The Regents of the University of California

COMMITTEE ON FINANCE
July 18, 2001

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

Members present: Regents Atkinson, Connerly, Hopkinson, S. Johnson, Kozberg, Lee, Montoya, Morrison, Parsky, and Preuss

In attendance: Regents Bagley, Davies, T. Davis, O. Johnson, Lansing, Marcus, and Seymour, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Gómez, and Hershman, Chancellors Berdahl, Carnesale, Cicerone, Dynes, Orbach, Tomlinson-Keasey, and Vanderhoef, Vice Chancellor Bainton representing Chancellor Bishop, and Recording Secretary Bryan

The meeting convened at 3:20 p.m. with Committee Chair Preuss presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of May 16-17, 2001 were approved.

2. **AUTHORIZATION TO PROVIDE INTERIM FINANCING FOR UC MEDICAL CENTERS FOR SB1953 PROJECTS TO BE FUNDED THROUGH STATE OF CALIFORNIA LEASE REVENUE BONDS**

The President recommended that:

A. The Treasurer be authorized to obtain interim financing not to exceed $75 million to finance a portion of the construction related to SB1953 projects at the University's medical centers, subject to the following:

(1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

(2) Repayment of the interim financing shall be from State Public Works Board lease revenue bonds.

(3) The general credit of The Regents shall not be pledged.

B. The Officers of The Regents be authorized to provide a certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

C. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that the 2000 State Budget Act approved $600 million in State lease revenue bonds to be issued by the State Public Works Board (SPWB) to provide the University's medical centers with funding for reconstruction projects that will be required by SB1953. In November 2000, The Regents approved the allocation of the $600 million among the five UC medical centers as follows:

Davis:	$120 million
Irvine:	$235 million
Los Angeles:	$180 million
San Diego:	$ 40 million
San Francisco:	$ 25 million

The statute authorizing the $600 million in SPWB financing specified that the University will provide interim financing for preliminary plans and working drawings (P and W) costs for the SB1953 projects. The SPWB will then reimburse the University for such interim financing by using a loan from the State's Pooled Money Investment Fund or by issuing long-term financing for the reimbursement of University interim financing as well as construction financing for the projects.

P and W costs are usually approximately 10 percent of total project costs. These P and W expenditures can total as much as $42 million for eligible projects, as the P and W costs incurred by UCLA Replacement Hospital projects prior to the legislation were declared ineligible for reimbursement by the statute. In addition to interim financing for P and W costs, the $75 million Regental authorization provides flexibility for the medical centers to proceed with construction without delays which may be caused by the timing of SPWB interim or permanent financing. The Department of Finance has agreed that University interim financing for P and W costs and for construction will be reimbursed upon request by the University, provided that the leases and agreements have been approved by both The Regents and the SPWB, and all necessary compliance with SPWB legal review and due diligence has been completed for the projects. University interim financing will be managed within the University's tax-exempt commercial paper program.

The first projects for which partial interim construction financing may be provided are the UCLA Westwood and Santa Monica Hospital Replacement Hospital projects and the Davis Medical Center Tower II, Phase II project. SPWB funding was approved in place of external financing for the Westwood and Santa Monica Replacement Hospitals at the September 2000 meeting. The funding source for the Tower II, Phase II project was changed from hospital reserves to SPWB bonds in April 2001 by interim action.

As with previous SPWB lease revenue bond financing, the SPWB will lease the facility site or substitute facilities under asset transfer from The Regents and will issue lease revenue bonds to finance all or a portion of the costs associated with seismic upgrading required for compliance with SB1953. The Regents will renovate or construct the facility under a construction agreement with the SPWB. Subject to The Regents' leaseback of the facilities under the facility lease, SPWB will retain ownership of the leased facility through the term of the facility lease or full repayment of the SPWB bonds used for the project, whichever occurs first, after which ownership will be returned to the University.

Under the facility lease, The University will pay annual rent to the SPWB for these facilities in an amount sufficient to pay for debt service on the SPWB bonds and administrative costs of managing the bond program. Negotiations between the University and the Department of Finance will determine the repayment arrangements on the debt service. The options for repayment are hospital revenues, depending on the hospital's financial situation from year to year, State general fund appropriation, or a combination of the two. In any year in which the State fails to appropriate sufficient funds to make the rental payments, The Regents will be obligated to pay rent from any lawfully available funds.

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

3. **PROPOSED INCREASE IN NONRESIDENT TUITION FOR 2001-02**

The President recommended that, effective with the fall term 2001, the Nonresident Tuition Fee be increased by $460 (4.5 percent) from $10,244 per nonresident student per year to $10,704 per nonresident student per year.

It was recalled that the increase in the Nonresident Tuition Fee is proposed as part of the *2001-02 Budget for Current Operations*. In addition to paying nonresident tuition, out-of-state students also must pay the Educational Fee, the University Registration Fee, miscellaneous campus fees and, if applicable, the Fee for Students in Selected Professional Schools. No increases in mandatory systemwide fees are proposed for 2001-02. With the increase in the Nonresident Tuition Fee, total average fees for nonresident undergraduate students are expected to increase by about 3.2 percent in 2001-02.

Consistent with existing State policy, with the proposed increase the University's 2001-02 total charges for nonresident undergraduate and graduate students will be higher than the State-funded marginal cost of instruction and less than the projected average of tuition and fees charged at other public institutions. For nonresident undergraduate students, the University's fees are expected to be about $587 less than the average of tuition and fees charged to nonresident undergraduate students at the four public salary comparison institutions used for fee comparison purposes; for nonresident graduate students, they are expected to be about $243 less than the comparison charges.

The proposed fee increase will generate about $6 million in new revenue.

In February 1998, The Regents first approved the use of long-term debt financing for deferred maintenance and facilities renewal projects, with nonresident tuition revenue as the fund source for repayment of the debt. With the approval of The Regents, the University intends to continue using a portion of the increase in nonresident tuition to help fund the Deferred Maintenance and Facilities Renewal Program.

The spending plan approved by The Regents in November 2000 assumed that the total $6 million in new revenue generated from the increase in the Nonresident Tuition Fee would be used for debt financing to help fund high-priority deferred maintenance projects. However, the Governor's May revision to the budget reduced funding for the Partnership Agreement, thus reducing the amount of funds available to meet the basic needs of the University, including employee compensation. Because of the anticipated shortfall in State funding, it is proposed that $2 million of the new revenue associated with the fee increase be used to fund a scheduled increase in the University's fee remission program for teaching assistants. Beginning in 2000-01, the University implemented the first year of a phased three-year plan to offset fully mandatory systemwide fees for eligible graduate students. For the second year of the phase-in plan (2001-02), the University has agreed to offset 85 percent of these fees.

Committee Chair Preuss commented that he was not opposed to high fees for out-of-state undergraduates but that he would vote against the recommendation as a symbolic gesture indicating his opposition to an increase in fees for nonresident graduate students whose fees frequently are paid from other University sources. Regent Lee also indicated his opposition in consideration of the fact that he believed it is advantageous to the State to educate a high percentage of engineering students from foreign countries.

Committee Chair Preuss recalled that he had suggested to President Atkinson that at the September or November meetings a joint meeting of the Committee on Educational Policy and the Committee on Finance be scheduled to discuss in detail the question of how to make it easier for students, particularly graduate students, to attend the University without being unduly financially burdened.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Preuss and Lee voting "no."

4. EXTERNAL FINANCING FOR THE 2001-02 UNIVERSITYWIDE DEFERRED MAINTENANCE AND FACILITIES RENEWAL PROGRAM

The President recommended that:

A. Funding for the 2001-02 Universitywide Deferred Maintenance and Facilities Renewal Program be approved in an amount not to exceed $45 million from external financing.

B. The Treasurer be authorized to obtain external financing in an amount not to exceed $45 million to finance the Universitywide Deferred Maintenance and Facilities Renewal Program, subject to the following conditions:

(1) Average annual debt service shall not exceed $4 million (this limitation is intended solely as a limit on the amount of scheduled debt service and not as a limitation on the extent of the pledge on nonresident tuition income);

(2) Repayment of the debt shall be from nonresident tuition income;

(3) The general credit of The Regents shall not be pledged.

C. The Officers of The Regents be authorized to provide certification 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 in connection with the above.

It was recalled that in February 1998, The Regents approved the first year of a new approach to facilities renewal that would provide significant levels of funding over the next several years. The Regents authorized the Treasurer to sell bonds that provided $64.8 million for deferred maintenance and capital renewal for 1998-99, with repayment of the bonds from a portion of the increase over the prior year's UC general funds, specifically nonresident tuition funds. Only high-priority projects with long-term benefits to the University are eligible to be funded through this mechanism. The Regents approved the second year of this program in June 1999 and again authorized the Treasurer to sell bonds that provided an additional $64 million for 1999-2000. As established in the first year, repayment of the bonds will come from $6 million in nonresident tuition funds. The Regents approved the third year of this program in May 2000 and again authorized the Treasurer to sell bonds that provided an additional $66 million for 2000-01. Because this was the third year of the program, a total of approximately $18 million per year will be used to pay debt service for all three years.

The basic tenets of the University's plan, as first proposed in 1998-99, are as follows:

- University financing would be issued each year over a period of at least five years to fund top-priority deferred maintenance and facilities renewal projects that have a minimum useful life of 15 years.

- The source of funds to be pledged and used for repayment of the debt will be nonresident tuition income.

- The amount of funding to be provided annually for debt service will be limited to no more than 5 percent of the annual increase in UC and State general funds.

- The amount of funding to be provided annually for project costs will be influenced by interest rates current at the time of financing, which will determine the amount of principal that a specific debt service payment can support.

As described in the *2001-02 Regents' Budget for Current Operations* approved in November 2000, the University will continue to place an emphasis on rebuilding and maintaining the physical plant. The combined effects of insufficient funding for ongoing building maintenance, the lack of adequate permanent funding for deferred maintenance, and the fact that only a fraction of the University's capital improvement budget is used to replace worn-out building systems have resulted in a backlog of deferred maintenance projects. In 1997-98, the "Priority One" deferred maintenance backlog was estimated by the campuses to exceed $500 million. The chronic lack of funding for on-going facilities maintenance and renewal continues to compound the problem. Insufficient funding related to maintaining existing facilities falls into three major categories: ongoing maintenance, facilities renewal, and deferred maintenance.

The *2001-02 Regents' Budget for Current Operations* includes an increase of $11 million for building maintenance, consistent with the funding principles of the Partnership Agreement. Among those principles is the commitment to support a 1 percent increase to UC's General Fund base to address budget shortfalls in four core areas of the budget, including building maintenance. Unfortunately, this portion of the Partnership Agreement was cut in the May Revision.

Facilities renewal is a program to systematically and predictably replace or renew components of buildings and infrastructure to extend the useful life of facilities. The condition of the University's existing physical plant is a serious problem, reflecting the wear and decline associated with the age and intensive use of many of its buildings and infrastructure.

Unfunded facilities renewal turns into an unfunded deferred maintenance. Systems still need to be replaced, but replacement becomes more costly, and continued deferral increases the need for emergency repairs. This leads to the deterioration of the capital assets and ultimately affects the quality of facilities provided for teaching and research. When laboratory and research space is outdated or substandard, the ability to attract and retain outstanding faculty and students is compromised.

In the past, the University has not specifically budgeted for this category of expense on an annual basis. Many such projects have gone unfunded until they become emergencies. When such projects are funded, it can be as part of ongoing maintenance, the deferred maintenance program, or as part of a major capital improvement project which renews building systems at the same time that programmatically-driven renovations are being made.

The age of University buildings is another major factor that is contributing to the problem. There was tremendous growth and expansion throughout the University during the 1950s and 1960s. Almost one-half of the space that now houses State-supportable programs was constructed during those two decades, and almost two-thirds of all State-supportable space was built before 1970. The systems in these facilities have exceeded or will soon exceed their useful lives.

Prior to 1994-95, the University's budget included nearly $20 million per year in permanent funding for deferred maintenance. While not sufficient to address the University's deferred maintenance needs, it was a reliable and predictable source of funding. In 1994-95, the State and the University reached agreement on a plan that redirected this permanent funding to help limit fee increases to no more than 10 percent. As a result of this agreement, the State authorized the University to use $25 million in long-term financing in 1994-95 to pay for high-priority deferred maintenance projects. A second authorization for $25 million was included in the 1995-96 budget. Consistent with the agreement with the State, repayment of the debt is included in the University's State-funded budget. The 1996 State Budget Act appropriated $5 million in general obligation bonds for deferred maintenance, and the University allocated $19 million in a combination of one-time University funds and excess UC general funds that were reappropriated for deferred maintenance. In 1997-98, the University reappropriated $7.9 million in excess UC general funds for deferred maintenance.

In February 1998, The Regents approved a new approach to deferred maintenance that has provided significant levels of funding over the last three years, providing $64.8 million for deferred maintenance projects in 1998-99, $64 million in 1999-2000, and $65.2 million in 2000-01 for a total of $194 million through bond funding.

In addition to the funding provided through debt-financing, the State provided $20 million in one-time funds for high-priority deferred maintenance projects in 1998-99, and, in lieu of providing the University with additional one-time funding for deferred maintenance projects in 1999-2000, the State provided the University with a permanent General Fund increase of $7.1 million for deferred maintenance. In 2000-01, the State provided one-time funds of $8 million. Over the last three years, approximately $237 million has been generated for the most urgent deferred maintenance problems.

The University's physical plant consists of more than 5,000 buildings and over 94 million gross square feet. To maintain, preserve, and upgrade these buildings and supporting infrastructure requires a full range of funding, including annual support for operations and maintenance, facilities renewal, deferred maintenance, and capital improvements. Since the inception of the Deferred Maintenance Bond program in 1998-99, the University has begun to address the deferred maintenance problem on two fronts. First, the University has made progress toward reducing the under-funding of basic operations and maintenance by negotiating augmentations to the University's building maintenance allocation as provided for under the Partnership Agreement with the Governor. These augmentations have resulted in an additional $25.5 million since FY 97-98. (2001-02 is not included in this total.)

Secondly, combined with one-time State allocations and $7.1 million in permanent funds, the bond program has provided campuses with $237 million over the last three years for deferred maintenance and facilities renewal projects. The funding during the first three years of the bond program has had a dramatic impact on campus facilities. For the first time in over a decade, campuses have been able to fix first-priority deferred maintenance by renewing entire building and infrastructure subsystems, rather than being forced to patch broken-down systems on an emergency and piecemeal basis. It was pointed out that piecemeal repair is far more expensive than systematic renewal, as exemplified by Tolman Hall at UC Berkeley, where delaying the replacement of the roof for a decade cost the campus an extra $300,000. The level of funding under the bond program allows campuses to avoid the substantial additional costs that accrue when repairs cannot be done in a complete and systematic fashion. Since 1998-99, bond and State funds have been used to carry out nearly 1,200 major projects. Maintaining an ongoing funding stream for deferred maintenance and facilities renewal will allow the University to leverage available resources and continue to develop a comprehensive approach to the problem of facilities stewardship.

The amount available for debt service for the Deferred Maintenance and Facilities Renewal Program will be limited to no more than 5 percent of the annual increase in the UC and State general fund operating budget. For the 2001-02 financing, the University will use $4 million per year for debt service to be funded from the $6 million increase in nonresident tuition income, as was done in 1998-99, 1999-00, and 2000-01. Because this is the fourth year of the program, a total of approximately $22 million per year will be used to pay debt service for all bonds issued under the program. Depending on interest rates at the time of financing, it is estimated that $40 - $45 million would be available for project costs.

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

5. **APPROVAL OF STUDENT-SPONSORED INCREASE IN STUDENT GOVERNMENT FEE, BERKELEY CAMPUS**

The President recommended that, effective fall semester 2001, the Associated Students Fee at the Berkeley campus be increased by $17.00 from $10.50 per student per semester to $27.50 per student per semester for an annual fee of $55.00 per year.

It was recalled that the Associated Students University of California Constitution was adopted and the ASUC Fee was initiated at Berkeley in 1900. The ASUC is the official governing body for both graduate and undergraduate students, and the current $10.50 per student per semester student government fee has been in place for more than thirty years. The ASUC Fee is one of the lowest student government fees in the country. In 1968 the ASUC Fee was incorporated into a new fee entitled the Berkeley Campus Fees. The ASUC portion of the Berkeley Campus Fees supports the activities of the student government itself and the Berkeley Graduate Assembly, as well as many student groups and activities, concerts, public speakers, publications, community outreach, and other student-centered programs that further the educational mission of the University. The ASUC has had to reduce a number of its activities in recent years because the fee level has not kept pace with the rate of inflation.

In keeping with Berkeley campus practice, it is proposed that $11.40 of the $17.00 per semester fee increase be used to support the ASUC student activities and $5.60 (33 percent) be directed to student financial aid. The campus' financial aid budget for student aid recipients will be supplemented to cover the proposed $17.00 per semester fee increase. It is estimated that the fee increase will generate an additional $1,027,000 per year, of which $342,000 will be returned to aid.

Campus mandatory fee policies require that for a ballot measure to be valid at least 20 percent of the registered students must vote in a valid election with a simple majority approving the measure. The referendum measure was approved with 6,507 (21.5 percent) students voting on the measure and 3,573 (54.9 percent) students voting to approve the fee increase. These results met the campus' voter turnout and majority approval requirements. The Berkeley League of Women Voters monitored the vote, and the votes were counted by an ASUC elections council on which the League was represented.

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

6. **APPROVAL OF STUDENT-SPONSORED INCREASE IN GRADUATE STUDENTS ASSOCIATION FEE, LOS ANGELES CAMPUS**

The President recommended that, effective with the fall term 2001, the Graduate Students Association Fee at the Los Angeles campus be increased by $1.50 from $5.50 per graduate student per quarter to $7.00 per graduate student per quarter.

It was recalled that the graduate student government structure at the Los Angeles campus consists of eleven councils, organized around one or more academic departments or professional schools, and the central office. The central office is the administrative hub from which the three elected members of the Graduate Students Association executive branch and appointed cabinet members coordinate centralized GSA activities. The GSA Fee is shared among the councils and the central office according to a ratio established in the GSA constitution. Each council's share is determined according to enrollment-based formulae also established in the GSA constitution.

The GSA Fee has not increased since 1984. Over the last several years, both the councils and GSA central office have operated on an inadequate budget. The fee increase will provide additional revenue to support academic and social activities for the departmental graduate student bodies. In addition, the revenue will allow the central office to provide more effective services to the graduate student forum, the councils, and individual graduate and professional students.

The GSA held its spring election via online voting from April 18 through April 25, 2001 that included a referendum measure to increase the GSA Fee by $1.50 to $7.00 per graduate student per quarter. Supplemental information regarding the proposed fee increase provided to students during the election indicated that $1.00 per graduate student per quarter would be distributed to the GSA councils and $0.50 per graduate student per quarter allocated to the GSA central office.

Of the 9,837 graduate students eligible to vote, 1,463 (14.9 percent) voted in the GSA election. Of these, 1,284 graduate students cast ballots on the proposed fee increase measure with 860 (67 percent) voting to approve the fee increase. The GSA forum certified that the election results met the GSA constitutional standards and the requirements established in advance by the campus administration for passage of the ballot measure.

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

7. APPROVAL OF STUDENT-SPONSORED INCREASES IN STUDENT FEES, RIVERSIDE CAMPUS

The President recommended that fees for students at the Riverside campus be approved as follows:

<u>Undergraduate and graduate students:</u>

Effective upon completion of the first phase of construction (estimated to be fall 2004), an increase of $90.00 per student per quarter in the existing Student Center (Commons) Fee from $20.00 to $110.00 per student per quarter.

Undergraduate students only:

Effective with the fall quarter 2001, a new fee of $2.00 per undergraduate student per quarter to support the campus newspaper, *The Highlander.*

Effective with the fall quarter 2001, an increase of $4.50 in the existing Associated Students Program Board Fee from $5.50 to $10.00 per undergraduate student per quarter.

The Committee was informed that in January 2001 an external consulting firm was hired to sample student opinion about the current Commons facilities. More than 1,500 students participated in the study. The results showed that students believe strongly that the existing Commons is inadequate in its current offerings, amenities, and size. More than 70 percent of the students surveyed indicated that the current facilities are worse than or much worse than union facilities on other campuses. In response to this information, the Associated Students of UCR proposed to increase the current Student Center (Commons) Fee of $20 per student per quarter by $90 to $110 per student per quarter. The new fee will be effective upon completion of the first phase of construction (estimated to be fall 2004). The project will renovate approximately 41,000 assignable square feet of the current facility and add about 55,000 asf in new construction. Proposed additions include study lounges, expanded food services, computer labs, expanded office and meeting spaces for student organizations, and additional retail areas.

Of the 12,191 undergraduate and graduate students eligible to vote in the election, 2,813 voted in the election (23.1 percent). Of those voting, 1,986 (70.6 percent) voted to approve the fee increase. The outcome for the ballot measure meets the campus requirement for fee approval.

The April general student election included a ballot measure to create a new fee of $2 per undergraduate student per quarter to support the campus newspaper, effective fall quarter 2001. *The Highlander* currently operates on a self-sustaining budget, publishing a single issue per week. Because of rising printing and overhead costs, the campus has found it increasingly difficult from a financial perspective to publish the paper. In anticipation that operating costs will continue to increase, the paper's editors, in partnership with the Associated Students of UCR, proposed the new fee to assist with expenses.

Of the 10,667 undergraduate students eligible to vote in the election, 2,598 (24.4 percent) voted on the new fee measure. Of those voting, 1,742 (67.1 percent) voted to approve the new fee. The outcome for the ballot measure meets the campus requirements for fee approval.

The student election also included a ballot measure to increase the ASPB Fee by $4.50 per undergraduate student per quarter from $5.50 to $10.00 per undergraduate student per quarter, effective fall quarter 2001. The Associated Students Programming Board is responsible for providing a wide variety of social and cultural entertainment programming for the campus. As the campus population has grown in size and in diversity, the demand for more expansive and diverse programming also has grown and funds from the fee increase will be used to meet this challenge.

Of the 10,667 undergraduate students eligible to vote, 2,598 (24.4 percent) voted on the measure. Of those voting, 1,766 (67.9 percent) voted to approve the fee increase. The outcome for the ballot measure meets the campus requirements for fee approval.

[For speakers' comments, refer to the minutes of the July 18 meeting of the Committee of the Whole.]

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

8. **APPROVAL OF STUDENT-SPONSORED INCREASE IN UNDERGRADUATE STUDENT ACTIVITY FEE, SAN DIEGO CAMPUS**

The President recommended that, effective with the fall quarter 2001, the Student Activity Fee assessed at the San Diego campus be increased from $20 to $21 per undergraduate student per quarter to establish the Academic Success Program as an Associated Students service.

It was recalled that the UCSD Associated Students (ASUCSD) Student Activity Fee was established in 1977 at $6.00 per student per quarter. An increase to $13.50 was approved in 1985. The fee was again increased in 1998 to $20.00 per student per quarter. The fee is administered by ASUCSD, the official campus student government representing undergraduate students.

The ASUCSD proposed to increase the Student Activity Fee by $1 per quarter per undergraduate student for a total of $21 per quarter per undergraduate student to provide funding to establish a new ASUCSD Service, the Academic Success Program, which will include a book-lending program, peer mentorship program, peer tutoring program, exam archives, and special projects.

Of the 15,391 eligible students, 3,696 students (24 percent) voted in the election. There were 2,947 ballots cast on the proposed fee increase, with 1,930 students (65.5 percent) voting to approve the fee increase. These outcomes meet the campus requirements for approval.

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

9. **ESTABLISHMENT OF A NEW STUDENT RESOURCE BUILDING FEE, SANTA BARBARA CAMPUS**

The President recommended that, effective with the fall quarter 2004, a new mandatory fee be established of $33.33 per student per quarter during the regular academic year and $21.49 per student during the summer for construction of a new Student Resource Building.

The Committee was informed that the campus-wide 2001 spring election included a ballot measure to establish a new mandatory fee for all undergraduate and graduate students to support construction of a new student resources building to house various student affairs departments and satellites and provide student study and activity space.

The new Student Resource Building is expected to house some student services offices and activities currently located in aging and inadequate temporary buildings, establish satellite locations of the graduate division and children's center, and centrally relocate other services. In addition to administrative space, the facility will include student academic and student activity support facilities, meeting space, and a computer room.

The new fee will increase campuswide fees for undergraduate students enrolled during the regular academic year at the Santa Barbara campus as of fall 2004 from $158.73 to $192.06 per student per quarter, accounting for other campuswide fees previously approved for implementation. Campuswide fees for graduate students as of fall 2004 will be increased from $102.70 to $136.03 per student as the result of student approval of the mandatory $33.33 per student per quarter fee and accounting for other campus-wide fees previously approved. Students enrolled during the summer will be charged $21.49 for the new Student Resource Building Fee in addition to mandatory summer fees.

Of the 16,186 undergraduate and 2,248 graduate students eligible to vote, 4,009 undergraduate and graduate students (21.8 percent) voted in the spring election. For the Student Resource Building ballot measure, 3,281 total students cast ballots with 2,084 (63.5 percent) voting to approve the new fee. These outcomes meet the campus requirements for approval.

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

10. **APPROVAL OF STUDENT-SPONSORED INCREASE IN ASSOCIATED STUDENTS FEE, SANTA BARBARA CAMPUS**

The President recommended that, effective with the fall quarter 2001, the Associated Students (A.S.) Fee at the Santa Barbara campus be increased by $2.25 per undergraduate student per quarter from $ 45.25 to $ 47.50 per undergraduate student per quarter as follows:

A. $1.50 per undergraduate student per quarter to support the A.S. Legal Resource Center.

B. $0.75 per undergraduate student per quarter to support the Isla Vista Community Improvement Fund.

The Committee was informed that the Associated Students 2001spring election included a ballot measure that will create a new mandatory fee of $1.50 per student per quarter for all undergraduates in support of the Associated Students Legal Resource Center, which provides education and information about the legal rights and resources available to students on topics such as landlord-tenant disputes, marriage or divorce, consumer complaints, traffic tickets or violations, personal injury, student-police relations, harassment, wills, power of attorney, debtor-creditor issues, non-traffic arrests, and others.

Of the 16,186 undergraduate students eligible to vote, 3,624 (22.4 percent) voted in the spring general election. Of the 2,625 undergraduate students voting on the A.S. Legal Resource Center Fee, 1,847 (70.4 percent) students cast ballots approving the fee.

The election also included a ballot measure to increase the existing mandatory fee of $ .75 per undergraduate student per quarter that supports the Isla Vista Community Improvement Fund to $1.50 per undergraduate student per quarter. The fund provides support for UCSB students engaged in community outreach services and improvements to Isla Vista (IV) residents, administered under the auspices of the Associated Students, such as youth projects, a teen center, events (community clean-up days, concerts, etc.), and housing and parking improvements. Support for these services is a commitment made by the University as part of the mitigation measures in the UCSB Long Range Development Plan.

Of the 16,186 undergraduate students eligible to vote, 3,624 (22.9 percent) voted in the spring general election. Of the 2,804 undergraduate students voting on the fee increase for the Isla Vista Community Improvement Fund, 2,296 students (81.9 percent) cast ballots approving the fee.

These outcomes meet the campus requirements for approval.

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

Regent Hopkinson noted that, although the students voted for it, the Regents should take notice of the large size of the increase at UC Riverside (item 7. above). Regent Davies recalled that The Regents had set a policy on raising student fees through student votes. He hoped that the Special Committee on Regents' Procedures would examine whether any value is added by having the Regents consider these recommendations. Committee Chair Preuss agreed but believed that the Regents should be kept informed about the trend to increase fees. Regent Davies noted that the percentage of increase that would be permissible without Regental approval could be limited through policy.

Committee Chair Preuss asked the General Counsel for clarification concerning the use of student fees to support the United States Student Association. Mr. Holst reported that the matter of mandatory fee policy was under review by a group in the Office of the President which intends early next year to forward its recommendations on the application of fee policy to the campuses for comment. The review is being undertaken in part based on concerns about having a mandatory fee administered by an external organization such as USSA rather than by campus student organizations.

Chairman S. Johnson noted that students are putting a financial burden on themselves so that they can have expanded recreational and other facilities. She believed that this burden was properly the responsibility of the State.

11. **REPORT OF NEW LITIGATION**

General Counsel Holst presented his **Report on New Litigation**. By this reference the report is made a part of the official record of the meeting.

12. **AUTHORIZATION TO GENERAL COUNSEL TO JOIN THE UNIVERSITY AS A PLAINTIFF IN PATENT-RELATED LITIGATION BROUGHT BY UNIVERSITY LICENSEES**

The General Counsel recommended that he be authorized to take all necessary steps in circumstances he deems appropriate to join The Regents of the University of California as a plaintiff in patent infringement and related litigation brought by licensees of the University.

It was recalled that when intellectual property such as a patent is licensed exclusively, the courts examine the license agreement between the licensor as the owner of the property and the licensee to determine whether all substantial rights in the commercial market have been transferred to the licensee. In doing so the court determines if the exclusive licensee has standing to sue for infringement without the participation in the suit of the property owner-licensor.

The issue of exclusive patent licensee standing to sue has been addressed in recent federal court litigation with the result that there is a question as to what retained licensor rights may jeopardize an exclusive licensee's standing to sue. In University of California licenses, retained rights of the licensor include a reversion back to the University for lack of diligent development, required reporting on development, limitations on assignment, a first right for the University to sue infringers, a retained University license for education and research, and, in some instances, a "by or for" license to the U.S. government. One or more of these retained rights may lead to a court's determining that the licensee does not have standing because of the University's retained right.

Under the circumstances, it is in the University's interests to establish an expeditious process for authorizing University joinder in licensee-commenced infringement proceedings. The proposed authorization to the General Counsel in that regard will meet that objective.

Upon motion duly made and seconded, the Committee approved the General Counsel's recommendation and voted to present it to the Board.

The meeting adjourned at 3:40 p.m.

Attest:

Secretary