

The Regents of the University of California

COMMITTEE ON FINANCE

September 16, 2009

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

Members present: Regents Bernal, Garamendi, Island, Kozberg, Lozano, Makarechian, Schilling, Varner, and Wachter; Ex officio members Blum, Gould, and Yudof; Advisory members DeFreece and Simmons; Staff Advisors Abeyta and Martinez

In attendance: Regents De La Peña, Johnson, Kieffer, Lansing, Marcus, Nunn Gorman, Pattiz, Reiss, Ruiz, Stovitz, and Zettel, Regents-designate Cheng and Hime, 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 Pitts, Executive Vice President Taylor, Interim Executive Vice President Brostrom, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Broome, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary Johns

The meeting convened at 10:50 a.m. with Committee Chair Lozano presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of July 15 and the joint meeting of the Committees on Finance and Compensation of July 15, 2009 were approved.

2. **UPDATE ON THE 2008-09 AND 2009-10 BUDGETS, PRELIMINARY DISCUSSION OF THE 2010-11 BUDGET, AND PROPOSED 2009-10 MID-YEAR AND 2010-11 STUDENT FEE INCREASES**

[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.]

[Regents were provided with a packet of correspondence received regarding this item, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Lozano reminded the Regents that this was an item for discussion which would be brought back for action at the November meeting. She noted that the budget gaps facing the University would continue beyond this year and would require very difficult decisions which none of the Regents would like to make. She recalled

presentations made by the chancellors at the July meeting about actions at the campuses, including salary reductions, furloughs, program cuts, and elimination of research activities. All the campuses have been forced to make difficult decisions. She praised President Yudof's leadership at a time when the University is trying to make the necessary cuts in a manner that is as fair and equitable as possible. Under his leadership, while the University has made reductions in expenses, it has launched the Blue and Gold Opportunity Plan, it has reaffirmed its commitment to financial aid, and it has increased the number of transfer students from community colleges. Committee Chair Lozano also emphasized the broad, consultative nature of the process. Individuals from all segments of the University community have been engaged in these discussions: the Regents, faculty, staff, students, and external stakeholders. Chairman Gould has launched the UC Commission on the Future, which will take a long-term perspective. The budget being proposed is a two-year budget. Committee Chair Lozano stressed the importance of planning beyond a one-year cycle. She noted two issues which were raised during the public comment period earlier that day to be addressed in the following presentation: financial reserves and disproportionate impact on low-wage workers. Regarding the second issue, she recalled that the salary reduction plan approved by the Regents takes into account employees' salary differentials.

Vice President Lenz began his presentation by noting that, during the last year, the Governor, Legislature, and even the voters probably spent more time engaged in budget deliberations than at any other time in California history, as the State's fiscal condition deteriorated with each passing month. California began the year with a \$42 billion budget gap. This was addressed by actions in the February Special Session, which called for an early May election that would include \$6 billion in revenue solutions for the State. However, all the voter initiatives that would have had a significant effect on the budget failed. By the time of the May Revise, the budget gap that was supposed to have been addressed by the Special Session had grown to \$24 billion, mostly due to a continuing downturn in the economy. Considering the Special Session actions intended to close the \$36 billion gap and additional actions included in the final State budget, the State has been compelled to adopt a plan for a \$60 billion gap.

The State's measures to address the \$60 billion gap include \$31 billion in budget reductions, \$12.6 billion in tax increases, \$8 billion in federal economic stimulus funding, and \$8.4 billion in other solutions, such as shifting State funding obligations, cash deferrals, and the sale of State programs. Some of these solutions cause concern, because they are speculative. The State already faces a \$7 billion to \$8 billion budget gap for 2010-11, which does not bode well for its fiscal outlook.

Mr. Lenz outlined the 2008-09 State general fund reductions for the University, which totaled \$814 million, bringing this funding down from \$3.25 billion to \$2.434 billion. In addition to the 2008-09 State General Fund cut, the University was faced with \$227.5 million in mandatory costs. These mandatory costs include almost \$122 million for UC's over-enrollment of 11,700 students and \$106 million for academic merit increases, health benefits, non-salary price increases, utility costs, and increases in UC's collective bargaining agreements. He emphasized that the mandatory costs are real costs

to the campuses that must be recognized as the University grapples with a budget gap of over \$1 billion. In 2008-09, the University was the beneficiary of \$716 million in one-time American Recovery and Reinvestment Act (ARRA) funding and nearly \$85 million in net fee revenue, based on fees approved by the Regents in 2008-09. Nevertheless, campuses were still required to make budget cuts of almost \$241 million.

State actions concerning the 2009-10 UC budget have followed almost the same process as decisions on the 2008-09 budget. With the one-time ARRA funding and some minor adjustments, the University began in January 2009 with a State General Fund budget of \$3.25 billion. There was a progression of budget actions during the Special Session, the May Revise, and the Budget Conference Committee which resulted in an additional \$637 million reduction in the State General Fund commitment to the University.

In addition to the \$637 million General Fund reduction, the University will also have \$368 million in unfunded mandatory costs. These will include an additional \$33 million for an estimated enrollment growth beyond the earlier over-enrollment of 11,700 students. At the May meeting, faced with a budget gap of over \$1 billion, the Regents approved student fees that will generate \$211 million. In July, the Regents took additional action to implement a salary reduction plan to save \$184 million, and approved restructuring of the capital debt for an additional savings of \$75 million. Despite these actions, the campuses will be forced to manage a \$535 million budget reduction through the 2009-10 fiscal year.

Mr. Lenz addressed the challenges the University will face in the 2010-11 fiscal year. These include the restoration of one-time State General Fund budget cuts, the Regents' decision on enrollment in 2010-11, the potential elimination of the salary reduction plan, the funding for the UC Retirement Plan (UCRP), and other, new, mandatory costs.

Mr. Lenz called attention to one-time and ongoing budget reductions in 2009-10. The 2009-10 Budget Act assumed \$305 million in State General Fund cuts as a one-time action. While the University is hopeful that the State can restore this \$305 million in the Governor's 2010-11 State budget, it is concerned about the State's ability to fund this restoration when it faces a \$7 billion to \$8 billion deficit in the 2010-11 fiscal year.

In 2008-09, the State provided no funding for additional enrollment, while demand for access grew. The University was over-enrolled by 11,700 students. In response, the Regents approved the first year of a four-year plan which would reduce enrollment to the 2007-08 State-funded level. Over four years, enrollment would be reduced by 8,000 to 10,000 students. The first year of implementation of this plan essentially reduced first-time freshmen by 2,300 students in fall 2009, while increasing community college transfers by 500 students. For the second year of the plan, the University proposes to reduce first-time freshmen again by 2,300 students and to increase slightly the number of community college transfer students by an additional 250. Mr. Lenz requested direction from the Regents on this matter now, so that the University could begin informing K-12 and community college counselors about the potential number of students UC will enroll

in fall 2010. He recommended that this matter not be left until the November meeting for the Regents' consideration and direction.

Mr. Lenz then discussed a chart showing actual and projected over-enrollment at UC. In 2008-09, the University was over-enrolled by 11,700 California resident students above the State-funded number for 2007-08. In spite of the slowdown in enrollment growth, the University anticipates that it will be over-enrolled by 14,000 students above the 2007-08 target in the 2009-10 fiscal year. He compared two projections for several years into the future: the trend if the University takes no action, continuing on its current trajectory, and the trend if it proceeds with the four-year plan, further reducing freshman enrollment.

Mr. Lenz recalled that the Regents approved a salary reduction plan in July that went into effect on September 1, 2009 and will continue through August 31, 2010. The plan received statewide recognition for its thoughtful protection of the salaries of lower-paid employees. The plan will generate approximately \$184 million in savings in 2009-10 if fully implemented, based on the number of employees subject to the plan. There already appears to be a consensus to cease furloughs and salary reductions at the end of the 12-month period. If that is the case and the Regents so decide, the University will have to secure \$184 million to restore salaries. Mr. Lenz recalled that the plan is graduated. Employees earning less than \$40,000 receive a four percent salary reduction; employees earning between \$40,000 and \$46,000 receive a five percent reduction; employees earning between \$46,000 and \$60,000 receive a six percent reduction; for salaries between \$60,000 and \$90,000 there is a seven percent reduction; for salaries between \$90,000 and \$180,000 there is an eight percent reduction; for salaries between \$180,000 and \$240,000 there is a nine percent reduction; and salaries above \$240,000 receive a ten percent reduction. Mr. Lenz compared this with the furlough program for State employees, which was not developed with the same thoughtfulness.

In his January budget, the Governor included \$20 million in 2009-10 to begin the State's contribution to the UCRP. This \$20 million would be consistent with the Regents' decision regarding the resumption of contributions on April 15, 2010. Unfortunately, the Special Session actions deleted the \$20 million, eliminating any hope for a State contribution in 2009-10. The annualized cost of the State's contribution is \$96 million. Mr. Lenz noted that he was encouraged by a statement by State Director of Finance Genest suggesting that the State will contribute this \$96 million in 2010-11; nevertheless, Mr. Lenz reiterated his concern that, despite the Governor's effort to make this contribution this year, the Legislature removed it. This matter, and the restoration of the \$305 million noted earlier, will be priorities for the University in the 2010-11 fiscal year.

The campuses will continue to experience mandatory cost increases for academic merit increases, employee health benefits, retiree health benefits, purchased utilities, and other non-salary price increases. The mandatory costs will continue to be unfunded. In the current year these were approximately \$368 million, including UCRP funding. With estimated increases for 2010-11, mandatory additional costs are likely to exceed \$600 million.

Mr. Lenz outlined potential budget and funding concerns in 2010-11. He anticipated a \$637 million State General Fund reduction, \$368 million in mandatory costs that the University is already aware of, and an additional \$218 million in mandatory costs. The University's challenge is to resolve this \$1.2 billion gap. In 2010-11, the University will be in the second year of debt restructuring, and this will be the last year in which UC can take advantage of this \$75 million benefit. The Regents have already approved a fee increase that will generate \$211 million in revenue. The University is hopeful about and anticipates the State's restoration of \$305 million in General Funds. It would then be faced with a funding gap of \$632.6 million in the 2010-11 fiscal year without any other actions by the Regents.

This \$632.6 million budget gap is equivalent to funding for two medium-sized campuses, to reducing enrollment by over 57,000 students, to closing UC libraries and public service programs, to terminating 8,300 employees, or to eliminating all core-funded student financial aid. None of these are good options. Mr. Lenz suggested that some combination of these actions might be included in the Regents' decisions.

Efforts to implement administrative efficiencies at UC did not begin with the most recent budget crisis. The University continually examines new ways of becoming more efficient in an effort to invest more resources in instruction and to address consistently increasing mandatory costs. Beginning in 2004-05, the Regents sponsored a strategic sourcing initiative, designed as a comprehensive program focused on efficiencies in purchasing. Since that time, the initiative has achieved \$154 million in cost savings. Over the last two years, the Office of the President has undergone a thorough restructuring and downsizing, producing \$62.2 million in permanent savings in both unrestricted and restricted funds. These additional savings have been beneficial in providing support to the campuses, including debt service, maintenance of new space, and enrollment growth at UC Merced. Last year, the Regents approved UC participation in an energy savings program developed by the Public Utilities Commission. The University is purchasing \$247 million in energy conservation projects which are expected to generate \$36 million in annual savings. When offset with the debt service, the University anticipates actual savings of approximately \$18 million. This program is beneficial not only in achieving savings, but also in addressing \$247 million in deferred maintenance and capital renewal projects. Savings in the coming year will also be generated by the senior management salary freeze, the cancellation or deferral of bonus and incentive programs, the elimination of staff merit awards in 2008-09 and 2009-10, and restrictions on hiring, travel, and purchasing.

The campuses have engaged in concerted efforts to reduce administrative costs through restructuring and consolidating administrative programs in order to protect academic programs. However, Mr. Lenz cautioned that, given the magnitude of the budget cuts, instructional programs will not remain unscathed. Positions have been eliminated and there have been hiring deferrals and layoffs. The campuses are reducing services and increasing use of one-time campus reserves to manage through the State budget crisis. Class sections have been reduced or eliminated. It has become more difficult for students to get classes this fall, and the faculty workload has increased.

Initial reports on the impact of the budget reductions on the campuses indicate instructional budget savings of \$56.4 million in 2008-09, and another \$139.2 million in 2009-10. The campuses anticipate about 1,900 layoffs in these two fiscal years, and 3,800 positions will be eliminated. The campuses will defer hiring of 1,600 employees, mostly faculty positions. The inability of campuses to replace or hire new faculty is particularly troubling.

Chief Financial Officer Taylor stated that he wished to address the mistaken idea that somehow, somewhere, the University has about \$5.3 billion in unused, unclaimed cash that could be applied to mitigate the current financial crisis and allow the University to emerge from it unscathed, unlike any other institution in California. He observed that the accounting term “unrestricted” is somewhat misleading. The University is required to use this term by the Governmental Accounting Standards Board (GASB); this is not optional or avoidable. According to GASB Statements 34 and 35, “unrestricted” refers to almost any funds not restricted by external parties. In the case of UC, these external parties are the federal government, through federal gifts and grants, and highly restrictive endowments from outside donors. Virtually all other funds are considered “unrestricted.” Mr. Taylor emphasized that “unrestricted” in this case does not mean uncommitted. The University’s unrestricted net assets are included in 76,000 funds and account combinations controlled by each campus for specific purposes, such as capital project funding, medical centers, operating support for academic programs, research initiatives, and liened funds for authorized equipment purchases and services that have been ordered but not expended. The University’s unrestricted net assets, which include some substantial cash balances, are somewhat like an interest checking account for household expenses. An individual may have a healthy cash balance after receiving his or her paycheck, yet he or she is aware of regular payments that will come due to which the funds in the account are committed.

The next issuance of audited financial statements summarizing the University’s financial condition as of June 30, 2009 will be presented to the Regents at the November meeting and will show a substantial drop in unrestricted net assets. The trend line is negative. On June 30, 2007, UC’s unrestricted net assets were \$6.5 billion. On June 30, 2008, that number was \$5.3 billion. For June 30, 2009, these assets will be shown to be well below \$4 billion, a reduction of nearly \$3 billion in two years. Approximately two-thirds of this drop can be attributed to the growth of the University’s unfunded retiree health care liability, which is on the way to becoming significant enough to overwhelm UC’s financial position within nine years. By 2013, the University’s pension and retiree health obligations will equal the entirety of what UC now spends on grant-funded faculty research; by 2015, these obligations will equal what UC spends on instruction on all ten campuses combined; by 2018, the amount will equal expenditures for the total medical center operations at all five medical centers. From a fiduciary standpoint it is appropriate, and required by GASB policy, to reflect these substantial obligations in the University’s financial statements.

Besides unfunded retiree health care liability, part of the drop in unrestricted net assets, about \$200 million, is due to market losses. Another large part of the drop is due to a decrease in operating cash balances, well over \$300 million by November.

Mr. Taylor outlined the major categories of unrestricted net assets: capital projects, medical centers, endowment income, debt service funds, and miscellaneous student fee and auxiliary payments. The vast majority of funds for capital projects is set aside for projects that have already begun or for projects already approved and set to begin within 12 to 18 months. He emphasized that, according to UC policy, the campuses must have on hand all funds necessary to complete a project before the project begins. In addition, most of these funds are to be used for seismic upgrades, fire and life safety upgrades, upgrades to capital facilities, particularly for older buildings with heating, ventilation, and air conditioning systems that may be 50 years old, and for other deferred maintenance.

Approximately \$400 million of the unrestricted net assets for the medical centers are total operating monies for UC hospitals as a cushion against substantial variation in their cash flow. According to the rating agency Moody's, the appropriate amount of cash reserves for UC hospitals, which are in the AA rating category, is 190 days, or more than \$3 billion dollars. UC hospital cash reserves are substantially below that level, at approximately 42 days. Through the strength of the University's systemwide revenue pledge, which recognizes the important role of UC hospitals in California's health care industry, the hospitals have shown that they are capable of operating on an amount less than that normally required for hospitals of their size and complexity.

Approximately \$1.1 billion of unrestricted net assets are invested in the University's endowment. About \$50 million are paid out annually from these funds to support valuable programs, such as undergraduate scholarships, faculty research, alumni fundraising, and the Education Abroad Program. About half of these programs are located on the campuses, and half are administered by the Office of the President. At the President's request, there is ongoing review of these programs to determine when changes or reallocations are appropriate, in response to current realities and priorities. This may require cutting some existing programs.

The \$35 million in debt service funds reflect a particular point in time – the end of the fiscal year. Most of the University's debt service is payable on May 15 of each year. If these financial statements reflected the May 14 date, this line item would be closer to \$400 million. Debt service is necessary for the University to pay back its loans. These funds are "unrestricted" but not uncommitted; the University contributes to these funds over the course of the year so that it can pay its loans in full and on time.

Turning to the final category, miscellaneous student fee and auxiliary payments, Mr. Taylor explained that approximately \$700 million are collected from students and their families in the form of fee income, housing, and parking payments in undergraduate, graduate, and professional school programs. He emphasized that student and faculty housing and parking are required to be self-supporting, although campuses are afforded flexibility to charge these operations a fee for ground rent and other services. Rates for

housing and parking are set in order to be sufficient to meet the University's debt covenants and near-term capital and maintenance requirements.

Mr. Taylor concluded with an account of how staff at one campus made a special effort to enable a student to pursue coursework for an interdisciplinary major that had been cancelled. He praised the resilient dedication of staff and students, who would receive a high-quality education in spite of the financial challenges the University is facing. As the parent of a UC student, he promised to be vigilant and to ameliorate to the greatest extent possible the impact of difficult economic times on UC students and their families.

Mr. Lenz noted that he and Mr. Taylor have met with stakeholder groups who were represented during the public comment period earlier that day to discuss this matter and to clarify that the University does not have \$5.3 billion that could be used to mitigate its financial situation. He expressed his willingness to continue meeting with these groups to answer questions, provide clarification, and address concerns.

Mr. Lenz then discussed the 2009-10 mid-year and 2010-11 student fee recommendations, as well as financial aid opportunities that would mitigate fee increases for low- and middle-income UC students. He presented a chart showing the current fee level approved by the Regents in May, the proposed mid-year fee increase, the total revenue that would be achieved in 2009-10 by the mid-year increase, the one-third set aside for financial aid, and the net fee revenue. He indicated that the University is still reviewing issues that have been raised concerning graduate student fees and the proposed mid-year and 2010-11 fee increases; there may be adjustments to proposed fee recommendations that will be brought to the Regents in November. Such adjustments would have an effect on the total net revenue.

Mr. Lenz presented a chart displaying the proposed fee increases for 2010-11, which are based on annualization of the mid-year fee increase, and increases in various student academic categories. He called attention to a new undergraduate fee recommendation for business and engineering majors, based on market demand. The chart also indicated the range of professional degree fees.

The next chart showed total revenue that would be generated by the proposed 2010-11 increase in student fees, funding set aside for financial aid, and net revenue. Revenues from professional degree fees remain within the respective degree program; this reflects the rationale for increasing those fees.

Any consideration of increasing student fees is a serious concern for the University. Mr. Lenz affirmed that UC students have substantial financial aid resources available to them. In 2008-09, UC undergraduates received over \$1.7 billion in financial aid, taking into account scholarships, grants, loans, work-study, and tuition tax credits. About half of UC undergraduates received grants and scholarships for over \$1 billion in aggregate, with an average award of \$11,100 per student. The University has been able to enroll a higher percentage of low-income students than any other comparable research university in the U.S.

There were significant enhancements to financial aid in 2009-10. Both the Cal Grant and UC Grant programs have been augmented to cover fee increases for lower-income students. ARRA expanded the federal Pell Grant program, increasing the grant award by \$619. ARRA also increased the eligibility of UC undergraduates for tuition tax credits by raising the maximum credit from \$1,800 to \$2,500 and by raising the program income ceiling from \$116,000 to \$180,000 for married couples and from \$48,000 to \$90,000 for single individuals. These changes extended the tax credit eligibility to an estimated 26,000 undergraduates. The University also introduced the Blue and Gold Opportunity Plan, which ensures that systemwide fees are covered by scholarships or grant awards for California resident undergraduates with financial need and parent income below \$60,000. The University is considering the possibility of raising that maximum to \$70,000; this recommendation would come to the Regents at the November meeting.

Next Mr. Lenz discussed a chart illustrating the effect of increased fees on students, by income level, over three years, from 2008-09 through 2010-11. The chart showed the amounts covered by grants and scholarships, by tax credits, and the net fee costs to students. Under the existing financial aid program and the Blue and Gold Opportunity Plan, on average, students with family incomes below \$60,000 will have the entirety of their fees covered by grants and scholarships, even after the proposed fee increases. For students at the \$60,000 to \$90,000 family income level, grants and scholarships and tuition tax credits make up about 80 percent of the fee cost in 2010-11. Financial aid declines for students at higher income levels.

Mr. Lenz then referred to a chart which displayed the estimated changes to undergraduate net fee costs in 2009-10 and 2010-11, relative to 2008-09. In 2009-10, due to the significant increase in financial aid, students with family incomes between \$60,000 and \$180,000 will experience a \$200 to \$300 reduction in fees. In 2010-11, students at the \$60,000 to \$90,000 family income level will see an increase of \$359 relative to 2008-09; students at higher income levels will experience greater increases in net fee costs.

The next chart indicated estimated changes in net cost of attendance for the same period. Students with family incomes below \$60,000 are experiencing a decrease in net costs this year, but due to the change in the federal tax credit and changes relative to the overall cost of attendance, they will experience a \$309 increase in 2010-11.

The annualized net fee revenue of \$162.8 million from the proposed 2009-10 mid-year fee increase and the net \$215.3 million revenue from the proposed 2010-11 fee increase would provide just over \$378 million in new revenue to address UC budget funding in 2010-11.

Mr. Lenz concluded by referring to the projected funding gap, which will harm students and the quality of education for years to come if it is not addressed. Although the University is hopeful about the \$305 million restoration of State funds mentioned earlier, Mr. Lenz expressed his serious concern about the State's ability to restore these funds. He reviewed the approved student fee revenue and the savings achieved through debt service restructuring. He stressed that, even if the proposed net fee revenue of \$378 million is

used to offset the funding gap of \$632 million, campuses will still have to absorb a \$245.5 million reduction in 2010-11. The University is challenged in its efforts to manage this funding gap.

Chancellor Drake provided comments on how the University's budget difficulties are affecting the Irvine campus. He recalled that, when he made a presentation to the Regents in February on the campus' strategic plan, he was able to review what had been a successful period for UCI. Conditions changed dramatically between February and July, when Chancellor Drake again spoke to the Board on how the campus was faring. The impact of losses has made itself felt in September. Using an automotive metaphor, he noted that the campus has shifted from moving forward rapidly with its foot on the accelerator to moving in reverse. UC Irvine has admitted 700 fewer students this year. Given the large number of students who graduated last year, the campus' student population has decreased by 1,000 compared to the previous year; there are 1,500 fewer students than projected.

Three hundred staff positions have been left unfilled; there have been 150 layoffs and 100 early separations this year. Unfilled positions cause increased workload and decreased efficiency. Chancellor Drake described layoffs as painful actions every time they occur and expressed regret at having to carry them out. Those employees who remain have seen their pay decrease through the furlough and salary reduction program. As chancellor, it is difficult to have to tell employees that they must do more work for less pay.

In an ordinary year, 40 to 50 faculty members leave the campus and 80 to 90 new faculty members are hired. UC Irvine has been a steadily growing campus from 1965 until the present. This year, 45 faculty positions were unfilled. A number of faculty have left. It has been painful to see the departure of senior faculty, scholars who still have the zenith of their careers ahead of them. In July, two such faculty left for better-endowed private universities in California. A few weeks previously, an assistant professor who was recently offered a position declined the campus' offer; this was a professor at a lower-ranked public institution. She explained that she decided to stay at her present institution because she felt it offered greater stability for her future career.

UC Irvine's core biology course is now filled with biosciences majors. There is not room in the course for students with other majors, which may mean a delay of a year for those students and a changed academic trajectory. Chancellor Drake emphasized how disruptive this is to students. The campus has been forced to close four athletics programs this year – swimming, diving, sailing, and rowing – affecting 150 student athletes. There is a palpable change on campus due to the reduced number of staff and faculty and the resulting inefficiencies. Chancellor Drake described the damage to campus mood and morale as the worst effect of the current crisis. As an institution, UC Irvine has historically been focused on the future and on making it better than the present; at this moment the campus is engaged in protecting the present and trying to prevent the future from being even worse, mitigating damage rather than growing into the future. This is a significant sea change for the campus.

Chancellor Yang reported that the Santa Barbara campus lost four National Academy members over the summer to other universities. One of these faculty members expressed worry about the uncertain future of the campus. However, the campus has succeeded in recruiting a National Academy member from a leading public institution in the Midwest. Since 2003, UC Santa Barbara has experienced a reduction in State general funds of \$102 million, 30 percent of the current-year State funding for the campus. This year, the cut is \$45 million, or 15 percent of total State funding. The furlough program will generate savings of \$15 million, but this still leaves two-thirds of the shortfall to be addressed.

Last year, the Santa Barbara campus reduced its staff by 235 FTEs through all levels, from service workers to vice chancellors. Two of the campus' five vice chancellors recently retired. For the foreseeable future, their positions will remain unfilled. Since July 1, UCSB has been forced to lay off 100 staff members. Chancellor Yang anticipated that, in the current two-year period, staff positions will be reduced by 30 percent. Fifty-four employees will be leaving the campus the following month as part of a voluntary separation program.

Faculty hiring has been frozen for the next two years. The size of the tenure-track faculty will decrease by five percent per year due to retirements and separations. The Santa Barbara campus has generally devoted a great deal of energy to recruitment; it now finds itself focused on retention. The furlough program and the increasing cost of benefits are causing the campus concern about its ability to retain its best faculty and the risk of losing the distinction it has worked for many years to achieve. Chancellor Yang stated that the campus' greatest fear is that its competitors, especially private universities, will enjoy a faster financial recovery and will begin hiring away UCSB's best faculty. There has already been evidence of this.

By June 2010, the budgets for administrative and student services will have to be reduced by another 15 to 20 percent. Over the last seven years, these budgets will have been reduced by half. By the same June 2010 date, the budget for instructional programs will have to be reduced by a further 10 to 12 percent; in sum, this budget will have been reduced by more than a quarter over the last seven years. Chancellor Yang quoted a recent email message from a student to a department chair expressing concern about and seeking assistance in securing a place in a course. It is the campus' responsibility to ensure that students have a choice of courses. The impact of further reductions will accelerate the recent trend of increased class size, reduced class availability, and increased faculty workload. Faculty are now finding themselves with diminishing support by teaching assistants, more assignments to grade, reduced pay, and inability to take furlough days on teaching days. This contributes to the campus' retention concerns.

UC Santa Barbara is making cuts to various academic programs and consolidating administrative offices, merging organized research units, academic support departments, and administrative units. It is reducing off-campus leases and has sold one building. It is generating utility savings through UC's statewide energy partnership. Chancellor Yang concluded by conveying comments and concerns UCSB faculty members have

communicated to him. Faculty have raised a number of issues, such as the desire for budgetary transparency and concerns about the possible privatization of the University, but the two concerns most often expressed are the request that the University end the furlough program in summer 2010 and the wish to send a strong message to reaffirm to California's political leaders the value of the University of California, the importance of ensuring its quality, and the need to keep higher education affordable to Californians. The future of California depends on investment in UC. One faculty member expressed it this way: "Help us move from defunding the University to defending the University."

President Yudof introduced Lucero Chavez, the outgoing president of the UC Student Association (UCSA), and incoming president Victor Sanchez. Mr. Sanchez is a senior undergraduate student at UC Santa Cruz. Ms. Chavez informed the Regents that Mr. Sanchez is a native of Los Angeles and well aware of the condition of the public education system there.

Mr. Sanchez anticipates a difficult year ahead. He thanked the Office of the President for its willingness to meet with UCSA and affirmed his role, which is to represent UC students and express their views. He noted that UCSA held its 12th annual congress in August, bringing together more than 250 statewide student leaders. One priority identified at this conference was the Graduate Student Health Insurance Plan (GSHIP). Mr. Sanchez conveyed graduate and professional students' concern that they are not involved in campus decision-making on GSHIP matters. UCSA is concerned about dependent care, systemwide reciprocity, mental health, network management, and the extended benefit program.

A second priority identified by UCSA for this year is the Cal Grant program, which provides service to more than 46,000 UC students. This program was in danger of elimination, but was saved in the State Legislature. The Cal Grant, which provides an average of one-third of the cost of attendance for low-income and underrepresented students, is a vital pillar of the financial aid system.

Concerning student fees, Mr. Sanchez stated that the University has reached a point where it can no longer call itself affordable, following the announcement that it will seek to raise fees by about 30 percent through 2010-11. Fees will rise above \$10,000 for the first time ever. Increasing reliance on this form of tax will prove to be unhealthy for the University, with a detrimental effect on access, affordability, and diversity. While revenue from student fees may have helped the University, it is insufficient to address the loss of State funding. Fees are the most significant obstacle for students, and rising fees will harm the future of UC and California. Mr. Sanchez emphasized that this was especially true of differential fees for certain departments and majors. Already existing inequalities in the system will be magnified if students are required to pay more in fees to study business or engineering, or if students are excluded from pursuing such degrees due to their financial situations. Students cannot continue to bear the burden of a State Legislature that neglects its systems of higher education, which is arguably the stimulus now needed by California's economy. The University needs to explore new alternative forms of revenue. Progress has been made in financial aid to ensure some form of access.

Mr. Sanchez praised the Blue and Gold Opportunity Plan and hoped to work with the Office of the President to expand this program.

UCSA's main concern is that the current political climate has allowed consideration of reduction or even elimination of financial aid programs such as the Cal Grant program. As the Regents have often observed, the State has proven to be an unreliable partner. Mr. Sanchez questioned the need to raise fees when State aid is in jeopardy of being unfunded. Reliance on UC grants is not a long-term solution. It has been argued that fee increases are covered by federal stimulus funds, Cal Grants, and other sources, but students and their families are in the most vulnerable position. The University should avoid the high fee/high aid model, which deters potential students from applying. Students should not be a permanent source of funding.

Mr. Sanchez referred to concerns about transparency and accountability, which have led to the faculty walkout planned for September 24. UCSA has resolved to join the systemwide walkout in an effort to express its grievances. Students feel the need to exercise direct action to address the Regents and the media and to highlight the grim situation at UC and in California higher education.

Mr. Sanchez expressed the need for a mechanism of accountability that would allow students to see how fees are spent. He referred to misuse of funds on the campuses and a lack of accountability. He urged that the Registration Fee Task Force pursue the development of appropriate guidelines and fee definitions.

Mr. Sanchez concluded by emphasizing the importance of collaboration, communication, transparency, and accountability. He stated that UCSA is ready to organize and advocate for the University.

Regent Makarechian stated that a walk to Sacramento would be more effective than a walkout on the campuses. Mr. Sanchez responded that UCSA has been actively lobbying in Sacramento. Students felt that the walkout would be an opportune moment to engage the public. UCSA recognizes that addressing the State government is a priority and will pursue this in the coming year.

Regent Bernal stated that there have been varying student perspectives on the planned walkout. Mr. Sanchez responded that UCSA had a healthy discussion on this matter. Many students were concerned about how their classes would be affected, but there was also a sense that the public must be made aware of the situation at UC.

Chairman Gould thanked Mr. Sanchez for his comments and for his participation on the UC Commission on the Future. He noted that there has already been a strong effort by students, faculty, and Regents to reach out to the Legislature, to California communities, and to the media to advocate on behalf of the University. This effort will be expanded, and there is an interest in both grassroots action and communication with Sacramento. He recalled the tremendous financial challenges to the University and observed that, when the State is faced with an \$8 billion budget gap, no program is safe. There is a need for

concerted effort by all in the University community to secure funding for UC. He expressed the Regents' wish to work with UCSA on these issues.

Committee Chair Lozano outlined various items that the Regents are being asked to consider: enrollment reductions of 2,500 students in 2010-11, with an increase of 250 community college transfer students; a recommendation to cease furloughs and salary reductions after August 2010; proposed student fee increases in mid-year and next year, with a concurrent increase in financial aid and a possible raised income threshold for the Blue and Gold Opportunity Plan; a recommendation for a fee differential for business and engineering majors; and no increase for undergraduate and graduate nonresident tuition. The budget assumes restoration of \$305 million from the State General Fund. Committee Chair Lozano recalled that contributions to the UCRP will begin next year in April, and that the Regents have pledged to advocate strongly for the University in a campaign, which is a commitment by the Board to engage proactively and to explore vigorously new revenue alternatives.

Regent Varner expressed concern about the assumption of restoration of funds cut by the State. It is possible that the State budget will be worse than anticipated, and that the amount of discretionary funds available will be less than expected. The University is already hard at work on specific advocacy tasks. Given the pressure on the State from various constituents, it may not be able to restore the cuts. Regent Varner expressed particular concern about approval of fee increases, which the State would regard as a partial solution to the problem. He urged the University to examine specific contingency plans and alternatives, being mindful that the State may not be able to restore funds it has cut.

Regent Makarechian referred to the \$775 million shortfall for 2008-09 and 2009-10 shown in the item background material. He asked if this amount takes into account the \$64 million in strategic sourcing savings and the \$247 million in energy savings. Mr. Lenz responded that the strategic sourcing and energy savings figures represent cost avoidance; these are not sources of additional revenue. They are a creative way to ensure that deferred maintenance and capital renewal do not go unfunded in the future. Savings gained from the Office of the President, \$62 million, are actual savings which have been redirected.

Regent Makarechian asked if the shortfall might be even greater. Mr. Lenz responded that this depends on how UC's costs develop. The shortfall figures are current estimates that represent a point in time; they could be revised by the November meeting.

Regent Makarechian referred to a chart in the item background which showed that fees at the University of Illinois and the University of Michigan are higher than at UC. He noted that these universities are located in some of the worst real estate markets in the world, while UC campuses are located in some of the most expensive real estate markets. Even taking into account the cost for nonresident students, UC fees are lower than at those universities. He asked why those universities are able to charge higher fees. Mr. Lenz responded that he did not have an explanation for the higher fees at those universities.

The University of Michigan was affected by a dramatic fiscal situation and a lack of funding from the State of Michigan. It began making changes to its fee structure a long time ago.

Regent Makarechian recalled that, the last time the Regents approved a fee increase, they were informed that families at the \$180,000 income level were not affected through a combination of grants and tax credits. He asked if this was still the case. Mr. Lenz responded that this is true in 2009-10, but that the ARRA tax credit will run out in fiscal year 2010-11. At that point, only students and families at or below the \$60,000 level, who are eligible for the Blue and Gold Opportunity Plan, will not be affected by the fee increases. All others will be affected by the fact that the tax credit will not be available to them. For households with an income of between \$60,000 and \$90,000, fee costs will increase by \$359; for those with income between \$90,000 and \$120,000, costs will increase by \$1,312.

Regent-designate DeFreece referred to \$900 million in funds committed to capital projects, and to the policy of having all cash on hand before breaking ground on a project. He asked if the University was missing opportunities by having this policy in place. Mr. Taylor expressed misgivings about changing this policy for projects that will begin soon. He noted that campuses have begun to defer or slow down projects to allow flexibility. For example, one campus has chosen to put off a dormitory infill project for 12 months.

Regent-designate DeFreece countered that he was thinking of the opposite: allowing projects to proceed and seeking opportunity costs in the opposite direction. He asked if there were matching funds available or if jobs could be found for displaced employees. Mr. Taylor responded that one positive aspect of the current economic crisis is that construction bids are now aggressively lower than originally budgeted. This has allowed the University to stretch some funds further and to address some deferred maintenance projects. He clarified that the delaying of projects pertained to projects over \$100 million. Interim Executive Vice President Brostrom added that it was unfortunate that the State removed all capital outlay funding to UC and the California State University (CSU) at exactly the time when this funding, about \$1 billion, should have been provided for shovel-ready projects which represent thousands of jobs. Given lease revenue bonds, debt service would not be paid for three or four years. Mr. Taylor referred to the \$200 million "loaned" to the State which was not really loaned. This amount was for 14 State-funded projects; five of those were 95 percent completed. The University purchased State general obligation bonds to enable these projects to move forward. It is seeking creative ways to finish projects which had been put on hold.

Regent Bernal praised the transparency of the current item and President Yudof's leadership. He faulted the State for placing a burden on students. He expressed concern about the mid-year fee increase. Students purchase their education on a year-by-year basis. Imposing increases when enrollment for the year has already begun is unfair to students, because they are locked into their college attendance by this time. Students are not given the option to seek less costly education with this mid-year fee increase. Regent

Bernal stressed the importance to students of the advance warning about 2010-11 increases. It is also important to communicate to low-income students that they would not be affected by these increases. He stated that he would work with UCSA to communicate this message. He expressed the hope that the President would call on chancellors to include students in their ongoing budget discussions. He urged students to inform themselves about these issues, to seek accurate information, and to advocate for a true reinvestment in higher education by the State.

Regent Kozberg asked if there was any expectation that the University might receive some federal stimulus funds in 2010-11. She recalled that the University has been sued about the issue of fee increases. She asked if the University is certain that it is providing sufficient notice to students and their families. She emphasized the importance of providing sufficient notice to avoid confusion. Mr. Lenz responded that, at this point, there is not a recommendation from the federal government for a second round of stimulus funding. As part of the last-minute Special Session, there was an approval of some additional stimulus funding, mostly associated with K-12 teacher preparation. It is possible that UC and CSU will receive a small portion of those funds, but such funds will provide mitigation on a one-time basis only. This could also change by the time of the November meeting. Unless there is evidence of a second stimulus package from the federal government, Mr. Lenz stated he would not include this in his budget recommendations.

In response to Regent Kozberg's second question, General Counsel Robinson stated that the University has provided enough notice. Following the *Kashmiri v. Regents* lawsuit, the University has modified its online and printed materials to clarify the possibility of a mid-year fee increase. The present discussion provides additional notice. While this is not a guarantee that there will not be a lawsuit, Mr. Robinson expressed his view that the University's legal position is solid.

Regent Garamendi noted a recent memorandum issued by the State Department of Finance and asked if the deficit in 2009-10 is between \$4 billion and \$5 billion. Mr. Lenz recalled a presentation made to the Regents the previous day by Director of Finance Genest. According to Mr. Genest, the current-year deficit is around \$1 billion, but given the pressures on the State budget for 2010-11, this could grow to \$7 billion or \$8 billion.

Regent Garamendi asked about projections for later years. Mr. Lenz responded that the deficit is expected to grow to at least \$15 billion. If, in 2011-12, the current short-term tax increases put in place by the Special Session expire and there is not an economic recovery, the deficit could grow back to as much as \$60 billion.

Regent Garamendi observed that, in 2010-11, the State will face a \$7 billion to \$8 billion budget gap. The federal government may or may not pass a stimulus measure. In 2011-12 the State's financial situation will worsen. He urged the Regents to consider approaches to this problem in the future. He suggested that, without a significant revenue source for the State, and without a significant new revenue source specifically for higher education, a 30 percent fee increase is futile; given the depth of the deficit, the \$10,000 in fees

would have to be doubled to \$20,000 to balance the University's budget. He recalled that, at the previous meeting, he advocated seeking a specific source of revenue for higher education, an oil severance tax. At a rate of ten percent, such a tax would raise over \$1.5 billion. This revenue, divided between UC and CSU, would ameliorate the funding problem in the short and long term. Regent Garamendi expressed his view that such a tax is possible. He recalled that at one point the Governor expressed support for this measure, but later backed away from this position. An oil severance tax could be passed in the Legislature or by initiative. Regent Garamendi stressed that he does not know of another solution. Otherwise, he foresaw a continuation of the current downward spiral, with UC and CSU placed in even greater jeopardy. Student fees would not be able to make up for the budget gap.

Mr. Lenz reported that he and Associate Vice President Juarez have met with the staff of State Assemblymember Torrico to discuss the bill and issues of concern to the University. The University hopes to assist in the crafting of precisely this type of proposal to meet the funding needs of UC and CSU, and intends to continue work on this matter.

Regent Garamendi again emphasized that there would be no solution to the current crisis without a dedicated revenue source for California universities.

Regent Island expressed appreciation to Mr. Taylor and the Office of the President for clarifying the issue of unrestricted assets. Misunderstanding of this issue has become pernicious. He recalled that he has always opposed student fee increases, while requesting realignment and cost reductions at the Office of the President, and aggressive and disciplined cost reductions at the campuses. He requested establishment of a professional governmental affairs function in Sacramento to raise the University's profile in State budget debates. All these things have been accomplished, yet the University is further behind in financing than before. He anticipated that the University will not obtain help from governmental sources in the near future. Regent Island stated that on this occasion, out of necessity, he would vote for a student fee increase, although he was sad to do so. He acknowledged that enrollment reductions were also a measure that the University might unfortunately have to turn to. This is a moment of crisis.

Regent Stovitz recalled that, although the University has reduced enrollment by 2,300, it is still over-enrolled by about 10,800 students, and may be over-enrolled by 13,000 or 14,000. He suggested that the University could aggressively and substantially increase enrollment reductions, as CSU has done. As disagreeable as this might be, if the University does not receive funding from the State for those students, it cannot fulfill its obligations to those students. He asked if there were any rough projections about an effect on the budget by further substantial enrollment reductions. Mr. Lenz noted differences between the approaches taken by CSU and UC. The University is trying to bring enrollments to the State-funded enrollment target for 2007-08. CSU is attempting to address an overall cut, not only unfunded enrollment growth. Mr. Lenz described the CSU enrollment reduction target of 30,000 as unnerving. He expressed concern about applying this approach at UC. At this time, the University has enrolled the most qualified

students from underrepresented groups and is facing the highest high school graduation rates of qualified students in history. Mr. Lenz acknowledged that further enrollment reductions might be necessary in the future if certain current budget assumptions fail to materialize. He stated that this matter could be studied further, but expressed misgivings about going beyond the 2,300-student reduction at this time.

Regent-designate Cheng expressed his conviction that the University's hands have been tied by the State and that low-income students will be protected in the proposed fee increase actions. He emphasized the University's dependence on the State, without which the Blue and Gold Opportunity Plan would not exist. He suggested a focus on future legislators, who should be held accountable for promises made to higher education. There was a need to appeal to the public and to make higher education a significant issue in the 2010 gubernatorial election.

Regent Zettel emphasized that raising student fees is an action odious to all the Regents. She expressed concern about the proposal for increased fees for engineering students. For years, leaders in business and education have decried the shortage of California students with strong mathematics and science skills who pursue degrees in engineering. The University should reward in-state students who are pursuing engineering rather than penalize them. Regent Zettel noted the line item in the budget for the University's obligations for employee benefits and retirement benefits and asked if this amount should be subtracted from the University's funds as an encumbered amount.

In response to Regent Zettel's first question, President Yudof pointed out that, in general, engineering and business education are more expensive than other fields. There are cost subsidies within the University. Students enrolled in less expensive disciplines, such as the humanities and social sciences, are helping to subsidize engineering education. While this action might deter some students, President Yudof did not anticipate a significant impact, given the total array of expenses. The proposed action recognizes the greater cost of engineering and business education. He offered to provide relevant data and noted that this is a common practice at U.S. universities. He did not believe that students would abandon the pursuit of an engineering degree because of such fees.

In response to Regent Zettel's second question, Mr. Brostrom stated that the University shows increased costs in medical benefits and unfunded liabilities in two ways. It is absorbed in the current-year budget as continuing mandatory costs and additional costs; it is also shown on the balance sheet by the decline in net assets. The University's net unfunded liability increases and net assets decrease. Mr. Taylor added that, although the University is taking the cost incurred for employees today and deferring it to a future year, this cost must be recognized.

Staff Advisor Abeyta thanked Mr. Taylor for clarifying misconceptions about the University's unrestricted net assets. He asked that this information be disseminated throughout the UC campuses. Mr. Taylor responded that a three- to four-page document would appear on the University website concerning myths and facts about UC unrestricted net assets. He noted that the figure of \$5.3 billion which has been quoted

refers to June 30, 2008. The current true unrestricted net assets of the University are well below \$4 billion.

Staff Advisor Abeyta expressed concern about the effect of fee increases on students and families with household income just over \$60,000. Mr. Lenz responded that the University is contemplating a recommendation to move this threshold to \$70,000.

Regent Marcus recalled that many of UC's academic programs have taken decades to develop and become distinguished. Not all UC programs are equally distinguished. He expressed concern that across-the-board cuts would weaken extremely important programs with broad value for the University. He asked what is being done to protect those programs. He expressed objection to any fee increases for graduate students; they are the core to UC research activities. The University will do itself permanent damage if it does not attract the best and brightest graduate students in the world.

President Yudof responded that there is no proposed graduate student fee increase, which reflects the University's concern about this issue. Chancellors do not wish to raise costs for graduate students. Addressing the question of preserving outstanding UC programs, he stated that he relies on the chancellors, shared governance, and campus processes to make that determination. Chancellor Fox stated that UC San Diego has frozen all hiring. Funds which become available as a result and which are not otherwise committed can be used to retain faculty. The campus is aware of which programs are first targeted from outside and have the greatest retention challenges. Chancellor Drake reported that UC Irvine funds its programs differentially. The campus funds toward strength and tries to pare away weakness. It protects its graduate programs. He observed that graduate students often live in poverty and in stressful circumstances; many have young families. The Irvine campus considers very seriously the fact that any effect on cost of living or cost of study for graduate students is an effect on the lowest-income people in the UCI community.

Regent-designate Hime praised Regent Garamendi's statement. He implored the Lieutenant Governor, if he were to leave the Board and become a member of Congress, to make the first bill he would introduce a measure allowing states to collect sales taxes on internet transactions and dedicating that revenue to higher education. In California alone, this would provide \$4.6 billion. This would be a growing source of revenue. If UC received one-third of \$4.6 billion, it would find itself in a much better situation.

Regent Ruiz asked about the effect of the budget crisis on UC staff and on faculty support. Staff Advisor Abeyta discussed the unintended consequences of layoffs and furloughs. Layoffs and furloughs are sometimes used as a mechanism to realign departments. Certain employees are removed. Staff Advisor Abeyta also called attention to the time focused on furloughs and the budget. Focus and energy have been removed from teaching, education, and service to efforts toward resolving the crisis. Through lack of funding, the State has an effect not only on wages and benefits, but on use of time. This effect is not always quantitative, but concerns the quality and effectiveness of services provided to students.

Chairman Gould praised the presentation and discussion and emphasized the importance of examining contingencies. While the University makes assumptions about the State’s participation, it must consider possible actions in case the State is not as reliable as hoped.

Committee Chair Lozano requested that further information about the proposed differential fees for undergraduate business and engineering students be provided before the November meeting.

The Committee recessed at 1:10 p.m.

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The Committee reconvened at 2:50 p.m. with Committee Chair Lozano presiding.

Members present: Regents Bernal, Garamendi, Island, Lozano, Makarechian, Schilling, Varner, and Wachter; Ex officio members Gould and Yudof; Advisory members DeFreece and Simmons; Staff Advisors Abeyta and Martinez

In attendance: Regents De La Peña, Johnson, Kieffer, Lansing, Marcus, Pattiz, Ruiz, Stovitz, and Zettel, Regents-designate Cheng and Hime, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Interim Provost Pitts, Executive Vice Presidents Darling and Taylor, Interim Executive Vice President Brostrom, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Duckett, and Lenz, Chancellors Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary Harms

3. AUTHORIZATION FOR RESTRUCTURING OF A PORTION OF THE UNIVERSITY’S LONG-TERM DEBT

The President recommended:

- A. A partial restructuring of the Regents’ long-term debt portfolio for fiscal year 2009-10 and fiscal year 2010-11 in an amount not to exceed \$150 million in debt service of such long-term debt plus additional related refinancing costs.
- B. The President be authorized to take all necessary actions related to the long-term debt restructuring and to execute and deliver related financing documents.

[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.

4. REPORT OF 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 of New Litigation**, shown in Attachment 1. By this reference the report is made part of the official record of the meeting.

Chairman Gould recalled that, earlier that day, he drew attention to the exceptional police work of two UC Berkeley police officers whose judgment and instincts played a key role in the arrest of kidnapping suspect Phillip Garrido and the return of Jaycee Dugard, who was kidnapped at age 11 and was gone for 18 years. These officers are Lisa Campbell, manager of the UCPD special events unit, and UCB police officer Alison Jacobs. Chairman Gould congratulated them, and he and the Regents expressed their sincere appreciation for the officers' excellent work.

The meeting adjourned at 2:55 p.m.

Attest:

Secretary and Chief of Staff

NEW LITIGATION AND ARBITRATION PROCEEDINGS*Report Period: 6/4/09 – 8/13/09**Regents Meeting**September 2009*

<u>Plaintiff</u>	<u>Location</u>	<u>Nature of Dispute Alleged by Plaintiff</u>	<u>Forum</u>
<u>Employment Cases</u>			
Hawthorne, Zizi	UCSF	Discrimination (disability)	San Francisco County Superior Court
Hidalgo, Robert D. Jr., M.D.	UCIMC	Retaliation, defamation	Orange County Superior Court
Love, Vincent	UCSB	Defamation	Santa Clara County Superior Court
McAfee, Valeria J.	UCLAMC	Discrimination (race, sex, age)	Los Angeles County Superior Court
Montoya, Gregory C.	UCSD	Discrimination (race), denial of equal rights under the law	U.S. District Court, Southern District of California
Smith, Michael Joseph	UCSFMC	Wrongful termination – violation of ADA, whistleblower retaliation	San Francisco County Superior Court
Stafford, Maureen	UCB	Retaliation for workers' comp claim, constitutional violations, fraud, spoliation of evidence	Alameda County Superior Court
Streich, Sara	UCSB	Discrimination (pregnancy), retaliation	Alameda County Superior Court
Wooding-Andersen, Perri	UCLAMC	Whistleblower retaliation	Los Angeles County Superior Court

Professional Liability Cases

Bennett, Willie	UCSD	Medical malpractice	U.S. District Court, Southern District of California
Bounphanh, Chahn (deceased), by and through his Successor-in-Interest Somphone Bounphanh	UCSF	Wrongful death – medical malpractice	San Francisco County Superior Court
Carroll, Ciara (decedent), Karey Stoeck, et al.	UCSF	Wrongful death – medical malpractice	San Francisco County Superior Court
Classick, Nicholas, by and through his Guardian Christine Classick	UCSF	Medical malpractice	San Francisco County Superior Court
Cohen, Rolando	UCSF	Medical malpractice	San Francisco County Superior Court
Davis, Daniel	UCSF	Medical malpractice	San Francisco County Superior Court
Dixon, William, through his Guardian ad Litem, Evelyn Blair	UCD	Medical malpractice	Sacramento County Superior Court
Dunn, Amber, Lisa D. Gaffney, Guardian ad Litem	UCLA-Harbor	Products liability, negligence, breach of express and implied warranty and medical malpractice	Los Angeles County Superior Court
Gabriel, Aidan, a minor by and through his Guardian ad Litem, Elisse Gabriel	UCSF	Professional negligence, battery, negligent hiring, negligent training, supervision, and retention	Alameda County Superior Court
Healy, Joan	UCSF	Premises liability, general negligence, professional negligence	San Francisco County Superior Court

Hobson, Annie (decedent), Andrew Hobson-Dutra, a minor	UCSF	Wrongful death – medical malpractice	San Francisco County Superior Court
Jordan, William (decedent), Anne Jordan	UCD	Wrongful death – medical malpractice	Sacramento County Superior Court
Koler, Katherine	UCLA	Medical malpractice	Los Angeles County Superior Court
Lamke, Mark	UCD	Medical malpractice	Sacramento County Superior Court
Man-Son-Hing, Ari	UCLA	Medical malpractice	Los Angeles County Superior Court
McKenzie, Dennis Joseph (decedent), Allison Michel and Shannon McKenzie	UCSD	Wrongful death – medical malpractice	Riverside County Superior Court
McRory, Sarah, by and through her Guardian Ian McRory	UCSF	Medical malpractice	Alameda County Superior Court
Nordberg, Phillip A.	UCLA	Medical malpractice	Los Angeles County Superior Court
Paker, Karen	UCD	Medical malpractice	Sacramento County Superior Court
Parker, Davy D.	UCSF- Fresno	Medical malpractice	Fresno County Superior Court
Pineda, Ana, Conservator of Marta Pineda	UCLA- Santa Monica	Violation of the Elder Abuse Act; medical negligence, willful misconduct, intentional and negligent infliction of emotional distress	Los Angeles County Superior Court
Rubin, Joni	UCD	Medical malpractice	Sacramento County Superior Court
Saleh, Nabil E. (decedent), Samia Saleh	UCLA	Wrongful death – general negligence	Los Angeles County Superior Court

Senders, Craig	UCD	Medical malpractice	Sacramento County Superior Court
Stomp, Melissa	UCI	Medical malpractice	Orange County Superior Court
Vanzant, Willie	UCD	Professional negligence	Sacramento County Superior Court
Villegas, Carlos	UCD	Medical malpractice	Sacramento County Superior Court
Webb, Marilyn	UCLA	Medical malpractice	Los Angeles County Superior Court

Other Cases

AFSCME	UCOP	Violation of Public Records Act	Alameda County Superior Court
Apodaca, David	UCB	Assault, battery, and negligent employment of employees	Alameda County Superior Court
Bulfer, Daniel J.	UCSD	Civil rights violations, false arrest	U.S. District Court, Southern District of California
Chan, Michael	UCSF	Personal injury – motor vehicle	San Francisco County Superior Court
Cruz, Frank and Jodie	UCB	Wrongful death	Alameda County Superior Court
Furmanski, Stan, M.D.	UCSD	Declaratory and injunctive relief for fraud and violations of the Public Records Act	Los Angeles County Superior Court
Gladney, Lorenzo	UCB	Personal injury – products liability	Alameda County Superior Court
Larson, Kandyce	UCLA	Slip and fall	Los Angeles County Superior Court
McGrew, Bruce	UCOP	Wrongful death due to asbestos exposure – loss of consortium	San Francisco County Superior Court
Physician X	UCSD	Violation of Information Practices Act and miscellaneous other torts	San Diego County Superior Court
Seevers, George	UCOP	Personal injury – loss of consortium	San Francisco County Superior Court

Vector Resources Inc.	UCSB	Breach of contract and related causes of action	Santa Barbara County Superior Court
Vellis, Kerri	UCSF	Slip and fall	San Francisco County Superior Court

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

UPTE (Union of Professional Technical Employees) SF-CE-902-H	Systemwide	University engaged in direct dealing with represented employees in the Health Care Professional Employees (HX) bargaining unit.	PERB
CUE (Coalition of University Employees) SF-CE-901-H	UCSFMC	University engaged in conduct constituting a unilateral change in working conditions and terms of employment by denying a hematology/oncology clinic worker’s request for payment for the time she was prohibited from working and unlawful retaliation for exercise of protected rights.	PERB
CUE (Coalition of University Employees) SF-CE-900-H	UCSFMC	University discriminated against an Administrative Assistant III on the basis of her disability and unfairly terminated her from her clerical position.	PERB
CUE (Coalition of University Employees) SF-CE-899-H	UCSFMC	University made unilateral changes to terms and conditions of employment by the selection of an arbitrator in an employee termination proceeding without first meeting and conferring with the union. The union also alleges the University interfered with the union’s rights and denied union members’ rights in termination proceedings.	PERB

AFSCME (American Federation of State and County Municipal Employees) SF-CE-898-H	Systemwide	University directly communicated with represented members of the Patient Care (PCT) and Service (SX) units about wages, hours, and other terms and conditions of employment; improperly undermining and interfering with the status of the union as the exclusive bargaining representative of the units.	PERB
CUE (Coalition of University Employees) SF-CE-897-H	UCSFMC	University deprived a clerical, allied services employee the right of union representation and unilaterally made changes to the terms and conditions of her employment; such actions ultimately led to her dismissal from her position at the University.	PERB
UPTE (Union of Professional Technical Employees) SF-CE-896-H	Systemwide	University made unilateral changes regarding health insurance premiums; misleading Technical (TX) and Research (RX) unit employees with false promises and making further unilateral changes pertaining to health insurance rates.	PERB
CUE (Coalition of University Employees) SF-CE-895-H	UCSFMC	University interfered with clerical/allied services employee's union rights, denied her union representation at an investigatory meeting and attempted to deal directly with her regarding terms and conditions of employment	PERB