The Regents of the University of California

COMMITTEE ON FINANCE
November 15, 2006

The Committee on Finance met on the above date at Covel Commons, Los Angeles campus.

Members present: Regents Blum, Dynes, Gould, Island, Kozberg, Parsky, and Wachter; Advisory members Bugay and Oakley; Staff Advisors Brewer and Miller

In attendance: Regents De La Peña, Johnson, Ledesma, Lozano, Marcus, O’Connell, Pattiz, Ruiz, Schilling, Schreiner, and Varner, Regents-designate Allen and Brewer, Faculty Representative Brown, Acting Secretary Shaw, Acting General Counsel Blair, Chief Investment Officer Berggren, Provost Hume, Executive Vice President Darling, Vice Presidents Broome, Foley, Gurtner, and Hershman, Associate Vice President Standiford representing Vice President Gomes, Chancellors Birgeneau, Bishop, Córdova, Drake, Fox, and Vanderhoef, Acting Chancellors Abrams, Blumenthal, and Park, University Auditor Reed, and Recording Secretary Bryan

The meeting convened at 10:35 a.m. with Committee Chair Gould presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of September 20, 2006 were approved.

2. APPROVAL OF THE UNIVERSITY OF CALIFORNIA 2007-08 BUDGETS FOR CURRENT OPERATIONS AND FOR STATE CAPITAL IMPROVEMENTS

The President recommended that:

A. The Committee on Finance recommend to The Regents that the expenditure plan included in the document, 2007-08 Budget for Current Operations, be approved.

B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to The Regents that the 2007-2008 Budget for State Capital Improvements be approved

Proposed 2007-08 Expenditure Plan for Current Operations

Vice President Hershman recalled that the 2007-08 Budget for Current Operations, mailed to Regents previously, provides the basis for the recommendation that the 2007-08
expenditure plan be approved. He made a detailed presentation on the proposed 2007-08 budget, using displays taken from the Regents’ budget document.

While State funding provides essential core support, the University’s overall operating budget is funded from a variety of sources, including State General Funds, revenue from student fees, UC General Funds, federal funds, teaching hospital revenue, gifts and endowments, and income from self-supporting enterprises. The University’s annual budget plan is based on the best estimates of funding available from each of these sources. Major changes projected for general support of the University’s budget are discussed in detail in the budget document.

The Regents is being asked to approve the 2007-08 expenditure plan for core operations, which was developed based on the Compact with the Governor and includes the following:

- An average 5 percent compensation package, including continuation costs for salaries and health benefits that were provided in the previous year but effective for only part of the year; merit salary increases for eligible employees; a cost-of-living adjustment effective October 1; equity increases; and health and welfare benefit cost increases. This funding is sufficient to prevent further erosion in overall compensation and begin to close the salary gap, estimated to be 10 percent.

- Funding related to reinstatement of contributions to the University of California Retirement Program (UCRP). The Regents have made it a high priority to ensure the long-term viability of the retirement program for the benefit of all UC employees.

- An enrollment increase of 2.5 percent, or 5,340 FTE students, at the revised marginal cost level. This rate of growth is consistent with the Master Plan goal of accommodating eligible students and is sufficient to allow for planned increases in graduate academic programs and the health sciences, including increases in medical school and nursing enrollments.

- An increase for graduate academic student support, including new funding provided under the Compact and redirection of funds from additional savings achieved through the Strategic Sourcing Initiative and other efficiencies. This is necessary to begin to regain the University’s competitive position to attract the best graduate academic students.

- A research initiative that will partially restore recent budget cuts to core research programs, such as agricultural research, Scripps Institution of Oceanography, and others, and will provide new funding for research initiatives important to the state’s economic growth and job creation, including support for the California Institutes for Science and Innovation. Campuses will be asked to use at least 50 percent to 60 percent of the funds for new research initiatives to help support graduate students as research assistants.
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• Funding to continue UC’s multi-year plan to restore funds cut from the budget related to the student-faculty ratio. Support for this purpose in 2007-08 would constitute the third increment of funding over a three-year period directed toward improving the student-faculty ratio.

The budget plan assumes continuation of one-time funding for the Merced campus needed for startup costs as the campus continues to increase enrollments. In addition, the University intends to request one-time funding for deferred maintenance and capital renewal. The Compact provides that, as the State’s fiscal situation permits and one-time funds become available, the University may request one-time funds to address high priority infrastructure needs, including deferred maintenance and capital renewal. No funding has been provided for deferred maintenance since the State’s most recent fiscal crisis began. The University’s deferred maintenance backlog for high priority projects now exceeds $800 million, reflecting the lack of predictable and adequate capital renewal funding to replace building and infrastructure systems that have reached the end of their useful life. This is a critical unmet need. If one-time funds are available from the State, the University can begin to address the highest priority deferred maintenance and capital renewal projects and help protect its capital assets.

Funding for the University’s 2007-08 budget plan will come from a variety of sources. The Compact includes the following funding provisions from State General Funds for 2007-08:

• Base budget adjustment of 4 percent to be used to fund increases for salaries, employee health and welfare benefits, and other cost increases.

• Enrollment funding for growth of 2.5 percent, or 5,340 FTE students, at the agreed-upon marginal cost of instruction.

The budget plan also contains assumptions about revenue from non-State sources:

• $34.8 million in student fee income related to enrollment growth.

• $20 million in UC General Funds, including a 5 percent increase in undergraduate nonresident tuition.

With regard to student fees, the Compact states the Governor’s intent that increases in student fees should be based on the rise in California per capita personal income. In years in which UC determines fiscal circumstances require increases that exceed that rate of growth, however, UC may, in consultation with the Governor, decide that fee increases of up to 10 percent are necessary to provide sufficient funding for programs and to preserve quality.

With regard to professional school fees, the Compact provides that UC is to develop plans for professional school fees while considering several factors, including average fees at other public comparison institutions, total cost of attendance, market factors, the need to
preserve and enhance the quality of graduate academic programs, the State’s need for more graduates in a particular discipline, and financial aid requirements of graduate academic students.

For 2006-07, planned fee increases were avoided with the provision of sufficient State funds to “buy out” the proposed student fee increases. Following the State’s fiscal crisis in the early 1990s, when fees also went up dramatically, the State provided funds to avoid student fee increases for seven consecutive years.

At this time, the University is making no proposal for an increase in student fees. Instead, the University proposes to delay action on student fees until more is known after the Governor’s proposed budget for 2007-08 is released in January. Recognizing the variety of factors that must be considered and the uncertainty about the availability of State funds once again to buy out proposed student fee increases either partially or totally, the budget plan proposed for 2007-08 includes an assumption of revenue that would reflect either student fee increases or an equivalent amount of funding provided by the State, the source of which is to remain open until the January 2007 meeting of The Regents. It should be noted that any consideration of student fee increases would also need to include provision of adequate financial aid to ensure continued access for all students regardless of financial circumstances. In the event student fee increases are implemented for the coming year, it would be the University’s intention to offer financial aid initiatives that include the following:

- A 33 percent return-to-aid for undergraduate students, including special emphasis on providing assistance to needy middle-income students who traditionally have not qualified for grant aid.

- A higher return-to-aid of 45 percent for graduate academic students, to recognize the need to provide competitive graduate support packages and to cover collective bargaining agreements with teaching assistants.

- A 33 percent return-to-aid for graduate professional school students.

The total request for the 2007-08 proposed expenditure plan is $373.7 million to support the general budget from the sources described above. This constitutes an increase of about 7.6 percent when calculated on a base that includes programs funded from State and UC General Funds, and student fees (Educational Fee, University Registration Fee, and the Fee for Selected Professional School Students).

Proposed 2007-08 State-Funded Capital Outlay Program

Funding for the University’s 2007-08 budget required passage of the General Obligation bond measure (Proposition 1D) on the ballot for the November 7 election. Proposition 1D will provide $690 million for UC’s general capital outlay over two years as well as an additional $200 million over the same time period for expansion of the University’s medical schools and delivery of health care through telemedicine. The State capital
outlay plan for 2007-08 includes $316.8 million from general obligation bonds for
general capital outlay, another $140 million for projects associated with expansion of the
medical school programs, and $30 million in State lease revenue bonds.

In response to a question asked by Regent Island, Vice President Hershman reported that
the State has committed $19 million of permanent money and $12 million of UC money
for academic outreach, equaling $31 million, plus an inflation adjustment as for all other
programs. The amount of the allocation reflects a commitment the University made as
part of the Compact with the Governor. The State had been funding these programs
previously. In this budget, campus budgets had to be cut to provide those funds. The
allocation was based on how much of a budget cut UC believed it could make. Regent
Island took issue with this approach, believing that it would be more appropriate to seek
a desirable outcome and then attempt to fund it. He expressed his displeasure at the
relatively low level of University funding for an activity that the Regents have identified
as a core value of the University. Mr. Hershman reported that at the time it was what the
University could guarantee as a minimum; it was expected that the State would restore
its contributions.

Regent Ruiz commented that outreach programs are of great importance to the Hispanic
community. He believed that the State should inform the University as to its expectations
for these programs and the University should seek to meet these expectations so that State
funding would be assured.

President Dynes emphasized that this year’s permanent State contribution to academic
outreach is a strong step forward. UC has negotiated this allocation year by year.
Negotiated performance measures were put in place. The University gave its first report
last year on the outcome. Some programs were outstanding; some were not. A review
will determine whether more resources should be put into the programs that are working.
Committee Chair Gould recalled that a bipartisan agreement had been reached with
respect to the goals and funding for these programs. The University had proven its case
to the Legislature and Governor that there was real value in the programs, so this year,
rather than facing a battle on whether they would be funded, they became a solid part of
the University’s financial plan. He believed it was an important step forward.

Regent Blum believed that the concerns expressed by Regent Island and Ruiz were
symptomatic of a more fundamental problem and that the budget process must be taken
more seriously. Over the last year, the Regents have become more involved in it,
including through the work of a restructuring committee of faculty members, executives,
and outside experts. He believed that UC has an unused debt capacity of $12 billion and
should have been able to fund capital projects more quickly and that UC salaries are
further below market than the Regents have been told. The restructuring committee had
not been given an opportunity to discuss the budget that was being proposed. He
advocated postponing its approval until several issues, including the possibility of having
to increase student fees, could be considered in more detail.
Regent Johnson supported the comments of Regents Island and Ruiz. She hoped to have more of a discussion on outreach and believed that the small amount allocated to it would not help the University reach its goals with respect to diversity.

Regent Ledesma emphasized that any comments at the January meeting with respect to student fees should take into account the full cost of education and not just the registration and education fees. She also believed that academic preparation should be funded more generously.

Regent Marcus observed that academic outreach is not solely the University’s responsibility. He believed it should be considered in a broader framework that includes the other segments of the public education system.

Regent O’Connell commented that Vice President Hershman has the experience to present budget proposals for programs such as academic outreach that will be seen as a floor. He believed that the Legislature’s first augmentation to the University’s budget will likely happen in this area, and not at the expense of any other base funding programs.

President Dynes commented that the $31 million categorized as outreach is only a fraction of the efforts to open the gateway to underrepresented and underserved California students. The University has several initiatives, including the one to put qualified science and math teachers in California schools, especially where there are no credentialed science and math teachers, that are, in effect, outreach. The University also has one of the best student financial aid programs in the nation and well over one-third of its students are Pell Grant eligible, coming from households whose mean income is under $30,000. That is part of outreach in the sense it is an attempt to reach low income families. Eligibility in the local context is also an attempt to increase accessibility. While more can always be done, when combined, thoughtful programs of this nature equal far more than $31 million.

Regent Parsky commented that in connection with the outreach program, which is one element of achieving a diverse student body, the Regents have established a study group on diversity that will present its observations and recommendations. He suggested approving the expenditure plan as presented as a starting point to give to the Governor and Legislature, recognizing that steps must be taken to involve the Regents earlier in the process so that when a document comes forward it does so with an understanding of where the Regents stand on certain priorities.

Regent Pattiz noted that the Board has embarked in the last several months on some very important initiatives that underscore that the budget process will involve Regents more deeply. He believed, and Regent Blum agreed, that Chairman Parsky’s suggestion was a practical one.

Referring to Regent Blum’s statement about lagging salaries, Faculty Representative Oakley reported that an analysis that had been undertaken by the University Committee on Faculty Welfare and mathematical economist Mr. Bob Anderson resulted in the
conclusion that the 3 percent salary increase proposed for faculty in this budget was far below what would be needed just to keep salaries level. He believed it would be difficult to understate the scope of the faculty salary crisis.

Regent Kozberg also supported the Chairman’s approach. She believed also that it would be in the University’s best interest to join with the other segments of the State’s education system in an effort to solve the crisis that exists in academic achievement.

President Dynes welcomed the engagement of the Regents and friends over the next few months to analyze the budget process, which in many ways has been negotiated with the Department of Finance. The Regents’ various priorities must be folded in in preparation for the May Revise.

Regent Island commented that, although he was prepared to support the adoption of the budget, the Office of the President must acknowledge that there is failure in the process, in the lack of consultation as to priorities. He believed that the Regents had the right to participate in the setting of priorities.

Vice President Hershman noted that in the midst of the budget crisis the Regents had adopted a set of priorities and that these had been followed in setting the budget since that time. The problem is that there is not enough money to cover everything. He suggested that any restructuring of the budget process start with the priorities the Regents had adopted previously rather than begin at ground zero.

Chairman Parsky believed this discussion should be seen in the context of the Regents’ discussion about the long range plan. Long range plans must take clearly into account what resources are available. With limited resources, decisions must be made about priorities.

Regent-designate Brewer acknowledged that the University is making the effort on many fronts to increase diversity, but she believed that had not been made evident in the budget. She suggested adding to it a section that puts these efforts in context in order to show what is being done and what more needs to be done.

Committee Chair Gould summarized the discussion, observing that, while there is a process for setting priorities, the Regents are interested in re-engaging in and understanding the priorities of the system. Their need to follow the process and interject their priorities or changes is complimented by the longer term review that is being done under the chairmanship of Regent Moores to examine the longer term needs of the system, what can be expected as to resources, and how that gap may be bridged.

At the invitation of President Dynes, Mr. Bill Shiebler, President of the UC Student Association, addressed the Regents. He recapped the priorities for UCSA this year, including its effort to register students to vote, address diversity and admissions issues, and build a long-term student compact with the State. He reported that UCSA registered more students to vote than any other systemwide or statewide student association in the
country. He anticipated working with Regents and administrators during the budget cycle to prevent student fees from being increased and reported that members are working with legislators in an attempt to sponsor a bill to increase grant monies. He highlighted some points with respect to the value of academic preparation programs and their relationship to the goal of increasing diversity. He encouraged the Regents to seek an increase in State funding for academic preparation.

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

3. UPDATE ON EDUCATION BOND MEASURE

Executive Vice President Darling recalled that in July, The Regents endorsed the Kindergarten-University Public Education Facilities Bond Act of 2006, or Proposition 1D, which had passed in the November 7 general election ballot. The bond measure will provide $10 billion in much-needed funds for facilities and infrastructure improvements at California’s public K-12 schools and the California Community Colleges, California State University, and the University of California, including funds for telemedicine programs at UC. Funding from general obligation bonds for the University’s State-funded capital outlay budget for 2006-07 and 2007-08 was contingent upon voter approval of the Bond Act. The University will receive $890 million: $690 million for facilities construction and renewal and $200 million to expand medical education programs, particularly in underserved areas. The University had a broad information campaign, which included contributions from campus foundations and individual Regents, to communicate the value of the bond to the community.

4. APPROVAL OF THE UNIVERSITY OF CALIFORNIA FINANCIAL REPORT, 2006

The President recommended that the University of California Financial Report, 2006 be approved.

[The Report was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

Vice President Broome invited University Controller Plotts to discuss The University of California Financial Report on the University’s financial position and the results of operations for the fiscal year ended June 30, 2006. The 2006 Financial Report and audited financial statements for the University of California Retirement Plan, the PERS-VERIP, the Defined Contribution, 403(b) and 457(b) Plans, and the five University of California medical centers were mailed to Regents in advance of the meeting.

University Controller Plotts recalled that the financial statements are prepared in accordance with accounting principles established by the Governmental Accounting Standards Boards. The University this year implemented one of its statements with
respect to accounting for termination benefits, requiring the accrual of costs associated with terminations to be recorded. The effect was not significant for the University.

Mr. Plotts reported that, excluding the retirement system and the campus foundations, the University had total assets of $37.2 billion, which had increased by $3 billion from the previous year; liabilities of $16.8 billion, increased by $1.6 billion from the previous year; and net assets of $20.4 billion, increased by $1.4 billion from the previous year.

Mr. Plotts noted the three main categories of the balance sheet: investments, capital assets, and debt. He reported that investments as of June 30, 2006 were $13.2 billion, representing 36 percent of the University’s assets, an increase of $1.17 billion from last year. About $500 million of that increase was in the Short-Term Investment Pool. There was a $650 million increase in the General Endowment Pool, about two-thirds of which was the result of an increase in the net appreciation of fair value investments from the equity markets. The investment of cash collateral and the securities lending collateral are attributable to the securities lending program that the University enters into. The Treasurer’s Office manages the program through which the University lends securities and receives cash collateral. That asset grew by $877 million from last year because two new securities lending agents were added. Capital assets of $16.7 billion, which includes $2.3 billion of construction in progress, $1.8 billion for campus-related facilities, and $1.3 billion for healthcare facilities, represent 45 percent of the University’s total assets. Capital expenditures for the year were $2.2 billion. Other assets of $3.8 billion declined by $160 million from last year. On the liability side, debt, including commercial paper, of $8.87 billion increased by about $900 million during the year; some previously outstanding debt was refinanced, and some new projects were financed. That represents 53 percent of the University’s liabilities. Other liabilities of $4.5 billion decreased by $200 million from last year.

Mr. Plotts noted that net assets are reported in four categories. The first is the net assets that are invested in capital assets, net of the related debt associated with those assets. That increased by $427 million during the year, representing 42 percent of the University’s net assets. The category Restricted Non-Expendable represents the corpus of endowments. It increased by $50 million. Restricted Expandable Net Assets of $5 billion grew by $500 million. Those are restricted by external parties. Unrestricted Net Assets of $5.9 billion are allocated internally for academic research programs or for capital projects.

Concerning the financial results, Mr. Plotts reported that operating revenues of $16.7 billion increased by $969 million from last year. Operating expenses of $19.5 billion increased by $1 billion. There was an operating loss of $2.75 billion compared to $2.68 billion last year. There is always an operating loss shown because the State educational appropriations are reflected in non-operating revenues, which increased by $330 million. Income before other changes in net assets was $991 million for the year ended June 30, 2006 compared to $729 million last year. Other changes in net assets of $431 million resulted in a bottom line increase of $1.42 in net assets for the year. He noted that student tuition fees of $1.66 billion increased by 6.7 percent, which represents
10 percent of the overall operating revenues of the University. Grants and contracts at $4.15 billion increased by 4.2 percent. Medical centers, educational activities, and auxiliary enterprises totaled $6.22 billion, an increase of 8.3 percent, predominantly in the medical centers. Department of Energy laboratories totaled $4.23 billion in revenue, an increase of 2.1 percent. That includes the Los Alamos laboratory for 11 months of the year this year. Next year, no Los Alamos revenue will appear in the University’s operating statement. Other revenues were $508 million, an increase of 35 percent. Salaries and benefits of $9.49 billion increased 6.3 percent. If the DOE laboratories were removed from the expense base, salaries and benefits would be 63 percent of the University’s total expenses. Supplies and materials were $1.82 billion, which increased by 7 percent, partly because the capitalization threshold was increased from $3,000 to $5,000, which resulted in a one-time $48 million worth of expense. Depreciation and amortization of nearly $1 billion grew by 4 percent related to the capital program.

Mr. Plotts turned to the nonoperating activities. State educational appropriations were $2.57 billion, up about $100 million from 2005, or 4.5 percent. Private gifts of $624 million grew by 16 percent. This is where the University records the revenue from the campus foundations when they provide grants to the University. Investment income was $446 million, predominately fueled by increases in short-term interest rates during the year. Concerning net appreciation of fair value investments attributable to the equity markets, interest expense was $347 million, which increased from 2005 as a result of increased rates on commercial paper and additional borrowing.

Campus foundations had net assets of $3.67 billion, up by $425 million from 2005. Their combined financial results showed revenues of $389 million, over 90 percent of which are private gifts, representing a growth of 14 percent. Operating expenses were $429 million; a slight operating loss was offset by nonoperating revenues, including investment income and appreciation on their portfolio. During the year they received $159 million in new permanent endowment, for a growth of 30 percent over the prior year.

The retirement system consists of the UC Retirement Plan, which is a defined benefit plan, plus three defined contribution plans. The total net assets in UCRP are $43.4 billion, representing a 104 percent funding ratio. There are $12.47 billion of net assets in the Defined Contribution Plans, all from employee contributions. The total retirement system net assets grew by $2.68 billion from a year ago. In terms of financial results, the Defined Benefit Plan had additions of $2.98 billion from investment income and net appreciation in the portfolio, and deductions in the form of beneficiary payments were $1.48 billion. The increase in net assets in the Defined Contribution Plan was $1.5 billion in 2006. Similarly, in the Defined Contribution plans there were $1.9 billion of additions, about $1 billion from employee contributions and the other $900 million from investment results. The deductions represent participant withdrawals. The increase was $1.17 billion.

Mr. Plotts warned that one of the statements of the GASB will be far reaching. Number 45 deals with post-employment benefits. Its effect on the University is being evaluated.
The preliminary implication is that the liability for UC’s other post-employment benefits, which means annuitant health, will be recorded in the financial statements on an amortized basis. The total liability appears to be between $9 billion and $11 billion for UC and $400 million to $600 million for Lawrence Berkeley National Laboratory. The expense only reflected the “pay as you go,” but in 2008 the University will need to record the expense as it is earned throughout the employee’s employment, not on a pay as you go basis; therefore, the expense will be between $1.1 billion and $1.3 billion for the University and $45-50 million for the Berkeley laboratory. This will be a dramatic change to the way in which the financial results are reported.

Vice President Broome emphasized the importance of the new GASB requirement for the University, which will need to devise a funding method. There is a significant gap between pay as you go, which is sometimes as high as $200 million a year, and the $1.1 billion that the University will be required to expense. Further information will be reported once it is determined how the University should move forward.

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

5. REPORT ON NEW LITIGATION

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

The Committee recessed at 12:30 p.m.

The Committee reconvened on November 16, 2006 at 10:10 a.m. with Committee Chair Gould presiding.

Members present: Regents Blum, Bustamante, Dynes, Gould, Island, Kozberg, Parsky, and Wachter; Advisory members Bugay and Oakley; Staff Advisors Brewer and Miller
6. ADOPTION OF POLICY REGARDING APPROVAL OF THE ANNUAL BUDGET FOR THE OFFICE OF THE PRESIDENT

Chairman Parsky recommended that:

A. The Regents of the University of California shall approve an annual operating budget for the Office of the President.

B. The President and the Office of the President shall have no authority to expend funds related to the operations of the Office of the President for that fiscal year unless and until that budget has been approved in writing by The Regents.

C. The President is directed to create appropriate guidelines, procedures, and standards to ensure that this Regental policy is fully implemented in advance of the next fiscal year.

It was recalled that the Regents are considering approval of the operating budget for the Office of the President for the current fiscal year. This policy will require the Office of the President to prepare an annual operating budget that must be approved in writing by The Regents before funds for that fiscal year can be expended towards the operations of the Office of the President. This policy is not intended to encompass or to preclude or prohibit the Office of the President from paying, existing contract, consulting, or any other third party commitments.

President Dynes indicated his support for the recommendation.

Regent Marcus was opposed to the recommendation. He believed that singling out a portion that represents only 3 percent of the overall budget may leave the impression that the Regents are less rigorous in the scrutiny of the remaining portions.

Regent Johnson supported the recommendation, believing that it was a positive step that would increase transparency.

Regent Blum believed that it was incumbent upon the Regents to work with the administration to make sure that the University’s bloated bureaucracy is trimmed. He viewed this step as the beginning of a process of reform.
Regent Pattiz supported the proposal and thanked Chairman Parsky for bringing it to the Board.

Regent Island believed the proposal would give the Regents the ability to challenge and test efficiency and would provide a metric for measuring productivity.

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

7. **APPROVAL OF FISCAL YEAR 2006-07 BUDGET FOR THE OFFICE OF THE PRESIDENT**

The President recommended that the 2006-07 budget for the Office of the President be approved.

Chairman Parsky reported that it had been decided not to take action on this recommendation.

The meeting adjourned at 10:20 a.m.

Attest:

Acting Secretary