

The Regents of the University of California

**COMMITTEE ON EDUCATIONAL POLICY**

November 19, 2008

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

Members present: Regents Blum, Cole, Garamendi, Island, Johnson, Marcus, Scorza, Varner, and Yudof; Advisory members Stovitz and Powell, Staff Advisors Abeyta and Johansen

In attendance: Regents De La Peña, Gould, Hopkinson, Hotchkis, Kozberg, Makarechian, Pattiz, Ruiz, Schilling, Shewmake, and Wachter; Regents-designate Bernal and Nunn Gorman, Faculty Representative Croughan, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Interim Provost Grey, Executive Vice Presidents Darling and Lapp, Vice Presidents Beckwith, Dooley, Foley, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Drake, Fox, Kang, White, and Yang, and Recording Secretary Lopes

The meeting convened at 10:15 a.m. with Committee Chair Island presiding.

**1. REMARKS OF THE CHAIRMAN**

Committee Chair Island invited the chancellors to participate in the Committee meeting as suggested by President Yudof. Committee Chair Island informed the Committee that he supports modification of the grade point average component of the freshman eligibility reform proposal suggested by President Yudof. The freshman eligibility reform proposal has been studied extensively for over five years. Committee Chair Island anticipated a January decision on the proposal.

**2. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of September 17, 16 and 18, and October 20, 2008 were approved.

**3. REMARKS OF THE INTERIM PROVOST**

Interim Provost Grey remarked that this meeting returned to a practice of years past providing the Provost the opportunity to comment at the Regents' meeting on issues pertaining to the academic work of the University. He reported that the budget challenges are the current dominant topic on the campuses and that, representing a small, intermediate, and large campus, Chancellors Blumenthal, Fox, and Block will brief the Regents on the impact of the budget challenges on their campuses. Mr. Grey stated that

the academic enterprise of the University is the highest priority, and the impact of the budget cuts on that essential function must be mitigated. Additionally, he advised that over the past decade, the University has experienced three rounds of budget reductions. The campuses have, each round, applied the principle that the academic sector is the highest priority with the consequence that the lion's share of the reductions has occurred in administrative areas.

UC Santa Cruz Chancellor Blumenthal noted that the excellence of the University, with a commitment to access and diversity, is critical to the economic and intellectual well-being of California. He expressed deep concern about the current budget situation and anticipated cuts, which are exacerbated by increasing mandatory costs. This position, he cautioned, puts at risk the quality of the institution, its access, and affordability. With the next round of budget cuts, the Santa Cruz campus will have to cut deeply into academic programs, eroding the quality of a UC Santa Cruz education.

Chancellor Blumenthal reported that UC Santa Cruz has taken a focused approach to accommodating the 2008-09 budget cuts. The campus has consolidated and automated business and information technology functions. No across-the-board reductions were made. The campus' strategic academic plan remains the priority. Academic units were reduced, on average, by less than one percent. He advised that though campus enrollments grew, without State funding to support the additional students, critical functions such as health and safety that are exempted from cuts still experienced de facto reductions, given workload and inflationary costs. UC Santa Cruz is preparing for its first comprehensive fundraising campaign, so development efforts were protected.

In contrast, administrative units were reduced as much as 10 percent, shifting the associated burden to academic support units, a strategy that cannot be sustained. Academic support units now operate on very thin margins, such that if someone is sick, the work does not get done. Business transactions that require human interactions have been cut back significantly, while maintenance backlogs are accelerating. Chancellor Blumenthal reassured the Committee that the campus will continue to focus on improving administrative efficiencies, but warned of the impending point of diminishing returns. Essential units cannot be further reduced. He reported that UC Santa Cruz is accommodating its share of the \$33 million midyear cut, but the impact will be more drastic in 2009-10, when the campus must absorb these and further midyear cuts on a permanent basis.

Chancellor Blumenthal pointed out that, as part of its multi-year strategic planning, UCSC has streamlined administrative operations, made difficult and principled decisions regarding budget reduction distribution, while continuing to strive to sustain progress in building academic programs that define the future and honor the University's commitment to provide access.

Chancellor Blumenthal discussed the campus' options for additional reductions. He noted that the campus serves 600 students without State funding and will be exploring the impact of additional budget reductions on enrollment and faculty. More faculty positions

will remain vacant. New academic programs, already approved, such as doctoral programs in visual studies and film, and digital media have been delayed. Additionally, initiatives into which the campus cannot afford to continue investment, for example, the Institute for Science and Global Policy, have been suspended.

Chancellor Blumenthal outlined how, together with Provost and Executive Vice Chancellor Klinger, UC Santa Cruz is engaging with the campus leadership team, deans, vice chancellors, vice provosts, and the Academic Senate to explore a design for a stable, sustainable campus on a smaller State budget. It is necessary to have an understanding of core functions and the support they need to identify additional programs and services for consolidation or elimination: First, additional reductions will occur in academic programs and instruction with the resulting slowing of student degree progress. Second, reductions in access are inevitable. This reduction is particularly unfortunate at a time when the state needs higher education to provide the population with skills to address twenty-first century problems and to fuel the economy. Third, further reductions in campus employment will be necessary. Despite the campus' progress in deploying technology to streamline business processes, 86 percent of State funds and student fees go toward salaries and benefits. Further reductions will not only affect campus plans for the future but also cut into the core of existing academic programs responsible for fueling the campus' upward trajectory of excellence.

The impact of these reductions, Mr. Blumenthal anticipated, will be that students will have a difficult time enrolling in classes and opportunities to participate in research with faculty and graduate students will be limited. Student academic support services that enrich the college experience, such as the library and writing center, will be reduced. And some faculty, the foundation for the progress that has been attained, may be lost.

Chancellor Blumenthal summarized the UCSC efforts by advising that the campus will continue to act deliberately and in a principled manner, looking to the campus strategic academic plan for priorities, choices, and opportunities. He expressed his concern that further budget reductions, compounded by increasing mandatory costs, will erode the quality of the University and access for the citizens of California.

UC San Diego Chancellor Fox addressed the effects current budget reductions are having on Scripps Institute of Oceanography. She affirmed that the campus recognizes that the world economic crisis is playing havoc on both short and long term plans. The current goal of UCSD is to work to maintain and enhance the excellence of academic programs during a period of unprecedented financial stress. Given the difficulty of achieving that goal, Chancellor Fox explained, the campus is dismayed by the specter of further midyear cuts, compounded by the reality of continued erosion of base funding.

Chancellor Fox briefly reviewed the effect of the reductions on UCSD, a growing institution consistently rated among the top ten of public institutions in the world with 28,000 highly selected students. Only one out of every ten applicants is accepted. UCSD is a campus with Nobel quality research, major health science and marine science investments and a general campus. Just 12 percent of the campus' \$1.3 billion annual

budget derives from State appropriations, but this State funding provides salary and benefits for most faculty and support staff. The sources for the remainder of the budget, for example federal and State agencies, are also under stress. Growth in traditional sources of support has slowed or stopped. Although higher student fees could be adopted, the fees cannot be increased to a level sufficient to void the impending deficit if the University's character as an affordable public institution is to be maintained.

Approaching its fiftieth anniversary, UC San Diego is a young campus lacking the deep endowment funds available to private universities. These endowment funds could be used to recruit away the campus' best faculty. Indeed, the campus is seeing an increase in offers to its faculty in the last several months. Chancellor Fox advised that extreme measures must be undertaken to maintain success. The campus will use the next two years to vigorously assess progress and iteratively refine directional choices as UCSD is redefined in light of the budget realities.

Chancellor Fox advised that in assigning the budget reductions, the campus began by affirming guiding principles: the cuts must have minimal impact on classroom and laboratory instruction; campus diversity efforts, including outreach to California schools and community colleges, must remain intact; patient care and environmental health and safety cannot be compromised; and administrative efficiencies will be rigorously sought and implemented. Position control has been established. All new or vacant staff positions can be filled only with the explicit permission of the chancellor or the unit's vice chancellor. Programs that have been reviewed or set to start are not being started. Redundancy and overlapping positions are being eradicated. Common purchasing discounts are being negotiated. The campus is seeking self-reliance, sustainability, and stabilized prices for commodities, including utilities. The campus has adopted cheaper alternate energy strategies and has negotiated an agreement for 1.2 milliwatts of photovoltaic leased power at no capital cost to the campus. A hydrogen fuel cell is being constructed that will use waste methane gas provided by the City of San Diego to generate two megawatts of additional thermal capacity. The campus has hybrid and biodiesel vehicles that provide both immediate and long-term savings. UCSD real estate management is aggressively renegotiating lease and rental rates at below-market levels, and evaluating possibilities for replacing leased with owned space.

With specific reference to the Scripps Institute of Oceanography (SIO), Chancellor Fox advised that SIO has adopted an 8 percent budget cut, approximately \$3.8 million of reductions. The California Cooperative Ocean Fisheries Investigation funding has been cut; SIO has reduced ship operations by permanent budget cuts close to \$1 million; the budgets for the library and marine collections, curators of rare and endangered organisms, have been reduced; administrative staff has been reduced; and the analytical facility has been cut down, leaving faculty in a position to seek analytical work elsewhere at a higher cost. The position of director of international relations for Scripps Institute of Oceanography has been eliminated, thus removing SIO from international discussions. Support for graduate student recruiting has been eliminated. *Explorations* magazine, that has summarized Scripps' research for decades, has been consigned to an electronic version only. The SIO Deputy Director has been reduced from full to half time. SIO has

postponed hiring four faculty positions, the main campus has postponed eleven; and the health sciences have postponed another four. Multiplied by student-faculty ratio and converted to classes, these reductions will have a major effect on students. The budget for external consultants has been eliminated. Succession plans for those who were anticipating retirement have been postponed. Stipends and incentives for academics to serve in administrative roles have been reduced. Non-essential professional travel has been curtailed.

Chancellor Fox warned that the budget reductions have placed Scripps Institute of Oceanography in a precarious position, affecting faculty, graduate students, and the research being done. She explained that UC San Diego is viewing the current and anticipated cuts as an opportunity to reassess priorities and affirm the primacy of academic programs. The campus is struggling without State funding, making advocacy for budget restoration essential.

UCLA Chancellor Block noted that the details common to all campuses had been covered. He reiterated that, as State support is being reduced, the cost of utilities, salaries, and health and retirement benefits continue to increase. This year, UCLA will need an additional \$31 million to cover these costs. Federal research on the UCLA campus, an income source of approximately \$900 million, is decreasing. The global financial crisis is reducing the campus endowment while the number of students applying to UCLA continues to grow. UCLA receives more applications than any other university in the United States; this year's 70,000 applications have added additional challenges to the over-enrolled campus. Chancellor Block indicated that UCLA has implemented many of the same processes as other campuses to maximize efficiency, including administrative cuts and efficiencies, use of information technology, improving graduation rates, slowing down recruitment, and hiring only essential faculty while protecting the educational mission. Chancellor Block warned that if the midyear budget reductions were effected, UCLA would see a \$49 million reduction, a budget that cannot be sustained. He expressed his hope that the University will be able to continue to provide the remarkable educational product that has been available for students in the UC system.

Chairman Blum thanked the chancellors for the overview. He expressed his serious concern over the effects of the reductions and especially the important work done at the Scripps Institute of Oceanography, which is critical to understanding climate change.

Regent Kozberg praised the new format that allows direct communication with the chancellors. In response to Regent Kozberg's inquiries regarding the effect of over-enrollment on the campuses, whether any campuses are under-enrolled and whether there are any benefits to over-enrollment, UC Irvine Chancellor Drake advised that UCI is over-enrolled by 1,000 students because the campus had a higher yield. He explained that more students are realizing the value of a UCI education than had in the past and this is favorable. He added, however, that those students were not funded, which meant an additional 1,000 students who need campus services such as police, fire, dorm rooms, food service, and classes available to allow timely graduation. Without State funding, more effort is required from the people providing those services. Chancellor Drake

observed that though the administrative staff has increased in number only 2 percent since the 1990s, there has been a 180 percent increase in the responsibilities of that same number of staff. All the efficiencies referred to by the other chancellors have been applied for years, and more will be applied, but adding additional students with no additional funding exacerbates the situation.

UC Riverside Chancellor White reported that the Riverside campus is over-enrolled by 900 students. Though they are not State funded, they bring student fee resources and contribute to the economic aspects of living in residence halls and the community. For the campus, he opined, if there are unfunded students who can find open seats, laboratories, or clinic spaces, the cost to the institution is not so significant. The dilemma occurs when those students will require the campus to have another faculty member or another course section, and it is an imperfect calculus to know when that happens. He added that, because UC Riverside is the most diverse undergraduate student body of the University of California, if the campus reduces its enrollment quota, UCR could then be disproportionately affecting the diversity of the University of California.

UC Merced Chancellor Kang advised that the Merced campus is new and growing so it is difficult to apply the term “under-enrolled.” The campus is struggling to provide classroom services, instruction, and student activity rooms, with a considerable need for infrastructure such as space for faculty, students, and instruction. Though the demands accompanied by increasing enrollment are onerous, the campus is excited to be able to provide access and education for students from the Central Valley, southern California, and the San Francisco Bay Area.

Interim Provost Grey added that, with the decision to take 5,000 additional unfunded students, who have been spread throughout the nine campuses, the University is not under-enrolled.

Regent Hopkinson addressed the critical nature of these issues and, because this is not the first time the University has been in this position, expressed a need for long-range planning. She requested a method by which the Regents could comprehend the issues and priorities for each campus as well as the potential solutions. She added that even ideas such as more out-of-state students need to be considered. She explained that the Regents do not have the tools to understand the position of the campuses, options, and considerations, including broader budgetary issues. Regent Hopkinson observed that the Regents need to be more fully informed.

Committee Chair Island concurred with Regent Hopkinson and indicated that these issues could be more fully explored in the Committee on Finance meeting.

Regent Garamendi praised the new format and thanked the chancellors for their presentations on extremely important issues. He opined that the chancellors’ presentations are the foundation for a very cogent and important argument about University funding, demonstrating the undergraduate, research, administrative, and other cost savings being implemented. He requested that the chancellors help the Regents

present the argument and get the message to the public about what is happening to the University. He reiterated the importance of each of the campuses telling its story to its community promptly.

Chancellor Blumenthal reported that the UC Santa Cruz campus is heavily dependent on State funding and student fees to pay for core instructional programs. Though contracts, grants, and private giving have significantly increased, those funds are generally restricted. He pointed out that over the past few years, the campus has consolidated and automated business functions and information technology functions.

4. **UPDATE ON THE STUDY GROUP ON UNIVERSITY DIVERSITY AND THE UNIVERSITY OF CALIFORNIA STAFF DIVERSITY COUNCIL REPORT**

Interim Provost Grey reminded the Committee that over the last year, the Regents have had six presentations on diversity at the University of California, focusing on diversity in faculty, graduate and professional schools, undergraduate students, staff, and culminating in former student Regent Maria Ledesma's presentation on campus climate. He remarked that the reports had produced over 100 recommendations and enumerated the steps the University is taking to ensure implementation of those recommendations.

First, the University has identified common themes. Mr. Grey advised that all the reports interlinked recommendations regarding leadership and accountability and the President has initiated a new performance management system for the University's senior leadership, including chancellors and the President's direct reports. The new management system sets nine standards for the evaluation of senior leaders. Campus and system leaders are now explicitly accountable for leadership in diversity and for principles of community and campus climate.

Second, commencing in January 2009, each Regents' meeting will include a presentation from a chancellor of one of the campuses, rotating to allow all campuses to be featured at least once every two years. Mr. Grey explained that the presentations will include a report on the campus' progress on diversity: goals, strategies and successes.

Third, the new accountability framework, initiated by President Yudof and presented to the Regents in September, includes more than 25 indicators illustrating some aspect of diversity in the University of California.

Finally, there will be an annual report and focus on diversity at the Regents' September meeting. Data from the accountability framework will be featured, allowing the Regents to monitor the University's progress and offer advice.

Interim Provost Grey described work being done on those recommendations that requires more time for implementation, including reappointment of a campus diversity implementation committee comprised of a representative from each campus to facilitate sharing best practices. He advised that the committee would be meeting in early December to establish priorities and a coherent and effective implementation plan.

Regent Ruiz expressed his desire for measurable results on progress. Provost Grey responded that the accountability framework collects data in a systematic way and the plan is to provide a complete picture on an annual basis.

Regent Island pointed out that the Regent's Study Group on Diversity report presented two conclusions and findings at the forefront: change is needed and change is expected.

5. **2007-08 ANNUAL REPORT ON UNIVERSITY PRIVATE SUPPORT**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Lapp introduced the Annual Report on Private Support for 2007-08 which includes data for each campus and the University. She reported that for 2007-08 the University received \$1.6 billion in cash gifts, a 24 percent increase over the prior year and bringing to eight the number of years the University has received in excess of a billion dollars.

Ms. Lapp discussed private support over a ten-year period, which reflects steady growth for donations to the University and campus foundations. Over the past twenty years, she advised, support has increased sixteen years and decreased only four years. The charts showing additions to endowment reflect a record \$375 million to establish and augment endowments, \$100 million greater than last year. Ms. Lapp explained that \$778 million in new pledges represent a 40 percent increase over the previous year.

Ms. Lapp advised that the University has received gifts for new schools, faculty and graduate support, libraries, research and green technologies, student financial aid, and patient support, as well as gifts for K-12 programs. She noted that, given the current economy, next year will present a significant challenge for private support on all campuses.

6. **PROPOSED PUBLIC PHASE OF FUNDRAISING CAMPAIGN, NEUROSCIENCES PROGRAMS, SAN FRANCISCO CAMPUS**

The President recommended that the Committee recommend to the Regents the approval of the proposed Mission Bay Neurosciences Initiative, a fundraising campaign with a goal of \$150 million to support the programs and operating costs associated with the new Mission Bay Neurosciences Building, San Francisco campus.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Senior Vice Chancellor Spaulding introduced Ron Conway, Vice Chair of the UCSF Foundation, a dedicated volunteer and founder of Angel Investors. He advised that Mr. Conway has agreed to chair the Neurosciences Fundraising Campaign for which approval was being sought. He indicated that UCSF raised \$366 million last year in

philanthropy, and expressed his belief that UCSF is the only campus that receives more dollars and a larger percentage of its budget, including the hospital budget, from philanthropy and grants, than from the State of California.

Mr. Conway advised that as the founder of Angel Investors, he has invested in the very early stages in companies such as Google, Ask Jeeves, Facebook, Zappos and Pay Pal. He noted that he now spends 25 percent of his time on philanthropy, 20 percent specifically with UCSF as Vice Chair of the UCSF Foundation. He stated that while he has been involved in all aspects of UCSF, his recent focus is on the UCSF Department of Neurology, consistently rated number one or two in the United States.

Mr. Conway discussed the remarkable interaction between the high tech community and UCSF's Neurology Department. Two years ago, Mr. Mike Homer, the marketing founder of Netscape Communications, developed Creutzfeldt-Jakob disease (CJD), the human equivalent of mad cow disease. Within 60 days, \$7 million was raised for CJD research by the founders of Google to cure the disease. He indicated that many members of the Silicon Valley community have a personal interest in the search for cures for neurological diseases such as Parkinson's disease, dementia and Alzheimer's disease. He related that Mr. Andy Grove, former chief of Intel, has Parkinson's disease and is teaming with UCSF.

Mr. Conway explained that Parkinson's, dementia and Alzheimer's are prion or protein-related diseases. He reminded the Regents that prions were discovered at UCSF by Nobel Prize winner Professor Stan Prusiner. Mr. Conway noted that he and Professor Prusiner traveled to New York to negotiate a \$14 million pledge from a Dublin, Ireland resident. Those funds will support new facility and research for a cure for prion-related diseases. The research necessary for these diseases will be done at the UCSF Mission Bay campus in a new facility, which will make history. The cure for these diseases will be found in the new UCSF Mission Bay Neurosciences Building. He advised that there are currently \$50 million in pledges and urged the Regents' approval of the public phase of the fundraising campaign.

Chairman Blum thanked Mr. Conway for his presentation and support and expressed gratitude to Senior Vice Chancellor Spaulding for his efforts on the project as well. He added that Professor Prusiner not only discovered prions, but he is one of the best neuroscientists in the country. There are substantial research dollars in support of his work. Chairman Blum emphasized that the fundraising sought here was solely for the Mission Bay Neurosciences Building.

Regent Island praised the effort as critical and invited the Regents to express their support.

Regents Marcus and Varner expressed their gratitude to Mr. Conway. Regent Varner asserted the importance of awareness on the part of the public, legislators and other elected officials about the great work of the University in this time when additional University funding is needed.

Regent Hopkinson sought clarification regarding State lease revenue funding and the process by which the priorities are determined. She requested a report in January 2009 on the criteria involved in setting priorities so that a project such as the Neurosciences Building may be prioritized.

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

The meeting adjourned at 11:20 a.m.

Attest:

Secretary and Chief of Staff