Here is a Letter-to-the-Editor published by the San Francisco Chronicle on July 22, just a few days after The Regents appointed Janet Napolitano to be the new President of the University of California.

**A big UC payday**

Incoming UC President Janet Napolitano’s base salary of $570,000 is outrageous and obscene … and it’s $20,000 a year less than her predecessor Mark Yudof.  
And they want to keep raising tuition?  
This is a “public” university?

Complaints about excessive compensation for UC executives have been a staple in public discourse for many years. Those criticisms come from newspaper editors and elected officials in Sacramento as well as from many individual citizens, on and off the University’s campuses.

Responses from UC’s public relations people usually take two forms: We need to pay those salaries to attract and keep the most talented executives; The total amount of money involved is small since the entire Senior Management Group collects less than one percent of the total UC payroll.

One can answer back that one percent of the total UC payroll (about $10 Billion per year) is still a lot of money; and one can point to other excesses in UC’s management structure that waste a much larger amount of money. (That will be detailed in Lesson #4.) But the main issue here is one of principles. There is a clash of philosophies here and it starts at the top of UC with the Board of Regents. The majority of Regents, appointed for 12 year terms because a Governor “liked” them, behave as if UC were just another big business enterprise - where the top executives are naturally thought to deserve extremes of pay. They don't understand that a university is a very different kind of institution.

In 1992, UC President David Gardner announced his retirement - and then someone up high spilled the beans about the $1 million package the Regents had promised Gardner behind closed doors. This came during a recession when UC was cutting back classes and raising student fees rapidly. Amid all the public noise over the revelation of Gardner's package, the faculty at UC Berkeley held a special meeting of their Academic Senate and passed the following resolution. Here one sees a different philosophy.

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The current controversy over large salaries, perquisites and retirement benefits provided to top executives of the University of California raises a number of questions of deep concern to the faculty. In what follows we wish to be understood as passing judgment not on the validity of any past contractual commitments nor on the value of any
individual university administrator, but rather on general principles which we believe ought to guide administrative policies henceforward.

The central claim has been that these high levels of compensation for top administrators in the university are appropriate, in view of the large size and complexity of this institution, and necessary in order to be competitive in recruiting the best talent available for the job. We believe these views are based upon standards derived from the commercial sector, standards which are fundamentally inappropriate to the academic world, and especially wrong for a publicly funded university.

In private business making a dollar is the definition of success, and so the most successful chief executives are paid top dollar. In the university, however, we have fundamentally different values. Professors are quite accustomed to seeing their students go on to the world of commerce and earn much higher salaries than their teachers get; but we have chosen to devote ourselves to the calling of scholarship. This commitment is what makes the university so valuable to society, and this value cannot be measured in dollars.

It may not be too severe to say that a university president who is dissatisfied with her/his salary is a university president who should look for another job. Yet, we also recognize that any individual administrator would be foolish to settle for less than the going rate. What we are faced with is an inflated market based upon distorted priorities; and our present goal is to renormalize this situation.

We need not elaborate on our own unhappiness upon learning of the rich payments given to top executives of this university during a time when the salaries of all staff members, including ourselves, have been frozen.

This controversy also has multiple impacts upon our students. In terms of fairness, it is difficult to see how increasing benefits for top administrators can be reconciled with a decreasing budget - when students are required to finance a major portion of the deficit. In terms of education, it undercuts our efforts to impart the virtues of knowledge, critical thinking and intellectual creativity - when the almighty dollar is held up as the principal measure of the worth of university leaders.

Beyond protest, however, we take this opportunity to declare a position of principle, as follows, which we advocate for adoption by the Regents of the University of California and by the governing bodies of all other universities as well: It should be the policy of any institution of higher learning that the total compensation paid to any executive officer should not exceed twice the average amount paid to its Full Professors.

RESOLUTION: The Berkeley Division of the Academic Senate of the University of California endorses the preceding statement and directs its chair to circulate copies of this statement, along with appropriate supporting documents, to faculty leaders at the other campuses of this university and, to the extent feasible, at other major universities across the country.

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Needless to say, The Regents paid no attention to this advice from the faculty; and we have seen recurring scandals and endless complaints about the excesses of executive compensation at UC.

The following statement by Regent Richard Blum, made at the 7/15/2009, meeting where harsh austerity measures for UC employees were approved, gives us a view of priorities up there.

“What we need to do with this university, and you heard the story from Chancellor after Chancellor, is doing whatever we can to preserve the best people. And in fact the best people are taking the highest cuts. The Chancellors alone, and God bless them, three years ago we knew their compensation was 35 or 40 % below market. … So I think that’s all right for a year and maybe you’ll get a lot of your good people to sit still for a year. But you are already hearing about people leaving, starting to look the other way. But I think we have one year to really figure out who, in each part of this institution we need to embrace and keep; and what we need to build on. Because the idea of just cutting from the top is absolutely the way to kill this institution.”

And this, from the San Francisco Chronicle 12/30/2010 about UC Executives demanding more pension benefits.

“Regent Dick Blum … said he understands both sides. He said the regents need to study what legal obligations they may have to the executives, and take into consideration the fact that without higher pensions, UC could lose good people. “You can’t do better than the team we’ve got working there now,” he said. “I would hope that saner heads would prevail, and we can find a compromise rather than wind up with a lawsuit with some of the university’s most valuable employees.”

Whatever happens, Blum said, “This situation doesn’t make anyone look good.”

These quotes give us a nice clear picture of the philosophy that rules on the Board of Regents. Richard Blum may be one of the more “liberal” members, in conventional political terms; yet he is certainly of the classic mold of successful capitalists, who see any organization as being valued from the top down – in terms of authority, importance and compensation.

A university, especially a first class university like UC, is something very different. The important decisions are all made by the individual and collective minds of the faculty members: what to teach and how to do that; what to research and how to do that. The administrators and executives are there to manage the work environment and the bank accounts that allow the faculty and the staff and the students to carry out their tasks effectively. It is also nice when they can communicate effectively to the public. But corporate-market compensation packages are out of place here.

I have described this conflict between two sets of values as a philosophical difference. That should not imply that this is merely a parlor game: you may have your ideas and I may have mine. The argument over excessive executive compensation at UC is a real
conflict with political dimensions (think of the 99% vs. the 1%) and it has real financial implications for the University. If the new president wants to rebuild the level of public funding for UC, then it will be necessary to rebuild bridges of respect between the citizens of California and their University.

“This is a ‘public’ university?” asked the Chronicle’s letter-writer. How will Janet Napolitano respond to that?

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Please enter your comments below.
And please consider my invitation (in the Introduction to this series) for others to write additional lessons.

Next week (August 12), Lesson #3 - Bad Financial Bookkeeping and Priorities