

The Regents of the University of California

**COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE**

September 13, 2000

The Committee on Grounds and Buildings and the Committee on Finance met jointly on the above date at UCSF–Laurel Heights, San Francisco.

Members present: Representing the Committee on Grounds and Buildings: Regents Atkinson, Connerly, Davies, Fong, Hopkinson, S. Johnson, Khachigian, Kohn, and Kozberg; Advisory members Morrison and Seymour
Representing the Committee on Finance: Regents Atkinson, Bagley, Connerly, Davies, Fong, Hopkinson, S. Johnson, Kozberg, Lee, and Preuss; Advisory member Morrison

In attendance: Regents Montoya and Sayles, Regent-designate T. Davis, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Drake, Gomes, Gurtner, Hershman, and Saragoza, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Dynes, Greenwood, Orbach, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 9:45 a.m. with Committee on Finance Chair Preuss presiding.

1. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND EXTERNAL FINANCING FOR CENTRAL DINING AND OFFICE FACILITY, BERKELEY CAMPUS**

The President recommended that:

- A. The Committee on Grounds and Buildings recommend that, subject to the concurrence of the Committee on Finance, the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Berkeley: Central Dining and Office Facility – preliminary plans, working drawings, construction, and equipment – \$41,593,000 to be funded from external financing (\$22,000,000) and the Berkeley campus' share of the University of California Housing System Net Revenue Fund (\$19,593,000).

- B. The Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed \$22,000,000 to finance the Central Dining and Office Facility project, subject to the following conditions:

- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) As long as this debt is outstanding, University of California Housing System fees for the Berkeley campus shall be established at levels sufficient to meet all requirements of the University of California Housing System (UCHS) Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing.
 - (3) The general credit of The Regents shall not be pledged.
- C. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that a new building of 59,000 assignable square feet and 90,000 gross square feet will be constructed for the Central Dining and Office Facility (CDOF) project. The project includes a student dining facility with a seating capacity of 800 and administrative space for the residential and student service programs on a University-owned site two blocks south of the main campus. The programs to be served will include the residential and family living program, community housing services, the housing cashier operation, housing information technologies, new student services, and management of the housing, child care, and food services programs.

This project is a continuation of the campus' program to carry out needed seismic safety corrections and general infrastructure renovation work to provide safe, functional, and high-quality student living quarters and associated facilities. The two dining facilities in Residence Halls Units 1 and 2 are rated "Poor" seismically, and seismic retrofit is not economically feasible in terms of both construction and future operating costs. In addition, the administrative office space for the residential and student service programs has been in temporary, portable buildings for over 40 years. The quality of the work environment has deteriorated to the point of being a health and safety issue.

The 40-year-old dining facilities in Units 1 and 2 will be replaced with a single facility that will be structurally sound and operationally efficient. Office space will be built above a portion of the dining complex to consolidate all of the central student housing, dining, and child-care administrative functions for the Berkeley campus. This effort will move employees from ten buildings at seven locations into the new building and allow the termination of off-campus leases and borrowed campus space. The building will be designed with a higher-than-usual level of earthquake resistance to allow it to be occupied and provide food services and housing information immediately after a

significant earthquake. The new CDOF will replace the current dining hall sites in the Residence Halls Units 1 and 2 complexes. In-fill projects are planned at these sites that will provide housing for 534 additional students.

Project Description

The project will be located on the site of the existing housing administrative offices, at the west end of the block encompassed by Channing Way, Haste Street, College Avenue, and Bowditch Street, two blocks south of the main Berkeley campus. The first level of the building will be dedicated to dining. The design includes some outdoor dining and a retail café to provide late-night service. A continuous dining schedule will allow the facility to serve more students than are currently served. The additional beds created by the future in-fill housing project will also be served by the new CDOF.

The new office space will provide a single location where the residential and student service programs' counselors will be able to meet with students for advice and counsel and provide information for new student orientation. The first administrative floor (second level) of the proposed project will be designed for heavy traffic from students, faculty, staff, and parents of children in the child care program. The third level will consist of a mixture of private offices, residential and administrative computing operations, conference rooms, and open areas to accommodate staff workstations.

Project Cost

The construction costs for the Central Dining and Office Facility reflect the current market conditions in the San Francisco Bay Area and the specific location of the project. The Berkeley campus has bid five major construction projects within the past six months valued at over \$125 million and encompassing nearly one million outside gross square feet. Given the complexities of the seismic retrofits and the complex challenges involved with an existing building, subcontractors have been more selective in bidding on projects. On most major trades such as concrete, electrical, mechanical, and plumbing, the campus has been fortunate to have two bidders. On other smaller trades, many bid attempts have proceeded with no bidders. The campus' experience is similar to that of other public owners, including the cities of Walnut Creek, Fremont, and San Francisco.

In addition to the current market conditions in the San Francisco Bay Area, the Central Dining Facility project is located within one of the most densely populated residential areas in the state. With over 6,000 residents in the area, there will be several major challenges during the construction of this project. These challenges include construction traffic routing, construction staging, limited hours of noise and vibration, and the lack of available parking for construction forces.

In accordance with Berkeley campus policy, Housing and Dining Services will compensate Parking and Transportation in the amount of \$2,236,000 for the loss of 110

parking spaces on the site which will be replaced in another location in the future. The parking compensation is not included in the capital costs contained herein.

With 10 construction starts scheduled to occur within 12 months, the Berkeley campus has estimated that 500 to 900 construction workers will be required at the peak of construction activity. The campus is concerned about the ability to attract a construction workforce of this magnitude and where they will park in a city that discourages the use of cars and trucks. There is no University, city, or privately owned parking facility that can accommodate this potential need. The campus is examining a number of alternatives that involve the use of remote or satellite parking areas. However, as most workers are members of trade unions, their time on the job begins when they park their cars and board a shuttle. This results in higher costs and lower productivity.

CEQA Classification

In accordance with the California Environmental Quality Act and University of California procedures for the implementation of CEQA, an Environmental Impact Report will be prepared to analyze the potential environmental effects of the proposed Central Dining and Office Facility project. This document will be presented to The Regents for review at the time of project design consideration.

Financial Feasibility

The total project cost of \$41,593,000 will be funded from external financing (\$22,000,000) and the Berkeley campus' share of the UCHS Net Revenue Fund (\$19,593,000). Assuming 27-year financing of \$22,000,000 at 6.5 percent interest, the average annual debt service for the project will be \$1,750,000. Payment of the debt service will be from the Berkeley campus' share of the UCHS annual net revenues. Operating expense, as previously noted, will be reduced as a result of new operating economies and the elimination of lease expense. This project will not significantly affect student fees (less than 1 percent), nor will it change already-established rates for housing, dining, or child care.

Upon motion duly made and seconded, the Committees approved the President's recommendations and voted to present them to the Board.

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, BROAD ART CENTER SEISMIC RECONSTRUCTION AND EXPANSION, LOS ANGELES CAMPUS**

The President recommended that:

- A. The Committee on Grounds and Buildings recommend that, subject to the concurrence of the Committee on Finance, the 2000-01 Budget for Capital

Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: G. Broad Art Center Seismic Reconstruction and Expansion – preliminary plans – \$1,068,000 to be funded from Los Angeles campus funds (\$374,000) and FEMA funds (\$694,000).

The Committee was informed that renovation and new construction is proposed at the Los Angeles campus for the facility that has been known as Dickson Art Center. The project will entail fundamental reconstruction of the existing space and will provide approximately 17,500 asf of new space in the complex, including approximately 12,000 asf in new construction and approximately 5,500 asf gained in space use improvements. In light of receipt of a major gift to be deployed in connection with this project, the previous seismic renovation project has been reconceived to include a complete remodeling and reconstruction of the facility, accompanied by a significantly expanded scope and budget. In an interim August 2000 Regents' item, the campus proposed that the newly renovated complex be named the Edye and Eli Broad Art Center, in honor of a \$20 million gift commitment from Mr. Broad.

Description

The existing facility houses two visual arts departments of the UCLA School of the Arts and Architecture: the Department of Art and the Department of Design. The facility also houses the Center for Digital Arts, a teaching and research facility which serves students throughout the School of the Arts and Architecture, and the New Wight Gallery, the primary exhibition venue for students in the school. Also located in the existing complex is the campus' Arts Library, which serves the School of the Arts and Architecture and the School of Theater, Film and Television, as well as the campus at large. Two general assignment classrooms, a 400-seat auditorium, and a 75-seat lecture room serve the school and other campus departments.

Department of Art

The Department of Art undergraduate program offers studio training in six areas of concentration leading to the Bachelor of Arts degree: ceramics, new genres, painting and drawing, photography, sculpture, and interdisciplinary studio. The graduate program offers studio training leading to the Master of Fine Arts degree and a program in critical and curatorial studies leading to a Master of Arts degree. While the graduate studios are not located in the facility, graduate students are served by many of the functions in the complex, including the New Wight Gallery, the Center for Digital Arts, and the Arts Library.

Department of Design

The Department of Design offers professional design training emphasizing visual communications and use of digital media. The program balances theory and practice, aesthetic sensibility with logical reasoning, and contemporary thought with historical perspective. The department offers courses of study leading to the Bachelor of Arts and Master of Fine Arts degree.

Earthquake Damage and FEMA Negotiations

The high-rise tower in the complex was severely damaged in the January 1994 Northridge earthquake. The most serious damage occurred on the second, third, and fourth floors of the tower, where major cracking was sustained in the concrete shear walls and exterior walls. In addition, there was also cracking in the roof-level floor slabs and roof canopy columns.

Architectural and engineering studies concluded that the Northridge earthquake reduced the overall strength of the building by approximately 40 percent. In June 1995, delegation of authority for approval of these projects was given by the President to provide the flexibility needed in order to keep the projects moving forward expeditiously. The facility, then under consideration for total replacement, was included in that program. In November 1999, the campus returned to The Regents for a final update on the FEMA program. It was then proposed that the facility be included in the seismic strengthening project.

In addition, the campus recently received a \$20 million gift commitment to expand and upgrade the facility. The expanded facility will enable the campus to advance the art and design programs, strengthen the curriculum, and enhance faculty research and student teaching. The reconstructed complex will feature facilities for interactive multimedia technology, expanded studio space for students and faculty, updated conference-meeting rooms, and additional flexibility for creative and artistic endeavor. The gift will also provide a substantial component of the funding for the design and installation of a sculpture by a world class artist in the plaza in front of the building.

Proposed Project

The project will fundamentally reconstruct and expand the existing facility to support the contemporary teaching needs of the School of the Arts and Architecture. The base project will seismically strengthen the structure, repair earthquake damage, upgrade fire and life safety systems, and provide needed accessibility improvements. Program improvements will include construction of new program space, reconfiguration of the space plan, building systems upgrades, connectivity, and site improvements.

Seismic, Life Safety, and Accessibility Improvements

The existing tower will be reduced to its concrete shell and reconstructed to improve life safety, access, and functionality for building occupants. The concrete roof canopy

and sun screens will be removed to reduce weight on the structure, and existing shear walls will be removed down the center of the tower above the third floor. The building's structure will be strengthened and stiffened. New shear walls, a new freight elevator, exit stair and access walk way will be constructed on the exterior of the tower, which will fundamentally change the building's appearance and provide the school with open, unencumbered floors. Accessibility will be improved throughout the building.

CEQA Classification

In accordance with the California Environmental Quality Act and University of California procedures for the implementation of CEQA, a Tiered Initial Study (TIS) was prepared to analyze the potential environmental effects of the previously proposed Dickson Art Center Seismic Renovation project. The TIS was certified by The Regents in conjunction with the approval of the Southwest Campus Staging Building project in January 2000. Further environmental analysis will be undertaken to determine whether the expansion will result in changes to the findings for the project as originally analyzed.

Future Regental Action Expected

In early 2001, the campus will submit items to The Regents to request both the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total project cost and approval of external financing. The estimated cost for this project is approximately \$40 million, to be funded by gift funds (\$20 million), campus funds (\$14 million), and FEMA funds (\$6 million). This reconstruction technique captures residual value in the underlying structure and permits, under relevant FEMA regulations, the retention of necessary FEMA-funded staging resources which were included in the budget for the Southwest Campus Staging Building previously approved by The Regents.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

The Committees recessed at 9:50 a.m.

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The Committees reconvened on September 14, 2000 at 2:15 p.m. with Committee on Finance Chair Preuss presiding.

Members present: Representing the Committee on Grounds and Buildings: Regents Atkinson, Connerly, Davies, Fong, Hertzberg, Hopkinson, S. Johnson, Khachigian, and Kohn; Advisory members Morrison and Seymour
Representing the Committee on Finance: Regents Atkinson, Connerly, Davies, Fong, Hertzberg, Hopkinson, S. Johnson, Lee, Miura, and Preuss; Advisory member Morrison

In attendance: Regents Montoya and Sayles, Regent-designate T. Davis, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Drake, Gomes, Gurtner, and Hershman, Chancellors Berdahl, Bishop, Dynes, Greenwood, Vanderhoef, and Yang, and Recording Secretary Bryan

3. **POLICY CONSIDERATIONS GUIDING THE DEVELOPMENT OF THE 2001-02 UNIVERSITY OF CALIFORNIA BUDGET**

It was recalled that discussion of the policy considerations guiding the development of the budget for 2001-02 was initiated at the May Regents meeting and continued at the July meeting. The 2001-02 budget will be presented for approval at the November meeting. The Regents will also receive an "all funds" budget by campus, with projections for five years, in January 2001.

Vice President Hershman discussed the 2001-02 budget. The following represents the current thinking that is guiding its development.

OPERATING BUDGET

Sources of Funds for the 2001-02 Budget

The University's basic budget is funded from a variety of sources, including State General Funds, revenue from student fees, federal funds, teaching hospital revenue, gifts and endowments, income from self-supporting enterprises, and UC General Funds, the two major sources of which are nonresident tuition and funding related to indirect cost recovery on contracts and grants. The University's annual budget plan is based on the best estimates of funding available from each of these sources.

Revenue from non-State sources, such as federal funds and private giving, are critical to the ability to do research, support students, and operate teaching hospitals. The Department of Energy Laboratories are entirely federally funded. Over half of the University's research expenditures come from federal funds, and nearly one-third of the net operating revenue of the teaching hospitals is from federal funds. The University continues to do very well in terms of attracting more federal and private funds for research and financial aid. For example, federal funding for research has been increasing at about 10 percent per year. However, the teaching hospitals continue to struggle financially, both with respect to Medicare and Medi-Cal funding as well as funds from private payors.

The Partnership Agreement between the State and the University represents a four-year commitment on the part of the Governor to provide the University with the State funding needed to maintain quality and access at a time when the University's enrollment is anticipated to grow by approximately 5,000 students per year for the next decade. The Partnership Agreement includes several funding principles that are being used to estimate the funding available for the University's 2001-02 State- and student-fee-funded budget. These funding principles include the following assumptions about the amount of State funding that is anticipated:

- A 4 percent increase to the basic State-funded budget;
- An additional 1 percent increase to the base budget for funding shortfalls in core areas of the budget, including instructional equipment replacement, instructional technology, building maintenance, and library materials;
- Workload funding based on the agreed-upon marginal cost of instruction to support anticipated enrollment increases;
- Revenue equivalent to a fee increase for student-fee-funded programs, calculated at a rate not to exceed the increase in California Per Capita Personal Income. For each of the last six years, the state provided funds to avoid an increase in mandatory systemwide student fees and provided funds to reduce

undergraduate student fees by 10 percent and graduate student fees by 5 percent, and in 2000-01, provided funds to avoid increases in selected professional school student fees.

In addition to funding for the basic budget, the Partnership recognizes that each year the University may seek one-time funds, contingent upon the State's financial circumstances, for high-priority needs such as deferred maintenance, libraries, equipment, instructional technology, and capital outlay. Also included in the Partnership funding principles is a recognition that the University may request funding above the basic budget for special initiatives that are of importance to the State, such as research initiatives, outreach and public service programs to improve K-14 education, development of off-campus centers, opening new campuses, and the cost of legislation approved by the State.

In addition to funds received from the State, including funds to avoid increases in mandatory systemwide student fees, the University's annual budget plan includes estimates of other sources of income used to fund the basic budget. These include estimates of UC General Fund income and estimates of student fee revenue that will be generated from increased enrollments. The budget presented in November will include estimates of income from these sources.

Expenditure Plan for the 2001-02 Budget

Basic Budget Expenditures Within the Partnership

The University's budget expenditure plan will be based on funds available from the sources described above. It is anticipated that funding provided from available sources anticipated within the Partnership Agreement will be used for the following:

Compensation increases for faculty and staff. The University will provide a 2 percent cost-of-living increase for all employees and will continue the University's merit program, which rewards the best faculty and staff. In addition, the budget expenditure plan will include funding for parity increases for faculty needed to keep their salaries, on average, competitive with those of the comparison institutions. The level of parity increase is determined by a calculation developed by the California Postsecondary Education Commission, in consultation with the Department of Finance, the Legislative Analyst, the University of California, and the California State University.

Consistent with budgets of the last two years, and recognizing the limited funding within the Partnership, additional parity increases will be budgeted for groups of employees whose salaries severely lag the market.

In 2000-01, the State provided an additional \$19 million in funding above the Partnership funds which were used to provide parity salary increases for the lowest-paid employees. To the extent additional State funds are once again available, the University anticipates requesting funding for salary increases for 2001-02 over and

above Partnership funding for certain groups of employees in recognition of market conditions and in recognition of the three years in the early 1990s when employees received no cost-of-living raises. This request will be included in the list of initiatives proposed for funding above the Partnership, if sufficient State resources are available.

Other cost increases. Each year, the University's annual expenditure plan includes inflation increases for the non-salary portion of the budget, increased cost of employee health benefits, and operation and maintenance of new space that will come on line in the coming year.

Enrollment growth. Currently, enrollment workload is expected to increase by about 5,700 FTE in 2001-02. This includes 700 students who represent over-enrollment in the current year for which State funding has not been provided. Funding will be requested at the agreed-upon marginal cost rate.

Core needs. In the last two budgets, funding has been provided as part of a four-year plan to help eliminate shortfalls in four key areas of the budget: instructional equipment, instructional technology, building maintenance, and libraries. These budget areas have been chronically underfunded in the past. Agreement was reached with the Davis administration to eliminate the funding shortfalls over a four-year period, approximately two-thirds of which is to be funded by an annual increase to the State-funded base budget of 1 percent and the remaining one-third is to be funded through a redirection of resources at the campus level. It is expected the campus funds will be redirected as a result of productivity savings achieved by the campuses over this period of time.

Improving undergraduate education. The 2000-01 budget under the Partnership included the first increment of funding planned for programs to improve the quality of undergraduate education. Included in these efforts is support for returning the State-funded student faculty ratio to its historic level of 17.6:1, which was the ratio in existence before the budget cuts of the early 1990s took place. It is anticipated the 2001-02 budget will include a further increment of funding for these programs.

State-supported summer. Until now, the University has offered a for-credit summer program at each of its campuses; however, summer programs have been fully self-supporting. In order to accommodate a significant portion of the expected enrollment growth through expanded summer instruction, it is necessary to provide State funding not only for the new students who begin to attend in the summer, but also for the 6,300 FTE who currently attend during the summer and pay the full cost.

The University estimates it will cost \$54 million to provide support for existing summer enrollment similar to that which is provided during the regular academic year. This estimate includes calculations of funding needed to support instructional costs, keep fee levels similar to those charged during the regular academic year, and provide financial aid. The State partially funded this cost in 2000-01 by providing \$13.8 million to equalize fees during the summer so that students pay no more per unit during the summer

than they do during the regular academic year. This fee buy-down will be implemented on all campuses for the summer of 2001. However, the remaining \$40 million must be funded if the University is to continue moving toward a State-supported summer. The University will propose phasing in the remaining \$40 million of State support beginning in 2001-02 for the Berkeley, Los Angeles, and Santa Barbara campuses. It is anticipated that future budgets will include a phase-in of further support for existing enrollment during the summer. Funding for increased enrollment during the summer will be included as part of the enrollment workload increase of 5,000 FTE students annually.

One-Time Funds

For the 2000-01 budget, Governor Davis identified a significant portion of the budget surplus as one time in nature. Consequently, the University received \$107 million in one-time funding for a variety of programs, including teaching hospitals equipment, Internet2 connectivity, deferred maintenance, instructional equipment replacement, library materials, and several research and public service initiatives. These one-time funds allowed significant progress in a number of high-priority programs within the budget. Given the value such one-time funding adds to critical areas of the budget, a request for one-time funds for 2001-02, to the extent resources are available, will be included for high-priority programs.

Support for Initiatives Above the Partnership Funding Provided for the Basic Budget

As with the last several years, the University anticipates including initiatives in the Regents' Budget for 2001-02 to be funded above the basic Partnership funding for programs that serve important statewide needs. As noted earlier, one initiative will be a request for additional salary increase funding for staff employee groups. Other initiatives will primarily fall under the research and public service areas of the budget. Proposals under consideration include a second year of increased funding for research assistantships in engineering and computer science, other research initiatives (for example, in environmental science, public health, and agriculture), public service initiatives in outreach, including increased funding for retention services and for programs to improve transfer from community colleges, additional funding for the California Digital Library, and funding to expand Cooperative Extension services in California.

This year, the University's budget will designate funding for graduate student support as one of its highest priorities. Graduate education is an important and often overlooked part of the University's mission. Graduate students are crucial partners in the University's instruction and research program. As teaching assistants, they are invaluable mentors to undergraduates. As research assistants, they collaborate with faculty in work that extends the knowledge of the world, solves societal problems, and leads to scientific innovations. In turn, their experience in the classroom and in the laboratory helps train them for careers in academia and elsewhere. California's industries have become heavily dependent on graduate students trained on UC campuses

and have pressured the University to do more training to meet their needs in fields such as engineering and computer science.

The biggest challenge in attracting the best graduate students into University programs is graduate student support. Without adequate financial support, many of the best students choose universities outside California or move directly into industry jobs without further pursuing their academic training. Because adequate financial support for graduate students is crucial to accomplishing its mission, the University has focused much of the funding it receives for research initiatives on creation of new research assistantships. The University again anticipates dedicating all new funding received for engineering and computer sciences research initiatives to creating research assistantships in these and related fields and will designate at least one-half of other research initiative funding to research assistantships. In addition, the University's budget will reflect other increases that will help support graduate students, such as an increase in the number of teaching assistants related to enrollment growth, increased fee waivers for teaching assistantships associated with recent collective bargaining agreements, inflation- and enrollment-related increases in the amount of financial aid support available for graduate students, scholarships available for graduate students enrolled in the Graduate Teacher Scholars and Principals Leadership Institute programs, and increased funding available from federal and private sources. The Regents' Budget forwarded for action in November will contain a major discussion of this issue.

CAPITAL OUTLAY BUDGET

The funding principles in the Partnership Agreement express the Governor's intent to provide each segment with its share of the last year of the General Obligation Bond funds available under Proposition 1A, which for UC will be a little over \$200 million in 2001-02. A plan is being developed that anticipates the use of the Proposition 1A funds for a capital program which will include a balance of projects that address seismic, infrastructure, modernization, and enrollment-growth needs. In addition to Proposition 1A funds, approximately \$160 million in General Funds will be requested for construction of the initial buildings and infrastructure at UC Merced. This funding is critical for meeting the Governor's proposal to open the campus in 2004.

The second \$75 million increment of funding for three California Institutes for Science and Innovation will be requested also. The State has committed to fund \$75 million annually for four years, for a total of \$300 million. The first year of funding was provided in the 2000-01 budget. Enabling legislation requires that the funding be matched from non-State sources on a two-to-one basis, for an anticipated total of at least \$900 million in funding for the three institutes. The campuses have been engaged in a competition for selection of three institute sites. Six proposals are now being prepared, and a final selection will be made later this fall.

A major issue next year will be the debate over the size and distribution of the next education bond issue. With the funds available under Proposition 1A being fully

distributed in 2001-02, a new bond issue on the ballot in 2002 will be needed. All three segments of higher education have needs much higher than State funding can support.

Regent Hertzberg advised Office of the President staff who work on the budget to be prepared for the budget cycle in Sacramento to begin several months earlier than usual. Data on planning for growth will need to be available and priorities will need to be set. He asked to be informed of any relevant policy issues as they arise that should be brought to the attention of legislators. Mr. Hershman indicated that his team has anticipated the new schedule and is prepared to go forward.

Committee on Finance Chair Preuss noted that the University has an unacceptable ratio of undergraduate-to-graduate students compared to similar institutions. He stressed the importance of graduate education to the state's economy and to the University's ability to fulfill its mission. He believed that the University is failing to attract graduate students because the financial packages it can offer are insufficient to cover their expenses. He urged the Regents to make graduate education a focal point in planning for the future, to identify growth targets and to monitor their progress.

Chairman Johnson observed that, while this year's State budget is generous, the University's needs still far outstrip its resources. Vice President Hershman agreed, noting that the University will need private and federal funds to support a planned enrollment growth of 1,000 graduate students per year at a cost of at least \$17,000 each.

President Atkinson then introduced Ms. Debbie Davis, Chair of the University of California Student Association, to comment on the budget.

Ms. Davis stated that there is an optimum funding balance between teaching assistantships, research assistantships, and fellowships. Teaching and research are necessary components of graduate education, while fellowships are useful in recruiting students and reducing time to degree. National studies have shown that a higher proportion of teaching assistantships results in higher attrition and longer time to degree. The institutional pressures in the University with growing undergraduate enrollment will be toward more TA-ships if the graduate population does not grow at a rate equal to or greater than the rate of undergraduate enrollment.

Ms. Davis listed several areas of need on the University's campuses. She commented that graduate students need better access to campus resources such as office space and computing facilities, expanded graduate student services, and improved access to housing.

Regent Connerly agreed that more money and staff support are critical for attracting graduate students. He asked whether the problem is national and whether it is strictly financial. Committee Chair Preuss recalled that a report to the Regents last year indicated that the University is doing worse than its comparison institutions. President

Atkinson added that the University follows up with graduate students who decide not to attend. Findings indicate that lack of financial support is the biggest factor in their decision. He recalled that during the 1980s and 1990s, when there was massive growth in the number of undergraduates, it was recognized that a greater effort to provide funds to maintain and increase graduate enrollments would become necessary.

Regent Hopkinson was concerned that a budget of \$17,000 per graduate student would not be sufficient to attract the best candidates. She believed the number should be closer to \$22,000. She advocated adopting new principles to guide the effort to increase graduate programs.

President Atkinson reported that, at the suggestion of the Chair of the Academic Senate and others, he would put together a working group of Regents, faculty, staff, and students to examine this issue not just for this budget year but for the long term. He believed the group could address matters such as the appropriate budget request per individual graduate student. The Regents supported this suggestion.

Regent Lee observed that the University will need to hire thousands of professors during the next decade in order to teach the expected 15,000 new students. He noted that the University's salaries, beginning with those of the chancellors, are not sufficiently high to make recruitment on such a large scale possible. Committee Chair Preuss agreed, noting that the case should be made to the State that the University may be unable to fulfill its agreement to accept so many new students unless it gets huge increases in State support and larger bond issues.

Regent-designate Davis commented that, regardless of nationwide demand, the University needs to become a preferred destination for graduate students. Enhanced funding should be provided for the social sciences as well as the hard sciences. She agreed that \$17,000 is insufficient to feed and house graduate students in California. Committee Chair Preuss advocated finding ways of using the resources already at the University's disposal to take better care of both its students and its faculty.

[For speakers' comments, refer to the minutes of the September 14 afternoon meeting of the Committee of the Whole.]

The meeting adjourned at 3:35 p.m.

Attest:

Secretary