The Regents of the University of California

COMMITTEE ON FINANCE
November 19-20, 2008

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

Members present: Regents Blum, Garamendi, Gould, Hopkinson, Island, Kozberg, Scorza, Varner, Wachter, and Yudof; Advisory members Bernal, Nunn Gorman, and Croughan; Staff Advisors Abeyta and Johansen

In attendance: Regents Cole, De La Peña, Hotchkis, Johnson, Makarechian, Marcus, Pattiz, Ruiz, Schilling, and Shewmake, Regent-designate Stovitz, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Grey, Executive Vice Presidents Darling and Lapp, Senior Vice President Stobo, Vice Presidents Beckwith, Broome, Dooley, Foley, Lenz, and Sakaki, Chancellors Birgeneau, Fox, and Kang, and Recording Secretary Johns

The meeting convened at 11:20 a.m. with Committee Chair Gould presiding.

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

Upon motion duly made and seconded, the minutes of the meetings of July 16 and September 18, 2008 were approved.

2. **AUTHORIZATION OF LEASES AND AGREEMENTS FOR VARIOUS STATE CAPITAL IMPROVEMENT PROGRAMS**

The President recommended that, subject to adoption by the State Public Works Board of a resolution authorizing the issuance of State Public Works Board (SPWB) Lease Revenue Bonds and authorizing interim loans from the State's Pooled Money Investment Account or General Fund for the following projects:

Berkeley campus
Biomedical and Health Sciences Building

Davis campus
Veterinary Medicine 3B
California Animal Health and Food Safety Laboratory, Tulare/Fresno

Los Angeles campus
Hershey Hall Seismic Renovation

Riverside campus

Environmental Health and Safety Expansion

San Diego campus

Management School Facility Phase 2

Santa Barbara campus

Arts Building Seismic Corrections and Renewal

A. The President or the Secretary and Chief of Staff be authorized to:

(1) Execute an unsubordinated site lease from The Regents to the SPWB for each project named above, said lease to contain provisions substantially as follows:

a. The site shall comprise the approximate size of the footprint for each building named above. Said lease shall also include a license to the SPWB for access from campus roads to the site during the term of the lease.

b. The purpose of the lease shall be to permit construction of the project.

c. The term of the site lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds, and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full.

d. The rental shall be $1 per year.

e. The Regents shall have power to terminate the site lease in the event of default by the SPWB, except when such termination would affect or impair any assignment or sublease by the SPWB and such assignee or subtenant is duly performing the terms and conditions of the lease.

f. The Regents shall provide to the SPWB and any assignee of the SPWB access to the site and such parking and utility services as are provided for similar facilities on the campus.

g. The Regents shall waive personal or individual liability of any member, officer, agent, or employee of the SPWB.

h. The Regents shall agree to pay assessments or taxes, if any, levied on the site or improvements attributable to periods of occupancy by The Regents.

i. In the event any part of the site or improvements is taken by eminent domain, The Regents recognizes the right of the SPWB to retain condemnation proceeds sufficient to pay any outstanding indebtedness incurred for the construction of the project.

(2) Execute an agreement between the State of California, as represented by the SPWB, and The Regents for each project named above, said agreements to contain the following provisions:

a. The SPWB agrees to finance construction for the project, as authorized by statute.

b. The Regents agrees to provide and perform all activities required to plan and construct said project.

(3) Execute a facility lease from the SPWB to The Regents for each project named above, said leases to contain provisions substantially as follows:

a. The purpose of the building's occupancy shall be to use it as a facility for research and support-related functions in furtherance of the University's mission related to instruction, research, and public service.

b. The SPWB shall lease the State-financed portion of the facility, including the site, to The Regents pursuant to a facility lease.

c. The terms of the facility lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds, and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full.

d. If the SPWB cannot deliver possession to The Regents at the time contemplated in the lease, the lease shall not be void nor shall the SPWB be liable for damages, but the rental payment shall be abated proportionately to the construction cost of the parts of the facility not yet delivered.

e. In consideration for occupancy during the term of the lease and after the date upon which The Regents takes possession of the facility, The Regents shall pay base rent in an annual amount sufficient to pay debt service on the bonds or other obligations of the SPWB issued to finance or refinance the facility and additional rent for payment of all administrative costs of the SPWB.

f. The Regents covenants to take such actions as may be necessary to include in the University's annual budget amounts sufficient to make rental payments and to make the necessary annual allocations.

g. During occupancy, The Regents shall maintain the facility and pay for all utility costs and shall maintain fire and extended coverage insurance at then current replacement cost or an equivalent program of self-insurance, and earthquake insurance if available on the open market at a reasonable cost.

h. During occupancy, the Regents shall maintain public liability and property damage insurance, or an equivalent program of self-insurance, on the facility and shall maintain rental interruption or use and occupancy insurance, or an equivalent program of self-insurance.

i. In the event of default by The Regents, the SPWB may maintain the lease whether or not The Regents abandons the facility and shall have the right to relet the facility, or the SPWB may terminate the lease and recover any damages available at law.

j. The Regents shall be in default if the lease is assigned, sublet, or transferred without approval of the SPWB, if The Regents files any petition or institutes any proceedings for bankruptcy, or if The Regents abandons the facility.

k. The Regents shall cure any mechanics' or materialmen or other liens against the facility and, to the extent permitted by law, shall indemnify the SPWB in that respect.

l. The Regents, to the extent permitted by law, shall indemnify the SPWB from any claims for death, injury, or damage to persons or property in or around the facility.

m. Upon termination or expiration of the lease, other than for breach or because of eminent domain, title to the facility shall vest in The Regents.

[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.]

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

3. **UNIVERSITY OF CALIFORNIA FINANCIAL REPORTS, 2008**

The President recommended that the Regents adopt the University of California Annual Financial Report 2007-2008 and the June 30, 2008 audited financial statements for the University of California Retirement Plan, including the Public Employees' Retirement System Voluntary Early Retirement Incentive Program (PERS-VERIP); the University of California Retirement Savings Program, including the Defined Contribution, 403(b) and 457(b) Plans; and the University of California Health and Welfare Program, including the retiree health benefit trust and the five University of California Medical Centers.

[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.]

Assistant Vice President Plotts began his presentation with a brief summary of the University's financial position as of June 30, 2008. The University had assets of almost $42 billion, approximately $900 million more than the previous year; liabilities of almost $20 billion, $1.15 billion more than last year; and net assets of slightly more than $22 billion, $243 million less than in 2007. In 2007, operating results showed an increase in net assets of slightly more than $2 billion; this represents a year-to-year change of $2.24 billion.

Mr. Plotts pointed out two factors that explained most of the change between 2007 and 2008. First, the value of investments in 2008 declined by $192 million. He compared this to the appreciation in the value of investments in 2007 of $949 million, a year-to-year change of $1.14 billion. Second, there has been a change in the financial reporting rules for retiree health benefits. Governmental Accounting Standards Board (GASB) Statement 45 requires that the University spread the cost of retiree health care over the employee's years of service. This resulted in the University recording an expense of $1.35 billion in 2008; under the previous rules, this had been an expense of $175 million, a year-to-year change of $1.18 billion in additional expenses. The change in the value of investments ($1.14 billion) and the retiree health expense ($1.18 billion) together total $2.32 billion and account for most of the year-to-year change in net assets.

GASB 45 also requires that, to the extent that the University does not fund the retiree health benefit expense, it must record a liability in its balance sheets. This results in a new liability of $1.08 billion for UC this year and accounts for most of the total $1.15 billion increase in liability over the previous year. Last year there was no liability under the old accounting rules.

Turning to assets, Mr. Plotts noted that investments increased by $600 million in 2008, but that the category of "other liabilities" increased by $691 million. He explained that this was related to the timing of the July 1 payroll. The investment of cash collateral decreased by $1.3 billion due to a declining demand at the end of the year by borrowers in the securities lending program. There is a corresponding $1.3 billion decrease in securities lending collateral. Net capital assets grew by $1.48 billion, accounted for by capital expenditures of $2.6 billion and a depreciation expense of $1.1 billion. The category of "other assets" increased by $138 million.

In liabilities, UC's debt in 2008 was $10 billion. It increased by $661 million from 2007. The obligations for retiree health, $1.1 billion, now represent 6 percent of the University's liabilities. This will grow under the University's pay-as-you-go funding method.

Mr. Plotts noted two details in net assets. The amount invested in capital assets, net of related debt, increased by $933 million. He accounted for this by the $1.5 billion net increase minus the $600 million increase in debt. This represents the University's continuing investment in facilities. Unrestricted net assets declined by $1.14 billion, mostly accounted for by the retiree health benefit expense recorded this year.

Operating revenues were $15.45 billion, relatively flat compared to the previous year. The University lost $1.14 billion in Department of Energy laboratory revenue with the termination of the contract for Lawrence Livermore National Laboratory (LLNL). Revenue in other categories closely offset this loss. Operating expenses increased by $1.44 billion over the previous year. Expenses declined with the loss of the LLNL contract by $1.13 billion, but other expense categories increased to offset this, including the retiree health benefit expense.

Mr. Plotts observed that the University will always show an operating loss because State educational appropriations are recorded as non-operating revenues. Non-operating revenues declined by $926 million from the previous year. This decline is explained by the change in the fair value of UC investments. The category of "other changes in net assets" includes State capital appropriations and capital gifts and grants. The University received $101 million more in State capital appropriations in 2008 than in 2007.

The campus foundations combined have assets of $5 billion, liabilities of $576 million, and net assets of $4.47 billion. Net assets increased by $100 million over the previous year. The increase in net assets is accounted for by operating revenues, primarily private gifts, of $537 million; by grants to campuses of $540 million; by non-operating revenues, such as investment income, of $66 million, slightly down from 2007; and new permanent endowments of $180 million which offset the $143 million depreciation in the fair value of investments.

Mr. Plotts then presented a summary of the UC Retirement System (UCRS), comprising both the Defined Benefit Plan and the Defined Contribution Plan. UCRS net assets were $56.18 billion in 2008, a decline of $6.46 billion from the previous year. He analyzed this decline. There were contributions of $1.03 billion, predominantly in the Defined Contribution Plan, including employees' 403(b) contributions; investment income of $1.88 billion, with a depreciation in the value of investments of $4.98 billion; benefit payments and withdrawals of $2.84 billion; and a non-recurring transfer of plan assets to the Lawrence Livermore National Security defined benefit plan of $1.57 billion. All together this accounts for the $6.46 billion decrease in net assets.

The new UC Retiree Health Benefit Trust, formed on July 1, 2007, has assets of $53.4 million, consisting of investments of almost $20 million, receivables of $19 million, and prepaid insurance premiums of $15 billion; liability of $2.6 million; and net assets of $50.8 million. During the last year there were contributions of $243 million. This consisted of $226 million from the University, including a one-time $20 million contribution for working capital; $17 million from retirees; and almost $700,000 in investment income. Deductions consisted almost entirely of insurance premiums of $193 million. This accounted for the increase in net assets of $50.8 million.

Regent De La Peña asked if the $1.35 billion change due to GASB 45 would occur only this year or would be repeated in coming years. Mr. Plotts responded that this expense would not be repeated. He explained that the $1.35 billion expense is to be spread over employee years of service. GASB does not require funding of that expense; the University funds on a pay-as-you-go basis. The liability on the University's balance sheet will grow; each year the expense will be approximately $1.35 billion to $1.5 billion. He noted that this topic would be discussed comprehensively later in the meeting.

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

4. ANNUAL DEBT CAPITAL REPORT FOR FISCAL YEAR 2007-08

[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.]

Vice President Broome began her presentation by noting that the University had $7.3 billion in outstanding debt as of June 30, 2008. She pointed out that the University is using new credit instruments as part of a long-term debt strategy to maximize capacity and minimize cost of debt, while older, less advantageous types of credit are being phased out, either through maturities or refunding. UC's average cost of capital is 4.48 percent.

Credit markets tightened in fiscal year 2008. There was a collapse of municipal bond insurers, which resulted in credit rating downgrades. There was also a collapse of the auction rate market. The University's credit ratings were upgraded by Moody's Investors Service, which reflects UC's strong financial position, its self-liquidity, and the management of the University.

During the year, the University issued $1.2 billion in debt in new money and refinancing. Debt issuance of new money occurred on October 30, 2007 and January 31, 2008. On October 30, limited project revenue bonds were issued; on January 31, general revenue bonds were issued. On July 26, 2007 the University refunded $197 million for UCLA, placing old, higher-rate debt into lower-rate debt in pooled revenue bonds. On April 23, 2008, auction rate bonds at UC Davis were refunded into pooled revenue bonds at terms favorable to the campus.

Ms. Broome then discussed market developments since the end of fiscal year 2008. There has been a severe dislocation of financial markets, extreme volatility, and short- and long-term credit markets have frozen. She recalled that, in July 2008, the Regents authorized an expansion of the University's commercial paper program. This is now taking place. Ms. Broome opined that the University is well positioned to weather the financial crisis, given its significant liquidity and strong credit ratings. She anticipated further new money debt issuance in the first quarter of the coming year, if conditions are favorable.

Finally, Ms. Broome discussed a chart showing the University's additional debt capacity over the next five years if it maintains its core credit rating at AA, or if it allows the limited project revenue bonds to drop to an A rating. She emphasized that this was a market view of capacity, not a campus-by-campus view.

President Yudof asked what the current debt capacity is in aggregate for the ten campuses and the Office of the President. Ms. Broome provided ranges for the University's debt capacity if it maintained its core general revenue bonds at a rating of AA and allowed its limited project revenue bonds to drop to an A rating, and its debt capacity if all bonds were kept at the AA rating.

President Yudof observed that the University's capacity for issuing bonds is not in question, but that the difficulty lies in the distribution and total magnitude of debt service. In the current unsettled markets the University must exercise caution in making a large bond offering. Even entities which are good credit risks are having trouble marketing their bonds.

Committee Chair Gould advised that the University should use its debt capacity very judiciously.

5. **ANNUAL REPORT OF EXTERNAL FINANCE APPROVALS FOR CAPITAL PROJECTS FOR THE FISCAL YEAR ENDING JUNE 30, 2008**

[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.]

Vice President Lenz noted that the total for external finance approvals for capital projects for fiscal year 2007-08 was approximately $1.254 billion for 33 projects.

6. **REVISED FISCAL YEAR 2008-09 BUDGET FOR THE OFFICE OF THE PRESIDENT AND UPDATE ON ONGOING RESTRUCTURING INITIATIVE**

[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 recalled that the 2008-09 budget for the Office of the President (UCOP) was presented to the Regents in March and approved in May. It included a 20 percent reduction in expenditures, or $51.6 million, and a 23 percent reduction in FTE, or 405 FTE. Some reductions were in fact transfers of FTE out of the Office of the President. Review and assessment of UCOP continued after President Yudof's arrival.

Ms. Lapp recalled key elements of the UCOP restructuring initiative. Across-the-board reductions of ten percent were presented in May 2008. Programs were identified which were located at UCOP but better suited to the campuses. The most significant of these was the Continuing Education of the Bar program, which has been transferred to UCLA, in consultation with the UCLA School of Law. UCOP also undertook the Voluntary Separation Program, in which 155 employees participated, leaving by June 30. Sixteen of these individuals found jobs on campuses. UCOP reviewed the 155 vacant positions and made the decision to replace 80 of them. Ms. Lapp pointed out that most of the positions that were replaced were re-purposed to be more effective. There are currently 110 vacancies at UCOP. Seventy-five positions were eliminated. The first-year savings at UCOP, after payment of severance, was $800,000. She anticipated that next year's savings will be approximately $5 million.

UCOP then carried out a series of consolidations, identifying ways to merge units and save money in the administrative and business functions. All desktop support has been consolidated into one technology services unit. A budget office for UCOP has been created, bringing together seven employees who were previously scattered throughout the organization. Ms. Lapp anticipated resulting FTE savings of over 12. Business services have now been consolidated into one unit and this may bring about a reduction in headcount of 100. Communications are consolidated under Interim Senior Vice President Dooley. An institutional research unit is being created to maintain UCOP data for the President and policymakers. Legislative and policy analysis is also being consolidated in one unit which will report directly to the President. Significant savings are anticipated as a result of these consolidations. In addition, UCOP is continuing department-by-department reviews to determine low-priority activities which can be eliminated.

Ms. Lapp explained that headcount and expenditures were adjusted in the May budget, removing FTE and expenditures already supported, such as payroll work done at UCOP for the campuses and paid for by the campuses. President Yudof asked that these activities be returned to the unadjusted budget, which shows an increase in headcount of approximately 100. This different presentation does not change the reductions that were made. Since fiscal year 2007-08, UCOP FTE have been reduced by 27 percent, or approximately 501 positions. Forty-five percent of those reductions were the result of transfers; the rest were due to the Voluntary Separation Program, 120 vacancies, and 78 layoffs. UCOP has offered support and outplacement services to employees who have been laid off. Further layoffs are anticipated at the end of January and March 2009. Since fiscal year 2007-08, the UCOP budget has been reduced by 21 percent, or $60.5 million. This is an additional $8.7 million reduction beyond that reported in May.

Ms. Lapp then distinguished between restricted and unrestricted funding. Thirty-eight percent of UCOP savings, $23 million, are in unrestricted funds, which can be used to offset cuts at the campuses. There are $37 million of savings in restricted funds, which can serve the programmatic needs of UCOP units.

Looking to the future, Ms. Lapp expressed the intention of UCOP to continue to reduce its budget and to achieve an overall reduction of 30 percent between 2007-08 and 2009-10. Reductions can be made not only in personnel, but also in non-personnel budget items, such as travel, consulting, and professional services. Controls have been implemented to curtail unnecessary travel and purchasing and to ensure that consultants are used at a minimum. UCOP seeks to reduce its FTE to approximately 1,100, a 43 percent reduction from 2007-08.

Regent Hopkinson noted references to appropriations requests for UCOP in the materials provided; in one instance a request for $203 million and in another a request for $230 million. Ms. Lapp explained that these amounts were related to the adjusted and unadjusted budgets. The adjusted budget in May removed some of the headcount and restricted funding. The dollar reduction from the budget is the same.

In response to a question asked by Regent Hopkinson, Ms. Lapp confirmed that the total budget reduction is ten percent.

Regent Hopkinson expressed serious concern about the use of the Voluntary Separation Program and continuation of the program as now designed. She observed that more than 50 percent of those who participated in the program were employees who will be replaced. There were approximately 80 positions for which UCOP will have to rehire, while 78 additional layoffs are expected. She questioned the moral justification for paying individuals to leave positions which will require rehiring. She would have preferred that the money be used only for positions the University decides to eliminate, rather than for a voluntary program.

Ms. Lapp noted that the deadline for the Voluntary Separation Program expired last year; there is no ongoing program. Many vacancies replaced at UCOP were re-purposed and have changed, with new job descriptions. She emphasized that, even if positions are re-purposed, they may still be eliminated.

President Yudof acknowledged that the restructuring process at UCOP has produced stress and anxiety for employees. He praised Ms. Lapp for her work. He expressed the hope for greater stability at UCOP in the future and for an improvement of morale. He outlined some of the reasons for re-purposing. UCOP had operations which were not adding value and employees without the required skill sets. He suggested that this process is more revolutionary that it appears. It is not only a matter of financial savings, but functionally, UCOP is becoming a different organization.

Regent Scorza asked about the criteria used to determine which departments have value and need more or fewer personnel. He asked about the effect on campuses when certain UC activities are decentralized. Ms. Lapp responded that the activities of each unit are reviewed in order to determine whether they meet UCOP priorities. This process continues on a regular basis. The decisions are made by the President, informed by the vice presidents, provost, and others. In response to the second question, she stated that UCOP wishes to minimize any effect on the campuses. The campuses are currently benefiting from reductions at UCOP. UCOP is discontinuing activities which can be carried out on the campuses. In the longer term, UCOP will consider the effect on campuses if it reduces its activities even further.

Regent Scorza asked about the impact on academic and student affairs and about the community college transfer coordinator position. President Yudof responded that UCOP is actively examining this issue. He stated that the community college transfer coordinator position will be upgraded. He echoed Ms. Lapp's statement that many of the reductions at UCOP are in fact a way of getting out of the way of campuses; they result in less bureaucracy and appointments are not delayed. He stated that proposals are being prepared to improve the oversight of outreach activities aimed at K-12 and the community colleges and to improve the institutional research function. He observed that this evaluation cannot be carried out by the Board, but must be done office by office. The Academic Senate is involved in this process. He anticipated that academic positions will come under further scrutiny, since the business functions are those that have been reduced the most.

Regent Scorza expressed concern about possible loss of students and asked that campus communities be given appropriate information about UCOP actions.

Committee Chair Gould praised the presentation for its transparency and for its clarification of restricted and unrestricted resources and the net benefit to campuses. He asked that this be included in future presentations.

Regent Island expressed appreciation for the work done by Ms. Lapp and her team. He reminded the Committee that while they should be concerned about the goals and results of restructuring, they should not be involved in details of this work. Such interference would only impede the work of UCOP staff, especially in a climate of change and layoffs.

President Yudof introduced Ms. Lucero Chavez, president of the UC Student Association (UCSA).

Ms. Chavez began her presentation by reporting that UCSA succeeded in registering more than 40,000 students statewide to vote. She acknowledged the assistance of the

Office of the President and the campuses in this effort. She informed the Regents that UCSA's annual student of color conference would take place the following weekend at UCLA. More than 900 students have registered.

Ms. Chavez referred to the proposed freshman eligibility policy reforms and expressed the students' wish to participate in the discussion of long-term policy reform. She emphasized the importance of access for students. She applauded the University for completing contract negotiations with hospital workers and urged it to complete similar negotiations with service workers.

Ms. Chavez then discussed budget issues. She noted that students currently pay up to one-third of the cost of their education, not including cost of living and health insurance. Seven years ago students paid one-fifth of this cost. She recalled that the Governor's Compact with the University included a promise that student fees would not have to be raised to offset budget cuts and she expressed the hope that the University would continue this in the coming year. She expressed concern about reductions in student services.

Ms. Chavez reported that many students are unable to find sufficient loans and aid to offset continued fee increases. At the same time, there has been a decrease in the quality of a UC education, with larger class sizes and fewer sections available to students. She also emphasized that rising student fees have a negative impact on diversity at UC. She asked the University to partner and dialogue with UCSA.

Regent Garamendi stated that students are one of the University's most valuable assets in dealing with budget issues and in presenting its case to the Governor, Legislature, and public. He thanked the students for their involvement.

7. APPROVAL OF UNIVERSITY OF CALIFORNIA 2009-10 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, *2009-10 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 *2009-2010 Budget for State Capital Improvements* be approved.

[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.]

Committee Chair Gould noted the precarious financial circumstances California finds itself in and the question of the State's ability to pay bills and provide resources for essential programs. He emphasized this as the context for the University budget proposal.

Vice President Lenz recalled that the Governor signed a 2008-09 State budget on September 23, including $24.3 billion in budget solutions. These solutions included reductions, some small revenue increases, and re-alignment of programs. The budget was assumed to be balanced with a $1.7 billion reserve. However, dramatic change in the federal and State economies has changed revenue and expenditure assumptions. The Governor has called a special session of the Legislature, which will have until the end of November to act on his recommendation. The California Department of Finance estimates the State's revenue shortfall at $24.2 billion over the next 20 months. The Legislative Analyst's Office estimates the shortfall to be closer to $28 billion over the same period.

The Governor's special session budget recommendations include a request for $4.7 billion in additional State General Fund revenue, $4.5 billion in additional spending reductions, and no additional borrowing. The proposed $4.5 billion reduction includes severe cuts to health and human services programs. Mr. Lenz pointed out the proposed cuts to higher education – $2.5 billion for K-12, $332 million for the community colleges, $66.3 million for the California State University (CSU), and $65.5 million for UC. This $65.5 million is in addition to the $33 million reduction the University absorbed at the end of the budget process. At the present time it is unclear if the Governor would have the necessary two-thirds majority to enact these special session recommendations.

This is clearly a multi-year problem. The Legislative Analyst's Office has indicated that, unless there is some corrective action, California may be faced with an annual budget deficit of $22 billion through fiscal year 2013-14. If the State is unable to enact some mid-year budget solutions to address the deficit, the Governor will be forced to propose significant reductions in the 2009-10 budget which will have a severe impact on UC. In addition, without resolution by the Legislature, the State will be unable to pay its bills and will run out of cash by February 2009.

Mr. Lenz recalled that the Regents approved the final 2008-09 UC budget of $5.36 billion four weeks previously. The University received no funding from the State for enrollment growth, health benefit increases, graduate student support, purchased utility deficits, salary commitments, academic merit increases, or funding for a buyout of the student fee. The net reduction for campuses, with the exception of the faculty salary plan, which will go unfunded in 2008-09, is $148.7 million. If the Governor's special session recommendations are adopted, the campuses will have to absorb the additional $65.5 million reduction.

Mr. Lenz noted that President Yudof has already requested that campuses make their best effort to protect instructional programs, but he has advised campuses to consider options such as implementing a hiring freeze, curtailing non-essential travel, reducing the amount of leased space, limiting the number of consulting contracts, deferring the purchase of equipment, expanding energy cost savings, initiating Staff and Academic Reduction in Time (START) programs for employees to work at less than 100 percent time, and other administrative efficiencies.

Mr. Lenz then presented a chart showing that approximately 70 percent of the University's operating budget covers compensation and health benefits for employees. Another chart displayed how the University has experienced a drop in inflation-adjusted spending per student over the last 18 years. During this period, State funds per student have declined by more than 40 percent. Increases in student fees have made up some but not all of the decline. Students now pay about 30 percent of the cost of their education.

Committee Chair Gould cautioned that delay by the Legislature will result in a more severe impact on the University in the coming year. The University should encourage the Legislature to work with the Governor to come to a prompt and sound decision. Absent such quick action, the University will be more vulnerable next year.

Regent Garamendi observed that this year's budget is affected, as well as the 2009-10 budget. He did not anticipate action during the current legislative session, which ends this month. He described fee increases for students as a tax increase and the only significant revenue increase. He emphasized that the budget deficit will continue for five years or more. He urged the Regents to take a strong stance that additional cuts in education are not appropriate. The University must convey the message that significant reform is taking place at UC. He described the accountability program established by President Yudof as extremely important.

Regent Hopkinson noted that the current circumstances are very discouraging, with a negative effect on the children of California. She stated that the University must face the reality of State funding and recognize that this problem will not be fixed by the State. She recalled that last year, the University issued a warning that if enrollment growth were not funded, it would not be able to admit new students. While such an action is difficult to contemplate, it must be seriously discussed. She also noted that the budget proposal examines only a little over $5 billion of the University's expenditures; the University should consider the whole budget and seek creative solutions.

Committee Chair Gould noted that the proposal focuses on a subset of the budget.

Mr. Lenz explained that the entire budget was examined. He noted, in the materials provided, an outline of all revenue available to UC and the purpose of that revenue. He noted that some of the revenue is restricted. There may be creative ideas for the use of revenue, but Mr. Lenz stated that the Regents would have to receive a report on how revenue is currently used and then make a decision about re-directing it. He described the situation as a zero-sum game.

Regent Pattiz concurred with Regent Hopkinson that the University needs to make difficult decisions, and the sooner it does so, the better. He referred to the recent decision by the CSU Board of Trustees to limit enrollment. He suggested that the University can put pressure on the Legislature by some of the actions it may be forced to take.

Regent Hopkinson asked why 2008-09 student enrollment was not being discussed. Mr. Lenz recalled that the Regents made a decision in spring on 2008-09 student enrollment. The academic year is now too far advanced to allow the University to make changes.

Committee Chair Gould stated that it would be fair to discuss enrollment plans for the fall of 2009 if enrollment is not funded by the State.

Mr. Lenz then discussed the core budget, made up of student fees, UC General Funds, and State General Funds. The proposed budget for 2009-10 is based on optimistic assumptions. It recognizes the increases due to enrollment, the need for compensation increases, mandatory costs associated with health benefits, purchased utilities, and other non-salary items. It recognizes the resumption of contributions to the UC Retirement Plan. The budget supports start-up funding for the medical school at UC Riverside and includes additional Regental priorities.

Mr. Lenz then presented proposed increases in revenue. He emphasized that these are options for the Regents to consider and that the availability of State General Fund revenues would be known in January; he was not recommending a student fee increase. The budget requests $123 million from the State for a 4 percent base budget adjustment and an additional 1 percent for core academic programs. It requests that the State fund 2.5 percent enrollment growth, for the 2008-09 and the 2009-10 academic years. It assumes an increase in UC General Funds of $15.5 million and requests $223 million from the State for the UC Retirement Plan.

Mr. Lenz noted that the proposed new expenditures in the budget total $815 million. Enrollment growth continues to be a high priority for UC. The University's enrollment plan, taking into consideration the Compact with the Governor, had called for 2.5 percent annual growth through the end of the decade. Due to the State fiscal condition, the enrollment of California residents has outpaced State funding. With no new funding in 2008-09, the University is over-enrolled by 10,000 FTE students. This represents a funding gap of approximately $120 million.

The budget seeks to restore competitive compensation for all employees, recognizing that recruitment and retention of highly qualified faculty and staff are critical to building the teaching and research core. Budget cuts have resulted in significant disparities in faculty and staff salaries compared to the market. For 2009-10, the budget plan calls for a 5 percent compensation increase for faculty and staff, or $126.5 million.

In the early part of the decade, UC faculty salaries began to fall short of the market. By 2004-05 this shortfall reached 10 percent. In 2007-08, the Regents approved a four-year plan to bring faculty salaries back to market. The first year of the plan was implemented in 2007-08 and reduced the gap from 10 percent to 7.1 percent. No funding was provided for the plan in 2008-09. The budget requests an additional $24 million to return to addressing this shortfall.

Mr. Lenz then discussed compensation increases for UC staff. In 1996-97, the University provided a 3.5 percent increase to staff. This continued for several years, and in 2000-01, the University provided a 5 percent increase. He discussed a chart comparing UC staff salary increases with those provided by businesses and industries in the western U.S. between 1996 and 2008. In each year, the University's market competitors increased their staff compensation more than UC, except in 2000-01. The proposed budget attempts to address this with additional funding.

The University is assuming an 11 percent increase in health benefit premium costs in 2009 and a similar increase in 2010. In spite of budget shortfalls, the University continues on average to cover 87 percent of health benefit premiums for its employees. For employees earning less than $46,000 annually, UC covers up to 96 percent of benefit premiums, depending on family type and plan.

The budget plan assumes that employee contributions to the UC Retirement Plan will resume on July 1, 2009. It assumes that total contributions will be based on actuarial recommendations of 11.5 percent. Two percent of this contribution would be made by the employee, the remainder by the University. The plan will require that the University contribute $721 million in 2009-10. Referring to Regent Hopkinson's earlier remarks about the need to examine the entire UC budget, Mr. Lenz pointed out that this $721 million contribution will be made from all funds. The budget also requests $228 million from the State to cover the State Fund obligation and the student fee share.

The budget requests an additional $30.8 million for core academic support and $10 million for graduate student support. Graduate student support has been increased over the last two years by $40 million. Mr. Lenz recalled that in 2003-04 and 2004-05, the State assigned the University cuts of $70 million, targeted at the student-faculty ratio. Because of the importance of the student-faculty ratio, the University took these cuts as unallocated reductions, although some part of them were absorbed by the instructional budgets on the campuses. Between 2005-06 and 2007-08, the University attempted to restore Compact funding with $10 million annually. For 2009-10, the budget proposes an additional $10 million for restoration of instructional budgets.

The University also faces cost increases for non-salary items, such as instructional equipment, library materials, and purchased utilities. The budget calls for $45.7 million in new funding for non-salary items. This represents a 3 percent increase to keep pace with inflation. It also assumes a 10 percent increase in the cost of purchased utilities.

Mr. Lenz presented some draft fee increase proposals for the professional schools. He emphasized that the Regents were not being asked to approve increases at this time. A proposal for fee increases might come before the Regents in the early 2009, when more information would be available about the Governor's 2009-10 budget.

The University is also requesting an appropriation of $10 million from the State General Fund for the new medical school at UC Riverside as the initial investment to allow hiring of a dean, recruitment of faculty, and curriculum planning.

In 2008-09, the University redirected funds from other sources on a one-time basis for the California Institutes of Science and Innovation. The 2009-10 budget plan calls for a permanent $10 million expenditure.

Mr. Lenz recalled that the Governor vetoed $5.4 million for the University's labor research and education programs. The President made a commitment to provide minimal funding for these programs at UCLA and UC Berkeley through 2008-09. The University has communicated to the Legislature the importance of seeking permanent funding for them in the 2009-10 budget. Finally, the budget includes a request for $842 million from the State for capital facilities. This would include over $800 million from lease revenue bonds, and the remainder from general obligation bonds from previous years.

Committee Chair Gould opined that the Governor and Legislature would be likely to fund the capital budget request in order to provide economic stimulus through capital projects. In response to a question asked by Committee Chair Gould, Mr. Lenz confirmed that the additional $815 million requested in this budget represents approximately 26 percent of the $3.2 billion in General Funds allocated to UC from the State.

Committee Chair Gould described this budget as a wake-up call for Sacramento and an honest statement about what the University needs to sustain itself.

Regent Kozberg asked about a reference to a separate health sciences bond in the materials provided. Mr. Lenz recalled that the University did not succeed in getting a general obligation bond on the ballot in 2009. The University would propose, as part of its overall capital funding, an aggressive general obligation bond in 2010-11. This general obligation bond would include a separate component, $100 million annually for eight years, to address UC's health science needs.

Regent Marcus stated that the Regents must take a position on protecting the quality of the University. He suggested that the University could freeze undergraduate enrollment and analyze graduate enrollment. He referred to the action taken by CSU and to possible reaction from the Legislature. He urged the Regents not to take rash action on this complex issue, but opined that it would be senseless to take no action. He stressed that the University must send a message to the Legislature and asked Committee Chair Gould to craft a resolution that would allow the Regents to make such a statement immediately.

Regent Hopkinson asked about the change in State General Funds allocated to UC from 2007-08 to 2008-09. Mr. Lenz responded that this was a decrease of approximately 3 percent.

Regent Hopkinson opined that the proposed budget, which requests an increase of 22 percent from the State, is not realistic. She noted that the budget assumes a 6 percent increase in endowment earnings. She asked about the decrease in the endowment fund principal since July 1. Executive Vice President Lapp responded that she would be able to provide that information. Regent Hopkinson described the proposal as unrealistic and emphasized that the Regents must make difficult decisions in this situation.

President Yudof acknowledged that the University is not likely to receive the appropriations it is requesting in this budget. He concurred with Regent Marcus that the University should state what it needs to maintain its programs. He expressed concern about the effect on UC's quality of constant reductions and about misperceptions of the cost of that quality. He noted that, if the budget had not contained some proposed fee increases, the request would have been not for $815 million, but for an amount closer to $1 billion. He emphasized that the role of the Regents as fiduciaries is to articulate forcefully what the University's needs are. He estimated the real cost to maintain quality at UC to be approximately $1.2 billion or $1.3 billion.

Regent Garamendi expressed agreement with President Yudof's remarks. He opined that the Regents must state to the public what is needed to run the University at an acceptable level and stressed that this is not unrealistic. He suggested that the University must distinguish the different parts of the budget in its communications with the public. Most relevant for the general public is the academic budget, the cost to educate students, which Regent Garamendi stated is substantially less than the operating budget of $19 billion. He stated that the current budget proposal actually represents less than the real amount required to educate California's workforce. He described it as a maintenance budget which does not position the University to address the state's needs in research and education.

Regent Garamendi referred to the $815 million requested to maintain UC at a minimal level. He observed that an increase in student fees would substantially reduce the State's obligation from $815 million to around $500 million. He cautioned that it would be a mistake to contemplate a $210 million fee increase; instead, the University must declare that it is the obligation of the $2 trillion economy of California to find $820 million to maintain the University, or approximately two-tenths of a percent of the economy. He advocated that the student fee issue be deferred. He stressed that the University must ask for money. He stated that the CSU action has sent a powerful message and opined that UC should do likewise.

Chairman Blum expressed pessimism about the likelihood of the University receiving necessary funding from the State. He suggested that the Regents might have a meeting in Sacramento and invite key members of the Senate and Assembly.

Regent Pattiz stated that the University must put forward a proposal demonstrating the gravity of the situation. He expressed uneasiness about presenting a budget which assumes an increased amount of private gifts, contracts, and grants next year. He cautioned that many pledges are not coming in and that it is becoming more difficult to raise money. He also advised against projecting 6 percent earnings from a principal base which has decreased by significant amounts, stating that this hurts the University's case.

Mr. Lenz recalled that most of the funds from private gifts, contracts, and grants are restricted and are not available to support many proposals in the budget. He acknowledged that the Master Plan for Higher Education is not law, but emphasized that the State has made a commitment to fund enrollment and educational quality. The University has not been able to obtain the necessary resources except in good fiscal times. When revenue is available, the State will go beyond the Compact. He opined that many items in the budget are the State's obligations.

Committee Chair Gould asked if it is realistic to project an increase in the University's endowment, given market conditions.

Chairman Blum noted that many believe philanthropic contributions will decrease by 50 percent or more next year.

Executive Vice President Lapp acknowledged that the concern about projected endowment earnings was legitimate. She pointed out that this projection will not change the amount of the request to the State and stated that the projection for endowment earnings would be reviewed.

Regent Hopkinson made a motion that, with the understanding that the University must approach the Legislature with a budget reflecting real needs, the Committee approve the recommendation with a statement that the University will restrict freshman enrollment if it does not receive the funds it needs to operate, and that revenues and expenditures be revised to reflect the appropriate amount for endowment earnings and private gifts.

Committee Chair Gould expressed the Committee's consensus on an adjustment to projected endowment earnings and private gifts, and asked UCOP staff to make that adjustment. He suggested that the Regents could address the enrollment issue that day or call a special meeting in December to gain the attention of the Legislature and the Governor.

Regent Hopkinson asked how the Governor's special session was related to the 2008-09 year.

Committee Chair Gould responded that any actions taken now, on taxes or expenditure reductions, would have a significant impact on the financial condition of the State and be effective for the next 18 months.

Regent Hopkinson noted that the State will experience a deficit of more than $20 billion in 2008-09.

Committee Chair Gould countered that the Legislature can take meaningful action on taxes or expenditure reductions in the current year and help adjust the imbalance in the State budget.

Regent Hopkinson clarified that her amendment was for a statement that the University would restrict freshman enrollment, but not a statement by how much.

President Yudof expressed his concern about maintaining access to the University for students. He asked that the Regents not name a specific number at this time for an enrollment restriction. He drew attention to the issue of timing. While one campus and the professional schools are on the semester system, most campuses are on the quarter system. A decision on enrollment restrictions would have to be made in December and might require a special meeting of the Regents.

Regent Island cautioned that low-income and underrepresented minority students will be excluded from the University by an enrollment restriction. He stated that, if the Regents make such a decision, they should do so with more data than they currently have.

Regent Kozberg approved of the Board indicating its sentiment at the current meeting, but suggested a further meeting in December to focus on this issue and allow consultation with the chancellors. She observed that the University cannot continue to absorb greater student numbers without an effect on the quality of education. The University can send a strong message that it is inclined to restrict enrollment. She recalled the University's effort the previous year to accommodate increased enrollment and emphasized that students and their families should be informed as soon as possible of the University's decision.

Committee Chair Gould asked that President Yudof return to the Regents in December with a plan addressing the implications of a decision to restrict enrollment, and that, in the meantime, the Regents send a message of their strong feeling that the University must curtail enrollment in the absence of adequate State funding.

Regent Marcus opined that the proposed amendment to the action should use the word "freeze" rather than the word "curtail." He emphasized the importance of protecting the quality of UC education.

Faculty Representative Croughan noted that the Academic Senate has discussed the question of whether there is a need to reduce or freeze student enrollment. She stressed the significant amount of data needed for such a decision and suggested that a decision by December might not be a realistic possibility. The University needs to know the cost of undergraduate education per student, for lower- and upper-division courses. She noted the concern that, because the University is funded per student, it might be hurt by a decrease in enrollment. The Regents need sufficient time to gather information and make a thoughtful decision.

Regent Varner suggested that President Yudof personally convey the Board's concerns and its serious intention to take action to the Governor and to leaders in the Legislature. He emphasized the importance of direct talks with key individuals.

Regent Scorza asked that language be included that the University prefers not to increase fees.

Committee Chair Gould noted that there might be confusion about the implications of the term “freeze,” which can suggest a definitive number. He opined that the word “curtail” would give the President an opportunity to return to the Regents with a plan.

President Yudof emphasized the complexity of this issue, which involves undergraduate and graduate students, first-time freshmen, and transfer students.

Regent Hopkinson specified that her motion concerned freshman enrollment.

Executive Vice President Lapp noted that the University must inform students about the status of enrollments by the end of the year or no later than January or early February 2009. She advised the Committee that, if the University is forced to wait for action on the State budget, the decision may already be made for the University and the proposed action will not be possible due to this time frame.

Regent Hopkinson expressed discomfort with the term “freeze,” stating that she wished options to be kept open.

General Counsel Robinson clarified that the current state of the amendment was to approve the budget as proposed by the Office of the President with a statement that, in the event that the University does not receive the funding that is being requested, it is the inclination of the Board to freeze freshman enrollment. There was an additional direction to modify the budget to address concerns about the endowment and other revenue, and gifts. The prior motion would be the same, with the use of the word “curtail” rather than “freeze.”

Upon motion duly made and seconded, the recommendation to use the word “freeze” in the proposed amendment failed, with Regents Blum, Gould, Hopkinson, Island, Kozberg, Varner, Wachter, and Yudof (8) voting “no,” and Regents Garamendi and Scorza (2) voting “aye.”

Upon motion duly made and seconded, the President’s recommendation with Regent Hopkinson’s amendment, using the term “curtail” as shown below, was approved, with Regents Garamendi, Gould, Hopkinson, Kozberg, Scorza, Varner, Wachter, and Yudof (8) voting “aye,” and Regents Blum and Island (2) voting “no.”

A. The Committee recommends that the expenditure plan included in the document, *2009-10 Budget for Current Operations*, be approved as proposed by the Office of the President, with the exception of the following:

   (1) that revenues and expenditures be reduced to reflect appropriate amounts for endowment earnings and for private gifts; and

(2) in the event the University does not receive the funding being requested, it is the direction of the Board to curtail freshman enrollment.

B. The Committee on Finance concurs with the recommendation of the Committee on Grounds and Buildings that the *2009-2010 Budget for State Capital Improvements* be approved.

[Discussion continued below and in item 14.]

Regent Garamendi stated that he wished, as an additional motion, to recommend that student fees be removed from the proposed budget as an income item.

Regent Island suggested that such an action would be out of order since the recommendation had already been adopted.

Committee Chair Gould clarified that the Committee was not taking any action on student fees at this time. The budget only indicated a revenue amount to come from General Fund monies or from a ten percent increase in student fees. He stated that there would be an opportunity to address the issue of student fees later.

Regent Marcus opined that the University should assume a student fee buyout by the State.

The Committee recessed at 1:35 p.m.

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The Committee reconvened at 2:35 p.m. with Committee Chair Gould presiding.

Members present: Regents Blum, Garamendi, Gould, Hopkinson, Island, Kozberg, Scorza, Varner, Wachter, and Yudof; Advisory members Bernal, Nunn Gorman, and Croughan; Staff Advisors Abeyta and Johansen

In attendance: Regents Cole, De La Peña, Hotchkis, Johnson, Makarechian, Marcus, Pattiz, Ruiz, Schilling, and Shewmake, Regent-designate Stovitz, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Grey, Executive Vice Presidents Darling and Lapp, Senior Vice President Stobo, Vice Presidents Beckwith, Broome, Dooley, Foley, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Fox, and Kang, and Recording Secretary Johns

Discussion continued with respect to the *Approval of University of California 2009-10 Budgets for Current Operations and for State Capital Improvements*.

General Counsel Robinson informed the Committee that Regent Garamendi's proposal that student fees be removed as an income item would result in an amendment to the prior motion which had already carried. He stated that there were two possible courses of action. The first would be for Regent Garamendi to move to reconsider the prior matter. If that motion were adopted, he could then move to submit his proposal. The second course would be an opportunity on the following day, when the matter came before the Board, to seek to modify the motion.

Regent Garamendi requested the opportunity to take up the issue of student fees as part of the discussion of the proposed 2009-10 budget. He recommended reconsideration of the item for the purpose of a discussion and a motion regarding student fees.

Upon motion duly made and seconded, Regent Garamendi's request for reconsideration failed, with Regents Blum, Gould, Hopkinson, Island, Kozberg, Varner, and Wachter (7) voting "no," and Regents Garamendi and Yudof (2) voting "aye."

[Discussion continued in item 14, below.]

8. ANNUAL REPORT ON THE NET FEE INCOME RECEIVED AS OWNER OF A LIMITED LIABILITY COMPANY MANAGING A DEPARTMENT OF ENERGY NATIONAL LABORATORY AND EXPENDITURES FOR FISCAL YEAR 2007-08

[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 explained that this item was an annual report on net fee income received from the University's ownership interest in the Los Alamos National Security LLC. From contract inception, June 1, 2006, to December 31, 2007, the University received $16.9 million. Authorized expenditures against that fee were approximately $16.7 to $16.8 million, leaving $200,000 in the fund.

9. AMENDMENT TO AUTHORIZATION FOR APPROVAL OF APPROPRIATIONS FROM LOS ALAMOS NATIONAL SECURITY LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2008-2009

The President recommended that the authorization for approval of appropriations from Los Alamos National Security (LANS) LLC and Lawrence Livermore National Security (LLNS) fee income to be expended in FY 2008-2009 be amended as follows:

Additions shown by underscoring, deletions shown by strikeout:

- The President be authorized to expend, for the following purposes and in the following amounts, from the University's net share of LANS and LLNS LLC income earned between September 30, 2007 and December 31, 2008:

- Supplemental compensation and other payments (including accruals) approved by the Regents for certain LANS LLC and LLNS LLC employees, from July 1, 2008 through June 30, 2009 – $ 2.2 million.

- An appropriation to the Office of the President budget for federally unreimbursed costs of University oversight of its interest in LANS LLC and LLNS LLC, paid or accrued July 1, 2008 through June 30, 2009, including but not limited to an allocable share of the costs of the Regents, Research Security Office, Human Resources, Finance, Compliance and Audit, Strategic Communications, Governmental Affairs, the General Counsel, the University appointed Governors on the LLCs, and the Vice President for Laboratory Management – $~~3.6~~ 4.05 million.

- An appropriation in 2008-09 to a post-contract contingency fund – $1.3 million.

- An appropriation for research funding in accordance with the Laboratory Fees Research Program process –

Estimated Funds Available

Estimated Net FY 2008 LLC Management Fee	21.45 M
Carryover from 2007-2008 Program	4.0 M
Total	25.45 M

Recommended Allocation

2008-2009 Program New Starts	19.4M
Continuation from 2007-2008 Program	
UCD-LLNL Biophotonics Center	0.3M
UC-LANL Institutes	2.5M
Contingency	3.25M
Total	25.45M

[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 explained that this item sought to change the appropriation for the Office of the President to be paid out of the Los Alamos National Security (LANS) LLC and Lawrence Livermore National Security (LLNS) LLC fee from $3.6 million to $4 million to reflect increased costs.

Regent Hopkinson asked about the difference between a $3.944 million allocation quoted in the budget for the Office of the President and the $4.05 million amount cited in this item. Ms. Lapp responded that the revised budget for the Office of the President had not yet been correlated to this item and that appropriate changes would be made to the Office of the President budget.

In response to questions asked by Regent Garamendi, Ms. Lapp confirmed that the Regents have approved compensation increases for certain staff members at the national laboratories and that those increases are a matter of public record. She recalled that two such items came before the Board at the September meeting and stated that she could provide more information if needed.

Regent Garamendi observed that some of this money would be used to augment costs not approved by the federal government. He requested an explanation. Ms. Lapp responded that there were enhancements to the compensation of some laboratory employees for retention purposes. The University agreed to absorb those costs.

Regent Garamendi asked why the federal government would not approve those costs.

Regent Pattiz observed that the federal government reimburses the University for certain costs, while the University covers other costs. There were changes to this situation when the LLCs were formed. He pointed out that the University's corporate partners agreed to provide 50 percent of the cost of the compensation increases approved in September, in the interest of maintaining certain personnel and continuity of management at the laboratories.

Regent Garamendi asked if any research funds were being used for study of international relations, communications, conflict, and peace.

Vice President Beckwith responded in the affirmative and confirmed that the Regents would be informed about projects in these subject areas.

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

10. AUTHORIZATION FOR BORROWING FROM COMBINED INVESTMENT PORTFOLIOS OF THE SHORT-TERM INVESTMENT POOL AND THE TOTAL RETURN INVESTMENT POOL

The President recommended that the Regents authorize allocations of funds from the combined Short-Term Investment Pool (STIP) and the Total Return Investment Pool (TRIP) investment portfolios for up to 40 percent of the combined outstanding balances for liquidity support for the Commercial Paper (CP) Program, medical center working capital needs and for the University of California Mortgage Origination Program (MOP). Given the fluidity of these needs, the limitations for the CP Program, medical center working capital and MOP would be determined by the President in accordance with Regental policy on a quarterly basis subject to outstanding STIP/TRIP balances and projected utilization. In addition, each specific use would be modified as follows with the understanding that all other actions related to the July 2008 authorization for the increase of the CP program and all other guidelines and parameters related to the medical center working capital and MOP remain unchanged:

Deletions shown by strikeout, additions by underlining

A. For the Commercial Paper Program

(1) That the President be authorized to either utilize ~~legally available cash balances~~ ~~in the unrestricted portion~~ a portion of the combined investment portfolios of STIP/TRIP as liquidity support for the CP Program or, if determined necessary by the President, negotiate a standby letter of credit, line of credit or other liquidity agreement provided that repayment of any advances shall be provided from previously approved sources.

B. For Medical Centers' Working Capital Borrowing:

(1) That the President be authorized to utilize the combined investment portfolios of STIP/TRIP for medical centers' working capital borrowings. A hospital's working capital borrowings from STIP/TRIP for a month shall not exceed 60 percent of the hospital's total accounts receivable for that same month (total accounts receivable being defined as patient accounts receivable, net of allowances). ~~plus intergovernmental transfers under SB 855, SB 1255, and Medical-Cal Medical Education programs); and~~

~~(2) The total working capital borrowing for the medical centers shall not exceed 15 percent of legally available cash balances of the unrestricted portion of STIP.~~

C. For Mortgage Origination Program (MOP) Loans:

(1) That the President be authorized to utilize the liquidity available in the combined investment portfolios of STIP/TRIP for the Mortgage Origination Program (MOP) Loans. ~~The allocations shall be at levels determined to insure that the aggregate outstanding balance of the loan portfolio does not exceed 25 percent of the legally available cash balances of the unrestricted portion of STIP~~.

[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 explained that this item recommended modifications to the Regental borrowing authorization policies to make conforming changes to policy to reflect the recently expanded commercial paper program and to make conforming changes to reflect the establishment of the Total Return Investment Pool (TRIP). The policy currently only references the Short-Term Investment Pool (STIP). The item would also modify policies to use up to 40 percent of the combined investment portfolios of

TRIP and STIP for liquidity support for the University's commercial paper, medical center working capital, and mortgage origination programs.

In response to a question asked by Committee Chair Gould, Ms. Lapp confirmed that this was a conforming action.

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

11. **ANNUAL ACTUARIAL VALUATIONS FOR THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN AND ITS SEGMENTS AND FOR THE 1991 UNIVERSITY OF CALIFORNIA-PUBLIC EMPLOYEES' RETIREMENT SYSTEM VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM**

[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 Mr. Paul Angelo of the Segal Company, the Regents' consulting actuary for the UC Retirement Plan (UCRP). The presentation would discuss key results of the annual actuarial valuations of the UCRP and the UC-Public Employees' Retirement System Voluntary Early Retirement Incentive Program (UC-PERS Plus 5 Plan). It would include calculation of the total recommended contribution for the campus and medical center portion of the UCRP beginning in the 2009-10 plan year. This calculation was based on the funding policy approved by the Regents at the September meeting. Based on discussion today, developments over the next two months, available funding, and collective bargaining, the University intends to present an action item in January 2009 that will set the actual total contribution and the split between employer and employee, effective July 1, 2009.

Regent Hopkinson referred to market conditions since July 1 and described the numbers cited in the presentation materials as almost irrelevant.

Chief Investment Officer Berggren acknowledged that this has been a difficult period for the financial markets. The equity market has plummeted. Credit spreads have widened materially. The London Interbank Offered Rate (LIBOR) is higher than it has ever been. As of the September quarter, the UC pension fund was down approximately 10.1 percent. In October, the combined portfolio was down 13.98 percent. In the four months of this fiscal year, the portfolio has been down 22.7 percent. In the September quarter, relative to asset allocation policy, the portfolio was up 2 basis points; as of the end of October, it was up 24 basis points. Ms. Berggren emphasized the significant need for liquidity in the UCRP. The University must pay out almost $130 million monthly in pension benefits in addition to some capital costs, and therefore must maintain a fairly liquid portfolio. She pointed out that alternative investments represented a small proportion of the total portfolio and noted that these investments have been the source of performance gains for many competing institutions.

Mr. Angelo began his presentation by explaining that the valuation of the UCRP is carried out by segments. The campuses and medical centers are considered separately from the national laboratories, although the UCRP is a single plan, with all assets available to pay all benefits. The funding policy adopted by the Regents in September applies to the campus-medical center segment. The demographics of the UCRP have remained relatively stable over the last several years. There has been a decrease in the number of active members, mainly due to the new management of the Lawrence Livermore National Laboratory.

Mr. Angelo then examined the UCRP investment rates of return. Through June 30, 2008, the 2007-08 market value of assets was -5.6 percent. This must be compared to the assumed return of 7.5 percent and results in an actual loss close to 13 percent. Due to the actuarial smoothing method, which takes a five-year average of gains and losses, the UCRP rate of return for the year ended June 30, 2008 is still positive, and greater than the assumed rate of return; the gains of 2004, 2005, and 2006 are still being calculated into this figure. During the last decade, the funded ratio of the UCRP has declined. The ratio will be under 100 percent as of the next valuation if no contributions are made. The market value funded ratio as of June 30, which includes June losses, is under 100 percent. Mr. Angelo recalled that the UCRP funding policy amortizes the surplus as of June 30, 2008 over three years; this will allow for a transition to full normal cost.

Turning to UCRP valuation results, Mr. Angelo pointed out that this year's smoothed or actuarial value is higher than the market value. Last year, the University had deferred gains. This year the University has losses, and he anticipated even greater losses in future years.

The full normal cost of the UCRP is approximately $1.3 billion. The University's surplus as of June 30, 2008, divided by three, produces a credit which offsets this. The net total recommended contribution for 2009-10 is $875 million. This includes both employer and member contributions. Of this $875 million total, approximately $271 million comes from State General Funds, UC General Funds, and student fees.

Mr. Angelo then discussed projections for total recommended contributions for future years, based on four scenarios of assumed returns on the UCRP in 2008-09: returns of 7.5 percent, 0 percent, -10 percent, and -20 percent. Actual year-to-date earnings are approximately -20 percent. If this were to continue, by 2014 a contribution rate of 35 percent of payroll might be necessary. This recognizes a 20 percent downturn in the market. In actuarial terms, this is a 27.5 percent loss; the 20 percent loss and the 7.5 percent returns that were not earned.

Finally, Mr. Angelo discussed the implications of not resuming contributions. The growth of the University's liability is a very predictable number. If the UCRP earnings were to return to 7.5 percent on July 1, 2009, after a 20 percent loss in 2008-09, the funded ratio would decline to approximately 37 percent by 2017. Resumption of contributions at the recommended level will not eliminate the problem, but by 2017 the UCRP would be funded at 82 percent. This is an increase from a low funding level of 72 percent on an actuarial basis. Responding to Regent Hopkinson's earlier question, Mr. Angelo informed the Committee that, if the UCRP earns -20 percent during 2008-09, its market value funded ratio as of June 30, 2009 would be approximately 70 percent. This level would remain effective for about four years during the smoothing process.

Committee Chair Gould stated that the UCRP had some headwind to return to -10 percent or 0 percent returns this year. The importance of resuming contributions to the UCRP is undeniable and a 35 percent contribution rate is a substantial amount. He asked how much this would represent in budget terms. Ms. Lapp indicated that a 35 percent contribution would be approximately $1 billion.

President Yudof acknowledged UC employees' concerns about the UCRP, but described the past 18 years as a holiday on contributions to a reasonably well-performing fund. He emphasized the long-term risk that the University would not be able to fulfill its promises to UC employees for their retirement, particularly to employees not retiring in the next ten years. He stressed the Regents' obligation to preserve retirement benefits and the worrisome magnitude of the funding gap, between $10 billion and $30 billion within a decade, even with contributions.

Regent Schilling asked when the University would take action on this issue. Ms. Lapp responded that a proposal for recommended contributions, to be effective July 1, 2009, would be presented to the Regents for approval in January 2009. This would require State funding and contributions from the medical centers.

Regent Varner asked if action in January would be soon enough. Ms. Lapp responded that the University could not act sooner in practical planning and budgeting terms. The source of the employer contribution must be determined. She stated that accurate data would be presented at the next meeting.

Regent Kozberg asked what would happen if the State did not provide funding. Ms. Lapp responded that the University will negotiate with the State. The State has provided this contribution in the past, and Ms. Lapp expressed the hope that the State would come forward with some contribution.

Committee Chair Gould observed that the State's commitment and support were critical.

Regent Hopkinson discussed what she described as a communication problem. She observed that none of the current representatives in the State Legislature were in the Legislature when contributions were made to the UCRP. A large percentage of current UC employees have never made contributions. She acknowledged employees' concerns about the resumption of contributions, but emphasized that the University has no choice in this matter. She stated that the University needs to communicate clearly and succinctly to the public the need for the resumption of employee contributions to the UCRP.

Regent Varner noted the ongoing contract negotiations with UC service workers. Given that some information on UCRP contributions would not be available until January, he asked how the University would address this unknown element in the interim. President Yudof responded that the University is currently negotiating with the union on wages for service workers. He suggested that, with Regental approval, employee payments to the Defined Contribution Plan could be redirected to UC's defined benefit plan.

Ms. Lapp informed the Committee that, if this matter cannot be resolved in the negotiations, it can be left as a reopener in the contract.

Regent Garamendi recalled that the University has had a Defined Contribution Plan for approximately 18 years. He asked if the Defined Contribution Plan would continue after the resumption of contributions to the UCRP, or if this money would be used to pay for the defined benefit plan. Ms. Lapp responded that the 2 percent contribution would be redirected as the employee's share.

Regent Garamendi referred to the $228 million in State General Funds requested for the UCRP in the UC 2009-10 Budget for Current Operations, discussed earlier by Vice President Lenz. He asked if the net increase is necessary, over and above the amount transferred from the Defined Contribution Plan. Ms. Lapp responded in the affirmative. Next year the University's total contribution to the UCRP will have to be $875 million; it is seeking approximately $230 million of this from the State.

Regent Schilling opined that the University's actions were not going far enough. She believed that the University should reexamine its defined benefit plan and possibly make changes to it, as some large companies have made changes to defined contribution plans. She warned of serious consequences if the University does not address the increase in its liabilities. She acknowledged the complexity of the issue, but noted that this information has been presented to the Regents over the last two-and-a-half years. She suggested that the University's medical benefit plans should be reexamined as well, as they also present serious liability. The University might need to consider drastic measures.

Committee Chair Gould observed that there would be opportunity for further discussion of these questions. He stressed the need to communicate to employees that the University is acting in a way consistent with its existing policies and in a way dictated by raw numbers.

12. UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT PROGRAM ACTUARIAL VALUATION REPORT

[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 Mr. Tim O'Beirne of Deloitte Consulting, the University's health benefits actuary. Mr. O'Beirne noted that this is the second year in which the University will report under Governmental Accounting Standards Board (GASB) Statement 45. He discussed a chart comparing valuation results for 2007 and 2008. Although GASB 45 does not require that the University fund these benefits, the valuation determines the Annual Required Contribution (ARC) needed to fully fund two components, the normal cost, the amount accrued this year by employees for future benefits, and the amortization of future benefits already earned that have not been previously funded. The ARC for this year is $1.55 billion, or about 21 percent of covered payroll. Given the current funding policy, this is an expected increase over last year's ARC of approximately $1.4 billion. The total unfunded liability increased as expected from approximately $12 billion last year to a little over $13 billion this year. The pay-as-you-go cash cost, the amount actually paid by the University, was a little under $200 million last year, and is projected to be $225 million next year.

Mr. O'Beirne pointed out an increase in the balance sheet obligation from $1.1 billion in 2007 to $2.3 billion in 2008. This reflects the fact that employer payments will be less than the amount needed to be considered fully funded this year. He then discussed a chart showing a ten-year projection of the balance sheet obligation, to show the effect of the current funding policy, which is on a pay-as-you-go cash basis. The balance sheet obligation is expected to grow to $16 billion in ten years. He reiterated that this reflects the relationship between what the University is actually paying each year and the amount needed to be considered fully funded.

Committee Chair Gould expressed concern about how the market views an unfunded obligation which is growing on UC's balance sheet, and how this will affect the University's ability to borrow.

Mr. O'Beirne observed that credit rating agencies are the primary audience for this financial information. He then discussed a ten-year projection for the University's pay-as-you-go cash costs, which are expected to grow to over $600 million, almost 6 percent of covered payroll, in ten years.

Committee Chair Gould observed that this information is being built into the University's budget projections on a pay-as-you-go basis.

13. REPORT ON NEW LITIGATION

[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.]

General Counsel Robinson presented his **Report on New Litigation**, shown in Attachment 1. By this reference the report is made part of the official record of the meeting.

The Committee recessed at 3:10 p.m.

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The Committee reconvened on Thursday, November 20, 2008 at 10:05 a.m. with Committee Chair Gould presiding.

Members present: Regents Blum, Garamendi, Gould, Hopkinson, Island, Kozberg, Scorza, Varner, Wachter, and Yudof; Advisory members Bernal, Nunn Gorman, and Croughan; Staff Advisors Abeyta and Johansen

In attendance: Regents Cole, De La Peña, Hotchkis, Johnson, Makarechian, Marcus, Pattiz, Ruiz, Schilling, and Shewmake, Regent-designate Stovitz, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Grey, Executive Vice Presidents Darling and Lapp, Senior Vice President Stobo, Vice Presidents Beckwith, Dooley, Foley, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Fox, Kang, White, and Yang, and Recording Secretary Johns

14. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2009-10 BUDGETS FOR CURRENT OPERATIONS AND FOR STATE CAPITAL IMPROVEMENTS**

Discussion continued with respect to the *Approval of University of California 2009-10 Budgets for Current Operations and for State Capital Improvements*.

Regent Garamendi observed that the earlier discussion of this item had not touched on student fees in the proposed budget. He expressed his view that, as a matter of policy, the student fees are too high and should not be increased. He argued that it is a tactical error to begin a debate about the University's budget by conceding the student fee issue and presenting a budget that assumes a student fee increase. The burden of addressing this issue should be placed on the Governor, the Legislature, and other elected officials.

Regent Scorza explained that his earlier recommendation was made in the hope of sending a strong message to the State that the impact of underfunding the University will be reflected in curtailed enrollment, accompanied by a negative effect on diversity. He argued that an assumed student fee increase in the budget makes it difficult for students to advocate for the University. He called for an increase in the University's Registration Fee to help maintain student services and the quality of life on campuses. He recommended that this item be amended to remove language that assumes an increase in the Educational Fee.

General Counsel Robinson explained that, before this could be considered, a motion to reconsider the recommendation approved the day before was required.

Regent Hopkinson stressed the need for the University to find a long-range solution to its funding problems and strongly stated that the University will not receive $800 million in funding from the State and a buyout of student fees. She stated that approximately one-third of UC students, the lowest-income students, pay no fees. While this should be expanded to more students, and to some middle-income students, the University does not now have the money to accomplish this. She regretted that she would have to vote "no" on Regent Scorza's recommendation.

Chairman Blum stated that, in the past, he felt that fee increases were necessary. This year the economic situation is vastly different. He acknowledged that the University is making a large request to the State. He advised leaving the question of student fees blank in the budget, or to be determined, and expressed agreement with Regent Garamendi's position.

Regent Marcus expressed support for the recommendation to reconsider.

Regent Pattiz expressed concern that the State might grant the University's request regarding student fees, while not providing funding for the rest of the budget, and that this action might prove a strategic error.

Upon motion duly made and seconded, the motion to reconsider was approved, with Regents Blum, Garamendi, Gould, Island, Kozberg, Scorza, Varner, Wachter, and Yudof (9) voting "aye," and Regent Hopkinson (1) voting "no."

Regent Schilling noted the importance of timing and the University's obligation to inform families about student fees for the coming year, while State funding might not be known until June. She asked if it would be possible for the University to announce that it will not know the level of student fees until the State budget is passed, or to announce fees for the first quarter or semester, with tuition to be then reconsidered.

Regent Island acknowledged that families should be notified about the cost of University tuition, but expressed agreement with Chairman Blum's position of leaving the entry for student fees in the budget to be determined later.

Regent Kozberg recalled that the University has been sued previously and lost on an aspect of this issue. She stressed the University's responsibility to inform families and the Legislature about student fees and pointed out that the budget proposal, as it stands, presents an amount to be covered by student fees or equivalent State funds.

Regent Scorza urged the University to raise student fees only as a last resort, when all other means of meeting the University's needs have been exhausted. He stated that the University should postpone a student fee increase for further consideration.

President Yudof opined that the strategy of removing student fees from the proposed budget would work in the short term, but not change the reality of the overall situation. He anticipated that the State budget impasse would continue until late spring or early summer; a definitive budget from the State would not arrive in a timely fashion. The University will be faced with the same problem and it will become more difficult to put off the question of student fees. He underscored the conflict between the University's academic schedule and the political process, which does not take account of deadlines in students' lives.

Faculty Representative Croughan noted reports in the media that day and the previous day, stating that the Regents have in fact approved a 9.4 percent increase in student fees. She pointed out the difference between the Regents' understanding that this is a proposed budget and the media reports, but opined that this was good to some degree, since parents and students are now informed.

Regent Hopkinson asked about the dollar amount of the proposed fee increase. Mr. Lenz responded that the 9.4 percent increase represented $150.5 million. The budget also assumes 2.5 percent enrollment growth, which would provide another $44.7 million. He recalled that these are gross numbers and that one-third of student fee revenue is used for financial aid.

Regent Hopkinson recalled that the Regents have addressed the issue of student notification in the past, during a similar budget crisis. At that time, the University did not make a decision in a timely fashion and experienced what she described as an appropriate "blowback" from families of students who did not know what tuition rates were going to be. When tuition was finally decided on, it was an increase, and Regent Hopkinson stated that this was unfair to students. She recalled that, after this event, the Regents may have set a policy of determining student fees by a specific date. She emphasized that the decision about a student fee increase should be made by the Regents, not the Legislature, and be made in a timely fashion. She anticipated that the total amount of funding received from the State would be the same, even if the proposed budget shows no increase in student fees.

Committee Chair Gould discussed some of the State's current budget challenges, including proposed reductions to health and human services programs. In this environment it is difficult to advocate for more for the University. He suggested that the University could request more in General Fund revenue in order to avoid raising fees, but in the absence of this funding, the University would impose the equivalent amount in student fees. He opined that this would be an honest answer and an honest statement about the reality the University faces.

Regent Scorza expressed the students' desire to maintain quality in UC education. He warned of the difficulty many students experience in obtaining loans. He urged the University to provide full funding for mental health and other student services.

Regent Varner expressed support for Committee Chair Gould's position, with the suggestion that the President should take a message to the Legislature and the Governor that the University will only increase student fees if its budget request is not funded.

Committee Chair Gould opined that the Regents had a moral obligation to alert families, but not a legal obligation to act on student fees that day.

Regent Hopkinson asked when students begin to make decisions on which university or campus they will attend. President Yudof responded that they do so most typically in March and April. Executive Vice President Lapp observed that admission letters are sent to students in March. Interim Provost Grey stated that notification varies by campus. The earliest letters are sent by UC Riverside in February. The fee issue needs to be settled by January.

Committee Chair Gould clarified that the recommendation now before the Committee was to submit the budget as presented, with a request for additional State General Fund revenue in place of a student fee increase. If these additional funds are not provided by the Legislature, the equivalent amount would have to be obtained by an increase in student fees.

Upon motion duly made and seconded, the recommendation with Regent Garamendi's amendment was approved as shown below, with Regents Blum, Garamendi, Gould, Island, Kozberg, Scorza, Varner, Wachter, and Yudof (9) voting "aye," and Regent Hopkinson (1) voting "no."

A. The Committee recommends that the expenditure plan included in the document, *2009-10 Budget for Current Operations*, be approved as proposed by the Office of the President, with the exception of the following:

   (1) that revenues and expenditures be reduced to reflect appropriate amounts for endowment earnings and for private gifts;

   (2) the budget be revised to reflect a request for additional State General Funds to avoid increases in student fees. The State is advised that, absent these additional funds, student fee increases will be required; and

   (3) in the event the University does not receive the funding being requested, it is the direction of the Board to curtail freshman enrollment.

B. The Committee on Finance concurs with the recommendation of the Committee on Grounds and Buildings that the *2009-2010 Budget for State Capital Improvements* be approved.

The meeting adjourned at 10:40 a.m.

Attest:

Secretary and Chief of Staff

Attachment 1

NEW LITIGATION AND ARBITRATION PROCEEDINGS

Report Period: 8/19/08-10/17/08
Regents Meeting
November 2008

Plaintiff	Location	Nature of Dispute Alleged by Plaintiff	Forum
		Employment Cases	
Barr, Cheri (Medical Asst. II)	UCDMC	Disability Discrimination, Wrongful Termination (constructive discharge), Breach of Contract	Yolo County Superior Court
Neavill, Martha (Sr. Vocational Nurse)	UCLA	Pregnancy Discrimination and Retaliation	Los Angeles County Superior Court
Nishi-Schnier, Kayoko (Asst. Research Biochemist)	UCDMC	Gender Discrimination, National Origin Discrimination, Retaliation, Wrongful termination (constructive discharge), and Breach of Contract	Yolo County Superior Court
Said, Nebiyou (Computer Operator)	UCOP	Discrimination (national origin), Retaliation and Termination of Employment	U.S. District Court (Northern District) of California
		Professional Liability Cases	
Basquez, Harold	UCSF	Damages, General Negligence, Intentional Tort, Loss of Consortium	Butte County Superior Court
Booth, Lataviah S.	UCI Affiliate – Long Beach Memorial	Negligence, Negligent Infliction of Emotional Distress	Los Angeles County Superior Court
Day, Stephen	UCSD	Refusal to Transmit Medical Records	Yolo County Superior Court

Feldman, Harry Cole	UCLA	Professional Negligence	Los Angeles County Superior Court
Highsmith, Jennifer	UCD	Damages, Medical Malpractice and Loss of Consortium	Sacramento Superior Court
Holland, Deborah	UCLA	Medical Negligence/Battery	Los Angeles County Superior Court
Hurtado, Jose (decedent), Fanny Hurtado, et al.	UCLA-Harbor	Damages, Professional Negligence (Wrongful Death)	Los Angeles County Superior Court
Kuklin, Howard	UCLA-Santa Monica	Personal Injury, Medical Malpractice, General Negligence	Los Angeles County Superior Court
Lugo-Garcia, Angelo	UCSF	Damages for Professional Negligence	Sonoma County Superior Court
McMahon, Thomas	UCLA	Personal Injury, General Negligence	Los Angeles County Superior Court
Porrello, Anthony	UCSD	Damages, Medical Negligence	San Diego County Superior Court
Potts, Mickell	UCSD	Wrongful Death/Medical Negligence	Los Angeles County Superior Court
Raffulls, Jesus	UCLA	Damages, Medical Malpractice, Loss of Consortium	Los Angeles County Superior Court
Van, Xuan Luong	UCI	Medical Malpractice, General Negligence	Orange County Superior Court
Washington, Michael	UCLA	Professional Negligence and Battery Due to Lack of Informed Consent; Loss of Consortium; Intentional Infliction of Emotional Distress	Los Angeles County Superior Court
Winic, Mary (decedent) Brian and Todd Winic	UCLA	Damages, Wrongful Death	Los Angeles County Superior Court

Other Cases

Antrim, James (individual)	UC location not identified	Asbestos	San Francisco County Superior Court
BODEE, LLC (business)	UCD	Cross-Complaint - Contractual Indemnity, Equitable Indemnity	Los Angeles County Superior Court
Care Medical Transportation, Inc. (corporation)	UCSD	Breach of Contract	San Diego County Superior Court
City of Riverside (public entity)	UCR	Eminent Domain for Construction Easement	Riverside County Superior Court
Ellis-Lingenfelter, Robbin (individual)	UCIMC	Personal Injury – Slip and Fall	Orange County Superior Court
Haase, Warren (individual)	UC location not identified	Personal Injury – Asbestos	San Francisco County Superior Court
Hamedani's Enterprises, Inc. (business)	UCSB	Breach of Contract, Breach of Covenant of Good Faith and Fair Dealing	Santa Barbara County Superior Court
Krause, Melinda (individual)	UCDMC	Personal Injury – Slip and Fall	Sacramento County Superior Court
McCracken, Ted (individual)	LANL	Personal Injury – Radiation Exposure	U.S. District Court – Eastern, New York
Quijano, Lazaro and Tonia (individuals)	UCLAMC	Complaint in Interpleader regarding medical expenses/insurance coverage	Los Angeles County Superior Court
Tutor-Saliba-Perini (construction company)	UCLA	Cross Complaint for Breach of Contract, Implied Indemnity, Contribution, Comparative Fault and Declaratory Relief	Los Angeles County Superior Court

Witt, Debra (individual)	UC location not identified	Personal Injury – Asbestos	San Francisco County Superior Court

Public Employment Relations Board ("PERB")
Unfair Practices Alleged by Charging Party

AFSCME (American Federation of State, County, and Municipal Employees) SF-CE-872-H	UCD/UCB	Failure to provide union with prior notice or opportunity to bargain unilateral changes to terms and conditions of employment.	PERB
Shannon (former employee) SF-CE-871-H	UCSF	Retaliation for filling unpaid wage and compensation claim against the University.	PERB
Ascencio (former employee) LA-CE-1049-H	UCLAMC	Wrongful termination.	PERB
SETC (State Employees Trade Council) LA-CE-1048-H	UCLA	Threatened reprisals and discrimination against union shop stewards and members for exercising their union rights.	PERB
Hauglie (former employee) LA-CE-1046-H	UCLA	HEERA violation regarding layoff. Charge dismissed: 8/29/2008.	PERB