

Regional Oral History Office  
The Bancroft Library

University of California  
Berkeley, California

Lawrence C. Hershman  
UNIVERSITY OF CALIFORNIA VICE PRESIDENT,  
DIRECTOR OF THE BUDGET, 1978-2007

Interviews conducted by  
Ann Lage  
in 2008

With an appended interview  
conducted by  
Germaine LaBerge in 1997

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Larry Hershman with University of California Presidential Medal, at retirement celebration, Blake House, October 2007



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## Lawrence C. Hershman—Interview History

The oral history with Larry Hershman was initiated by the University of California Office of the President, on the occasion of Hershman's retirement after thirty-nine years of service to the university. It continues an established series of oral histories with key figures in the Office of the President, the earliest one recording the recollections of Frank Stevens, secretary to Presidents Wheeler, Barrows, Campbell, and Sproul, 1905-1945.

Larry Hershman's career with the university gives him a unique vantage point to reflect on its complex governance, in the president's office, on the campuses, and in relation to the state government in Sacramento. After receiving a graduate degree in finance from UC Berkeley, in 1968 Hershman was hired as the director of the budget at the University of California, San Francisco, a medical school entering a period of dramatic growth. After six years at UCSF, he moved to the Office of the President as budget director for Health Sciences. On the eve of California's Proposition 13 in 1978, he became the budget officer for the ten-campus system. With various changes in title, over the next thirty years he was responsible for the systemwide University of California budget, working with five university presidents and five gubernatorial administrations.

In his oral history he reflects on the crucial decisions and policies that he believes enabled the growth and greatness of the UC system. He stresses the importance of presidential leadership and illustrates the leadership styles, contributions, and challenges of Presidents Saxon, Gardner, Peltason, Atkinson, and Dynes. He gives a detailed picture of evolving budget formulas and budget processes over the years and discusses the working out of key budget compacts with Governors Deukmejian, Wilson, Davis, and Schwarzenegger. His tenure covered numerous difficult internal crises in the university's governance; he comments from his insider's perspective on the siting of the university's Merced campus, executive compensation controversies, the end to affirmative action policies, collective bargaining struggles, relationships with the Board of Regents, and others. In closing, he reflects on his concern for the future of the University of California in the face of a disastrous state fiscal situation.

The oral history was recorded in four sessions at Hershman's Kensington home, from May to July of 2008, just a year after his retirement. He made only a few minor corrections in the transcript, saying that he "wouldn't take back one thought." He asked that his interview be held until his service on the California Student Aid Commission was completed. In April 2012, he released the interview, along with the transcript of an interview conducted in 1997 as part of a series on university governance during the David Gardner and Jack Peltason presidencies [See appendix].

Audiotapes of the two oral histories are available in the Bancroft Library, and the transcript of this and others relating to the history of the University of California can be found at [http://bancroft.berkeley.edu/ROHO/projects/uc\\_history/](http://bancroft.berkeley.edu/ROHO/projects/uc_history/).

The Regional Oral History Office was established in 1954. ROHO conducts, teaches, analyzes, and archives oral and video history documents in a broad variety of subject areas critical to the history of California and the United States.

Ann Lage  
Interviewer

Berkeley, California  
April, 2012

Interview #1: May 1, 2008

Begin Audio File 1 05-01-2008.mp3

Lage: Okay, we are on. And today is May 1, 2008. We're interviewing Larry Hershman, as part of our University of California Office of the President group of interviews. And I am Ann Lage, with the Bancroft Library. Larry, we're beginning. And we wanted to start by your giving kind of an overview of some of the important themes that you think are the core of your story.

01-00:00:34

Hershman: Okay. And I want to start out the way I have in various speeches that I have made, focused on what I believe is an enormous achievement that I've been a party to in the University of California. I started in January, 1968. And it was a fine university at that time. I would say that now it is *the* greatest university in the world. And the question is, how did we achieve that? We had a Berkeley campus that was world renowned at the time, and it was the only one of the campuses that was world renowned. We were just starting three new campuses, at San Diego, Irvine and Santa Cruz. They have been built into world class universities. During my time, during my forty years, we were able to achieve that. We took the UCLA campus that was a fine university and made it into a great university, one of the world's great universities. We took campuses at Santa Barbara and Davis that were okay, pretty good, but I wouldn't call them great universities, and we've created great universities at those places. San Francisco, where I started, was a good university. I wouldn't call it a great university. They had good clinical programs, certainly not great in the basic sciences. And made it into probably the leading health sciences university in the world.

At the same time we were able to do this, looking at each individual campus, we were able to meet our commitments to the people of California, taking qualified students in record numbers. And I'm just going to give a couple of statistics here, just to make the point of how we have grown, if that's okay, because I think it's important to use numbers; I'm a budget person, of course. So here our enrollment, when I started in the university, was about 90,000 students. Right now it's close to 220,000 students.

Lage: That's forty years.

01-00:02:53

Hershman: That's forty years. A lot of people did not believe we were going to be able to accommodate all the students in Tidal Wave 2. We have done that. Not only did we take the students, but among our achievements in the university is that students are graduating in a more timely way than they ever have, just a little over four years on average. That's fabulous. And the percentage of students

who are graduating in four years, five years, six years—any data you want to look at—all-time record best.

Lage: Compared to other universities or—

01-00:03:28

Hershman: Compared to other universities—

Lage: —compared to ourselves?

01-00:03:30

Hershman: —and compared to ourselves. And so students across the university are graduating in much better time-to-degree than the Berkeley campus—which was our crowning campus, if you would—much better time-to-degree than Berkeley was forty years ago, when I started. We went and looked at that data. I've used it before in legislative hearings. And so it wasn't just taking the students; that's important, but the students were graduating. They're terrific students. And we've opened the doors of the university much more so than we ever had. If you look at the data on ethnicity, for example, you will see that compared to where we were forty years ago, which was all white— And if you look at many of the professional schools, there were hardly any women, even. And you look at the way that is right now, it's probably half women in most of the professionals. Or more in some, like in veterinary medicine. Even medical schools. I can remember at San Francisco, they hadn't even had a woman dental student.

So that's all changed. We've opened up our doors in ways that they never had before. Students are graduating in a timely way. We've taken all these students, and we've achieved this fabulous improvement in the quality all over the university. And where we've had some problems, Riverside and Santa Cruz, I would suggest— Santa Cruz has had an up-and-down time during my forty years, where the very best students were going, and then they had problems because of community relations and other kinds of issues. And so it's gone up and down some, but I would—

Lage: By what measure?

01-00:05:24

Hershman: Students choosing to go there. I'd say that's a big one. The quality of the faculty's clearly a lot better. The campus has evolved in significant ways, in terms of improving it. A new engineering school, which has been very successful. Riverside had enormous problems in getting students, all the way up until the mid-1980s.

Lage: Was that location, location, location?

01-00:05:50

Hershman:

It was, but there was an attitude about, we don't really want to be bigger. They had about 3,800 students, and they didn't want to be bigger. And that changed. That attitude changed significantly. They opened up the doors, if you will. And the campus now, it's going to be 20,000 students in a couple years. From a campus that never got past 3,800 students the first couple decades that I was in the university. They were so worried at Riverside, they had made proposals to us about no student fees. In order to attract students, they wouldn't charge them any fees. And we would make up the difference, of course—which we didn't do. But that's how desperate they were.

Lage:

So they did want to grow somewhat.

01-00:06:35

Hershman:

Some people did. Others, many of the faculty didn't want to do that. They liked the idea of being small. And many faculty, even at Santa Cruz to this day, like the idea of being small. But the world has changed, and there's a lot more students that need to be accommodated. And of course, we started a new campus in Merced. And much more difficult in many respects than starting the campuses at San Diego and Irving and Santa Cruz, because of all the environmental and other considerations, and lawsuits that never end, and problems with the site. On the other hand, they've been very successful in starting. They've been just as successful in getting students, for example, as Irvine or Santa Cruz or San Diego in their early years.

And so I guess the point that I want to make here is we have had this enormous achievement in the university, in terms of building the quality over this long period of time. And it didn't happen by accident. There's been a lot of criticism recently about the management of the university. I would argue the management of the university, if you want to look at the big issues—not the little issues, but the big issues that the legislature and the public care about—the management of the university's been incredibly successful. Nobody in the country or in the world has been able to come anything close to what we have been able to do in building the university. And we didn't just build it with state money. And I'll give you some statistics about dollars here. But [we've been] enormously successful at getting federal money. And finally—

Lage:

When you say federal money, are we talking about research grants?

01-00:08:20

Hershman:

We're talking mostly about research grants. Competitive research grants, where our faculty have been so good that they've been very competitive. And as a matter of fact, let's just talk about federal research grants for a moment. During the 1980s and many years in the 1990s, up until recent years, our research dollars were growing at 10 percent a year, on average. That's pretty

good. That's a lot better than inflation. People complain a lot about state money being a smaller percentage of the total budget. Well, the main reason it's a smaller percentage of the total budget is that other dollars have grown so fast. Federal money, private money. And so it's not a lack of support from the people of California, because I think the support of the people of California has been very good. It's really that we've been so successful at getting other money, too. And particularly more recently, with respect to private money, because there was a long history that people felt this was a public university, and they didn't need to contribute. And private money has been up over a billion dollars a year here, each year for the last two years. So it's grown from virtually nothing. But I'm going to give you just a couple statistics in terms of dollars. I can't resist being—

Lage: Okay, this will frame our discussion.

01-00:09:39

Hershman: —a budget person. So when I started in the university, state funds for the university were about \$250 million. And right now it's 3.3 billion. Now, part of that was all that growth in enrollment; part of it was inflation. And this is operating money. In addition to that, of course, then there's capital outlay and student aid money that comes from the Student Aid Commission.

Lage: Can you guess what, in real— Do we call them real dollars? Inflation-adjusted dollars?

01-00:10:10

Hershman: Well, it depends how you want to count inflation here. Having made these calculations—and I've done it a lot of different ways over time—I would say up until the bad times a few years ago, we were doing very well in any measure you want to look at, in terms of inflation adjusted and enrollment adjusted. We went through, then, a bad period three, four, five years ago. We recovered a little bit in the last two years. But now things look bad again. And so I think one of the main things that I want to point out is we've had this enormous success in state money, in federal money. And as I say, I'll give you some other numbers here, in addition to the state money. But the future doesn't look so good. And at some point in this conversation, I want to talk about the concern about the future, because both with respect to state money and federal money— I think private money looks very good. There are more people who are understanding of the fact that state money is limited. But in addition to the numbers I quoted you on state money, just to quote some numbers about the whole UC budget, excluding the Department of Energy labs— And I want to separate those. And there's all kinds of complications in terms of their organizational arrangement right now, so—

Lage: So when you're talking about— we're not talking about the labs.



01-00:11:39

Hershman:

We're not going to talk about the labs; this is the rest of the university. The budget for the university has gone from about a little less than \$800 million up to about \$15 billion. And growing. So it's actually over that. It's probably more like \$16 billion by now. And that's more than just inflation and enrollment growth. But it does reflect this enormous growth of the campuses. And I would argue it's not just growth in numbers of students, but it's improvement in quality. Anybody who looked at the university forty years ago and looked at, say, Irvine or San Diego, they were just getting going. And to have come from that to being a world class university— San Diego, maybe people believe one of the finest universities in the world right now. And I'd put UCLA and Berkeley in there, too. And San Francisco, for what it does.

The message I want to convey is that people made a lot of very good decisions. A lot of good support from the public, but a lot of good decisions. Good decisions in the students that we took, good decisions in the faculty that we hired, good decisions in the staff that we hire. And there's a lot of complaints right now about management. And I would argue that while one can criticize lots of little things here and there—If you want to, that's fine, because nobody's perfect anyway. But when you look at the big picture, it's an enormous achievement. And hardly anybody talks about that. They're so fixed on the problems.

Lage:

And on the small—

01-00:13:28

Hershman:

And on the small stuff. And sometimes it pays to step back and look at it, and look at how we got from there to here, in terms of the kind of decisions that were made. And the kind of agreements we struck with the state, and the kinds of decisions that were made internally to provide incentives for campuses to not only depend on state money, but federal and private money. And I'm just going to give you one example of a chancellor—this is probably twenty, twenty-five years ago—writing a letter to us saying, because Berkeley and UCLA were able to get so much federal money and private money, they should get a disproportionate share; that campus should get disproportionate share of state money. We never did that.

I've had discussions with regents about that, who were involved in long-range planning. And I said one of the most important decisions we made during this entire time frame was that we would never punish anybody for success. We'd never take away state money because they were so good at getting federal or private money. We would encourage campuses to do that. We have actually helped campuses over many years, in increasing their staffing to get private money, for example. And rewarding campuses for getting more federal money, returning overhead—this was a big, huge issue, over a long period of time, many presidents, which we finally have resolved over all these decades.

But to encourage campuses to go out and get federal money and make sure that they got the administrative money that went along with that. Not just general administration but money for maintenance, and money for facilities, and money for libraries and for instructional support, to be able to ensure that they could administer the grants.

Sometimes we all get lost in the details, including me. I think that people really did have their eye on the bigger picture and the long run. And that's the kind of thing that presidents do. And I'm going to spend some time here focusing on presidents and the kinds of decisions that they made to help achieve this. And when I gave my little farewell talk at Blake House, I did that. I pointed out seven or eight crises during my time in the Office of the President, and how we dealt with those crises. And one of the lessons that I'm going to also focus on here is my view—and this goes all the way back to San Francisco days—that it is better to work things out—for example, with governors and legislators—better to work things out, even if you have to compromise sometimes, than it is to take hard-line positions and never resolve things and never get things done.

Lage: Is that something you had to fight for? This will come out later.

01-00:16:32

Hershman: I fight for it all the time. And even to this day, there are a lot of people who don't like that. They don't like compromising, they don't like making agreements. I'm going to argue. And I'll give some examples over time, why they were very important. Not just the compacts we had with governors, but other kinds of agreements that we struck.

Lage: And are you keeping sort of a list of these important turning points? You have your eight crises you mentioned at Blake House.

01-00:16:58

Hershman: [over Lage] I have my list that I used at Blake House, but—

Lage: Because this is what I'd like to uncover, is— You said this didn't happen by accident. And I think it'd be great to show—

01-00:17:07

Hershman: It didn't happen by accident. Yes.

Lage: —when did these things come into play, and how the decisions were made, and what the forces were.

01-00:17:16

Hershman: I want to actually focus on that, because part of what I want to convey is that people made very good decisions. There were some decisions that may— One particularly, that was a bad decision that, fortunately, didn't get implemented.

Lage: Oh, okay. [laughs]

01-00:17:33

Hershman: Because in one example I use, the governor didn't take us up on it, thank goodness. So you can try to make deals that are bad deals. Fortunately, in my mind, all of the ones that I was involved in, I will defend to the death.

Lage: The other thing I think is interesting is why these good decisions were made. Is there something in the culture of the university? Was it in choosing a good president?

01-00:18:03

Hershman: I think that the choosing of the presidents and the regent support for presidents over long periods of time—not doing so well right at the moment. But the regent support for the president, the campus' support for the president and the presidency has been very important. And the view that it was one university. Lots of campuses but one university, in terms of the major policies.

Lage: But you do hear—and again, I don't want to get into full discussion now—but you do hear grumbling from the campuses.

01-00:18:34

Hershman: Of course. Of course you do.

Lage: What does the president's office do? Why do we need all this bureaucracy? Why don't we strike out on our own?

01-00:18:42

Hershman: On some things, they should strike out on their own. And in some things, they should be encouraged to do that. And other things, no.

Lage: Well, that's one of our themes, perhaps.

01-00:18:55

Hershman: Yes, we need to talk about that. And this is my view, at least. And I think by and large, the campus chancellors and others that I've talked to over time actually do agree on it. There's some things that I think would be destructive if the campuses went off on their own, like negotiating with the state over the budget and how it gets allocated.

Lage: Imagine ten campuses. [laughs]

01-00:19:17

Hershman: Yes, right. And having regents in the middle of that trying to make those decisions. I think that's why they need a good president and people need to back the president. And if they don't like the president, they can get a different one. I would try to argue, as I have, that we by and large, for whatever reason, have picked sort of the right president for the right time. And

if it had been a different time—and I can give some examples—it would've been a disaster. So either by luck or by wisdom of the regents or whatever, we have been able to do that. And I think the backing of the university community—including the faculty—of the president, in making some of these key decisions that have been is absolutely critical. And that doesn't mean everybody agrees with everything all the time. I'll give you some examples of that, too.

Lage: Okay. Well, is that a sufficient overview?

01-00:20:12

Hershman: Yes, those are some things that I wanted to say, to talk about themes, because I think ultimately, the most important theme is the proof's in the pudding, as they say. And the proof is that we have succeeded beyond *anybody's*—anybody's—imagination. I can go through all kinds of times of the university, maybe going way, way back to Clark Kerr, he saw—

Lage: He may have seen this, though. Do you think?

01-00:20:37

Hershman: Although what he saw, some of those early numbers that I quoted, the university was very small. Maybe he had a dream. Probably did. But the thought that going through all that we have been through, and have achieved what we have, to me is remarkable. So with that, if it's okay, we can start back in San Francisco.

Lage: We'll go back to San Francisco.

01-00:21:00

Hershman: [over Lage] And I'm going to try to pick up some of these themes.

Lage: I'll just mention that there is an oral history that was done with you in the late nineties, that has not been public and that will probably be an appendix for this. [See appendix for transcript of the 1997 oral history interview with Hershman.] So we can elaborate on it, we can refer to it, we can repeat it—however. But we'll try and repeat it less than more.

01-00:21:23

Hershman: We'll try to repeat it less, but—

Lage: But if we do, that will be—

01-00:21:26

Hershman: —there's some things I probably will.

Lage: Right. Yeah, because we'll be asking different questions of that same material. But I wanted to go back. You did tell some about your upbringing in that

interview. And I thought we'd go back with that, with an eye to the lasting influences, in terms of your job and your attitude about the university. So give us a little summary.

01-00:21:47

Hershman: So I grew up a poor kid from an immigrant family.

Lage: Immigrated from where?

01-00:21:52

Hershman: My father came from Russia when he was a little boy. My mother actually was born in Cleveland. I went to public schools and a public university [Miami University in Oxford, Ohio], and came to California to go to Berkeley, go to graduate school, and got my—

Lage: And what brought you to Berkeley? Why Berkeley?

01-00:22:06

Hershman: The reputation of Berkeley. As a matter of fact, Berkeley was the only campus of the university that I had heard about, as part of the University of California. I'd heard about UCLA, but I didn't realize it was part of the same university.

Lage: And had a business school, also.

01-00:22:21

Hershman: Oh, it never even occurred to me. And back in those days, there were lots of articles about how Berkeley was becoming a great university.

Lage: And what year was this that you came to Berkeley?

01-00:22:30

Hershman: This was 1963.

Lage: Ah-ha. Just before the Free Speech Movement.

01-00:22:36

Hershman: Right. Yes, right. And the civil rights movement, which was much more active when I was there as a graduate student, and was involved. But growing up as a poor kid, immigrant family, public education, including public higher education, was the most important thing. And I'll just give you an example, including recent articles, of the Hispanic community. And I think it's true of a lot of immigrant groups. It certainly is true of the Hispanic community, feeling very strongly that the way to success was public higher education. You had to do well in high school and junior high school and whatever, in order to get to college. You had to do well if you were going to succeed, and public education was very important.

My sense my whole career has been it's really important to provide that opportunity for kids. Lots of rich kids can do whatever they want. They have plenty of choices, and some of them chose to go to the University of California. But if you're poor, or sort of lower middle class or middle class, you don't have so many choices, in terms of your ability to finance education. And I must say, I agreed with many of our presidents, who wanted to keep student fees as modest as they could. But even more important than that, when we had to raise student fees, was to provide financial aid and to make sure that low-income students could have access and ability to go to the university and to graduate.

I am incredibly proud of the fact that about 35 percent of our undergraduate students are low income. That is an enormous achievement to me. And you compare that to other public universities, where it may be like 10 percent or 15 percent, other fine uni— or private universities. And we've done these comparisons for the regents. And that's just a phenomenon. And that's not just at Riverside. That's at Berkeley and UCLA. UCLA, it was up close to 40 percent. And through our policies and the money that we provided for financial aid, for example—both student fee money and state money that we were able to convince the state to support through the Cal Grant program, federal money, et cetera, private money—that we have been able to do this is just a remarkable achievement to me. And these kids are doing great. They're graduating, they're doing great. You don't have to be rich to go to University of California. And to me, growing up as I did, knowing how important it was to have quality public higher education, it's always been in my mind, in every decision that I ever was involved in, with every president [laughs] that I was involved in making those decisions.

Lage: Now, when you think back to your colleagues, did they have similar backgrounds? Did you have many people from private universities or privileged backgrounds in the higher echelons?

01-00:25:40

Hershman: Oh, it's varied over time. But I think a lot of people that I have worked with—I've been fortunate—had the same view that I did. And I don't want to say everybody did. That certainly isn't true. But I think a lot of people did. And access, holding out that hope, that opportunity for people has always been absolutely critical in the university and—

Lage: It's also a push from the legislature, it seems to me.

01-00:26:06

Hershman: Of course, it is. But just as strong a push from our presidents. I can remember when we had to raise student fees. David Gardner was absolutely adamant about this, or Dick [Richard C.] Atkinson—any of these presidents who had to do student fee increases, they were absolutely adamant that we try our very

best to make sure that students had financial aid who needed it. Including middle—

Lage: And that's part of the fee increase, goes to financial—

01-00:26:32

Hershman: [over Lage] Right, it was part of the fee increase, part of our strategy. And I must say, if you look at the statistics, we have been able to hold that percentage of low-income students, and we've been able to hold our percentage of middle-income students. They've not deteriorated, in spite of the fee increases. And I think that's good.

Lage: Okay, back to your background. When you came to Berkeley, for business school, wasn't it?

01-00:26:57

Hershman: Yeah, that was it. I got an MBA in finances.

Lage: Did you have financial aid?

01-00:27:01

Hershman: Yes. Well, probably not the way you're— Yes, I did. I had a scholarship, I'm sorry. And I had my non-resident tuition waived. Yes, I did have financial aid. I must say, I had to put myself through school. And I was always sensitive to that, by the way. But the fees were very, very low back then, [laughs] I must say.

Lage: True, true. [laughs]

01-00:27:28

Hershman: I think it was like \$79 or whatever. [laughs]

Lage: I know. Okay. Anything else in your background that— You reviewed that history that you did ten years ago. Anything else that you want to add?

01-00:27:40

Hershman: Well, I think the one other thing, when I came to [UC] San Francisco— This is January, 1968.

Lage: To your job.

01-00:27:49

Hershman: To the job. I had been working in the private sector. I came back to San Francisco to work in the university [in 1968] because I was convinced they had a management program that would allow me to finish up my PhD and teach, which is what I had in mind.

Lage: Oh, that's what you wanted to do?

01-00:28:10

Hershman: Oh, yes. Because I originally was working on a PhD when I got my MBA, and I couldn't afford it anymore. Had to go out and work. And I thought, well, here's a great opportunity. They would give me time off. They said so, at least. Well, I worked all the time when I worked at San Francisco. I was there for six and a half years, till the summer of 1974. I worked all the time. We got involved in all of these big political disputes and disputes with the community. And I'll talk about that a little bit as some of the things that I learned at San Francisco, good and bad. And I must say, I changed my whole attitude. I decided maybe I didn't really want to teach and be a professor after all. I really love the political stuff. And that's why I went to work in the president's office. And I'll come to that. So let me take a—

Lage: Okay, but can we back up just for a second?

01-00:29:05

Hershman: Sure.

Lage: What did you study at the business school? It wasn't Haas business school then. At the business school.

01-00:29:12

Hershman: Finance.

Lage: Finance. And then what was your first job, before the university?

01-00:29:18

Hershman: I was working for Hughes Aircraft. I was in a management program. And a lot of the work that I did was interesting, not all of it. For example, I got to initiate a program looking at return on investment for all of their investments, including equipment and facilities and— And I must say, many of the jobs that I had there were interesting, but I didn't want to live in Los Angeles. I like the Bay Area. And on a lark, if you would, I put my name in at the business school, the section there where people who are recruiting for jobs might find my name. And the folks at [UC] San Francisco were Berkeley graduates, the management at San Francisco, their vice chancellor at the time. And picked up my name and brought me in for an interview, and liked me, and I took the job. Things worked differently then than they do now. And I had no experience in higher education. I didn't even know that UC San Francisco was a UC campus.

Lage: [chuckles] And you didn't have health science experience.

01-00:30:26

Hershman: None. Absolutely none.

Lage: And you were married?



01-00:30:31

Hershman: I was married. And the job, I was really almost married to the job. [Lage laughs] That was even more complicated. And I never even hesitated. I thought, well, here's a chance to finish up my PhD. I hadn't even thought about the job. San Francisco was just becoming a campus.

Lage: It was just a collection of programs?

01-00:30:55

Hershman: It was a collection of four schools, individually reporting to the president. And so it was just being started as a campus, along with Santa Cruz and San Diego and Irvine and—

Lage: So it had its first chancellor—

01-00:31:06

Hershman: First chancellor.

Lage: —as you were coming in.

01-00:31:08

Hershman: And thanks for the segue about the chancellor. There were some lessons that I learned there that I think helped me a lot in the president's office. And I want to talk about a couple.

Lage: Good.

01-00:31:22

Hershman: San Francisco had just come through a long-range development plan and was involved in absolute warfare with the local community. I didn't know anything about that when I took the job, but I found out about it pretty quickly. Because by and large, they ignored the local community. They didn't care anything about them. They were very interested in the development of the campus and building excellence, et cetera, recruiting first-rate faculty. They had hospital facilities that were very much out of date. They had one of their two hospitals on the main campus that was seismically deficient, needed to be replaced. They were trying to build a new dental school; the facilities were just terrible. So abominable I wouldn't want to talk about it. [Lage laughs] And the quality of the place was pretty good, but not great—as I learned. The faculty in the basic sciences were very weak. Research programs, pretty weak. They'd just built a couple of research buildings, though, and money was just starting to flow for research.

Lage: But UCLA, by then, had a pretty good medical school didn't they?

01-00:32:44

Hershman: It was good. It was probably on a par with San Francisco. San Francisco thought they were better, but, you know. And they were just starting three new

medical schools, at Irvine, San Diego and Davis. So they were just getting going.

Lage: All at the same time?.

01-00:33:01

Hershman: All at the same time. And in desperate shape. And I'll come to that, because that played a large part in what I wound up doing in my life. But we had what I would suggest is an acting chancellor, because they were just getting going trying to recruit a chancellor. They recruited Phil Lee, finally, after a couple years that I was there, maybe a year or so. He had a great national reputation, but very controversial with the regents.

Lage: In what respect?

01-00:33:34

Hershman: Because he was promoting more primary care, and more so than many other physicians thought was good. And he just barely got confirmed by the regents, by one vote. And never got along well with the regents, and never got along well with the president or the president's office. It was an ongoing war. And I spent a good part of my time trying to make peace with the president's office, instead of war. Every letter I'd try to write that was trying to make peace, he would make me rewrite, to try to create war.

Lage: How close did you work with him? Were you—

01-00:34:16

Hershman: Oh, close.

Lage: —directly under him?

01-00:34:17

Hershman: Well, I had somebody in between, but we were very close. We were part of the chancellor's office. So we were part of his office.

Lage: And it probably wasn't that large an office at that time.

01-00:34:26

Hershman: It wasn't that large an office. I had maybe seven or eight people working for me, including maybe four on capital outlay and three or four on the operating budget, something like that.

Lage: And you were the budget officer.

01-00:34:42

Hershman: I was the budget director, yeah. And eventually they changed my title, but I did the same thing. It was assistant vice chancellor when I was finally left. But no, I worked very closely with him. And Phil, to his credit, he was a leader in

some things. He was certainly a leader with respect to affirmative action and diversity. And that was his crowning achievement at San Francisco. On the other hand, relationships weren't very good, as I suggested, with the community, the regents. I can't blame the community one on him because that occurred before his time. And he was trying to improve things a little bit. And things got to be very nasty with the legislature, even, even though he personally was popular with many legislators. Because he had a national and international reputation.

Lage: And what was his reputation for?

01-00:35:34

Hershman: His reputation? Because he had been undersecretary for health programs in the federal government. His father had started the Palo Alto Clinic. It was really focused on primary care, and we needed to change the way we did business in health care. So very important things, but controversial. In any event, he finally got fed up, and I think the regents and the president got fed up, and he left. He stayed on as a faculty member, by the way. And focused on public policy issues in the health field, which was good; that was his field. And Frank Sooy got appointed. Now, I love Frank Sooy. He was a very mild mannered but forceful person, who was capable of making good decisions, in my mind, and did. And mended fences with the regents, who loved him; with the president, who loved him.

Lage: This was under [UC President Charles] Hitch.

01-00:36:34

Hershman: It was under Hitch. He had been chair of the academic council, so he was very popular with the faculty. I learned a lot of lessons from him about working with the faculty, trusting the faculty. Lessons that stayed with me my whole life. That the faculty are big boys and girls, and they can handle the truth, and so you're better off telling them the truth, even if it's bad news. And you're better off making a deal, if that's the best you can do, even if it's half a loaf, let's say.

Lage: So that was his approach, get the half a loaf?

01-00:37:07

Hershman: That was his approach. His approach was, let's work things out. The public had voted for a bond issue for the health sciences. We had three brand new schools who were struggling for survival, with minimal facilities. It was a very bad situation. And San Francisco, we had our own needs then. Including a hospital, as I said, that was in very bad shape, and a dental school. But anyway, we struck a deal. Willie Brown wanted some community dental clinics that went along with the dental school. And we did that. We struck a deal. The dean of the dental school at the time, Ben Pavone, he didn't like that

deal. Frank Sooy said, “That’s the deal we’re going to have. You go make a deal, and I’ll back you up.” And he did.

Lage: He said, “You go make a deal,” to you?

01-00:37:54

Hershman: Yeah. Oh, yeah.

Lage: So this was the deal you struck with Willie Brown.

01-00:37:57

Hershman: Yeah.

Lage: You negotiated with Willie—

01-00:37:59

Hershman: Well, with his principal staff at the time.

Lage: And he was then speaker of the assembly?

01-00:38:04

Hershman: He was then chair of the Ways and Means Committee, and chair of what was called the Committee on the Siting of Teaching Hospitals, which was his way of having a lot to say about how—

Lage: [laughs] Was this a committee he created for this purpose?

01-00:38:16

Hershman: Yes, he did. He created it for UC’s hospitals, because he wanted more involvement with community.

Lage: Now, was he particularly concerned with San Francisco? Or was this a statewide concern?

01-00:38:26

Hershman: Both. He wanted us to take over former county hospitals, for example, to take care of the poor. At San Francisco, he wanted to take care of these poor people in the community with these community dental plans. So he said, “Okay, I’ll build you a brand new dental school and fix up some old space, and give you enough total space. But I want you out there in the community.”

Lage: That’s very interesting.

01-00:38:48

Hershman: So yeah, we struck a deal. And part of the deal was we limited the growth at San Francisco. Very controversial. Frank Sooy, at that—

Lage: Limited because of the community objections.

01-00:38:58

Hershman: Because of the community objections. And it meant being more active in other places. And San Francisco, from then on, has had to be more active in other places. And their efforts—

Lage: What other places?

01-00:39:09

Hershman: Well, because they run the medical program at the county hospital, the VA hospital, they run the medical program.

Lage: Oh, still within San Francisco, but not in their own hospital.

01-00:39:19

Hershman: Also with their own hospital, but then also in a lot of community affiliations. And we started a program in Fresno, because that was a major underserved area—still is. And so we applied to the VA and got a grant to establish a program there. So we built an expansion at San Francisco medical school. In any event, we worked out a whole bunch of things.

Lage: Now, did you do that with the president's office looking over your shoulder—

01-00:39:49

Hershman: Oh, sure.

Lage: —or conferring constantly, or how?

01-00:39:51

Hershman: Yes. Yes. I believed in that.

Lage: Because you don't hear about campuses striking their own deals with legislature.

01-00:40:00

Hershman: They do get involved. But the president's office— I've been in the middle of every one of these deals. But no, they also get involved in their own deals with their own local legislators. But this was an unusual situation, because he was the chair of Ways and Means; he had a lot of power. And I'll say this much for Willie Brown: he made a deal, he stuck to it. And his whole career, he did that. And you've got to give him a lot of credit for that. And so did we stick to it. But the lesson here that I'm trying to convey is that I really learned a lot from that experience, from Frank Sooy. And I admired Frank Sooy. I thought he was the most wonderful person in the world. To this day, I still worship him. And he died in an airplane crash. He was the most careful person in the world, and he was flying a little plane. And they didn't put gas in it, and the plane crashed.

Lage: Oh, my! A little private plane.

01-00:40:58

Hershman: Yeah. He did that. It was a Stearman. It was a very little plane. He and a friend.

Lage: Oh, how sad.

01-00:41:09

Hershman: It was tragic.

Lage: Was he a young man when that happened?

01-00:41:11

Hershman: No. Oh, no, no, no. He was essentially retired. It was very hard for me to leave San Francisco. I had the chancellor's support. I worked closely with him, he backed me, he didn't want me to leave. On the other hand— And here was the president's office.

Lage: So they came calling for you.

01-00:41:35

Hershman: They came calling. They first made an offer to me to take a job being responsible for health sciences' operating budgets in the budget office. They had a series of managers, and I was going to be one of them to do that. And I refused. I said I would not do health sciences planning and budgeting, unless I had capital outlay too and I could be engaged in the whole planning effort, together with a special assistant to the president at the time, Clint Powell, who worked for Chet [Chester O.] McCorkle, who was the executive vice president. And I didn't take that job.

Maybe a year or so later, they gave me what I wanted. And they said, "Okay, we'll let you have operating and capital." And so they had organized units in the budget office. One that had the general campus operating budget, one that had health sciences operating and capital, and one that had general campus capital. Bill Baker did general campus capital, Chuck Courey did the general campus operating budget, and I had the health sciences.

Lage: Operating and capital.

01-00:42:41

Hershman: Operating and capital. And was closely associated with the health sciences special assistant to the president, because he was the expert, if you would, and I worked closely with him.

Lage: And who was that, at the time?

01-00:42:55

Hershman: That was Clint Powell.

Lage: Oh, that was Clint Powell.

01-00:42:57

Hershman: Yeah. And his assistant at the time, his number two person, Ruth Haynor, who was his planning person, if you will. And so that involved planning and budgeting and capital planning. It was all together. And so I felt like it was an opportunity. Now, I knew that the president's office was a hell hole. I knew I was leaving a perfect situation with a chancellor who loved me, and going into hell.

Lage: Now, how did you know that? And what did you mean by that?

01-00:43:27

Hershman: Everybody knew it.

Lage: At that time?

01-00:43:31

Hershman: Everybody knew it.

Lage: Or is that the view, always, from the campuses [laughs] of the president's office?

01-00:43:35

Hershman: I'll tell you, I certainly knew it when I went into it. There was always turmoil about organizational issues. There had been turmoil from the time that Clark Kerr was fired, that continued.

Lage: Maybe there was turmoil before.

01-00:43:52

Hershman: While Clark Kerr was still there? Well, certainly, at the end. But the regents were very difficult to deal with at that time, from the Clark Kerr thing on. And Charlie Hitch spent most of his time dealing with the regents. Everybody knew that.

Lage: Now, Kerr was fired. Wasn't it '67?

01-00:44:15

Hershman: Yeah. So I started January of '68.

Lage: At UCSF.

01-00:44:20

Hershman: Right. There was an interim president, Harry Wellman. And then he was the only president for maybe a year, and then Charlie Hitch became president.

Lage: So you went in '74, to the president's office.

01-00:44:34

Hershman: And I went in '74. That was Charlie Hitch's last year.

Lage: Was Charlie Hitch a problem president, or—

01-00:44:41

Hershman: He was so involved with dealing with the regents that, really, the management of the university and dealing with the legislature, by and large, was left to Chet McCorkle, who was executive vice president. And so he was pretty much running things. I want to come to this later. There was more than a little bit of friction. Not so much between me and he, Chet, and Charlie Hitch, but just generally within the president's office. The period from when I started in '74 up until 1978 was total turmoil. But let me go in order here.

Lage: Yeah, fill in with details, because—

01-00:45:30

Hershman: So I started out because I was interested in overall planning for the health sciences. There was a lot of talk at the time, and a plan to have another medical school, more expansion for the existing schools. Maybe even another dental school, that was a thought. More nursing schools. This was an expansion plan. And so I came to try to be engaged in this—continue this first round of expansion, get that all resolved, then move into the next round. So I thought that would be exciting. And so the first few months when I was there, that's what I was working on. And then Jerry Brown got elected governor.

Lage: 1975.

01-00:46:11

Hershman: No, he got elected in '74.

Lage: I mean he took office in 1975.

01-00:46:14

Hershman: His first regents meeting was January '75. And he, at that point, said all kinds of bad things. Now, he got elected saying, "Hey, I'm going to make things better for the university." We had gone through a Ronald Reagan era that was very tough. Reagan was never very friendly. And budgets were not good. We'd gone through big budget cuts in the late sixties, and then again in the early seventies. Things had calmed down for the last few years of the Reagan second term, but it was not that friendly. And Jerry Brown, I can still remember, he made all kinds of speeches about how he was going to reinvigorate the university and restore the glory and blah-blah-blah. Well, it's not what happened. His very first regents meeting, one of the first things he did was blast medical schools and the expansion in the health sciences. He went on to blast everything else, by the way, while he was governor.



Lage: Did he have a reason?

01-00:47:22

Hershman: He didn't think that doctors were the best solution here for health problems.

Lage: I see.

01-00:47:31

Hershman: And I'm being kind. He was much nastier. And he throws everything out, in the health sciences. Here we had just had a bond issue, we hadn't built any of these buildings yet from the bond issue, on any of the campuses, really. And he throws everything. And he said, "You come in with a new plan, or I won't agree to anything." And even though these bond issues passed, they were all subject to legislative and governor approval. And from January 1975 to April, we re-planned the whole health sciences. And I must say, it was an experience. I would give all campuses but one a lot of credit of working together with Clint Powell and me. We worked as a team.

Lage: And which was the one that didn't?

01-00:48:19

Hershman: Davis. They refused to cooperate. They wanted their expansion, and more expansion, and we said no. And they killed the notion of having a second bond issue. There was going to be a second bond issue. They killed that.

Lage: Davis?

01-00:48:34

Hershman: No, the governor.

Lage: Oh, I see.

01-00:48:39

Hershman: And the goal that I finally established that I wound up selling was, well, let's try to reach some stable point here, in both operating and capital budgets. Let's get to a point where resources matched up with the programs, as best we could. But no more expansion, other than where we were.

Lage: It sure shows the power of the governor, doesn't it?

01-00:49:02

Hershman: Oh! Governors have *enormous* power. *Enormous* power. I'm going to come to some of that. They have *enormous* power.

Lage: Right. [laughs] Well, you're coming to it now.

01-00:49:10

Hershman: Yeah. They have enormous power for a lot of reasons. One, they can veto anything they want to in the budget. Now, there have only been two overrides. In my whole career in the university, only two overrides in governor's vetoes. And they both had to do with salaries for state employees, including our people.

Lage: When you say veto, this is an informal—

01-00:49:30

Hershman: No, this is formal, a veto of a budget item.

Lage: Oh, actually vetoing a budget item once the legislature passed the budget.

01-00:49:34

Hershman: [over Lage] Governors can veto anything on the University of California budget. They can line-item veto any amount of money they choose.

Lage: I see. No wonder you worked with the governor first. [laughs]

01-00:49:40

Hershman: [over Lage] We had no protection. No protection. And governors also appoint regents. And he governors are the head of the regents, actually. They're the chair of the corporation.

Lage: But they don't always come to the meetings.

01-00:49:57

Hershman: Very rarely. Very rarely.

Lage: But I guess Jerry Brown made his presence—

01-00:49:59

Hershman: Jerry Brown came a few times, and they were all times when he just blasted away at us. But this one was focused very much on health sciences. And anyway, we redid our planning.

Lage: Let me just go back because— this isn't key to you, but it's interesting to me. His attitude towards medicine.

01-00:50:15

Hershman: It was his attitude all the way through, then.

Lage: He didn't maybe believe in Western medicine?

01-00:50:21

Hershman: He questioned the value of physicians, yes, versus other people, in terms of healing.

Lage: Other people like?

01-00:50:32

Hershman: You know.

Lage: Eastern medicine-type things, or holistic?

01-00:50:37

Hershman: Yeah, whatever.

Lage: Okay. [laughs] Okay, I just wondered.

01-00:50:40

Hershman: I could make some statements, but I won't.

Lage: I don't know why not? This is the chance.

01-00:50:44

Hershman: Oh, you know.

Lage: He's going to be running for governor again.

01-00:50:47

Hershman: Yes, I know that. Let's just say that he was very antagonistic, and very antagonistic to the university.

Lage: As a whole—

01-00:50:57

Hershman: As a whole.

Lage: —but particularly medicine.

01-00:50:59

Hershman: And I'll come to that, too. But in this case— So my first effort here was to try to get something resolved. We never could get it resolved with him right away. We did with the legislature. So the legislature bought into this revised plan that we'd submitted in April. And with the help of his Department of Finance— Thank God for the staff in the Department of Finance. To this day, over all of these years, they have been absolutely key to our success.

Lage: Now, are these staff members who are civil servants? Or staff members who came in as part of the governor's team?

01-00:51:34

Hershman: Both. Both, but many civil servants.

Lage: So that gives you continuity.

01-00:51:39

Hershman: Right. And the civil servants in the Department of Finance convinced their bosses, and of course, we had some legislative support, and we were able to finally work out every single program. I spent *years* doing this.

Lage: This is health sciences.

01-00:51:54

Hershman: Just health sciences, until January of '78. But this was just health sciences. But it was an enormous struggle to get it implemented, to get every one of these programs resolved, implemented, et cetera, et cetera, including the facilities and operating budgets. And I learned a lesson here about trying to work things out. It was my San Francisco lesson here. Better to try to resolve things, even if it's a compromise. Davis did not want to compromise; everybody else was willing. And the compromises mostly had to do with expansion desires and the resources that went with them. Our position was, well, we'll bring the expansion to an end. And the legislature was there, anyway. And so from then on, we really had no expansion in the health sciences from then until just recently. Because there was a view that there were enough. Things got a little stickier a couple years later, because of the problems of our hospitals, where Jerry Brown actually wanted to close one of our medical schools.

Lage: The medical school or the hospital?

01-00:53:02

Hershman: The medical school, and the hospital, the whole thing. He was on the verge, within a day, of publicly recommending closing one of our medical schools.

Lage: Which one was he focused on?

01-00:53:14

Hershman: Davis.

Lage: Oh. The one they wanted to expand.

01-00:53:18

Hershman: And the interesting [thing] was that you would've thought he would've wanted to close Irvine. But legislators got wind of this, went to him, got it stopped, it never happened. Never got announced publicly. But it was going to be.

Lage: Was there a story behind that, why he focused on Davis?

01-00:53:35

Hershman: Well, both Davis and Irvine were having serious problems with their local counties over who pays for medical care for the indigent. And so they were all having financial problems. On top of that, Davis had a problem where the

hospital was seismically unsafe. And we didn't realize that when we acquired it. There was all this pressure from the legislature to take over these county hospitals. Well, many of them were old and in crummy condition. Seismically deficient.

Lage: And a big financial drain.

01-00:54:02

Hershman: And a big financial [drain]. And the view was the counties ought to pay for their share. Well, some of them were being more responsible than others. And Irvine and Davis were both a problem. Davis got better; Irvine took years and years and *years* before they got better. And we threatened to pull out of the Irvine one. Keep the medical school going, but pull out.

Lage: Of the hospital.

01-00:54:22

Hershman: We never did do that. The county came around, finally, with threats from Willie Brown at the time, when he was speaker, that they finally paid attention to. But I guess the point I'm trying to make here is that we thought we had things resolved that were problems that, from then to now, mostly having to do with hospitals and— But this says something about Jerry Brown, who was perfectly prepared to close this medical school.

Lage: The whole school, not just the hospital.

01-00:54:54

Hershman: The whole school. The whole school. That's not a story that's ever hit the newspapers, by the way. But it was widely known in Sacramento. And as I say, local legislators got him to back off. So I spent a lot of time doing that. But at the same time I was doing that, I was getting more and more interested in the whole university budget. There was a lot of turmoil about organization. David Saxon had become president.

Lage: In '75.

01-00:55:28

Hershman: In '75.

Lage: Came in about the same time as Jerry Brown.

01-00:55:32

Hershman: He did. Jerry Brown came in January, Saxon didn't come until the summer. But he, Saxon had been provost, as well as executive vice chancellor at UCLA at the same time. And so he had some experience in the president's office, heavily focused on trying to build the library system as one university, rather than every campus having their own. He spent a lot of time on the library

issue, which he did as president, too. And very successful. That was one of the crowning achievements in the university. But Saxon came in and we had organizational turmoil in the president's office.

Lage: As a result of his—

01-00:56:11

Hershman: As a result of Saxon believing he was the president and McCorkle wasn't.

Lage: Oh, I see.

01-00:56:16

Hershman: And McCorkle had a lot of campuses who were very loyal to him. He also had campuses that he didn't like so much. And he made his views quite well known. And the bitterness with some of the campuses and McCorkle was very clear. On the other hand, many regents liked him. But there was a power struggle at the highest levels, and struggles all the way down the line. And it culminated in McCorkle finally getting rid of the budget office.

Lage: Office?

01-00:56:51

Hershman: The whole office.

Lage: Not the officer, but the office.

01-00:56:53

Hershman: The whole office.

Lage: Because the budget office was defying him?

01-00:56:56

Hershman: He wanted to take it over himself.

Lage: I see.

01-00:56:58

Hershman: So he had a special assistant that took over the operating budget. Not the capital budget, but the op— He virtually eliminated the capital budget.

Lage: How did he *eliminate* a capital budget?

01-00:57:11

Hershman: [over Lage] Got it eliminated because there wasn't going to be any more growth.

Lage: Oh, I see.

01-00:57:17

Hershman: Jerry Brown was very anxious to stop growth in the university. And one of the *worst* things—this is my second crisis in the university, which didn't ever materialize, thank goodness—was that relationships with Jerry Brown were not good. People were very worried about budgets; times were tough. We only survived in some of those years because of the strong support in the Department of Finance, not from Jerry Brown. Including and especially, the staff in the Department of Finance. But Chet McCorkle actually made a proposal. And I checked on this yesterday with someone who was involved, just to make sure I wasn't mistaken here. I was pretty sure I wasn't. He actually made a proposal— He wanted to make a deal with Jerry Brown, which Jerry Brown never did agree to, that we would freeze enrollment forever and only have our budgets go up with inflation, CPI [consumer price index]. This would have been a terrible deal.

Lage: So here's a decision that if it had been implemented, would not have contributed to what you described earlier.

01-00:58:23

Hershman: [over Lage] It would have been a disaster. I went back and looked at this years and years later for David Gardner, and I told him, said, "You've got to be careful about what deals you make. For example," and I gave him this example and I showed him what the difference was between the money we had and what we would've had. And it was hundreds and hundreds of millions of dollars of permanent budget.

Lage: Well, what was McCorkle's thinking?

01-00:58:42

Hershman: His thinking was Jerry Brown was violently opposed to growth. And he actually publicly had proposed to the legislature that we shouldn't grow because we were taking a bunch of students who weren't very qualified. In his mind, marginally qualified.

Lage: So there, he kind of comes across as an elitist.

01-00:59:00

Hershman: He *was* an elitist. It comes across that way because he was. The legislature rejected that, by the way. But he wanted to not allow us money to grow. And we weren't even getting enough money to cover inflation, in people's minds, and keep faculty salaries competitive, et cetera. And so they wanted to make a deal with him. He wouldn't make the deal. He probably thought the deal was too *rich*.

Lage: [laughs] But how did Saxon and McCorkle work together on this?

01-00:59:27

Hershman: I don't know how Saxon worked on this. And I don't even know if Saxon knew about it. Unclear to me. But Saxon and McCorkle did not get along. And Saxon believed he was president. McCorkle tried to reorganize the whole president's office and reassign responsibilities. And it finally got so bad that Saxon fired—

Lage: So was everybody unhappy with McCorkle.

01-00:59:57

Hershman: No, no, not everybody was. Some people liked McCorkle. Some of the campuses liked him a lot. He was very friendly to many campuses. But there were at least three campuses who didn't like him, who he wasn't so friendly to.

Lage: Is there a story there that we should—

01-00:60:12

Hershman: There probably is. I'm not sure I want to get into it. But I would certainly suggest that Berkeley, UCLA and San Diego were not real happy with McCorkle.

Lage: Oh. Three of the big ones.

01-00:60:22

Hershman: Yes. And actually, at times he had views that we shouldn't give them any more money, that they would have to do it on their own.

Lage: He was quite sort of off the mainstream.

01-00:60:36

Hershman: Well, but remember, times were tough. Jerry Brown was not very friendly. And people were looking at demographic trends and saying, maybe we shouldn't grow anymore. There were lots of things changing at that time.

Lage: We had the small is beautiful mantra.

01-00:60:52

Hershman: Small is beautiful, yeah.

Lage: And then we had Prop 13 in '78, but that's—

01-00:60:57

Hershman: Well, that's what I'm going to come to.

Lage: —a bit later.



01-00:61:00

Hershman: But this is just before Prop 13. So this is late 1977. McCorkle eliminated the budget office, wanted to reorganize. They were going to put me under Clint Powell. And I worked for him for one week, actually.

Lage: Oh, you *were* under Clint Powell.

01-00:61:22

Hershman: For one week. No, no, I wasn't under him; I worked for the budget office. I worked for Loren Furtado, when he was—

Lage: Oh, this is after you've moved out of health sciences.

01-00:61:30

Hershman: No, I was still doing health sciences, but I worked *with* Clint Powell, I didn't work for him.

Lage: Oh, I see. I thought you were—

01-00:61:36

Hershman: No, no, no.

Lage: —a threesome, under.

01-00:61:39

Hershman: No, no. I worked with him very closely, but I didn't work *for* him. But technically, they moved me under him for one week, until McCorkle got fired. And part of the reason he got fired was he wiped out the budget office. And part of it was, who was president? Saxon or McCorkle? And things were very nasty. So some of us who've been around a while are used to difficult problems in the president's office.

Lage: But I, as an outsider, always think that the president kind of chose his own vice president.

01-00:62:12

Hershman: But he inherited McCorkle. He, Saxon fired three vice presidents before he actually became president, but he didn't fire McCorkle.

Lage: And was that unusual, to come in and—

01-00:62:22

Hershman: Yes.

Lage: —even before he'd become president, fire three vice presidents?

01-00:62:25

Hershman: For example, David Gardner, when he became president, he didn't fire *anybody*. He kept them all. But Saxon was very unhappy about things in the

pres— He came out of UCLA, and he knew something about the president's office. Now Saxon, I got along great with Saxon. We knew each other from UCLA, San Francisco days, and he liked me and I liked him. And I liked the people who worked for him at UCLA, Adrian Harris, particularly, who was his chief budget person. But Saxon wanted a small president's office. He believed in that. And he believed—

Lage: So he fit Jerry Brown, in some ways.

01-00:63:05

Hershman: He did, in some ways. But he didn't fit him in some other ways, like keeping the university budget down. So several things happened at the same time. One, McCorkle got fired. Two, I became the director of the budget for the whole system. Everybody else had been fired during this process. And everything got reorganized in January of 1978. This is just before Prop 13. So I took over the budget. Bill Baker became assistant vice president at that time, responsible for university relations and the budget.

Lage: Was that the first time that had been put together?

01-00:63:47

Hershman: Yes.

Lage: And so Saxon—

01-00:63:49

Hershman: Well, no, wait a second. No, I'm going to back off. I'm sorry, I'm wrong. He [Baker] didn't get everything until David Gardner became president. He was still doing the budget at that time, and capital outlay. And what happened was that Prop 13 came along, making things worse. And so the state had to bail out local government. And that cost a lot of money. And with all the bail-out money, local government and schools were giving raises to people. That's the point I mentioned earlier, about state employees weren't getting raises. And the legislature overrode the governor on vetoes twice to give raises to state employees. In spite of that, state employee salaries, including our salaries, were falling significantly below the market. Budgets were very tight. There weren't huge unallocated cuts, I must say. On the other hand, there was really very little, practically no growth going on, and salaries were falling further and further behind. And it was a time when there was a recession nationally, and high inflation at the same time. Jimmy Carter years.

Lage: And an energy crisis.

01-00:65:11

Hershman: Right. The problems with Iran, et cetera, et cetera. And times were getting worse and worse, if you would. And Saxon was getting more and more unhappy as president, and getting desperate. Faculty salaries, by the end of his

time, were going to be like 16 percent below the market. We measure the market by [comparison with] the four great public and four great private universities. And so it was a mix of public and private, and that was good, because it kept us competitive. But we were falling very far behind. And he, Saxon, got to the point where he started to think about either closing campuses or closing down whole schools on campuses. Prop 13 was already a problem, and the state was headed into another proposition, which was going to cut the income tax in half. And Jerry Brown was running for president of the United States, and was trying to stay out of that fight. And here was the next crisis here, because that would've destroyed us.

Lage: The cutting the income tax.

01-00:66:26

Hershman: Oh, yeah. We're heavily dependent on that. Saxon, to his credit, had it out with Jerry Brown, and managed to convince Jerry Brown to oppose this—just in the nick of time, by the way—and it failed. Barely. And Saxon was a very tough person. I could give you all kinds of stories about his relationships with legislators. He didn't much like legislators.

Lage: Well, give me a few stories, because I don't think we have very many on record.

01-00:66:55

Hershman: Yeah, well, okay. I'll give you at least one that'll give you a good hint. But in this particular case, he really had it out with Jerry Brown.

Lage: Were you there?

01-00:67:07

Hershman: I was not. He had a private meeting with Jerry Brown, just the two of them. And it wasn't on the budget, it was on this proposition. And at least the story he tells— And I believe him, because the result was the right result here, in terms of Jerry Brown coming back to California for a few days, at least, to oppose this thing. But it was an era when the taxpayers were furious about taxes and wanting to cut taxes. They had already voted for Prop 13, and this looked like it was going to happen. And we had been asked— I think this is one of the things that motivated him with— Let's see. Maybe around one o'clock one afternoon, I got a call from the Department of Finance, wanting to know what we would do if our budget was cut by 30 percent. And we had until five o'clock that afternoon to tell them. This is the kind of stuff we do—

Lage: You deal with.

01-00:68:03

Hershman: —for a living, yes. The only time that's ever happened to me. But that wasn't much time.

Lage: That keeps you from getting home at five o'clock that night. [laughs]

01-00:68:12

Hershman: So tuition, and closing down campuses and schools and things like that, some medical— I made up a list and went up to see Saxon. He said, “What do you expect I’m going to do? Fine. Give me your list.” Professional school tuition and— I mean big time. A 30 percent cut, that was a lot. It didn’t happen, and that was to Saxon’s credit. I think that was the finest achievement in his presidency, in my mind.

Lage: That he brought Jerry Brown around—

01-00:68:46

Hershman: Right.

Lage: — to oppose this.

01-00:68:47

Hershman: Because if that had happened, it would have been impossible to have succeeded. And we really still weren’t growing very much. We had a plan that was being developed by Bill Frazer, who was the academic vice president at the time, that was firstly, for no enrollment growth for the whole decade of the eighties. Virtually none. You looked at the demographics, it looked like there didn’t need to be any. They actually presented that to the regents. It was David Gardner’s first meeting. I keep reminding David Gardner of that. And David Gardner said, “I’m not going to be a party to this,” and he asked the regents not to vote for it. But this had been in development during the Saxon era, that there wasn’t going to be any growth. Things looked really bad. If you couldn’t be competitive for faculty, what were you going to do? And that’s why I say—

Lage: These are the choices you have to make.

01-00:69:39

Hershman: These were the choices. And David Saxon came to a point where he was prepared to merge campuses. Or close one. And he actually talked to regents about that. And certainly, close down schools. We looked, at the time, at the lowest quality schools around the system that might be closed. Bill Frazer put a huge effort into that, with many of us. So things were bad.

Lage: When you’re doing all this, did you do it— [inaudible voice] I think maybe we have to make a little pause here.

01-00:70:16

Hershman: You want to take a break?

Lage: Yes, let’s take a break.

[End Audio File 1]

Begin Audio File 2 05-01-2008.mp3

Lage: We're continuing the first interview with Larry Hershman, on tape two. And you were about to give me an example.

02-00:00:10

Hershman: I'm going to give you a couple of examples of David Saxon as president, with the legislature. Good, bad and whatever. So this is just to show how difficult the job is, okay? So David Saxon, I'll never forget this one year when we had the opening hearing in the assembly and the senate on the same day. And we always had presidents there for the first hearings. And then pretty much, I did the budget for the rest of the time.

Lage: So you've already gone through with the governor's office and the Department of Finance.

02-00:00:44

Hershman: Yes. Yes, right. So this is sort of a normal year. You go through the budget with the governor, and they present the budget, and then you have the president testify first. Opening hearing, overview, discussion. All the presidents have done that. They like it. And then when you get into the details and into the battling, then I've sort of taken over. Because we're going to talk about some other issues that affect the budget. So here's Saxon, this one year. And the issues had to do with affirmative action and taking students from various ethnic backgrounds, et cetera, okay? And he goes into the assembly hearing, which was in the morning, and got blasted, just blasted, because we weren't doing enough in getting minority students. He went into the senate hearing the same day, that afternoon, and got blasted for taking a bunch of unqualified minority students. That sort of gives you an idea about—

Lage: Was that typical senate-assembly divergence, or was that—

02-00:01:53

Hershman: Well, it was those people at that time. I wouldn't call it typical, because— But back then, the Democrats were in control in both houses, but they were much more conservative in the senate. The guy who chaired our committee, and the Republican on the committee, was *very* conservative in the senate.

Lage: Which committees were these?

02-00:02:119

Hershman: These are the budget subcommittees.

Lage: Oh, the actual budget subcommittees.

02-00:02:13

Hershman: Oh, yeah. What they do in budget is they break into subcommittees, and each house has a subcommittee that deals with all education—higher ed, K-12. And so right now there might be, say, five members in the assembly and three in the senate. So that would be sort of normal.

Lage: And then they have their political issues.

02-00:02:38

Hershman: They have their political issues.

Lage: Broader than money.

02-00:02:41

Hershman: Right. Well, for example, in the assembly, very often in those days— The Santa Barbara campus was having terrible battles with individual faculty members, about promotions and/or letting people go because they weren't doing enough research. Legislators cared more about teaching than research. And they'd bring these people up and they would just blast us for— "How can you let these people go? Teacher of the Year Award."

Lage: So they were micromanaging, in many respects.

02-00:03:09

Hershman: Well, just blasting us, one. And embarrassing us, because we didn't even know these people were going to come. So things are better now than they used to be in the old days. Back in those days, they were pretty bad.

Lage: More shoot from the hip.

02-00:03:23

Hershman: Yes. And they've gone to much better control of the hearings, in terms of setting up agendas and following the agendas, and letting you know— We built better relationships with the staff, I think. And the legislators themselves were friendly, but we had some tough days. So that's one experience.

Lage: Okay, but were you going to tell about how Saxon responded? Was that part of the story?

02-00:03:52

Hershman: He did the best he could. You can't win. But we did move into an era where we were doing better and we were starting these programs. It was never enough, for many legislators, and it was way too much for other legislators.

Lage: The diversity issue.

02-00:04:14

Hershman: Yeah, yeah. And that struggle has gone on all the time. It's never ended, to this day. And we can talk about some of those, if you want to.

Lage: Yeah, we need to. I think it's an important theme.

02-00:04:41

Hershman: And so I'm going to give you another story. This is the worst meeting I was ever at in my life, probably. John Vasconcellos was chair of our assembly budget subcommittee for a long time, and then he became chair of the Ways and Means Committee, the whole budget committee for the assembly. So he was chair of that committee at this time. He had a little conference room. This is up on the sixth floor of the capitol, I'll never forget it. A small conference room. Probably normally wouldn't hold more than eight people. There were probably twenty-five people in the room. Every legislative staff person you can think of who had anything to do with education. And this was a meeting between Saxon and Vasconcellos. And this was tough budget times, okay? After Prop 13. And for whatever stupid reason, I was sitting in between them.

Lage: [laughs] Bad placement?

02-00:05:28

Hershman: Bad place to be. And a door right behind me, the door to the room. And it was standing room only.

Lage: Even though this was supposed to be a meeting between two people.

02-00:05:38

Hershman: Yeah, well, but that was very often. Not always. We had lots of times when we met with legislators where there were just a couple of us. Most of the time. This wasn't one of them. For whatever reason, he invited the world. And he gave Saxon a lecture about how he loved higher education, he loved the university—he, Vasconcellos. On the other hand, K-12 was his priority; they were in worse shape. Budgets had to be cut. You guys were just going to have to take it. And Saxon lashed back at him, which is, hey, my priority's the University of California. And why are you wasting your money remodeling offices in the capitol building, when the state's in a crisis? You should be spending your money on education. It was a terrible meeting. And we convinced Saxon afterward that he really need to call Vasconcellos and try to make peace. Me, I'm a peacemaker at heart.

Lage: Well, did you feel that Saxon didn't handle it well? He could've smoothed it over a bit?

02-00:06:26

Hershman: Saxon had a temper. And yes, he could've smoothed it over a little better. Some of what he said was fine. But he added the things he didn't really need

to, like spending money remodeling offices. Whatever. In any event, he tried for *days* to make— He'd be up in his office, and he'd call and try to make peace. And Vasco wouldn't take his calls. This went on for quite a while. I was at a retirement party for a friend at UCLA just before Saxon died. Probably a month or two before he passed away. And I always loved Saxon. But he was a feisty guy, and sometimes—

Lage: Yeah. He was a real person.

02-00:07:16

Hershman: Oh, he was. [Lage laughs] But he'd let you know exactly how he felt. In any event, Saxon got me over to the bar—we were drinking wine—and he spent the entire time talking about his views about Vasconcellos and how Vasconcellos was not his favorite person, to say the least. I won't go beyond this because you put this out there and somebody might read it. But he was still angry. After all that time, he was still angry with Vasconcellos.

Lage: It must've hard, even, to sort of swallow his pride and try to make amends. Which maybe he never did, if he couldn't get him on the phone.

02-00:07:58

Hershman: Well, he eventually did. But it was never very good. And Vasconcellos had his own temper. And I can give you all kinds of experiences that I've had with him over all of those years.

Lage: I've heard about the self-esteem study that Neil Smelser undertook.

02-00:08:13

Hershman: Oh, there were all kinds of things. And some of which were terrible, some of which were great. During the Atkinson era, relationships were fabulous with Vasconcellos, when he was chair of the Education Committee. But it went off and on, and off and on, with many legislators. It wasn't just even, steady.

Lage: These were the days when these legislators were there for a long, long time. At some point, I want you to talk about term limits.

02-00:08:40

Hershman: Yeah, well, it's meant a big change. Vasconcellos was there virtually my entire career. He just retired a couple of years ago. In any event, I'm going to give you one other example of Saxon and his temper. This is right at the end of his presidency. And so things were desperate. As I suggested, he was already looking at—we were going to have to close campuses. He finally got tired of it. He was fed up, he couldn't handle the stress anymore. And [George] Deukmejian had just been elected. Saxon had been there eight years as president. Deukmejian had just been elected, and there were budget cuts going on. It was a bad time. We were still in this recession. But we had a meeting with the Department of Finance, probably in April, and they



0. promised no more budget cutting; that was the end of it. Well, come the May revision to the budget, part of the normal process—we can talk about processes, if you want. But part of the normal process is governors submit budgets in January and then they update them in May. Comes May, and more budget cuts. He was livid. And he was just leaving the presidency. He was just furious. And he just really let Deukmejian have it. And so here's my example.

Lage: Face to face?

02-00:10:06

Hershman: Yes. Here's my example of the presidents being the right president for the right governor. David Gardner was just coming in, thank goodness. David Gardner and Deukmejian, that was a love affair. Saxon was probably the only person in the whole university that could've coped with Jerry Brown. Probably the *only* person who could've coped with him. And Jerry Brown took Saxon's—

Lage: He probably liked his style.

02-00:10:33

Hershman: He probably did. And he respected him for it. So this is what I believe is the most important relationship. And I've told this to every president I've worked for. The most important relationship is between the governor and the president. If you can't establish that relationship of trust and working together, you're in trouble. And different people react in different ways. Deukmejian was offended by Saxon. Jerry Brown took it and it worked. On the other hand, they were very bad times, right after Prop 13. The state had big reserves, but it was all going to local government and K-12, and we were suffering. So now I'm going to go to David Gardner and Deukmejian, if that's okay.

Lage: Okay, yeah. Can I just ask you a question about—

02-00:11:19

Hershman: Sure.

Lage: When Saxon was thinking about the cuts, where to make these cuts, was there a guiding principle?

02-00:11:30

Hershman: I think his guiding principle was maintaining the quality as best he could. Yes, absolutely.

Lage: So that [if] you have to cut enrollment or get rid of some programs, you still keep the core quality high.

02-00:11:39

Hershman: Right. Yes, right. And remember, he came from UCLA, and he felt very strongly about that at UCLA. He was willing to give up having more students and more programs, but he wanted to preserve the best. On the other hand, by the way, I was at a dinner at his house once, with the campus budget people. He invited us all to Blake House, and gave people a lecture on where he saw the priorities. And clearly, Berkeley was— UCLA wasn't even close to Berkeley. Wasn't in the same ballpark as Berkeley, in his mind.

Lage: I'm surprised, coming so much from UCLA.

02-00:12:18

Hershman: Yes, right. I thought that was fascinating. Because he was being challenged at the time by my friend Adrian Harris, who was the planning budget person, the vice chancellor at UCLA, and who worked for Saxon when Saxon was at UCLA. And he just lashed out at Adrian. He was saying, "No, I'm not going to make the cuts the way you think. I'll tell you where the quality in the university is."

Lage: That's interesting.

02-00:12:45

Hershman: But we were struggling to build quality at that time. Remember, these new campuses were struggling. They were nothing like they are right now.

Lage: It's still just six years past when a lot of them were getting off the ground.

02-00:12:58

Hershman: Yes. Well, the world changed on us, though. And I want to tell my story my way, with what happened. And David Gardner has his way of telling this, and he's written a book, and he and I spent some time looking at what he said in his book, and he asked me to read it. And I love David Gardner to this day. He was a great president. But it wasn't quite the way he says it. Which is okay. I suppose you can write a book and— I'll give you the story my way, because this was the most important thing that happened in the Gardner administration. And it happened right away. And we had just come out of this very nasty discussion with Deukmejian, where he was being blasted by Saxon. Gardner was just taking over. We had a meeting with the chancellors—this was before Gardner was there—to work on that budget, that first Gardner budget. And Bill Baker and I were the only people there who wanted to go for a big budget. We said, "Well, the economy is changing. We've just come through hell. Let's ask for a big budget increase."

Lage: A new governor, and the economy seemed to be picking up.

02-00:14:07

Hershman: A new governor, who promised us that when things got better he would try to help, in exchange for making these cuts. No deal, but— And we *never* made a deal with Jerry Brown. No deal ever happened with him. The chancellors— and this will shock you—the chancellors, almost to a person, thought we were nuts.

Lage: To try to go for something.

02-00:14:36

Hershman: Right.

Lage: Now, is this before David Gardner is here?

02-00:14:39

Hershman: Yes.

Lage: He's been appointed?

02-00:14:41

Hershman: He's been appointed. We hadn't met with him yet. So this is probably in June or July. Maybe June, because I think in July, we went and met with him. So this was in preparation for meeting with him.

Lage: And so you're meeting with the chancellors—

02-00:14:59

Hershman: Beforehand.

Lage: And who's the head of that meeting?

02-00:15:30

Hershman: Oh, Bill Fretter was sort of acting. This is just as Saxon was leaving, but Bill Fretter was staying on for a little bit. And he was a sweet, lovely, nice person, but not one who was going to make tough decisions. We went to meet with Gardner, Bill Baker and I, in Utah, and told him about this conversation. Gardner, he wanted to go for more. You guys are being too modest. Let's even go for more than that. Which we did. Because he was president and he got to do that, and we were sort of welcoming that. We said, "Gee, you've got to be careful. You go for too much here and lose, right away as president, you're going to have a big, huge problem." He already was starting out as president rejecting the enrollment plan, saying, "No, we're going to grow. Baloney with this no-growth plan for the next ten years."

Lage: So he'd already expressed that.

02-00:16:00

Hershman:

Well, no, he did later, when he first— His first meeting as president was probably September or something like that. In any event, we said, “Okay, we’ll go for some more.” In the meantime, he, Gardner, because of having close relationships with Meredith Khachigian and her husband Ken Khachigian, who was very close, probably the closest person to Deukmejian—

Lage:

And he knew them from Santa Barbara.

02-00:16:29

Hershman:

He knew them from Santa Barbara days. He had arranged his own private meeting with Deukmejian. And people in the business community. He was already working on a relationship here. And I could go find the budget. We went for a good-sized budget increase. Nothing like what we got. We got a lot more than what this was, and this is where he’s wrong. This all evolved. We wanted to go for more—Bill and I did, at least. Then we wanted to even go for more come July, when we met with him. And so we did that officially in the regents budget. But we started having these conversations. He had had some of these private meetings. In any event, just before we were going to have our annual meeting with the director of finance— That usually occurs in November. So in preparation for the governor’s budget, you start with the Department of Finance, then you move on. And Deukmejian, remember, he was just getting going as governor. This is *my* famous moment in the university. And we were living, at the time, in Montclair, in Oakland. And this guy used to do our budget in the Department of Finance. I’ve told this story a lot of times. Not publicly, by the way, but I’ve told it enough times, including to many staff people up there. This guy and I decided to have coffee.

Lage:

And who is this guy?

02-00:17:50

Hershman:

His name is Stan Lena. He was the guy who was responsible, in the Department of Finance—staff, civil service—he was the budget person doing our budget.

Lage:

And you’d worked with him on the previous budgets. I mean under Saxon and Governor Brown.

02-00:18:04

Hershman:

Yes, I had. He was a good friend and loved the university and loved us and everything. He was a terrific guy. In any event, he said, “Well, let’s get together, sort of talk about this meeting we have with the director of finance.” And that would not be unusual, to do something like that, although meeting in a coffee shop on a Sunday in Oakland might not be exactly it. And somehow or other, out of this conversation, we said, “Well, why just go for a one-year budget plan? Let’s go for a multi-year budget plan.” We already knew we

were 16 percent behind on faculty salaries, we had terrible problems with maintenance, the state hadn't been supporting our research budgets, et cetera, et cetera, and we had no money for capital outlay. Jerry Brown refused to give us any money for capital, other than the very small amount that came from the tidelands oil revenue. So we were getting capital budgets of like \$15 million a year. Nothing. Now we're building buildings that are \$250 million each. \$15 million a year? Let's go in and present a multi-year plan. So on a napkin—and this is, I know, hard to believe; I wish I'd kept the napkin.

Lage: [laughs] I do, too.

02-00:19:19

Hershman: She can swear to it; I brought it home from the coffee shop.

Lage: This is Beverly [Hershman's wife].

02-00:19:22

Hershman: Yeah, it's Beverly.

Beverly: I throw everything out, sorry. [laughs]

02-00:19:25

Hershman: Yes, right. See? That was a mistake, throwing that out. In this napkin, I jotted down some notes about a multi-year plan. Because they can't give us everything we need in one year, let's—this was my first notion of a multi-year budget strategy here—let's go in and give them a multi-year plan, three or four years. Catch up on faculty salaries, money for research, money for maintenance, money for capital, et cetera, money for support. So I went in on the next day, Monday, and got Bill Baker and David Gardner together. And we were sort of planning this meeting anyway. And I said, "Here's what I would propose that we do. We go in and ask for a multi-year plan." And I sketched it out on a chalkboard in the conference room in old University Hall. And Gardner liked it. What the hell? Why not go for— He was for going for as much as you could go for, anyway. And he felt like if he had a lot of success his first year, this was going to make his presidency. And so he agreed that we would do this. So he laid this out for the director of finance and his staff.

Lage: In quite a lot of detail?

02-00:20:43

Hershman: Enough detail, yes.

Lage: What your goals would be throughout?

02-00:20:49

Hershman: Well, no, we laid out a plan with numbers and stuff. And it was either three or four years, I can't remember. It was a lot of money. And he thought it was a great idea. Now, this is Mike Franchetti, and I said that in my previous interview. He was only there for one year. He didn't get confirmed as director of finance.

Lage: Oh, Mike Franchetti was the director. Okay.

02-00:21:08

Hershman: Yeah, he was the director of finance. He said, "Let me go talk to the governor about it." Everybody other than the University of California was fighting with George Deukmejian, and fought with him his whole governorship, practically. CSU refused to make deals with him; community colleges refused; K-12, Bill Honig; it was an ongoing war. Nobody wanted to work with him. My view is the governor's the governor, Republican or Democrat; you ought to try, at least. I'm a good loyal Democrat; and on the other hand, I was feeling like we ought to try to work with him. And we ought to make this proposal, and it would be a good deal. It was a risk, but nobody knew about it. So it was only a limited risk here. Everybody knew they were going in for a big budget, because the regents had approved our plan.

Lage: But they hadn't heard this—

02-00:22:12

Hershman: Oh, they didn't know anything about it. In any event, Deukmejian, as it turned out, agreed to this.

Lage: And did he agree to Mike Franchetti—

02-00:22:22

Hershman: Yes.

Lage: —or did you have another meeting with him?

02-00:22:23

Hershman: No. No, he agreed with Mike Franchetti. Gardner had had his own private discussions with Deukmejian. I don't know how many of them there were; there were some. I don't think they ever did this in their private— This was between Franchetti, when he was presenting the budget to the governor. And I will never forget, I got a phone call because— And we worked closely with the Department of Finance on their budget, and so they tell us in advance what the budget's going to be, because we help them write it, our section of it. And so that usually happens around the middle of December, just before Christmas. And so I get this call saying, "We're not only going to buy this plan, we're going to move up the faculty salaries so we do it all in one year."

Lage: Wow!

02-00:23:08

Hershman: Which they did. And that's my best moment in the university, [Lage laughs] that I got to go to David Gardner's office and say, "You will never believe this." And so he was a hero. He was a hero with the faculty right away—16 percent increase in one year. Although it was phased during different times in the year, so it didn't all happen in July. To save money, they did it over several increments. And he became an instant hero. And we got great budgets for the next couple of years. Our budget went up by like 50 or 60 percent within three or four years.

Lage: So had this kind of informal deal. It wasn't called a compact.

02-00:23:46

Hershman: It wasn't called a compact, it wasn't written down. It was an informal deal, but it happened.

Lage: Even though Mike Franchetti left.

02-00:23:55

Hershman: The governor had bought into it, and we had friends in the Department of Finance, and they honored it.

Lage: Now, where are the differences between how David Gardner sees—I'm trying to recall what he has said, or written.

02-00:24:08

Hershman: I think David Gardner seems to remember it like we went for all of this all at the same time. It's not the way— And I went back and looked at the actual regents budget. It isn't what happened. The way I'm describing it is it happened in increments. He's certainly right. He put his presidency on the line here. He said, "I don't want to be president of the university if we're going to just be going down."

Lage: Yeah. And he must've put his presidency on the line with saying no to a limit on enrollment.

02-00:24:39

Hershman: Well, he certainly did. Everything he did his whole presidency was, we're going to open the doors to the place. I'm going to go propose— Which he did. That's how he got along with Willie Brown so well. You wouldn't think they would be close. And they had a real battle over the divestment issue in South Africa. On the other hand, on how our budget would be dealt with, they got along great, because we opened the doors. And all you've got to do is look at the statistics. And many of the Democratic legislators love that. And so here

was an opportunity. More students, faculty salaries, research, maintenance, capital outlay. We hadn't had any capital outlay, essentially.

Lage: It just changed overnight.

02-00:25:24

Hershman: It changed overnight. And relationships. For example, we had feisty chancellors meetings when David Saxon was president. You can imagine. He was feisty anyway, and he didn't mind them. David Gardner, when he was president, there was no feistiness, period.

Lage: Was that because he wouldn't put up with, or because—

02-00:25:42

Hershman: He didn't put up with it, number one; and two, he was successful. And so some of my favorite chancellors— Jack Peltason, who became president right after, in chancellors meetings would say, “Hey, we're not going to question anything you do here, because you're so successful.” [Lage laughs] What more could you ask for? A senior chancellor saying, “How can we argue with you? If you're successful, we're going to go along with you.” And so every single year during the Deukmejian administration—every year, even when things got tough at the end—we worked out a budget with the governor every year, to get very best deal that we possibly could—when nobody else was willing to deal with him.

Lage: It's interesting that the other entities you mentioned, the K-12 and CSU and the community colleges—

02-00:26:36

Hershman: They would rather complain.

Lage: —didn't have this same approach to the budget.

02-00:26:39

Hershman: No. Their approach was to fight. Now, I don't mind fighting some myself. On the other hand, we felt like we could work something out. And he continued to be mad at— I'll give you an example of what happened one year in the legislature. This is Milton Marks from San Francisco, who was on our budget subcommittee in the senate that year. He was trying to hold our budget up. He could've held it up forever, but he was holding it up for the moment at least, in terms of voting on it.

Lage: For what reason?

02-00:27:10

Hershman: Demanding that we, because we had good relationships with Deukmejian— better than they did, even—that we would go there and get Deukmejian to



give more money to community colleges because they were in such trouble. But the problem was everybody wanted to fight with Deukmejian. Partly political.

Lage: Now, how did you respond to Milton Marks? Who was also a Republican, if I remember.

02-00:27:36

Hershman: He was, but—

Lage: But he switched.

02-00:27:37

Hershman: Yeah, he switched. I think we actually tried to help a little bit. I don't know that it made much difference, but I think we actually tried to help a little bit, because community colleges are important.

Lage: It does impact—

02-00:27:52

Hershman: Of course it does. CSU, they just refused. I begged them. "Try to work together." No. They wouldn't do it. And a part of it was clearly political. They didn't like Deukmejian, they didn't like his politics.

Lage: And they didn't have a president who had kind of a meeting of the minds and styles with Deukmejian.

02-00:28:15

Hershman: Meeting of the minds and style and good support from the business community. And people out there love the University of California, and he used that. And so I give him a lot of credit, because personal relationships—I think I said this, and I'm going to say it plenty more times here. Personal relationships between the president and the governor are the most important thing, in terms of the whole budget; that it never has worked with regents and the governor. Governors *appoint* regents. I can only think of one time in all of these years when a regent had any success with a governor about any issue. And that was on outreach, and that was Ward Connerly. And that was a very complicated story.

Lage: Maybe we'll get to that later.

02-00:29:08

Hershman: If we don't, you can remind me later, another session. Regents have never been successful. It has always been a combination of two things: the president working with the governor in a personal relationship, and their relationships with the Department of Finance. The budgets are, by and large, dealt with by the Department of Finance. Gray Davis, when he was governor—I'll say this

now; I might repeat it later—and Dick Atkinson was president, Gray Davis would tell Dick Atkinson, “Don’t worry, I’ll take care of you.” He loved Dick Atkinson. He promised Dick Atkinson when he became governor, “I will take care of you.” And every year he said the same thing. As long as the money was there, he did. And he said, “My people’ll work it out with your people. Don’t worry about it.” But having the relationship. And that’s why we felt so strongly about the compact and the problems we were having, and the [Arnold] Schwarzenegger-Dynes compact. The relationship and the trust between the governor and the president, in my mind, was the most important thing. Now, legislators have resented that.

Lage: Yeah, I could see.

02-00:30:14

Hershman: They want to be key to the process. And it’s important that they’re involved. They get their chance at the budget, too. On the other hand, it would be very unusual for the legislature to turn down something that a governor proposed, or something that they care about.

Lage: [over Hershman] Especially when he can do the line item veto. That must—

02-00:30:33

Hershman: Yes. And governors have a lot of power. And legislators want to help higher education. They’ve always been supportive. The Democrats have been supportive, certainly supportive. But getting the governors to come in and propose it to begin with has been critical. So you talk about learning some lessons. And I had learned some lessons in my—

Lage: Leading up to this.

02-00:30:54

Hershman: —past that we have talked about, leading up to it, including the failure of the McCorkle effort. And don’t make a bad deal. And I have reminded presidents over and over again about not making a bad deal here.

Lage: It sounds as if you partly play a role as an institutional memory, too, passing on to new presidents.

02-00:31:20

Hershman: Part of it is. I think that is right. But that’s their instinct, anyway. You can hardly get that job without having some instincts. All those presidents had been chancellors.

Lage: They’d been around.

02-00:31:34

Hershman: They’d been around.

Lage: I think this may be a good time to end for today. We've come to sort of a stopping point. Do you agree?

02-00:31:42

Hershman: Sure. I just wanted to have that bridge there, in terms of the beginning of the Gardner presidency and his whole presidency. And I can talk about a lot of things in his presidency and the huge growth in enrollment that nobody ever had planned for, and the vast improvement in quality, and the huge growth in federal research money and private money. And everything went together.

Lage: We'll do that next time.

[End of Interview]

Interview #2: May 7, 2008  
 Begin Audio File 3 05-07-2008.mp3

Lage: Okay, we are recording. And today is May 7, 2008, and this is the second interview with Larry Hershman for the project on the Office of the President. Okay, Larry, we last time discussed up to the Gardner years, but we wanted to backtrack today and pick up some more things about the Saxon office. But also, you promised a few more stories about Jerry Brown as governor, and his relationship with the university.

03-00:00:35

Hershman: I'm going to do that, and talk a little bit about how we changed the internal process on the budget, because we have focused a lot on the relationships in Sacramento. But just a couple of thoughts about the Jerry Brown era, because I think it led to a lot of misery for not only the University of California, but for others, because of Prop 13, in large measure. But I would suggest that the main crisis of the Jerry Brown administration was the property tax crisis. And that here was a Democratic governor with a Democratic legislature, and they couldn't resolve it. And a lot of the blame—according to most people at the time; I'm not an expert—but a lot of the blame rests with Jerry Brown. He could not work out a solution. He was the governor, it was his responsibility. And that led to Prop 13 and a lot of the misery of funding government from then on. And so what happened was that Jerry Brown had built up a reserve, which helped, at least initially, deal with Prop 13 in bailing out local government and schools. At least partially bailing them out.

Lage: So it was both the cause of Prop 13, in part and—

03-00:02:00

Hershman: In part, although I would suggest that the main cause of Prop 13 was what was happening to property taxes at the local level. People were being taxed out of their homes, because the increases were *so* incredible. And home values were going up, and they were being taxed at enormous rates. And so there was unfairness in Prop 13, but there was unfairness before Prop 13. And so it led to a crisis, in terms of funding government. And as I say, the state tried to help some with local government. And in order to do that, they cut back on funding regular state programs, like UC and CSU and state government. Now, I would suggest in the Brown era, having looked at it some, that it wasn't just Prop 13. Jerry Brown, when he ran for governor, had committed himself to supporting education. And I don't believe he really did a very good job of supporting education; that's one of the reasons he built up a reserve.

Lage: And when you say education, are you talking about all the way through?

03-00:03:17

Hershman: I'm talking about all of it. And I would not argue that UC was treated worse than others. As a matter of fact, I might argue we were treated at least as good

as CSU, and that K-12 and community colleges were treated worse, overall. If you look at the funding for the K-12 system, that— The arguments that Jerry Brown had with the teachers union, and his desire for reform, and his unwillingness to provide proper funding for K-12 led to the decline in the K-12 school budgets, and then the K-12 system. And so he did have money, he could've put it in there; he didn't do it. And a lot of it was he wanted reforms, and he couldn't get them.

Lage: And it was sort of his power struggle over—

03-00:04:07

Hershman: It was a power struggle with the unions, actually. And here it was a Democrat again. And the same kinds of problems he had with UC, you could argue. And I think he was very unhappy with the quality of education. And his arguments with us were in the same vein, if you would, saying that there were too many students coming out of K-12 schools that were not really qualified to go to UC, and we should just take the very best. And I think we felt that that was really not appropriate. And so did the legislature, and so they did back us. On the other hand, toward the end of the Brown administration, what was happening is that there was really no enrollment growth anymore. He really didn't want to see our enrollments grow. And the plans that had been developed within the university really were for no enrollment growth for the next decade. And that, I think as I said in the last interview, led to a presentation at the regents meeting—and I believe it was David Gardner's first meeting, that's my recollection; I've talked to him about this—and David Gardner saying, "I'm not here to preside over a university that wasn't growing here, and we'll see what we can do about it." Which we did. It led to all kinds of policy changes.

Lage: But it wasn't as if the population wasn't growing.

03-00:05:40

Hershman: The population wasn't going to be growing that much.

Lage: Of the state?

03-00:05:45

Hershman: Of the students who would be going to higher education, in that age group.

Lage: Oh, I didn't realize.

03-00:05:50

Hershman: And I think there were policy changes that led to what finally happened in the Deukmejian years, which was very big growth, more like 2½, 3 percent a year, probably averaging in the neighborhood of 5,000 students a year, maybe, something like that, 4-5,000 students-a-year growth, when there was no growth projected. And I think part of it was quality and students wanting to go

to UC. It was a good deal, it's fees were very low. George Deukmejian was a low-fee person, and so was David Gardner. And so fees essentially didn't grow at all during that time. And so it was a good deal for students. They were getting a high quality education for very low, *very* low fees, compared to others, and enrollments boomed. And the other thing was affirmative action. And there was an enormous effort on the part of the university to open up the doors to more and work with the schools, outreach programs and other efforts to attract minority students.

Lage: So to encourage people to come who might not have.

03-00:06:59

Hershman: To encourage people to come who might not have, who might've gone to CSU or community colleges or private schools. And we had particular success at Berkeley and Los Angeles, in terms of affirmative action. But it was a combination of factors. And so all of the campuses were growing. We had campuses that hadn't been growing at all, like Santa Cruz and Riverside, that all of a sudden saw their enrollments booming. San Diego and Irvine were just booming. Santa Barbara, which hadn't had much growth, and it was booming. So this was happening all over the system.

Lage: But this was in the Gardner years.

03-00:07:36

Hershman: In the Gardner years, not in the Brown years. But what happened, there was some growth in the early Brown period, but then it essentially stopped, pretty much going along with Prop 13. And part of it was demographics and part of it was budget cutting. And part of it was Jerry Brown really, as I suggested earlier, tried to do everything he could to keep the university from growing. Both health sciences programs, which I mentioned earlier, as well as general campus growth.

Lage: How about his Department of Finance? What kind of conversations did you have?

03-00:08:07

Hershman: [over Lage] The Department of Finance found ways to help us. And that's why I would suggest that we were not treated worse than other education programs. We had very good relations with the staff.

Lage: So they were not necessarily of his mind.

03-00:08:21

Hershman: They were not. And they did what they could. They couldn't create other policy improvements that he wouldn't go along with, but in their ways of funding the basic budget, they did everything they could in their power to help us. I've told this story before, that in my mind, they helped save the university

during a period that could've been very bad. If we had been treated as badly as K-12, it would've been a lot worse. And I'll give you some numbers. And they may be not exactly right, but in my mind someplace, there was a study done back then that K-12 budget increases during the Brown years was maybe 70 percent increase during that period. UC was maybe 130 percent, something like that. CSU a little less, the community colleges a little less. They were all in between K-12 and UC. So as I say, I wouldn't suggest that UC was treated the worst here; they weren't.

On the other hand, because of policy choices, because of Prop 13, because of the state's fiscal situation, things were getting worse toward the end of the Brown years. And there was still more outcry for more tax reform, which I mentioned earlier. And one of Saxon's main achievements that I mentioned in the last interview, of persuading Brown to come out against the reduction in the income tax, which was sort of a follow-on measure to the cutbacks in property tax. And I think it's important that we kept good relationships, both with the Department of Finance and with the legislature. I can't say that the legislature had any reason to dislike the university; I don't think they did. And we had, obviously, some strong supporters.

On the other hand, the state was in a difficult position fiscally, because property tax revenue was down so much the state had to help with local government and K-12. And so simply because of the amount of money available, that was one problem. And then compounding the situation was a combination of inflation and recession that occurred in the sort of beginning of the eighties, if you would, the end of the seventies, beginning of the eighties. These were the Jimmy Carter years, and of course, led to him being defeated for president when he ran again. And I think we found ourselves, as I mentioned, in a situation where we were desperate, looking at all kinds of options just at the time Saxon was leaving. And I believe that Saxon left the presidency, one, because his eight years were up, if you would. But two, I think he just got kind of tired of dealing with the ongoing crises.

Lage: Was he a growth kind of person?

03-00:11:30

Hershman: No, not as much as Gardner. Gardner was the most growth person. And frankly, Dick Atkinson was, too, when he became president. We can talk about that later. Now, one of the other things that you wanted me to cover during this era— Because I took over the whole budget in January of 1978, sort of just as Prop 13 was being passed, a couple of months later, and so got myself right in the middle of the crisis. But I had been working on the budget for the previous few years, so I—

Lage: On the health sciences.

03-00:12:05

Hershman: On the health sciences, but also we worked as a team, so I understood what was going on. When I took over the budget, I decided that I wanted to change the process. And I'll describe it as follows.

Lage: Okay. Are you going to describe how it was?

03-00:12:20

Hershman: I'm going to describe how it changed, yes. How it was, and then how we changed it. Because I felt that there was an enormous amount of time and effort and hostility created in the process. Basically, what was happening was campuses were submitting their requests for whatever it was they wanted. And some of it were wish lists, obviously.

Lage: Now, I just want to clarify what kinds of things they might submit. We want a new building? We want five more FTEs [full-time equivalents] in history?

03-00:12:53

Hershman: Yes, right. More faculty, more teaching assistants, more equipment, more maintenance, more support, more administrative budgets, more buildings. And buildings were very hard to come by. We can talk about that for a minute.

Lage: No, let me also clarify one thing, I'm sorry. You came in at this point. Were you both capital budget and operating budget?

03-00:13:12

Hershman: I was responsible for the operating budget but in the capital budget, Bill Baker, he was doing the general campus capital budget; that's where he came from. And he became the vice president. So he still kept his interest in the general capital budget, but there really wasn't any. There was no money being spent on capital.

Lage: Nobody was building.

03-00:13:34

Hershman: It was under \$20 million a year. Once we finished with the health sciences bond issue that had been approved by the public, there wasn't any money. So there was no capital budget.

Lage: Okay. I'm sorry to interrupt you.

03-00:13:45

Hershman: As a matter of fact, the rule at the time was we couldn't do more than one building a year, and it couldn't be more than about 3 or \$4 million.

Lage: On all the campuses?



03-00:13:54

Hershman: On all the campuses. And so all the money that was really being spent at that time was for life safety and handicapped access, and some small alterations projects. So there wasn't much going on. But in terms of process—

Lage: Yeah, back to process.

03-00:14:13

Hershman: Because I do think it's important, because I think that there was enormous hostility occurring in the process. Campuses submitted these requests, they'd have meetings with the Office of the President, usually the vice presidents, a group of vice presidents and—

Lage: Including yourself?

03-00:14:29

Hershman: —and budget people, including me. And they'd make their requests. And we had a big staff of people in the budget office, analyzing all of these and finding reasons why they couldn't be supported. And it led to enormous hostility. And it took huge amounts of time and effort on the part of campus staff and Office of the President staff.

Lage: So this was a yearly task.

03-00:14:50

Hershman: It was a yearly ordeal. And I would argue—and I'm going to sound like David Gardner—I would argue there was no basis for allocating money to the campuses. It was on the whim of the president's office.

Lage: I see. There was no—

03-00:15:08

Hershman: Underlying rationale. That would be my argument. Obviously, enrollments were considered and other things. It wasn't as though nothing was considered. But it wasn't as formula driven as it had been in early days, when Clark Kerr was there. Now, it was also true we had gone through some difficult times. But in the health sciences, we had formulas for allocating resources. So we did have a big growth in the health sciences, and we had developed formulas—I worked on them myself.

Lage: And what kind of formulas?

03-00:15:41

Hershman: How many faculty per student. Different programs had different arrangements, in terms of faculty. For example, for three and a half medical students was one faculty. And so everything was done on that kind of formula basis. Every school had a level of support that went with the faculty. So everything was done on a formula basis, and the real issue was the enrollment.

Lage: But was it done that way in Clark Kerr's time, in terms of the general budget allocations.

03-00:16:08

Hershman: In Clark Kerr's time, I'm going to come to that when we talk about David Gardner.

Lage: Oh, okay. But at least in Saxon's time, it was sort of catch as catch can.

03-00:16:17

Hershman: Well, when Chet McCorkle was sort of running things, yes. I would say it was based on whatever he decided he wanted to do. And then after McCorkle was let go, went back to Davis, and Saxon really took over control of the budget, and we basically worked for Saxon.

Lage: So you weren't working so much for [Thomas] Jenkins.

03-00:16:48

Hershman: Well, when it came to the budget, Saxon was really—he was running things. And he believed that very strongly, that he should be making these decisions. But there wasn't any money [they laugh], so it wasn't as though—

Lage: But still, you had to allocate it to the campuses.

03-00:17:03

Hershman: Well, but there wasn't much to allocate. Those were some tough years, right at that point, right after Prop 13.

Lage: I see. So it was more giving them what they'd had in the past. Or trying to—

03-00:17:15

Hershman: Right. Except—I think I mentioned this the last time—there were a couple years in which the legislature overrode Jerry Brown vetoes and did provide for some salary increases. In spite of that, salaries were going to be 16, 17 percent behind the market when Gardner became president. But there were some increases. That was basically all the money we were getting right then, was to take care of salaries. And that was just done based on the people who were on the payroll at the time, and so it was relatively automatic.

Now, in reflecting on what we were going through at the time, my conclusion was we really needed to develop a consultation process. And Bill Baker and I were very much in favor of changing the process. And so what we decided was, look, we'll set up some ground rules as to how much money to ask for, and we'll work with the chancellors, the executive vice chancellors, the budget people—and they all have meetings every month, every group—and try to develop a process where people come together and can agree on the overall priorities, and avoid all of this annual submittals of wish lists. And as I

say, in the capital budget, there was hardly anything, so there wasn't a lot of worry. But things changed when Gardner came in, right at the end of the Saxon era, on the capital budget. And we do need to talk about that. But I think this was an important change. We were consulting much more with the Academic Senate. They had formed a committee on planning and budget. That was one of Bill Frazer's achievements. When he was head of the academic council, they created this special committee to deal with budgets, and consulted with them every month, as well as the full academic council. And so there was a lot more Academic Senate involvement.

Lage: Rather than just chancellors and vice chancellors.

03-00:19:26

Hershman: Right. And budget people. And so we consulted with all these groups. And we had a process where we got the students involved, through their student association.

Lage: I'm still unclear of what you were consulting about.

03-00:19:43

Hershman: We were consulting about priorities.

Lage: In terms of?

03-00:19:46

Hershman: Salary money, continuing merit money, inflation increases, any special research programs. What were the most important needs of the university? What should we seek funds for? And as I say, toward the end of the Saxon era, there wasn't a lot that we were going to get anyway.

Lage: But you were setting this up.

03-00:20:07

Hershman: But we established this, and so it became very helpful. I described what happened at the beginning of the Gardner era. And it was very helpful in understanding the needs of the university, in terms of overall priorities. So there were two—

Lage: Probably helped you communicate with Sacramento, too.

03-00:20:24

Hershman: It helped us communicate with them, and it helped us when Deukmejian became governor and we developed this multi-year plan. And salaries were clearly at the top of the list. We had fallen so far behind on salaries that that was clearly the number one priority, particularly faculty salaries, to get those back to competitive levels. That was the thing that concerned Saxon the most.

And as I indicated, he was prepared to consider closing schools, or even campuses if he had to, in order to get money to do faculty salaries.

Lage: So would that idea have been bounced around the Academic Senate?

03-00:21:00

Hershman: Oh, yes. Oh, absolutely. Of course. As you might imagine, that's always been at the top of their list.

Lage: But closing schools or—

03-00:21:09

Hershman: Well, of course, nobody wanted to have to do that, and we never did do that. But we came very close. We came to a point where if things hadn't turned around at the beginning of the Gardner era, I think we would've had to find ways, in order to come up with money to do that.

Lage: Instead of sort of bleeding away across the board.

03-00:21:30

Hershman: Instead of having everything going down, if you would, in terms of quality, because we couldn't pay the faculty. We were going to have to find a way to pay faculty salaries. If the state hadn't done more for us, we would've had to come up with other options, and that's what we were looking at. But I do think that it not only helped me, in terms of all this consulting, I think it put the president in a better position having consulted so widely, not just at the individual campuses, but groups of people—to get the chancellors together, the Academic Senate committees together, the executive vice chancellors together.

Lage: So you're not pitting one campus against another, but they're—

03-00:22:13

Hershman: No. Right. And so it was trying to find common ground. And you can't always get everybody to agree on everything. That's not doable. And I must add—I just sort of joked about this the last time—during the Gardner era, he was so successful, especially right off the bat, year one—and year two and year three and year four—he was so successful that people generally went along with the way he established those priorities. Now, Gardner's view about how to budget, dealing with the state, was that we would sit down— He spent enormous amounts of time on the budget. *Enormous* amounts of time. *Hours* of time.

Lage: With you directly, or—

03-00:22:56

Hershman: Yes.

Lage: —without you, or—

03-00:22:57

Hershman: Oh, no, no, no. Oh, no, with me directly. Because I knew more than anybody. Although I'm not so sure toward the end, that he didn't know as much as I did. I could tell you about one meeting that I remember well that will make my point. [Lage laughs] But Gardner was very much personally involved in every single decision on the budget. Every single decision, including setting of priorities. And he spent enormous amounts of personal time on it.

Lage: Would you call it micromanaging?

03-00:23:25

Hershman: I don't think so. He clearly went farther than any other president did. On the other hand, it was critical at that point, so I think it was probably the right thing. And I think probably toward the end, he might've spent a little less time because he knew what he wanted, because of the years of experience. And I think he felt very comfortable with it. And my little story, to make my point, is that one year he said— And I can talk a little bit about the overall process with the state. But the process is we spend the summer and early fall working on a regents budget plan, working with the campuses about priorities. And then we go into a negotiation with the Department of Finance in September, October, November; usually a meeting with the director of finance in November; and then whatever we're going to do with the governor, in December. And the governor makes decisions right before Christmas, and then you're into the legislative process.

Lage: And this is for the—

03-00:24:38

Hershman: For everything.

Lage: —budget that's going to start the following June.

03-00:24:40

Hershman: The following June. And so the governor's budget comes out in January, by January 10. Then you go into the legislative process; the legislative analyst does an independent analysis. There are budget subcommittees on education in both houses of the legislature; they work on budgets all spring. You go through hearings. There's a revision to the budget in May, based on the governor's reassessment of revenue and workload needs. And hopefully, the legislature finishes by the middle of June. That's what the constitution says; they rarely do. But at some point, they finish, usually in July. And then you make whatever changes are required—

Lage: Based on what you get.

03-00:25:31

Hershman: Based on the final budget, yeah. Although we always set up a process to allocate money to campuses—usually in March, maybe as late as April—based on the governor’s budget, so that campuses had advance information. And then in July, we’d make whatever final changes—or August, depending on—

Lage: But your original regents budget, as you call it, must’ve had some input from the Department of Finance already. You had a sense of what you were going for.

03-00:26:01

Hershman: We did, because in my era, at least, we tried to have multi-year plans. And in most years, we had multi-year plans, so we did have some idea.

Lage: You were already working with—

03-00:26:13

Hershman: We were already doing that. And our capital budget, we finally went to a capital budget of five years, so we did have some idea. Now, the big change in the capital budget was that when George Deukmejian became governor—this was part of our deal with him—we made a strong pitch to go to bond funding. Jerry Brown would not do that. He didn’t believe in debt, I guess. At least he said he didn’t. And so we had almost no money for capital. And our argument was—

Lage: So that had to come out of an annual budget, also?

03-00:26:48

Hershman: Right. Well, it came out of this little tidelands oil fund that was set up, and so that’s why we were getting less than \$20 million a year. We convinced George Deukmejian—and others probably helped—that it made sense to do bond funding for capital, that these are facilities that are going to be available for a long time, and it makes sense to pay for them over a long time. That led to much more money for capital. And we went to a five-year program and asked campuses to develop priorities. We set targets—eventually; this process worked out during the Gardner years—we set targets for each campus, five-year targets, and asked them to come up with five-year plans. And so it wasn’t just thinking about one year, we were thinking about multiple years, and thinking about how much money we would have.

Now, the other main change that we made in the Gardner years, that I referred to earlier, had to do with the way we allocated money. So the president is responsible for allocating the state money; student fee money; UC general funds, which includes overhead money, some of the overhead on federal grants and contracts; as well as non-resident tuition. That pot of money right

now is about \$5 billion, out of a total budget, excluding the Department of Energy labs, of maybe sixteen billion or something.

Lage: Now.

03-00:28:18

Hershman: Now. About five billion of it is in this what we call general funds, including student fees.

Lage: Which can be—

03-00:28:27

Hershman: Which the president allocates. The only other money that the president actually allocates is a small amount of endowment money that was available, much of it for discretionary purposes. But it was very small. Because most of that goes to the campuses directly. And hospitals, the campuses manage; federal contracts and grants came into the individual campuses; private money came into individual campuses. And so they dealt with that. Auxiliary enterprises, student houses, individual campuses did that. Now, we would make estimates of all of these things, but we never allocated that money.

I went through one regents meeting where I tried to separate all of these various funds, and which ones we really allocate, and which ones come directly to the campuses. Yes, they come into the regents, but they're going to individual campuses directly. And as a policy, we always established a view that because campuses had more federal or private money, that we would not consider that with respect to state money. Basically, we said, "We want to encourage you to get more federal and private money. We're going to allocate the state money," using some methodology that we decided was appropriate. So in the David Gardner years, we spent that whole period of time trying to phase in what David Gardner thought was a reasonable way to allocate money for everything. So for example, faculty, which is among the most important things. David Gardner believed very much in weighted student/faculty ratios.

Lage: Which is?

03-00:30:15

Hershman: Which is you get more for graduate students. More expensive, so you allocate—

Lage: More money per student.

03-00:30:24

Hershman: Well, at that point, we weren't allocating dollars per student. We had complicated methodologies here. We've gone to this; we'll talk about that, too. But back in those days, we had a methodology for allocating faculty, one for teaching assistants, one for support dollars, one for libraries, one for

maintenance, one for administration. And so over that whole period of time— That’s one of the reasons David Gardner spent so much money and time and effort on this, was to develop these methodologies that he felt comfortable [with].

Lage: Now, did you drive some of this?

03-00:31:05

Hershman: Oh, well, sure. Well, yeah. of course. Yes. [Lage laughs] Obviously. We had a staff of people.

Lage: I know, but who came up with these kind of complicated formulas?

03-00:31:15

Hershman: Well, the weighted student/faculty ratio was a Clark Kerr concept that went all the way back to those days. Other presidents have not agreed with that, necessarily, but David Gardner did. And he wanted to go back to that methodology. He believed there was no rationale for where we were. And so some campuses, like Berkeley and Los Angeles, for example, got—no, excuse me, Los Angeles and Davis—got very big increases in faculty that they wouldn’t have otherwise gotten—

Lage: Because of it.

03-00:31:45

Hershman: —to get back onto these ratios. Santa Cruz and Riverside—heavily subsidized, if you would, because they were so small—as they were growing in the 1980s, they didn’t get all the resources that went with that growth. We reallocated that to other campuses.

Lage: Because they had been heavily subsidized?

03-00:32:04

Hershman: Because they had been getting such a rich student/faculty ratio, compared to what David Gardner—

Lage: So they had gotten a different ratio.

03-00:32:11

Hershman: Right. So we took that opportunity of phasing it, so it wasn’t too dramatic in any one year. And we could do that because we were getting a lot more money, and there was a lot of growth. On academic support, we looked at the mix of programs by campus. So if you had more in the sciences, which were more expensive, we provided more resources. So as I say, we were able to do it because we were getting so much money. We went back and re-looked at maintenance dollars. And some of the older campuses like Berkeley and Los Angeles, we gave them more money here to try to improve that. We went and



looked at libraries, we looked at everything. We looked at administrative dollars, tried to come up with some sense—and it's not always easy—as to what campuses should get. Obviously, if you're bigger, there are some economies of scale, and we try to factor that in. But the goal was, over that whole period of time, to do that.

Lage: I would think this could be very contentious.

03-00:33:11

Hershman: Sure. It could be.

Lage: Think of Riverside and Santa Cruz. They might feel, we need that extra. Because they are the ones that are considered the less strong campuses, still.

03-00:33:24

Hershman: Yes. And if you think that was all—what I said was causing problems with Riverside and Santa Cruz, we changed the way we allocated overhead money.

Lage: Which also injured them.

03-00:33:41

Hershman: It did. In the old days, overhead money was looked at as the same as state funds. There was no methodology. David Saxon first changed that. He said, "Well, some of it ought to go back to campuses the way it was generated." The faculty felt very strongly about that. They wanted it to go back to the faculty members. We didn't go that far.

Lage: Was that the first time that it actually went to the campuses in part?

03-00:34:02

Hershman: Yes. Yes.

Lage: David Gardner said 20 percent came to the president's office, and the rest went to the campuses—except for what went to the state.

03-00:34:15

Hershman: I would not agree with that. This evolved over time, and past David Gardner's period. And to the point now where the campuses basically get their own money, as it's generated. A very small amount went to the president's office. And still does.

Lage: But are we saying that in the Saxon era, it all went to the president's office, it was allocated?

03-00:34:39

Hershman: No. No. Before the Saxon era, it was all allocated by the president's office. Any which way they wanted. There was no necessary rationale.

Lage: It didn't go back to the campuses that generated it.

03-00:34:50

Hershman: Did not go back. So he [Saxon] started sending some of it back to the campuses the way it was generated. In the Gardner era, more and more and more of it went back to the campuses who generated it; less and less went to subsidize the Santa Cruzes, Riversides, Santa Barbaras of the world. Because so much money came in from the health sciences and so San Francisco would scream bloody murder, and San Diego, with big research programs. They believed that they were being mistreated, and that their money that was being generated was going to Santa Cruz and Riverside and Santa Barbara, with no medical schools, and not nearly the same kind of research programs. And so this process continued on, by the way, all the way to the Atkinson era. And finally, essentially all of it goes back the way it's generated.

Lage: During the Atkinson era.

03-00:35:44

Hershman: Yeah, Atkinson, that was his number one issue, in terms of the—

Lage: He'd been mad when he was at San Diego.

03-00:35:49

Hershman: Yes, he was mad at San Diego. And I came from San Francisco, by the way; I had my own strong feelings about this. But it took a long time. We didn't want to damage anybody too much. And the view was, well, as we're growing, we can solve a lot of these problems.

Lage: In the era of good feeling and lots of resources.

03-00:36:09

Hershman: Right. So we were trying to do a couple of things here. One, we were able to get more money from the state; two, there was huge growth in federal grants. In the 1980s, it was like 10 percent a year. And that generated a lot of overhead money. A lot of this was in the health sciences, but not all of it, clearly. And so there was more money, and we took the opportunity to rearrange everything. And we got to a point, I would argue, right at the end of the Gardner era, where, other than the overhead issue that I mentioned, we were satisfied that we were treating campuses as fairly as we could.

Lage: With your various formulas of maintenance and—

03-00:36:56

Hershman: With the various formulas. And we could explain them to people, this is what we're doing.

Lage: And how did the campuses accept them?

03-00:37:05

Hershman:

Well, the campuses always fight for more. Every campus, that's their game. You would expect that. I did that when I was at San Francisco. You're always going to argue for the most you can argue for. If you're getting 95 percent of what you generate, you want 100 percent, whatever. So yeah, I think this has always been an issue, and it still is. And it's particularly an issue with the smaller campuses. How did they get the distinction? We had put enough money into the Irvines and San Diegos and Davises, and Santa Barbara, I might add, so that they were actually okay.

The worst of the problems were Santa Cruz and Riverside, but they were having big growth; they had never had that kind of growth. They were having big growth in the 1980s, and so it was an opportunity to do that. On the other hand, the overhead money was very painful for them. It was an opportunity to have some discretionary money. On the other hand, by agreement with the state, half the overhead became general funding. And up until the Atkinson era, that money *was* shared. When Atkinson came in, he didn't want to share that money. His view was all the increases, because of the overhead on the general fund, 50 percent would go back to campus that generated it, also. And so San Francisco and San Diego had a big windfall. Los Angeles and Berkeley were so big it didn't make any difference. And by that point in time, the Irvines and Davises, and even Santa Barbara, it didn't make a lot of difference. But it always made a lot of difference at Santa Cruz and Riverside. And so they were not getting anywhere near the kind of discretionary resources that they had historically. On the other hand, they were still growing a lot. And we had developed new formulas with the state that were much better than the old formulas with the state.

Lage:

We'll have to get into that in more detail.

03-00:39:19

Hershman:

We will. I'm just going to mention it, because it's critical to this conversation. Just to follow through the thought here. In the Peltason era, when we started getting budget cuts, we essentially cut everybody proportional to their general funds, on the grounds that everybody was being treated fairly. The subsidies at Santa Cruz and Riverside, if you would, had stopped because they had grown so much. They'd gotten at least some of the resources to get them to equivalent levels, on a per student basis. And so everybody got cut the same, proportionally. But in the Peltason era, we had developed a new agreement with the state about how to budget. We had done this compact—we'll come to that a little bit more—with Pete Wilson. But we also had worked with the legislature, and come to a whole new formula for how we budget enrollment. It was a complicated formula that I won't get in the middle of, but it included everything. Instead of just focusing on faculty and support money, we looked at libraries and administration and student services, et cetera. So it was comprehensive, which was good, which made it more attractive. We also built

student fees into this, and financial aid. And we worked this out with the Department of Finance and the legislature.

And that formula, which has evolved some over time—it's gotten better, actually—has been the basis for funding from the state. And when Dick Atkinson became president—there was a lot of enrollment growth in that period—that same formula we used for allocating money to campuses. So we said, "Well, okay, everybody's sort of being treated fairly right now. Everybody got treated equivalent, in terms of the cuts that we took in the Peltason era. Now we're starting to have enrollment growth again. Whatever we get from the state, we're going to pass through to campuses." This was the main contribution in the early Dick Atkinson years. It was the two big things in the budget from the state. There were a lot of little things, which we can talk about, but the two big things were enrollment growth—and there was a lot of it—and inflation: salary funds and other cost-increase money. That was most of the budget increase. So campuses got their base, everybody got a proportional increase in their—

Lage: Based on enrollment and inflation.

03-00:42:04

Hershman: Based on enrollment growth, using this formula, dollars per student, based on whatever growth they had. And they got their share of whatever the salary and other cost increases were. We took an overall percentage, and everybody got the same. And so this was Dick Atkinson's view of finishing this all up, and the overhead money went back to campuses the way it was generated. And this was going to be the new, simple way of both dealing with the state and dealing with the campuses, and how we got resources from the state and student fee money, and all UC general funds, and how we allocated that money to campuses. And in my mind, it was easy to explain. That doesn't mean people were happy with. Easy to explain. There was this long evolution, if you would, of how we budgeted, how we dealt with campuses in terms of putting together the regents budget, trying to do more consultation, and how we allocated the money. And I must say, in spite of all of that—and in my mind, it was simple—people still complained that somehow or other they didn't understand it. And I'm not sure they tried to understand it, because it was very simple.

Lage: But I have to confess [laughs] I'm not understanding it completely, either. I'm trying to find out where we are here.

03-00:43:46

Hershman: So what we were trying to do was to create a process in which we consulted about our priorities to go to the state. And then we had worked out agreements with how much money we were going to get from the state. Hopefully, multi-year arrangements, about how many students we were going to grow. For

example, in both the Atkinson era and the Bob Dynes era, we had an understanding about how many students a year we were going to grow. We had a plan for each campus. Usually you'd have to tinker from year to year. But then everybody got treated the same, in terms of how we distributed the money on a per student basis for the enrollment growth. And then most of the rest of the budget increase—most of the increase, actually—had to do with salary increases and other inflationary costs. And whatever the percentage was—5 percent, 6 percent, 4 percent—whatever the percentage was, everybody got treated the same. So it made most of the budget—not all of it, but most of it—simple. There were always special things. Research was always special. We can talk about some of the initiatives. So any special new thing would have to be dealt with individually.

Lage: Without a formula.

03-00:45:05

Hershman: Without a formula. Research, there was never a formula, because it doesn't work. And there was a lot of arguments about it, because there are the haves and the have nots. I think the main difficulty with this whole evolution, if you would, is that the bigger, older campuses liked it because they were getting back their money, if you would; that was their view of life. But the newer campuses or the smaller campuses, or however you want to describe it, they weren't getting the same kind of flexible discretionary money that would help them grow. And as I suggested, for most of the campuses, they had grown so much already it wasn't a big problem. But it was a big problem for Santa Cruz and Riverside, and then Merced was a special circumstance.

Lage: But they weren't just trying to grow in size, I would think, but grow in distinction.

03-00:46:07

Hershman: And I would argue that a lot of the distinction, for all of the campuses, came with the funding formulas that were related to growth. Because as enrollments grew, we were getting more resources for that. That allowed campuses to hire faculty and build programs. If there was a new school, virtually every president agreed—certainly, in the Gardner years and the Atkinson years and the Dynes years; Peltason, it was a different problem then—as we started new schools, we would give campuses some money for startup for a new school. But it wasn't a lot. Maybe a half a million dollars a year for a few years, until they could build up the enrollment and allow them to hire a couple faculty early on. So we did do that.

But the issue of distinction, I think your point is a good one because probably, in order to get the distinction that those campuses would want, they needed a lot more resources, more than just their share related to enrollment. And when we went to all these formulas, all the money went out the door. There wasn't

any money left for anything. And so David Gardner tried to protect having some discretionary money. By the time Dick Atkinson became president and everything got changed some more, and then all the overhead was being distributed, essentially all the money was being distributed, there wasn't any extra money that we could give to Riverside or Santa Cruz to build distinction. Or anybody else.

And capital outlay, which was one of the main problems, at least we were getting a lot of capital money and we were able to meet campus priorities, pretty much. One of the things I'm proudest of in that era—and people complain about all the time, but not me; I don't complain—I think we had a realistic five-year program. Campuses knew how much money they were likely to get, based on our agreements with the state, and they could plan for it and build the buildings that they planned for. They didn't waste their time and effort planning a \$50 million building, when all they could get was \$5 million. And so they pretty much knew how much money they could get, and they could make priority decisions. I think that was a *huge* achievement, rather than just people coming in with wish lists that couldn't be funded. Now, on the other hand, for political reasons, campuses like the idea of coming to the president's office demanding all this money, and then it's the president's fault for not giving it to them.

Lage: For political reasons. With their own faculty?

03-00:48:55

Hershman: Internal political reasons. With their own faculty and students. And staff.

Lage: One question comes to mind. [laughs]

03-00:49:11

Hershman: Okay. Only one?

Lage: No, but just to follow up on that. If the campuses are kind of starved for resources, if that's not too strong a word for Riverside and Santa Cruz, how can they plan for new buildings? Because you'd need money to operate the building, you need money to hire the faculty.

03-00:49:32

Hershman: Well, they were getting, from the end of the David Gardner era—and as I say, in the Peltason era, there really wasn't a lot.

Lage: There was no money.

03-00:49:44

Hershman: Yeah. At that point, they were still growing. And they got all their resources, their regular resources for growth. But buildings were separately funded from long-term bond funds. We were not able to give them extra.

Lage: But see, I'm thinking about making use of the capital budget.

03-00:50:04

Hershman: Yes. That's what I'm saying. In other words, we had a deal on the capital budget with the state, and campuses were getting the resources that went with the enrollment growth. Space for faculty and space for students.

Lage: Okay, so you kind of project what your faculty—

03-00:50:18

Hershman: Right. Right. In other words, they all have plans—

Lage: —what your enrollment growth might be, and then you can justify a new building or a new program.

03-00:50:22

Hershman: Right. Right. And even though it might take you a little while to get the building built, a few years, so you were always behind, but those buildings were coming online. And they still are. And so if you look around the system, you'll see *enormous* numbers of buildings. Now, what they couldn't get were special kinds of buildings. So campuses, for example, that have a lot of overhead money, they could use some of that to help build more buildings, on top of what they would get for enrollment. And that helped them. So the haves were getting more, and the smaller campuses, they pretty much weren't getting that kind of research dollars, and so they were— And we weren't approving those kinds of buildings for them anyway. And so they were pretty much having to live off of what they could justify based on enrollment.

Lage: It seems like it almost goes along with the trend in our economy as a whole, [laughs] where the haves are getting more and the have nots are decreasing.

03-00:51:21

Hershman: And just to make it a little more difficult and complicated, here comes Merced. Now, they won't agree with this, but they were treated very well. So the state was giving them— When we first decided on how we were going to budget for Merced, we used Santa Cruz as a model. And we got the state to agree to this, both operating and capital, with a lot of start-up money, before they ever had a student. And so Merced was treated, in my mind, very well initially. Where Merced has had problems is the enrollment didn't go quite as fast as we thought it was going to. It's been doing pretty well, but not quite as fast. And so they're not able to add as many faculty as they had originally envisioned. On the other hand, they couldn't hire them that fast anyway, as it turned out.

Lage: Simply because the hiring was difficult?

03-00:52:18

Hershman:

Yes, right. Because they wanted first-rate people and the process is— They were trying to hire a lot of faculty, and they had very few people there [laughs] to do the work to hire the faculty. So I would argue that I think Merced was treated pretty well, in terms of facilities and in terms of all this start up. And there was some jealousy. So you go to Santa Cruz or Riverside, there was a certain amount of jealousy. I don't think that really occurred so much on the other campuses. I think by that point, they were in pretty good shape. The research programs at places like San Diego were fabulous. And Santa Barbara, which really hadn't been as strong, if you would, became very strong. And so the eighties were great for Santa Barbara. They hired terrific faculty and their research dollars were going up, and it worked out okay. And Davis, same thing as Santa Barbara. Things really went very well. And so they were able to make it, with very strong enrollment growth. Remember, enrollments were growing at a very fast clip, and so they were getting more resources for that. So those things, in my mind, it all came together and worked well for most campuses. The faculty themselves sort of got concerned about the fact that maybe Dick Atkinson was going too far in what he did here.

Lage:

In terms of returning overhead to campuses?

03-00:53:43

Hershman:

Right. And not allowing money for the developing campuses.

Lage:

And when you say the faculty, you mean the Academic Senate—

03-00:53:51

Hershman:

The Academic Senate, yeah.

Lage:

—had this broader vision of the university.

03-00:53:54

Hershman:

They were worried. They didn't do anything about it, but in meetings that I had with them, they were worried about how those campuses were going to get the resources that they needed. And it was worth worrying about. Now, I must say, I think Dick Atkinson, from the very beginning of coming up with this way of doing business, if you would, particularly with respect to discretionary money, he always felt these were good times. In his earliest six or seven years, probably six years, they were great years. We were getting lots of money. Including lots of extra money for lots of things—research, et cetera. And he felt like we were going to get so much extra money that we could just take something off the top and help those campuses. It never happened. Conceptually, it could've happened, but it didn't.

Lage:

Did anyone argue with him, within the president's office, about this giving back so much to the campuses?



03-00:54:51

Hershman: We did have a special chancellors meeting. No, nobody argued with him in the president's office. That was me. No, nobody argued with him. I could tell you some stories about Dick Atkinson. Dick Atkinson's view of the presidency was either he had very strong feelings and he wanted to do it his way, or on the budget, he left it up to me. And wanted me to consult and everything, but— So in areas that he had strong feelings and wanted to do it, damn it, it was going to be done. So there wasn't any point of arguing with him.

Lage: And that was on that issue.

03-00:55:23

Hershman: Oh, absolutely. Now, I did get him to talk to the chancellors about it. I said, "This is a big change, particularly for growing campuses, and you need to talk to the chancellors." So not all the chancellors were happy about this. In his mind, part of the reason he did this was to protect Berkeley and Los Angeles. That's what he said.

Lage: What about San Diego? [laughs] He must've had San Diego in mind.

03-00:55:46

Hershman: Well, they complained some, too?

Lage: They did?

03-00:55:48

Hershman: Not maybe in that meeting, but yeah. Because he went to a dollars per student, whatever the enrollment growth was. And campuses that thought they were going to have big enrollment at the graduate level, like San Diego, they felt cheated. Some. There were some things they loved; like they got back their overhead money.

Lage: Now, say that again. Oh, he went to dollars per student, without the weighted formula for graduate students?

03-00:56:13

Hershman: Right. Oh, yeah. That all stopped. When we went to this formula everybody got dollars per student. It was an average. It was the deal we had with the state, and everybody got the same, whether they were growing for undergraduate or graduate students.

Lage: Well, that would help Santa Cruz and Riverside.

03-00:56:32

Hershman: Except they wanted to grow graduate students. It did help them, actually. They *wanted* to have big growth in graduate students. They didn't. The campuses that had the big growth in graduate students during the Atkinson

years, that sort of felt cheated here because of that—they didn't know exactly what was going to happen, but—were San Diego and Irvine and Davis. And Santa Barbara.

Lage: So things were kind of frozen, in terms of the way you worked out your allocation.

03-00:56:59

Hershman: Right.

Lage: And then some campuses shifted their percentage of graduate students.

03-00:57:04

Hershman: And part of it was because he, Atkinson felt that if Berkeley and Los Angeles weren't going to grow very much, in order to give disproportionate dollars here, because of heavy growth in graduate students to the San Diegos of the world, let's say, he'd have to cut Berkeley and Los Angeles. And he wouldn't do it. Now, as it turned out, Berkeley and Los Angeles wound up growing a lot in [laughs] undergraduate students, too, so it might not have made that much difference. It would've probably made a little bit of difference. And it probably helped Santa Cruz and Riverside, who really weren't growing in graduate students the way San Diego and Irvine and Davis and Santa Barbara were.

Lage: Of course, campuses can make decisions about how many graduate students they want to take.

03-00:57:45

Hershman: They certainly can. And that was his point. But you had a view that Berkeley and Los Angeles had a higher percentage of graduate students, academic graduate students and professional ones, than these other campuses. Like San Diego, they wanted to go from where they were to—they wanted to be like Berkeley. So maybe they had 16 percent graduate students and Berkeley had 26 percent or 20 percent, whatever. That's in the ballpark, 27, 28, whatever. And how were they going to get up to the Berkeley level? Because those are expensive programs, those PhD programs, and professional schools.

So everybody felt cheated because they didn't get what they wanted whenever they wanted it. On the other hand, what is fair in all of this? And San Diego was being treated *royally* about overhead money, and so was San Francisco. And so I think Dick Atkinson felt that he had been as fair as he wanted to be. But I will tell you that Riverside and Santa Cruz probably will *never* feel that way. Santa Barbara stopped complaining because they were doing pretty well. And so as I say, these other campuses had big growth in federal research dollars, et cetera. And they really weren't complaining very much. But they always found some little reason to complain.

Lage: [laughs] You must've been used to hearing complaints.

03-00:59:14

Hershman: But the point I'm trying to make in all this, presidents had strategies. I know I've been accused of doing everything myself or whatever it is. We consulted a lot. But if somebody didn't like the decision, nobody ever wanted to blame a president, so everybody felt more comfortable blaming me. But presidents had very strong views about some issues. David Gardner had *incredibly* strong views about *everything*. And my David Gardner story that I also promised you, about his knowledge of the budget. One year he decided he was going to make this presentation to the Department of Finance. I sort of walked you through the process, but I didn't get back to this story. He thought he could do it himself, and he wanted to— Because he really knew a lot.

Lage: Yeah. This is sort of the formal— He called it a hearing, in his oral history.

03-00:60:09

Hershman: It was a formal presentation— Well, now, this is with the Department of Finance. It's sort of like a hearing, yeah. You get to make your pitch. It's a few hours. You make your pitch on the budget, the director of finance is there, and staff. And he said, "I want to do this myself."

Lage: Whereas ordinarily, you did it.

03-00:60:27

Hershman: Ordinarily, I would do it. Ordinarily, he would make an overview statement. Every president wanted to say whatever they wanted to say first: this is the big picture. And then I would walk them through all the details of the budget. He said, "I'm going to do it myself." And I said, "Great. This'll be a little test for you." And he was fabulous. He wanted to prove his point, and he proved it. Which is he really knew it. More so than any other president.

Lage: And then did they ask him the questions, the detailed questions?

03-00:60:59

Hershman: Oh, sure. And I believe he answered almost every question. Maybe I had to answer a few; I think I did. But a small number.

Lage: He knew it.

03-00:61:10

Hershman: He knew it. And in front of the legislature, as I said the last time, presidents were always first, and then we dealt with the details. The legislature, you never know what kind of questions they're going to have. But everybody was in awe of him. He never got really tough questions out of the legislature, I must say. I think his view in those years, he made peace with the legislature by opening the doors of the university and taking all these students. And as I

said, it was at a time when there wasn't going to be much growth. As it turned out, there was. He wanted it, he got associated with it. Affirmative action was in its heyday, if you would.

Lage: And the legislature wanted it.

03-00:61:56

Hershman: Yes. And in those days, Willie Brown was very powerful. George Deukmejian was very powerful, in terms of governors—*very* powerful—and Willie Brown was very powerful on the legislative side. And they were years in which the senate people loved us. Al Alquist, who was chair of the budget committee in the senate; Nick Petris, who was chairing our subcommittee; Gary Hart and Jack O'Connell—all of those people, we had great relationships. And a lot of it was, to David Gardner's credit, opening the doors and the campuses opening the doors to more students, that they wouldn't have ordinarily done. If it had been the Jerry Brown era, which was, don't take these students because they're only marginally qualified— That was not what David Gardner wanted. And it led to David Gardner thinking about growth plans at three new campuses.

Lage: He thought big, for sure.

03-00:62:54

Hershman: He thought very big. And I must say, toward the end of his time as president, he— Times were getting tough. The last year or so were very tough. He wasn't really ready to cope with that. He had just lost his wife. It was very bad. And he was not really a president that was wanting to downsize and to make cuts. He didn't like that. He liked growth. And he had a lot of fun with it. And frankly, we all had a lot of fun. They were good years. There was just huge amounts of fun in the process. And I must say, in the first five or six years when Dick Atkinson was president, the same thing.

Lage: And so part of it is the great era of good feelings because of good resources.

03-00:63:50

Hershman: Absolutely. And the campuses, everybody loved everybody. But every time resources got tough, things weren't so good anymore, and the conflicts got greater. And right at the end of the Gardner period and when Peltason became president, we went through a very tough time.

Lage: And you're talking about internally.

03-00:64:10

Hershman: Internally and externally. And I must say—I have said this plenty of times; I believe it—what you do in bad times, how you react to these bad times, in some ways is more important even than in good times. In good times, there's a lot of money, everybody loves everybody. Maybe they don't get quite

everything they want, but they won't complain too much. Maybe a little, just to let you know that they think they should get more. On the other hand, there's a lot of resources out there. In periods of big enrollment growth, when you're adding so many faculty, they can't even fill the positions that fast. They have to hire temporaries. Because people are careful about filling faculty positions. And so it's just there's a lot of good feeling out there. You're building a lot of buildings. Go to San Diego or Irvine, and plenty of other campuses—Riverside, for that matter—and you just watch all these buildings being built. It's fabulous.

Lage: Of course, some campuses don't really want the growth. Or at least campuses—

03-00:65:17

Hershman: Well, some didn't want the growth, but they changed their mind. Riverside didn't want so much growth, then they decided they did. Santa Cruz didn't want so much growth, and then they decided they did. *Davis* didn't want the growth. When I first came to the university, the chancellor at *Davis* demanded that they not go to 27,000 students. In the old plan, they only wanted to be, I think it was 16- or 18,000. They didn't want to be so big. And then other chancellors come in, other faculty come in, and then it was the sky's the limit.

Lage: But also, does it have to do with the allocation by student? [laughs]

03-00:65:52

Hershman: Some of it does have to do with the resources, of course. On the other hand—

Lage: It's the only way to get better budgets.

03-00:65:58

Hershman: It's a way to get better budgets. It's a way to build program. You add all those faculty, you can fill out specialties in programs, you can develop new programs. And so yeah, a lot of it is the resources. And I would argue a lot of the reason that we grew in quality over all of my time was all that big enrollment growth. Even though we lost some ground on student/faculty ratios—we did lose some ground—still, there was this enormous increase in faculty over this period, with all this growth. And it allowed them to build program and to fill out— Let's take a political science at Berkeley. So you can cover just about everything you want to cover, when you can have that many faculty. If you're very small, even if you're subsidized heavily, you can't do that. And so it was a way to do that. There continues to be a struggle over professional schools. Campuses feel like the only way they're going to get the distinction they really deserve is by adding a law school, a medical school, whatever, a business school. And so they want to develop professional schools, in addition to the PhD programs. And some of them are very expensive.

Lage: I would think they'd be *very* expensive to get started.

03-00:67:12

Hershman: Well, some of them are. Some of them, of course, the fees have gotten— We'll talk about that when we talk about Bob Dynes and what happened in his era. But I do want to talk some about what happened in the Gardner/Peltason transition.

Lage: Yeah. For sure. I'm still unclear about—and it seems to me we should clarify it now, since you brought it up—this process of simplifying, once again. And you said you worked it out with the state. The later simplification of the budget.

03-00:67:50

Hershman: The per student.

Lage: Yeah, the per student thing. Who initiated that? And how did it come about?

03-00:67:56

Hershman: It came about, basically, right after the bad— This was the Peltason era.

Lage: Oh, that early?

03-00:68:05

Hershman: That's when it started. It got better, but it was the same idea in the Atkinson era, and then in the Dynes era, where it evolved some more. But it was the same basic principle. And the principle was, even though the state sort of suggested that as we grew, they would give us the money for student services or administration or libraries, they never did. They gave us faculty and support money, based on whatever could be worked out. Usually, whatever the current situation was. And then there was the issue of how do you deal with student fees? All of a sudden in the Peltason era— Fees had been a very small part of the budget. All of a sudden there were huge cuts in state funds, and student fees were really paying for the core instructional programs. It needed to be built in. And student fees became much more important; as I say, a bigger part of the budget. And so we needed to come up with a way to do that. And so I must say, a small group of us—this is UC and CSU; Richard West at CSU, and myself, and the Department of Finance staff people who worked on the budget, and the leg [legislative] analyst staff people who worked on the budget—sat down in a little room and sort of worked things out. Now people don't like that sometimes, they say. That is the way you work things out. The legislature asked us to look at this. Dick wrote some language. Mostly, because the leg analysts said, "Things have changed. We need to build student fees in." That's what they were worried about. We were worried that we weren't getting proper funding for things like libraries, which were important. We couldn't get any money for libraries.

Lage: And did you used to go with libraries as a—

03-00:69:54

Hershman: We tried. Yes.

Lage: —an item on the budget?

03-00:69:57

Hershman: Yes, we tried.

Lage: But they would say no to the library.

03-00:70:00

Hershman: Other than some special thing, let's say.

Lage: So in a way, this removed as much oversight from the state, of individual—

03-00:70:08

Hershman: It removed a lot of oversight, except for research and public service, which were separate. But this was on a per-student basis, so all of the dollars related to enrollment growth were taken care of. I think the biggest problem was in the original formula, it didn't include maintenance dollars. The view was, well, when you build buildings, we'll give you maintenance dollars. Well, they weren't doing that, either. See, it was the same problem we had with libraries. And so we said, "Well, let's build maintenance into this." And then there was a question of how you build the financial aid in when you build the fees in.

Lage: So that's also part of it.

03-00:70:51

Hershman: It is. And we refined it and refined it and refined it, and it got better, frankly.

Lage: So built into this formula of so much per student, which includes--

03-00:71:03

Hershman: Was everything but research and public service.

Lage: Okay. Now, research would fund what? You've already got your faculty.

03-00:71:11

Hershman: Special research programs. The state funding for research, separate from the faculty, if you would, was for special programs.

Lage: That don't have faculty doing the research?

03-00:71:23

Hershman: Well, the faculty, of course, are doing the research, but this would give you special money for a special program. For example, if you were going to have a

program in— Let's just take microelectronics research. Or we had a program, we developed an industry/university cooperative research. Or ag research programs. These would be special money, not to pay for faculty—faculty were being paid for out of the regular instructional money—but to pay for support for a special area of research.

Lage: For administrative support or research associates.

03-00:71:56

Hershman: You could call it administration, you know, like a director of an institute. That kind of thing.

Lage: And would that be looked at piece by piece?

03-00:72:08

Hershman: Piece by piece. It was always looked at—

Lage: And so that might be why the labor institute was separately funded.

03-00:72:13

Hershman: Oh, absolutely. That's looked at—

Lage: I wondered how they got separated out.

03-00:72:16

Hershman: Yeah, these were all individually looked at. And a lot of it had to do not only with our own interests here, but legislative interests. So you get a legislator who had a special interest, say, in cancer research, or a special interest in AIDS research, or a special interest in whatever kind of research, and they would put money toward that. And these things get built in, and they go on and on and on, forever. And then there were things that *we* cared about. Dick Atkinson, when he became president, was very much interested in more cooperative research programs with industry, where they would put money in and we'd put money in, and we developed this industry/university cooperative research. It sort of went all the way back to Jerry Brown and the microelectronics research program that he was interested in. Some of these things came out of interests that industry had: we need to invest more money in research here. When I came in, the big program was agriculture, which is still the biggest program.

Lage: But now would it be biotech?

03-00:73:25

Hershman: We developed a program in biotech, we developed a program in toxics research, we developed all kinds of special programs. And then we developed these science institutes that Gray Davis was interested in. But these were all done specially. Our argument was, we're not going to take money out of



instruction for students to pay for these, so they would have to be paid for special. Now, most of the research money comes from the federal government. But we also had hundreds of millions of dollars of state research dollars. 300 million, something like that.

Lage: Okay, well, that's our overview. We covered a lot of ground. The tape is about to run out, so let's stop for a minute.

[End Audio File 3]

Begin Audio File 4 05-07-2008.mp3

Lage: This is the fourth tape, continuing our second interview on May 7. Okay, go ahead.

04-00:00:12

Hershman: Okay, so there are a couple things that I want to mention about the Gardner years, other than what I've already said. One of them is just to put a couple numbers out there. In the first seven years that Gardner was president—he was president for about eight years—we had virtually double the state funding. We had enrollment growth averaging probably around 4,000 students a year, which was 2½, 3 percent a year, when we weren't going to have any all.

Lage: But double the state funding?

04-00:00:44

Hershman: Double the state funding.

Lage: That's an amazing figure.

04-00:00:46

Hershman: Yeah. And Gardner had come to a conclusion, maybe halfway through his administration that with Tidal Wave II coming along, out in the nineties—

Lage: Now, explain what that is for us.

04-00:01:02

Hershman: That's the children of the baby boomers, if you would, who were going to become college age, and there was going to be big enrollment growth, probably starting in the mid-nineties, and it was time to start planning for, he concluded, three new campuses. That was very optimistic. He had developed enrollment plans, because the view was things were just going to keep getting better and better and better and better, and we were opening our doors; and then you were going to have the baby boom on top of that, in terms of Tidal Wave II. And it was time to start planning for not only big growth on all the existing campuses, but three new campuses. And so there was a lot of effort

put into this. It became very controversial, and a lot of people questioned some of our projections.

Lage: Controversial at what levels?

04-00:02:02

Hershman: At the state level, and even within the university, that we were aiming for too big a growth, and that the existing campuses could take care of most of it, which they could.

Lage: In your opinion, not in David Gardner's.

04-00:02:15

Hershman: Well, I think his opinion was that we were going to grow even more than that. They were very optimistic projections, I must say. But that we need to start a plan for three new campuses. And so there was a little time schedule involved here. From a political point of view, there was an advantage to talking about three campuses, because you could have one in the north, one in the valley, one in the south. That was nice politics. On the other hand, it was going to cost a lot of money, and people questioned whether this boom, boom, boom period was going to continue on forever—which it didn't, of course, and things got very bad toward the end of the Gardner era. And so people started to question these projections.

Lage: So you found that when you went to talk to the Department of Finance?

04-00:03:04

Hershman: Oh, and the legislature, even. Now, on the other hand, there were legislators from each region of the state that wanted a campus, that went through a whole big process. I wasn't in the middle of it, but I had some of my staff that were, who were trying to look at sites and which should be first. The regents were heavily involved, there was a committee of a couple chancellors heavily involved in this, with several vice presidents.

Lage: Takes a lot of time.

04-00:03:34

Hershman: Took a lot of time of a lot of people—not me, personally. Although I was involved in the original planning of enrollment growth, et cetera, because I was doing a lot of that. So Cal [Calvin] Moore and I did a lot. But when it came time to do the more detailed planning at that time, and the site selection, I really tried to stay out of the site selection process. I had my own views. And I think all of us in the president's office felt very strongly that the university had made a commitment that the next campus ought to be in the Central Valley. As a matter of fact, there were stories that people believed were true, including me, that we had made a commitment to people in the Central Valley back in the 1960s, sort of—

Lage: When the other campuses—

04-00:04:23

Hershman: —at the time I was starting, when we started the other campuses, and that their turn would be next.

Lage: Was that true, do you know?

04-00:04:30

Hershman: Who knows?

Lage: Clark Kerr would've known.

04-00:04:34

Hershman: There were enough people who said that they were promised, but people make all kinds of promises, and that was thirty years earlier, or something like that. At least twenty-five, thirty years earlier. In any event, the regents went through a big, long process here, too. And it didn't finish in the Gardner era, by the way, but it started.

Lage: And it was Gardner's baby, kind of.

04-00:05:00

Hershman: It was Gardner's baby. But when the budget cuts started—and this is my little segue into the Peltason era—people sort of came to a conclusion this was not so realistic, maybe.

Lage: Now, when you say people—

04-00:05:16

Hershman: The regents, chancellors, faculty. People worried, my God, we're going to have to cut the hell out of existing campuses in order to get the money to do this, because the circumstances changed.

Lage: Because things weren't growing.

04-00:05:28

Hershman: And my favorite line, almost, in all my decades is, the beginning of every decade is bad; then things get good; then the end of the decade is bad again; and then it gets good again. And so the middle six or seven years in the decade are the best years. And if you take a look at it, that's sort of what happens.

A lot of the reason has to do with the economy; it goes in cycles. In any event, the economy did us in here. And so here was David Gardner's last year. He had lost his wife. He had a very hard time coping, on a personal basis. And I think the regents understood that. And I think all of the negative publicity was an outrage. This is my own feeling. I have great sympathy for what David

Gardner went through, and what he did for the university in his earlier years. And it was just very hard for him personally. Just imagine losing somebody who you're that close to. And I think all of us believed, those of us who have spouses, they can give you pure unadulterated advice based on what's in your interest, maybe, as opposed to someone else's self-interest. And we all have our own little self-interests in the university, for whatever reason. And so that was a big loss to him. And those of us who knew him and worked with him so closely—we were working with him everyday—could see it. In any event, times were getting bad, budgets were getting cut.

Lage: And all of that must've compounded with it, too, his own personal loss, and then the shift in the economy.

04-00:07:21

Hershman: Oh, yeah. Oh, they did. And George Deukmejian did the very best he could for us while he was still governor. And then Pete Wilson became governor, and he just had a nightmare in his first year. It was just awful. With an enormous budget deficit, half of which he solved with tax increases—they were temporary, though—and half with budget cutting.

Lage: And how sympathetic was he to the university?

04-00:07:53

Hershman: I would say he had a lot of sympathy. He was a graduate of Boalt Law School. On the other hand, there wasn't any money. And their relationships with us were very good, but if you don't have any money, you don't have any money. And as it was, he got into enormous trouble with the Republican party over tax increases, which came back to haunt him later—in my mind, at least—especially when he decided he wanted to run for president of the United States, and here he had increased taxes, which wasn't a very popular Republican thing to do. And they really twisted the arms of Republicans.

Lage: To get them passed.

04-00:08:37

Hershman: Oh, yeah. It was very stressful.

Lage: Now, I can ask Steve Arditti this, too, but would the university get in on that, twisting the arms to get tax increases in order to have more money for the budget?

04-00:08:53

Hershman: Of course. We lobbied to support the governor here, in the legislature. We normally wouldn't get involved in tax increases, and particularly the kind of tax increases. But if we were supporting a governor's budget plan, yes, we would be arguing for whatever the governor was proposing. And this is sort like the situation right now, except here was a Republican governor who

managed to get Republican legislators to vote for tax increases. Now they're having a very hard time. And they've had a hard time since then. And a lot of these tax increases were temporary. But even at that— It was enormously stressful, and stressful within the university.

David Gardner—and I must say, being advised by the chancellors, particularly Chuck Young at this time, but others, too—felt that we needed to consider early retirement programs, as one way of coping with huge cuts which came in those couple years. And we did several early retirement programs, in order to avoid having to make huge layoffs. We did not reduce enrollments dramatically. CSU and community colleges had huge reductions in enrollments. We had very small reductions, maybe a couple thousand students in total, over a several-year period. We actually started to look at pay reductions. David Gardner, that last year, talking about actually cutting people's pay was more than he could stand. I must've talked to him every day about that, and he'd change his mind every day.

Lage: That doesn't sound like David Gardner, to change his mind every day.  
[laughs]

04-00:10:52

Hershman: David Gardner wasn't like that at all. But one, it was the personal issues; and two, trying to cope with the kinds of cuts we were trying to cope with was very traumatic. The early retirement helped a lot.

Lage: And that, I hear, was Ron Brady's idea. Or did he just come up with form of it?

04-00:11:13

Hershman: Well, Ron Brady was in the middle of it, yes, but— I guess I would suggest it was partly his baby, if you will; but partly, there were chancellors who felt very strongly. Chuck Young being number one on the list. Others worried about it, like Chancellor Tien. Particularly the last early retirement. There were several of them that occurred.

Lage: Yeah, three.

04-00:11:40

Hershman: Right. And people worried that some of the best faculty would leave. And of course, if you want to look at the proportion of very terrific faculty, Berkeley had a disproportionate number of them.

Lage: And older.

04-00:11:56

Hershman: And older, and [Berkeley] worried about it more so than other campuses, who were more willing to have older faculty retire and bring in some new ones. So

it virtually became all the chancellors on one side, and Berkeley on the other. Although Tien, later on, acknowledged that this did not hurt Berkeley as much as he was fearful, because there were opportunities to bring people back. And I think the cuts that we made at that time, which were very significant, ranging 15, 20 percent cuts— 20 percent, certainly, in research and administrative and public service; less in the instructional area, because we had fee increases. David Gardner did not like those fee increases. He and I used to— That was another one we debated every day, practically. I wanted to go higher on the fee increases. He didn't like that. He never liked fee increases.

Lage: Did he not like the impression they gave? You give the argument we make up for it by giving—

04-00:13:03

Hershman: Well, yes, that we had good financial aid programs. And they became better. The state went to a guaranteed program, with their Cal Grant program; there was some federal money; we were putting a lot of our own money in. But he was worried about losing middle-income students. And we finally went to changing the way we allocated financial aid so some of it went back to middle-income students to try to help there. And he's the one who started that. And others followed along, including Dick Atkinson. And it sort of made them feel better that the lower-income students and the middle-income students, particularly the needy ones, had financial aid. And it was never popular with the regents; they hated it. But we did it anyway. But it was a struggle every single year. And my worry was, how did we preserve the quality of the university during this time frame? I must say, one, we did our best, obviously. Always did. Two, the Academic Senate was absolutely key. They had become more involved in the budget process, more committed to working together with us. They were always committed to that, but these were bad times, and they put the time and effort into it. And they were like heroes here.

Lage: Now, be specific with me.

04-00:14:38

Hershman: They were worried about *the university*. Particularly as you went into the Peltason era. He needed help. And there was a lot of controversy about, well, maybe we shouldn't cut Berkeley and LA so much. Or maybe we should cut them *more*. There were the defenders of Berkeley and LA saying you've got to protect the best quality and throw the others off the—

Lage: Off the pier. [laughs]

04-00:15:02

Hershman: Off the pier or whatever. And then there were the smaller campus advocates arguing, well, wait a second, they can't afford it as much; they don't have the same kind of resources. They also don't have the same kind of private money

and federal money. And the potential controversy between the campuses was enormous. And even though at chancellors meetings, they all got along—that's not a surprise—when they left the chancellors meetings, people would call us up with their own ideas, and they weren't always so friendly.

Lage: So maybe the chancellors meetings didn't show the level of controversy and conflict.

04-00:15:42

Hershman: They didn't. On the other hand, campuses found ways to express their views. And I think the Academic Senate, in this time frame, with these kinds of problems, I think they became very important to us. At least certainly, to me.

Lage: Were there particular leaders that you could mention that were helpful?

04-00:16:05

Hershman: Well, I remember particularly Elliot Brownlee at that time.

Lage: From Santa Barbara, wasn't he?

04-00:16:12

Hershman: From Santa Barbara. Duncan Mellichamp [Santa Barbara]. Dan Simmons, from Davis. I could probably search my file or something and remember lots. But it was the whole senate leadership. And they were much more interested in *the university*, and supporting Jack Peltason. He needed support. He came in, he was going to retire, and he was persuaded to become president. Times were nastier with the state because of what had happened as David Gardner left, in terms of his retirement package—which I think was justified. I think the state was *not* justified. I think what the regents did was perfectly justified. On the other hand, politicians used it against us.

Lage: Yeah, we'll talk about that more later, when we come back on the—

04-00:17:05

Hershman: We can talk about it if we want to.

Lage: —political problems.

04-00:17:09

Hershman: It was not legislature's best day, if you will. But people pile on. And they behaved much better, the legislature did, in this last round than they did in that one, in some respects. On the other hand, Willie Brown backed up David Gardner. That was good, and important. And I think what the regents did was absolutely right, under those circumstances. Different circumstances, I might've had a different view.

Lage: You mean giving him the benefit of—

04-00:17:38

Hershman: Right, because of what had happened. He would've stayed—

Lage: Right. They gave him an extra year.

04-00:17:43

Hershman: Yeah. Because of just watching him go through what he went through, I think that was absolutely fair. In any event, Peltason came in under very difficult circumstances. He needed all the help he could get. He needed to hold the university together, instead of having campuses off on their own doing their own thing, trying to negotiate their own deals with the state.

Lage: But that was a no-no.

04-00:18:14

Hershman: It was a no-no. But people, when they're desperate, will do sometimes things that are no-nos. We held the place together. And we tried to honor the master plan, when nobody else was. And that's to Chuck Young's credit. Even though I may not have gotten along with Chuck Young on everything he ever did—I probably didn't—he was a statesperson. And he felt very strongly about the university.

Lage: A statesperson?

04-00:18:46

Hershman: A statesman.

Lage: Oh, a statesman, I get it.

04-00:18:48

Hershman: Yes. Very strongly about honoring the master plan and preserving *the university*. Even though he believed in decentralizing more and more. And that was happening, certainly, and it happened a lot more in the Atkinson era. It started even more so because of these budget cuts. So here we were having to cut. We did the early retirement as a way to help do that. We decided to treat everybody proportionally.

Lage: And who's we? Was this a Gardner decision, or Peltason? Or each year?

04-00:19:24

Hershman: Each year, whoever the president was. We did it every year. And I think people finally decided that that was a fair thing to do. We cut more deeply in research and public service programs, tried as best we could to protect instruction as best we could. And we couldn't, but having the early retirements and bringing people back saved a lot of money. Probably Berkeley and LA were better able to do some of this, because they had a lot more older faculty who were retiring. Santa Barbara, probably; Davis had some. But the younger campuses— On the other hand, they didn't get cut as much because



they didn't have the research programs, which were cut more deeply. And they also didn't have as many older faculty. And so they didn't get as much benefit out of the early retirement. In any event, for good, bad or indifferent, everybody bought into this.

Lage: Was Jack Peltason, was he particularly good at dealing with the faculty, do you think?

04-00:20:31

Hershman: He was.

Lage: He had a real feel for faculty.

04-00:20:34

Hershman: He did. And they trusted him. The legislature learned to trust him. He was very much a political science person, interested in politics, trying to regain our credibility in Sacramento. Even though I don't think it should've been diminished, it was with some people at least.

Lage: He had to acknowledge that that was the case.

04-00:20:57

Hershman: It was. People were very angry with the regents over what had happened. And it wasn't just what happened to David Gardner personally, it was having these deferred compensation arrangements for chancellors and others. And so there was a little, more than a little bit of anger there, and anger from the press over what was told to them and when it was told to them, about compensation. This all had to do with compensations. So I think that Peltason was a steady influence. He was credible, people trusted him, and he was able to get us through it. And it wasn't fun for him, I have to tell you. Because he could've retired; he didn't need to do this. He did it sort of as a favor.

Lage: And maybe didn't know how bad it was going to be.

04-00:21:57

Hershman: Oh, I think he pretty—

Lage: Do you think he knew when he took it?

04-00:21:59

Hershman: Oh, yeah, I think he did.

Lage: Wayne Kennedy tells about coming up here.

04-00:22:03

Hershman: Yes, he did.

Lage: And maybe *he* didn't know what he was getting into.

04-00:22:05

Hershman: I helped persuade Peltason to bring Wayne Kennedy up.

Lage: He did make it sound—

04-00:22:13

Hershman: There was a lot of controversy with Ron Brady. He did good things; he also did some things people didn't like. And it wasn't so much the result; they didn't like his style. He was very secretive. And in dealing with the regents, very secretive, and doing some things that maybe the regents understood, who knows? They got into these executive comp discussions, and who in the hell knows what was said? Because we were all booted out, none of us got to be there. Peltason brought Walter Massey in.

Lage: And he put you under Walter Massey.

04-00:22:53

Hershman: He put us under Walter Massey.

Lage: That was a big switch.

04-00:22:55

Hershman: It was a big switch. Bill Baker was very upset about that. Although Bill Baker never liked the details of the budget anyway, so he wasn't really into the details. But it really—

Lage: Cut his office—

04-00:23:07

Hershman: It hurt him personally. And he was already having serious problems with Ron Brady at the time, and with David Gardner. And Peltason just, he didn't want to put up with any of that stuff, and so he said, "Well, I'm going to bring in a—" Now, he envisioned that Walter Massey was going to become president, that he was only going to stay for a couple of years and then Massey would become president. And he, Peltason, wanted to be involved in all of the decision making that we did in Sacramento. He was very interested in politics, and happy to testify and happy— He spent a lot of time up there meeting with the legislators with us, and staff people.

On the other hand, he didn't want to deal with the internal allocation stuff, and you had Walter Massey doing that. And I would insist that he look at what we were doing. And he did, reluctantly.

Lage: Is it just because he wasn't a budget guy?

04-00:24:06

Hershman: No, he didn't want to spend his time doing that. He didn't want to get into all the controversies of fighting with campuses about budget allocations. He let the rest of us do that, including Walter.

Lage: Now, Walter was new to the system.

04-00:24:17

Hershman: He was.

Lage: Wasn't that kind of difficult?

04-00:24:20

Hershman: Oh, he was really good. But yeah, there's always a lot of explaining to do with somebody new.

Lage: To understand this history of allocating the budget to all the campuses.

04-00:24:32

Hershman: Oh, I know. But there wasn't a lot of money then; it was just a way to deal with cuts, mostly. It wasn't as though we were doing a lot of innovative things. And salaries, there weren't any salary increases for a couple years. Matter of fact, we had a salary reduction.

Lage: But how did it change your office, to be put under the academic vice president?

04-00:24:51

Hershman: It didn't change it much. It was just the personality issue. We were used to David Gardner, who wanted to spend a lot of time on everything.

Lage: On the budget.

04-00:25:04

Hershman: And so Bill and I spent *huge* amounts of time with him, in great detail. Peltason didn't want to do that. And so it was a different—

Lage: So Massey was sort of a substitute for Gardner?

04-00:25:18

Hershman: Except that the time was such that there wasn't any money.

Lage: [laughs] I see.

04-00:25:23

Hershman: It was a way of dealing with budget cuts. And so if the decision was we were going to proportionally cut campuses, there wasn't a lot— You could argue about, well, we wanted to put a regents budget together asking for a lot of money, but there wasn't going to be a lot of money anyway. And so to some

extent, that was a waste of time. The Department of Finance attitude was, don't even send us a budget request; we're not going to look at it. So yeah, we did spend some time that was wasted like that. But when it came to dealing with campuses, most of it was just proportional cutting. We did, as I say, cut research and public service and administration more. For all kinds of reasons, including political ones. And Peltason wanted to downsize the president's office. And so there were much deeper cuts in the president's office. Massey became disenchanted.

Lage: With?

04-00:26:17

Hershman:

With the regents, because of affirmative action. As the regents got more and more into the affirmative action issues, and SP1 and SP2, Massey was more and more disenchanted. And it was clear he wasn't going to be the next president. Or at least he didn't think so. Or maybe he didn't even want to be. But I remember sitting in regents meetings with him and he was *very* unhappy over the regents' behavior on that set of issues. Leading up to SP1 and 2, he was very unhappy. And you could see he wasn't going to stay. And Peltason, he wanted to retire. He was much older. And matter of fact, I had been sent on a mission to talk to him back when Gardner was president, maybe he'd be willing to go to Washington to establish this new program in Washington, our Washington center. But Peltason, he wasn't thinking about being president. As I say, he did this because of the circumstances at the time and the conflict among the regents about who to put in, and they wanted to have an interim person.

And here's another one of my very favorite stories, [Lage laughs] which I've shared. Toward the end of the Peltason era—and we can talk some about Peltason and his efforts on SP1 and 2 and affirmative action—but the budget situation had become more and more desperate for the state, and things looked really bad. Things did turn around eventually, but at the height of the problem, if you would, the Department of Finance put out a projection that because of all these mandatory programs—Proposition 98 had passed, K-12 was a mandate, there were all the social service programs that were federal mandates, including health programs—and that discretionary programs like UC and CSU were going to have no state money by the year 2000. Zero.

Lage: That was their projection?

04-00:28:24

Hershman:

That was their projection. They were going to get wiped out. We were going to have to become a private university.

Lage: Now, that was a Department of Finance projection?

04-00:28:32

Hershman: Department of Finance, yes. This was just toward the end of the Peltason era. Pete Wilson and his director of finance at the time, Russ Gould, who's now a regent— Russ was an old friend. I knew him when he was an analyst in the Department of Finance, a lowly little analyst. And he worked on our salary budgets at the time. Russ was a UC alum, by the way, very close to both UC and CSU, and very upset about the way the future looked. And Russ offered us a compact. So this was the famous Pete Wilson compact.

Lage: And he actually put it forth?

04-00:29:16

Hershman: Yes, he did.

Lage: You didn't have to go and—

04-00:29:17

Hershman: He did put it forth. He put the idea forth, and those of us who had been working on this had worked on the Deukmejian deal. That was never in writing quite the same way, but everybody in finance knew about it. But he offered us up a compact, and said—Maybe it was the last of the Peltason years, or I think there might've been one other one past that. This was in November, when we were working on the governor's budget. He said, "I'm willing to put this in the governor's budget." And as a guarantee, he wanted to go to the minimum. Very small enrollment growth, 10 percent fee increases, start out with a small amount of state-guaranteed money for salaries, a couple percent, and then build up over time.

Lage: The increase.

04-00:30:17

Hershman: The increase. The percentage increase would get bigger.

Lage: But can you put in one year's budget, a guarantee of the next year's?

04-00:30:24

Hershman: No. It was just the governor's intent. This was a handshake. All these compacts have been—

Lage: Oh, it wasn't written, then.

04-00:30:31

Hershman: Well, no, it was written, but it was still a handshake; he couldn't guarantee it.

Lage: No, he can't.

04-00:30:35

Hershman: And he offered it up in the governor's budget. And so Jack Peltason, he did his very best at the end there, with Russ. We had been working with Russ on this, Bill and I and the staff. And wrote this thing up in the governor's budget, and Peltason tried to get it to be a little bit better, a last-ditch effort. And no, that's all they would guarantee. It did turn out to be better because the economy turned and there was more money. The state bought out fee increases every single year. We never had a fee increase. Before that, we had had big fee increases. So it turned out all for the best, partly because the economy picked up, too. But Peltason, at that time, just sort of felt like, hey, I've turned this place around. Things are going to get better. It's time to retire.

Lage: And that was after just three years.

04-00:31:33

Hershman: So he announced that he was going to retire. And so it really helped him. I felt good about that. I felt like, well, gee, we had helped him personally, because he—

Lage: [laughs] He'd had it.

04-00:31:45

Hershman: He had had it. He had gone through hell, both on the budget and on affirmative action. And on the siting of the Merced campus, that was the—

Lage: Well, we didn't get back to that story, really.

04-00:31:57

Hershman: Yes. Well, and I'm going to get back to that. And so there was a chancellors committee with Wayne Kennedy and Chuck Young, and I'm trying to remember which chancellor was on it at the time. But in any event, that committee wanted the campus in Fresno.

Lage: But you never told how it got from three [campuses] to one.

04-00:32:20

Hershman: Well, the idea was, we'll start with one. It hadn't gone from three to one. We'll start with one, and then the thought was, we'd add the others, which we eventually gave up. Because during these bad times, it was clear we'd be lucky to even have one. So all the effort was on one. Although there were people who still thought we might have more, which never happened. But at this point, hey, we were desperate for survival. But there were legislators who were interested in having a campus. And Cruz Bustamante became Speaker of the Assembly. And he very much wanted— Now, this is the Atkinson era. But as we phased into it, before we actually made this deal with Bustamante, the regents decided on what the site would be.

Lage: On Merced.

04-00:33:22

Hershman: They decided on Merced, rather than Fresno. Because we had already decided the first one was going to be in the Central Valley.

Lage: Now, you said you didn't get into that decision.

04-00:33:31

Hershman: I didn't get into it too much, except sort of—

Lage: Did you have a feeling about it? People felt very strongly about that decision.

04-00:33:36

Hershman: People felt very— Well, most all of us felt strongly it ought to be in the Central Valley because of access. The Central Valley was the most underserved part of the state. And so we all felt like that. And I don't think there was a lot of disagreement in the president's office. But most of us wanted the campus to be in Fresno. And as I said, I didn't get in the middle of it, although my own staff was in the middle of it. But it's not as though I didn't have some influence.

Lage: Now, how would you exercise influence?

04-00:34:11

Hershman: Oh, because they were all my friends that were involved, so I knew everybody. [Lage laughs] But most of us—not everybody, including people who worked for me, like Trudy Heinecke, she wanted the campus in Merced. She liked the Merced site. And I think Wayne actually did. But the chancellors and Peltason and most of us—Bill Baker included, and I think Ron Brady included, and me—most of the people felt like the campus should be in Fresno, because that's where the population center was. Now, even though there was a CSU campus there, we very much thought that that was the right place. But they screwed up. The people in Fresno had three different possible sites. They couldn't agree on one, they couldn't guarantee the land, they couldn't guarantee the water. They spend too much time fighting among themselves, and here's Merced with one site and *free* land. Oh, the regents love free land. [Lage laughs] And the regents went against the president. There are only a very few times in my whole history where the regents went against the president. Affirmative action was one—

Lage: Divestment.

04-00:35:18

Hershman: —the South African divestment, and this one, where they actually voted against the president's recommendation. So Jack Peltason, he got blamed by some. I think he did the right thing. But I must say, from watching the

presentations the day the regents voted, it was already set that Merced was going to win this thing. But Peltason wouldn't change his recommendation. To his credit, in my mind. And even if it had meant waiting. Hey, we weren't going to start the campus anyway, because there wasn't any money. On the other hand, it had to get through this process, and so they decided to pick a site.

But with times getting a little better then, and enrollments— Part of the deal we made was very small enrollment growth, we were going to have for a couple years. That was part of this first compact. Well, it turned out that enrollments were booming. And the state eventually funded them all and bought out the fees every single year. And so this compact turned out to be like magic; it was a real winner. And it established a relationship here that was important.

Lage: With Wilson.

04-00:36:29

Hershman: With Wilson.

Lage: And his staff.

04-00:36:31

Hershman: On the other hand, when Atkinson became president there were some other problems, still in the affirmative action issue. We can talk about that, in terms of that transition. But at least from a budget point of view, things were starting to get better. The state had enough money to buy out the fee increases, give us state money instead; they had enough money to fully fund the enrollment, rather than a modest increase; and they started to have more money to give bigger salary increases.

Lage: When you say you promised to keep enrollments low, but then—

04-00:37:06

Hershman: No, no, no, no, no. They promised to fund something. We weren't growing *at all*, remember.

Lage: So they promised to fund a certain level of growth.

04-00:37:14

Hershman: I think it was like 1500 students or something. It was a small growth.

Lage: But then does the president's office not say to the campuses, okay, here's all we can grow?

04-00:37:22

Hershman: Yes. Oh, yeah.



Lage: But how did it happen that it grew so fast?

04-00:37:25

Hershman: Well, you can't control these things perfectly. And campuses started to feel better and times were getting better. There was more money for salaries, et cetera, et cetera, and they were taking more students. And the state eventually came in and totally funded all of the enrollments. But we couldn't keep up fast enough. This was during this transition from Peltason to Atkinson, and the enrollments were booming, and we were really heading into Tidal Wave II. We knew unless we took some policy action, there was going to be huge growth. And we eventually made projections out to 2010, a 5,000 student a year growth. And we hit that. If anything, we're over that, even today. And so all of that growth occurred. Those were the best projections we ever made, in terms of enrollments.

Lage: Did your office get involved with these projections?

04-00:38:17

Hershman: Oh, sure. Oh, yeah.

Lage: Well, which was the office that did the projections?

04-00:38:21

Hershman: Sandy Smith, who worked for the provost, and me, the two of us, but working with the campuses. So every time we did that, campuses were asked to make their own projections. And they weren't high enough because we were looking at overall demand. And so we had to go back and make Berkeley and LA, particularly, we had to make them grow, 4,000 students each. They didn't want it.

Lage: No wonder it's so crowded.

04-00:38:45

Hershman: Yes. They didn't want to do that, but we made them. We weren't popular over that one. And that led to year-round operations. We felt that we could accomplish that by getting funding for summer and having more students in the summer. That was a Dick Atkinson initiative. A lot of political people, CPEC [California Postsecondary Education Commission] people and others, questioned whether we were going to be able to accommodate all this enrollment growth, just the demographics of all these kids graduating from high school. And I'm very proud of the fact that we were able to do that. We got these buildings built, we got resources, we changed the funding formulas, modified them, made them better. It was the same concept, but we got maintenance built in during the Dynes era. There were a lot of good things that happened.

Lage: So you kept the master plan percentages?

04-00:39:44

Hershman: Yes. Yeah. And the campuses all did their share. They all worked hard at it, and deserve a lot of credit. Got buildings built and got faculty hired. Even if they had to hire temporaries, they did.

So in any event, back to this transition here, Peltason was leaving, and the regents made a decision to hire Dick Atkinson. Some of us tried to influence that process to do this. And Chuck Young, to his credit—

Lage: Now, be more specific.

04-00:40:22

Hershman: Well, the regents wanted to hire an outsider. And they did actually offer the job to the president of Ohio State.

Lage: Was that the Gordon Gee time-around?

04-00:40:33

Hershman: Yes, yeah. And he turned it down. In any event, Chuck Young tried to mobilize all of us who could have some influence with regents, to try to get Dick Atkinson, because it was between—you know, he and Atkinson were the competitors here.

Lage: And earlier, he'd been a competitor with Peltason.

04-00:40:51

Hershman: Oh, yeah.

Lage: Or he thought of it that way.

04-00:40:53

Hershman: Well, he did, but because of— And I don't want to get into this; it's nasty politics here. But he wasn't going to get the job.

Lage: And what about the time with Atkinson?

04-00:41:05

Hershman: He wasn't going to get the job.

Lage: So he threw his weight—

04-00:41:07

Hershman: There were some things that had happened that he— Not within the university. Well, I don't even want to talk about it.

Lage: Yeah. Personal.

04-00:41:15

Hershman: It's personal. Not with me, but personal between him and governor.

Lage: Oh, I see.

04-00:41:24

Hershman: In any event, Atkinson got the job just as things were getting better, so he came in—

Lage: Now, say again how some of you intervened to help this along.

04-00:41:35

Hershman: Helping Chuck Young. Chuck Young sort of mobilized an effort with the regents to get Atkinson appointed, when the Gordon Gee thing fell through.

Lage: As staff members, you also would've gone to the regents and—

04-00:41:47

Hershman: Oh, we all knew them, those of us who worked with the regents— Yes. I was at every regents— I knew all these people from the budget.

Lage: Yeah, yeah. So you'd have independent conversations. I'm just trying to get a feel.

04-00:41:59

Hershman: Yeah. And he wanted to be able to persuade the regents that we were supporting this. So Chuck, I think he actually really led that effort.

Lage: And that's why you called him a statesperson.

04-00:42:12

Hershman: That, and some other reasons. Holding the university together, honoring the master plan. Yes. As I say, I didn't always agree with him about everything, but when push came to shove in critical times, he really came through.

Lage: Now, why Atkinson? Why did the support coalesce around—

04-00:42:34

Hershman: Well, I think that was Chuck who sort of felt like that was the main other person that might've gotten it. The internal candidate.

Lage: Did you feel strongly there should be internal candidate?

04-00:42:45

Hershman: Yes.

Lage: Why?

04-00:42:50

Hershman: I did. The regents have always wanted to hire external people. Change things. We need to bring in fresh blood, et cetera. I think given everything we had been through, and where we were right at that time, and the struggles over the

affirmative action issue and the budget—those were some of the toughest struggles—that we really needed to have somebody who knew the university and had credibility with the faculty, et cetera.

Now, I knew Dick. And I didn't always agree with him, by the way. Even when he was president, I didn't always agree with him. But I thought he was the best person, with the best chance of making this work. And my main disagreement with him—and I was just as much of an advocate, almost, as he was, on the overhead issue—my main disagreement was I was very worried, as I said earlier, I was very worried about how we could get the discretionary money to help the smaller campuses. Still am worried about it.

Lage: Was that your main disagreement with having him be president?

04-00:43:57

Hershman: Oh, no, no, no, no, I wanted him to be president. I was right in there with everybody else. But I knew where he was on the overhead issue. And those were my leanings, too, by the way, coming out of San Francisco. San Francisco benefited even more than San Diego here. I had the same desire during my whole time in the university, to try to accomplish what he was trying to accomplish, but I didn't want to go that far, maybe, quite. Or maybe that fast. And I did get him to agree to phasing to help these campuses, get three or four years of phasing effort here, because I was so worried about how those campuses develop. Still am. In Santa Cruz and Riverside, maybe they should be different. Nothing says they all have to be the same. But can they be like Irvine, let's say? Forget about Berkeley or LA. Or like Santa Barbara.

Lage: Well, Irvine seems to have gone more in the direction of San Diego.

04-00:45:01

Hershman: Mm-hm. They have. Santa Barbara, the big difference is Santa Barbara's put all their effort into academic programs. Forget professional schools. And that's helped them a lot, so they could focus their resources. And of course, that's what Santa Cruz has done. Now, they did start an engineering school, but Santa Barbara has one. I would argue that's an academic program, more than a professional school. But Riverside, on the other hand, is into trying to develop professional schools, which are very costly. They don't have the resources to do a good job with what they're already doing, you might argue. So in any event, I was trying to be fair, and worrying about all the campuses. I've always worried about how these little campuses were going to develop. On the other hand, Dick Atkinson— And so times were good during the—

Lage: He got the good era.

04-00:46:05

Hershman: He got the good era, except on the affirmative action issue. The budget was great. As I say, fees were being bought out, there was lots of money toward

the end of the Pete Wilson era. So here we were getting ready to start the campus in Merced, or at least thinking about being serious here. And Cruz Bustamante was the speaker, and we worked with him, as I mentioned earlier. He actually sponsored legislation twice, to try to guarantee the university money for not only the new campus, but for the existing campuses. The extension of the compact, if you would.

Lage: And what was—

04-00:46:47

Hershman: In legislation. Now, would it have meant anything more than just the compact? Yeah, it would've been in legislation. On the other hand, the legislature can overturn these things; they do it all the time. But it would've given us more support. And this is what we wanted from the legislature in exchange for Merced. Cruz Bustamante actually offered us the opportunity to get something in exchange for actually getting going with Merced.

Lage: Now, when you say in exchange for Merced—

04-00:47:17

Hershman: As a deal. A deal.

Lage: —it's like the university is not really that keen—

04-00:47:20

Hershman: Well, he accused us of not being as keen. And what we were saying is, hey, lookit, we want to make sure that we can get support for the existing campuses and their growth, as well as Merced. And he said, "Well, what do you really want here?" I don't know how he would tell the story, this is how— He met with Dick Atkinson, and Steve Arditti was there, and I can't remember who else, but I was there. And I went back and decided to recommend to Atkinson what we really wanted was an extension of the compact in legislation, and a guarantee about fully funding enrollment, as well as salaries, and that we would write this compact in legislation.

Lage: And did that happen?

04-00:48:04

Hershman: It did happen, twice. And the governor vetoed it twice, Pete Wilson.

Lage: [laughs] Oh, he vetoed it, even though it sort of endorsed his own—

04-00:48:10

Hershman: Well, because he said it should be between the governor and the university. The legislature, they can do whatever they want to, but he didn't want it in legislation. And the legislature offered it again, by the way, to Gray Davis.

They were willing to do it a third time. This was Denise Ducheny, and Gray Davis didn't want it either.

Lage: So that became kind of a power struggle between the governor— [laughs]

04-00:48:31

Hershman: Yeah. Well, it was viewed by governors that this was a deal with the governors. And we developed this partnership agreement with Gray Davis; we'll come to that. Same kind of thing. And Cruz Bustamante's principles were the same kind of principles. Bring these student fees into the equation, but guaranteeing enough money for growth for all the campuses, not just Merced. In any event, with that guarantee, Atkinson agreed to this thing and so we worked on this legislation, together with Cruz and his staff. And as I say, he got the legislature to pass it twice. And probably could've a third time. In any event, with that understanding, Atkinson was ready to move ahead. And we did. And so we started planning the campus, et cetera, and it evolved into— And we can talk some more about that. But I think that was one of the accomplishments in that era, was that we actually moved ahead. On the other hand, the existing campuses were back to booming again, so we had gone through an era where there was no growth, there was actually a small reduction in enrollment, and now we were back to booming again.

Lage: Let me ask you about Cruz Bustamante. Why was he a good friend of the campuses? Was it just that he wanted Merced?

04-00:50:01

Hershman: He wanted Merced.

Lage: That was the main thing.

04-00:50:02

Hershman: Oh, yeah. Yeah. [Lage laughs] That was my view. And that was okay. People say, "Well, you guys made deals." Well, of course you make deals. That's what the political process is about.

Lage: But he also got the whole legislature to vote for it.

04-00:50:18

Hershman: Yes.

Lage: Or the majority.

04-00:50:20

Hershman: And he worked very hard in the senate. There was not a great love for doing this in the senate. And there was an *enormous* struggle in the senate to ever get the money for Merced. John Burton was violently against it.

Lage: So they really weren't that big on this.

04-00:50:35

Hershman: *Who!* [Lage laughs] No, it was worse than that. John Burton said it was the biggest mistake ever made. And John Vasconcellos— the power structure in the senate was against it. Now, it's also true that Merced was a Republican district in the senate, and it was in a Democratic district in the assembly. That was some difference. But the John Burton—

Lage: Did you think if it had been Fresno, would they have liked it better—

04-00:51:07

Hershman: No.

Lage: —or they didn't want the extra campus?

04-00:51:08

Hershman: They didn't want another campus. Their view was that it was going to be expensive, just take those students at the existing campuses.

Lage: All very interesting.

04-00:51:21

Hershman: And if you look at the main argument for a campus in the valley, if you look at students who graduate from high school, Merced—excuse me, the whole valley region—is about half of the rate of students going to UC as the rest of the state.

Lage: Because of the type of student who lives there? Or because they didn't have a campus?

04-00:51:47

Hershman: Both.

Lage: But if I lived in the valley, I'd want to get out of it.

04-00:51:52

Hershman: And many students do. My wife has a whole slew of friends from the valley who were in her sorority at Berkeley.

Lage: They all want to get to the coast.

04-00:52:01

Hershman: Yes. And many of them want to go to Berkeley, frankly. Certainly, from the northern valley. In the southern valley, they want to go to UCLA. On the other hand, there are a lot of students who couldn't afford to leave the valley. There are a lot poorer families, and they just couldn't afford it.

Lage: Of course, there's not a population base around Merced.

04-00:52:25

Hershman: There was not. And that was one of the concerns we—

Lage: So you have to live on campus.

04-00:52:28

Hershman: That was one of the concerns— [his wife enters] Hi. My wife just walked in.

Beverly: Still going, eh?

04-00:52:33

Hershman: Yes.

Lage: We're almost done now. [Beverly laughs]

04-00:52:36

Hershman: So that was one of the main concerns about having the campus at Merced, that the population base was in Fresno and a lot of lower-income people, and how were we going to get enough students? And that's still a worry.

Lage: It's probably cheaper to live there than it is in the cities.

04-00:52:55

Hershman: Well, but if you'd had a campus closer to Fresno, you'd have had people commute. And here in Merced, that really isn't doable from Fresno; it's too far away. So you'd either have more students living there— That means moving away from home.

Lage: Which is not a bad thing, if you can afford it.

04-00:53:13

Hershman: It's not a bad thing for the students, but a lot of the parents don't like that so much. In any event, some of the same struggle's going on right now, because the growth in enrollment [at Merced], while it pretty much matches what we did in Irvine, say, or Santa Cruz, it's not what we had hoped for. We even wanted faster enrollment growth; because of this Tidal Wave II period, we could've had more students more quickly. But they weren't able to get them. They're taking everybody they can possibly get, believe me. I think they became convinced that they needed to have this.

Now, Carol Tomlinson-Keasey, at that point, was working for Jud King; she was in the president's office. She was assigned the responsibility for planning the campus. She became the first chancellor. And so we worked with her very much, in terms of the resource needs and how to get this thing moving quickly. So we were a team. And Carol deserves enormous credit. The politics of getting that campus going were incredible, even though the local



community supported it. We had terrible problems, as I said, in the state senate, where they didn't want to give us the money. Jack O'Connell was the hero on that one. When he chaired our budget subcommittee, he forced it through. But it didn't look like we were going to get the money from the state, in spite of the assembly's support.

Lage: After all the effort.

04-00:54:42

Hershman: Oh, yeah. They were violently against it. John Burton was the Democratic leader in the senate; and John Vasconcellos, as powerful as he was chairing the education committee at the time— So if it weren't for Jack O'Connell, I'm not sure we would've been able to get it through. And then of course, we've had all kinds of problems at the federal level over the site and—

Lage: The fairy shrimp.

04-00:55:04

Hershman: Oh, the fairy shrimp and getting approval for all of that, yes. On the other hand, that all finally happened and it's moving along, and doing, I'd say, pretty well. They've hired a lot of faculty and it's doing pretty well. But still, I think there are plenty of people who thought if we had put it in Fresno, we'd have done even better. So who knows?

But the other main thing in this transition to Atkinson was what had happened on affirmative action. So Jack Peltason tried his hardest—

Lage: I think we should leave affirmative action for next time.

04-00:55:44

Hershman: I'm only going to say one little thing—

Lage: Okay, good.

04-00:55:45

Hershman: —and then we will leave it. But it is really important, in terms of the politics of what happened with Pete Wilson, that Atkinson, based on his consultation, believed we couldn't get a change in policy as fast as what the regents and Pete Wilson wanted here, in terms of the SP1 and SP2.

Lage: A change in the way we dealt with—

04-00:56:13

Hershman: The students.

Lage: —admissions.

04-00:56:14

Hershman: Yes, and admissions. And Pete Wilson was not happy about that. You probably know that.

Lage: I'm kind of remembering.

04-00:56:22

Hershman: Yes, well, this was very controversial. We were very worried about Pete Wilson's views at the time. Things finally worked out, but it overwhelmed Atkinson, right at the beginning of his administration. On the other hand, the budget situation kept getting better and better and better. And as I indicated, enrollments were growing faster, budgets were getting better, fees were being bought out. And times were getting even better at the end of the Wilson term, even though he wouldn't sign these bills on what was called a partnership. Gray Davis came in as governor. And we can talk then about the Gray Davis era and Dick Atkinson, and Gray Davis' effort to help the university here, both in keeping fees down and giving a lot of budget support. More enrollment growth, a new partnership agreement, et cetera, et cetera.

Lage: More good times.

04-00:57:28

Hershman: More good times.

Lage: Okay, I think that's enough for today. And we're going to have to go back and circle around again on some of these things, don't you think?

04-00:57:36

Hershman: Yeah. But I think it's important, in terms of the flow of some of these policy issues, because they go all the way through this.

Lage: We probably won't transcribe this, but just to record it so I'll know where we are, do you want to go on and talk about the Gray Davis years, and then come back to the political issues?

04-00:57:57

Hershman: Yeah, I think so.

Lage: Because I'd like to get more on a lot of these different political issues. Affirmative action being a big one, which we kind of glossed over.

04-00:58:04

Hershman: Yeah, it's a very big one. The whole issue of admissions all the way through.

Lage: Yeah, right. Earlier.

04-00:58:09

Hershman: The biggest single political issue we have is admissions. And it's not just—

Lage: But if we can go back and—

04-00:58:15

Hershman: And I wouldn't just label it affirmative action, I would label it admissions.

Lage: Right. Because it started before anyone thought of the SP1 and 2.

04-00:58:22

Hershman: Oh, oh, oh, well. Oh, yes. As I mentioned, my little Saxon anecdote about the assembly versus the senate in that hearing. There's no issue even remotely close, in terms of controversy, as admissions. So that deserves its own special attention. But yeah, I think I want to talk some about the partnership agreement with Gray Davis, and all this money, and this huge buildup in research, and in capital outlay and everything else. All this federal money for health—

Lage: And then do we want to go into the Dynes period before we go back and do the controversy?

04-00:58:59

Hershman: Yeah, I think maybe so, because I think we ought to talk about admissions over this whole period. I think there's at least a couple of issues. One, the executive compensation issue, which heavily dealt with what happened—

Lage: It comes back again.

04-00:59:12

Hershman: It comes back again. And admissions, which has never ended.

Lage: And then things like apartheid.

04-00:59:21

Hershman: That's a special issue.

Lage: It's just the one time.

04-00:59:23

Hershman: It's just a one time thing. And we can do that in a couple minutes. It was a special, unique kind of thing, and it became even more special and unique, because of George Deukmejian. So David Gardner, who was not used to losing, *never* lost, he lost that one. But he never backed down, either. He personally believed it was the wrong thing to do, and he never backed down, even though he knew he was going to lose. But just like Peltason knew he was going to lose [on affirmative action], and he did what he thought was right.

Lage: But it seems to me Peltason may have had more support from the university community for his point of view.

04-00:60:06

Hershman: He did.

Lage: I'm talking about affirmative action. That Gardner probably—

04-00:60:08

Hershman: Yes. He had a lot of organized support. Organized support among the chancellors, the vice presidents, et cetera. Among the faculty, there are people who claim that there were sort of informal votes out there, where they were split. They were very much divided.

Lage: That's interesting.

04-00:60:32

Hershman: But one of the reasons that David Gardner did so well with Willie Brown—there's just no doubt about it—was the opening of the doors. And he wanted more students and created— Well, it requires a whole big discussion.

Lage: Yeah, yeah. We don't want to cut it short.

04-00:60:52

Hershman: Including leading up to the John Moores controversy over defining eligibility. There's a lot of nastiness.

Lage: Okay. Which takes us into the Dynes era, right? Or pre-Dynes?

04-00:61:06

Hershman: Oh, Atkinson and Dynes, all of them. How we defined eligibility. Your little notes about admissions, you need to talk about eligibility.

Lage: [laughs] Okay. I'm going to shut this off now.

[End of Interview]

Interview #3: June 18, 2008

Begin Audio File 5 06-18-2008.mp3

Lage: All right, we're starting to record here. And today is June 18, 2008, and we're continuing the interview with Larry Hershman for the UCOP series. Larry, last time we were kind of going through each president, and we talked in some detail about the changes in how the budget was made up and the budget formulas. And I realized when I looked at the transcript I didn't really fully understand it. You said it made it simple, but it's still a little hard to get. So I would like more about that, and also more about that process of developing the budget formulas—who was involved, what kind of—

05-00:00:51

Hershman: Okay, so well, I think talking about the Atkinson presidency and how things evolved, both in Sacramento and then within the university, in terms of these formulas, I think might be helpful. And I'll apologize; anybody who's listening to this, I have a cold and so my voice may not sound so great. And basically, where I want to start with the Atkinson presidency is— Pete Wilson was governor when Atkinson came in as president. And we had had a compact. I think I talked about that the last time, when Jack Peltason was president. And the early years of the Atkinson presidency, when Pete Wilson was governor, most of what we did in the budget really related to that compact. And the fact that the state actually had more money than they had anticipated. Things were getting better. We were coming out of this enormous recession, the worst recession since the Great Depression. And the state was not only able to honor the compact, but buy out what had been student fee increases; that was good. And things were even looking better. We had been working on trying to get Pete Wilson to agree to a long-term funding deal that the legislature had approved. I mentioned that, this partnership bill that Cruz Bustamante carried for us.

Lage: Where the legislature would also make a compact, in a sense.

05-00:02:20

Hershman: They would. It would be in law. And Pete Wilson didn't want that. And as I mentioned the last time, Gray Davis didn't want do to that either, as he became governor. On the other hand, right from the beginning of the Davis administration, they wanted to make their own deal with us. And so Gray Davis appointed a group to work with us. And so basically, he had his education secretary, Gary Hart, and his director of finance, and their staffs working with us. But the people who had the most influence in this process, in my opinion, was Betty Yee, who was the chief deputy director in the Department of Finance, and their regular education staff people.

Lage: Now, was Betty Yee a civil servant?

05-00:03:13

Hershman: She was. As chief deputy director, she was a political appointee. But one who had been around Sacramento; she had worked for the legislature. She's now on the State Board of Equalization. Betty, a really smart person. And she was, I would say, the dominant person, from their point of view, in working out this deal. We spent months working on this, by the way.

Lage: Had you worked with her in the past, in other capacities, in her other capacities?

05-00:03:44

Hershman: Not much, no, but we got along really well. She's a terrific person, I must say. And all of those years right up until the end, when she left the Davis administration to go work for the—I think at that time, maybe went to work for the Board of Equalization, and eventually was made permanent, if you would, in terms of being approved by the voters to be a member of the board. She was very knowledgeable and had a good staff, a regular staff in the Department of Finance. These are people who really understood the university. Kathy Gaither was the program manager at the time, and so the most influential staff person. That's not a political appointee, that's civil service. But Betty was a political appointee. In any event, so—

Lage: So what were you working on with her?

05-00:04:42

Hershman: From our point of view, it was really me and my own staff. And Steve Arditti sometimes would come in to the meetings. But it was mostly staff to staff. It was mostly between Betty and me, and then with staffs advising us.

Lage: And this is to work on the formula or the compact?

05-00:04:59

Hershman: We'd work on formulas and we'd work on accountability. We spent a very long time working on accountability measures. And so if you look at that partnership agreement, it goes on for pages and pages and pages.

Lage: I actually did look at it yesterday, printed it out.

05-00:05:12

Hershman: And so there's a lot of accountability.

Lage: Was that the first time there'd been accountability?

05-00:05:18

Hershman: There was a little bit in the Pete Wilson one. A little bit, but not nearly as detailed as this. And so they had a lot of things that they wanted—some agreements about enrollments, some agreements about workload measures and things like that, and funding formulas that we had been working on.

Lage: Time to graduation.

05-00:05:40

Hershman: Time to graduation, they cared a *lot* about that. But Pete Wilson did, too. And so some of it with the Wilson administration wasn't even written down; it was just sort of understandings. Because most of the things that people care about, Republican or Democrat, they're the same kinds of things. They want to improve the transfer function; they want to improve time-to-degree; they want us to take qualified students.

Lage: Were there things you had to go back and consult with the Academic Senate or—

05-00:06:09

Hershman: We did talk a lot amongst ourselves—

Lage: Your staff?

05-00:06:15

Hershman: No, with Dick Atkinson, with Jud King and his staff. It was a back and forth kind of thing. So they'd make some proposals; we'd come back and talk amongst ourselves. And where we needed to consult with the chancellors, we did, and the faculty; and go back to them, and they'd have their ideas. But it was a negotiations. Negotiations are negotiations. It's not as though somebody just gets everything they want. On the basic funding formulas, which had to be similar for CSU, because just as Pete Wilson did, they were going to treat CSU in a similar way— Deukmejian did not. But Pete Wilson did. And from then on it was sort of similar, with the starting point being different. But if you look at the increment, it was going to be done in the same kind of way. Not the same numbers, but the same kind of way.

Lage: So were CSU staff also involved in all this?

05-00:07:10

Hershman: CSU had their series of meetings, we had our series of meetings. I was very close to the CSU people. Richard West, who was the main CSU person, Richard had worked at UC for a long time and we're good friends and still are. And so we worked cooperatively. We insisted on a funding arrangement that we felt would work for us, which mostly related to—now, these were minimums, from our point of view—mostly related to the following kinds of issues: Getting a cost-of-living increase that was going to allow our faculty and staff salaries to be adequate, to meet the market. So that was certainly a high priority. Two, to have an agreement, recognizing that we already had, on how we would get additional dollars for student growth. And what had been happening is that when we did the Wilson compact, the thought was we'd only have 1 percent a year enrollment growth. Well, enrollments were already starting to grow much faster than that, and we knew Tidal Wave II was

coming. And so we wanted a much stronger enrollment growth, and we wanted to make sure we had adequate funds for that. So adequate faculty positions, and faculty salaries that went with that, and support money, et cetera. I would say the one weakness in the formula, which was a dollar-per-student formula— And we had been working with both the legislative analyst and the Department of Finance on how to do this, and have had this continual discussion—

Lage: Building in maintenance, libraries, administration?

05-00:08:49

Hershman: Well, we were building in everything; we didn't build in maintenance. And that was the one problem with that formula. We changed it later on, in the Dynes era. But we had thought they would fund maintenance separately. But it never did happen. Right? And so that was a problem, in terms of the new space. Because our thought was as we added buildings, we would add money for maintenance of those buildings. But that turned out to be, in many respects, the main problem with the formula. On the other hand, it was a much better formula, these were much better formulas than we had had historically, going all the way back for decades.

Lage: Is there a base amount? And then these formulas, are they additional amounts?

05-00:09:28

Hershman: Yes. Yes, right. The formulas are for additional students. So what you have in the base, you already have.

Lage: And the same with the campuses, allocation to campuses?

05-00:09:38

Hershman: And that's the way we dealt with campuses.

Lage: They have their base.

05-00:09:40

Hershman: They have their base, and the formula's for more students. So if you don't have any growth in students, you don't get any more money for that. You get money for a COLA, but no money for enrollment growth, unless you really have enrollment growth. And we spent a lot of time working on these formulas. In all the discussions we've had with campuses, they never participated much. They complained, but it really was more of a negotiation between us, together with CSU, and the Department of Finance and the legislative analyst. And what they insisted on was building the student fees into the formula. And we wanted to do that, also.

Lage: The finance department wanted that.



05-00:10:23

Hershman: And the legislative analyst, even more so. They wanted to make sure that fees were considered as part of the formula. So what we were doing is looking at the general fund and student fee cost per student, and making sure that we had adequate money. And the view was—

Lage: Why was that so important to them, to have it built in?

05-00:10:43

Hershman: Well, because if fees were going to not go up at all, then we would be worried that it would cost the general fund more. They were worried that if fees went up a lot, it should cost the general funds less. And so it was hard to make this work without student fees being part of the equation. And that's still the case. That's been the case through all of these negotiations over time. We did finally make, as I said, some changes in the formula later on, to include maintenance. And basically, if you look at it carefully, where we finally worked this formula out, it basically provides about the same dollars per student that we already have from state funds and student fees, recognizing that part of the fee money goes for financial aid. So it's not much different than—

Lage: Than what you have today?

05-00:11:38

Hershman: Even though it's more complicated and you go through all these machinations, it turns out that the bottom line number comes out about where we are right now.

Lage: Now, when you say the campuses didn't do much but they complained—

05-00:11:48

Hershman: They complain that they want more.

Lage: —what did they complain— Oh, they want more money.

05-00:11:51

Hershman: Yes. That it costs a lot of money to take— More than just average costs. They complain, first, that the marginal cost that we were working with wasn't adequate.

Lage: For additional students.

05-00:12:01

Hershman: Yes. And now it's come more to average dollars per student, which is better. But still, the complaint was if you're a fast growing campus—like a Riverside, let's say—that you even need more than that. That's their complaint about infrastructure costs.

Lage: It's harder to add on if you are adding a lot on.

05-00:12:19

Hershman: Well, that's their complaint. One could argue the other way, by the way. You could argue this either way. You could argue, well, there are some savings as you're adding students, too, so it doesn't necessarily cost you as much for every additional student as you have in the base. So there are arguments both ways. I think we've finally worked things out.

Lage: What was your feeling about the quality of the financial analysis on the campuses, compared with your office?

05-00:12:48

Hershman: In working these out?

Lage: Yeah, did they—

05-00:12:51

Hershman: This was all done by us.

Lage: I know it was all done by you.

05-00:12:53

Hershman: Because we were looking at systemwide numbers.

Lage: I know. All done by you. But they were complaining about what it was going to cost them. Did they have as good a—

05-00:12:59

Hershman: [over Lage] Oh, the campuses. I was giving a retirement speech the other day for one of my staff who's retiring. And my comment, jokingly, was the campuses always complain that they want more money, need more money, so—

Lage: But is it based on a good financial analysis?

05-00:13:21

Hershman: You know, there isn't any right way to do any of these things. That's my argument. What you do is you have to negotiate something that you think is reasonable, that you can sell to politicians, and also to explain to your own people. And these complicated formulas—and the current one is *very* complicated, the way the legislative analyst has done it. I must say, way more complicated in detail. The number in total comes out okay, but in detail—Campuses don't even want to argue the details, it's so difficult. Even my own staff, who's worked on it, who understand the details even more so, complain about it.

Lage: Well, you first described it, it was as a simplification.

05-00:14:05

Hershman:

It was a simplification because we were coming up with a dollar per student number. And so the bottom line is you come up with one number. It's how you get there. And so how you get there, the machinations of the way this is finally worked out, way more complicated and difficult than needs to be, probably. On the other hand, the bottom line works out; and so from my point of view, no complaint. So we spent a lot of time on this over the years. A lot of time. And a lot of people complaining one way or the other.

Lage:

Was anyone complaining about the accountability measures?

05-00:14:44

Hershman:

The accountability measures were all things that people cared about. And so no, I don't think so. We were always comfortable with accountability measures, including the Schwarzenegger ones, always feeling like we were doing a terrific job. We were meeting our enrollment targets, probably exceeding them almost every year. That was a problem. We finally caught up, but— Or still— Well, we caught up and then went behind again, and now, depending on how strong the enrollments are and how much they're willing to fund, usually you wind up with more students than they're—

Lage:

Than they're funding.

05-00:15:20

Hershman:

—than they're funding. So we felt like we were doing a very good job, in terms of the proportion of students that were graduating, and graduating in a timely way. And it seems like every year, we were doing better and better and better. So we had campuses like Berkeley that were historically doing very well; but all of a sudden we had Los Angeles doing about as well, and then San Diego doing about as well. And so the other campuses have done better and better. And part of it is they're getting better students. And so there are probably a lot of reasons for this, but both in terms of time-to-degree and in graduation rates. And so we always felt like we had a lot to be proud of. We sent our accountability stuff to the regents. We wanted everybody to know that we were doing a good job. We tried to get this stuff into the press. They never printed it, but we did try to get it in there; we worked with our press people. But I would say historically, we've always been proud of that.

Now, one of the other things that I sort of suggested the last time, Gray Davis's view was— He really loved Dick Atkinson. It was sort of like, Dick, don't worry about; we'll work with the staff and we'll work out the budget. And they did. And they not only met the compact, but they bought out the fees in those early years.

Lage:

Because there were some good times.

05-00:16:48

Hershman:

They were good times. This was the dot-com boom. And we even had a 10 percent student fee reduction. And they gave us huge amounts of additional money. Full funding—in my mind, at least—for start-up for Merced, both operating and capital. They gave us \$600 million toward dealing with hospital seismic problems. The problems turned out to be more than that. On the other hand, at that time that's what we thought they were. So they were virtually fully funding the seismic part only. So that was fantastic. They funded the science institutes, a very high priority for Davis. That was a couple hundred million. And so it was hundreds of millions for Merced, and hundreds of millions for the science institutes, and hundreds of millions for hospitals. They were giving us a lot of money.

Lage:

Were those choices made, where the extra money would go, because that's where the governor's office wanted it to go? Or the legislature, or the university?

05-00:17:54

Hershman:

The hospitals was us. Merced was us.

Lage:

Well, the legislature wanted that, too, or some of them did.

05-00:18:01

Hershman:

Well, they wanted it, but we wanted extra money. And the price tag was what we said we needed. So that was all us. The science institutes was the governor. He had the idea. Now, the individual projects, the four projects that were funded in the university—

Lage:

Were those on different campuses?

05-00:18:20

Hershman:

They were multi-campus. There was a San Francisco-Berkeley one; there was a Berkeley only one, which involves some other campuses, but it's almost all Berkeley; and then there was a Los Angeles-Santa Barbara one; and then there was a San Diego-Irvine one. They were all our projects. It was a competition. The campuses put proposals forward. We worked with the campuses closely in putting those— Although we wouldn't tell any campus what anybody else was doing, because it was a competition, judged by independent people. But a couple of us who were in the middle of it, we worked with each of them individually, to make each one as good an effort as we could. And from my point of view, I was concerned, of course, about the money side of it, the buildings and the operating money. And there was matching money requirements; it was a two-to-one match.

Lage:

Was CITRIS one of these projects?

05-00:19:19

Hershman:

Yes. Yeah, that was one of them. That's the one that I would argue is a Berkeley only one, although there are other campuses that are slightly involved. So it's not *just* Berkeley, but mostly. The others are much more like fifty-fifty. Maybe sixty-forty or something like that.

They were good days. There was a lot of money. We were certainly getting our share. And enrollments were booming. We wound up with many more students than we thought we were going to get. The other thing is—and I think I mentioned this the last time—that Dick Atkinson wanted to simplify how we allocated the money. And how we allocated it would be the same as how we got it. So the COLA [cost of living adjustment], whatever the COLA was we would pass onto the campuses, period. So if we got 4 percent or 5 percent, or if we put student fees together, maybe it was 5 percent—whatever the percent was, everybody got the same. That was simple. The enrollment, it was strictly based on whatever we had worked out with the campuses, in terms of their enrollment growth.

Lage:

Not what actually they got, but what you set for—

05-00:20:27

Hershman:

Well, okay, that's worth a minute of discussion here. We had developed a plan. And from the president's office, Sandy Smith, who worked in academic affairs, and I tried to work together with the campuses to put together a plan out to 2010. We spent a lot of time on this effort, by the way, because Tidal Wave II was coming along. The enrollment growth was much faster than anybody had anticipated; we could see that happening already. Part of our negotiation was to try to get the state to fund that, so we wouldn't be too far overenrolled, and to get them to buy into the ten-year plan.

In negotiating with campuses, we had to ask some campuses to take students even though they didn't want to. Berkeley and Los Angeles, for example, because we could see what was happening with Tidal Wave II. And that's coming to an end, by the way. And it was probably the best job of enrollment planning we'd ever done, by the way. We were actually meeting those numbers, maybe exceeding them a little bit. And in any event, it was a negotiation. Just like we negotiate with the state, we negotiated with each campus. By and large, tried to accommodate what the campuses wanted; we've always tried to do that. If we questioned their ability to do it, we might modify it a little bit. But by and large, tried to get what we thought was a reasonable growth plan for each campus, that they could actually accommodate. And what was left was we had to make Berkeley and Los Angeles take 4,000 students each. That was 8,000 students in total.

Lage:

4,000 that they didn't really want to take?

05-00:22:05

Hershman: Well, they weren't *begging* to take them—although after the fact, they sort of thought that was a good idea. In order to do that and not get into environmental problems, Dick Atkinson changed the university's view of year-round operations in the summer quarter. [snaps fingers] I'm snapping my fingers. He just decided. He said, "You go work something out with these people, because I think we need to do that."

Lage: He told you. This is your job.

05-00:22:38

Hershman: He told me. Yes, that's your job; you go work it out.

Lage: Clark Kerr tried that, also.

05-00:22:44

Hershman: They've tried that in the past. This one was probably more successful. It took us a while to fully implement it. They wouldn't give us the money to do— Because we already had a lot of students in the summer that the state had to buy out, they wouldn't allow us to do all the campuses at once. This became a competition, almost, here, making sure everybody got equivalent resources. But the campuses that were in the most trouble, if you would, in terms of the environmental concerns and the long-range development plans—Berkeley, Los Angeles, Santa Barbara—

Lage: Just didn't have room.

05-00:23:14

Hershman: Right. They realized that we really needed to do this. And so they were the first to be funded. And then the other campuses wanted to be funded, of course. As soon as somebody gets funded, everybody wants it.

Lage: So this makes the summer sessions funded by the state—

05-00:23:27

Hershman: Yes, right.

Lage: —whereas they used to be self-funded as I recall.

05-00:23:31

Hershman: Right. So they were funded like regular enrollments, and they were part of the enrollment plan. They became part of the enrollment plan. But we really felt we had to do this in order to accommodate Tidal Wave II and not get into significant problems with some of the local communities. And so it involved a big expansion in summer enrollments.

Lage: And it did work? Did students take it up?

05-00:23:55

Hershman: It's worked better some places than others. It's worked pretty well in most places, but not everywhere. I'll leave it at that.

Lage: [laughs] You don't want to say where it hasn't worked.

05-00:24:05

Hershman: Oh, it wouldn't be of any value to do that right now. And I think some campuses worked harder at it. And they also provided more incentives for the faculty to teach in the summer. And some of them did a great job from day one. And some of them started out doing a good job, and then sort of it wasn't as— They didn't seem to care as much, for whatever reason. Or had other problems. Some places are a lot nicer to go to in the summer than others.

Lage: So that was a Dick Atkinson idea more than a governor's plan.

05-00:24:42

Hershman: Oh, absolutely. Well, the legislative analyst started this thing. And we had opposed it for decades. But all of a sudden the time was right, and Dick Atkinson said, "This is what I think we ought to do," in one of our meetings. "Go work it out." And we had legislators who cared a lot—including Republicans.

Lage: Cared a lot in what direction?

05-00:25:05

Hershman: Wanting to do this, feeling like this was a good idea. And George Runner, who was a Republican lead person on the budget committee in the assembly at that time—now he's in the senate—George Runner was very actively involved. And his staff person, Paul Navarro, who I had known well and worked with— And now he works for the governor, by the way; he's his lead education person, really. We really worked it out with them. So it was the Republicans as well as the Democrats. Education shouldn't be a political issue; it should be—

Lage: No, no. Nor should summer school. [laughs]

05-00:25:41

Hershman: Nor should summer school.

Lage: I don't see the political connection.

05-00:25:43

Hershman: No. No, no. People try to make political things into— It shouldn't be. But people have interests. And Jack Scott, who's been chair of the senate budget subcommittee and the senate education committee, another one who was very, very involved in this and very interested, and has been ever since, putting pressure on us to make sure that we're doing a good job. He's going to be the

new head of the community college system when he leaves the state senate. So you had various legislators, because of personal interests and feelings, who were actively involved in that decision.

But things were really going along very well, not just for us, but for others. And along comes the dot-com bust, of course. And that's the end of the Atkinson era.

Lage: And that's about 2001, is that right?

05-00:26:38

Hershman: Sounds about right. His last two years, I guess. And so things— In the first year of that, when they couldn't honor the agreement that we had, they tried to honor part of it. For example, we were going to have a 4 percent COLA; they said, "We'll give you 2 percent." That kind of thing. So it wasn't quite so bad. By the next year, it started to get worse. And it was getting worse as Atkinson was leaving and Dynes was coming in.

Lage: And the legislature seemed to want even more cuts, from what I've heard.

05-00:27:17

Hershman: The legislature wanted more cuts. And they were having a hard time cutting budgets. And this is one of the big issues we might want to talk about. I would suggest that we've always had some legislators who cared a lot about us, where we were a high priority. We've had, for example, speakers in the assembly, one after another, who were very supportive—going back to Willie Brown, certainly; or even Leo McCarthy, before Willie Brown—at least in my time. And certainly, Antonio Villaraigosa was an *enormous* supporter of the university when he was speaker. Bob Hertzberg, another one. Fabian Núñez, who has been the most recent speaker; he's just left the speakership. These were all people who really believed in higher education and worked hard for us, even when a lot of their members weren't as supportive as we might hope.

And our view has always been you've got to get governors on your side, for a lot of reasons, like they can line-veto any amount they want out of our budget, number one, and propose whatever they want. And two, they appoint regents. So governors have a lot of power. And of course, they *are* regents, and they can influence things a lot. But it's important to have some legislators on your side, obviously. The more the better. I fear we haven't had the numbers of legislators on our side that would be in our best interest in the long run. We've had some people who've saved the day for us. Speakers that I mentioned saved the day for us. We've had folks in the senate, going back to Al Alquist or Gary Hart or Jack O'Connell, when he was chairing our committee, or Nick Petris, when he was chairing our committee. People who really made a big difference, who cared a lot about us.



Lage: These are pre-term limit people that you've mentioned.

05-00:29:19

Hershman: Pre-term limit people, for the most part. Jack Scott, who was in the— A lot of these people were in the assembly, and then in the senate. But in my opinion, at least, we haven't had the majority who felt that were a top priority. They all love the university; don't get me wrong. But it's a matter of priority setting, where there isn't enough money. And we did run into problems at that point, where they were prepared to cut our budget by more than the governor wanted. What we did do, by the way, was agree that it would be a one-time cut. And we did get that money restored the next year. That was good. On the other hand, along comes another cut. And so by the time Bob Dynes comes in, we were in a crisis.

Lage: Now, this is all happening at the same time that the recall effort is happening, to recall Governor Davis.

05-00:30:14

Hershman: This is happening at the same time as the recall. And Gray Davis, a big supporter of the university. We were clearly a high priority of Gray Davis and his administration. And Tim Gage, who was his director of finance, and Betty Yee, who was his chief deputy, and the whole staff over there, they loved us. And I assume still do. And so all of a sudden all these people are leaving, because of the recall effort, and Schwarzenegger becomes governor.

Lage: Did you folks see this coming? Did you think Davis was going to lose?

05-00:30:51

Hershman: Well, I think people were worried about it. There was a groundswell. Part of it had to do with the vehicle license fee, part of it had to do with the budget problems and people's unhappiness, and I suppose there were some other issues in there, too. The whole state of the economy and the fiscal problems of the state. And people were not happy with the dot-com bust, certainly. That cost the state a lot of revenue, because they were heavily dependent on capital gain and stock option revenue. Capital gain and stock option revenue in the general fund went from about \$4 billion to about \$18 billion in two years. And then right back down again. And so they were spending money, and then all of a sudden it wasn't real, on a permanent basis.

And the cuts were bad. The Democrats didn't want to make the kind of cuts in some of the programs that they cared even more about than us, like social service and health programs. The Republicans didn't want to cut prisons. And so prisons were getting more and more and more money, and it's *unbelievable* what's happened in prison budgets. A lot of that has been prison budgets and health budgets, which have gone up dramatically. But in any event, we were faced with a difficult situation. And a brand new governor. We didn't really have much relationship to this governor, but we did have people from the

Wilson administration who were close to Schwarzenegger. Schwarzenegger and Wilson were close. In any event, Schwarzenegger was faced with a disastrous fiscal situation when he came in. He decided to undo the vehicle license tax. That was \$4 billion. That made the problem even worse. And he brought in Donna Arduin, the famous Donna Arduin.

Lage: Now, why is she famous?

05-00:32:48

Hershman: Oh, because she had been a budget cutter from way back. She had done this in New York and in Florida; and she worked for Bush's brother in Florida, when he was governor; and she was a budget cutter. And the first proposals out of the Department of Finance when we were negotiating that budget—Schwarzenegger was just coming in, and they were looking at making huge cuts in the budget—were some of the most devastating proposals. They were never publicly announced. We negotiated and/or worked to try to get them moderated. I'll just give you a for example. I've told plenty of campus people this. For example, she, Donna Arduin, thought it would probably be a good idea if there was no state money at Berkeley or Los Angeles, or for any of the professional schools; they ought to all be fully self-supporting with fees and other revenue.

Lage: Not just professional schools, but the whole campus?

05-00:33:51

Hershman: Right.

Lage: Privatizing, basically.

05-00:33:54

Hershman: And so student fees at Berkeley would've gone from whatever they were then—let's say \$5,000—to \$20,000, maybe or something. We probably could've, at Berkeley and Los Angeles, filled up our enrollment. There would've been people had been willing to pay that—I guess; I don't know. Certainly, it wouldn't work for other campuses. But she wasn't even proposing—It was just sort of, well, we'll make Berkeley and Los Angeles sort of private, and we'll take the professional schools and we'll make them private. And I had private discussions with some of the regents at that time, because these were being done very secretly.

Lage: Now, Dynes is in office?

05-00:34:33

Hershman: Dynes is in office, and Dynes is in the middle of this, yes. Oh, yes. But negotiations with the governor are done very privately. They will not allow us to talk about them to anybody, basically. These were so serious we had a special group of regents that we did talk to, a few individuals, who were

horrified and did not like the idea of Berkeley and Los Angeles being— At that time, we had one regent who thought it wasn't a bad idea, but the rest of the people we consulted with were horrified and told us to fight it. And that's the way a lot of these things go. You're talking to regents sort of quietly, because—

Lage: This is informal.

05-00:35:17

Hershman: Informal. Because the ground rules for negotiating a governor's budget is it's got to be confidential. Otherwise, they wouldn't negotiate with us. They would just say—

Lage: Here it is.

05-00:35:28

Hershman: Here it is. They don't *have* to negotiate with you. They give us at least a chance. And we've had a good relationship, historically, with the Department of Finance, where they would work with us and at least bounce ideas off. We're thinking this; what do you think? Well, of course, we were horrified.

Lage: And here, with this new woman, she didn't seem to care what you think.

05-00:35:49

Hershman: Well, no. They did modify these. So it was a horrible budget, but they moderated it. And so there were big fee increases being proposed, professional schools, graduate students—very high fee increases for graduate students. The governor didn't want to do quite as much for undergraduate students. He wanted to try to keep that down; that was politically sensitive. But he was going to destroy our graduate and professional programs with these fees. I hate to use the word destroy. It would've been *very* serious. In any event, we were able to work some of this out at that point in the process. And part of the problem was that things, by the time the governor's budget came out, it looked like it was even going to get worse. And we were being threatened—

Lage: The economy.

05-00:36:40

Hershman: And the fiscal situation. And we were being threatened with even deeper cuts by the May revision. As I mentioned in an earlier discussion, you have a governor's budget in January, and then they revise it in May. And so they were going to be working on, we were concerned, making the cuts even deeper. Some of these ideas about privatizing, and really changing the whole nature of the institution. And what we decided—and this is an interesting little tidbit, if you would. We decided to meet with Donna Arduin.

Lage: Now, who's we?

05-00:37:22

Hershman: This was Bob Dynes and I. We were going to drive up to Sacramento. We got an appointment with her. And I can't remember, this could've been February or something like that. And Steve Arditti was going to meet us, and we were going to meet with Donna Arduin and her staff. People who we had been working with. And the key person in that case was Jeannie Oropeza. Jeannie had become the program manager for education, so that she was in charge of all of education in the Department of Finance. Still is, by the way. So that's K-12 through higher ed. We're old friends, going all the way back to when Jeannie worked for the legislature, and she's a person who really cares a lot about education. A lot.

Lage: So you had a continuing relationship.

05-00:38:12

Hershman: We had a continuing relationship, a good person. On the other hand, she worked for Donna Arduin, and people—

Lage: Was she civil service or political?

05-00:38:21

Hershman: Civil service. No, she was a program manager, and those are civil service. She had replaced Kathy Gaither. Kathy Gaither got promoted to a chief deputy director, and then she quit. She ran into where she could not get along with Donna Arduin. She now works for CSU. But they just didn't see eye to eye. I think Donna upset a lot of people. She eventually left. That same year. She didn't last a whole year.

Lage: She was just, yeah, less than a year.

05-00:38:54

Hershman: She made a lot of people mad, including the legislature. But what I had found out about her in Florida, from a friend, was that she had worked out a deal with the University of Florida, a multi-year deal. A compact. Call it whatever you want. And we're driving up to Sacramento, Bob Dynes and I. And this was supposedly a get acquainted visit with Donna Arduin. Nobody had met her. She was brand new, and she had all these horrible ideas, from our point of view. In any event, we thought we would meet her. And we started to talk, and we had Steve Arditti on the phone. So it was just the three of us in this phone conversation, sort of talking about what we might do, other than just meet and greet, if you would, which would've been a normal thing. And I suggested, and Dynes agreed—this was the biggest risk he took as president, probably. I said, "Well, this is what she did in Florida," and it actually helped. It helped save Florida from what would've been worse. And I said, "Why don't we suggest to her that we would like to enter a compact?" We had one

with Pete Wilson. These people were very close with the Wilson folks. And we had had one with Gray Davis, and going back to Deukmejian, which was a little different, but the same idea, just wasn't in writing. In any event, we did that.

Lage: You suggested it.

05-00:40:23

Hershman: We suggested it at the meeting. He, Dynes, agreed to try this. And she was interested. And eventually, in conversations Dynes had with Schwarzenegger, he was interested.

Lage: And that was just the two of them? Dynes and Schwarzenegger?

05-00:40:39

Hershman: Oh, there were other people, but it was really them. Schwarzenegger, as it turned out, even though nobody knew him or knew where he was coming from on things, he was a quick study. In any event, they agreed, he and Schwarzenegger, that they would put together another little group to try to work this out. With CSU, by the way. And so it was really CSU and us. And Paul Navarro, who I mentioned earlier, who now worked for Schwarzenegger as his education legislative liaison person in his office, but he was really the main force, particularly in higher education—the secretary of education's office mostly dealt with K-12. And Jeannie Oropeza, who was a friend. And I felt like, better to work with a friend. And so it was Paul and Jeannie and Debbie Obley, who works for me, and me, to try to work this out, and with CSU, Richard West and his people. And we did. We took a little bit of time and—

Lage: And what was that process like, compared with your other negotiations?

05-00:41:57

Hershman: Well, every process was totally different. The processes I mentioned with the Davis administration lasted months. Lots of iterations. The process with Pete Wilson was like a couple of days, and there was no iterations. It was really between us and the Wilson administration. It was really Russ Gould, who was the director of finance, who's now a regent. But that was very tightly held, and nobody else was involved. So these were all very different. This one was, in the details, working it out, it was just us. And we were all good friends. And so we worked well together. They were interested in a lot of accountability. And as I said before, we liked accountability. The more the merrier, from our point of view, because we felt like whatever we worked out we were going to be able to do, and better, by and large. But we did talk to chancellors and others about this conception, and what fears we had about what might happen if we couldn't work something out. We really believed it would be a lot worse.

Lage: As a way to sort of prepare them for things they might not be happy with?

05-00:43:19

Hershman: They would *definitely* not have been happy with.

Lage: Like?

05-00:43:22

Hershman: Guaranteed. Oh, like huge cuts in state funds and much higher student fees, with all of the screaming that went along with that. And agreements that we would moderate the increase in graduate student fees and charge more to undergraduates to make up the difference. That was part of the deal. It was a multi-year deal about what we were going to do in student fees. And you probably have seen that version. We had to really get it done before the May revision, to avoid what would've been worse. And we did. And we offered up what we thought was a reasonable deal, which had— And it was done in a similar way to what we had done with earlier versions, where it built up over time. Dollars built up. And so we would want enrollments funded, but the COLAs would get better; recognizing they had an immediate problem, but in the long run, that they would be able to do that. And that had worked for us, by the way, because we had already gotten faculty salaries up to competitive levels in the early years of the Davis administration. So these kind of formulas had worked. And it was sort of like, you guys, you either work out something that we can live with, or this is dead. So there was some pressure on us, but we thought we had worked out a fair deal. And in any event, Schwarzenegger announced this publicly, without people knowing it. We had brought a couple of regents into the private discussions. Not with the Schwarzenegger people, but with us. So we had done it—

Lage: To kind of keep them informed.

05-00:45:13

Hershman: Keep them informed. So we involved the chairs of the finance committee and grounds and buildings. Part of this was capital outlay, too; that was part of the deal. And had them understand what was in this deal, and make sure that— We knew it would be controversial. We knew that there's politics involved and stuff and people— Democrats like stuff and Republicans like stuff; the other people might not like it. That hadn't happened to us much with previous deals.

Lage: Now, finish the story, but then I want to go back to what the politics were.

05-00:45:48

Hershman: The politics in the earlier deals never— We never had a problem. We worked these deals out. It was your deal with the governor; we the legislature could do it or not. And of course, they did every time, and more. The legislature was always more generous.

Lage: Now, but what were the politics in this one, some of the agreements you made, or—

05-00:46:07

Hershman: The politics in this one turned out to be different, because the Democrats wanted a tax increase. And they wanted to hold those programs that were the most favored by the public—like higher education, K-12, et cetera, those that would be most appealing—they wanted to force the tax increase by showing how horrible the budget would've been. They didn't want us to work something out. And they warned us about it. On the other hand, we did what we thought we had to do for the university. We did not believe there was going to be a tax increase at the time, for all kinds of good reasons—and there wasn't. Whatever they said, we didn't believe it. There were many Democrats angry with us, and some of the regents.

Lage: The regents who tended to be Democrats?

05-00:47:00

Hershman: Yes. [Lage laughs] But not just that. The other thing that we agreed to was that if we raised student fees in this deal, it was going to be our money. It wasn't going to be any more, we're going to cut state funds and make it up with student fees. The student fees were going to help us to deal with our budget problems, including the professional school fees, after that first year. So it became a political problem. But Schwarzenegger announced this publicly at a press conference. Dynes was there, Charlie Reed was there from CSU. The interesting this is that Schwarzenegger did it all by himself. It was amazing. He was briefed in detail, I believe, that very day. Now, I mean, he knew this was going on, of course, but I'm talking about the detail. He handled everything with the press. He was just— He's much smarter than anybody gave him credit for—or at least people who didn't know him gave him credit for—and a quick study, and he knew stuff. Picked it up immediately. The fact that he was able to answer every single question from the press was just *mind boggling* to me. Just standing there at the press conference and watching him, I thought sure he was going to have to call on Dynes or his own staff. Paul Navarro for example, or Jeannie. But he didn't.

Lage: Did you get a sense of his feeling about higher education at all?

05-00:48:24

Hershman: I think his feeling was very supportive. He had the same feeling that Pete Wilson had, that George Deukmejian had, that Gray Davis had, that higher education was very important, not only to the public, but to economic growth for the state. New industries, research, graduate students, an educated populace; and that higher education—which I happen to believe; nobody's going to change my view on this one—has made a *huge* difference in California. It's been one of the things that has led to the growth and

development of the California economy. And a lot of these people who— These are good Republicans, if you would, in some ways. Certainly, on economic issues, good Republicans; a little more socially liberal, certainly. Schwarzenegger was certainly a lot more socially liberal. But still, with the same sort of economic views. But believing— They didn't want to destroy our higher education. And Donna Arduin was on her way out the door. But thanks to a terrific group of staff people—in every one of these things, people who cared about the university, didn't really want to hurt the place—we did work this out. And we got creamed by legislators afterward.

Lage: Creamed for making the agreement?

05-00:49:47

Hershman: For making the agreement.

Lage: And then did they cut it, then?

05-00:49:49

Hershman: No. No.

Lage: Creamed, but they accepted it.

05-00:49:51

Hershman: Oh, yes. And funded it every year.

Lage: So how did you get creamed, if they didn't cut it?

05-00:49:57

Hershman: Oh, just publicly and privately complained to us. Including me. I got publicly, in the senate hearing, just—Charlie Reed and I were testifying; Dynes couldn't make it—and I got blasted. But I defended it, as did Charlie Reed. We did this because we believed it was in the institution's best interest. Not necessarily in the legislature's best interest politically, but in our best interest. And we had to worry about ourselves. And we were on the verge of getting potentially slaughtered even worse. We were already being slaughtered badly.

Lage: Now, did the campuses, and the professional schools, and whoever might have been unhappy with this budget accept your judgment that this was the best you could do?

05-00:50:51

Hershman: Well, some people did. The chancellors did. The chancellors and executive vice chancellors and the budget people were very good. And the faculty, most of them, not all of them. Some of them said, "You shouldn't be making deals." Some of them didn't want us to make a deal with the Republicans. They wanted tax increases. Well, if we thought there were going to be tax increases to solve the problem, we wouldn't have made a deal, either.



Lage: Who do you draw on for that kind of judgment, that kind of prediction?

05-00:51:20

Hershman: Ourselves. You know a lot of people. And when you have Republican legislators who ban together and sign an oath that they won't vote for a tax increase, that's a pretty good indication. And they'd been doing that. They actually signed a pledge. So we had a pretty good feel for where they were coming from. And I think the whole tax system needs a major reform, so don't get me wrong. That's not my choice. It was just the realities that we were dealing with. I can speak for myself; I'm as good a Democrat as any of the rest of them. [Lage laughs] On the other hand, we did what we thought was best for the institution. And people have complained off and on, including some faculty, but the chancellors were with us. Every one of them, as were the executive vice chancellors. They understood the circumstances. We had been briefing them. They may not have known all the details, because we couldn't tell them, but they knew enough.

Lage: Were there implications for the regents? You said some of the regents were unhappy. Did this create problems for Dynes?

05-00:52:36

Hershman: Yeah. Oh, it did. Oh, yeah, with some regents. They were happy as long as they didn't have to vote for student fee increases. I think the thing that got us into more problem with the regents was the next year, when we had a student fee increase. The governor did buy it out, by the way. But the regents didn't like voting for fee increases, and so they gave us a very bad time. And then the following year, they gave us even a worse time. The state's got to come up with this money. We can't be raising fees. And the state owes us the money, and why did you make this deal? So this is years later. But some of them, even right away. They would've liked, particularly the Democrats, they would've liked a tax increase.

But I wouldn't have changed a thing. I think we did what we had to do. And I thought it was also important for Dynes, in establishing relationships with Governor Schwarzenegger. Which he did, and which helped us. And it's easy to second guess, and it's easy to sit back on the sidelines and criticize. When you have to make the decision, you have to do what you think is best. And Dynes was with us every step of the way. And I do believe—and I've told him this—I do believe it was his best moment. He did the absolute right thing for the institution, regardless of what the criticism was. He did the right thing that he had to do. And was it the best deal we could've struck? Yes. I believe it. I wouldn't say it if I didn't believe it. On the other hand, the state's now gotten themselves into hot water again, but whatever.

Lage: Was this the deal, or the budget, that cut outreach so much?

05-00:54:25

Hershman: It didn't cut it. And that's the big misunderstanding. It said that outreach would be negotiated each year, state funding for outreach. We committed to put \$12 million, that extra cut that we made. So we put \$12 million of our money into outreach. Because this was a big stumbling block in working this out. This was one of the last things we finally did to work it out. We said, "Fine. It'll be negotiated every year." We couldn't resolve it. Because basically, what we said is the base budget is the base budget, and then here's the growth that occurs—funding enrollment, this is what happens on fees, this is what happens on COLAs. And that built up over time, and then we started to even get extra money in this deal for some of the unmet needs that we had. But we couldn't reach an understanding. There were people in that administration who didn't like outreach at all.

Lage: People under Schwarzenegger?

05-00:55:24

Hershman: Yes, absolutely. They wanted to kill it. And of course, we didn't believe we could live with that. And so I said—

Lage: And the legislature liked outreach, did they not?

05-00:55:34

Hershman: Of course, they did, yes. Well, some people did. Some people didn't. The whole thing went back to issues about admissions. A very sensitive issue in the legislature: who gets in and who doesn't get in? And are there special advantages for some people? This goes back to the whole affirmative action argument.

Lage: Which we keep saying we're going to discuss in more detail.

05-00:55:58

Hershman: Yes. And the relationship between admissions and outreach and affirmative action. All I would say is that this deal just left it open, because we couldn't resolve it. Misinterpreted on purpose by some people, because they choose to. But all you've got to do is read the words. Sometimes the facts actually help. We carefully wrote that. I must say, in all of these deals that we ever did, we had first crack at drafting them. Now, it went back and forth and back and forth and back and forth, lots of meetings. But nothing was ever completed in any deal that we didn't have a final look at. And so our president agreed to every one of these things. We would've never made a deal that our president didn't agree to. That doesn't mean everybody did, but the president did.

Lage: Now, how was Dynes, in terms of being easy with the budget? You've described other presidents and how much they dealt with it.

05-00:57:11

Hershman: Okay, so we had set up a system under Dick Atkinson, and Dynes just continued that system. So there really weren't any changes. There was a view you fund enrollment that way, you fund COLAs that way. So he really didn't make any—

Lage: The same allocation, the same—

05-00:57:30

Hershman: He didn't make any major changes. We had already, as I told you, worked out a new way of dealing with overhead funds, under Atkinson. Well, actually, it evolved from Saxon. It just kept evolving and evolving, and we finally settled it. We didn't change any of those things. Dynes was very interested in the science institutes. We had worked very hard on building up Merced. So all of these things that we had started, we—

Lage: There weren't any big sea changes when Dynes came in.

05-00:58:03

Hershman: Well, the sea change was the bad budget and having to go much higher on professional school fees. We got the graduate student fees moderated in this deal with Schwarzenegger, finally; and the undergraduate fees had to go up a little bit, so we worked out a multi-year deal on fees.

Lage: Now, previously, had the graduate fees been raised in proportion to the undergraduate?

05-00:58:24

Hershman: They were, yes. But Schwarzenegger's people wanted them raised even higher. They wanted a differential, a big differential between graduate and undergraduate fees. Not just professional schools, but academic.

Lage: Yeah, all graduate.

05-00:58:36

Hershman: Oh, yeah. And this was a Donna Arduin—

Lage: That would make it very hard for the graduate schools to get their quality students.

05-00:58:43

Hershman: That was one of the reasons we felt very strongly we had to change this. And we had to change the attitude, because the attitude was it was going to get worse and worse and worse and worse. It was going to be a multi-year deal. Like the professional schools' fees were going to be going through the roof.

Lage: I think it's still a problem to provide the kind of support for graduate students that they can get elsewhere.

05-00:59:05

Hershman: Oh, yeah. And if you think this is a problem— That's why I'm saying people who think that there's a problem, just think what it would have been.

Lage: What was the story with the labor institute?

05-00:59:21

Hershman: Well, this is another one where the Schwarzenegger admin— It's like outreach; they didn't like these labor institutes.

Lage: For political reasons?

05-00:59:29

Hershman: This goes back to when Atkinson was president and Bob Hertzberg was speaker. Hertzberg really pushed that with us. We worked together with him.

Lage: Now, what did they object to?

05-00:59:39

Hershman: This was a Clark Kerr effort, actually, because he was involved with the Institute of Industrial Relations. He had been a director of it, going way back, and he really wanted an expansion. In any event, some of the people he was associated with convinced Dick Atkinson, and they were also working on legislators. And as I say, Bob Hertzberg carried this. And so this was a very large amount of money that was added—I think \$4 million—to the budget, for a program that was maybe a million and a half. So it went from a million and a half to like five and a half.

Lage: And this was UCLA and Berkeley?

05-00:60:21

Hershman: UCLA and Berkeley. Although we insisted that other campuses be involved, that part of the program be competitive grants. There were, right from the very first year, many Republicans complaining that the money was being used, particularly by UCLA, as a labor organizing effort, that it didn't have anything to do with research or education—unless you want to call that education. And so they objected bitterly. And so that was the situation there. [phone rings, interruption]

Lage: We're still recording.

05-00:61:17

Hershman: In any event, so those are a couple of special instances. But only a couple. By and large, the legislature and governors have left us alone, in terms of managing the resources.

Lage: And that's really reaching down to one particular program.

05-00:61:33

Hershman: Well, one that they put in! On a line item basis. And so people say, well, wait a second. We put it in that way, we can take it out that way. But they were unhappy, much more unhappy, with what was going on in Los Angeles; that it wasn't nearly as much research as what some people claimed it was.

Lage: So then would it be suggested to the chancellor that he look into this?

05-00:61:59

Hershman: Oh, they did look into it. I don't really want to get into all of the machinations here between what the legislators wanted, what chancellors wanted, what the institute directors wanted.

Lage: But this is kind of interesting, when you see—

05-00:62:10

Hershman: Oh, yeah, it sure is. [Lage laughs] Let's just say there wasn't a unanimity of feeling by all parties. It didn't work out the way we thought it was going to work out. We thought we were bring to bring in some—this is Dick Atkinson—some very powerful, important professors who were experts in the area, much more research and education oriented. And as I say, at least part of it went into use for other purposes—which the unions loved.

Lage: Which is one of the groups that support the legislature.

05-00:62:51

Hershman: Yes. Of course. That gets exactly to the heart of the issue.

Lage: [laughs] Maybe Steve Arditti will have more to say about that.

05-00:63:01

Hershman: He might. Although we were in it much more than he was. It was much more of a budget thing. But there's nothing that goes on up in Sacramento that he wasn't involved with to some extent, at least. Because we were like partners. We *were* partners.

Lage: It does sound like you were very close. You *had* to be.

05-00:63:21

Hershman: We had to be. Because he had much closer relationships with individual legislators. We did with legislators who were involved with the budget, but he had them with everybody. Those people and others. And very often when people are thinking about the budget, they're thinking about a lot of things. Are they happy or unhappy with the university? For a variety of reasons.

Lage: I see what you mean.

05-00:63:44

Hershman: Some kid didn't get into school, somebody's doing some research they don't like, whatever. Or maybe some research they do like. Or somebody likes it, and then somebody on this other side doesn't like it.

Lage: When we go through this list of important issues, I think that'll come into play, too, working with legislators.

05-00:64:07

Hershman: Well, and I would suggest that even though some legislators were angry with us, that they did support the budget. And things would have worked out. And we got to a crisis point, having to do with executive compensation. And it is a miracle, almost, that we were able to prevent additional budget cuts because of it. Up until this point in time, going through last year, we didn't lose any money. And that's important. We held onto the agreements with the governor.

Lage: He continued to fund those at the—

05-00:64:55

Hershman: Absolutely. Up till through this current fiscal year. Now, this next year's budget that they're working on now, somebody else is doing that, I'm not—although I know what's going on. And it's a disaster. That's why I say, talking about the future, this is important. But they honored this. And the legislature had honored it, through last year. That's one of the reasons I stayed for a second recall after retiring, to finish last year's budget. But they honored it.

Lage: So tell me how the executive compensation—what should we call it, a brouhaha?

05-00:65:35

Hershman: Well, I'm not the best person to do this, because I only know some things; and I know what some people say, which is different than what other people say. So with that in mind, just a few comments. I think the thing was blown way out of proportion. That's an overall comment.

Lage: In the media.

05-00:65:57

Hershman: In the media. And by others, not just in the media, including some regents and some legislators. Not the majority of legislators, for sure, just a few. That there is a question, at least in my mind, as to what really happened here. Two different stories, and so who knows what's right? One thing that is clear is that the process for deciding on new chancellor appointments and other high level executives is very closely held. It was *very*, very closely held, usually just by the president and the administrative vice president, maybe the provost—just a few people who knew what was going on.

Lage: Do you mean negotiating the deal with the new person.

05-00:66:47

Hershman: Negotiating the deal, right. Negotiating the deal and getting approval. So I wasn't in the middle of it. And most presidents— Dick Atkinson, for example, wouldn't tell anybody *anything*, hardly. Bob Dynes was actually a little more open, but not much. Because it can be embarrassing to people if they don't decide they want something or they don't get picked or whatever it is. And so these things are very tightly held. Now, the regents had a policy. If you go back to the David Gardner era and the evolution of those policies, it was clear that the regents intended that they wanted to see the deals, and that they wanted them made public. Depending on who you want to believe, as to how much they knew, there are people—and I'll be clear, Joe Mullinix [vice president for business and finance]—who told the chancellors and all of us, hey, he had briefed key regents on all the aspects of this deal. Now, who was involved, how much they were involved, I don't know, but that he did brief them.

Lage: In process, while—

05-00:68:02

Hershman: In the process. And that they had approved it. Now, when the board actually saw these actions— I've never seen any of these actions, so I don't know. When the board them, everything wasn't in the actions that were made public. Even though Joe swears that he had briefed key people.

Lage: So there were things that were not presented formally to the board?

05-00:68:26

Hershman: To everybody, and made public. And probably, one can suggest that maybe there should be some criticism because of that. And various folks believed that some of the regents didn't want all this stuff out there. They didn't want to be spending all their time arguing about all of these details. I don't know. It's hard. These all happen in sessions that we're all excluded from. So these are regents-only discussions, where people like me, even though I go to all these closed meetings, those kind of meetings you're booted out. So I don't know what happened, and I don't know what they do. Here's what I do know, though, that when this issue bubbled up into the press, all of a sudden there were wild accusations, using numbers that didn't make any sense at all. They were accusing us of paying big bonuses to people, hundreds and hundreds and hundreds of millions of dollars. I was asked—

Lage: Total?

05-00:69:37

Hershman: I was asked by Bob Dynes to look into those numbers. And it was outrageous, what the press was doing with this. They were taking summer salaries, they

were taking medical school compensation that faculty members earned that are part of their compensation plans, or whatever—overtime pay. There was only a teensy little bit that was really actually bonuses, if you will. So it was blown way out of proportion. We were finally able to explain this to legislators. And I give [State Senator] Jack Scott the most credit here. He had the most sensible view of anybody, in and outside of the university: let's straighten this out and get it to where it ought to be. Just that simple. And his consultant, Amy Supinger. And that was the right view.

[End Audio File 5]

Begin Audio File 6 06-18-2008.mp3

Lage: Okay, we're back on, tape six. And we probably missed just the last sentence or two there.

06-00:00:09

Hershman: Okay. Well, as I was saying, Senator Scott had just the right view here about, let's fix the problem. And as I say, we did. We worked out language with the legislature about reporting, agreed to do all the public reporting. On the other hand, and even though the regents refused to fire President Dynes—which was the right view, in my mind—but obviously, there were still problems here between him, Dynes, and some regents. I don't think it's all regents, some regents. Although I know they had extensive meetings in executive session with him and without him, and who knows what happened? Who knows? You're going to have to talk to some regent to know.

Lage: Or to Dynes.

06-00:01:03

Hershman: Well, he wasn't there for all of it. He was only there for part of it. On the other hand, I think there were still, obviously, some bad feelings. Regents feeling like they were let down, misinformed, and blamed him. As I say, when you look at all the documentation that I've had available, at least in terms of regents policies, even if you argue that there were mistakes made here, and certainly, in terms of explaining to the public, that it wasn't complete, it was small potatoes, in my mind. Nothing like what the press had built this up to be. And I think you'd get a lot of regents who would acknowledge that. But for whatever reason, it led to bad feelings and to Dynes agreeing eventually to leave. But he wouldn't leave at that point. He eventually decided he'd had enough.

Lage: Was he undercut to the point where he couldn't be a good leader, do you think?



06-00:02:16

Hershman:

I think he was undercut. I think without the regents' strong support, how could you? Both internally and externally. On the other hand—and I'm going to spend some time on this issue, separately, and I've talked to previous presidents about this, recently even—the issue of the regents' role and the president's role is critical. And I'm one who believes in a strong president. I don't know that you can have a whole bunch of regents, all with their own views, running around trying to represent the university. And I don't believe that the regents, as well informed as they might be, know enough to be able to do that, anyway. And I think that historically the job of the president is an important job in representing the university publicly with the state, et cetera. And the regents have to have confidence in the president, but they also have to let the president do their job. And if you undercut the president dramatically, as they have done, you weaken the president and his ability to negotiate.

Lage:

On these kinds of issues.

06-00:03:27

Hershman:

On just the kind of issues I'm talking about. And who was going to negotiate with anybody if the regents— [audio file stops & re-starts]

Lage:

We're back on again, after a little trouble with our equipment here. I hope it's going smoothly.

06-00:03:40

Hershman:

Okay. I guess I'll just finish up what I was saying, which is in my mind, the regents have to have a president that they trust; and that even though they don't all agree with him about every single issue, the president has to have the ability to function properly, it seems to me, and to negotiate where that's required, to represent the university's interests as best they see them. And the best example I have are these compacts, if you would, or these partnerships or whatever, that were negotiated. Having been in the middle of every one of these negotiations, people are— If we brought in a dozen regents, they'd have a dozen different views here. You have to trust somebody to do what is best for the institution, or get somebody else. And my own view is that Bob Dynes did what was best for the institution in this case. Were there some mistakes made on executive compensation? Let's, for the moment, say yes, there were some. But I don't think they were anything like they were characterized as. And I think there were complications that went along with the Marcy Greenwood difficulty. I'm not the best person to ask. There's her view and there's Bruce Darling's view and Bob Dynes view, and I don't know what's right. And that's part of my problem on executive compensation stuff; I don't know what really happened.

Lage:

But that's not really your— What about the Celeste Rose deal? She was someone that you were—

06-00:05:15

Hershman:

I knew her very well and loved her dearly, and I've worked with her closely for years and years and years and years. I don't know. I thought in good faith, probably, Celeste and Larry Vanderhoff had worked something out. And they probably did. I have no way of knowing. And nobody would've expected things to fall apart like this; that's part of the difficulty. People, in good faith, have a handshake and they think things are going to be fine. I do want to go back to the point, though, about the presidency here. And now I remember what I was going to say. There are many regents who I have respected enormously over the years. John Davies is one of them. And John Davies used to say that the most important job of the regents is picking the president. Maybe it's the *only* important job in the regents. Now, he was being a little—  
[audio file stops & re-starts]

Lage:

We are back on again now, with a new battery.

06-00:06:18

Hershman:

Okay. So my last point was the John Davies point that I was making, that he used to say at regents' meetings that the most important job of the regents, maybe the *only* important job of the regents, was selecting a president. And I do think that's the most important job of the regents. And they have to have trust in that person, and they can't allow that person to become so weakened that they can't do a good job representing the university.

Lage:

Because none of them wants to take over and be the effective president.

06-00:06:49

Hershman:

Well, they *might* want to individually do that; maybe a bunch of them do. But that doesn't mean they would do a good job at it. And one of the things about being president is you need to have a good understanding of the institution. Now, we have been fortunate over the years that by and large we have had people who really did understand the institution; had been there for a long time and understood the place, and understood the faculty, and what made the place tick; and a sense of where the campuses were and what kind of needs they had; and a sense of the politics of things. It just seems to me that's the kind of person you have to have. I don't know about the new president. I've never met him. Don't know much about him, except what I see in the papers.

Lage:

But he's the first president from outside the system in, what, a century?

06-00:07:42

Hershman:

First president from outside the system. So he's got a lot to learn. I don't know if he knows that, but he does have a lot to learn about the individual campuses and where they are, and the needs of the system, and the politics of things.

Lage:

And the shared governance.

06-00:08:02

Hershman: Yes. And being able to work with the governor and being able to work with the legislature. And it's not just being able to work with the regents. That may be the regents' top priority, and it is important; but it's important to be able to work with all these other people, if you're going to be successful.

Lage: Who was your replacement?

06-00:08:23

Hershman: His name is Patrick Lenz. And Patrick is an old friend of mine, used to be in charge of the senate budget committee, staff.

Lage: Oh, he came from Sacramento?

06-00:08:33

Hershman: Oh, yes. So he did that for a while. He was vice chancellor of the community colleges. I think he was the number two person in the community college system. And from there he went to CSU, where he's been their chief budget person.

Lage: So he's negotiated for CSU?

06-00:08:53

Hershman: Yes, he has. He's worked closely with us. And he worked for Richard West, and Richard's still there. But the last few years he's been doing that, after he left the community colleges to work for CSU. Real good guy. Very knowledgeable about Sacramento. Not as knowledgeable about our campuses, obviously, not having had the need to do that. Because when we present our budget it's a systemwide budget, it's not individual campuses. So there may be some individual campus issues here or there, but by and large, we're trying to represent it as a system.

Lage: Well, this seems to me like a good place to sort of pause, now that we've had all the trouble with our equipment— [laughs] Depending on your voice and—

06-00:09:48

Hershman: Well, we could look down this list of issues that you had and see if we could pick up a couple of them that you might want.

Lage: Right. I don't think we should start on admissions, because that's a big one.

06-00:09:59

Hershman: No, admissions and outreach is— And that all goes together. Student fees we've talked about quite a bit. And I would say historically, our policy has been to have very low fees. And we did have them for most of my years. And then we've gone to being more moderate in terms of fees. On the other hand, we have such a fantastic financial aid program that we are able to have something like over a third of our students who are low income, which

compares *incredibly* favorably with any other major research university. Many of them, at 10 percent.

Lage: But people do worry about losing the middle-income students.

06-00:10:43

Hershman: They do, but we haven't lost the middle-income students. We've held the same proportion for years and years. And so it'd be nice to have low fees. I don't think we're ever going to see that day again, but at least we can keep them moderate, hopefully. The professional schools, on the other hand, have gone very high, as the state pulled back its support, as the schools needed more money—particularly law and business.

Lage: Now, do they get the benefit directly, the professional schools?

06-00:11:16

Hershman: Yes.

Lage: Not the campus, but the—

06-00:11:20

Hershman: That's the way it's supposed to be.

Lage: [laughs] So your facial expression shows me that something is awry.

06-00:11:26

Hershman: Well, I'm assuming that that's right, but there've been accusations in the past about campuses.

Lage: Taking some of the fees?

06-00:11:33

Hershman: Particularly Berkeley, finding ways to cut back support for professional— for business and law.

Lage: Well, there's a lot of competition and ill feeling from people in the humanities and social sciences.

06-00:11:48

Hershman: Well, yes, there is. I've heard that from faculty. [referring to list of issues] We've talked a lot, more than I really wanted, about executive compensation. The Merced campus, I've talked some about that.

Lage: We talked about the siting.

06-00:12:06

Hershman: And the problems with the siting, and the selection process. I would say that the main point that I want to make is we were able to get the state to put in

extra money for operating and capital—which up until just the last year or two, it’s all been extra. Now that the enrollments are starting to increase, they’ll be funded like other campuses. And that’s okay. But there was a lot of extra money that was put in that allowed the campus to start out, in my mind, in the right way, at least financially. They will always complain they want more. They want to be able to hire lots more faculty. Everybody wants everything. On the other hand, you compare it to the way other institutions start, like CSU, which started with very little. Merced started very well. They certainly started as well as the campuses back in the sixties.

Lage: And that was an add-on from the governor and the legislature.

06-00:13:16

Hershman: An add-on.

Lage: Was that something you had to fight for?

06-00:13:19

Hershman: Oh, we did fight for it, very hard. Because the big conflict with many faculty and with other campuses was, we don’t want this coming out of our hide. And I told you the story about Bustamante. And I really feel like we were able to achieve that. So from a budget point of view, I think that it worked very well. One can argue about the siting issues, et cetera, but I think we started it the right way, financially at least. [looking at list of topics] The Stanford merger.

Lage: Yeah, but health care in general is a huge thing.

06-00:13:57

Hershman: And health care. And I spent a lot of my career on health care and the problems of our hospitals. I think the Stanford merger was a mistake. I thought it at the time.

Lage: How did it come about?

06-00:14:09

Hershman: It came about in a private discussion between the San Francisco people and the Stanford people. I think the chancellor, maybe, or the dean, or both. And they convinced many of their faculty this was a good idea. The pediatrics folks had a good relationship with the Stanford people, and that was going to work, probably, but it wasn’t going to work so well in other places. And of course, the medical schools were separate, so this was just the hospital. In my opinion at the time, still my opinion, the complication of taking a private institution and a public institution, that was the problem. The legislature never trusted this. Key legislators were very much opposed, for some of the same reasons, the public/private thing. And as the Stanford people found more and more about how they were going to be more public, they didn’t like that so well.

Lage: How would it impact them to be public? Getting state funding?

06-00:15:16

Hershman: Well, people knowing more about their business than they wanted them to, and with the public pressure on the whole institution. We get a lot of public pressure. Taking care of the poor, for example, which is an important role for us, but it's also an important role to be properly funded and to not go bankrupt.

Lage: And Stanford didn't realize they were getting into that?

06-00:15:42

Hershman: I think they might've realized a little bit, but I'm not sure they realized it enough. And of course, their financial situation just deteriorated, for all kinds of reasons, I guess. But ultimately, people did the right thing by getting out of it.

Lage: Now, how did your budget operation coordinate with that, all of that?

06-00:16:05

Hershman: Well, I think there were budget issues, because we do subsidize our hospitals some. We do have some educational money in there, so we needed to find a way to deal with that. But I'd say it was more the political pressure. As I've said before, legislators have all kinds of interests, and they are perfectly happy to apply whatever political pressure they think. On the other hand, the regents wanted to go forward on this, based on lots of pressure from the campuses. Not from the president's office, so much. But we had hired independent people to look at this and thought it could work.

Lage: And whose presidency was this? Was it Atkinson?

06-00:16:44

Hershman: Atkinson, yeah.

Lage: So did he embrace it or just—

06-00:16:48

Hershman: He did.

Lage: — go along with it?

06-00:16:49

Hershman: He went along with it. It wasn't his idea, but he went along with it, and he brought people in to take a fresh look at it. But I still believe the public/private problem was very great. And especially the fact that so many local politicians were opposed to it, key ones, that—

Lage: San Francisco politicians.

06-00:17:15

Hershman: Yeah, San Francisco politicians. I think if everything had worked out beautifully, that's one thing. But we certainly couldn't count on any help from the legislature. And I must say—and I've said this, I think, in previous discussions—where we got into trouble in the past with our own hospitals, like Irvine or Davis, we got a lot of help from legislators, putting pressure on counties.

Lage: But they wouldn't go along with it, with this public/private—

06-00:17:44

Hershman: I can't see— no.

Lage: Was there outside pressure to do it?

06-00:17:48

Hershman: I don't think so, I think the pressure was— This was between the San Francisco people and the Stanford people.

Lage: So it was basically UCSF coming to the president's office and saying, this is what we want to do.

06-00:18:00

Hershman: Yes, absolutely,

Lage: No regents that were pushing it?

06-00:18:08

Hershman: Maybe after the fact, but I don't think— Not that I'm aware of. After the fact, many of them did, don't get me wrong. They bought into it. But this was something that was worked out between the UCSF and the Stanford people, and then they sold it to everybody. Although the people in the president's office— And I won't speak for Dick Atkinson, but there were others who didn't think this was such a good idea. I wasn't the only one.

Lage: [laughs] When it broke down and had to be dissolved and all, did that have budgetary implications?

06-00:18:47

Hershman: Not really. We didn't give them any extra money to bail them out or anything like that, if that's the question. As soon as UCSF came back to the university, if you would, their fortunes got a lot better quickly. So they didn't need any help. Their big help is in the capital outlay area. They would like new facilities, like everybody else.

[Looking at list of topics.] Domestic partners. Once again, I think that wasn't a direct budget issue, but it was a political issue.

Lage: Well, that's what I was thinking. How getting your budget passed in the legislature—

06-00:19:27

Hershman: That's the issue, yes. And with governors. And this was an issue that Governor Wilson had some interest in, as well as legislators. Not exactly the same view. And so on any high profile issue like that, you're under a lot of political pressure. And threat. And this happens all the time to us.

Lage: Where they'll threaten the budget, which is really all they can threaten.

06-00:19:53

Hershman: Oh, absolutely. We've been threatened on the budget if we don't do X, whatever it is, some pet thing that some legislator wants. Or helping somebody else. We were threatened on a budget—I mentioned, I think—during the Gardner era. They wanted us to help the community colleges get more money from the governor, or else we would suffer. So people tried that all the time.

Lage: Well, was this a case where it was pushed by—

06-00:20:21

Hershman: Oh, it was pushed, but nothing ever happened to us. There are always lots and lots of threats; that doesn't mean things happen.

Lage: Yeah. But we did pass the domestic partners.

06-00:20:40

Hershman: Yes. [looking at list] Research interests of legislators. Absolutely. And that does have a budget impact. What we had tried to do for years and years was to say, okay, "If you want us to spend more money for research in X, let us decide how to do it." And what we tried to do was establish grant programs, where the very best research would be funded, and it would be an independent group that would evaluate the grants. AIDS research is a good example. Or tobacco research. And I could give you a whole big, long list of these research programs. Some of them started with legislators, some of them started with us. Some of them were sort of mutual understandings. But where we were successful, well, maybe 100 percent, or pretty close to it, was that we got to decide how the research would be handled, to try to make sure—

Lage: So they might give you money for the tobacco institute—

06-00:21:42

Hershman: But try to make sure that it would be competitive, that all faculty could submit grants; it wasn't just one campus. Because if you go back historically, there were lots of research programs that were at one campus. When I started to do this, I said I didn't want to do that. I wanted to try to open these up for faculty



and make them grant proposals. And the faculty loved that. I really worked closely with the Academic Senate. They loved that idea, that it wouldn't just be one campus.

Lage: So is that funded through the multi-campus research unit in the president's office?

06-00:22:19

Hershman: Some of them are multi-campus. I wouldn't say multi-campus; they were funded as grant programs.

Lage: So an individual professor would get a grant.

06-00:22:30

Hershman: Well, in other words, they were handled mostly in the president's office; but not as a multi-campus research program, but as a grant program. Like AIDS. It's a good example, where faculty— And in the case of AIDS, not just UC faculty, but the deal we struck with the legislature was that other institutions, the faculty could submit grants, too. So I think we only get like half the money for our faculty.

Lage: And then who is put in charge of approving the grants?

06-00:23:03

Hershman: It was a faculty committee. That's why I say we try to do it like NIH, where you have an independent review. And so what I tried to promise the legislature was, look at the people who ought to best judge the quality here; leave it up to them. Don't try to interfere.

Lage: And how does that go over with the legislature?

06-00:23:24

Hershman: By and large, it worked, including with legislators who had very special interests and didn't always like this, because maybe they wanted a certain program to be administered by a certain campus that they cared about.

Lage: Did you ever see cases where individual faculty would contact—

06-00:23:41

Hershman: Absolutely.

Lage: [laughs] You want to talk about any of those? That must be sort of verboten.

06-00:23:47

Hershman: Yes. And most of them didn't work to their advantage. Most of them never happened. But on those that did, that became important from a public policy point of view, and the legislature was interested. We did try to work these agreements out. As I said, by and large, we were successful. Sometimes what

we had to do was agree that whereas campus X would do most of the work, that part of the money would be available to others. There are a couple of bad examples here that I could mention, that I probably shouldn't, where most of it was done on an individual campus because of efforts by individual faculty members. You can't control it 100 percent, but most of the time, we were able to work it out. Or as I say— I'll give you a good example. The MIND institute, which was a Davis—

Lage: Mine?

06-00:24:53

Hershman: MIND. And this was an important program at Davis. A lot of these are in the health sciences, where legislators have interest for a variety of reasons. Where there's a major component at Davis, but we also had a grant; a piece of it was a grant program, where faculty from other campuses could apply. So sometimes we had to do that. Although most of the time, we were able to just have all the money in a grant program.

Lage: Now, is that because of individual presidents wanting the multi-campus approach?

06-00:25:30

Hershman: Well, I think most of the presidents bought into my argument here, which the faculty liked, that individual faculty members from all over the university ought to—

Lage: Okay, so the Academic Council—

06-00:25:42

Hershman: Oh, absolutely.

Lage: —would be in favor of that.

06-00:25:42

Hershman: No, this was the faculty. The faculty were behind my strategy.

Lage: They weren't keen on this kind of maverick—

06-00:25:50

Hershman: They *hated*— Of all the things that they hated, probably the thing they hated the most was having individual faculty members go up there because of some political contact, and get funding. They hated that.

Lage: So you were working with the faculty. [laughs]

06-00:26:07

Hershman: Oh, absolutely. No, I knew where they were coming from. [consulting list of topics] Concerns about campus growth and impacts on localities. Maybe we'll

make this the last one here, and maybe save the next one and talk about the future, which I really do think is the most—

Lage: Well, on the admissions policy—

06-00:26:31

Hershman: And admissions.

Lage: —I think we'd want to go back and discuss that in some detail.

06-00:26:34

Hershman: Go over that another time; and maybe finish up with the issue of the future, which worries me a lot. But the campus growth thing is a big issue. And it's a big issue because some of our campuses are very major institutions in relatively smaller localities. Let's take Santa Cruz, for example, or Davis. You could argue about Berkeley, if you want you, and Santa Barbara. And you could also argue there seem to be totally different views in the north and the south. South of Santa Barbara, communities have, by and large, wanted growth. They've wanted to have their campuses expand. You take the attitude at Riverside, or at Irvine, or at San Diego. I'm not saying everybody does, but those communities have been strongly supportive of those campuses. And even UCLA, even though there are some little local issues of people, residents around the campus, by and large the community supported that growth in Los Angeles. Not so at some other places. And this has been a big issue. It was for a long time at Davis; it doesn't seem to be anymore. But certainly, at Santa Cruz, Santa Barbara and Berkeley.

Lage: Yeah, Berkeley. We're clearing out the tree sitters right now.

06-00:27:57

Hershman: Yes, I know. Well, and they're on university property illegally. But I won't get into that right at the moment. But I'm just focusing on the bigger issues here. So we've been involved in lawsuits, certainly—Santa Cruz being a notable case, Santa Barbara. Santa Cruz right now. Desires on the campus for growth and building programs, et cetera, and desires in the local community to not have so much growth.

Lage: And then it seems from what you've told me, that the president's office is also promoting growth on these various campuses.

06-00:28:35

Hershman: Well, sometimes. Sometimes trying to find compromises, sometimes struggling between local legislators and their campuses. And I've been asked by regents to intervene and try to work things out.

Lage: With a legislator?

06-00:28:49

Hershman: And local communities, yes.

Lage: You yourself have been asked to do it?

06-00:28:55

Hershman: Oh, yes! Oh, sure.

Lage: You're a man of all trades. [laughs]

06-00:28:59

Hershman: Well, I've been around a long time. And we've gotten into big political issues with some of these places.

Lage: Well, describe, give me an example.

06-00:29:12

Hershman: Well, right now, Santa Cruz. Local legislators, who are very concerned about the growth, and the community, and the community suing us, and not wanting to have so much enrollment growth and et cetera, et cetera, and development in the area.

Lage: So this will come up in the budget hearings?

06-00:29:27

Hershman: Oh, yeah! Oh, my God! Threats! Santa Cruz, we had threats to eliminate capital projects, all *kinds* of threats over Santa Cruz, recently. Yes, absolutely. Santa Barbara, back in the last growth plan— They're still fighting it locally, haven't presented their more recent one yet. But terrible issues with local legislators, who are very supportive of the university. These are legislators who love the university! So I'm not talking about people who hate us. They just don't want so much growth in their area.

Lage: NIMBY legislators.

06-00:30:05

Hershman: Yes. Or trying to work out a compromise. And some people want to compromise. Like the Berkeley people this last go around—I wasn't directly in that, just more indirectly—they were willing to compromise.

Lage: On which issues, now?

06-00:30:20

Hershman: Enrollment growth and the growth of buildings and stuff. There was a lot of compromising that happened at Berkeley. Santa Cruz, we've had a very hard time. And Santa Barbara, historically. I don't know what's going to happen this time around on Santa Barbara. And issues, including legal issues here, of

how much it costs to do that. How much it costs the community to have growth. Infrastructure costs, et cetera.

Lage: And how much the campuses should contribute to—

06-00:30:48

Hershman: Right, absolutely.

Lage: Do all the campuses have their own police departments?

06-00:30:55

Hershman: Yes. They don't all have their own fire departments, only Santa Cruz and Davis have their own fire. Others, it's the local community. But we've not had serious problems in the south. It's really been a northern thing.

Lage: Well, but you're including Santa Barbara as a northern campus. [laughs] I don't know if that's quite right.

06-00:31:17

Hershman: In the middle. Santa Barbara is very much more like a no-growth place. And of course, I started at San Francisco, which was nothing but conflicts between—

Lage: Oh, that's right. You ran into that immediately.

06-00:31:30

Hershman: Oh! It was my first issue, practically, when I took over the capital budget, as well as the operating budget. In any event, these are important issues to the local community. I guess that would be my comment. You can't satisfy everybody on every issue. You'll get into conflicts with community groups over animal facilities. At Berkeley, we had *terrible* conflicts over an animal facility. So there are all kinds of reasons why people may oppose what you want to do. And sometimes you have to compromise, sometimes you have to fight.

Lage: I'm just curious how much the president's office gets involved. Do you leave a lot of that to the campuses to work out?

06-00:32:13

Hershman: A lot of it, but we have gotten involved in all of them. Particularly where there's conflict, because they bubble into political pressures from Sacramento. We can't avoid it.

Lage: So do you work in conjunction with the— Let's give an example of something you have actually worked on. Do you work with the chancellor? Or did you work with the chancellor?

06-00:32:36

Hershman: Oh, sure, and the chancellor's staff. Santa Cruz, we've had discussion after discussion. This has gone on almost every week.

Lage: Are you of one mind? Is the president's office of one mind with the campuses?

06-00:32:47

Hershman: Sometimes.

Lage: [Lage laughs] I can't get you to give me a specific.

06-00:32:50

Hershman: Well, certainly not in something that's hot right at the moment. I certainly don't want to hurt the university's position on some issue that's involved with legal matters and stuff. So I'm not going to do that. I would just say that sometimes we want compromises. We try to offer up compromises, trying to work between campuses and their communities and legislators. And sometimes we've taken a hard-line position, like campuses have done the right thing, and we're going to back them, period, and take the flak.

Lage: Because they have the right to do most of what they do.

06-00:33:30

Hershman: They do.

Lage: It's just the blowback from—

06-00:33:33

Hershman: And the regents get involved. And sometimes the regents are very protective of the campuses, sort of saying, this is a statewide institution. Hey, I was telling a local legislator just recently at some event, about people in the legislative analyst's office, independent legislative analysts—complaining that we should not fall victim to community concerns like that; that we're supposed to serve the whole state, and we have to be able to accommodate students, and that we shouldn't just do something because some community doesn't like it.

Lage: So pressure from that angle, too.

06-00:34:09

Hershman: Yes. Pressure that you wouldn't necessarily think of. By and large, the Department of Finance has stayed out of that. I think the one main time where they've gotten involved had to do with the summer, and the need—

Lage: The summer session.

06-00:34:26

Hershman: The full funding of the summer, the need to try to help deal with community pressures by taking some of the students in the summer to relieve the pressure.

Lage: I see. So they're aware of that.

06-00:33:38

Hershman: They usually don't like to get into these other kinds of fights in the Department of Finance. And I don't remember governors being involved in those local battles. I think they've pretty much stayed out of that.

Lage: Well, that's an interesting one.

06-00:34:57

Hershman: But legislators love to get involved in local matters. They do it all the time.

Lage: [laughs] Well, they represent them, after all.

06-00:35:03

Hershman: Sometimes helping their local campus, and sometimes fighting them. Sometimes I wish that they would be more helpful of their local campuses than they are. Some of them fight like hell for their local campuses, and some of them, sometimes they do and sometimes they don't.

Lage: Well, I'm sure that's true here in Berkeley. They often oppose—

06-00:35:25

Hershman: You can count on the fact [Lage laughs] that sometimes it's true in Berkeley. So do you have any other that won't take too much time?

Lage: Well, the national labs is on this list, and you kind of jumped over it. Is that a big issue, or a small issue we could deal with? I know it's an important issue.

06-00:35:45

Hershman: From the budget point of view, not a big issue. Although we did take some of the fee money, and have used it to help support the university.

Lage: The fee money from—

06-00:35:55

Hershman: From running the labs.

Lage: Now, David Gardner made a big point of saying he never used that money for anything.

06-00:36:02

Hershman: David Gardner didn't. But afterward, the legislature forced us into that.

Lage: To take some of the money you— All right, so it becomes part of your budget.

06-00:36:12

Hershman: And the regents have pulled back from that. They don't want to do that anymore. But for a while, we were forced by the legislature to do that.

Lage: So what was it used for under David Gardner?

06-00:36:22

Hershman: Well, there wasn't very much of it. And most of the money historically was used for research, collaborative research projects—which we still use all the way through the process. But when the fee went way up—this was after David Gardner, maybe right toward the end of his presidency—when the fee money went up significantly; we negotiated a much higher fee. And this was at a time of very bad budgets, during that crisis in the early nineties, and the legislature wanted to use some of that money to help fund the university. So they let us keep—we kept the money; but it was used for the general purpose of the university.

Lage: I see. So that's now a section of the budget pie. Or income pie.

06-00:37:11

Hershman: Well, it was then. Now it's been separated out again. The regents just didn't want to keep doing it. And of course, now what's happened is that we do get a fee for two of these labs, but this isn't just us anymore. We're doing it jointly with others. But we do get a fee, which the regents want to use for research. But we always used some of it for research, don't get me wrong. But as I say, we use some of the money for general purposes.

Lage: I guess one of the things I was thinking of, too, was the national labs as a political issue for the legislators or for the governors.

06-00:37:51

Hershman: We always had some legislators interested, yes. If you go way back to Jerry Brown, who didn't want us to even run the labs, and twisted our arm to make us take some of the money to use for research for peace.

Lage: Maybe that's when the peace and conflict program started here.

06-00:38:11

Hershman: It was. At San Diego, actually. But yes, we did establish that institute, because we were forced to by Jerry Brown, as a condition. Although he fought it. He didn't want us to run the labs. He voted against it at a regents meeting. But we did anyway. The regents didn't always agree with Jerry Brown. So there were those political issues about should you or shouldn't you be doing it? Other than Jerry Brown and John Vasconcellos, at that same time, it wasn't too big an issue. There were regents who cared a lot about Los Alamos. Excuse me, legislators who cared. I'm getting tired here. They formed an alliance with some of the New Mexico legislators, and cared about some of the local issues,



and wanted us to run the lab, and wanted us to work with local community in Los Alamos.

Lage: For employment purposes?

06-00:39:17

Hershman: Employment and education. And Denise Ducheny is one of those. And Denise has been a good friend for a long time. Very active in health care issues. She's chairing the senate budget committee now. But she was one who was very interested. And there were a few others, particularly Hispanic legislators, who cared a lot about the local community and wanted us to be more active in working with them, and very supportive of us running the lab, and working together with Governor Richardson in New Mexico.

Lage: When there was all the sort of—I think scandal's too strong a word—concern about how well the university was doing, with security issues and the Wen Ho Lee issue and all, did that come into play in the budget?

06-00:40:09

Hershman: Not really too much. There's always this accusation that somehow or other, there's a lot of political interference. There really isn't a lot of political interference. There are a few issues where there is some. And there always has been. It was worse, in some ways, back in the early 1970s over the medical schools and the hospitals, with legislators telling us what to do. I frankly think they don't do a lot of that.

Lage: That's interesting. It's important to say because we're kind of looking at issues where they have been.

06-00:40:47

Hershman: And there's a widespread view around the university that there's a lot of this interference from legislators. There's a few issues that they care a lot about, they're always going to care about, admissions being number one. But they don't interfere that much. I'd say that admissions is a big one, and unions. They do put pressure on us about salaries—

Lage: For our own workers.

06-00:41:11

Hershman: Our own workers who are in unions. Particularly low-wage workers, lately. But then not just that. There was interference over the teaching assistants. So we do get that kind of pressure. But legislators telling us, do this program or that program, most of that has been in the research area. And I'd say virtually all of these, we've been able to work out. And in my mind, if legislators think, for example, AIDS research is important, we *should* be doing it. If they're going to give us the money for it and they think it's an important social and

health issue, why *shouldn't* we be doing it? We've got plenty of faculty who want to do that. As long as it doesn't come out of our hide.

Lage: Yeah, if it was distorting the direction, it would be something else.

06-00:42:05

Hershman: Well, but you know something? Faculty apply for research grants at the federal level. Does that distort our mission? I've gotten into these debates, some interesting debates. Does that distort anything, if the federal government decides cancer research is a high priority? My own daughter does this; she's in New York. But is that distorting our mission, because there's a lot of money for cancer research or a lot of money for heart research or whatever?

Lage: Well, some people would say yes, it has distorted the scientific enterprise, in a way.

06-00:42:37

Hershman: And is that bad? Does the government, who's giving out lots of money, have anything to say about priorities? I would argue I don't think it's that bad. There are always a couple of examples where you are unhappy. But 99.9 percent, I'd say no. By and large— You look at the budget. The governor and the legislature give us a pot of money to run the university. We make certain commitments, there's certain accountability; but they're not telling us, give five faculty positions to Irvine, or we want this campus to do this humanities or this.

Lage: Well, that's part of what you talked about, the strength of the university. It's a tradition that the line has been drawn on that kind of thing.

06-00:43:26

Hershman: Yeah. And I would say by and large, we don't have that problem. And I don't find it objectionable for the legislature to say, we want to put some state money into research in AIDS. Just like I don't think it's wrong for the federal government to say that. If that's a nationally important issue, or cancer research is important, and they want to commit that money— We don't have to apply for it.

Lage: Yeah. Okay. I think this is good. We don't want to wear you out. And we'll start fresh next time. Okay?

06-00:43:57

Hershman: Okay.

[End of Interview]

Interview #4: July 15, 2008

Begin Audio File 7 07-15-2008.mp3

Lage: Okay, now we are recording. And let's see, this is session four of our interview with Larry Hershman. And today is Monday, July 14. No, it's Tuesday, July 15. That's because we postponed a day.

07-00:00:22

Hershman: Yes. We got through Bastille Day.

Lage: Right. Tuesday, July 15, 2008, and this is disc number seven. Okay, Larry, we're continuing on, sort of from where we were [last time]. I had asked you if you would run through the seven or eight key decisions that you mentioned in this very first interview, but I don't believe we really delineated what they all were.

07-00:00:54

Hershman: Okay. Well, I think I can summarize those for you. I sort of started this by saying that over my time in the university, my view of life, at least, we have built the greatest university in the world. And we've taken three brand new campuses—San Diego and Irvine and Santa Cruz—and made them into world-class universities during this time. That, in and of itself, is phenomenal. We've taken Davis and Santa Barbara, which were fine universities, and made them into great universities; UCLA, which I would've, forty years ago, considered a good university, into one of the world's great universities. That's the kind of thing that I think we have been able to accomplish in this period. And we've accommodated all of the students. Time-to-degree is the best ever; students are graduating. So we've accomplished all of that. And the point I was trying to make is that I believe there were some key management decisions that were made during this time frame that helped to achieve that, both in terms of how we dealt with the state and how we managed our resources. So I'll start with the seven or eight. And these are really more how we dealt with the state in some difficult times.

07-00:02:21

So I'm going to focus on my time frame in the Office of the President. And the first one that I mentioned was the effort, after Jerry Brown became governor, to rethink the health sciences plan in the university. Jerry Brown did not want to support expansion. We had developed several new medical schools that were in a very vulnerable situation. We needed to stabilize things. We had a bond issue that had passed and the money was frozen. And we worked out a compromise plan. And we did it between January and April of 1975. And so it was not a lot of time. Most people cooperated. But our willingness to come up with a compromise—not everybody liked that; but our willingness to come up with a compromise, which eventually led to the governor and the legislature supporting that, to stabilizing the health sciences

for the next several decades—we didn't grow, but we at least stabilized things, in terms of resources. And so I would point to that as the first one.

07-00:03:30

The next one that I want to focus on was the David Saxon era, as president. This was still Jerry Brown as governor. Prop 13 had passed. We were in deep trouble. There was a proposition on the ballot to cut state income tax in half. It looked like it might pass. Jerry Brown had taken no position; he'd been busy running for president of the United States. And David Saxon had a meeting, in a very strong way, with Jerry Brown, to convince him to come out against the proposition. And it failed, thank goodness. If it hadn't it would've been a disaster for us. This was after Prop 13, so we already had the problem with property taxes; this would've been a problem with state income taxes on top of that. And I think it helped save the university. And so I view that as leadership, and I think it was one of David Saxon's best moments, maybe his best as president of the university.

07-00:04:32

The next one that I mentioned was our efforts with George Deukmejian, when he became governor and David Gardner became president. And this is a very famous one, lots of stories. I did go over that, as part of this discussion. And we made a deal with George Deukmejian. And it wasn't a one-year deal, it was a multi-year deal. And it led to faculty salaries being competitive again. And we were in very deep trouble; we were going to be 16-, 17 percent behind the market, and much more money for things like research and maintenance. So it was really at the core of the budget. And I believe the effort to work this out with George Deukmejian— And we were the *only* ones who did. Everybody else was fighting with him. And in my mind, it wasn't political, it was the right thing to do for the university. Republican, Democrat, didn't matter to me. I think we needed to do something to save the university. We were in deep trouble. There was a lot of talk about closing campuses or whatever other actions were needed, closing down whole schools or programs, if we couldn't get the resources. And this led to a very successful presidency for David Gardner. After that effort, everybody in the university sort of felt like he was a genius, and went along with pretty much everything he wanted to do. And those were great years, as I mentioned. But it was the risk that we took, going for a big budget; but even going for more than that, trying to do a multi-year agreement with the governor.

07-00:06:14

And the next one that I mentioned was when Jack Peltason became president, in the early nineties, and we had the biggest recession since the Great Depression. And we were in very deep trouble. Budgets had been cut significantly for everybody. We weren't the only ones, obviously. The state was in deep trouble financially. And Pete Wilson had just become governor. And it wasn't just the actions that we took with respect to early retirement that helped, but it was at the height of the crisis, if you would, when things looked the bleakest—it looked like, from projections that the Department of Finance

made, that we were going to have no state support by the year 2000, ten years later. Less than ten years later, actually. But we worked out an agreement with Pete Wilson and his director of finance Russ Gould, who's a regent right now, which in my mind, saved the university. And the state was able to not only meet all the commitments in that agreement, but a lot more. For example, they bought out student fee increases every year. And so things turned around for us. We were helped, of course, by the dot-com boom. But things turned around, and that agreement helped a lot. And it also helped Jack Peltason personally, who felt, after he had worked this out, it was a good time to *really* retire, after having been persuaded to be president in this very difficult time frame. And I view Jack Peltason as a hero, because these were very tough times and things could've been a lot worse. And VERIPs [Voluntary Early Retirement Incentive Plans] helped. We did not have to lay off huge numbers of people, and that made a big difference, including psychologically, within the university.

07-00:08:13

And the next one that I covered was when Gray Davis became governor. And Gray Davis wanted to help us. And Dick Atkinson, by this time, was president, and we spent quite a bit of time working out an agreement with the Davis administration, particularly Gary Hart, Tim Gage, Betty Yee. I think Tim was his director of finance, and Betty his chief deputy directory, and Gary Hart was the secretary of education. And then we worked out a much more complex agreement, which involved lots of accountability measures, along with a wonderful funding formula, which helped a lot, got our salaries back to competitive levels. We were getting huge increases for research and other things. And so it led to some very, *very*, very good years that allowed us to take advantage of the dot-com boom. There were disadvantages that occurred later, of course, in terms of state revenue and budget cutting. But at least in the good times, we were able to take advantage of that. And the relationship between Dick Atkinson and Gray Davis was very good. And Gray Davis wanted to be a big supporter of the university, and this gave him a chance to do it. But it also was the first one of these agreements in which there was a lot of accountability, which we were very proud of. We were happy with accountability measures because we knew we would do well.

07-00:09:41

And the last one that I mentioned was what happened when Bob Dynes became president. And at that point, we were already in the midst of a serious financial problem for the state, with lots of budget cutting, right at the end of the Atkinson era as president. And Dynes inherited a very bad situation. Schwarzenegger had just become governor. He had a director of finance; she had her own ideas as to what the university ought to look like, and wanted to make it much more of a private institution, in terms of who pays for what. And we felt we had to strike an agreement. I wouldn't have changed a thing, personally. I felt like we did what we needed to do to avoid what would've been a certain disaster.

And I know there were a lot of legislators unhappy. We never had a problem with any of these other agreements, but in this case there were a lot of legislators unhappy. They were not thrilled with us making this deal. We felt we had to do that for the long-term interest of the university here and what might've happened. And as I mentioned, Donna Arduin had her own ideas, as director of finance, about what she would've liked to have done, in my mind, having students, both undergraduates—particularly at places like Berkeley and LA, where she wanted them to pay a lot more, but also in professional schools, which would've been almost essentially fully self-supporting, at some point, using the strategies that she had in mind. So the potential for a disaster was there, and we did what we felt was necessary. And some of us have taken a lot of flak from people who thought, why couldn't you do better? People can always say that, why can't you do better? All the way from the first of these that I was involved in, with the health sciences, all the way to the end and—

Lage: Sometimes they're compromises, and sometimes they're bold—

07-00:11:46

Hershman:

Yeah. They're bold, but also compromises. Because the people who think, why can't you go for the moon and get it? They don't always understand what the environment is. And so I think we did what we felt we needed to do in each of these instances. And as I said as we were talking earlier, I wouldn't have changed any of it. I'm very proud of our effort. And I believe it helped to achieve what we were able to achieve for the university.

Now, the other comment that I would make—and I spent some time on this through the interviews—is it wasn't just our dealings with the state that helped us achieve this. I think we established policies with respect to federal funds and private funds, encouraging campuses to get more private funds than they had historically, in terms of being competitive for federal funds; policies on how we allocated resources and how we encouraged campuses that, in my mind, were also very important in our ability to achieve what we did. And these weren't things that happened in one year, they just evolved over a long period of time, in terms of funding policies of several presidents, all having the same kind of goals. But you couldn't just do things quickly. On the other hand, a lot of these policies helped some campuses more than others. And I think that the main dilemma that I suggested in the earlier comments was what happens with younger campuses who don't have a lot of flexibility to help them, or smaller campuses. And I think the campuses that are in the most difficult situation right now— Merced, of course, as a new campus. And we've helped them a lot, with the help of the state, as I mentioned earlier.

Lage: But now they're kind of back on the per-student formula.

07-00:13:53

Hershman:

Well, they are, but they're getting extra help, still. But Santa Cruz and Riverside are the two campuses that worry me the most. And they have brought it to presidents' attention, several presidents in a row here, as to how do they get to achieve the same sort of thing that other campuses did? And that's a dilemma. And I don't have an easy answer for that. But on the other hand, when you look at what we were able to do, as I mentioned, at Irvine or San Diego or Davis or Santa Barbara, I think it's fabulous. Or UCLA, which is— And protect Berkeley and San Francisco as we were doing it.

Lage:

Right. You mentioned at one time that protecting Berkeley seemed to be every president's— one of their main concerns, in times of budget downfalls. I'm interested in how that came out, or what could've been—

07-00:14:54

Hershman:

Well, I think there was always pressure from other campuses that Berkeley was getting more, starting with UCLA complaining. And then eventually, it became other campuses complaining about Berkeley and UCLA getting too much.

Lage:

Getting more because the base was higher to begin with?

07-00:15:13

Hershman:

Right, getting more because the base was higher to begin with. And because we use funding formulas that help Berkeley and LA more, because their proportion of graduate students was higher, because they were older, had more senior faculties. So that was part of the base, with higher salaries to begin with. And the growing campuses always feeling like they wanted more.

Lage:

What kind of discussions would you have—

07-00:15:44

Hershman:

Oh, constant.

Lage:

—with the presidents, so—

07-00:15:46

Hershman:

Oh, with presidents?

Lage:

Yeah. I would think that some of the presidents that came from these other campuses, like Peltason, from Irvine, or Atkinson, from San Diego, would've bristled over it. Especially if Chuck Young had gotten in [as president].  
[laughs]

07-00:16:03

Hershman:

Atkinson felt very strongly we had to protect Berkeley and LA. And I know that does shake people up a little bit. But the funding formulas—and I went through that in earlier conversations—that we had developed were strictly

aimed at helping Berkeley and LA. And the growing campuses would be helped because they were getting average kind of funding. And that included Berkeley and LA, as they grew. So as they took more students, they were getting more money. They always complained it wasn't enough. On the other hand, he, Atkinson was unwilling to take more money away from Berkeley and LA to help. On the Peltason issue, there wasn't more money to be handed out, really, in that era. But what we did do with the VERIPs was very important, because every campus got cut the same proportion. Well, Berkeley and LA had more senior faculty, so they were helped more proportionally with the VERIPs.

Lage: But Chancellor Tien objected because he thought they were going to lose their stellar faculty.

07-00:17:13

Hershman: He did think that. And I think he finally, years later, became convinced that it worked out okay. There are two different issues here, and one of them is a funding point of view. They were better off, from a funding point of view. But he was worried about people, and losing people. And of course, under those arrangements, you can bring people back. And I think they found they could bring back the people that they wanted to bring back. So it did work out.

It's interesting, when you're a chancellor of a campus—let's say Peltason or Atkinson, or Dynes, for that matter, all of them having been chancellors; or Saxon, who would've been an executive vice-chancellor—you have a certain kind of view when you're on a campus. I came from San Francisco, and I had a certain view. And then you come to the president's office, and those individuals who became president, their views change. And yeah, certainly, Atkinson wanted San Diego to be helped. He loved San Diego, there's no doubt about it. On the other hand, he didn't want to hurt Berkeley and LA to do so. He thought you could do it with growth. And San Diego, they did benefit by the change in the way we dealt with overhead money and better grants. So that's a campus that benefited a lot by that funding decision. San Diego and San Francisco.

So maybe it was luck, maybe there were miracles involved.

Lage: Well, some of it was the economics of the state, as you outline this.

07-00:18:46

Hershman: Of course, but I would also argue that people made tough decisions and good decisions. And the management decisions played a part in this, too. It wasn't just luck.

Lage: Now, these are six decisions, and you mentioned seven or eight. At one time, you mentioned the bad decision by Chet McCorkle.



07-00:19:10

Hershman: [over Lage] Well, I did. I didn't cover that one here because it didn't happen.

Lage: Right, it didn't happen, and we have talked about it.

07-00:19:17

Hershman: Yeah, we have talked about it, and so I just have not really focused on that one.

Lage: Any other really bad decisions that were put forth and you're glad didn't happen? Or that *did* happen. [laughs]

07-00:19:32

Hershman: Well, gee, I'd have to think some about that one. I don't know. I could mention a lot of other good ones. Along with the fact that the health sciences had to be stabilized, there were a lot of campuses in the early seventies who thought they were going to grow at astronomical rates during that period, and didn't because the demographics changed. And while I might be critical of the Chet McCorkle decision, which didn't turn out to happen, with Jerry Brown over funding formulas, his effort to try to redo the planning for the university turned out to be good.

I would also argue that David Gardner's decision to redo the planning for the university, if you would, in the eighties, to expand more and to make the kinds of decisions necessary to do that, I'd say that was a good decision. Probably thinking about three new campuses—which didn't happen either—rather than one, that probably wasn't a good idea. I could probably argue that the decision, when we were planning Merced, that people were making that we had to have a 2,000-acre campus site turned out to be more detrimental than beneficial. It led to certain kinds of decisions about where to put the campus. And the reality is we've got a campus on a very little site right now, and it's not going to be anything like 2,000 acres, in terms of all the space that's being put aside for natural reserves and things like that.

Lage: So it might've been sited elsewhere?

07-00:21:24

Hershman: It might've been. Except there wasn't another site. There a lot of *possible* other sites, but there wasn't *really* another site. But the effort to think about three new campuses probably wasn't sensible at the time, and we were being criticized by plenty of people for talking that way. Not that we really did much about the other two sites; we really focused on the first one. But it did lead to some people wondering about where we were—

Lage: Maybe it was grandiose?

07-00:21:55

Hershman: Maybe it was too grandiose, yeah. But it didn't happen. Somehow or other, the good decisions happened and the bad didn't. [they laugh]

Lage: Well, it's interesting to think why. Okay, well, that's good. You have mentioned all these things earlier, but I wanted to be sure it was understood what you meant by the key decisions.

07-00:22:14

Hershman: [over Lage] Well, and the main point I want to make is that people did make these kinds of decisions. They were able to do that. And there's all these complaints about management and people are afraid to make decisions, and I don't believe that for one minute. I think depending on the circumstances, they made the right decisions. The VERIP decisions, as I mentioned, helped save the university.

Lage: Yeah. That was a very clever—

07-00:22:46

Hershman: [over Lage] It was, and the retirement system was in very good shape. And one can talk a lot about the retirement system, but the management of the retirement system was fabulous. The regents did a *wonderful* job, in terms of investment policy. And all you ever do is get people complaining. There is a view by some, including some union folks, that people should never have to pay into retirement. Well, that just is not realistic for the long run. But it's been a long time since people have contributed.

Lage: It's been seventeen years or something.

07-00:23:20

Hershman: But that's over. I'm thinking that they're going to have to start again.

Lage: Yeah, most likely. Well, this kind of leads into the next thing that we talked about just briefly as I was leaving last time, I think. During these really severe budgetary crises that we've had—and they seem to be coming more frequently—was it just understood what we would cut, what we'd preserve? Or were there discussions where things were laid out?

07-00:23:51

Hershman: Oh, God, yes. There were discussions. It was never just understood.

Lage: So what were the propositions put forth and rejected?

07-00:24:03

Hershman: I would say there were the more public discussions—and I don't want to say that they were necessarily in-front-of-the-world public, but let's say at chancellors meetings—where people said things. And then there were private discussions that people had, where they were making their own arguments.

And I don't want to minimize that. There were campuses—let's just take Berkeley for a moment, or San Francisco—who were very worried about how they would be preserved in the long run. If things were going to be that bad, you've got to preserve San Francisco and Berkeley—or preserve UCLA, or *whatever* it is—even if that means destroying other campuses, or *closing* campuses.

Lage: Closing a smaller campus.

07-00:24:46

Hershman: Right. And that sounds a lot easier than it is. Any analysis we ever did, with all of the commitments that we've made and all the debt we have on those campuses, it doesn't work.

Lage: Would it get to the point that your office made these projections about closing campuses?

07-00:25:03

Hershman: [over Lage] Oh, sure. Oh, people looked at all of these kinds of things. And right at the end of the Saxon era, we looked at closing whole schools. Bill Frazer was academic vice-president at the time. And we looked at the quality of every program. We spent huge amounts of time on this, looking at what might be cut back or closed.

Lage: On specific campuses?

07-00:25:27

Hershman: Oh, absolutely. Absolutely.

Lage: Instead of having the campus themselves—

07-00:25:34

Hershman: People looked at it. And always with a view, we can't just cut everything. On the other hand, when the tough decisions came, the kinds of actions that took place were similar from crisis to crisis. No pay increases, for example. Well, that's easy in the short run, I suppose you could say. In the long run, it doesn't work; you've got to pay competitive salaries. But when you're in immediate crisis, we found that you save a lot of money from what you were planning, if you don't do pay increases. And if nobody else is getting pay increases—

Lage: In the general population.

07-00:26:11

Hershman: Yeah, right. In these crises, that tends to happen, or there tends to be lots of layoffs and things like that. In every one of these, we tried to minimize layoffs. We tried to do it through attrition. And I'm not the only person, I think, who would suggest that we necessarily did the right thing in these

times, but we did tend to make across-the-board cuts, in terms of budgets. We also tried to cut more in administration and research and public service than we were cutting in instruction and other kinds of support.

Lage: Now, would that be done at the president's office level—

07-00:27:02

Hershman: Yeah.

Lage: —or on the campuses—

07-00:27:04

Hershman: No, no, we did that, in terms of how we distributed the cuts. But the campuses always have the ability to make whatever cuts the way they—

Lage: [over Hershman] Did you see differences on different campuses, in how they'd handle— Say in those last years of the Atkinson and into the Dynes, it's been very severe.

07-00:27:21

Hershman: [over Lage] We've pretty much left it up to them. Atkinson was a strong believer in the campuses making their own decisions. And so the kinds of cuts we made tended to be more proportional, except when we were— As we were negotiating with the state, as I suggested, we might want to cut administration more. Jack Peltason believed in that, for example. That'd be the first place to take bigger cuts. And to preserve the basic instructional budget and the faculty, more than other things. But campuses, they had a lot of discretion. And when we did the VERIPs, of course, a lot of it was dependent on where those [early retirements] occurred. We made across-the-board cuts, percentage-wise. But where the actual cuts occurred on campuses, a lot of that had to do with where people took their retirement. And I must say, as I remember all of those, I don't remember having to do large layoffs. We always had selected areas where we'd have to do some, but we never had the kinds of layoffs that others had in these crises. We were able to find a way to do that. And of course, as I say, the VERIPs helped a lot during that very bad period.

Lage: The START program came in to handle some of this. Or is that just on the Berkeley campus?

07-00:28:42

Hershman: No, no. We developed—

Lage: Was that something the president's office put forth?

07-00:28:45

Hershman: Yeah, there were people who came up with ideas that were going to help. People going part-time, for example. A lot of these things were to avoid having to do so many layoffs. But we didn't disproportionately benefit or cut anybody because of that. It was just a way—

Lage: A way to handle—

07-00:29:05

Hershman: A way to handle it. Like the VERIPs.

Lage: The VERIPs were almost like a magic bullet to kind of—

07-00:29:13

Hershman: On the other hand— Everybody took the cuts; it was just a way— I'll say it my way. It's a way to avoid having to do layoffs. And of course, with a large number of very highly paid people leaving, that made it a lot easier. So instead of so many people making \$30,000 having to be laid off, you had a lot of people making \$100,000, so that helped a lot, in terms of the money. And the fact that we could bring faculty back, and others that we needed to for teaching.

Lage: And hire younger faculty to fill—

07-00:29:42

Hershman: And hire younger faculty. That's not always so inexpensive, by the way, in terms of start-up packages, that wound up costing a lot of money—

Lage: Oh?

07-00:29:53

Hershman: —as it turned out. Yes. But there were always lots of discussions, and people thought about these things. The VERIP issue— And Chuck Young was sort of the leading proponent of that. As you suggest, there were people like Tien who were *bitterly* opposed. So there would be these discussions in chancellors meetings, they were vicious discussions. I remember one issue right at the end of the David Gardner period, in the same budget-cutting mode, where we were going to reduce salaries. And we actually did, for just a short period, and we made it up with a special benefit.

Lage: Through the retirement plan?

07-00:30:36

Hershman: Right. Well, it was a little different. It was that *kind* of idea, yes. That was a *terrible* struggle.

Lage: With the chancellors, you mean?

07-00:30:49

Hershman: Yes, oh. And some chancellors thinking that was a great idea, and other chancellors thinking, oh, my God, the faculty's going to feel like things are going downhill, and people will be leaving. A lot of it had to do with the psychology of these things.

I must say, in the chancellors meetings—and I think I probably referred to that—there was always a strong feeling about preserving the master plan. One of the big issues in the bad times, if you would, has to do with do you find ways to reduce enrollments? We *never* took the big enrollment reductions that others did.

Lage: But was that because you were paid per student? I mean, your budget was determined by this?

07-00:31:30

Hershman: [over Lage] No, because in those years, we just took cuts.

Lage: I see.

07-00:31:33

Hershman: They weren't giving us more money to take students. There was always a strong feeling in the university that the master plan was important—Chuck Young was the leading proponent of this one, too—with very strong feelings that we ought to honor it as best we can.

Lage: Meaning taking the top 12½ percent.

07-00:31:52

Hershman: [over Lage] Well, at least offering them an opportunity. Our enrollments did go down a tiny, little bit during the early nineties, for example, but it was very small, and mostly non-resident students. Compared to others. At CSU and community colleges, enrollments plunged. And by having the VERIPs, for example, and then bringing people back, we were able to offer the classes, too. So I think if it had just been, we'll take the students and not offer the classes, I think that's a lousy strategy. On the other hand, we were able to find a way to do that. And I thought that was very responsible.

I can remember sitting in front of a legislative hearing with Gary Hart, who was a state senator at the time, on the senate budget committee, praising the university—*he* was praising the university—because we were able to take the students and offer the classes, and the faculty got behind it. And just when things looked like they could've fallen apart, they didn't. And that's why I say I think Jack Peltason, during that era, is a hero for holding the place together when there were forces that would've said, let's protect Berkeley. No cuts at Berkeley, no cuts at San Francisco. Let's slaughter the little campuses, or whatever.

Lage: So how did Peltason hold it together?

07-00:33:13

Hershman: He did, I think, by working with the chancellors and the faculty and the regents. And so people, when they look at the Peltason era, they focus a lot on the affirmative-action issue, and they ignore this. And if you were in the middle of it at the time, I think that the danger here of what could've happened with the university coming apart, in terms of individual campus interests here, was *very* significant. And the faculty—and I said this before—I think it was the best that I have ever seen of the Academic Senate, and feeling like they needed to hold the university together. They were really behind Peltason. They were his biggest supporters.

Lage: Even though it seems like the faculty were very alienated by the Gardner executive compensation controversy.

07-00:34:05

Hershman: [over Lage] But that was just one— Yes. Yes, they had an issue there, with respect to executive compensation. I don't want to suggest that—

Lage: Of course, Peltason wasn't— He took care of it.

07-00:34:16

Hershman: Well, he did. And he agreed to cut administration.. But what would've worried me more was having the campuses come apart campus by campus.

Lage: You mean from each other?

07-00:34:28

Hershman: From each other. Wanting to protect their own interests. With little campuses saying, cut Berkeley and LA more; they've got the resources. Berkeley and LA saying, you've got to preserve—or San Francisco—you've got to preserve quality; these other campuses are unimportant. The regents are having the same kind of fight right now, over what happens in bad times, and who do you protect?

Lage: Who do you protect, and what do you protect?

07-00:34:51

Hershman: And what do you protect? And what we were able to do—and I think every president would've said this—we were able to build the quality of all the campuses, by the way we did it. The interesting thing is, you can have lots of conversations about this, all these meetings—and the meetings, they just go on and on and on—somebody still has to make decisions.

Lage: And bring others along.

07-00:35:18

Hershman: And bring others along. Including the regents.

Lage: So that somebody is the president, right?

07-00:35:24

Hershman: In my opinion, that somebody has to be the president.

Lage: So that's an argument, I'm guessing you're saying, for a strong president.

07-00:35:32

Hershman: That is an argument for a strong president. I will never give up that view, because I've seen it over all this time, and I've seen it make a difference.

Lage: But more than just strong, I would think the statesman quality you mentioned, that Peltason had and others.

07-00:35:50

Hershman: Yeah. And you raise the right the question. So you have a president who comes from Irvine or San Diego—or David Gardner had his own Berkeley experience, but he was from Santa Barbara; or David Saxon, who was at UCLA for all those years. So people are very loyal to individual campuses, let's say. And yet when they had to make these decisions, they put that aside.

Lage: That's interesting. Because I know Peltason was very aware of the needs of a campus like Irvine.

07-00:36:23

Hershman: Well, of course.

Lage: [laughs] And sympathetic, of course. Yes, he would be.

07-00:36:26

Hershman: [over Lage] Of course, he was. How could he not be? And the people who fought just as hard when they were chancellor of a campus— And Dick Atkinson, nobody fought harder than Dick Atkinson for any campus than he did for San Diego, believe me. They have to become statesmen, they do. That's to their credit.

Lage: Yeah, definitely.

07-00:36:48

Hershman: And they have plenty of pressures. It's not just people like me saying, this is what I think you ought to do. They've got chancellors and vice-chancellors and vice-presidents and regents. And regents don't always share the same view as the president. There are individual regents who have their own loyalties to individual campuses.



Lage: There must be lots of stories there. [laughs]

07-00:37:10

Hershman: There are probably lots of stories. I think I'll leave—

Lage: Leave it at that? [laughs]

07-00:37:14

Hershman: Leave it at that.

Lage: Let's see, where are we? Shall we move to these major issues, the big one being admissions?

07-00:37:28

Hershman: Yeah, I think there are at least a couple that I would want to cover because I think they're important, even though they're not just budget issues. And certainly, the admissions issue and outreach, that's not just a budget issue. In all of the years that I did this, it's the issue that was the most emotional, with very strongly held views on all sides, from legislators, governors, regents. Most governors didn't interfere too much, by the way. They did—

Lage: On that issue?

07-00:38:04

Hershman: I can find times when they did interfere a little bit. But legislators were perfectly happy to interfere. A lot. And all with deeply held views. All the way from, you ought to be admitting only the very best students to, well, there's more to these decisions than just grades and test scores; you need to look in a more comprehensive way.

Lage: Was that, those views, if you put those as the two opposite views, related to political party or ethnicity, race?

07-00:38:43

Hershman: Not always political party. I'd say more personal views. And a lot of it coming from people's own experiences and backgrounds and whatever. And I can point to examples of how people voted on SP-1 and -2. Look at Roy Brophy. Nobody could be a better Republican than Roy Brophy, but he fought as hard as anybody could fight against that. So it wasn't just political party. It probably tends to more like that, but it's not—

Lage: But in the legislature, is it?

07-00:39:16

Hershman: It tends to be like that, but it's not 100 percent. And it's not 100 percent with governors. I look at Gray Davis. Gray Davis, when the faculty were going to change admissions to cut back on the extra credit for AP courses—they were going to cut it in half, the extra value—Gray Davis didn't want to do that. He

wanted to preserve high quality. Look at Jerry Brown, the same kind of— You ought to be taking the best students.

So it wasn't just political party, although mostly. Certainly, the leadership in the legislature, the Democratic leadership over all those years, was very highly supportive of affirmative action. And most of those legislators were outspoken. Even when the constitutional requirement came into being, they put enormous pressure on the university to find ways, legal ways, to open the place up to individuals. And it wasn't just to be admitted to the university. That wasn't the main issue. It was Berkeley and LA. And this is the part that bothers me the most about it, frankly, that you get a wonderful education at all these campuses, and yet somehow or other, in a lot of the legislators' minds, it's, you either get to go to Berkeley or LA or you're getting an inferior education. And my argument in all these years was we need to do more to convince people you get a wonderful education at Irvine or Santa Cruz or whatever, or San Diego or Santa Barbara. It's not just Berkeley and LA. And in spite of all of our efforts, we always had that problem. And so yeah, we were admitting everybody who was eligible.

Lage: On some campus.

07-00:41:15

Hershman: Or *many* campuses.

Lage: Gardner made that point. It's when we aren't able to admit everybody who's eligible that we're going to have a problem.

07-00:41:21

Hershman: Yeah. But the fight then became Berkeley and LA. And Berkeley and LA were the leaders, in terms of affirmative action. And so you look at the data from that era before SP-1 and -2, and Berkeley and LA were getting most of the underrepresented minority freshman.

Lage: They were making more effort towards affirmative action.

07-00:41:42

Hershman: Well, and the students wanted to go to Berkeley and LA. And other campuses were *very* unhappy about that. If you believe that there's an educational value, then you believe it's for *all* the campuses, not just two of the campuses. And so what's tended to happen over time is that the percentages are similar for all the campuses, rather than more students at Berkeley and LA; but there is this issue. And it's not just underrepresented minorities. Look at the Asian students and the battle that Berkeley had there. It was sort of like, we want to go to Berkeley, period. Well, everybody can't go to Berkeley.

Lage: But there were also battles—I'm thinking back earlier than— well, this is the late eighties, I guess—when there were complaints by Asian Americans that there was a quota system.

07-00:42:28

Hershman: [over Lage] Yes, that's what I'm talking about.

Lage: A type of quota system.

07-00:42:32

Hershman: At Berkeley?

Lage: Yeah.

07-00:42:33

Hershman: Well, and see, there were the same complaints in the regents meetings, when they were taking up SP-1 and -2, that we had quota systems in the professional schools, for example. And that led to some *very difficult* regents meetings, in which all of this data was being presented. And you can interpret it any way you want to, and the motivations any way you want to. But the regents came to the conclusion that at least to some extent, there were quota systems. They can call them goals, call them whatever they wanted to; that probably did happen, if you listened to some of the deans as they were presenting their case to the regents.

In any event, I guess people care deeply about that. It's almost like a contract that we have. The state of California isn't going to tell us how to run the place. They're not going to tell us how to spread out our faculty resources. They're not going to tell us what courses to offer, et cetera, et cetera. On the other hand, they want us to take students who will be able to succeed in the university. And I think we have, by the way. Maybe not always in the campus that they want to go to. I think the campuses have done a good job. It's always been controversial. People have tinkered and tinkered and tinkered with this over time. It isn't clear to me exactly what else we can do, within the law here. But it is an important issue. And there are folks out there who believe very strongly— I remember [UCLA Chancellor] Al Carnesale, in one of our [regents' and president's] long-range guidance team meetings, who believed very strongly that if we can't be more representative of the public generally, in terms of those students who are graduating from high school, that we're going to have a difficult time getting the resources that we need.

Lage: Because of legislative—

07-00:44:40

Hershman: Because of legislators.

Lage: Well, how did you feel, as the person who had to go to the legislature to defend the budget?

07-00:44:47

Hershman: I tried my hardest. We struggled over these issues every single year. Some of the ugliest hearings we ever had were on this subject. And unfair, unfair, by the way.

Lage: When did they occur, in relation to the SP-1 and -2 vote, way before?

07-00:45:06

Hershman: Well, we had been under *enormous* pressure. I'll go all the way back to the late seventies.

Lage: Yeah, do. Give a kind of history of it.

07-00:45:12

Hershman: Well, the history is we're under enormous pressure to do affirmative action.

Lage: And of course, the federal government was also pressuring.

07-00:45:19

Hershman: Yes, they were. And so we had key legislators—and, I would say, led by Willie Brown and John Vasconcellos—who were pressuring us to do this. They weren't the only ones.

Lage: Did they pressure you in public—

07-00:45:31

Hershman: Oh, absolutely.

Lage: —hearings, or in private—

07-00:45:33

Hershman: Both. Both. And we did more and more. And we opened the place up more. During the David Gardner era, for example, when we were supposed to have an era of very little growth, maybe none, we had huge growth. And a lot of it was opening the place up more.

Lage: To minorities, underrepresented.

07-00:45:58

Hershman: Right. And having more success, working harder at it and more success at it. And I guess we had so much success that it made a lot of other people angry, [Lage laughs] including some regents and including others. And so it's like everything else; some people were— Well, people were never happy. They never thought we did enough. And people on the other side thought we were doing too much.

Lage: Did you ever feel it was illegal, some of the things you were doing? David Gardner tells about some mysterious—

07-00:46:33

Hershman: I think there were some things that were questionable. I don't know about illegal, but when you looked at the data and looked at what some campuses were doing, it was questionable.

Lage: Too much effort made?

07-00:46:46

Hershman: Not just effort, but the decisions themselves were suspect, at least. And David Gardner, I don't know how much he's told you, but he was in the middle of that, certainly, trying to find a good balance. This was not easy. Because we were under all this pressure. And it wasn't just the president, it was the campuses that were— Legislators were smart enough to know where the admissions decisions were being made, and they weren't being made in the Office of the President, by the way. And so there were these huge pressures on campuses like Berkeley and UCLA, because they knew that students wanted to go there. And there were plenty of students who thought they were better qualified, or their parents did, who were denied. And so this led— It was very nasty.

And I must say, it was nasty after SP-1 and -2. I would argue that the regents shouldn't have been the ones who did this. I'll take the Dick Atkinson view of life here, or the Jack Peltason view, that that was a mistake. It should've been public policy. It should've been the public. If they wanted to vote for the constitutional amendment, fine and dandy. It was up to them.

Lage: The constitutional amendment [Proposition 209] was in the works when the regents voted on SP-1.

07-00:48:05

Hershman: And having the regents be the first ones to do that, I think that was probably not the right thing for the regents to do. It set us apart from everybody else on the issue.

Lage: From your vantage point of going to regents meetings and knowing the regents, why did this happen?

07-00:48:23

Hershman: Well, and I had the testify to all of this in front of the legislature.

Lage: You had to testify on—

07-00:48:27

Hershman: Oh! Of course, because it was a big issue in budget hearings. You think budget hearings just are about budgets; well, budget hearings are about whatever the legislature wants them to be about.

Lage: What did they expect from you, once the regents had spoken?

07-00:48:43

Hershman: They expected to put pressure on the budget to get what they wanted. Because that was the best pressure they had. And threatening the budget and holding it up, and threatening cuts and threatening whatever they wanted to threaten, to get what they wanted was always their main—

Lage: And then would you have to go and report on this to the regents?

07-00:49:03

Hershman: Of course! Well, yes, of course. Well, certainly, whatever went on publicly, you could do that. It was a little harder to do that in terms of private arm twisting. But to the president and the chancellors, oh, yeah. Everybody knew what was going on.

Lage: I'm just wondering how the—

07-00:49:20

Hershman: And the pressures after SP-1 and -2, after the constitutional amendment from Pete Wilson, for example, who was the governor, there were significant pressures to follow the law. And yet there were pressures coming the other way, from many legislators, "You need to find a way to take these students." And of course, we had a huge psychological burden because people felt like the regents were up front on this issue, and so a lot of students were choosing not to come.

Lage: What was behind Dick Atkinson's decision to postpone the [implementation of Sp-1 and -2]?

07-00:49:55

Hershman: It was that in his mind, it couldn't be implemented that quickly.

Lage: It was a purely practical—

07-00:50:04

Hershman: It was purely practical.

Lage: It wasn't pressure from—

07-00:50:06

Hershman: No, it was purely practical. And that was the advice he was getting internally from the experts, the admissions people, et cetera, that it just couldn't be done.

Lage: And he took a lot of flak for that.

07-00:50:22

Hershman: He did take a lot of flak for that.

Lage: Any more to say about that?

07-00:50:28

Hershman: He took a lot of flak for it, I agree with that statement. But he didn't back down.

Lage: Did he do it having consulted with the regents, or did he just go ahead and do it? Do you remember?

07-00:50:40

Hershman: I don't remember. And it wasn't just the regents, it was the governor. I do know that he talked to regents to try to get them to help him with the governor. But the governor had a lot at stake in that one, and—

Lage: Yeah, wasn't he running for office at the time?

07-00:50:56

Hershman: He was running for president of the United States.

Lage: So can you tell anything more about that? And I can see you have a tremendous amount in your head that you're—

07-00:51:06

Hershman: I think if you want more than that, you ought to talk to Dick Atkinson. But I do think that Dick felt he did the right thing, from a legal and practical point of view, that he didn't want to get it started in the wrong way.

Lage: Was he able to convince Wilson of that?

07-00:51:24

Hershman: He was finally able to— I don't know about convince, but yes, finally able to come to an accommodation. But the pressure continued. It didn't end there. The pressures continued from legislators, to try to find ways— And then there were people who thought—and this, frankly, was the Ward Connerly view— well, we need to improve the schools; we need to do more with outreach, et cetera, et cetera. And I think Pete Wilson became convinced of that. And Antonio Villaraigosa, who was the speaker at the time, they put a lot more money into outreach. And I don't think anybody believed that was going to solve the problem, but they believed it would help. And I think it did. I think all the data shows that it helped. On the other hand, that by itself— When you look at K-12 budgets of over \$50 billion, you can't think that spending a few million bucks here or there is going to change everything. But there was a huge effort with teacher professional development and outreach.

Lage: And what exactly is outreach?

07-00:52:39

Hershman: Well— [they laugh]

Lage: I should ask Karl Pister this.

07-00:52:44

Hershman: Yeah, yeah, you could ask a lot of other people. But the intention here was that it was going to be educational, not just—

Lage: Not just, please come to Berkeley.

07-00:52:54

Hershman: Yeah, right. Not just please come to Berkeley, that it was to help students in the schools. And some of it was in the community colleges. And to this day, I believe the one biggest failure—and I've said this plenty, so I'm happy to say it again—is that I don't think the master plan has worked as well as it should have, with respect to community college transfer. For UC, at least. It works much better for CSU, but for UC, I—

Lage: In what respect?

07-00:53:23

Hershman: I don't think we get nearly enough students.

Lage: Oh, not *enough* students.

07-00:53:26

Hershman: And I do think—and Dick Atkinson became convinced of this—I do think that is a big way to help with respect to diversity. Community colleges are very diverse. There's so many students who go into the community colleges, and very few of them come out and move on to UC or CSU. It's just tragic.

Lage: But the ones that come seem to succeed.

07-00:53:47

Hershman: The ones that come succeed. And some of our campuses do much better than others, here. And it's not surprising that Berkeley and LA do much better; but a lot of other campuses, they just don't get enough transfer students. Now, it's also true where the students want to go, too. But they tend to prefer to go to CSU. And I think we could do much better. Matter of fact, I made this argument with the legislators, even recently, who were picking my brain; that I think we could do much more in the next decade—where the number of high school graduates are not going to go up anymore; we've reached a peak here—we could do much more for those campuses that want to grow—San Diego, Irvine, Davis, whatever, Riverside, Santa Cruz, Merced—we could do much more with respect to community college students.



Lage: You want to be pairing with the community colleges?

07-00:54:43

Hershman: And on a regional basis, which probably makes the most sense. Because remember, those students tend to stay in their region.

Lage: All good ideas. Well, anything else about admissions? That's such a big issue, and I know there's a lot unsaid.

07-00:54:59

Hershman: There's a lot unsaid, and it's probably not useful to talk about all the arm twisting, except to say that I believe that people have paid *enormous* attention to this issue. They have put in huge amounts of time and effort to try to deal with it.

Lage: You mean people within the university.

07-00:55:13

Hershman: Oh, absolutely. Chancellors and vice-chancellors and everybody involved. No other effort could even come close to match the efforts to try to find the right balance here, and in my humble opinion—nothing's ever perfect—I think people have done a pretty damn good job of it. In spite of the criticisms—and they're still out there, including from regents and others, you're not doing enough, you're doing too much, whatever it is—I think people are probably doing about what they can. The one area that I have felt maybe we could do a little more, maybe we've been too conservative, is once you've admitted the students, could we make even extra efforts to try to get them?

Lage: Oh, once you've admitted them, but maybe they won't come.

07-00:56:03

Hershman: Right. Because we lose some of the very best students.

Lage: They go to Harvard—

07-00:56:06

Hershman: They go to Harvard.

Lage: —where they have a better financial package.

07-00:56:08

Hershman: They do.

Lage: [laughs] Of course, those students that you're losing to Harvard, maybe—

07-00:56:14

Hershman: [over Lage] May be better off at Harvard. Maybe.

Lage: Well, perhaps they're underrepresented minorities, but they might come from elite backgrounds.

07-00:56:22

Hershman: They might. I just think that more effort from the faculty. Not just from administrators, I think more effort from the faculty. And maybe there aren't huge numbers involved here, but I do think it could make a difference. Every time we've gotten into trouble—and my favorite example is Santa Cruz, when they were in trouble in the early eighties and late seventies, in terms of getting students because parents were worried about sending them there—every time the faculty made a particular effort here, individual faculty, with prospective students, it made a difference.

Lage: Kind of outreach to a student.

07-00:57:04

Hershman: Yes. Right.

Lage: That's interesting. Well, speaking of faculty, what is your assessment of how faculty or the Academic Council felt about SP-1 and -2? Were they as strongly—

07-00:57:18

Hershman: Well, those are two different things, the Academic Senate and faculty.

Lage: Okay. Tell me about that.

07-00:57:23

Hershman: And I think [pause] the faculty is divided on the issue. I don't think there's any doubt about that. I think most of the leadership of the faculty, over time, have felt it's important to— the diversity issue's very important, and that's where the leadership has been. But there are plenty of faculty who sort of have the same feeling, we need to be fair about admissions, and the best students ought to get in; and it's not fair to the best students, if you're admitting students who are lesser qualified to, let's say, Berkeley, for instance. This becomes much more of an issue on individual campuses. As I say, we are admitting everybody [who is eligible]. So in some respects—

Lage: But the faculty like to teach the best students.

07-00:58:10

Hershman: They do. And I've heard from faculty on campuses that don't get the best students, bitter complaints about the fact that they don't get the best students. They do like to teach the best students, of course. And that becomes a big issue for them. And the fairness issue, it's not unimportant. And it's a very important issue with the public. And there's no way to—

Lage: Well, defining fair is also—

07-00:58:37

Hershman: Of course!

Lage: —difficult. This new proposal— I guess it's only been proposed, not approved by the faculty?

07-00:58:43

Hershman: Yes, I know, yes.

Lage: More subjective admissions, is that the gist of it?

07-00:58:47

Hershman: Yeah. And there are plenty of people worried about that. Before I left, I had met with them.

Lage: With?

07-00:58:55

Hershman: Faculty, about the proposal. More worried about how it would be viewed by the state and the master plan requirements. And could we assure the state that we were meeting our master plan requirement? It was so subjective.

Lage: Oh, to take the top 12½ percent, because you couldn't actually—

07-00:59:15

Hershman: Right.

Lage: —show that it was the top 12½ percent.

07-00:59:17

Hershman: And that's an issue. And those who wanted us to have fewer students could make whatever arguments they wanted; those who wanted more students could make whatever— How do you win? We always, in all of my time, always were able to negotiate a level of students. There's no perfect way to do this. We could have lots more students under the master plan if Berkeley would just open their doors, and UCLA, take huge numbers, because that's where they want to go. If we admitted students where they wanted to go, instead of having limits on some campuses, we'd have lots more students.

Lage: Oh, because rather than go to Santa Cruz, they go to someplace else, outside the system.

07-00:59:56

Hershman: Right. It's always been a negotiation. And it's always been a case where we assign enrollment targets to campuses. As long as I've been doing it, we did. There were not—

Lage: But weren't these negotiated with the campuses?

07-00:60:14

Hershman: They were negotiated, but sometimes we made them do things.

Lage: [laughs] I think we talked about that.

07-00:60:21

Hershman: Yes, we did. Because we felt we had an obligation to the state, and so we made campuses do things, absolutely. There's no doubt about it. Or we tried to cool them a little bit, because we weren't getting the money; and it was matter of saying, if you're going to take students you're going to have to pay for it, because we're not going to give you any money.

Lage: So there's a lot of power over there at the Office of the President.

07-00:60:45

Hershman: There can be, if people choose to use it. Sometimes the threat is worse than what actually happens. [they laugh]

Lage: The campuses come around before—

07-00:60:59

Hershman: Yes.

Lage: —the strong arm has to be applied.

07-00:61:02

Hershman: I don't ever remember, in all of these years, ever cutting campus budgets because of that.

Lage: Because of an unwillingness to meet a target?

07-00:61:11

Hershman: Or whatever.

Lage: Hm. Okay. Is there more to be said about that?

07-00:61:17

Hershman: Probably not. I think campuses are all aware that people can make decisions in various ways. And I think if the president feels strongly about something, I think campuses find a way to accommodate. As they should. Well, as I say, because we believe we've had an obligation to the state and we needed to meet that obligation, however it got defined. And it got defined in different ways at different times.

Lage: If you step back from it and think of each of these campuses being such distinguished institutions on their own, and the chancellors being such

distinguished leaders, and then kind of— They have someone much more powerful over them.

07-00:62:13

Hershman: And people need to work these things out. And I must say, some of us have, over time, been ordered by presidents to work things out. Sometimes presidents don't always like to get their hands dirty.

Lage: Oh, I see. They leave it to you to work it out.

07-00:62:34

Hershman: Or someone else, the academic vice-president or— It depends on the issue. Yes. Very often.

Lage: Any examples there?

07-00:62:43

Hershman: I could name zillions of them in the budget, but yes, where presidents say, negotiate, come up with something, work something out with the campus.

Lage: So you work it out, and then you go back and report?

07-00:62:55

Hershman: Right, right. And they work it out with their— Usually, you're not working with a chancellor, you're working with a vice-chancellor, a budget person or whoever.

Lage: Okay. I'm going to change my tape here.

[End Audio File 7]

Begin Audio File 8 07-15-2008.mp3

Lage: Okay, we're back on and we've changed to tape number 8. It's still July 15, 2008. And while we were off, we were negotiating about how much to tell. [they laugh.] And you said you would give me an example of how things are worked out.

08-00:00:24

Hershman: Yeah, I'll give you an example. I'll give you a couple.

Lage: Okay, good. Make them juicy.

08-00:00:29

Hershman: Oh, no, no. [Lage laughs] For example, we had a practice of helping campuses as they started new professional schools. So the president might say to me, would say to me, go work it out with the campus, how much money they would get—this is extra money, start-up; no students yet; they were going to come—how many faculty we might give them early, or a dean, or some support money or whatever. And so that's the kind of thing I did.

Lage: Well, give me an example of an actual happening like that.

08-00:01:06

Hershman: Well, like the engineering school in Santa Cruz.

Lage: [over Hershman] First the decision has to be made, will you allow an engineering school.

08-00:01:12

Hershman: Right, right, yeah. And it would be a matter of going to the regents and getting their approval; and the faculty would go through all of their processes, et cetera; campuses would come in with astronomical amounts of extra money that they wanted; and they'd make these arguments as it went through the whole process with the faculty. And then we'd have to work something out that was sensible for a certain number of years, that would give them some extra money. So we did that with every new professional school. I'll give you another example, the Merced campus, starting up the Merced campus.

Lage: Okay, now give us the nitty-gritty, now.

08-00:01:45

Hershman: [laughs] Between what Carol Tomlinson-Keasey would have liked—and she laid out a multi-year plan with her folks—and what we could convince the state to do, to negotiate something. So it was a matter of negotiating something less than what they wanted. And something that we could live with here.

Lage: Well, how is it really a negotiation, if you only have so much to give them?

08-00:02:17

Hershman: Well, we negotiated between the campus and the state. And we put our own commitments in, on top of it. So we had a guaranteed amount of extra money that we would give the campus as a starter.

Lage: And was the campus in on these negotiations with people from the state?

08-00:02:37

Hershman: Up to a point, not the final point. The final point, ultimately, on the budget, we negotiated. But they were certainly involved in the discussions. And they laid out a plan. We'd have a big meeting with everybody, and they laid out this grandiose plan of how much they wanted, and it was wonderful.

Lage: And didn't they have— Like Cruz Bustamante, for instance, was a big supporter.

08-00:02:59

Hershman: Oh, yeah. But when it came time for money, you first had to deal with the Department of Finance. And so it was governors who decided. And they got their recommendations from the Department of Finance. And so ultimately, you have to negotiate with them as to— Between what you would like and what they would like, there might be some middle ground.

Lage: And when you yourself were negotiating with finance, because that would be on your—

08-00:03:29

Hershman: I did that all the time on the budget. That was a common occurrence.

Lage: But did you bring what Carol Tomlinson wanted—

08-00:03:37

Hershman: Oh, sure!

Lage: —to the table? Or what you thought—

08-00:03:40

Hershman: Well, we started with what they wanted. The Department of Finance probably typically started with zero. [they laugh] And you work something out. Now, when you work something out, I would suggest that I probably went back to Carol quietly, one on one, and said, this is the best I can do, Carol, and sort of take it or leave it.

Lage: How did you maintain your good relationships with people—or did you—

08-00:04:15

Hershman: You know something?

Lage: —with people on the campus?

08-00:04:14

Hershman: People have said that to me. You know why? Because one, I tried. I did the best I could, and people believed that I was doing the best I could. And two, I always cared. And I always did everything— I tried, at least, to have a good sense of humor about it, where I let people know that it wasn't because I didn't think that they didn't need something, it was because this was the best that could be worked out. But we did that for a living, if you would, regularly negotiated these things, so we were used to that.

Lage: That was your whole modus operandi, whereas on the campuses, perhaps, that wasn't their—

08-00:05:01

Hershman: The campuses always wanted the best they could have. A faculty member one time, at Berkeley, asked me to give a lecture to his class about the difference between the public sector and the private sector, in terms of budgeting. And I did that. I won't bore you with that right now. But at the heart of this is that in the public sector money's a free good, if you would. Well, let's ask for the money. Why not? Because it doesn't cost you anything. In the private sector, when you're doing budgeting, you've got to live within the resources available, let's say. In the public sector, why not ask?

And this is a lot of tension. You've got campuses wanting you to ask for the moon, you have regents wanting you to ask for the moon; and yet your credibility— One of the first things we ever did in the budget, every single year was ask what was the most we thought we could ask for and still be credible. And if we had a compact, what was that? But if there was going to be more money, what would we want it for? Always with an eye toward being credible. Because if you're going to do it for the long run, in my opinion, to have any credibility with the people you're dealing with, you've got to show an understanding. You can't just come in there blasting away, demanding everything. You're not going to get it anyway.

Lage: That sounds like the voice of long experience. [laughs]

08-00:06:24

Hershman: It is. And it's really important.

Lage: And Steve Arditti says the same thing.



08-00:06:28

Hershman: And it's very hard to convince people of this. They don't see any reason why you shouldn't ask for everything.

Lage: What about the presidents? Were they hard to convince?

08-00:06:37

Hershman: No. Presidents felt very strongly about their credibility. For example, in the David Gardner era, the first thing David Gardner did every single year was, what was the most in total that we could, working with him, think that we could ask for? What was the environment? What was the state revenue likely to be? Et cetera, et cetera. Without looking to be too greedy.

Lage: Now, what about the chancellors? Would they get this?

08-00:07:05

Hershman: The chancellors tended to be more understanding than some other people. Mostly because they're dealing with the public, and they have to know what's going on more. And some of their underlings don't have to do that in the same way.

Lage: And you say the Academic Council also was understanding, for the most part.

08-00:07:27

Hershman: Some years yes, some years not so much. They tended to want more. The chancellors, for example, most of our lobbying in Sacramento—and Steve can talk to you about this, too. Most of what we did in the budget was the president and a couple of us and selected chancellors. We didn't really use very many other people.

Lage: To lobby.

08-00:07:50

Hershman: To fight for budgets. Chancellors personally, on individual issues. And so they were much more sensitive to legislative issues or the governor or whatever. So they were out there. When you're out there, you're more sensitive to these things. That doesn't mean they didn't want the most they could want; but they were more understanding.

Lage: Okay. Do you see this as something that you kind of need to defend, in a way?

08-00:08:21

Hershman: I do see it that way, because I think that of all the areas that have caused conflict, this is one of the worst.

Lage: This idea of compromise, versus—

08-00:07:30

Hershman: Yes, right.

Lage: —go for the—

08-00:08:31

Hershman: And this idea of going for the moon and demanding the moon and not being willing to compromise, versus those of us who found, over time, that you make the best deal that you can. Or you may wind up with nothing. No deal. And that's a real judgment call. And it's not the judgment of somebody way out in the hinterlands, because they're not in the middle of it. They don't understand what the circumstances are. That's why presidents are there, and the rest of us, to help make those decisions. I don't believe I ever made a decision on anything, in any negotiation or any testimony, that I had not discussed with the president, with whoever was the president.

Lage: This was not a arm's length relationship—

08-00:09:18

Hershman: It was not.

Lage: —with any of them.

08-00:09:19

Hershman: No. Absolutely not. Including being able to call them any time of the day or night, anywhere they were. We got David Gardner on vacation on a little island in Montana. [Lage laughs] Absolutely. On the other hand, because lots of people wanted it, and maybe even presidents, we took a lot of the blame.

Lage: You mean you and your budget office.

08-00:09:48

Hershman: Right. Me pers— Because I was willing to do that, because you can't have presidents blamed for everything.

Lage: So you might take the blame for a compromise that—

08-00:09:58

Hershman: I might.

Lage: —actually was a joint decision.

08-00:10:00

Hershman: Or would've not done it if the president hadn't agreed. Would've never agreed to anything of *any* importance without that. On the other hand, maybe a lot of other people didn't know— One thing about the process in dealing with the governor and the governor's budget, which is critical in this process, is that it's a secret, private negotiation. You're not allowed to talk about it.

Lage: Yeah, you'd mentioned that. The secret—

08-00:10:27

Hershman: Governors want to decide whatever they want to decide and make it public. They don't want people knowing what they do, until they do it.

Lage: So you can't even bring the regents in?

08-00:10:39

Hershman: Once in a while, we have done so on a confidential basis. We have talked to them about the issue—sometimes on a confidential basis, too, by the way. What you try to do with the regents is understand their priorities, as best you can.

Lage: Do they ever lay out their priorities beforehand?

08-00:11:01

Hershman: Sure, of course. During some of the worst of the budget problems—

Lage: Which cycle, now?

08-00:11:08

Hershman: This is the most recent one. We actually laid out priorities for the regents. Judy Hopkinson, who was chairing the finance committee, and I did that. We got the regents to buy in. They want to forget that.

Lage: You mean you—

08-00:11:23

Hershman: Publicly.

Lage: When you say you laid it out for them—

08-00:11:28

Hershman: Yeah. She and I developed this and put it out there publicly for the regents to discuss.

Lage: To discuss priorities, not—

08-00:11:36

Hershman: Yeah, right. Absolutely.

Lage: What kind of things were on the list?

08-00:11:40

Hershman: Everything and anything you want to think about. What the priorities were related to taking students, to paying salaries—

Lage: Fee increases?

08-00:11:50  
Hershman: Fee increases, everything. And fees, of course, have been very controversial.

Lage: And then the regents voted on that?

08-00:11:58  
Hershman: Ultimately.

Lage: And then you went into negotiation with the Department of Finance.

08-00:12:05  
Hershman: But you're still negotiating. And when you're negotiating, governors have their own views. It's their budget. It's the governor's own budget. And they get to do things, too. And people don't understand that. They seem to think that governors will do whatever you want. That isn't true. All these things have to be negotiated. And governors, as I say, they have their own views about priorities.

Lage: And this might, again, affect fee increases?

08-00:12:34  
Hershman: Yeah, absolutely.

Lage: Okay. I just think if we could get a little more concrete, we would do well.

08-00:12:43  
Hershman: Well, if you look at the compacts—

Lage: We're talking about regents, so that was my next topic.

08-00:12:46  
Hershman: No, but if you look at these compacts, then you can see a lot of what we wanted and a lot of what they wanted. And most governors have not wanted big fee increases. When there are big fee increases, it's because of the circumstances, not because they wanted them. And the interesting thing is, one of the governors who was willing to do higher fee increases—the only one I can think of, by the way, Pete Wilson—we never had a fee increase after that compact. They were bought out every year.

Lage: By his own department.

08-00:13:18  
Hershman: And by the legislature. And he went along with it. The process is complicated, and there's a lot of players in it. Governors are the most important, from that point of view, but they're not the only ones. Legislators have a lot to say, too, and so you try to work these things out as best you can. Hey, when we did accountability and when we did compacts, in spite of what anybody else might say, we paid attention. We knew where legislators were coming from,

we knew where regents were coming from. It's not a vacuum. The regents discuss this every single month. Legislators, those of us who appear before them, we had hearing after hearing after hearing every year. It's not like it's a shock, where they're at.

Lage: So you—

08-00:14:01

Hershman: You do the best you can.

Lage: That's a mantra. [laughs]

08-00:14:05

Hershman: There isn't any other way to explain it, because there's nothing magical about it. And I must say, if you look at the last agreement we had with Schwarzenegger, look at the accountability—these are all things the legislators care about, all things regents care about. They may ignore that, nobody may pay it—

Lage: So when you come back with your deal— Let's just think about the regents. When you finally get the budget from the governor, then the next step—

08-00:14:38

Hershman: Is the legislature.

Lage: But where do the regents feed in again, and forget that they've already agreed? [laughs]

08-00:14:47

Hershman: Well, they complain meeting after meeting. Typically, what we do is the regents pass a budget proposal in November. So the regents have the opportunity going in. Then the governor comes out with his budget in January. Then they have legislative hearings. And the regents revisit it, once that's all over.

Lage: After the legislative hearings.

08-00:15:08

Hershman: Yeah.

Lage: And then they're either happy or unhappy with the results of your nine-month work.

08-00:15:11

Hershman: [over Lage] Right. Right. Right. Sometimes they're happy and thank you a lot. And most years, by the way, in my time, they were very happy and pleased, and congratulated everybody and thanked them all. There's some times where they weren't so happy. Most of the times when they were the least happy was

when they had to vote for student fee increases. They never like voting for student fee increases.

Lage: Is that because they got a lot of—

08-00:15:37

Hershman: Flak.

Lage: Because they don't believe in it, or because of the flak, do you sense?

08-00:15:42

Hershman: Well, I wouldn't want to characterize their motives, but probably some of both. I spent my whole career trying to keep fees down. By and large, people didn't want to have to have high fees. They did it because they had to, not because they wanted to. Because it was a choice. Do we do that, or do we let the quality of the institution erode? And how much are we willing to let it erode. No salary increases, that's one thing. Are we willing to do salary cuts in order to keep fees down? Pay people less? That's not popular, either. We've got unions who are demanding *enormous* increases.

Lage: Let's talk about that [laughs] for a minute here, because that's another issue that goes through the whole—

08-00:16:24

Hershman: And it's gotten worse.

Lage: Give kind of an overview of how they—

08-00:16:30

Hershman: Well, I'm going to give you—

Lage: Collective bargaining.

08-00:16:33

Hershman: I'll give you my view, which is the legislature passed collective bargaining laws here, and we participated. And you can talk to Steve—

Lage: Way back in the late seventies.

08-00:16:40

Hershman: Right. You can talk to Steve Arditti. He was right in the middle of that. And that's a process. Okay.

Lage: Collective bargaining.

08-00:16:50

Hershman: Right. And so it means the institution and the unions trying to work things out. Then when the unions are unhappy with the way it's going, they can't get

what they want, they go to legislators and try to get them to twist arms. Now, that's not what the process is supposed to be.

Lage: You've got another player in the collective bargaining process.

08-00:17:13

Hershman: [over Lage] Yes. Right. It may not work very well in the public sector. If they're just going to destroy the process, by having legislators threaten you that you give these unions whatever they want, or else, I think that's an outrage. Now, I happen to believe in unions. I'm a good Democrat, too. On the other hand, I think it's gone too far.

Lage: What has gone too far?

08-00:17:38

Hershman: The pressures being put on to do what unions want. And I understand why politicians do that. They're getting a lot of money from unions, and a lot of help in their campaigns, et cetera, et cetera. And some of them believe— Hey, lookit. I wish everybody got paid lots more money. That'd be great. On the other hand, there's only so much money. And spending money you don't have— I must say, I think what the country's doing, what the state's doing, it's a disaster. Passing the burden onto future generations. And I can see why people want the most they can want. I fought for the most I could, for the university. On the other hand, to have the legislators say, well, we can't give you money, but you've got to give this union—*this* union—a lot of money. Well, legally, they can't do that, of course.

Lage: The legislature has no right—

08-00:18:28

Hershman: Yeah. It's unconstitutional.

Lage: Yeah. We're having this discussion, I should say for the record, right in the midst of a strike on the campuses, by the service union.

08-00:18:40

Hershman: It's the AFSCME people. They threaten to strike all the time.

Lage: And is that when the legislators speed in, right in the middle of this thing?

08-00:18:53

Hershman: Yes. Or the beginning, the middle, the end, whatever. Yes. And it's the threats that go with it. You better do this, or else. Or trying to write language in. Now, the bottom line is, of course, governors can veto that. And the university, constitutionally, can go to court and undo it. They have no legal right to tell the regents how to pay people like that. And we did go to court

once, against Jerry Brown, who was telling us how to spend our salary money. And we beat him.

Lage: Was that over an issue with the lower paid workers?

08-00:19:31

Hershman: It was an issue of *all* workers. He wanted everybody to get the same dollar increase. They don't have the ability, because of the constitution, to do that. On the other hand, we always try to work things out, never let it get to that point. And so I spend more than a little bit of my own personal time with Judy Boyette and her people, trying to work with these unions.

Lage: And she's the HR person at UCOP.

08-00:19:58

Hershman: Yes. Right.

Lage: So you would be in on the negotiation.

08-00:20:04

Hershman: Oh, well, I would be in on the process, absolutely. Maybe not the— I *tried* not to be in the negotiation.

Lage: Are you brought in to explain the reality of the budget?

08-00:20:15

Hershman: I try not to be in the negotiation, but yes, I have met with these people periodically.

Lage: Any stories about that?

08-00:20:27

Hershman: The stories were that we tried to work more closely with the unions. And we did try to get along, and we did try to be more understanding. Because we had a bad reputation here.

Lage: In terms of your process, or amount paid?

08-00:20:41

Hershman: Both. That all we cared about was the faculty. That's been the accusation, historically, that the legislator have. You guys don't care about employees, particularly the lower paid people. All you care about are high-paid executives and faculty.

Lage: Well, that might be the priority, [laughs] wouldn't you say? Or is that—



08-00:21:00

Hershman: Well, and the argument the university tried to make historically was a marketplace one. This is what the market is. And we may have a worse problem for executives and faculty than we do for some of these other unions. Or the market may be very different in Northern California than Southern California.

Lage: So each campus kind of has their own rates. Right?

08-00:21:24

Hershman: Well, [pause] yes. On some of these unions.

Lage: Why do you hesitate?

08-00:21:34

Hershman: I'm just trying to think about the individual union, and yes, there are different rates. And some of that's the unions themselves demanding higher rates in certain places than others

Lage: Which stands to reason, really.

08-00:21:48

Hershman: Except it's not always based on what our people, we, the university's people, would think would be the right way to do it, looking at the market.

Lage: The market, the right market.

08-00:21:56

Hershman: Right. Theirs is the union politics.

Lage: [over Hershman] They always make the argument that it's the priorities of the university, and particularly like to talk about the administrative salaries and executive compensation.

08-00:22:10

Hershman: And I think you'll find that the people in the middle of this will argue that we're further behind in terms of those executives than we are in terms of the service workers.

Lage: In terms of the market.

08-00:22:22

Hershman: Yes, in terms of the market. On the other hand, the politics is with the unions. They give money, they work hard for people. And there is an argument out there about what it costs to live.

Lage: Well, that's right. I think that's a strong argument.

08-00:22:42

Hershman: [over Lage] So I actually fought to help that particular union last year, my last year there, that they would get extra because of that issue.

Lage: The living wage issue.

08-00:22:51

Hershman: Yeah. On the other hand, I think in this—

Lage: Now, when you say you fought harder, you tried to get more money in the governor's budget?

08-00:22:57

Hershman: No, internally. To try to make a deal with them. Which we did. They did get extra.

Lage: But not enough.

08-00:23:07

Hershman: It's never enough. But you know something? It wasn't enough for the faculty. They're way behind, too. And so someone has to do some balancing here. And to argue that that union is the only union with low-paid people is wrong. There are plenty of unions with low-paid people. And that was one of the arguments we made. We can't just do this for you because you have more power with the legislature. We're not going to do that. That's a mistake.

Lage: So certain unions, they give more to different legislators?

08-00:23:36

Hershman: Well, let's just say they have more power, for whatever reason.

Lage: Any more to say about that issue?

08-00:23:45

Hershman: No. I do think, in spite of the fact that I happen to believe in unions, I must say, I think this has gone too far, in terms of the political dynamics.

Lage: This particular thing we're dealing with today, or—

08-00:23:58

Hershman: Well, just in general, as well as today. I think the whole thing, if you believe in collective bargaining, then you ought to let the process work.

Lage: So you think the legislative interference has gone too far.

08-00:24:10

Hershman: Yes, I think it's gone too far.

Lage: Are there particular legislators—now that you no longer work for the university—that you might want to point out, who are out of line, in your mind?

08-00:24:21

Hershman: In my mind? I think the legislative leadership, the Democratic leadership, on this particular issue. I think if they believe in collective bargaining, then they ought to let it work. And if they want to say those people need more money, that's fine. Of course, they do. I happen to believe that, too. I've testified. I've sat in front of them on this issue. But so do others. And it's a balancing issue between all of the people who aren't being paid enough. And that's probably as much as I'm going to say.

Lage: Okay.

08-00:24:59

Hershman: The regents, you wanted to talk about—

Lage: The regents, I think that's a great topic for some real [Hershman laughs heartily] baring of the soul.

08-00:25:12

Hershman: Well, I've actually thought a lot about this—probably not going to make it juicy enough for you—and I would say that you have to think about this over a long period of time. And it's not what some people think, that this is just this group of regents.

Lage: Now, when you say think about this, what are we—

08-00:25:33

Hershman: I'm thinking about regents' involvement in management decisions and their behavior in public at regents meetings.

Lage: Okay. Of the recent group of regents?

08-00:25:47

Hershman: Well, that's what people are focused on.

Lage: Yeah. Well, we need to be clear.

08-00:25:51

Hershman: And I would say if you look at the regents and their actions over long periods of time, there's always been controversy. Whether it's admissions—more than a little bit of controversy; firing of presidents—go back to Clark Kerr. And so this isn't just a recent phenomenon.

Lage: But it is their role, after all, in a sense.

08-00:26:16

Hershman: It is their role, in a sense. And what I think has happened over long periods, is we go through periods—let's take the David Gardner era, for example—we go through periods in which the regents are almost like rubber stamps for the president. Regents have said that publicly, so I'm not saying anything that they wouldn't say. They do provide advice, quietly—or publicly, both. And presidents do listen to them, and they have these discussions at every single meeting. It's not like regents are unwilling to give you their views. However, when it comes time to real decision making, by and large, in that era, the regents went along with the president. That sometimes leads to a backlash. And so you get Jack Peltason and a backlash from regents over the siting of the campus in Merced, over affirmative action, and the regents wanting to be more independent. Then you go through a period with Dick Atkinson where, once again, the regents having gotten this out of their system, I guess, it's a more quiet period, with regents being very supportive of the president.

Lage: Was he a strong president, vis-à-vis the regents?

08-00:27:38

Hershman: I think so. He had very strongly held views, and he went and did them. About everything. And by and large, was successful. And so the more successful, the more the regents are likely to go along with you. Obviously, the David Gardner era—

Lage: It's also the resources. If you do a little chart, the resources are going up and down and—

08-00:28:01

Hershman: [over Lage] Oh, yes. Oh, that does make a difference. But it's also a perception of success.

Lage: Which is tied to resources.

08-00:28:09

Hershman: Yes, which is tied to resources. And so I think what's happened here is that on issues related to admissions, first, we had regents who were still unhappy, led by John Moores.

Lage: Okay. We didn't go into that when we were talking about admissions, but you've brought it up a couple times, so let's talk about that now.

08-00:28:33

Hershman: Yes. And so he was very unhappy—this is right at the end of the Atkinson era—that he thought, particularly at Berkeley and Los Angeles, that we were admitting students we shouldn't be.

Lage: So he felt we were not going along with SP-1?

08-00:28:48

Hershman: No, no, it was at Berkeley and LA. Well, it's a question of how individual campuses make these decisions. These students were eligible, but his view was that the best students ought to be able to go Berkeley and LA. He should characterize his own views, but that's the way I see it. And things were getting worse and worse as Bob Dynes became president.

Lage: Worse and worse regarding Moores?

08-00:29:11

Hershman: In terms of relationships. He was the chairman of the board.

Lage: And he also came from San Diego, so he had known Dynes. Hadn't they had a pretty good relationship down there?

08-00:29:19

Hershman: Yes, yes. In any event, in spite of all the efforts by the presidents and chancellors, I'm not sure that he was *ever* satisfied, until he finally left. He actually resigned as a regent.

Lage: He resigned as a regent, over this issue?

08-00:29:40

Hershman: I don't know. I don't want to characterize that, because I don't know.

Lage: Well, what was the course of this controversy?

08-00:29:46

Hershman: [over Lage] The course was that he— over admissions policy and who got admitted and who didn't get admitted, and particularly at Berkeley and Los Angeles.

Lage: So did Dynes have to make adjustments or try to make adjustments?

08-00:29:58

Hershman: [over Lage] Well, I think yes, but John Moores was also dealing with those individual campuses.

Lage: I see. Is that not usually done?

08-00:30:10

Hershman: And so this led to more and more regents' involvement with individual campuses. One of the things that I would suggest we tried to do historically is keep the president's office with the regents and the campuses reporting to the president. And the more you get regents trying to influence individual decisions on individual campuses, I think that's a problem. And regents don't all share the same view. Even though he was chairman of the board, that

didn't mean everybody agreed with him on this issue. And they didn't, by the way.

Lage: On this admissions issue, or on this procedural issue?

08-00:30:44

Hershman: On any issue. On any issue. But on the admissions issue, yes. But even procedurally, regents would like to get involved because it's fun, and for whatever reason, they want to see— These are important people. They don't want to see that they're spending all this time and effort for nothing, just to rubber stamp a president. And so I think it led to more involvement by regents in individual campus issues and questioning of the president.

Lage: So let me just clarify. Would Moores come down and visit Berkeley and talk to the chancellor and the admissions office?

08-00:31:27

Hershman: Oh, yes. Oh, he was very much involved.

Lage: Hands on.

08-00:31:31

Hershman: Yes. Very much. On that issue. Not on other issues. But individual regents—

Lage: And was that with notifying the president, I'm going to do this now?

08-00:31:40

Hershman: Oh, hey, lookit. I'm not the best person to talk to about that, because I'm not in the middle of admissions issues. You've got to talk to Jud King or people like that. And Bob Dynes. And even before that, Dick Atkinson. You're talking to the wrong person, except I am aware—

Lage: Yeah. Okay, but you've given me a clue, because I may be talking to Bob Dynes.

08-00:32:05

Hershman: Yes, I'm aware of that. And there was a lot of unhappiness about how he was trying to— On the other hand, do the regents have some interest here in admissions? Of course, they do. And so there's process issues, but his view was he wasn't getting the straight story. And he wanted to get the straight story, and that meant dealing with the campuses and dealing with the details and wanting details on every student admitted and every student [who] applied, et cetera, et cetera. Huge amounts of work, by the way. And it sort of led, in my mind, at least, to other regents—not necessarily on that same issue—but other regents getting more into individual campus kinds of issues. And of course, we always had campuses make presentations on things. Yeah, the regents need to understand the university. On the other hand, decision

making at that level, no. I think the appropriate view is that's the president's job.

In any event, feelings were getting sort of, in my mind, a little testy. And it's not the first time in history. As I said, we've had long periods when things were better and not so good. I can go back to when Charlie Hitch was president, and he spent *huge* amounts of time with the regents. After the Clark Kerr firing, I mean it was terrible. He did practically nothing else than trying to deal with regents. So this isn't the first time. On the other hand, for people involved at the time, it was pretty bad.

And then the executive compensation issue came along. And I think regents felt like their reputations were being hurt individually, by some of the press coverage. And the press coverage was unfair, by the way. That's neither here nor there. They felt like the president was doing things and the chancellors were doing things that the regents needed to approve. And the regents weren't seeing that. On the other hand, you have other people in the administration believing that they had consulted with key regents on all of the things they needed to consult on. And there probably were a few exceptions, where there were some mistakes. But one thing led to another, and that's the way these things happen, I suppose. And so you have a loss of confidence. The regents had a loss of confidence in the president and some of these folks on the executive comp issue, and that led to probably a loss of confidence more generally. I think the whole thing was way overblown. I think I've said that.

Lage: Yes, we did talk about it last time.

08-00:34:52

Hershman: I think it was way overblown. And I'm not one who would argue that everything was done perfectly here, because it probably wasn't. And I think there were some— Certainly, in terms of explaining things to the public on individual issues. On the other hand, the president was committed to fixing it, which he did. And I think Bob [Dynes], his authority was being undermined considerably, and his ability to deal with things he needed to do, including with the state. I said before, I think it's terrible to have a president who can't be effective. If you undermine their ability to do the job and then expect them to do the job, that's hopeless.

Lage: Are you saying it undermined, also, his ability when he had to testify in front of the legislature?

08-00:35:49

Hershman: Yeah. If the feeling of the legislators was, well, he doesn't really represent the view of the regents here, why should they pay attention to him? That's like if the regents aren't going to accept what those of us who are dealing with the budget, if they're not going to accept what we recommend, then we have no

ability to deal with people. And we even had regents say publicly, individual regents, well, that's the president who made that deal, that wasn't us. Like *what?* It became a *we/they* thing. And I think the most serious problem here is the *we/they* thing. And it led to the president's office is the bad guy, we the regents are the good guys, and we want to run the place.

Lage: And do you think there was a point at which Dynes might have handled things differently, that would've kept his authority intact?

08-00:36:39

Hershman: Well, I don't know. And he had different advice from different people. I think the chancellors' feeling was, hey what happened here was nothing, really. This was trivial.

Lage: The compensation.

08-00:36:50

Hershman: Yeah. The admissions issue, that's different. That's *very* serious. But I think the regents' view was John Moores didn't represent their view here. Or most of their views. But on the executive comp issue, the regents made this into a big deal. Like the president was ignoring the regents' policies.

Lage: But they're affected by the media coverage, too.

08-00:37:17

Hershman: Well, of course. And I say one might argue that they were being beaten up by their friends, et cetera. How can you allow this to happen? And they didn't like looking back. But the solution here of making the president's office the evil, bad people, in my mind, hurt the university. It put the president in an impossible position.

Lage: Well, I was surprised, if this is—

08-00:37:43

Hershman: Oh, oh, oh, wait, just one more thing, in answering your last question. There are people who had different views about how the president should deal with this. And there were many chancellors that felt very strongly that the president should have said, basically, we've done nothing wrong here; that this is insignificant, and that they made it into something way worse than it really was. And the chancellors wanted him to be much more aggressive, some of them, many of them, most of them. And so the issue is that Bob Dynes, should he have done that? I don't know. He was getting different advice from different people.

Lage: And what was his response, instead of that?



08-00:38:25

Hershman: His response was to take the blame himself. And have the Office of the President take the blame. And by taking the blame himself and having the president's office take the blame, that just undercut their— Suddenly it became, well, the president's office is full of nothing but incompetent people who ignore the regents. Which is totally untrue, by the way.

Lage: He made the comment, I think in front of the legislature, that there was a culture of secrecy at the president's office, and that—

08-00:37:56

Hershman: Yes, he probably said some things— He had some advice from some people—I wouldn't want to talk about individuals here—that he would be better off doing that, and just admitting that the president's office was the bad guy here, and get the regents off the hook, if you would, and say, lookit, we're going to change things—which he did. And in my mind, the real hero here was Jack Scott, who was chairing the senate budget subcommittee and the senate education committee, who said, "Let's put this behind us and fix the problem, and move on." Jack Scott was a hero. He and his staff did absolutely the right thing. But there were other legislators who—

Lage: Is there a story to how Jack Scott took that role? I should ask Steve Arditti, maybe.

08-00:39:46

Hershman: Well, I don't know that Steve could help you any more than I can. But Jack Scott, he was chair of the committee. And the senate decided to take the lead in this. And he's the most senior person on education issues, and the most knowledgeable, and so he took the lead. Which was the right thing. On the other hand, there were other legislators who were playing to the press and demanding Dynes be fired, et cetera, et cetera.

Lage: Dynes came out looking very weak.

08-00:40:20

Hershman: He came out looking like not only weak, but like he did things that he shouldn't have done, and he did it knowingly. And I think he was advised that on all of these decisions, key regents were informed of it. Now, did they have that stuff in writing? Did they tell the press? The answer was no, probably. But it wasn't quite as bad— And certainly, the way the *San Francisco Chronicle* portrayed it, like there was this big, huge thing going on, that was silly. And all the audits and everything else that came along showed that; it was relatively insignificant.

But the regents used it. And the question I have is why? They didn't have to do it that way. I can't help but think there's more than one explanation here about the relationship between Bob and the regents. I think some regents

wanted to just do it because they were looking bad, and if the president was willing to take the blame, great, he'll take the blame. I think there are other regents who wanted to use it for other purposes, like getting more power. And there are campuses who wanted to be free of the president's office, by and large.

Lage: So you think some of the campuses or the chancellors intervened?

08-00:41:54

Hershman: I don't want to say the chancellors; I don't think the chancellors. I think the chancellors were behind Bob. No, I think there were others who—

Lage: Who maybe had—

08-00:42:03

Hershman: Other motives.

Lage: —links to certain regents?

08-00:42:05

Hershman: Absolutely. But I think there were various— Who knows what people's motivations are? And it's hard for me to do that. All I can say is the university's been damaged by it.

Lage: Yeah. Now, what about Richard Blum? He seemed to have a very strong role in all of this. He was the chair at this time.

08-00:42:27

Hershman: But on the executive compensation issue, not so much. Not so much. He had other things, in terms of downsizing the president's office and—

Lage: But didn't that sort of follow—

08-00:42:39

Hershman: But he wasn't in the middle of the executive compensation issue very much.

Lage: You don't think he was necessarily influenced by it?

08-00:42:46

Hershman: I'm not so sure. I don't know. I you'd have to ask him. But he was not a central figure in that.

Lage: Okay, well, that's good to know.

08-00:42:57

Hershman: He had other issues that he was on, including an effort, with tough budget times, to downsize the president's office significantly—which I think is a mistake.

Lage: Well, that's interesting. From what you're saying, this is a third sort of thread, one being admissions and John Moores, one being executive compensation, and then this management criticism from Blum.

08-00:43:24

Hershman: [over Lage] Yeah. I think his motivation is much more in line with what a lot of campuses wanted, which is downsize, weaken the president's office, and have the chancellors have more and more authority to do anything they want. I think many campuses have liked that, particularly the bigger campuses. The little campuses tend to need the president's office more. But I think there's historically been a desire to decentralize. And that's gone on.

Lage: And there's been a trend.

08-00:43:58

Hershman: Oh, absolutely. And Dick Atkinson did a lot of it. He basically did that. And there were regents that complained about that, saying that the campuses weren't accountable. They were given all this ability to do whatever the hell they wanted, and they weren't even accountable.

Lage: Well, was there talk of so much decentralization that the budget is going to become a decentralized budget?

08-00:44:19

Hershman: Well, a lot of it is. A lot of it is. I explained the way we allocated money; the campuses have much more ability to—

Lage: Right, but you negotiated as one budget.

08-00:44:29

Hershman: Yes.

Lage: One budget for the whole university.

08-00:44:30

Hershman: I don't think that would change. Does that mean that all the campuses wanted it? Not necessarily. I think there are some people on some campuses who think they would do better if they did their own. Some people. I'll leave it at that. [Lage chuckles] I don't think so.

Lage: And do those people have a direct line to Chairman Blum?

08-00:44:51

Hershman: Some of them probably do. I think that they believe that they have key legislators that they can influence. Legislators change, and people in power change. And you never know who's going to be the powerful ones. And the university, I believe, has always been better off by having a university budget that everybody gets behind. And that doesn't mean some people just go

around and do their own thing, whether it's a faculty member or a vice-chancellor or a chancellor or whatever.

And most chancellors, over long periods of time, 99.999 percent have followed that. You can find a few exceptions, probably, of people who've gone around trying to make their own deal about something. By and large, that is not a chancellor who's doing that, it's a faculty member. And by and large, it's something to do with research.

Lage: Trying to get their own research funded.

08-00:45:48

Hershman: Yes.

Lage: We talked about that last time, too. So is it your feeling that UCOP functioned well?

08-00:46:02

Hershman: Well, that's another question. I'm not one for big administration. And so I subscribe to, let's say, the Jack Peltason view of life or the David Saxon view of life: the president's office ought to be lean and mean. And I think some of the offices were more lean and mean than others. And some downsizing probably made sense.

Lage: Had it grown over the Atkinson/Dynes period?

08-00:46:30

Hershman: Not by any actions that we took in the budget, but yeah, they probably have. And most of that wasn't administrative. Most of it was programs. Most of it was a systemwide research program. That's not the Office of the President. The money's spent on the campus. But there would be a faculty committee that would make decisions about research dollars, where faculty would compete. It's like the NIH.

Lage: So there would be some staff members in the president's office.

08-00:46:58

Hershman: Yeah, there's be a couple of staff members in the president's office who would oversee the process, if you would, but they weren't making any decisions.

Lage: But did your office, for instance, grow dramatically over these years?

08-00:47:07

Hershman: Our office went down dramatically, over time.

Lage: Because of your feeling about it?

08-00:47:12

Hershman:

Yes. I never believed in having a big office. I always believed that it ought to be lean and mean. I think now it's gotten too lean and mean. There's hardly anybody left. That's not in the university's best interests. I think that's a big, big, big mistake. On the other hand, should the whole place be lean and mean? Yes, of course, it should. I don't think it should be overblown. And it's gone through periods where it's grown some and come back, and grown some and come back, and there are these cycles. And maybe in some areas, it was administratively too much, but I don't think that was significant. I think it was small.

Lage:

What did the management consultant firm come up with?

08-00:47:52

Hershman:

Well, I wasn't in the middle of that, and I left right at the time they were doing this.

Lage:

Oh, you left before they—

08-00:47:59

Hershman:

I left just as they were coming out with their report. And so I never even read their report, frankly. But I'm told what it says, and I think it was— I don't think it did justice to the people. I think what happened was it was used as a way not only to say, maybe there ought to be some downsizing, but also to suggest that the staff were a bunch of worthless people, doing nothing. I don't think that's right at all. I think they're very hardworking people and very knowledgeable, some of the most knowledgeable people in the whole place. And I think most of that knowledge is now gone.

Lage:

A lot of people have left, I understand.

08-00:48:41

Hershman:

A lot of people. A lot of people.

Lage:

Like half of them, or—

08-00:48:44

Hershman:

Well, most of the senior people, including middle management, where the work gets done. A lot of work gets done at that middle management level, and they've lost a lot of people. And many of them experts and very knowledgeable, and with a lot of history and background. And I think that's a mistake. The part that gets me the most in this is they were made to feel like they were worthless—between the management consultant, statements that individual regents made, et cetera—like they were a bunch of worthless people. Maybe that's not what was said, but that was the impression that was left. And I think there's a lot of bitterness. A lot of bitterness.

Lage: That's too bad. Now, let's talk about why you left. I heard a few stories.

08-00:49:30

Hershman: Well, I was going to retire at age sixty.

Lage: Mm-hm. Now, how old are you?

08-00:49:37

Hershman: Sixty-nine.

Lage: You are?

08-00:49:39

Hershman: Yes. Rather than why I left, why I stayed is a better question. Several presidents pleaded with me to stay for whatever crisis was going on. Through the Dick Atkinson era, when I was really planning to retire, and I didn't. And certainly, when he left the presidency, I was going to retire. And he said, "Oh, why don't you help out Dynes? He really needs the help." And they were tough times, and Schwarzenegger was just coming in. And so I was persuaded to stay for a year, and then another year, and this thing dragged on. And so I actually did retire a couple years ago. And then I was persuaded to come back and help. And so, one, I stayed as an active employee longer than I was going to, and then I came back when I wasn't going to, and my wife and I finally said enough is enough. And it wasn't so much fun anymore. Now, I did agree to stay through the last budget, so I did stay through the September—

Lage: As a call-back.

08-00:50:46

Hershman: As a call-back. I agreed to stay and finish that budget out, which I think I was helpful in doing that. But I made a deal with my wife, guaranteed that if I did that, that that would be it and I wouldn't come back, period. So I left because I was ready to retire. I was ready to retire long before I left.

Lage: But I was told that the regents were disrespectful to you personally.

08-00:51:14

Hershman: Some regents were. I wasn't there.

Lage: Oh, you weren't there.

08-00:51:18

Hershman: I wasn't there for some of that. I was there for some of it, but not other things that I was told about, because I wasn't even listening.

Lage: No. Well, what were their objections? When you were there.

08-00:51:32

Hershman:

Oh, when I was there? Oh, there were just complaints about we wanted more money. And the regents need to set priorities, which they had done; I pointed that out to them. So people made, in my mind, some crappy statements. The worst of the statements, when I wasn't there. [laughs] And I'm told, at least, that they tried to say other things publicly to make up for that. But I think there were some individual regents who said some things that I was very unhappy about, to say the least. I was bitter about. On the other hand, I was already retired and—

Lage:

Oh, this was after you'd retired.

08-00:52:13

Hershman:

Oh, yeah. Well, I was long retired. I was retired, but on call-back. And I could have stayed up until right now, on call-back, but I didn't. I just said enough is enough. They were pleading with me to stay, and I just felt like I wasn't having any fun, and I didn't need to stay, and I certainly wasn't getting anything out of it.

I was very unhappy, not just about a couple of statements that regents made—I was used to regents saying things publicly. I was very unhappy with the way things were going, and the general disrespect for the president's office and the we/they thing. And the best statement—sort of, I think, the last meeting I was actually there—when [Regent] George Marcus said—and I was up in front of the regents at the time—“Why are we talking to the president's office like it's we and they? We're one institution.” But it became this attitude that the president's office is the enemy. We were talking about the future, I think, and I was up there with Rory Hume and Bruce Darling at the time. And so the three of us were being hammered on various issues, including admissions. John Moores was all over us. And so there were lots of bad things going on at the same time.

But that comment, I went and thanked George Marcus for that comment, because that's what it had become, like the president's office was the enemy. And of all the things I'm hoping for, it's that they can move on. Because the institution is hurt by it. The regents, in my mind, have a fiduciary responsibility. The law says that they've got a legal, fiduciary responsibility. And hurting the president's office and undercutting their ability to function is not part of their fiduciary duties, in my mind. So I'll leave it at that. And I guess I would only say that I probably, for my own reasons—not for the university, because I think I helped the university through the last year or two, by coming back—I think for my own mental health, I would've been better off leaving, because who needed to put up with all of that?

Lage:

So were they hammering you on the kind of deal you struck with Schwarzenegger?

08-00:54:50

Hershman: Yeah, yeah. Yeah, sure. They wanted more money. That *was* Dick Blum, and others.

Lage: Was that a politically motivated thing, in terms of being Democrats or—

08-00:55:01

Hershman: No, I don't think it was politically motivated. Hey, I wanted more money, too. This was being egged on by the faculty. We want more money, we want more money. Well, of course, they want more money; so did I!

Lage: So again, it was, from your point of view, not understanding the limits.

08-00:55:17

Hershman: Right.

Lage: But not Democratic regents mad at the Republican governor?

08-00:55:23

Hershman: Oh, no. Well, there was a little bit of that. Even right after the compact, there was a little bit of that. Because that first meeting after the compact, there were regents who didn't want to go for fee increases that were part of that deal. Yes, I think there was a little bit. But I don't think that was Dick Blum, necessarily, because Dick Blum and the Schwarzenegger administration people, they got along fine. I don't think so.

Lage: So they just thought you should work harder and get more money.

08-00:55:55

Hershman: Yeah. Why can't you get more money? We want more money. Well, as I say, nobody worked harder to get more money over all these years than I did, that's for sure.

Lage: But was it their tone? You say you're used to them always wanting more money, but this time it seemed to really grate.

08-00:56:16

Hershman: Well, yeah, especially since I was retired. [laughs] At the time, I was retired already; I was just being called back to help. I didn't need it. Yeah, I did resent it. And I do think some of it was the tone. But it's not as though I wasn't used to— Hey, I can remember the regents meetings in the early nineties, when we were going through all that hell, where people would say all *kinds* of terrible things. Hey, I'm used to legislators saying *unbelievable* things.

Lage: Kind of personal-attack things?



08-00:56:50

Hershman: Well, I don't think the regents would probably view it as a personal attack. I don't think it was about me personally. I never felt that way about it, but I think it was an attack on the president, on the presidency.

Lage: Now, was Dynes there? And how did he--

08-00:57:08

Hershman: Oh, yeah.

Lage: —handle this kind of thing?

08-00:57:10

Hershman: [sighs] Not well. He didn't, he didn't.

Lage: You mean he didn't stand up, or—

08-00:57:20

Hershman: Well, I think he was in a weak position. And I tried to understand that. But he was not able to counter them, and he should have, probably. People thought he should've. There were a lot of people that were very unhappy with him not saying things. On the other hand, I sort of realized that he was in a difficult position. But I did tell him I thought he needed to stand up to the regents. Last time I saw him—I was at the Santa Cruz event here for the new chancellor—I asked him at this last regents meeting if he had stood up to them, finally. I think he publicly should have done that. I think he would've been better off. Psychologically, he would've been better off.

Lage: Yeah, for his own—

08-00:58:04

Hershman: For his own mental health. To put up with that kind of crap. Anything I put up with was infinitesimal, compared to what he put up with. And I viewed it sort of as the president's office, so I never thought it was personal. I always got along with regents, individually. I never thought that. But I did think that there was a motivation to discredit the president's office.

Lage: Well, that seems fairly evident. Let's stop here for a minute.

[End Audio File 8]

Begin Audio File 9 07-15-2008.mp3

Lage: Okay, here we are on tape three. No, tape nine. Continuing with Larry Hershman, on July 15. Okay, Larry, we're on to the question of the future, your concerns about the future.

09-00:00:23

Hershman: And I do have them. There are all kinds of threats out there, all kinds of positives, too, I suppose. But I'm going to start from the earlier comments that I made. We built this great university, campuses have developed in just fantastic ways that neither I, nor anybody else, could have imagined. And the concerns that I have, I'm just sort of looking at the state and national picture and the local picture, and I'll sort of put them all together, and I'll just sort of go through them quickly, maybe. And I might have some to add at a later point.

I want to start with the environment is going to be different. We've gone through a big growth period, and we're going to get to a point where the number of high school graduates are not going up. The demographics are changing on us here. And so we have campuses, many of whom have grown a lot and would like to grow some more. And how do they do that? Certainly, at the graduate level, with various kinds of— And I would argue they ought to be taking more transfer students, as I said; that ought to be part of the planning. But that environment has changed.

And as I mentioned earlier, I think the environment about who you take and on what campuses, that threat is still out there, about diversity at all campuses. And I do think that, as I mentioned, Al Carnesale had very strongly held views here that he expressed to our long range guidance team. And I think he's right. I think there is a big threat out there, that we need to serve the people of California. And I think we always have done that. That's been right at the top of our list about serving the public, as a public institution. It's very different than private institutions, and our attitude about it is very different. So those things, in my mind, that's important.

09-00:02:30

The state's fiscal situation, very much at risk right at the moment. You have the Republican party saying "no more taxes," the Democrats saying "we don't want to cut programs." We are not at the top of the priority list of many of both Republicans and Democrats. They all love us, but not as much as they love something else, whatever it happens to be. And there are all kinds of requirements in the state budget. For just about everything in the state budget—K-12, community colleges, health and social services, corrections—you name it, just about everything has got some protection in the law, but UC and CSU and state government. And that's only like maybe 15 percent of the budget. Even corrections has protection, by the courts. And so the unwillingness to raise taxes, the fact that there's such an enormous structural

deficit problem in the state budget that they've never come to grips with, since the dot-com bust, if you would. And the fact that we're not at the top of the priority list means to me that UC is very vulnerable, in terms of state resources.

Lage: More so than in the past?

09-00:03:50

Hershman: Much more so than in the past. It's becoming increasingly clear that while legislators all love us—they probably all would say that—that the number of legislators who view us as the highest priority is probably nothing like what it used to be.

Lage: Do you have any real champions? You mentioned Jack Scott coming to—

09-00:04:19

Hershman: Yeah, well, he's termed out.

Lage: Well, there you go. Terms limits.

09-00:04:23

Hershman: And Fabian Núñez, who was the previous speaker, was a big champion. He's termed out. And that's one of the things about term limits. So we've got a lot of people who like us there; I don't see the big champions, the way it used to be. A governor who clearly likes us. We made a deal with him, which I thought, as I said, was important. But I'm very worried about his ability to deal with the situation. We've got a lot of very friendly staff people in the Department of Finance, in the governor's office and the legislature, who care a lot about us, a lot of alums. On the other hand, they're faced with these enormous pressures and these statutory and constitutional requirements in the budget. And so we are very, very vulnerable. And with the growth rate having stopped, in terms of high school graduates, that makes us even more vulnerable.

At the federal level, where we're heavily dependent—that's the key to our resources; certainly, for things like research, health care costs, for hospitals and doctors, for financial aid for students—the federal budget is a bigger disaster than the state budget—\$400 billion deficits, \$500 billion deficits. And all projections for the future are a total disaster, with respect to the cost of Social Security and Medicare.

Lage: And an unwillingness to raise taxes there, as well.

09-00:05:56

Hershman: And an unwillingness to raise taxes, by most people, at least. Not everybody, though. And so I just don't see the federal government— It would be a miracle if they can just continue the kind of level of support we've had,

adjusted for inflation. It isn't happening right now. We're losing ground. Private support has been going up. That's a good thing. On the other hand, the economy's not in such good shape, and people's willingness to give is heavily dependent on their personal situations, and things don't look so terrific, at least in the short run. Hopefully, in the long run, there would be more private support. As you piece together all the various parts of the budget, student fees would be the next thing I would want to look at. And we've kept fees, which used to be very, very low, now they're, I would say, sort of not at the top, but certainly not at the bottom anymore.

Lage: Of the public universities.

09-00:07:00

Hershman: Of the public universities. And it may well be that we have to go to higher fees. And our financial aid is fabulous. But that is very unpopular, and do people have the will to do that? And if the state can't afford to fund us properly, I would argue if you can't get money some other way, you're going to have to go to student fees. And of all the things the regents vote on, as I suggested, that's the one that's the most difficult. And with the public comments from students that their whole lives are going to end if the fees go up *any* money; they can't afford it. And people ignoring the wonderful financial aid programs. Even though we've tried to put that in front of the regents and the public, people just don't seem to get the message, always. So you put all these things together: a very much weakened president's office, campuses who maybe think they're going to be strengthened in the process, and a potential tendency for them to split apart.

Lage: And compete.

09-00:08:09

Hershman: And compete. And use it as an opportunity to fight with one another, in front of legislature or whatever, trying to get the fight that they might have with the president moved up to the regents or the legislature or wherever. There's a potential there. It's not happened yet. All I'm suggesting is all these things are potential problems. And so I worry about it. And campuses like Berkeley, who think they will be better off, I don't think so. I don't think that's where the political power is. There isn't any political power in the Berkeley area, in terms of Sacramento. The power is in Los Angeles and other— Orange County. Well, I wouldn't say the Republicans have any power, but certainly, in Los Angeles. And so I do think there's a potential here for bad things happening.

I've tried to make the point in all of this that good leadership mattered, and good decision making mattered. And we've been fortunate that we've had presidents who've done, by and large, in my mind, a damn good job. Even though they could be criticized for this little thing or that little thing, by and

large they've done a terrific job in making decisions and holding the place together, and in helping to build terrific campuses. And I do worry that there are so many forces out there that are negative that a combination of them could make a very significant difference here, in terms of a future that should otherwise, hopefully, be rosy and things just get better and better and better. In my mind, in spite of the ups and downs over this long forty years that I've been doing this, things have gotten a lot better. And I think things could get a lot worse. Not just for the University of California.

Lage: Have you felt that in the past? We've had these very bad budgets, ups and downs, before.

09-00:10:14

Hershman: I did. I worried a lot about that in the early nineties. And I worried about it a lot in the early eighties, before David Gardner came in. So yeah, I have worried about it in the past, and something came along to save us—George Deukmejian, a recognition by Pete Wilson and Russ Gould, and then Gray Davis, and then Schwarzenegger.

Lage: And the economy.

09-00:10:36

Hershman: And the economy. And by and large, even though our power in the legislature, which used to be significant, has gone down, down, down, we've had governors who've helped to save us. And I've told that to presidents, by the way. We've had governors who've been very supportive, at least in the last twenty-five years. And so yeah, I worry a lot about that.

Lage: Do you have a sense at all of what our new president is—

09-00:11:06

Hershman: I have no sense.

Lage: You don't have a sense. Here he's from outside of the system, at this very difficult time.

09-00:11:11

Hershman: From outside of the system. The only comment I would make is that I would hope that he would talk to his predecessors. And I don't know whether he has or not, so I'm not in a position to deal with that question. But I think he could learn some things from people who've had the job before. Not just from regents, who I'm sure he's talking to, but from people who've done the job. And Texas is different than California. There's a long, different history here, and it would be useful to spend as much time as he can with people who've done this before.

Lage: Yeah. Okay, well, any more about future concerns?

09-00:11:55

Hershman: Not right now. If I can think of some—

Lage: We'll hope that this is just another sort of a down cycle, and we're going to have another up cycle, but—

09-00:12:02

Hershman: Well, we certainly can hope that, for a lot of reasons. See, and it's not just the University of California, but it's the whole country.

Lage: Yeah, and the state, right. The one thing that we haven't—I don't want to keep you too long, but—didn't get talked about much at all, are people that supported you in your office or other places. Are there any that you want to mention as being particularly—

09-00:12:27

Hershman: Well, I would say I've had *incredible* support, from presidents, from vice-presidents, from chancellors, from a staff of people in my own office who've done a fabulous job.

Lage: I'm thinking of your staff, I guess, in part.

09-00:12:39

Hershman: Oh, they've been fabulous.

Lage: Have there been key people that—

09-00:12:41

Hershman: Oh, absolutely. All of them. Everybody. We really had a team, and they all loved each other, and they loved the university, and they loved working there. And the team wasn't— My own staff was fabulous, but the other vice-presidents and their staffs, who cooperated in the budget and the campuses—

Lage: Because you really cut across so many different divisions.

09-00:12:59

Hershman: Absolutely. Absolutely. And the financial aid people, who work with us, and the admissions people, who work with us, and the enrollment people, who work with us, and the research people. So we were dealing with everybody, because you have to when you're doing the budget. And the hospital, health people.

Lage: So you have a positive feeling about the people who work at the president's office.

09-00:13:20

Hershman: I have a positive— And on the campuses. The people who work with us in a cooperative way—the budget people, the executive vice-chancellors, the

chancellors. I must say, I had a wonderful time in the university, and most of it was because of the people. And the one thing I miss the most is the people, because maybe I was lucky or something, but the people always cooperated with me. I never had—I must say, it was a wonderful experience. And the faculty—I've dealt with hundreds and hundreds of them over time, in the various Academic Senate committees and the Academic Council, and it was always a great experience. The students? Yeah, I actually love students, and I understand their political position; they don't want fees to go up. On the other hand, by and large, people did try to help us, and they did try to work with us in the legislature, the students. But I would also say—and I said this before—the people that I have been able to work with, in terms of legislators and legislators' staff, and the Department of Finance, and the governor's offices, various— It's, I think, all been great. It's been terrific. I often thought that the best people wanted to work on education because education is— People love that. And so we were fortunate enough to be able to work with some of the really best people.

Lage: Well, you give a good picture of good public servants.

09-00:14:58

Hershman: Yeah. And working cooperatively with people is really important. And you never know where somebody's going to be. I've had a chance to work with people on the legislative side, and then they go work in the Department of Finance, and they go work back in the legislature, and they maybe go to work for a governor. And so they're all over the place.

Lage: And then sometimes they come and work for the university.

09-00:15:20

Hershman: And sometimes they come and work for the university. I've even helped recruit some of them to the university, so I know. And that's for the good.

Lage: Well, that must be more galling than ever, when you see the kind of criticism of the staff at the president's office. Or implied criticism.

09-00:15:40

Hershman: Yeah. Well, more than implied. And so yeah, that hurts a lot because the people I've worked with—and I've worked with them day after day, many of them for decades—and I think they're, by and large, fabulous and worked hard and were totally conscientious, and cared—

Lage: And smart?

09-00:16:01

Hershman: And smart. And some sort of an attitude out there from people who really don't know them, they don't even know what they do, really, and an attitude that these are—I hate to use the word worthless, but people sort of feel that

way. They sort of feel like they've done a really good job for the university, and they like to feel like what they did was important. But I think of all the things I miss, it's the people. Both with the president's office, on the campuses, and in Sacramento, the people that I got to work with.

Lage: Yeah. And this kind of work is a cooperative enterprise.

09-00:16:44

Hershman: Yeah. I miss them a lot. I miss them every day, I must say.

Lage: Yeah. Well, that seems like a good place to end, to me.

09-00:16:53

Hershman: That is a good place to end.

Lage: A little more positive than your concerns for the future.

09-00:16:58

Hershman: Well, the concerns are big, and they're real. And in some ways, maybe when you put it all together, it may be a real crisis point here.

Lage: Mm-hm. Okay. We'll end on that note. Thank you very much.

09-00:17:16

Hershman: Okay. Well, thank you.

[End of Interview]



APPENDIX

Interview with Lawrence C. Hershman

conducted in 1997

by Germaine LaBerge

for the oral history project

*The University of California Office of the President and Its Constituencies, 1983-1995*

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## Interview History—Lawrence C. Hershman

This oral history was undertaken in October and November of 1997, as part of the oral history project, *The University of California Office of the President and Its Constituencies, 1983-1995*. The project focused on the presidencies of David P. Gardner and Jack W. Peltason and was intended to provide a range of perspectives on the governance of the statewide university system and its response to societal and political forces under their leadership. The twenty-four interviewees included senior administrators in the Office of the President, chancellors and faculty from five campuses, seven regents, and three state government officials. Larry Hershman was interviewed in his capacity as vice president for budget by Regional Oral History Office interviewer, Germaine LaBerge.

Larry Hershman asked that this interview not be released while he still had the responsibility for the university's systemwide budget. Following his retirement and the completion of his more in-depth oral history conducted in 2008, he agreed to make the earlier interview public.

Other oral histories in the project can be found at [http://bancroft.berkeley.edu/ROHO/collections/subjectarea/univ\\_hist/ucop.html](http://bancroft.berkeley.edu/ROHO/collections/subjectarea/univ_hist/ucop.html).

Ann Lage  
Project Director

Berkeley, California  
April 2012

**INTERVIEW WITH LAWRENCE C. HERSHMAN****I BACKGROUND**

[Interview 1: October 17, 1997]

[Begin Tape 1, Side A)]

**Education: Miami of Ohio, B.A.; UC Berkeley, M.B.A.**

LaBerge: We like to start with your background, so tell me where you were born, what your childhood was like.

Hershman: OK, I was born in Cleveland, Ohio, and I guess, just a typical midwestern kid, nothing special.

LaBerge: Do you mind telling me the year?

Hershman: Nineteen thirty-eight, just before the war, and grew up. My father owned a little grocery store. We were fairly poor, to say the least, but, we had at least enough food to eat [laughter] and, I have to say, at least I got a good education. We had, by the time I was finishing up elementary school, moved to a suburban location. I went to good schools, and as an undergraduate, went to Miami of Ohio, which was fairly small at the time.

I went to graduate school at [University of California] Berkeley, where I got an MBA. I was interested in finance, and wasn't quite sure what I was going to do at that time with my life, but I was even interested in teaching. But, I had just been married, and was fairly poor and decided to work and try to finish up my Ph.D. I took my MBA and left with it, and was going to finish up my Ph.D. at UCLA [University of California, Los Angeles], but it was too hard to work, and we had a little baby. One thing led to another and I started looking for a different job, and I took this job at the University of California, in January of 1968, because I

was promised that—I was part of a management program at the time—I was promised that I could take as much time off as I wanted to finish up my Ph.D.

**Budget Officer for UCSF, 1968-1974**

LaBerge: The management program was at UCLA?

Hershman: No, no, at UC, I went to work at UC San Francisco, in January '68. I was promised I could finish up—so I was going to finish up my Ph.D. at Berkeley. I thought this was a great opportunity: I'd work for the university—and everybody knew you didn't have to work very hard in the public sector—and I'd have plenty of time off, and I could just finish it, and that would be just great. UC San Francisco was just starting as a campus.

LaBerge: And the chancellor was?

Hershman: The chancellor at the time was [Willard C.] Bill Fleming. We had [Philip] Phil Lee and then eventually [Francis] Frank Sooy when I was still at San Francisco. The only thing was, that it wasn't quite what I expected it to be. I worked all the time, I never took a vacation in the seven years I was at San Francisco, almost seven years that I was there. I came to the president's office in the summer of 1974. I was the first budget officer at San Francisco. It was just a brand new campus. Before it had been a collection of professional schools that reported directly to the president. But they just started with the chancellor, and so I was their first budget officer.

LaBerge: So, you created the job, so to speak?

Hershman: Yes, right. And eventually took over capital planning as well as the operating budget, and got interested in planning at the time. But, [I] also became interested in political things, because San Francisco was in the middle of a lot of political turmoil, fights with the community, which many key legislators got in the middle

of, including [Speaker of the Assembly] Willie Brown, especially Willie Brown.

LaBerge: Is this because of UCSF's expansion?

Hershman: It was because of expansion. The community was resisting further expansion on that site, because of problems of population, too many cars, too much traffic, too many people infringing on the community and trying to buy up more of the community and building more. And so we got into a lot of political things, which I found that I enjoyed, actually. As I say, I never took a vacation during that whole period. It didn't lead to quite what I thought it was going to lead to, but it led to me thinking, "Hey, gee, I'm really interested in this." And I sort of liked the politics and I liked the planning aspects and I got to spend some time in Sacramento, and enjoyed that.

### **Office of the President, 1974-1983**

#### **Health Sciences, Operating and Capital Budgets**

Hershman: There was a reorganization in the Office of the President back in '74, and they created a job that involved health sciences budgeting and planning and capital planning and they asked me to take it. I had a great job at San Francisco, I loved it, but I decided to come to the Office of the President in '74, because it was going to be a bigger challenge. The health sciences were right in the middle of a huge planning effort at the time, and expansion plans. Little did I know that that would all change quickly. I walked in in the summer of '74, [Edmund G., Jr.] Jerry Brown got elected governor that winter, and by January '75, he put a stop to all planning in the health sciences, and said, "Come in with a brand new plan."

LaBerge: Who hired you at the Office of the President?

Hershman: Loren Furtado, and [Chester] Chet McCorkle. Chet McCorkle was executive vice president at the time. [Charles] Charlie Hitch was president. Loren Furtado

was director of the budget at the time. [William] Bill Baker was just joining up in that unit at the time, and I did in there, and I was responsible for health sciences operating and capital budgets. There was a lot of expansion in the health sciences. And a lot of turmoil, a lot of political turmoil going on at the time. The university still did not have adequate facilities for its medical schools, particularly the new ones at Davis, and San Diego, and Irvine. A lot of controversy about hospitals, whether we would build our own, or whether we would take over old county hospitals. A lot of turmoil in the legislature. I thought it would be interesting to take the job, and get in the middle of the turmoil. And did.

### **Expansion Plans Halted Under Governor Jerry Brown**

Hershman: I didn't realize at the time, of course, that there was even going to be more turmoil, because Jerry Brown didn't think we should have all that expansion. He did not believe we ought to be adding more doctors, which was against the prevailing wisdom at the time. In any event, what finally happened here was that we came up in a matter of a few months—I mean, that's to show you how different things are now from the way they were then—between January 1975 and April 1975, we replanned the health sciences of the university.

LaBerge: When you say "we," who else?

Hershman: Pretty much a couple of people. It was Clint Powell, who was the special assistant to the president, and myself, and my little staff of people, working with the campuses, some of them who worked more closely with us, and some of them who didn't. They didn't much like it. Because it meant cutting way back on their expansion plans. Because at the time we were planning to have a sixth medical school, another dental school, more nursing schools. I mean, it was a huge expansion planned at the time. And we scaled it all back and said we wouldn't expand, we would just try to stabilize the situation, provide decent facilities and operating support, but not expand the way we were planning to. So we came in with a brand new plan at the time.



It was an interesting way to get my feet wet at the Office of the President. And it was remarkable that we did this in a couple of months. And the threat, the Jerry Brown threat at the time, was that they would give us no more money. They froze everything, would give us no more money until we came in with a new plan that was acceptable. In any event, we managed, between April and June of that year, to take it to the legislature and, by and large, get agreement on most of the items.

It did involve substantial change but [we] managed to get agreement on most of the items, and where we were going to go with the various medical schools, particularly the medical schools were the focal point of the controversy. A couple of them still carried over into the next year or two, but pretty much settled where the health sciences were going at that point. A lot of that planning actually came to fruition. I mean, we went ahead with that plan and lasted up until about 1980 or so, actually. Then there started to be cuts set; rather than further expansion, we started to make cuts at the legislature's insistence.

LaBerge: Who in the legislature were you dealing with, besides Willie Brown?

Hershman: Well, [Assemblyman] John Vasconcellos had a lot of power at that time. [Assemblyman] John Foran, Senator [Dennis] Carpenter was heavily involved in the Irvine situation, and Howard Berman, I think, was actually chairman of our budget subcommittee at the time. There was a lot of controversy going right then, and most of the actual agreements that we reached were with the legislature. Oh, and Walter Stiern. Walter Stiern was the chairman of our budget subcommittee in the senate. Walter Stiern was very influential in health sciences matters. And was probably one of the principal people in making decisions at the time on the senate side, with Willie Brown being the key in the assembly, probably. They had had a special committee on the siting of teaching hospitals and that committee was very active in this process. Legislative staff people at the time, including Steve Thompson, who's still around in Sacramento, is a lobbyist for the California Medical Association now. Steve Thompson was Willie Brown's chief person on health matters.

LaBerge: Did you also have talks with Jerry Brown and his staff?

Hershman: Jerry Brown, well, we presented this plan to them, but they didn't get engaged very much. Most of the dealing at that time then was with his staff; it was with the Department of Finance. Yes, we did. As we were working through this we did work with the Department of Finance staff at the time. And I'd say, during most of his years that was the case. He was not as active in the details of the budgets. The Department of Finance was heavily involved in this, as you would expect, but even more so, in those days than they are now. Our program manager in the Department of Finance, the person in charge of education matters in the Department of Finance, his name was [Charles] Chuck Gocke. Chuck was not only that, but he was sort of the informal education advisor to Jerry Brown. So he had a lot of influence, both on education matters and budget matters. That gave him a lot of power. So they were very influential in the decision process. I would say it was mostly with key legislators and the Department of Finance staff at the time.

LaBerge: What about the Office of the President? Did [Charles] Charlie Hitch get heavily involved?

Hershman: Chet McCorkle mostly. Chet McCorkle was executive vice president, and he was actively engaged in the health sciences planning effort, with Clint Powell, who worked with Chet directly. Chet worked with us and the chancellors in the campuses in all of this effort, at least while he was executive vice president. That only lasted for another couple of years there, because David Saxon became president, and things changed dramatically. Between Saxon and McCorkle, things didn't work out very well.

LaBerge: Bill Baker told me that. [laughter]

Hershman: [laughter] That's right, I bet he did. Things changed. McCorkle left. [William] Bill Fretter came on as executive vice president. We worked for Bill Fretter then, Bill Baker and I. [Thomas] Tom Jenkins, who had become vice president then—let's see—Tom Jenkins became vice president, as I remember, in January of 1978. Bill Baker became assistant vice president, and I took the budget director job. I still had the health sciences, but I picked up the rest of the university budget.

LaBerge: Did you ever think of leaving? Or had you pretty much decided you were going to stay with the university?

Hershman: I didn't really think about leaving. I was having fun. It was a lot of controversy, but I liked the controversy. Once again, I took this job as the university's budget director just before Prop. 13.<sup>1</sup> It was always something coming a few months later that caused even more controversy. That spring, Prop. 13 passed, and we went through some more hell for the university. I was in the middle of all that. You know, I hate to admit that I sort of enjoyed the controversy, didn't like the budget cutting, but it gave a good opportunity to defend the university. I'm a real believer in the university and so I find it easy to defend the university's interest, because, I believe.

LaBerge: You almost have to, to be doing this job, it would seem.

Hershman: You do. Well, you do. And you have to be a bit of an optimist. David Saxon, when he became president, I'll never forget this, asked me if I was an optimist, and I said yes, and he said, well, you have to be an optimist to have that job. I had known David Saxon before, from Los Angeles, when he was at Los Angeles and I was at San Francisco. He was much more actively involved, I think, in the details of the budget and our dealings with the Academic Senate, et cetera.

### **Changing Internal Budget Process**

Hershman: One of the things I'm most proud of at the time, excluding the external side of things—we had a lot of controversy internally—I don't know if Bill [Baker] told you about this—but I think just about that time, we decided to change our process of how we dealt with the budget internally.

LaBerge: He told me a little, but I'd like to hear what you have to say.

---

<sup>1</sup>Proposition 13 (June 1978), Property Tax Limitation Initiative

Hershman: Well, while we were in the middle of all that controversy, and trying to deal with what was realistic in terms of expectations for budgets—

LaBerge: Are you talking about 1978, Prop. 13?

Hershman: I'm talking about that period, right. We decided to change. I'd just taken over the budget, and I decided we're going to change the process. Bill was a big supporter of that. We really dropped all of the old process.

LaBerge: Tell me what the old process was like in those days.

Hershman: The old process was: campuses would write letters, ask for money, write big budget proposals about how much money they wanted every year. We had lots of budget analysts, they'd sit there and review all of these. The annual proposals, and then letters, which would flow in all year long, asked for money for this and money for that, and money for everything. No real basis other than gut feeling about giving campuses money for whatever it was that they asked for. I felt that that was not a very good process.

What was happening is that campuses were very unrealistic about expectations. They were asking for way more money—it was like a game—asking for way more money than was remotely possible, wasting huge amounts of their own time and effort and our time and effort, dealing with the unreality of the whole process.

We decided to create what I'll call a consultation type process, which we have refined over time, if you would. But it has kept going since then, and in all my years of doing this, which is since January '78, so it's twenty years, of working together with campuses to try to develop and agree on priorities and find ways to allocate money that were not just ad hoc, based on some letter, but agreed upon—as best we could—an agreed upon methodology. Which was sort of refined over time, not only in the Saxon period, but clearly in the period afterward, when David Gardner became president. We reviewed all of the way that the budget was being allocated to campuses and sort of agreed on what was a fair way to do it, each of these, and phased it in over that whole period. We

spent a good ten years or so, phasing in what I would call this new process of how we allocated money and what we would go to the state with.

When we were deciding on what we would go to the state with, we'd say, What's realistic? What's the economy look like? Going on the high side, we didn't request the least amount, obviously, we'd always peg it a little on the high side, but not totally outrageous. And, I think, had that philosophy all the way through.

I'm very proud of what we developed, in terms of a process. It involved consultations with the chancellors, and the budget officers, and the Academic Senate, and other groups as appropriate. But we did it much more with a consultation mechanism for allocating resources—fair is in the eye of the beholder here—but on some fair basis, having some understanding about what the basis would be for allocating resources, rather than just some sort of ad hoc request—if anybody wanted money for anything, and they had enough persuasive ability they could convince people to do that or not do it. It did lead to some strange things in terms of the way money was allocated that we took this whole period to try to correct. Between then, and I'd say, the late eighties—heavily during the David Gardner years, because they were better years, there was more money flowing and we had a better opportunity to do some reallocations without actually cutting anybody's budget. We did it at the margin.

### **Fiscal Situation at End of the Saxon Years**

Hershman: In any event, toward the end of the Saxon years—I mean we did have Prop. 13, and on top of Prop. 13, high inflation and then heavy recession, and a lot of struggle over the future of the university. Projections in the early 1980's of no growth—that isn't what finally happened—but those were the projections; dismal fiscal situation, faculty salaries were 17 percent behind our comparison institutions, by the last year of the Saxon administration at the university, just as George Deukmejian was becoming governor. And people were struggling, trying to cope with the very serious problem on the faculty salary side. That was probably the worst of the problems.

There was [not] a lot of money, and we were looking at a lot of options about how to deal with that, with the conclusion that we couldn't keep functioning that way if we were going to continue to be among the best of the universities, public and private. We needed to take some actions. People were looking at downsizing actions, at consolidations and eliminations of schools, programs. I'm not sure we really want to go through all the details of options that were being looked at, but there were very serious options. I think it came to the point where David Saxon sort of felt he had had enough of it. That's my description, at least. Things looked very bleak.

LaBerge: Was the legislature supportive or not?

Hershman: There was not much opportunity to be supportive. There was such a struggle to try to just cope with the remnants of Prop. 13, and the need to permanently fund local government, and K-12 on some reasonable basis, that they really weren't in a good position to help anybody. I mean they did their best, I would say. They weren't out to get us—others may disagree—but I don't think they were. And if you look at the whole Jerry Brown era, I think you'll find that the University of California was treated better than any other educational entity. We were treated better than CSU and the community colleges—a little bit better—a lot better than K-12. K-12 funding was very poor. But there was a huge cost increase in the health and welfare area and other parts of the budget that they had to cope with. And the bailing out of local government, and the schools. It cost a lot of money for the state to come in there and pick up a good chunk of what the schools had lost in property taxes.

So it was the circumstances, trying to rearrange things to survive, if you would. The very high inflation, and the recession—you put it all together and it was very difficult. One thing I've learned, over all these years, when things are bad, people think they're always going to be bad, and when things are good, they think they're always going to be good. Of course, that isn't what happens.

## II DAVID GARDNER'S PRESIDENCY, 1983-1992

### Visit with Governor Deukmejian's Budget Team

Hershman: In any event, 1983 was about the low point for the university, just as David Gardner was coming on as president. George Deukmejian had just been elected governor, just before that. And we took a gamble. We went for broke. Bill Baker and I went off and visited David Gardner in Utah when he was still there. We came to the conclusion that we thought the economy was going to start to rebound some. We thought that here was an opportunity with Deukmejian who was brand new, and might at least be sympathetic. We weren't sure about what he could do for us. We started to work with his staff, particularly in the Department of Finance. And, frankly, we took the biggest gamble of my life in the university. I think David Gardner would acknowledge that, we still talk about it some. We really went for broke. We decided to come in there with a multi-year plan to rebuild the university, if you would. We had done some quiet work with the Department of Finance, had a meeting with the director, who was interested.

LaBerge: Who was the director?

Hershman: Well, it was Mike Franchetti, and he was only the director for a very short time, because he didn't get confirmed by the legislature. But he was director at the moment, and he helped convince George Deukmejian—as did others—I'm not sure I want to get in—you'd be better talking to David Gardner than me about the others—but, I think, the business community, heavily. I think George Deukmejian's belief was the university was very important to the economic growth of the state. He was persuaded by us, and by business people. And lo and behold, they decided to buy this plan. And not only did they decide to buy this little plan we had put together, this go-for-broke plan, but they said instead of phasing it in over a period of years, let's go on the faculty salaries in one year. Seventeen percent in one year. It was, of all the moments of my thirty years, that—when I got a phone call and heard that—and went up and Bill Baker and

David Gardner and I met, and I told them this. [laughter] You can imagine the glee. It was—my god—how spectacular.

LaBerge: You never expected it.

Hershman: I thought that they might buy the plan. But the fact—to even go faster than we were proposing. We were proposing a phasing over a period of years. To buy it all—they didn't buy it all in the first year, but all on the faculty salary part. With lots of help in other ways, maintenance funds and research funding, and support for graduate enrollments.

One thing led to another, and our enrollments were booming, started to boom all of a sudden. From a budget point of view, we couldn't keep up with it. Every time we'd project a couple percent increase, the enrollments would be beyond that. Enrollments were growing 2 and 3 percent a year, always exceeding estimates. Just at a period when nobody was predicting that. All the predictions were—given the high school graduation rates—that we were going to be flat, or maybe even be going down. We were booming, and booming with federal money. We were getting 10 percent a year increases in federal money. And terrific recruitment efforts on the part of campuses.

George Deukmejian was a believer in bond funding for capital. We had gone through a period where Jerry Brown didn't believe in bond funding, and we were living on twenty million dollars a year for capital outlay. All of a sudden we had 250 million dollars a year.

### **Dramatic Growth**

Hershman: Of course, we were growing so fast, we couldn't keep up with the growth, let alone all the rest of the problems we had. We thought this is going to be a period for modernization, but we focused so much of our money on growth, and still couldn't keep up, because the growth was so dramatic. With the better faculty



salaries, and just everything was better—recruitment was better. We were getting our first choices, and I have to say—

LaBerge: You mean for faculty?

Hershman: For faculty.

LaBerge: What about the students?

Hershman: Oh, yes—we were—it was just a great situation for the university. There's no other way to describe it. We had a 30 percent increase, and then a 15 percent increase, and then a 10 percent increase, within three years. It was a spectacular time. I think the dilemma for the state was that toward the end of this period—toward the end of the Deukmejian era—the legislature and the administration were struggling over how to keep the budgets going at as good a clip as they were at.

They wound up getting into some trouble. So by the end of the Deukmejian period, when Pete Wilson became governor, all of a sudden, they were in a disastrous situation. They had general fund budgets that were maybe at that time something like forty billion dollars, and they had a fifteen billion dollar problem. Right off the bat, with Pete Wilson as governor, and so he inherited a very difficult situation. This was in the early nineties, and the economy had turned, not just bad, but a disaster. It was the worst recession since the Great Depression.

LaBerge: Can we go back to the beginning of Deukmejian and David Gardner?

Hershman: Sure.

LaBerge: What part do you think David Gardner had to play in—

Hershman: Oh, a big part.

LaBerge: Can you tell me about that?

Hershman: I think his own relationship with Deukmejian, and with key legislators, was very important in this. I think Deukmejian trusted him. He believed the university was important, but he also believed David Gardner provided terrific leadership in the university. David Gardner was able to persuade key legislators of the same thing. So it wasn't just the governor's proposals, but the legislature agreeing to them. I think there was also a very strong feeling the university was opening its doors more—part of the enrollment situation. We were bringing in lots more students and providing lots of opportunity, more so than we had before, and the legislature liked that.

LaBerge: Are you talking about affirmative action opportunities?

Hershman: Including affirmative action opportunities. We had enormous increases from where we had been before. Of course, they were at very low levels. Enormous increases, particularly Hispanic. Not so much—I think our percentage of African-American students never got much above 4 percent. It pretty much stayed in there. But, of course, as we grew, the numbers grew. And we were growing fast. Hispanics growing dramatically, and Asian students—very substantial increases at that time. That was viewed as very important in the legislature. They saw that as progress. They saw that, and believed strongly that we were helping the economy, particularly growth in high-tech companies.

### **Era of Good Feeling**

[End Tape 1; Side A  
Begin Tape 1; Side B]

LaBerge: How about the regents? What part did the regents play in all this? Or, did David Gardner, with the regents?

Hershman: Well, the regents were very supportive.

LaBerge: You didn't have to make your case?

Hershman: I think it's fair to say that, during this whole period, that it was one good thing after another, after another, and good builds on good, and so the support of the chancellors, the support of the regents, the support of the faculty: they all went together. Because there were so many good things—and the students, more students were coming in. Fees—George Deukmejian was a believer in low fees or no fees even, and we weren't having student fee increases. All the actions we were taking were very popular among everybody. It just all worked together. The regents were, as I say, very supportive. Certainly, anything having to do with budgets, those were great days. I don't know what else I can say. It's hard to say anything bad. [laughter]

LaBerge: I read minutes of one regents' meeting where you and Bill Baker explained the budget to the regents.

Hershman: Well, I did that yesterday.

LaBerge: Did you? I wondered how often do you go to the regents' meetings?

Hershman: Well, I go all the time. But in terms of detailed budget presentations, I do that once a year. I did it yesterday for the '98-'99 budget. Then I make periodic reports during the year.

LaBerge: So you were there for the rest of the meeting too, not just the budget part?

Hershman: Oh, yes. Yes. But, I think the importance was the fact that everybody was on the same wave-length. As I said, success led to more success. You go into a chancellors' meeting and—I won't give you the chancellor's name, but one of my favorite chancellors—would say, "Hey, David Gardner, you're so successful, why should we question you? Whatever you think best, we're going to do." And that's the way the chancellors' meetings worked.

So it was just a vote of confidence, because everything was going great. The campuses were growing. They were getting buildings; they were adding faculty; their recruitment was terrific, in terms of faculty. The biggest problems on many of the campuses was building buildings as fast as they were trying to build them,

and the turmoil on the campus of doing that. And with the growth in enrollments—just the struggle of making sure the kids could get their classes. But those were the kind of problems people wanted to have. They would moan about it a little bit, but not too much. "Just keep it coming."

So if you look at the quality of the university right now, and you look at what we were able to accomplish, in terms of building, modernization of facilities, as well as building new buildings, it was spectacular. I think you'd be hard-pressed to find anybody who could say anything negative. Maybe there's some critic out there, or other. But probably the most critical thing you could say is that there was a lot of turmoil going around just to accommodate all of this. But, as I say, most people thought that was great. And it was great while it lasted, and I think it helped a lot to have built up the strength that we built when the bad times came. And they were bad: like nothing we had ever seen in our history, I think.

### **Downturn in Economic Situation**

LaBerge: Well, tell me about that and how it hit you. Or, how you gradually changed course.

Hershman: It hit—wasn't so gradual, either—it hit right away. I think there was a recognition by the governor and the legislature, right off the bat, when Pete Wilson became governor, that they had a mess on their hands. And they had what they called a shortfall of 15 billion dollars that they tried to cope with, sort of right off the bat. And they went to some tax increases—temporary tax increases—and a lot of budget cutting. We went through a period of three or four years of a real mess—of serious budget cutting, not budget cutting the way some people used to think of it: Well, you didn't get such big salary increases, or maybe fees had to go up a little bit. But this was budget cutting where we had no salary increases, fees were going up dramatically—even though we had financial aid to try to protect access as best we could—and our base budgets were being cut.

So if you look at a period of three years—this is how I characterize it for the regents and others, and the legislature—if you look at where we were by the mid-nineties, we had lost 900 million dollars of state money from a work-load budget. So our budget, the actual budget, had been reduced, but when you look at what it would have been with normal work load budgets, if we had kept up with competitive faculty salaries and had staff salaries at least meeting inflation, et cetera, our budget would have been 2.7 billion, and it was at 1.8 billion of state money. We had lost 900 million dollars, out of what would have been 2.7, so that's a fair comparison.

Now, we made up part of it in other ways. We took three kinds of actions at the time: one set of actions was to say we weren't going to do salary increases, so we went through a period of years with no salary increases. One year of that, okay; two years—but that got to be pretty gruesome in terms of how far behind we fell. We couldn't even keep up with what the state was doing for state employees. In any event, that solved about a fourth of the problem.

We solved about a fourth of it with student fee increases, and provided financial aid to make sure that we could keep up as best we could in terms of access. And we didn't lose that many students. Our enrollments never went down by more than a few thousand students from the high point, and they're back up now to the highest point ever. But we did lose a few thousand students. A lot of that were students graduating earlier—getting out, with higher fees. But the fees, that netted us about a fourth of it.

The other part: we made over 400 million dollars of base budget cuts to campuses. And had three early retirements, and tried to handle it, at least from an employee point of view, in the best way we could: instead of laying off vast numbers of people, encouraging people to take early retirement. That worked pretty well. So from a personnel point of view, it was the most humane thing to do. But for the people who remained, they were left with the same basic work load, except there weren't so many people around. And the enrollment was down a little, but not much.

Now, we, in the short run, were able to bring back a lot of people off of retirement. So for a while, that helped some—at very low cost to us. So that

saved the day a little bit, in terms of trying to offer classes. We'd bring back faculty and pay them to take a \$90,000 professor[ship], pay him what a lecturer would get, in terms of teaching courses. So, they were being paid by the course, and they did it just to continue to be around and they were provided a nice early retirement package, and still got to stay on campus and teach. At least for some of them, who we agreed to continue on.

That was a period when, I would suggest, we were just coping as best we could. It was survival, and nothing else, and we told campuses: "Do the best you can. Survive the best you can." With almost no guidance, except: try as best you can to take the students, which they did; try to offer the classes, to make whatever agreements they could to bring back people; and gave enormous discretion to the campuses because it was, as I say, just a survival period for us.

With the bad economy what was happening is: welfare loads were up, MediCal loads were up—that cost the state even more money—prison population was growing dramatically. Prop. 98<sup>2</sup> was in existence, and so the schools were guaranteed a part of the budget. So we took a heavy hit, a very heavy hit.

### **Decisions on Cost Cutting**

LaBerge: How did you come up with the ideas of how you were going to cope with it?

Hershman: I'd say we spent a lot of time with the chancellors, struggling over these things. And there was a lot of controversy. Students didn't want fee increases; regents were very nervous about fee increases. I found, at least in the short run, people were willing to do without salary increases, but that became more and more difficult after a couple of years. Always, the first year, people are always willing to do some things. But it came back to haunt us. Certainly, where there was a great concern, we had to start doing some other things. The same thing with fees.

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<sup>2</sup>Proposition 98 (November 1998).

I mean, we went as dramatic as we could possibly go, and still get approval for it by, not only the regents, but the legislature. And they reviewed and agreed to every one of these budget plans that we had.

But nobody liked it. Everybody felt bad. The regents were very unhappy about having to go for high fee increases, as were the legislature. But, they also knew what else we were having to cope with, and they didn't have any other better plan.

We spent a lot of time with the chancellors struggling, including looking at every kind of option we could possibly look at, and looking to a very uncertain future in terms of "what do we do next?" The early retirements—we spent a lot of time struggling over how to do that, with strong support from most of the chancellors.

But those were very controversial years; they were difficult decisions. We looked at doing pay reductions, and did have one pay reduction in one year. Very hard decision to make, to do a pay reduction, but did it finally. But restored it then, with more budget cuts to pay for it. It was a period of, I would say, at least three years of hell, with everybody coping as best they could. But I also saw the institution, by and large, come together on the decisions.

LaBerge: That's what I wonder: how was the final decision made? Who were the—

Hershman: Well, the presidents have to make decisions, you know, with the regents, and the regents bought in. But I would say, very heavy involvement from the chancellors, and with lots of discussions with the Academic Senate. We talked about priorities, we spent huge amounts of time with the Academic Senate, and I would say their leadership during that period was very good.

LaBerge: Tell me who some of the leaders were.

Hershman: Well, Elliot Brownlee, when he was Chairman of the Academic Council. But there were leaders in the Academic Council in the Planning and Budget Committees, and, I'd say the involvement—I don't want to just pick on one person, because I think a lot of people were involved, and people really came together: they talked about options, talked about priorities.

I would say, it is almost unbelievable, when you consider what could have been the controversy, the way people finally did come together and pull together. It demonstrates—and Dick Atkinson's fond of pointing this out—people love the university, basically. Under that kind of pressure, two things could have happened: they could have pulled apart, or they could have come together. And, in unbelievable ways, they came together.

The student leadership was not as good as it could have been. I think they fought constantly as though, "Just do whatever you have to, but don't increase student fees." I was very disappointed in many years with the student leadership. I understand their own politics and everything, and fees are a big issue, so you would expect them to do what they did. But salaries are very important to the faculty, and they went without increases for years, and the staff did. And people had to work harder. We got rid of thousands of people through early retirement. The people who remained had to work a hell of a lot harder. And they did it. So everybody had to sacrifice.

It's interesting when you have to sacrifice like that, and you see, well, it's going to get better in the future, then you have one kind of attitude. When you don't have that sense, then you really worry a lot about what people might do. And that's why during the worst of that, there was no sense that it was going to get better, just get worse and worse and worse, and yet people still pulled together. Although, I have to tell you, toward the end of that, it was not clear to me what next steps we were going to take.

We never got to that point and it was like a miracle happened or something—well, one, the economy started to turn around, that always helps. But even before it turned around very much, I think we finally had reached a point where the Director of Finance, and then the governor—at the time, Russ Gould was Director of Finance—said, "Hey, we've gone too far here with higher education. We're going to lose one of the most important things to the state here." People could see what was happening and—.

LaBerge: Did you have a good relationship with him?

Hershman: Yes, yes, Bill Baker and I—and still do have a good relationship with him.



**Compact with Governor Pete Wilson, 1995**

LaBerge: Is he key, as far as getting to the governor?

Hershman: He was very much so at the time. Director[s] of Finance are always important in the budget process. I mean, who knows what discussions occur at the level with governors. You're never quite sure. You can make your own pitch, and we're in meetings with governors and make our pitch, and governors listen and they're supportive, but you never know quite, when they're alone, what kind of conversation goes on. But obviously it was a right kind of conversation, because between them all, they agreed that we really needed to do something to stop the free-fall, and offered up a compact to us. So, we quietly—

LaBerge: What year is this?

Hershman: This was 1995. And they offered a four-year compact—Pete Wilson had four more years to go. Decided for that four-year period to offer us a four-year compact. We would do some things, and they would do some things. This was done very quietly; we've been criticized by some, including students who say, "Who gave you the authority to make a compact?" Well, the president of the university negotiates budgets with the governor, but this was done very quietly, with just a few of us. Same thing with CSU [California State University]. To try to work something out—I mean, you know, you open this up to everybody, and who knows what happens. So this was very quiet, especially since we weren't sure the governor was going to buy this.

And so, we put together what we thought were the features here—of course, we wanted the most money we could get, that was finally a decision that they made as to what they were prepared to guarantee. We wanted, obviously, more state money and less student fee increase, which is what finally happened at the end of all this story here, but that's not the way it came out in the compact at least. And they wanted some things, like: honoring the Master Plan; agreeing on an enrollment growth plan, get our enrollments back; ensuring that students could get their classes, trying to make sure students were graduating in a more timely

way—the governor, very interested in students graduating in four years or less; et cetera, et cetera.

So we agreed on a number of things including continued effort at productivity improvements, which a lot of people don't much like. Especially having been through 400 million dollars of cuts, we were very sensitive to, "How much more can they ask us to do?" But it was being seen as a way to help fund other things; it wasn't taken away from us. With goals of trying to get faculty salaries restored, trying to keep fee increases at 10 percent—and, of course, you have to remember, they had been at 20 percent, 40 percent. Ten percent seemed modest at the time, by comparison. With the state saying, "We'll give you 4 percent, with a 10 percent fee increase." Which, if you put it all together, was equivalent to about 5 percent growth in the budget. And we felt with 5 percent growth, we could take care of the enrollments that were planned; we could, over a period of four years, get faculty salaries back to competitive levels. We sort of laid that out during that quiet period of negotiation: that we could at least get staff salaries back to what the state had done, at least try to keep up with inflation, including salary and merit money.

There wouldn't be room for a lot of other things, but maybe a little bit for a couple of things that were important. But basically, it was stabilizing things: getting faculty salaries back, stabilizing what was a disaster in terms of a student/faculty ratio. Our student/faculty ratio had been very stable from the early 1970s until the early 1990s, at about 17 1/2 to 1, and it's one of the worst ratios—it's not something to be proud of—one of the worst of our comparison institutions. It became the worst. During this bad period, it deteriorated to almost 20 to 1. We worked out a compromise to try to get back to 18.7, sort of in the middle.

### **Jack Peltason's Part in the Compact**

LaBerge: And was this when Jack Peltason was president?

Hershman: Jack Peltason was president. Jack came in to try stabilize things. I think that was his real goal as president, and he was really—he sort of felt like, at the time, this was spectacular for us, because we had been through hell and all the signs were it was going to get worse. More and more and more, the budget was going to be Prop. 98 (1988) and health and welfare, and prisons, and we were going to get wiped out. There were projections made by the Department of Finance, by Rand, by others that showed higher education was going to go down to maybe even zero! There wasn't going to be any more public higher education, other than at community colleges, and they were protected under Prop. 98.

So Jack Peltason was president, and he decided, "Let's go for it." And we did, and came into the regents and said, you know, "Here's the deal." Now, at that point, we had some criticism, but not by regents. The regents were very supportive from day one. They didn't like fee increases and, of course, in all of the last three years the state has honored this deal and bought out what would have been the fee increases. So, fees never did go up—except for the professional schools, where we had fee differentials and people agreed that our fees were very low there, and that was reasonable. But other than that, fees really weren't going up, and the state bought that out—were able to provide 6 percent instead of 4 percent in terms of state money, which got us enough that it would be a 5 percent overall budget increase, which is what we'd been doing. So if you put state funds and student fees together, and look at what we call our total general fund, it's about a 5 percent a year increase and that's what we wanted.

We've gotten a few other little things on top of that, but not much—but a few things that they've added on: the supercomputer, industry-university cooperative research. There have been a couple of items that have been added on. And, now some planning money for a tenth campus. By and large, in terms of the big dollars, we've stayed on course with this. And we've done better: enrollments have gone up more than what we had committed ourselves to do; we're about 3,000 students over-enrolled. We've been offering the classes; we've had visits out on campuses with state people, and everybody has assured everybody here, classes are out there for the students. We've honored those commitments.

We're doing better in terms of number of students graduating: six-year graduation rates, five-year graduation rates, four-year graduation rates. Look at anything you want to look at, it's better. In the earlier strategies of all the financial aid plus freezing of fees here, I think we have kept our doors open and provided access. I think we have a reason to be proud of that effort. However, we still have a future to face here. And in the last year, we have struggled over, What do we do next?

This governor isn't going to be governor after next year; we've got one more year of this compact and we've been trying to write in something like a compact into legislation. We did have legislation out there, AB 1415, by Speaker [Cruz] Bustamante to try to do that, to ensure that we could keep our share of the budget. Our share had been falling, falling, falling, falling from the late eighties up until three years ago, and now it's been stable for the last three years with the compact, so we wanted to continue that. And recognize that enrollment growth is going to be even greater in the future. We're projecting a growth of 45,000 students between now and 2010. So that's about a 30 percent increase for the general campuses. We need to be able to accommodate that.

So we worked out a bill, and the governor vetoed it just this past—just a few days ago, last Saturday—which was a disappointment, but he did offer up having another compact. And we've got the speaker saying: "Gee, you know, I don't want just a compact with the governor and the university. We want the legislature in the act here. We want legislation." So, our struggle right now is how to get some agreement here between all the parties. We're going to try to do that over next year to see if we can fashion some kind of an agreement here about our future. Even if it's not a guarantee: the compact was never a guarantee, it was a handshake. But we're going to try to work something out here.

### **Importance of President-Governor Relationship**

LaBerge: How much difference does it make who the president of the university is? And who the governor is?

Hershman: It makes a lot of difference. People make a big difference. I'm convinced David Gardner, as David Gardner, made a big difference. I think, it's interesting, you could almost look at a president for the times, if you would—I've said this to people before. Somebody might be a great president at some time, and not such a good president in a different time.

I think David Gardner in his time was a great president. It was a terrific period of growth, and he loved that. And I'm not so sure he would have been so happy if he had been president when Jack Peltason was president [laughter]. Those were bad times. You could see it in him. He wasn't up for it, at that point, for a lot of personal reasons, too. I mean, he had gone through hell. Jack Peltason—it was a period when we needed some stability; he was like a wise grandfatherly type almost, and provided the kind of stability that I think we needed at the time with as much turmoil as we had.

No, I think it matters a lot.

LaBerge: And what about the governor? Like at first, when Pete Wilson came in, he faced a disaster. Then how did you get to know him?

Hershman: I think Pete Wilson from the beginning—. Well, we meet with the governor every year on the budget, at least once and maybe twice.

I don't think the problem was Pete Wilson. I think Pete Wilson was very supportive of higher education, and still is very supportive. And we saw that in the compact, where they took as big a risk—bigger risk—than we ever took. Because the economy hadn't really turned at that point. I think it matters a lot. I think he was faced with circumstances that were almost impossible to cope with: plunging revenue, federal mandates with respect to health and welfare, Proposition 98 dictating K-12 and community college funding, prison populations growing dramatically. It was a hopeless situation. He took huge risks, which he's been punished for ever since in terms of tax increases. They spent some time trying to eventually undo, if you would, or end—which obviously weren't popular for his party, to try to cope with things. I mean, that was a horrible period, you had to go through it.

Other people who haven't been in the university I won't give names now, I can tell you about people who weren't here at the time, who come in and criticize actions. (I won't even go through the actions.) And they had no knowledge of what we were going through at the time—just sort of walking in later and saying, "How did you ever do anything like that?" Well, cheap shots are easy and—that's my word, cheap shots—from this particular person, at that time—. I mean, I sort of get angry about it, and I know what these presidents have gone through and what the rest of us have gone through and the chancellors have gone through, as we struggled in those years. And I'm very proud of it. It's easy to do a great job in great times, I suppose—and people should be applauded for that too—but we held the place together in bad times, in ways that I think are remarkable, unbelievable.

### **Morale**

LaBerge: How do you think you kept the morale up?

Hershman: I didn't keep it up. Campuses—

LaBerge: How did it keep up?

Hershman: I think there's a tendency for a while at least to believe—and, as I say, people really care about the university who work here. I think people were willing to give it a while. I think they could see what was going on around them. Probably hopeful that sooner or later it would end—didn't even realize how bad it could have been, might get out into the future if you look at these projections, if we hadn't done anything about it. For a while, at least, I think people are willing to give it a chance.

It was important that we didn't have to lay off large numbers of people, I think. Doing the early retirement turned out to be a great decision. It was very tough; David Gardner was being criticized, then Jack Peltason, for these early

retirements. They were too generous, but I do think that it kept morale up a lot. If we had had to lay off 5,000 people, or more—and since a lot of the senior people were more highly paid, maybe 10,000 people—that morale wouldn't have been so hot. It could have led to a lot of other things that would have been bad in terms of—we get a lot of teaching support from very low, lower paid lecturers, for example. And what would we have done about students? And what would have happened if students hadn't been able to get their classes? So things just sort of work together.

Were people that brilliant? I don't know. Or were we lucky? Were we finally able to convince people, "Enough is enough"? Some of that was a lot of hard work; some of it, I think, a strong feeling on the part of the public and their elected representatives that the university is important to the state. I do think that is a key to this. All the polls show that. Every time we take polls, people believe the university is important to the economy, and the quality of the university is important, and I think that comes through.

People will complain about lots of things, and you can find individual legislators mad at us about this little thing or that little thing, or this big thing or that big thing. But, ultimately, people sort of felt like, "Gee, what are we giving up here?" You hear legislators making speeches about that this is one of the most important assets of this state, and that it is stupid for them to destroy that asset. I believe it is. I think most of them believe it. Sometimes people get angry and do stupid things, but I think at a—. [End of Interview 1]

[Interview 2: November 6, 1997]

[Begin Tape 2, Side A]

**Allocation of Money, Externally and Internally**

LaBerge: I think we've pretty much covered the budget up until even 1997. You talked about various issues, but we didn't talk about how involved David Gardner was in the budget.

Hershman: Personally?

LaBerge: Personally.

Hershman: Personally, very involved. I would say of all the presidents I've dealt with, the most involved at a detail level.

LaBerge: Okay.

Hershman: And they've all been involved at the external level. That's part of the job of president, and I'd say the involvement was significant on all their parts. But on the internal, allocation level, I'd say David Gardner spent an extraordinary amount of time on looking at the way we allocate money to campuses. Trying to determine whether it was fair, at least in his mind.

And, over a period of years, we made a lot of adjustments to the allocation methodologies that had been employed previously—and to some extent there weren't any [chuckle]! So, we created a lot. And, so I'd say his involvement in that, particularly in the early years as we were struggling to try to find a fairer way to allocate resources and develop a plan for achieving fairness if you will, he spent an extraordinary amount of time on that. I'd say much more so than other presidents.

LaBerge: The difference between big campuses versus small campuses? How did you develop the methodology?



Hershman: Well, there were differences over how we allocated money, faculty positions between campuses that had more graduate students and fewer graduate students, and special kinds of considerations. We changed the way we allocated overhead money significantly, more of it going back to campuses on the basis of the way it was generated. We came up with a whole new methodology for allocating maintenance money. We tried to, on administrative money and student service money, we tried to come to a new basis for making allocations.

So, we went through everything and came to some basis that we considered fair. The maintenance one—we were involved in a two- or three-year study that came up with a new basis for doing that. On support costs, for example, we spent a lot of time looking at the distribution of programs by campus, campuses, and averages across systems—and tried to make adjustments. So we did quite a bit. And, a dramatic change in the way we allocated overhead money to campuses—which is basically their discretionary money—returning much more of it to campuses the way it was generated. So, we went through a whole, huge change over that period of time. But, all these were phased, and, as I say, I think he spent extraordinary amounts of time on that.

On the external side, I think all presidents spend a lot of time on budget; that's a part of, a big part of, the job. They do both with the regents, with the governor, the legislature—they spend time talking to legislators, making presentations before the legislature, negotiating—to the extent that one can negotiate budgets with the governor. That's not easy, that's mostly what the rest of us do, but making presentations, making the case. So, I think he probably spent more time, David Gardner did than others, but they all spend quite a bit.

**UC President's Relationship with Governor and Legislators**

LaBerge: Now, I'm going to ask you a question. I realize you still have a job and you still are working—

Hershman: Still want to stay employed? [laughter]

LaBerge: So, say as much as you would like, but how much does it make a difference who the president is, as far as the budget goes?

Hershman: It makes an enormous difference who the president is. Looking at the David Gardner/George Deukmejian years, I think it made all the difference in the world. David Gardner was able to make a very effective case, particularly with the governor and then with the legislature. We were getting extraordinary increases. It helped that the economy was doing well, but I would suggest that if we had a president who was less effective than that, that we would have gotten not nearly as much money. And, I might argue that a lot of other people are involved in the process too, but the presidents are very important. Particularly with the governors, I'd say.

And, history has been that in dealing with a governor, the president has pretty much taken the lead. Very often lots of the rest of us get involved with legislators and legislative staff, and the Department of Finance we pretty much do that ourselves, but the governors become very important. When George Deukmejian became governor, he took over the basic decision making, and the Department of Finance had a lot less authority in terms of decision making in the budget process. And so, being effective with him was critical.

That has actually happened to a large extent since then, too. Pete Wilson as governor also retains a lot of authority. The governor is a very important person in the budget process. And so, having a good relationship and being able to make the right arguments with governors, and presenting—every year with George Deukmejian, we presented a plan for dealing with the budget. So, you have to go through a process of arguing a whole bunch of issues with the Department of Finance. But, then, at the end of the process, in dealing with

governors, we would be able to present a plan that we thought would make sense, that the governor would support—always beyond what the Department of Finance might have liked, but not beyond the realm of the possible at least. And, we were very effective in making that argument.

And then, with the legislature: I would say that Gardner probably spent more time than most presidents with legislators. I think that's probably true. I think they all spent time with them.

LaBerge: Is this by going up to Sacramento?

Hershman: Yes.

LaBerge: Or other venues?

Hershman: And, in phone calls.

LaBerge: Okay.

Hershman: Maybe it was the circumstances, maybe a lot of things, but he did spend an extraordinary amount of time. But, they all do. I mean, we've had presidents make the basic pitch to the legislature on the budget. We had them meet with the members of the committee at least once. We have them talking to legislators periodically in the process of their issues. So they all do that. I don't want to convey that they don't. That's an important part of the job, and they're all good at it.

I mean, they are good spokespeople for the university— typically, talking at a level of way beyond the details, okay? They don't focus so much on the details; the rest of us do that. We get involved in budget hearings and have to make arguments, and if there are issues, we have to go in and meet with legislators and talk about [them]. On the broader issues of the importance of the university and the need to fund the university and to support the governor's budget. Basically, the governor's got his budget going in, and we're in front of the legislature trying to argue to support it. In the Gardner years, when budgets were a lot better, of course, we were having to argue for that. Then all of a sudden, budgets started to

get a lot worse, and the arguments were: "Don't cut us too much." The nature of the discussion changed a lot.

As I say, in my view, that's a very important part of the job of president. They don't need to worry about the details. Plenty of the rest of us do. We're making arguments everyday. We work on the budget everyday—particularly with the staff who have responsibilities both in the Department of Finance, in the Legislative Analyst's, the legislative committee consultants, legislative staff people who are involved in working with the members of the legislature who are most directly involved in the budget. We have budget committees and so we're dealing with members of the committees.

As I say, it's not so much presidents don't get involved in negotiations. That's a wrong way to put it. They don't do that; governors don't either. They don't negotiate budgets. That's sort of left to the—. Sort of a process that they would stay above, if you will. So, they are mostly making an argument about the importance of the institution and that the budget ought to be supportive. It's a broader kind of an argument to make.

### **Council of Chancellors and the Budget**

LaBerge: What about relations with the chancellors as it involved the budget? What kind of involvement did you have, and what did you view—did you go to the Council of the Chancellors' meetings?

Hershman: Yes, oh sure.

LaBerge: How did those meetings work?

Hershman: Well, the Gardner years were great years, and we were successful, and so the chancellors were very supportive of everything the president proposed—I would say, up until the budget cutting started. Then, all of a sudden, the mood changed, and the struggle was very different. But, in most of the Gardner years, David Gardner had so much credibility with the regents, with the governor, with the

legislature, that the chancellors pretty much left it up to him. So, the discussions on the budget were not very complicated or lengthy or critical. They pretty much—we explained what he, Gardner, thought we ought to be doing. We never went into a chancellors' meeting where he hadn't already decided what the priorities ought to be and what we ought to be going with. And so, we were basically defending—and we do that with every president, by the way, that's no different than anybody else—basically defending before the chancellors what the president pretty much had decided. That sometimes leads to a more extensive debate, and sometimes a little less extensive debate. But the Gardner years were easy years.

When the budget cutting started, and we had to start looking at how we were going to deal with that, that became much more complicated—much lengthier discussions, and maybe you would have discussions every month and they would just go on and on and on. Extensive discussions with the faculty. [The] president comes to the Academic Council meetings also on the budget; it's not just with the chancellors.

And those discussions—we tend to have very detailed discussions with the Academic Senate Committee on Planning and Budget, and I pretty much do that. On the Academic Council, we get presidents engaged. Once again, especially during the good years, it was all just sweetness and everybody was happy. Presidents get to say: "This is what I think is important," and people typically go along. Or, they have the rest of us say it for them. As I say, we usually carry the message in all of these settings so that they don't get down to the nitty-gritty, but it's quite clear what they feel strongly about in these settings.

### **Debates on Master Plan, VERIP, and Student Fees**

LaBerge: Well, what about in the bad years? Do you have any anecdotes of how you came to some kind of compromise, or [how] you even came to, "This is how it's going to be"?

Hershman: Well, there were battles over student fees and how high we could raise student fees. I mean, in all these cases we came to compromises. There was an issue of

how one distributes budget cuts, other than the fees, and salaries, and so we had a big discussion about salary actions. Were we going to have salary increases or not? Were we going to fund merits or not? On the base budget cutting that we had to do—and we cut something like \$400 million worth of cuts in the base budget—we had extensive discussions. Chancellors pretty much bought into the concept of "distribute it across the board" as a proportion of their general budgets.

But, yes, we obviously had debates. There were campuses who would argue—little campuses: "Jeeze, the big campuses can afford it more, you ought to hit them harder. We can't afford it." I mean, you can go through those discussions. I would have to say that more of the nasty discussions occur behind-the-scenes: individual campuses with us, not so much in a setting with their colleagues. So the discussions aren't quite as nasty in terms of individual campuses.

But, yes, on the concepts, I think, on the policy issues, we've had extensive discussions about that. Do we take students or not? What was going to be our policy on accepting students? We had extensive discussions and the chancellors—. It was very interesting because CSU [California State University system] reacted differently than we did. I think it was almost unanimous feeling among our chancellors that we ought to continue to honor the Master Plan<sup>3</sup> and take the students, even though we didn't have the money. That was a tough policy call because it might have been easier to say: "Let's just not take so many students." They chose not to do that.

We had very lengthy discussions over early retirement. That was one of the biggest ones, because one of the main ways we dealt with the budget cuts was to have fewer employees. We could have done it either through early retirement—which we chose to do—or to fire a lot of people. So the discussions around what would the early retirement programs look like, how could we

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<sup>3</sup>Master Plan for Higher Education in California was established in 1961 under S.B. 33, 1961 Reg. Sess., Cal. Stat., ch. 391. It defined the responsibilities and interfacing of the community colleges, state colleges, and the University of California.

encourage people to take them—a lot of discussion, every chancellors' meeting. And we did a bunch of early retirements—one after another, after another.

I would say we spent incredible numbers of hours over the details of how those early retirement programs would be structured in a way that would be fair, and yet encourage people to do it, so that we wouldn't have to fire very many people.

And we didn't. We basically met our budgets that way. The dilemma, of course, is we lost a lot of people and still took all the students and still tried to have the programs.

One interesting thing as part of this, I would suggest, is that campuses took these cuts that way. Very few of the campuses made significant programmatic decisions as part of this process. Some of them tried various things, but I would argue that we didn't make huge programmatic changes, such as closing down whole schools. There could have been very dramatic efforts at the time. Maybe that's the easy road here, is to not do something that makes huge changes. UCLA, Davis, some of the campuses did make some modest programmatic changes, but I would say that was—. It didn't occur as much as one would have thought it would with the size of the cuts that we had to face.

There was a lot of issue over how high we could go on the fees, as I mentioned, on student fees. There was political pressure to not go too high; there was pressure to try to generate money; and there were always compromises. Some campuses, some chancellors, argued that we ought to go higher on the fee-side. One had to balance that against the regents and the public criticism for going as high as we did. That was not easy. David Gardner started as a low-fee person, so increasing student fees was not something he relished. There are a lot of legislators who accuse people in the university of just wanting to go out and raise student fees. That was not where he was. (George Deukmejian, by the way, the same—not a person who wanted high fees.)

**When Chancellors Become President: Peltason and Atkinson**

Hershman: So, it wasn't as though fees were the first thing, in spite of the public criticisms. That was not the first thing that people looked at. We did have low fees, and people looked at trying at least to have part of this done through fees, but it wasn't a rush to having high fees. And, it's even interesting, Jack Peltason—who, I would argue, was a higher-fee person as he became president—somebody who had, during his career, argued that you could go higher on fees with more financial aid to take care of the poor. Given the stresses and strains and the public criticisms and the regents' criticisms, it's sort of an interesting case study, from my point of view, that after he became president and saw all the pressures, he moderated that view a lot.

So, it's interesting that you can take a certain position as a chancellor, you come in—and I've seen that happen to more than one person, by the way—all of a sudden, your views get moderated some, given the political dynamics and the regents and their own views, and what you believe as president you can convince the regents of. So presidents spend a lot of time with regents on the phone, testing things out.

LaBerge: You mean, before the meeting—

Hershman: Yes.

LaBerge: Kind of seeing what the tenor is?

Hershman: For example, can we get the regents to agree to a fee increase? Positions get moderated some, sometimes. You think, well, yes, we could go in higher, and maybe we could win, but there would be so much anger that we might be better off going a little bit lower than we might have otherwise, and be sure we had the vast majority of the board behind us. That's important.

So, the circumstances differed with different presidents. And, they differed with David Gardner from the early years to the later years. David Gardner loved growth and expansion, and that's what was going on in the eighties. When the



budget cutting started he didn't like it so much! [laughter] Nor did anybody else! I mean the conflicts became greater.

I guess I'd make the same argument I probably said the last time—I can't remember all the details of our previous conversation—but I think the way we got through these terrible budget cuts is a testament to the leadership, not only of the presidents but the chancellors. With the kind of cuts we had to take, the place could have come apart—and I said this in plenty of audiences, including the legislature—and it didn't come apart. We held the place together, and I think that's a remarkable achievement. We maintained the quality of the institution as best one could, certainly a lot better than any of us could have imagined in the face of these kind of cuts.

On the budget side at least, by and large, we had the institution behind what we did. So, we spent some time looking at campuses and the way they were dealing with cuts, and satisfying ourselves as to how things happened. We could all sit there and say, "Jeeze, we should have done this instead of that," or "We should have done something dramatic to make our point." Some campuses in other systems did that: they tried to make a point by doing that, and I don't think that really worked. I think it just makes people mad.

I think we got credit with legislators for sure: for being as responsible as we were; for taking students; for making sure when we had fee increases we had reasonable financial aid; that we were able to hold our enrollments pretty well, which is unbelievable given what we went through. So, I mean, sometimes it's a harder test going through the bad times, the easy times become—. Not that there isn't plenty of fighting about who gets more money—just as much fighting, by the way—but the opportunity to have a disaster in those bad years, in my mind, was there and it didn't happen. And the opportunity to pull the place apart.

Dick [Richard] Atkinson came in, and his view was: "Well, we've been through all of this." We had a deal with the governor, a stability plan. His biggest effort right off the bat was: let's take a look at how we budget for the future. We've done what makes sense in the past; we've got basic budgets out there that, from his point of view, were fair from campus to campus. (They don't all agree). But,

we had done a lot of work on it, and I think we were all convinced, under the circumstances at that moment, that was the best we were going to do.

Let's look at how we budget for the future—not only with the agreement we had with the governor, but, hopefully, putting a lot of effort into trying to get new long-term agreements here—to come up with a way that we can deal with the campuses that is simpler, more understandable. I mean, we're going through the struggles over this right now, in some ways trying to clean things up: trying to give the campuses more flexibility, trying to make sure they have all the resources up front, but also making them responsible.

So, there's lots of things they [the campuses] didn't have to worry about that we worried about. All of a sudden, they're having to worry about them, and that's causing a lot of stresses and strains, but, from a management point of view, it's better. I think we're heading to a point here, where, in the long run, we're going to be a lot better off. We've got people worried that we're giving up too much authority to the chancellors. And, yet, from a management point of view, I think what we're doing is the smart thing. But, it is going to force them to do a better job of managing, maybe in some ways than they've had to. They haven't had to worry about a lot of things—certain things: they've worried about plenty of things, don't get me wrong.

LaBerge: So what are the new things that they're taking on?

Hershman: They're taking on everything. In other words: here's all your money, folks; here's all the problems. All the money and all the problems.

LaBerge: Does it make a difference that the last two presidents have been chancellors, so they've been there and—?

Hershman: Yes, I think it does. I think it makes a big difference here to understand the campus. I worked at a campus, as I said. I think it makes a big difference to understand campuses. (I think David Gardner did, too, by the way). Yes, I think that's very important. Just in the search for the last couple of presidents, people asked me my advice. My advice has always been: if you can find somebody from within who understands this place, and who understands the faculty and how

their processes work, you would be a lot better off. So, there's always a tendency: let's go outside and find some hero out there. I think the president's job is a different job than being chancellor, but it's important to understand the place.

But, it's a very different job, and I would suggest that all these presidents that I spent a lot of time with, at some point, probably in their first year or so—not in the first month or two, but maybe after a year or so—start to appreciate the fact that it's a different job. It's a different job with respect to dealing with the regents; it's a different job in dealing with the governor and the legislature. Our presidents pretty much have exclusively dealt with governors, and with the people who are the key legislative people: the heads of the budget committees, the leaders, the speaker, the majority and minority leaders of both parties, both houses.

Those key jobs—pretty much presidents have dealt with that, and particularly with the budget committee heads. They've pretty much reserved sort of the key people in the budget process—they've reserved for themselves. Whether it's the governor negotiating with the legislative leadership or the budget people—a lot of the action occurs among the budget people, but also some action occurs between the governor and the legislative leaders. So, those relationships pretty much have been reserved to the presidents. Then the rest of us who are dealing with either those people and/or their staffs—the staffs, of course, are doing it on a daily basis. These other conversations might only occur a couple times in the year; they don't occur constantly, obviously, but a couple of key times during the year.

LaBerge: Well, we'll leave the budget, and go on to your comments on other things.

Hershman: Where I'm not [amused hesitation] an expert?

LaBerge: Well, but you've seen a lot. You've been here a long time.

Hershman: Oh, I've seen a lot. I've been here a lot, but you have to take my comments in some of these other areas as being somebody who wasn't in the middle of the action necessarily.

LaBerge: Right, that's okay. [laughter]

Hershman: Although I've been in lots of meetings and lots of discussions, I wasn't as central to the development of the basic effort, and selling it, and everything that goes with it. Because [the way] I've viewed the budget, our job is managing the process. Now, we influence it a lot, and negotiate a lot, and so, obviously, have lots of influence when you're doing that, but managing the process itself is complicated enough because there are so many players. So, you really do have an opportunity to talk to just about everybody you can imagine, and it does give you a different perspective. So, in these other areas, maybe I don't have quite the same perspective, but I'm happy to try.

### **Management in the Office of the President**

LaBerge: Okay, for instance, first of all, when David Gardner came in, what were the changes in the management of the Office of the President?

Hershman: You know it wasn't as much as you would expect. He did not change vice presidents; he left things intact, pretty much. He exerted a lot of direct influence on things that he cared about, and I'd almost look at it as follows: he cared a lot about the budget, spent a lot of time on it; he cared a lot about university relations, and governmental relations, spent a lot of time on it. On business stuff, he pretty much delegated that.

LaBerge: To [Senior Vice President] Ron Brady?

Hershman: To Ron Brady, yes.

On the academic side, he had a lot of involvement. But, he picked—just like everybody, they pick and choose what they're going to do. Hey, we all do that: I do that too. I don't do every[thing]—I spend a lot of time on some things, and very small amounts, personally, on other things. Because, you know—

LaBerge: But he delegated more to Ron Brady than, for instance, to [Senior Vice President William] Bill Frazer?

Hershman: I think so, I think so—or, to any of the rest of us. I mean, I used to make jokes about David Gardner was his own budget officer. Other than me, and I truly believe this—and [Vice President William] Bill Baker was in between us during those years—other than me, because Bill never wanted to get into the level of detail that Gardner wanted to—other than me, I think David Gardner knew the detail better than anybody in the university! [laughter] Which was extraordinary; we're never going to get that again. But he liked it, he wanted to do it, and I don't think any presidents, before or after, have been willing to get into that much detail for that long a period—for hours on end. We'd talk about some issue and spend hours and then come back again a week later, or two days later, and then two days later—I mean, incredible amounts of time.

LaBerge: And was this just you and he, one-on-one? Or—

Hershman: No, Bill was there a lot of time. He dealt with the budget himself, so it wasn't usually in big meetings; it was usually small meetings. It was usually just Bill and he and I. He did not have other people there. He pretty much—[as] I say, in some respects, you could say he was his own budget officer. [laughter] He wanted to participate and make the decisions. Then, boy, when he made them, he made them. Campuses could argue all they wanted, but—

LaBerge: It was decided?

Hershman: Right.

LaBerge: Well, that's what I was going to ask you: how were the decisions made? Was it a collegial thing in general?

Hershman: I don't think so. And, I say, I don't feel comfortable in some other—. He delegated a lot of it, business side. Clearly, that was not the case on the budget side. I don't think it was collegial, particularly; I think he pretty much made the decisions. Now, when we got into trouble—. It was consultation, don't get me wrong: we'd talk to the chancellors, if they objected to something, we'd certainly

talk about it. The same with the faculty. But, I think the decision-making was clear: he made the decisions.

**Jack Peltason and the Budget**

LaBerge: Now what about with Jack Peltason?

Hershman: I think he was, in some respects—he was not as strong-willed on the subject, okay? Particularly on the details. He had his own notion about overall strategy, and he was very interested in politics and the political side of it. Much more so interested in that, than he was about the details. So he did not—

End Tape 2, Side A]  
[Begin Tape 2, Side B]

LaBerge: Okay, Jack Peltason got involved in the political side.

Hershman: Yes, and he loved that. So he spent a lot of time in Sacramento, and he loved doing that part of it. But he didn't want to get into the details so much, and so he didn't.

LaBerge: What about other things besides—

Hershman: [Vice President] Walter Massey was there now.

LaBerge: Okay.

Hershman: Remember it was different because he had Walter Massey, and he—. At that point, the authority was taken away from Bill Baker and given to Walter Massey, and Walter did get into the details some, some. But probably not as much as David Gardner even. Peltason didn't want to do that. But the times were different, and it probably didn't require it. Then, when we had the compact with

the governor, we were on a course—made some broad decisions—and we were on a course that we just stayed with. So, once we sort of—between Peltason and Massey and I—we sort of made some basic decisions, then we just stayed on that course for a few years. All the deviating was at the margin; it was small. We had a basic plan and stuck to it.

### **More on Dick Atkinson and the Compact with the Governor**

Hershman: And that, to some extent, has been true also of Dick Atkinson. He's had a few initiatives that he's cared a lot about, but [the] basic thrust of the budget plan, we stuck with. We made a compact, and we stuck with that. We focused a lot on a few selected issues and some major thrusts of—research being one—and in areas that are particularly important to the state and the university: working more with industry, focusing a lot, going back and picking up where we sort of left off before on overhead and how we deal with that. We've made huge changes in that—and how we distribute that money to campuses. But also, then, trying to work on a new long-term arrangement. Atkinson has been here two years; the last year we spent a significant amount of time on that, including his own personal time on it. A lot of it has been me, but a lot of it has been him. I'd say other than me, personally, and one or two others who work with me, he personally has spent a lot of time on it.

LaBerge: And you're talking about the long-term arrangement with the governor?

Hershman: Our efforts with the governor and the legislature, to try to come up with a new long-term funding plan. He's devoted some of his own energy—quite a bit of his own energy—in thinking about that: where the university is going in the long run. I'd say he spent much more of his time on that than on the details of budgets. Whereas I say, pretty much we had a plan that we've stuck to which really goes through one more year.

From a credibility point of view, by the way, I actually believe that's very important. If you've got a plan and you've sold it, going in and changing your

mind every year about priorities, you look like an idiot. I think it's very important that you think these plans through; you make the arguments to back them up; and you stick to them, unless there's some overwhelming reason to change it. And, we really haven't changed much. It's been—.

LaBerge: What about other areas besides the budget? Both Jack Peltason and Dick Atkinson—how did they make the decisions? Is it the same way? Or did they consult—?

Hershman: Well, everybody is a little different. It depends upon what issues they're dealing with, okay? On the budget decisions, my reaction is pretty much [that] they make them the same—

LaBerge: —the same way?

Hershman: You still have the president having to make the decisions the president has to. You review it with the chancellors; you consult; you consult with faculty; you consult with other groups; but, basically, if there's a conflict, the presidents make decision[s]. I'd say the principal differences are that David Gardner spent lots of time on each of these; he spent enormous amounts of time.

Dick Atkinson, he makes decisions fairly quickly. Now, he grew up—he spent a lot of years in the place. He's got his own mind pretty much—it's either: he's got a very strong feeling about it, and this is the way it's going to be, and then you could negotiate with him and move him a little bit maybe, but he pretty much has very strong feelings. Or, he doesn't have a strong feeling on something, and, on the more detail stuff, on the budget, he leaves it up to us. And that's okay. Then, if people complain, of course, he has to get involved—and, of course, on budget matters, people complain a lot.

I have been incredibly fortunate that presidents pretty much back us up, and mostly because they're involved to begin with. You're carrying out their basic policies, they may not want to get into every level of detail. Jack Peltason probably even less so, on the detail side—particularly, on the allocation side. Part of that was that he had Walter Massey in there, and he just didn't want to do that. I mean, he would get engaged if somebody was complaining bitterly, but that was clearly not the way he was intending to spend his time. It was a time in



which, I think, Peltason made a judgment that there was so much controversy at the time, that he needed to do some healing. So he spent his own efforts on trying to do some healing.

### **David Gardner's Retirement**

LaBerge: Why don't we talk about what we were healing? Is this the retirement controversy?

Hershman: Well, there was controversy over that. Of course, there was a lot of cont[roversy]—. I think a lot of it was on the Board of Regents. Less so—now, this is my view—less so within the institution. I don't think it was as much controversy internally. But, clearly, with the Board of Regents, and the public, and the legislature, and to try to stabilize the place. In my mind, most of that was very unfair. You can talk to others and get the same answer—

LaBerge: Right, that's what I want to hear, what you have to say.

Hershman: You'll get the same answer from David Gardner. Maybe the way we did it wasn't the right way—I mean, I don't want to get in and debate it—but if you look at the substance of the issue, I think a lot of that was very unfair.

LaBerge: You mean David Gardner was treated unfairly? In the press and in the—

Hershman: Yes, I believe that. I believe that. I think if you look at the circumstances—I don't really want to go through all that now—but if you look at the circumstances, I believe it was unfair. Now, one could have had a little criticism about the process—and, okay, maybe it wasn't as good as it could have been. I'll just leave my remarks at that. Once legislators got in there and made it into a hot potato, and then the regents got worried because there was so much criticism in the press, then people reacted the way they reacted. I feel like all of that could have happened and it could have been nothing. It was not a big deal.

LaBerge: What about criticism of Ron Brady?

Hershman: Once again, I think a lot of that was that things were—process. I could look at Ron, and I can say, "Well, jeeze, most of these decisions were pretty good decisions that were made." Some of them, very controversial and good decisions. They involved much more discussion and debate, and it was a better process, and so people bought in. There were a few things where the process could have been better: let's say, there wasn't the same kind of discussion and understanding, and that caused problems. I think it was more process—.

But, see, you can get tripped up on process. It was more process and then, people perceived that there was too much going on in secret. It's a public institution; it's hard to do that. I think it was much more of that than what actually happened. And of course, if there is public criticism, you get legislators involved; they almost can't help it. The press runs to them, and if they've got something good and controversial, they're going to get involved.

### **Affirmative Action: Graduate and Undergraduate**

LaBerge: How about affirmative action? Did you see [Proposition] 209<sup>1</sup> coming before this?

Hershman: Did we see it coming? Well, the issue of admissions—that's at the heart of this. The rest of this involved very little change. There were some, maybe, little issues here or there, it wasn't at the heart of it: it was admissions.

Yes, David Gardner used to explain to people all through the eighties—when our enrollments were growing, and that solved a lot of the problem. He used to say: "If you think you fully understand the problem, then you really don't." Very difficult public policy problem—where the country had bought in, by and large,

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<sup>1</sup>Proposition 209 (November 1996).

to affirmative action. Then, all of a sudden, it started to erode some. And not just here, in other quarters, and with the public.

What does affirmative action mean anyway? Various people describe it in different ways: some people talk about it as preferences and set-asides and quotas, and other people say, "Oh, no, that's not what it is." In any event, people use words in interesting ways.

I sort of saw it coming—not so much on undergraduate students as on the professional schools. On the undergraduate side, we're taking the top one-eighth and we're admitting them some place. And, yes, there's a lot of controversy because kids want to get into Berkeley or L.A. versus something else. However, we were prepared to admit them all—that were eligible. I don't quite understand why there was as much controversy as there was.

On the medical schools and law schools, that's where there were much stricter kinds of limits, and that was at the heart of where the problem was, even with the regents. If you look at the regents' discussions, the discussions about the medical schools—which is where all this started: this whole debate started with one kid who didn't get into a medical school in San Diego—

LaBerge: Oh, it did; I didn't realize that.

Hershman: Oh, yes. If you look at the way the discussion evolved in the regents—were we really having preferences or weren't we? The debates and concerns among the regents—. It was hard, after watching a few of those, to believe that it wasn't going to become a big problem.

LaBerge: And this was when David Gardner was still here?

Hershman: Well, I can't remember whether it started at that point or not. It may have actually started, but it was really Jack Peltason's time. Jack spent extraordinary amounts of time on the phone with regents and others, trying to find a compromise, and I give him incredible credit for trying to find a compromise. I'd be driving to Sacramento with him, and he'd be on the telephone talking to people, trying to find some way of keeping the place together, between regents' attitudes and

faculty attitudes and chancellors' attitudes and students' attitudes and staff attitudes and legislators' attitudes. Of course, people feel very emotionally about issues like this. I give him incredible credit for his efforts.

And, I wasn't in the middle of all of them, obviously—my own job. But this is a hot political issue, and so it clearly boils over, and everything spills over into the budget. That's a leverage they use against, and for us, to help us or hurt us, or whatever they want. So, all these become big issues in front of the legislature. And, they were going way back when, when the legislature was pushing us to go and have affirmative action programs. We were being pushed very hard in the late seventies and into the eighties to develop these affirmative action programs, and had a lot of success. Had a lot of success, part of that at the undergraduate level—. But, as I say, we're taking all eligible students, the question is: somebody who wanted to go to Berkeley and didn't get admitted, were they willing to go to some other campus?

I find [that] campuses are always making decisions about who they should or shouldn't let in. I found the amount of controversy over that to be beyond what it should have been—that's my view. Since our doors were open to everybody [who was] eligible. But I do understand that some kid who wants to go to Berkeley, and is being told, "No, you have to go to Irvine,"—that might not sit well with them. But the universities never said that anybody could go to whatever campus they chose to, just that we would admit all eligible students. In any event, as I say, I think the medical school/law school issue: much more controversial, given the limited number of spaces, and the extraordinary efforts, in virtually all of our schools, toward affirmative action. Frankly, on the emotional side of the issue, that became much more controversial.

### **Implementation of Proposition 209**

LaBerge: How about the implementation since the regents have ordered it, and since 209 passed?

Hershman: Well, we're still struggling [with that].

LaBerge: Have you had to be involved in that at all?

Hershman: Well, sure, because we're making our case to the legislature on our budgets, so we're involved in everything. But, not at the center of it. I think the big issue is: in order to maintain diversity and still take all eligible students, what successes are we going to have to convince students to go—let's take undergraduates—to go to other campuses. That requires a lot of effort, and I think people are starting to see that. The campuses where they've had the most extraordinary efforts—you look at chancellors and their own efforts, and getting faculty and others involved—[inaudible] have had a lot of successes. To the extent that we can do that, that's going to help a lot. I'm not saying it will totally solve the problem, but I don't think the problem has to be as severe as what some people suggest—if we do a good job. And, we've got to move on and do it.

The law school/medical school problem—I don't know. I don't know. That's, in many ways, tougher. I think the other tough part of the undergraduate level is to get more people eligible. Outreach efforts have got to be a key to that. Because however wonderful a job we do in making sure students—that we can get every single student out there who's eligible—we've got to get more students eligible. However, also recognize, we're only going to take from the top 12 1/2 percent. There are those limits too. Somehow or other, that gets lost in the discussion also.

I mean, CSU has a role; it's not as though our role is for all people in California. We've got a certain selected role, and they have a role, and community colleges have a role, and we ought to be working together. But, we've got to work hard at making sure people are—who can benefit from going on—are able to do so. A large part of that, I think, the common view is, that we need to do it through outreach. I think that's a reasonable view.

I don't quite see the solution on the medical school/law school thing as easily. I see some little patch-work things that can be done, that could help us a little bit here and there, but I don't see—. I think the longer-run solution here is to make more people eligible, and to encourage people at the undergraduate level, et cetera. It's a pipeline. Even with that, I don't know. [pause] I think that's a real worry.

One thing I do think, is that if we have people interested, we've got to work damn hard at making sure that we make a case for the University of California. Now, that's not helping the whole society: if they come here versus going to Harvard or Stanford, but, you know—even though if people understand that, I think we have to make an effort to try to do that for ourselves. I think that's certainly within the regents' policy.

There's somebody qualified who we want, we ought to go out after them. That requires a lot of personal effort on the part, maybe of faculty, and chancellors—and students. The students have some responsibility here, too. And, everybody else: mentors, community leaders. It's a problem of society. But, one thing that I would say is: even before the controversy, I look at all three of these presidents, and I say they spent extraordinary amounts of time on this issue—extraordinary. Jack Peltason—

LaBerge: It really hit the fan when he came.

Hershman: It did, and so—huge amount of his own personal time and effort. With all of the constituents that you have to deal with, and the controversies, and the differences of opinion—and the subtleties in differences of opinion. It's not as though it's just, this is one side, this is another side. I think the range of views is all over the ballpark. How do you fashion something that people can buy into? And, as I say, I give him credit for his efforts. I don't think he could have done anything more than he did at that point—to try to fashion that.

I think if there is a criticism, the criticism may well be that there were a lot of things happening in the university that everybody didn't understand, including the regents, that came out over a period of time, that—. Of course, who here knows everything going on in the university? I must say that there were people surprised by lots of things out there. They'd probably be surprised today by lots of other things out there, in various areas—this is only one of them. Because the university is lots and lots of people who are doing, within policy, doing things as they see fit. Sometimes people push the envelope a little bit in terms of policy.

I do think, from sitting at regents' meetings, that regents were surprised, a lot.

LaBerge: By—?

Hershman: What was actually happening.

LaBerge: Can you give me an example?

Hershman: Well, how decisions were made. Listen to deans of schools, and how decisions were made. I think they were surprised. I don't think they—as a matter of fact, I don't think people here, in this building, understood exactly. And, I'm sure there are plenty of chancellors who didn't understand how individual schools were making decisions.

LaBerge: You mean, as to how they are hiring faculty persons?

Hershman: Or, how they are making admissions decisions. How the admissions decisions were really being made.

LaBerge: So has that changed since then? Do you think—is there a more—?

Hershman: Well, there's a regents' policy. I think it's a better understood policy. Not everybody agrees with it, obviously. So, there's been a lot of controversy around it, but it is understood. Now there's a lot of subtleties in the way it's going to be implemented, I would suspect, out there. Because it does give some flexibility. It says you can't make a decision on racial grounds, but you can look at somebody's whole background and experience—which, of course, a lot of private schools do.

I think part of it is also a public relations issue, of explaining to the public how we're going to make these decisions. Sometimes—the press could be more helpful.

LaBerge: Were you involved in the university relations part of the budget, or did Bill Baker do that and you did—

Hershman: No, I was involved. Oh, yes, we worked together. I do that now in a different office. We work very closely together with them. We have to. Clearly, with our

Sacramento office, but with our press people—very closely with our press people. On all budget stuff, very closely.

LaBerge: Now, right now, that's not part of your job?

Hershman: No, it's not. Well, sure—

LaBerge: I mean, you have to do it anyway—

Hershman: Part of our job is managing the process, and that means working with everybody we have to, including campus people. So we're working with everybody involved in the process.

### **Cal-PIRG Negative Check-off**

LaBerge: What about other issues that came up—and you might have something to say or not—but the Cal-PIRG [California Public Interest Research Group] negative check-off?

Hershman: Oh, yes, that was very controversial on the legislature in many respects. Outrageous—the people involved in Cal-PIRG. Everybody has their own views of these things. I think David Gardner was right; he stood up to them—and he paid a price for it, by the way, a personal price. I think—this is my view, and I think it's his view—they were out to get him, and they did their level best to do that. I think that could have caused some of the rest of these problems.

LaBerge: Who were out to get him?

Hershman: The Cal-PIRG people.

LaBerge: Anybody in particular?

Hershman: Yes, but I don't think I ought to say. He could probably say better than me. Yes, I think I know who. They certainly worked very hard on legislators. I must admit,



in all of my years in the legislature, we pretty much stick to legislative intent. We actually follow—even by law, we don't have to. This is one case in which they had intent language that we fought, that we would not accept, period. And we let them know it. So that made it controversial. It wasn't just the individual issue, but the fact that we were not willing to follow legislative intent on it.

LaBerge: How about divestment from South Africa?

Hershman: Another very hot political issue. I can't tell you exactly when David Gardner knew what George Deukmejian was going to do, so I don't know how surprised he was on the governor's personal effort there. But we had a lot of controversy within the legislature, particularly with [Speaker] Willie Brown and others. Then, of course, George Deukmejian came along and decided that he agreed with them, and the regents went along with that vote. That was one of the very few issues that David Gardner lost in the regents, but it was a fair discussion, I must say. It was quite public; there was nothing hidden; people had a chance to make their case. I think we handled it as well as one could have.

But, as I say, all of these things spill over into the budget because they become political in the legislature, and we get legislators who are angry with us. We had one year in which our capital budget, in one house, was eliminated to make a point. We finally got it back in conference [committee]. We had our share of controversy over this. I say people who want to make a point, they find ways to make a point to us.

I don't know what else to say about it, except to say that I thought that at least it was a fair and open discussion of the issue. Everybody involved who had a view was either happy, or unhappy, or blasting us, or whatever it was—I think David Gardner felt very strongly about his view, which prevailed in the university for a while, but then didn't.

I think on a lot of these social issues, there's a process of evolution, too, where one view seems to hold, and then, all of a sudden, after a period of years—. Not that it was necessarily wrong at one point, but that the mood of the country changes. Here was one where the public sentiment was clearly moving in a certain direction.

**Planning for New Campuses**

LaBerge: How about the planning for three new campuses?

Hershman: Oh, now there was a good issue. What about it?

LaBerge: Well, would you like to comment? What was your involvement?

Hershman: Oh, yes, we were involved. The planning and—. I would suggest that, at the time, we had demographic studies—and we were on the conservative side, by the way: we weren't pumping up the numbers here. We were criticized, actually, by the Legislative Analyst in a big meeting we had with half their staff, I think, that we were being too conservative with our numbers. So, we had demographic numbers from the state that showed the demand out there for all these kids, and that we were going to be filling up our existing campuses and needed the new ones. It occurred at a point where it looked like the money was going to keep rolling in.

Two things happened: one, the money didn't keep rolling in, of course, so that causes problem A, and problem B is that the demographics, for a lot of reasons, sort of got pushed out and changed. The growth is still anticipated to be significant—we're projecting a 30 percent enrollment growth between now and 2010. That's pretty significant, and maybe we should even be projecting 35 or 40 percent. We've never wanted to blow up these numbers; we've always tried to be on the cautious side.

I think one thing that happened with the recession is that you didn't have the growth here, in California. People weren't moving into the state because other parts of the country were actually doing better than we were. So, there was no population growth for a period of a few years—or very limited, just starting to come back again, to previous levels. You didn't have the net in-migration. As a matter of fact, you may have had a net out-migration, and you had a period where population was growing very little.

So there were some changes in the demographics that were quite legitimate. Were people wrong? Were the demographers wrong? That was one area where they were clearly wrong. It didn't happen; that doesn't make them wrong. Things happened, circumstances changed. It does seem as though the bigger growth is being pushed off a little bit, past 2000. I think one can clearly argue for another campus very easily. I think it gets a little harder right now, with this set of numbers, to argue for two or three campuses: one seems to be enough. If you look at those earlier numbers—. We have the same enrollment now that we had in 1991; we were going to have huge growth between '91 and now. So there's seven years of no growth.

### **Assessment of the Gardner Years**

LaBerge: We have just a little bit of time. Is there something that you'd like to comment on, in the Gardner years, that I haven't asked you? Or would you like to make an assessment of his strengths and contributions?

Hershman: Well, my assessment was: it was a great opportunity. He came along at the right time, and he was the right person. I thought that what we were able to achieve was spectacular—and help the university through some bad times, because we had done so well. All the campuses, our recruitment of faculty, everything about the place. It was a great opportunity, and we made the most of it, I think. His relationships with the governor and legislature, I think, it was all key to it. And relationships with chancellors and regents—it was a wonderful time. The sad part is that it ended with all the controversy that it did—and most of it, not necessary. Maybe none of it was necessary. I don't know what to say about it, except it was sad. Instead of people remembering what we were able to achieve—which is enormous out there in the—

[End Tape 2, Side B]

[Begin Tape 3, Side A]

Hershman: I guess, to continue with my assessment, the university was a hell of a lot better off that he was here. One, I think people make a huge difference. I think your

earlier question about presidents, and do they matter—yes, they matter a lot. I think that he mattered a lot at that point and did a lot for the university. In terms of relationships with lots of people, the university benefited enormously. I could put it in dollar terms, if someone wanted me to guess, but I'm not sure that's important. But it's significant—in the hundreds of millions of dollars. On the operating budget, and capital outlay—I mean, we had had a period where there was no capital outlay. All of a sudden, we were getting two hundred, two hundred and fifty million dollars a year in capital outlay. I think being able to convince the governor and legislative leaders the importance of the university to the economy, to the state, and the country—I think that was key. I guess my comment would be that it would be nice if people could be remembered for all the good things that they did, instead of the last minute controversy that never probably—it wasn't necessary that it was a controversy.

LaBerge: I thank you very much. [End of interview]