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December 16, 2008

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Dear Colleagues:

Attached is a copy of an ad that ran today in *The New York Times*. It was taken out by the Carnegie Corporation, and Chairman Blum and I are signatories. The ad presents an innovative proposal from the higher education community to the Obama administration regarding a potential new role for the federal government in the funding of higher education infrastructure. I have worked closely with Vartan Gregorian and others in the development of the proposal and wanted you to be aware of it.

Please do not hesitate to let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark G. Yudof".

Mark G. Yudof
President

Attachment

cc: Chancellors

HIGHER EDUCATION INVESTMENT ACT

An Open Letter to President-Elect Obama and His Administration

A Statement by Public Higher Education Leaders Convened by Carnegie Corporation of New York

At this critical juncture in our history, America's public research universities, state colleges, and community colleges stand ready to partner with the federal government and our states to help revitalize our nation's economy and educate and train the next generations of Americans to meet the challenges of global competition. America's colleges and universities, public and private, have always worked in the service of our nation, contributing to our social, economic, scientific, cultural, and technological preeminence by educating millions of citizens who contribute to every sector of society. Today, with millions of students, thousands of laboratories, and outreach that touches countless communities in rural and urban America, the great institutions of public higher education, along with our sister institutions in the private sector, have the capacity to produce the people, ideas, tools, solutions, and knowledge infrastructure our economy needs to regain its momentum and to set a new trajectory.

The current economic crisis poses a major challenge. Thirty-one of fifty states are underfunded for their 2009 budgets. As a result, states and municipalities are forced to cut workforces and spending, as well as investment in our institutions of higher education. These measures have ripple effects on the economy and our nation's progress.

As Congress and the Executive Branch consider an economic stimulus initiative, it is critical that any legislation include a substantial investment in states and their educational systems, particularly public higher education. That investment initially should focus on infrastructure: building essential classroom and research buildings and equipping them with the latest technologies. Construction of green facilities would meet both the economic and the environmental priorities of the incoming administration. Federal funding of much-needed construction and renovation projects on public campuses and on those private campuses that qualify for such investment would create hundreds of thousands of jobs and have a direct and immediate impact on economic activity beyond the dollars expended.

The United States cannot surmount its growing education challenges without strong public universities and community colleges and a healthy private education sector. Public institutions educate about 80 percent of all college students, and carry an even larger responsibility for the nation's training and adult-education programs. They have the scale and transformative power to contribute to the security of our nation's future.

Our nation is losing ground on a number of fronts critical to our future prosperity and national security. The United States has fallen from first place among nations to tenth in the percentage of our population with higher education degrees. Without a vision for education transformation, we will continue to slide. For the first time in our history, the cohort of Americans ages 25 to 34 is less well educated than the older cohorts that preceded it. We cannot accept such dangerous signs that our future prosperity and security will be weaker than our past.

Most troubling, the two fastest growing groups in our population have the lowest college graduation rates: only 37 percent for black Americans who start college and 44 percent for Hispanics who start college. Moreover, American schools and colleges are inexcusably deficient in providing fair educational opportunities to our poorest students. Furthermore, since 1986, college tuition and fees have risen nearly three times as fast as the median family income, after adjusting for inflation. At public universities during this period, increases in tuition and fee revenue have not translated into increased spending per student but rather have been used primarily to meet inflation as well as to offset decreases in state appropriations to public higher education. This presents a major challenge not only to our poorest students but also to the middle class.

Today, only the federal government has the resources and vision to meet these threats to America's future. We applaud President-elect Obama's commitment to make college more affordable and accessible by increasing Pell grants, increasing access to student loans, and extending the grace period for their repayment. These are essential steps to make American colleges and universities once again the most democratic and accessible in the world. They are particularly critical for public institutions, which are struggling with diminishing state funding that supports less and less the cost of educating students.

At critical times in our nation's history, the federal government has had the vision to secure America's future with educational excellence and opportunity. In 1862, in the darkest days of the Civil War—the war in which more Americans died than any other—President Lincoln and Congress had the foresight to enact the Morrill Land-Grant College Act, setting aside 17,400,000 acres to the states to provide for the establishment of public agriculture and mechanical arts universities in the states. At the same time, Lincoln established the National Academy of Sciences. The celebrated public universities created under this act, and their successors, have carried the greatest weight of higher education's contributions to the nation ever since. At the end of World War II, the most destructive and expensive war in history, Congress and President Truman conceived the G.I. Bill, providing the financial aid necessary for every returning

military man and woman to go to college. This was the foundation for democratic access to higher education in the United States. At the same time, and under the most severe financial pressures, the federal government undertook responsibility for the long-term funding of the world's greatest scientific research effort, to be undertaken by America's diverse and competitive universities. There are other examples of the federal government's vision in securing America's future through higher education, such as the Pell grants, which extended the democratic promise of the G.I. Bill to all Americans, and the creation and funding of the National Institutes of Health, which has made the United States the leader in biomedical research and innovation. Even though America is again facing a time of crisis, the political leaders of today must exercise no less vision for higher education than the greatest leaders of the past whose vision has enabled American colleges and universities to be the envy of the world.

To maintain their fundamental educational, research, and service functions and meet growing enrollment pressures, public universities must have upgraded, modern physical infrastructure that is technologically up-to-date. Many states are having difficulty meeting this challenge. (See, for example, *The Decaying American Campus: A Ticking Time Bomb*, Rush and Johnson, 1989; "A Fifty State Assessment of Capital Needs for Higher Education: Policy Objectives," *Facilities Manager Magazine*, July/August 2001.) The needs are palpable, the challenge as great as the deterioration in K-12 infrastructure, bridges, highways, and other essential public goods and institutions. The rising cost of construction of high-tech facilities—particularly those related to health, engineering, and science—exacerbates the challenge. As nations in Asia, the Middle East, and elsewhere are investing substantial government funds in basic research and development as well as new research universities, our nation, which pioneered the concept, is losing ground.

A federal infusion of capital avoids the unnecessary entanglement of the federal government in the processes of the states and the governance of public universities. We recommend that the funds be allocated to the states on the basis of population and administered by the offices of state governors for approval of projects and distribution of capital funds, subject to appropriate statutory oversight. The dollars should not be subject to appropriation by state legislatures. Federal funds should be conditional on states' agreement not to use these federal funds as an excuse to reduce budgetary commitments to universities. To ensure a rapid response, only projects that are shovel-ready or on which construction can begin within 120-180 days should be funded. No project-by-project approval in Washington, D.C. would be necessary; no new federal bureaucracy need be created. Federal funding should be approved only in cases where states or institutions match

the federal grants, contributing 20 percent of the total project cost. This will ensure that only the highest-priority projects are funded. Governors should have discretion to allocate federal funding to state-aided or private universities provided that federal funds are matched by these universities. This ratio may vary from state to state, on the basis of past practice and state priorities. Of course, governors have the prerogative to exempt community colleges, as well as historically black colleges and universities, from the matching provision.

A commitment of 5 percent of the economic stimulus package—in the range of \$40 to \$45 billion—toward higher education facilities will provide the stimulus that will propel the nation forward in resolving its current economic crisis and lay the groundwork for international eco-

nomics competitiveness and the well-being of American families into the future.

Beyond the immediate economic stimulus and higher education's infrastructure needs, the Obama administration, in collaboration with states, the business community, and education stakeholders from all sectors, should establish a twenty-year vision for educational attainment as part of an ambitious national strategy to ensure our continued competitiveness and security. Public universities and colleges recognize the urgency of improving education outcomes, raising graduation rates, preparing more first-rate teachers, and building human capital in science, engineering, and mathematics. The present economic crisis requires an investment in human capital, and graduates of public universities historically have provided most of the workforce

to meet the nation's needs. After all, their innovative researchers have often invented the technologies that have fueled economic progress and enhanced America's economic competitiveness and ability to deliver high-quality health care. At the same time, public universities must remain accessible to all families, thereby providing opportunity and hope to families from all social and economic strata.

Leaders of the country's public higher education sector are committed to create a long-term plan to serve the nation by enhancing public universities' critical role in creating jobs, increasing graduates, enhancing the quality and skills of the workforce, and assisting in national technology and energy initiatives through research. We are grateful to Carnegie Corporation of New York for convening such an effort.

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For nearly a century, education, our democracy and international peace have been the main concerns of Carnegie Corporation of New York. During the past decade, we have focused on several major issues of critical importance to our nation, including K-16 education, school reform, teacher education, strengthening our schools of journalism and immigrant integration. In recent years, we have become increasingly worried about the current status and the future of public higher education in our nation. In October, the Corporation invited a select but representative group of leaders of American public higher education to begin a discussion about the challenges faced by their institutions both individually and collectively. What has already become clear is that there is a pressing need to help colleges and universities in the public sector to mobilize their resources and harness their capacity in order to play a central role in rebuilding America's economy and in meeting our society's most crucial needs: an educated citizenry and a competent workforce. These are necessary in order to strengthen our democracy and our ability to compete in a global economy. Therefore, we present the text of the Higher Education Investment Act, which was drafted and endorsed by some of the most significant leaders in American public higher education, to President-Elect Obama, his proposed administration, and to the American public.

Vartan Gregorian
President
Carnegie Corporation of New York

Thomas H. Kean
Chair
Carnegie Corporation of New York
Former Governor, New Jersey

Richard W. Riley
Vice-Chair
Carnegie Corporation of New York
Former Governor, South Carolina
Former U.S. Secretary of Education