

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
MEETING AS A COMMITTEE OF THE WHOLE**

July 15, 2009

The Regents of the University of California met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Present: Regents Bernal, Blum, De La Peña, Garamendi, Gould, Island, Johnson, Kieffer, Kozberg, Lansing, Lozano, Makarechian, Marcus, Nunn Gorman, Reiss, Ruiz, Schilling, Stovitz, Varner, Wachter, Yudof, and Zettel

In attendance: Regent-designate Hime, Faculty Representatives Croughan and 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 Pitts, Executive Vice Presidents Lapp and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Broome, Duckett, Lenz and Sakaki, Chancellors Birgeneau, Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, White, and Yang, and Recording Secretary Harms

The meeting convened at 8:30 a.m. with Chairman Gould presiding.

1. PUBLIC COMMENT

Chairman Gould explained that the Board had been convened as a Committee of the Whole in order to permit members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

- A. Mr. Charles Schwartz, Professor Emeritus at the Berkeley campus, expressed his belief that the plan for salary reductions and furloughs suffers from a lack of sound financial management. The University has no clear guidelines regarding how the money is to be used. Mr. Schwartz asked that the Regents dedicate savings to mitigate the shortfall in State funding.
- B. Ms. Mary Higgins, with the Coalition of University Employees (CUE), stated that the University enjoys a robust financial position; only 13 percent of UC's overall budget comes from the State. Other revenue streams that comprise the remaining 87 percent are increasing every year. She stated that the University has a \$5.5 billion reserve that is unrestricted that can be used to remedy the State shortfall.
- C. Ms. Maria McDevitt, from CUE Local 6, stated that that State cuts should not result in pay reductions and furloughs because UC has access to unrestricted net assets of \$4.5 million. She asked that the Regents review UC's 2008-09 audited financial statements. CUE supports legislation, proposed by Assembly Majority Leader Alberto Torrico, for an oil severance tax which would provide funding

for the University of California. She requested that President Yudof dedicate funding for public relations efforts to support Assemblyman Torrico's bill.

- D. Mr. Lucius Lomax, a nurse practitioner student at UCSF, asked to appeal disciplinary action taken against him by UCSF. In April, Mr. Lomax wrote an email complaining about diversity issues at his clinical site, and was failed in his clinical exam the next day. He has appealed unsuccessfully at UCSF, although he did acknowledge assistance from Chancellor Bishop, who transferred his case to the Affirmative Action office of UCSF. Mr. Lomax offered documentation related to his plea, and asked that someone outside of UCSF investigate the issue.
- E. Mr. Jeffrey Branner, with the American Federation of State, County, and Municipal Employees (AFSCME), expressed frustration at the disparity between the planned furloughs, salary reductions, student fee increases, and executive compensation and travel. He voiced concern for families of UC employees affected by the plan, and asked the Board to consider reducing the salaries of high-level employees, and not those of staff lower on the pay scale.
- F. Ms. Judy McKeever, a registered respiratory therapist at UCSF and a member of AFSCME 3299, explained that her department has been short-staffed for eight years. In response to a salary increase, UC was recently able to recruit a core team for the department; however, furloughs would encourage these new staff to leave. Ms. McKeever voiced support for legislation sponsored by Senator Leland Yee that would hold UC executives accountable to taxpayers, workers, patients, and students in California.
- G. Ms. Maricruz Manzanares, a UC Berkeley employee, recalled the UC principles of accessibility, affordability, transparency, and accountability. She stated that the University was favoring UC executives at the expense of students, workers, and the community, and asked why the University had not been more generous with bonuses and compensation during stronger economic times. She asserted that the UC financial statements needed to be made public.
- H. Ms. Stacy Gauny, a principal research associate at Lawrence Berkeley National Laboratory (LBNL), remarked that the funding for her position – and for a large number of associate positions – is provided by federal agencies. Ms. Gauny stated her belief that the proposed plan is unclear with regard to federally-sponsored positions, and that the proposed salary reduction and furlough plan, if applied to federally-funded positions, would not mitigate the State budget crisis.
- I. Mr. George Lakoff, professor of linguistics at UCB, noted that the University has a \$19 billion budget, and that the \$195 million in salary cuts represented one percent of that budget; he asked if faculty and staff salaries were the best one percent to eliminate. Mr. Lakoff concurred with President Yudof's comment that the crisis would result in a transformation of the University. Cuts in faculty

salaries will lead the most distinguished faculty to accept competing offers, and will permanently damage UC's ability to attract and rebuild a great faculty.

- J. Mr. Robert Meister, with the Council of UC Faculty Associations, asserted that the amendment of Standing Order 100.4 would violate the Regents' 30-day notice requirement, and that the adoption of the Declaration of Financial Emergency would not conform with the requirement that the President initiate the declaration process by issuing a letter requesting emergency powers. The Council of UC Faculty Associations hired a lawyer who detailed their concerns in letter form.
- K. Mr. Jelger Kalmijn, a UC San Diego researcher and the systemwide president of the Union of Professional and Technical Employees (UPTE), asked why the Regents did not provide a room large enough for everyone to participate in the discussion. Mr. Kalmijn stated that the University receives more than four-fifths of its funding from non-State sources and did not need to implement such dramatic cuts. He said that the UC should work to fill existing openings with current employees.
- L. Ms. Oiyen Poon, a student at UCLA, came to demonstrate her solidarity with UC staff. As both a student and as a member of the staff, she has seen the burden of the budget fall on the backs of students, staff, and faculty. Ms. Poon expressed her frustration at annual fee increases and urged Regents to actively address the budget crisis.
- M. Ms. Wendi Felson, a clinical laboratory scientist at UCSF, spoke in support of the California Poison Control (CPC) system which is operated by the UCSF School of Pharmacy. The hotline gets over 900 calls a day, and handles 300,000 cases a year. In 2008, the CPC saved California \$70 million in healthcare costs and averted 61,000 unnecessary emergency room visits. Ms. Felson informed the Regents that the CPC is preparing to close this September if funding is not restored by the State.
- N. Mr. Duane DeWitt, a student and veteran, noted that students and alumni must pay \$100 a year for career services, an expense Mr. DeWitt and many others cannot afford. He observed that a senior administrator at UC was recently paid \$100,000 to change jobs, money that could have been used for career counseling for 1,000 students. He asked the Regents to provide free career counseling to unemployed graduates and students, many of whom have financial difficulties.
- O. Ms. Debra Ramirez, a 25-year employee of California Animal Health and Food Safety (CAHFS) Laboratory System, informed the Regents that she and 22 co-workers would soon be unemployed due to closure of their laboratory. CAHFS helps protect the State from diseases such as West Nile virus, swine flu, E. coli, salmonella, and tuberculosis. Livestock and poultry producers, ranchers, and

veterinarians cannot afford the long wait for remote testing; the closure will put the public health at risk.

- P. Ms. Lisa Richard, a registered nurse at UCSF, explained that she and her co-workers risk their lives daily through contact with sick patients. She observed that nurses at UC typically work 12-hour shifts, and that the lean UC nursing staff cannot afford to eliminate any positions. She noted that the department is already understaffed on many occasions, a condition that can threaten the life of patients.
- Q. Mr. Nick Kardahji, a graduate student, a teaching instructor, and member of the United Auto Workers (UAW), observed that the combined net worth of the Regents is considerably more than that of the members of the public attending the meeting. He remarked that a lack of democracy exists in the UC system and that it has a leadership crisis rather than a financial crisis. He asserted that the University has large unused reserves that could be used to fill the budget gap.
- R. Mr. Timothy J. Clark, professor of art history and Pardee Chair at UCB, explained that he recently hired a scholar from the University of Zurich. She was persuaded to come to UC with the understanding that she would defer her move a year, as she was just about to have her first child. In a few days, she will arrive in the Bay Area. Mr. Clark stated that he would give her the name of a lawyer skilled in breach of contract cases.

2. **REMARKS OF THE CHAIRMAN OF THE BOARD**

Chairman Gould acknowledged and thanked Regent Blum for his two-and-a-half years of exceptional leadership for the University of California. He remarked that Regent Blum set the stage for the Regents to confront the current financial challenges and that he, Chairman Gould, would continue to rely on him as the Board determines the actions necessary to maintain the University's excellence. The Chairman also welcomed the new Regents-designate – Rex Hime, an alumnus of UC Davis, and Darek DeFreece, an alumnus of UC Berkeley – and student Regent-designate Jesse Cheng, currently majoring in Asian American studies at UC Irvine. He noted that the Board would shortly be taking action to confirm Mr. Cheng's nomination. Chairman Gould recognized the two newest appointed Regents, George Kieffer and Charlene Zettel, who had participated in the May meeting which was held by teleconference. He noted that both Regent Kieffer and Regent Zettel would bring considerable experience and energy to the Board and that he looked forward to their participation.

The Chairman called the attention of the Regents to the upcoming budget decisions to address the University's grim financial situation. He noted the irony of the economic collapse occurring on the eve of the fiftieth anniversary of UC's Master Plan. A half century ago, California leaders established a plan for the future of higher education that is the envy of the nation, and it has paid California great dividends. He stressed that it was incumbent upon the Regents, as they face the deepest crisis in a generation, to chart a future course for the University that is as consequential, durable, and far-sighted as that

of their predecessors. Although the Board is in an unenviable position, it should think boldly and reinvent the University so that it will emerge with its core mission intact. Chairman Gould emphasized that the Regents must define the major administrative, academic, and structural changes that will position UC to maintain its leadership and excellence in the challenging political and fiscal environment of the twenty-first century. He cited *New York Times* columnist Tom Friedman who wrote, "...the country that uses this crisis to make its population smarter and more innovative — and endows its people with more tools and basic research to invent new goods and services — is the one that will not just survive but thrive down the road." Mr. Gould urged the Regents to communicate that message to leaders in Sacramento and to all Californians.

The Chairman informed the Board that he and the President are establishing a commission to examine the future of UC's role in sustaining California's economy and cultural life in the face of limited State resources. The entire University community must review important priorities and structural decisions, some of which have been taken for granted. While some details of the commission's work plan are still being developed, Regent Gould outlined the four cornerstone questions of the review:

1. How will UC best maintain access, quality, and affordability in a time of diminishing resources?
2. What educational delivery models are best suited for UC's future?
3. What is the appropriate size and shape of the University going forward? Where should it grow, or should it?
4. How does the University mount a campaign to maximize all potential sources of revenue to UC – both the traditional resources like State and federal dollars, and also creative new ways to harness its alumni and philanthropic partners?

Chairman Gould stressed that Regents will be asked to work with the University community both on the commission and in working groups that will examine fundamental and critical issues for the future of UC. He recognized that all of the members of the Board share his determination to maintain the excellence of the University.

3. **REMARKS OF THE PRESIDENT OF THE UNIVERSITY**

President Yudof joined Chairman Gould in offering his thanks to Regent Blum for his service to the University and welcomed Regent Gould as the as new Chairman of the Board.

The President acknowledged the sentiments expressed in the public comment period as reflective of the very challenging circumstances the University community faces. Employee pay reductions, furloughs, student affordability issues, and program reductions are legitimate concerns for everyone, as are their possible ramifications on the sustained

quality of the institution. President Yudof explained that State expenditures for students have been cut in half over the past 20 years, from approximately \$16,000 per student (in real dollar terms) to \$7,600 per student under the Governor's proposed budget. The University has to absorb \$800 million in cuts in one year on its roughly \$3 billion base. In addition, UC faces another \$200 to \$300 million in rising costs related to labor contracts, energy costs, and health care costs; combined with the State reductions, the University is short over \$1 billion. He noted that the State is further exacerbating the situation by not paying UC on time and is deferring \$1 billion in payments over the course of a year. President Yudof noted that Pell Grant funding has also not been made available yet, so the University is fronting the money for these grants for the summer and for the fall.

Acknowledging those who might disagree, the President stressed that he fully consulted the Academic Senate and the staff regarding the salary reduction and furlough plan, and that he received approximately 25,000 responses from the UC community. He stated that the furlough program had been extensively modified through this process. The *Sacramento Bee* called it a model for all State agencies because it is progressive, unlike the furloughs in State government. UC staff at the higher income levels face a ten percent reduction, while those earning below \$40,000 will have a four percent cut; conversely, the State has levied salary reductions of 15 percent for nearly its entire staff, regardless of income.

If the auxiliary enterprises generate any additional revenue as a result of these cutbacks, they will be taxed to help defray the deficit on the campuses. The campuses have a \$300 to \$500 million shortfall, despite the furloughs and fee increases.

In response to remarks made in the public comment period, President Yudof emphasized that the University provides its audited financial statements online, and that it is in full compliance with the open records law. He encouraged members of the public to analyze the data and expressed his belief that many would reach the same conclusions as did the Office of the President. He added that he has instructed the University's attorneys to consider seeking sanctions in the lawsuit that has been filed against it.

The President remarked that he has been making regular journeys to Sacramento to discuss funding for UC and that the University has a full-time staff in Sacramento devoted to advocacy for the system. Regent Blum recently sent a letter to one million individuals contrasting the fiscal health of other State institutions – such as the prison system – over the past decade compared to UC's decline of two to three percent in funding. The letter asked the recipients to apply political pressure and generate an outcome that is more equitable for UC students, staff, and faculty. One week, 7,000 letters were sent to the Legislature.

President Yudof expressed his belief that furloughs, while not desirable, were preferable to layoffs for UC families, particularly in light of the depressed economy. As an example, if Berkeley did not adopt the furloughs, it would be forced to lay off 450 additional employees. He stressed that the University will emerge from the crisis, but fundamental reforms need to be adopted. The commission mentioned by Chairman Gould will address

questions related to faculty load, student-to-faculty ratios, the size of the graduate program, fundraising, and the preservation of quality throughout the system. He noted that public universities across the country have been mismanaged by the states over the last 25 years, and that Washington must take a new approach to higher education. The President concurred with one speaker's assessment of the State's \$26 billion budget cut as an anti-stimulus package. He added that the current budget assumptions used by UC include a \$600 million national stimulus package; the President expressed his concern that another such package may not be available in 2010-11. If California has not recovered to the point of backfilling at that time, the University will then be short an additional \$600 million. President Yudof underscored the Chairman's call for structural reform to prepare for an extended period of uncertainty before recovery.

Despite the dire outlook, the President affirmed his optimism regarding the viability of the University. He pointed out that UC has lasted 140 years, through the Great Depression and the downturns of the 1980s and 1990s. It has survived with varied political leadership in the Legislature and in the Governor's mansion, and is the pride of California. He stated that the University can preserve its valuable programs and services, but the UC community will have to work together to figure out how to do so.

4. **REMARKS OF THE CHAIR OF THE ACADEMIC SENATE**

Faculty Representative Croughan remarked that this would be her last address to the Board of Regents as Chair of the Academic Senate, and that it had been a pleasure and an honor to serve with the Regents. She recalled some highlights from the previous year. She noted that the system had hired the first president in 100 years who was from outside the University, and as the new Senate Chair, she was tasked with helping President Yudof establish a foothold in the process of shared governance. She observed that he quickly rose to the occasion, and met with academic and student affairs representatives regularly and extensively. His work with the Academic Senate on eligibility reform for students showed speed, skill, and intellectual acumen, and he modified the furlough plan after extensive ongoing consultation. He has also worked assiduously at both the State and federal level for programs to support higher education.

Ms. Croughan pointed out that the University would not be able to enact the second year of the faculty salary plan because of the State budget difficulties, and that faculty salaries would continue to lag approximately 11 percent below market as a result. This disparity, combined with the planned pay reduction, the resumption of retirement contributions, and increased health care costs, will very likely result in faculty salaries settling between 20 and 25 percent below market – compared to competitor institutions – by the end of this academic year. She indicated that the Senate's 2006 report on Current Budget Trends and the Future of the University of California (the "Futures Report") demonstrated that higher education is the only part of the State's discretionary budget – relative to elementary and secondary education, Health and Human Services, and the prisons – that has experienced a net decline in public support. She noted that the disproportionate cuts are unfair to the University, unfair to higher education as a whole, and are causing significant long-term damage to the economic engine of California and to the engine of

social opportunity. Ms. Croughan stressed that the UC faculty and staff stand ready to help the University through the crisis. She reminded the Regents that during the Great Depression, the UC Academic Senate voted to take a voluntary pay reduction and to increase student admissions. She said that the Senate would be looking at the educational mission of the University, and would help determine how to adapt to reduced State funding while maintaining quality, affordability, and access in the coming years.

Ms. Croughan informed the Regents that she would hand over leadership of the Senate to Harry Powell and Dan Simmons as of September 1. She expressed her faith in their ability to handle the challenging times ahead, and thanked the Regents again for the honor of working with them for the betterment of the University and of the State.

5. **REMARKS OF THE CHAIR OF THE COUNCIL OF UNIVERSITY OF CALIFORNIA STAFF ASSEMBLIES**

Mr. Lin King, Chair of the Council of University of California Staff Assemblies (CUCSA), distributed copies of the Council's Annual Report for 2008-09. Together with Brian Gresham, Chair Elect, he will be working in the year ahead to provide a forum to discuss matters of mutual interest, and to provide staff feedback to University administrators. Mr. King thanked President Yudof, Staff Advisors Johansen and Abeyta, and Regents Bernal, Scorza, Varner, Johnson, and Schilling for their attendance at CUCSA meetings over the past year. He also thanked the chancellors and campus staff who provided insights from the unique perspective of each site within the system.

Mr. King indicated that CUCSA had four primary workgroups over the past year: Educational Benefits, Internal Communications, Policies and Procedures, and Strategic Communications.

Chair Elect Gresham stated that he would focus most of his presentation on the Educational Benefits Workgroup. This year, the Workgroup extended previous efforts by examining the Reduced Fee Enrollment Program (RFEP) implementation policies at the various campus locations and concluded that they are inconsistently applied. The Workgroup also examined the inclusion of extended RFEP benefits to spouses, partners, and dependents of UC employees, similar to the program currently offered at the California State University (CSU). The final item that the Workgroup examined was the potential provision of a tuition reimbursement program to assist University employees who pursue educational programs outside of their home locations.

The conclusions reached by the Workgroup were shaped by current fiscal circumstances. The near-term action item suggested by the Workgroup was the review and standardization of the existing RFEP and the creation of a task force to lay the groundwork for the phased implementation of educational benefits programs similar to those offered by comparable institutions, with an aim toward offering a package at least as robust as that provided by the CSU system.

Mr. Gresham said that the Internal Communications Workgroup is one of the two standing workgroups that addresses internal issues. It solidified the CUCSA brand, and began exploring social networking sites such as Facebook and Twitter to extend University communications delivery systems. The Workgroup continues to look at the long-term goal of delivering an effective and accessible archival system for the products of previous CUCSA delegations.

The Strategic Communications Workgroup continues to collaborate with the Office of the President's communications unit, and this year it is mapping communication channels between the Office of the President and the campus locations in order to understand how messaging delivery systems are structured. Next year, it is expected to examine how effectively messages are reaching employees at the various locations.

Mr. Gresham noted that the Policies and Procedures Workgroup continues to be the engine that drives the daily operations of CUCSA, with responsibility for bylaw update proposals, budget analysis, meeting summaries, and updates to internal policies and procedures. It has broad responsibility for making sure the organization is functioning effectively and efficiently.

Mr. Lin told the Board that CUCSA has been working very hard to address the budget reductions and concerns, and is considering eliminating some meetings or holding them via webcast or teleconference. In addition, some local staff assemblies on the campuses helped with funds for travel and meals.

In addition to himself and Mr. Gresham, Mr. Lin noted that Sue Anderson would serve on the Council as secretary next year. He reiterated CUCSA's enthusiasm in working with the Regents and its pride in serving the State and higher education.

President Yudof thanked Messrs. Lin and Gresham for their efforts on behalf of the staff assemblies. He recalled that when they met at Lawrence Berkeley National Laboratory, he was impressed by their profound understanding of how the University works and their practical approach to what needs to be done. He expressed his hope that he would have more meetings with CUCSA.

The meeting adjourned at 9:50 a.m.

Attest:

Secretary and Chief of Staff