory group of business and community leaders, to help us think through this problem. Henry Samueli, the founder of Broadcom, has agreed to lead the Council. Among the other learned and experienced individuals from the Los Angeles region who have agreed to serve are John Anderson, Betsy Knapp, Garen Staglin, Casey Wasserman, Bob Wilson, and Dick Ziman.

One cannot speak of Henry Samueli without talking about his UCLA credentials. Henry received his bachelor's, master's, and doctoral degrees in electrical engineering from UCLA, and he has been an assistant professor, associate professor, and full professor of electrical engineering at UCLA as well. He has spoken on behalf of the campus in Sacramento and has been enormously helpful. He told the Sacramento Bee, "Your competitive edge is in your ability to innovate. In order to do that you have to have the best talent in the industry, worldwide." He went on to say that the place to find that talent is the University of California, and he wants to make sure it stays that way.

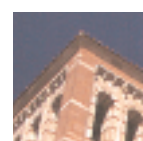
To ensure our ability to recruit and retain the very best students and faculty, which is so critical to competitiveness, we've launched a special, focused fundraising initiative called Ensuring Academic Excellence. Our goal is to raise \$250 million solely for endowed chairs for outstanding faculty, and for scholarships and fellowships for undergraduate and graduate students throughout the university. We announced that initiative in June; it will run for five years. Already, we've raised more than \$45 million.

I cannot overemphasize how grateful we are to our alumni and to others in California and beyond, who appreciate the value of this university. We face growing competition for top graduate students because they have to consider the financial support they will receive, which directly affects how long it will take them to get their degree. The quality of graduate students is something that faculty care about deeply. It affects our ability to recruit the best faculty to do the very best research and, because graduate students do a good bit of teaching of undergraduates, it affects the undergraduate experience. So it's crucial for us to attract outstanding graduate students. Seventy percent of UCLA's Ph.D. graduates stay in the state of California even though they come from all around the world. They provide a continuing return on our public investment.

Many of you have read about the Compact that was signed in May by the University of California, the California State University system, and Governor Arnold Schwarzenegger. It is intended to stabilize state funding for the UC, at least in the near-term. It calls for modest increases in state funding. For example, next year, providing the state can afford it, we expect a 3-percent increase. Three percent would barely keep up with inflation, meaning we might not experience another reduction. Over the past three years, UC enrollment has increased 15 percent, and state funding has decreased 15 percent. The Compact reflects an effort to stop that bleeding.

The Compact allows some increases in student fees, and provides for greater financial aid, some enrollment growth, and modest salary increases. But it does not address the structural resource gap that I talked about before. Those of us responsible for higher education must address this widening gap between public and private universities.

There is no choice but to continue to compete with the privates. It is simply not enough to be the very best public university. That is unacceptable for UCLA, for the UC, and for the people of California.





NARROWING THE GAP

Let me discuss some possible ways to address the funding gap.

The first model is what I call “wishful thinking.” In this scenario, California would markedly increase funding for public universities. If the state were to provide an additional \$10,000 per student, the gap would be closed. That would require an increase in state funding from \$13,000 to \$23,000 per student per year. Nothing in the state’s fiscal picture indicates that this will happen. Nevertheless, any increase in state funding would help to narrow the gap.

The second model would follow the examples set by the University of Michigan and the University of Virginia. Both institutions recognized the widening resource gap and made a painful trade-off. They reduced markedly the number of state-resident students that they admit and increased correspondingly the number of out-of-state students, charging the nonresidents a fee comparable to what they would have to pay at a private university. That solution is hardly attractive to California, which has great demand for higher education from its 38 million residents. (By the way, at UCLA, more than 90 percent of the freshmen are from California. Even though we could fill UCLA with out-of-state students, we don’t.)

The third model would have us establish flagship campuses at, say, Berkeley, UCLA, and UC San Diego, since they are in the state’s major population centers. We would concentrate the bulk of state funding for UC on these campuses, with less going to the others. That is a bad idea. Three flagship schools are not enough for a state of this size. Moreover, the University of California has been based on the idea that every one of the campuses can be great. In fact, this year, three Nobel prizes were awarded to faculty of the University of California: two at UC Santa Barbara and one at UC Irvine. While those campuses do not yet have as many Nobel laureates as UCLA or Berkeley, they are outstanding institutions. UCLA would not be what it is today if it had been decided that Berkeley would be the only flagship in the UC system.

That brings us to the fourth model, which usually is applied in the context of professional schools. The University of Michigan and the University of Virginia, for example, have privatized their law and business schools. Those schools do not receive state money, but can charge market rates. I note that less than five percent of our students are in law school and business school, so this change would not address the resource gap. Moreover, in my view, California taxpayers should not have to pay the same fees as out-of-state students to attend their state’s university.

The fifth and final of these models is known as “higher fee-higher aid.” In this model, the university would continue to receive state funding and would charge higher, but below-market, fees. Public universities can do more with less, but not with 33 percent less than private universities have. The higher fees would enable us to maintain and enhance the quality of the university. We would not be expected to increase the fees simply to offset reduced state funding. The state funding would serve to subsidize state students. Whenever the state faces financial difficulties, any budget cuts would reduce the subsidy for state students, but would not undermine the quality of their educational experience and would not reduce the university’s contributions to research, which lead the way to the state’s economic recovery.

Opponents of this model say that higher fees would have negative impacts on access. They fear that UCLA would become like some Ivy League schools, where only 6 percent of the students come from low-income families. Those critics missed the second part of the name of the model. It is higher fee-higher aid. The model need not reduce access at all. As a matter of fact, we could

increase access if we received more income from people who could afford more. Consider what a family with a very high income now is paying to send their son or daughter to UCLA: \$6,585 per year. They are paying less than a fourth of what it would cost to send their child to a comparable private university. It is true that if we had a higher fee, it would increase the cost for those who could afford it. Imagine if we doubled the current UCLA fee, if we were to add another \$7,000 per year, which would narrow the resource gap with the privates to just \$3,000 per year. Our fee would still be just under half of the fee at a private institution — \$14,000 compared to \$30,000 — and would be paid only by those who could afford it.

These models could be applied individually or in combination.

There may be other approaches, but this is clear: Unless the funding model for public universities changes, the UC campuses and particularly UCLA face a future in which we will not match the elite privates in the quality of our students, our faculty, or our mission — education, research, and service.

Right now, we're fine. Tomorrow we're fine. But we can see the leading edge of this challenge ahead, and we had better be proactive to ensure continuing excellence well into the future. It's essential for our state; it's essential for our people.

We're going to have to work together. All of the potential solutions involve not just us, not just our students, not just their families, but all of the people of California, to implement effective, viable funding models to ensure the greatness of UCLA and of the University of California for generations to come.

Fortunately, the goal can be met. The University of California and UCLA can continue to provide education, research, and public service that are equal to the finest in the world. And that's what you, our owners and our stakeholders, deserve. ▲

