The Regents of the University of California

COMMITTEE ON FINANCE
January 18, 2007

The Committee on Finance met on the above date at UCSF-Mission Bay Community Center, San Francisco.

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

In attendance: Regents Coombs, Garamendi, Johnson, Lansing, Ledesma, Marcus, Ruiz, Schilling, Schreiner, and Varner, Regents-designate Allen and Brewer, Faculty Representative Brown, Acting Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice President Darling, Vice Presidents Broome, Gomes, Hershman, and Sakaki, Chancellors Birgeneau, Bishop, Córdova, Drake, Fox, Vanderhoef, and Yang, Acting Chancellors Abrams and Blumenthal, and Recording Secretary Smith

The meeting convened at 10:46 a.m. with Committee Chair Gould presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of November 15-16, 2006 were approved.

2. **UPDATE ON 2007-08 GOVERNOR'S PROPOSED BUDGET**

Vice President Hershman presented on the overall Governor’s budget and the proposals related to the University of California’s budget. He stated that the Governor’s budget supports the basic Compact between the State and the University. It should be noted that the Governor closed the structural deficit of about $4 billion in one year and created a $2 million reserve, indicating that controversial decisions were made. The Governor also proposed a one percent increase in expenditures, which is very low. The Governor has made education a priority in this budget, and is also proposing more bond measures in 2008 and 2010 that are heavily focused on education, including over $11 billion for higher education with $2.7 billion proposed for UC over the next eight years.

Specifically in relation to the University’s budget, Vice President Hershman reported that the Governor funded the four percent base adjustment in UC’s budget. This adjustment, in addition to other funds, will allow UC to do a five percent compensation package. Since UC is approximately ten percent behind in terms of compensation, this will allow UC to begin to close that gap. The Governor has funded enrollment growth, annuitant health care, and lease revenue bonds. The Governor supported a major research initiative for UC, including $15 million for the California Institutes of Science and Innovation and $5 million as matching funds for the petascale computer national competition if UC wins the competition. In terms of capital projects, the Governor is proposing to fund medical schools, the Helios project, and $40 million to the winner of the British Petroleum competition. Continued funding for Merced is also included.

In terms of retirement, The Regents adopted a plan to begin contributions by July 1, 2007 dependent upon State funding, adequate employer and employee contributions, and collective bargaining. The Compact provides that the State will fund retirement. Given that currently the retirement system is slightly over 100 percent funded and that the State has a serious fiscal problem, the Governor and the Department of Finance were not prepared to make a commitment to UC to begin funding retirement for 2007-08. Vice President Hershman assured The Regents that he will continue to work with the Governor and the Department of Finance on this issue, with the possibility of including language in statute recognizing the State's obligation to fund UC retirement.

The Governor removed the State funding for student academic preparation and labor research. This same situation has occurred the last several years, but the Legislature has put the money back into the budget. Vice President Hershman anticipates that this will happen again. UC will work hard to get the funding restored.

Vice President Hershman stated that the issue of student fees is always controversial. The Compact between the University and the State recognizes that student fees will rise every year. For the current year the Governor did provide funds to buy out student fees, but for the budget year such funds have not been included at this point. A proposal will be brought to The Regents in March to propose a fee increase. A seven percent increase in general fees would be needed to generate the necessary funds, with ten percent for the law schools at Berkeley and UCLA, and with financial aid coming out of these fee increases. Low-income students would pay no fee increase, and middle-income students would pay only half the fee increase as a subsidy. Considering financial aid and Cal-Grants, he estimated that the net fee increase that students would pay is less than four percent.

Vice President Hershman concluded by stating that State general funds for UC are going up over six percent while State funds in terms of the total budget are going up only one percent, representing a strong commitment to the University on the part of the Governor.

Regent Kozberg asked if families were alerted regarding possible student fee increases and loss of academic preparation funding. Vice President Hershman replied that UC has an obligation to notify students and parents of the potential for the fee increase, and this will be done. In terms of student academic preparation, UC will be providing reports on the success of these programs, and he is making the assumption that these programs will be funded again.

Regent Hopkinson commented that the State budget must always be considered in the context of the University budget. Vice President Hershman responded that other funds are also being analyzed, including the possibility of losing federal money. Regent Hopkinson also stated that the University has a fiduciary responsibility to fund the pension plan. A delay of one year in restarting pension contributions results in an increase cost of $1.9 billion over ten years.

Faculty Representative Oakley delivered the Academic Senate’s endorsement of the urgency of funding the UC Retirement System pension plan. The current model is not sustainable if it becomes necessary to go to a combined employer-employee contribution. The Academic Senate has become increasingly concerned that the University’s competitors are leaving UC behind. He urged The Regents to review the documents from the Academic Senate, particularly the resolution of the Academic Council on safeguarding the University’s future.

Regent Blum reiterated the importance of funding the pension plan, asserting that UC cannot wait another year. There must be a strong effort to return to Sacramento to obtain funding for the pension plan and to make UC a priority in the State budget. If the State will not provide the funding, at minimum UC should receive a note that could be borrowed against to ensure that the pension plan is funded. Over time there has been a serious decline in the amount of funding UC has received from the State.

Regent Lansing added that if the cost of funding pension plans becomes too great, UC’s hospitals will be in jeopardy.

President Dynes reiterated that the lack of funding for the pension plan is a very disturbing issue. It is not a legitimate argument that since the pension fund is currently over-funded it does not need funding this year.

Regent Preuss asserted that UC should calculate the dollar amount necessary to maintain its excellence over time. The vice presidents should work on these calculations so a number can be refined and put forth in UC’s negotiations with Sacramento. Faculty Representative Brown commented that the resolution by the Academic Senate provides a refined analysis for arriving at such a number. The faculty resolved to provide to The Regents a detailed set of projections of the full costs associated with achieving each of The Regents’ priorities. Regent Blum agreed that UC needs to develop a credible plan with a dollar amount in order to make a strong case to Sacramento. It needs to be made clear that UC is expected to provide a certain amount of training for the needs of the State, and that money needs to be provided to UC to meet those expectations.

Chairman Parsky stated that UC needs to put more urgency into presenting a long-term outlook. This longer term outlook for the financial needs of UC needs to be put forward during the May revisions to the Governor's budget. He also stated that The Regents has a responsibility to step beyond the Compact between the University and the Governor, and to be more engaged in the budgeting process.

Regent Gould stated the importance of recognizing that UC was a clear priority in the Governor's budget. He asserted, though, that there are areas that need to be remedied, most importantly the retirement plan. If UC can obtain a statutory commitment from the State, he believes that the resources will become available. Another area is a long-term outlook on the financial demands necessary for UC to remain a world class institution. The University needs to rise above the annual budget dance and make a case in Sacramento for the importance of funding the University.

Vice President Hershman responded that the University did ask the Department of Finance for an additional $500 million to close the salary gap, improve the student-to-faculty ratio, and provide academic support. In order to fund the retirement plan, UC needs $330 million from the State. In total, UC needs over $4 billion dollars from the State, and UC needs to keep this number in front of Sacramento. In terms of the State's financial difficulties, though, if the Governor eliminates the structural deficit, UC will greatly benefit since more funds become available when the State is in good financial health.

3. **STATUS OF DEBT CAPACITY STUDY**

Vice President Broome reported on the Debt Capacity Study conducted by Lehman Brothers. She stated that based on the concern, particularly on the part of Regent Blum, that UC's approach to debt management was overly conservative and that the allocation of debt capacity has not been in agreement with UC's strategic priorities, President Dynes retained Lehman Brothers for the purpose of reviewing and developing future options with respect to UC's debt, including external capacity and internal guidelines, and to analyze capital projects. An advisory committee was formed to work with Lehman Brothers, with representatives from every campus and with Vice President Broome as Chair.

The following are several observations and conclusions from this work:

- The University's debt capacity is between $9 and $11 billion dollars, far above the $4.5 billion previously thought. State public works debt is not counted against UC's debt capacity. The credit of the University is being separated between the core functions and the non-core functions, with the latter having a lower-rated credit. Non-core functions include auxiliary enterprises, such as housing and parking structures. Currently the

University is rated AA; if the University could move to an A for auxiliary enterprises it would save UC significant amounts of money.

- The debt caps in project feasibility guidelines are unusually conservative relative to other major research institutions. New methodologies and guidelines are being developed to address this. Several debt management tools will provide higher cash flow to the University. In December 2006, many of the University's bonds were refinanced that provided net value savings of $71 million. Other ways to alter the debt structure of the University are also being explored, such as changing payment streams to provide more up-front money.
- The number of bank credit lines, which stand at $750 million, should be reduced, since last year only $130 million were used, resulting in a stand-by fee of $1.5 million for those lines not used.
- The average monthly balance of the Short Term Investment Pool (STIP) stood at $8 billion. STIP supports University expenditures of $1.9 billion a month, as well as working capital loans for the hospitals and market grabs, but some of this money should be moved into higher yielding investments.
- Hospital debt has been analyzed to maximize and leverage the University's opportunities. All the revenues of the medical centers are now pooled, allowing the University to increase its debt capacity and borrow at a lower cost.

Vice President Broome stated that the next step of the advisory committee is to develop recommendations for options to strengthen debt management, which will be brought to the Committee on Finance in March.

Regent-designate Brewer joined Regent Gould and President Dynes in thanking the committee and Lehman Brothers for their work, and she inquired as to why this has not been done in the past. President Dynes responded that much of the reason was due to the fact that the University has not had a Chief Financial Officer, which it will in the future.

Regent Blum commented that when this process began, the financial advisors in the Office of the President believed that the University's debt capacity was essentially zero, and in turn placed artificial spending caps on campuses. Due to this reevaluation, the University now has the ability to build necessary facilities, particularly in the areas of science and medicine. He warned, however, that this increased capacity should not influence the fact that the University continues to have a need for increased funds for operating expenses.

Regent Moores stated that this is a heroic project due to the work and instigation solely of Regent Blum. The capital needs of the University are huge, and this work will make it possible to meet these increasing needs.

4. **UPDATE ON REGENTS' PRIORITIES AND BENCHMARKS**

Executive Vice President Darling suggested that because this item is highly significant in that it underlies the financial and budgetary discussions of the Committee and provides the core data for determining whether the University is fulfilling its mission, it should be moved to the March meeting when adequate time will be available for discussion. Regent Gould stated that benchmarks should be integrated with fiscal demands. Executive Vice President Darling stated that in March the Committee will be presented with a more holistic view of both academic and financial issues at the same time.

5. **ADOPTION OF POLICY RESTRICTING UNIVERSITY ACCEPTANCE OF FUNDING FROM THE TOBACCO INDUSTRY**

Regent Moores recommended that The Regents adopt the following policy:

> "The freedom of our academic community to pursue research and educational activities is vital to the University's mission and to its success as a world-class institution, and should be affected by University mandate only in rare and compelling circumstance. The collective use of sponsored research by the manufacturers and distributors of tobacco products as an industry to support a public deception about its products is unique, unprecedented, and represents just such rare and compelling circumstance. Accordingly, The Regents of the University of California shall accept no funds from the manufacturers or distributors of tobacco products, their affiliates, or any entity controlling or controlled by such companies, that are to be used to study tobacco-related diseases, the use of tobacco products, or the individual or societal impacts of such use."

This policy will apply only to awards made in response to new proposals submitted after the date this policy becomes effective. Awards active as of the effective date of the policy will be allowed to continue, and acceptance of funds that may be awarded in response to proposals submitted prior to the effective date of the policy will be allowed.

It was recalled that research at the University of California is funded by a variety of sources, including federal, State, foundation, individual, and corporate/industry support. Under current University policy, individual researchers are free to accept funding from any source, as long as the funds are otherwise in compliance with applicable University policy (for example, as long as the award does not give the sponsor the ability to control or restrict publication of research results). Individuals, foundations, and corporate/industry sources also provide funding to the University for purposes other than research (e.g., in the form of gifts to support arts and education programs, buildings, endowed chairs and professorships, student support, etc.). There are no restrictions on the

University's ability to accept gift or endowment funding from any source, as long as the awards comply with University policies.

Over the years, critics of tobacco and of the tobacco industry have raised serious concerns about the University's acceptance of funding from sponsors with ties to the tobacco industry. While the amount of such funding received by the University is quite small in proportion to the University's total research funding, the concerns raised about acceptance of such funds center not on the amounts but on underlying principles and on the belief that such acceptance is inconsistent with the University's missions. Since 1995, UC researchers have received approximately 108 awards totaling about $37 million from tobacco-related companies for research, training, and public service. By comparison, the University received more than $4 billion in total contracts and grants revenue in FY2006 alone. In addition to tobacco companies like Philip Morris, there are other companies, like Kraft Foods, that are either parent companies or subsidiaries of tobacco companies. While UC does not maintain a comprehensive list of "tobacco companies," there are companies known to UC that have in the past been identified with the tobacco industry.

There are approximately 19 active grants at UC from sponsors with known ties to the tobacco industry. These grants, supporting research and related activities on the Berkeley, Davis, Los Angeles, and San Diego campuses, were all awarded by Philip Morris USA, and total approximately $15.8 million.

The University also has received gift funds from tobacco companies and sources related to tobacco companies. While comprehensive systemwide information is not available in the University's corporate databases, consultation with campus development offices identified gifts from a number of tobacco companies. Responding campus development offices reported receiving gifts from corporate donors such as RJR Nabisco, Kraft Foods, Brown and Williamson Tobacco Corporation, and Philip Morris, with approximately 11 gifts made since fiscal year 2005, totaling about $485,000. This is an extremely small proportion of the University's total receipt of gifts and pledge payments, which for FY 2006 alone was $1.29 billion.

A number of individuals and organizations have encouraged the University to adopt a policy prohibiting acceptance of tobacco industry funds. Proponents of such a ban have expressed the strong view that the tobacco industry has exerted a corrupting influence on research and that even though the tobacco industry does fund some meritorious basic scientific research, it also funds scientifically inferior proposals and uses the more meritorious research to lend credibility to its funding program while minimizing the risks of tobacco. Adoption of a policy banning such funding is seen as a way for The Regents to make a strong statement and to dissociate the University from an industry that has been deemed to engage in corporate actions antithetical to the University's core missions.

Proponents of a ban on acceptance of tobacco funding argue that the University should dissociate itself from an industry known to make a product harmful to human health and that has a history of attempting improperly to influence or misrepresent research results. A number of other highly regarded institutions have already adopted policies declining tobacco industry funding. These include Johns Hopkins School of Public Health, University of Arizona School of Public Health, Emory University School of Medicine, Harvard School of Public Health, Harvard Medical School, and Ohio State University School of Public Health.

Most recently, proponents of a ban have pointed to an August 17, 2006 federal district court ruling that found defendant tobacco companies guilty of violating the Federal Racketeer Influenced and Corrupt Organizations Act as evidence of the tobacco industry's fraudulent corporate actions and disingenuous relationship with academic research institutions. They particularly point to a concern that defendant Philip Morris, found to have engaged in fraudulent actions, funds research at the University of California. This decision is currently on appeal.

Opponents argue that an institutional policy prohibiting researchers from accepting tobacco funding would violate the academic freedom of individual faculty members. They argue that the University should reject the idea that accepting funding from a corporate sponsor connotes an endorsement of the corporate sponsor's products or corporate actions. They also argue that while the use (or *mis*use) of research results by tobacco companies may be objectionable, individual investigators are expected to ensure the integrity of the conduct of their research regardless of the source of its funding. The University's policy on Integrity in Research provides in part that "all persons engaged in research at the University are responsible for adhering to the highest standards of intellectual honesty and integrity in research." The University's Statement of Ethical Values, adopted by The Regents in May 2005, restates the University's expectation that all members of the University community engaged in research are to conduct their research with integrity and honesty at all times, and to meet the highest standards of honesty, accuracy, and objectivity. Opponents of a policy argue that restricting investigators' funding to ensure research integrity may be unnecessary and may undermine the ability of researchers to explore promising avenues of inquiry independent of political and moral judgments about the source of that funding.

Finally, opponents of a ban note that it is a dangerous "slippery slope" to adopt a policy of rejecting funding from certain types of industry sponsors whose products or corporate behaviors are objectionable to some, and caution that there are a number of other industries that some would argue should fall under such a policy. While acknowledging the legitimacy of concerns about tobacco and about the corporate behavior of some companies, opponents of a funding ban express the opinion that as long as a grant has no conditions that would prevent researchers from adhering to their obligation to engage in intellectually honest research and to release the results of such research, the sponsor's motivations should not preclude acceptance of funding.

The University's Academic Senate has considered this issue a number of times. Further information about the Academic Assembly's resolutions is included below.

The University's Vice Provost for Research, Lawrence Coleman, and the systemwide Council of Vice Chancellors for Research (COVCR), which includes all the campus Vice Chancellors for Research, also have discussed at length the issue of restricting acceptance of tobacco funding. They have repeatedly expressed their opposition to adoption of a University policy restricting faculty from accepting research funding from tobacco companies and have expressed the view that such a policy is likely significantly to undermine researchers' academic freedom and would set a troubling precedent for future consideration of restrictions on funding from other industries that may also be the subject of moral or political debate or that may be involved in litigation regarding alleged corporate misdeeds involving fraud or other illegal actions. Given that existing University policies require researchers to adhere to the highest standards of honesty, accuracy, and objectivity in their work, there is concern that a funding ban may be unnecessary and might unfairly impugn the integrity of the University's faculty. While the COVCR has consistently expressed its opposition to a policy restricting acceptance of research funding from a particular industry segment such as the tobacco industry, it has not reviewed the specific text of the draft policy that is now being considered by The Regents.

Academic Senate Consideration

Following discussion of *Research Funding: Acceptance of Funding from Corporate Sponsors Associated with the Tobacco Industry* at its September 20, 2006, meeting, The Regents asked the Academic Senate whether a policy banning funding from tobacco industry sources was justified in light of the federal district court ruling that found defendant tobacco companies guilty of violating the Federal Racketeer Influenced and Corrupt Organizations Act.

In response to this request, the Assembly of the Academic Senate debated the issue on October 11, 2006. The Assembly's actions, described in a November 1, 2006 letter from Assembly Chair John Oakley to President Dynes, which was also conveyed to The Regents, consisted of passage of three resolutions:

> "The Academic Assembly instructs the Chair of the Assembly to advise the President that grave issues of academic freedom would be raised if The Regents was to deviate from the principle that no unit of the University, whether by faculty vote or administrative decision, has the authority to prevent a faculty member from accepting external research funding based solely on the source of funds. Policies such as the faculty code of conduct are already in place on all campuses to uphold the highest standards and integrity of research. The Academic Assembly believes that Regental

> intervention on the basis of assumptions about the moral or political standing of the donor is unwarranted."
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> "The Assembly declares its deep disapproval of funding arrangements in which an appearance of academic freedom belies an actual suppression of academic freedom."
>
> and
>
> "The Assembly asserts its conviction that past funding arrangements involving the tobacco industry have been shown to suppress academic freedom."

As background to this action of the Academic Assembly, the Call of the meeting at which the three resolutions were adopted, stated:

> "At its July 21, 2004, meeting, the Academic Council adopted a Resolution on Restrictions on Research Funding Sources. Then, in October of 2004, the Academic Council, in response to concerns raised by some faculty members regarding both the content of the resolution and the need for broader consultation on the issues it addresses, sent the Resolution out for full Senate review and consideration of whether it should stand as written and adopted, or should be amended or rescinded. Formal responses from all nine Divisions and from six standing committees of the Assembly showed a preponderance of support for the resolution in principle. Based on those formal comments and recommendations, the Academic Council adopted an amended version of the *Resolution on Restrictions on Research Funding Sources*, which was, on May 11, 2005, adopted by the Academic Assembly as the *Resolution of the Academic Senate on Research Funding Sources*."

Regent Moores introduced Mr. Glantz, Professor of Medicine and Cardiology at UCSF, noting his research accomplishments on the dangers of tobacco smoke and on the workings of the tobacco industry. Mr. Glantz reported that the tobacco industry funds research to create controversy and to instill doubt in the mind of the general public regarding the effects of smoking tobacco. A primary motivation of the tobacco industry in funding University research is to slow down the development, transmission, and appreciation of knowledge, and in this regard the industry has been very successful. Tobacco companies use universities against universities' fundamental missions. In a recent court ruling, Philip Morris was found guilty of defrauding the public, and the creation of the Council for Tobacco Research to fund university research was the first element of the fraud listed in the ruling. The Philip Morris Research Program, which is the agency currently funding the University, is specifically identified as part of the illegal enterprise, and a research project at UCLA was called out as evidence of the ongoing fraud. For these reasons, The Regents should decline to take money from the tobacco industry.

Mr. Glantz also reviewed how several different units around the University have had extensive discussions regarding this issue and have decided to decline funding from the tobacco industry. These policies were overruled by UC systemwide. At this point the University of California is the only academic institution in the world which prohibits its schools of medicine, public health, and nursing from declining tobacco industry funding. There is no strong consensus in the Academic Senate at UC, so the issue has been brought to The Regents.

Regent Blum moved the item, and Chairman Parsky seconded the motion.

Mr. Glantz responded to a question asked by Chairman Parsky that the "systemwide" overruling came from the Office of the President, and many people in the Academic Senate were also sympathetic.

President Dynes stated that he is not speaking against this policy, since that might be construed as speaking in favor of tobacco companies, but he expressed his concern about the policy. He stated that at the campuses there is still much discussion and debate around this issue, and that many faculty members are doing excellent research with tobacco industry funds and such a policy would disallow such research until other sources of funding were found. President Dynes expressed concern that the details of this proposal, which affects the academic freedom of individual faculty members, have not been sufficiently vetted by the faculty.

Faculty Representative Oakley stated that this issue is very divisive, with a high potential for polarizing UC faculty due to the implication of moral condemnation coming from both sides. He agreed with President Dynes that there has been no definitive statement from the faculty either way concerning this issue, and that it might be useful to have the input from the Academic Senate as to the particular text of the policy. By a 62 percent margin the Academic Council did vote on this issue in favor of academic freedom, with the caveat that those faculty members who do accept tobacco funding be exceedingly cautious when deciding to accept such funding.

Regent Lansing stated her belief that academic freedom is the most important issue and is the basis on which the University stands. She asserted that The Regents should not do anything that violates academic freedom, which this policy does. She also stated her belief that the faculty are able to monitor themselves regarding whether research can be done without corruption, or to not accept funding if they choose. Regent Lansing was uncomfortable that another party did not present the other side of the situation along with Mr. Glantz.

Regent Coombs commented that the odious practices of the tobacco industry were acknowledged in 2001 when The Regents banned all investments related to this industry. He stated, though, that a yes vote on this item would establish a dangerous precedent that threatens the culture of academic freedom, and would signal that The Regents does not trust the judgment of UC's academics, faculty, and administration.

Regent Marcus felt that this issue has been unfairly put upon The Regents and that the issue is the business of the faculty. He asked the Academic Council for a clear message as to their position on the issue.

Regent Kozberg was troubled by the idea that research at the University is being banned from the top down. She did not feel she could make an intelligent, thoughtful decision on the matter given the amount of information she had at the time. She expressed her desire to turn the matter back over to the faculty so that it may be debated further. She agreed that academic freedom must prevail.

Regent Hopkinson stated that she was uncomfortable with the wording of the resolution, particularly the language regarding affiliates and controlling entities. She also agreed that this issue should rest with the Academic Senate. Regent-designate Brewer stated that because she could not know the effects of this policy on academic freedom based on the current language, she could not support it.

Regent Garamendi asked for clarification regarding the wording of the directive from the Office of the President, and learned that funding "can be accepted" by faculty at this time. Mr. Glantz responded that the directive is being interpreted at the schools as "shall be accepted." Regent Garamendi suggested that action may be taken to allow individual schools to decide the issue at that level. Faculty Representative Oakley responded that it has been highly problematic in the past when individual schools attempted to limit the funding sources of its faculty. He added that under the present policy no faculty member is required to take money. The decision to do so is left to the judgment of individual faculty members.

Chairman Parsky stated that the language in the policy was carefully drawn by the General Counsel. Regent Blum clarified that the language of the policy specifically and simply states that The Regents will not take money from a tobacco company or its subsidiaries for funding tobacco research. He also reiterated that, given the court ruling against Philip Morris, the University is being funded by an enterprise the sole purpose of which is to distort the truth about tobacco. The Regents is responsible for the reputation of the University, and the fact that the University accepts money from Philip Morris for 13 projects affects the University's credibility. He opined that accepting tobacco money hurts, not helps, academic freedom.

Regent Moores reiterated that a federal judge concluded that the tobacco industry had been engaged in illegal racketeering, that it formed research organizations for the purpose of establishing industry-favorable science and potential expert witnesses, and that this conduct continues in the present.

Chairman Parsky suggested that the Committee on Finance call in the faculty conducting research with tobacco funds and ensure that The Regents understands fully how such faculty is handling the funding.

Chairman Parsky stated that The Regents should not pass on the responsibility to make a decision on this issue, given that the Academic Senate has passed the issue on to The Regents. Regent Preuss requested that the Academic Senate provide a clear statement to The Regents. Faculty Representative Oakley clarified that it is not the consensus of the Academic Senate that The Regents should decide this issue independently. The Academic Senate would not be averse to holding a vote on the precise text of this policy. Such a vote could be held in May, if this were the wish of The Regents.

Regent Hopkinson moved an amendment to the motion that the vote on the matter be postponed until the May meeting, and that The Regents will have the input of the Academic Senate by that time. Regent Gould seconded the motion to amend. A roll call vote was conducted, Regents Blum, Dynes, Gould, Hopkinson, Kozberg, Parsky, and Preuss (7) voting "aye," Regent Moores (1) voting "nay."

Faculty Representative Oakley asked for clarification regarding the charge to the Academic Senate. Chairman Parsky stated that it was his understanding that The Regents wanted an up or down vote on the resolution itself, but that the Academic Senate can also add input. Regent Marcus responded that The Regents needs clarity on the broader issue of academic freedom in relation to tobacco funding for research.

6. REPORT ON NEW LITIGATION

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

The meeting adjourned at 12:55 p.m.

Attest:

Acting Secretary