

The Regents of the University of California

**COMMITTEE ON FINANCE
COMMITTEE ON EDUCATIONAL POLICY**

January 14, 2009

A Special Meeting of the Committees on Finance and Educational Policy was held by teleconference on the above date at the following locations: UCSF–Mission Bay Community Center, San Francisco; 5123 Cheadle Hall, Santa Barbara Campus; 501 Administration Building, Irvine Campus; South Bay Room, Covell Commons, Los Angeles Campus; 4127 Hinderaker Hall, Riverside Campus; 201 Needham Street, Modesto; 501 S. Alta Avenue, Dinuba; 3110 Main Street, Santa Monica; 1875 Century Plaza East, Suite 1025, Los Angeles; 2121 Avenue of the Stars, Room 106, Los Angeles; 700 So. Flower Street, Suite 3000, Los Angeles; 931 Southwood Boulevard, Incline Village, Nevada; Rancho La Puerta, Tecate, Mexico.

Members present: Representing the Committee on Finance: Regents Garamendi, Gould, Hopkinson, Island, Kozberg, Lozano, Scorza, and Varner; Ex officio members Blum and Yudof; Advisory members Bernal, Croughan, and Nunn Gorman; Staff Advisors Abeyta and Johansen
Representing the Committee on Educational Policy: Regents Cole, Garamendi, Island, Johnson, Lansing, Lozano, Reiss, Scorza, and Varner; Ex officio members Blum and Yudof; Advisory members Powell and Stovitz; Staff Advisors Abeyta and Johansen

In attendance: Regents De La Peña, Hotchkis, Makarechian, Pattiz, Ruiz, Schilling, and Shewmake, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Executive Vice President Lapp, Vice President Sakaki, and Recording Secretary Johns

The meeting convened at 2:00 p.m. with Chairman Blum presiding.

1. PUBLIC COMMENT

The following persons addressed the Committees concerning the items noted.

- A. Ms. Ami Patel, a representative of the Greenlining Institute, expressed concern about the effect of curtailing student enrollment on low-income and first-generation students, and students from underrepresented communities. She urged the University not to curtail student enrollment, but to seek a more holistic and sustainable solution.
- B. Mr. Tinbete Ermyas, a representative of the Greenlining Institute, discussed Assembly Bill 53, introduced by State Assemblymember Portantino, a proposed salary freeze for State executives earning more than \$150,000 annually. Stressing

the need for accountability in the University's executive compensation, he requested that UC make the goals of AB 53 central to its mission.

- C. Mr. Abel Salas, an employee at UC Berkeley, urged the University to reach a contract agreement with service workers. He noted that he did not receive a raise last year and compared this situation to a raise received by a UCB vice chancellor.
- D. Mr. Vernon Peters, an employee at UC San Francisco, reported that he did not receive a raise last year and that many service workers find it difficult to support their families. He noted raises and bonuses received by a UCSF administrator and stated that the University has not accepted a recommendation made by mediator Art Pulaski. He called on the University to end poverty wages, a wish shared by clergy, community leaders, and elected officials as well.
- E. Ms. LaKesha Harrison, president of American Federation of State, County and Municipal Employees (AFSCME) Local 3299, expressed concern that the wages of the lowest-paid workers at the University have been frozen for over a year. According to AFSCME figures, since August 2007 other UC employees have received equity adjustments, merit increases, and other bonuses totaling \$14.5 million. She stressed that it is the Regents' obligation to get workers out of poverty.
- F. Mr. Robert Pinto, an employee at UC Santa Barbara, noted that his hourly wage is \$12 and reported that it is difficult for him to pay his monthly rent, over \$1,100, on these wages. He stated that UC service workers' salaries are 25 percent lower than those of workers at community colleges and that the University can afford to offer better wages to its workers.
- G. Mr. Mike Lawrence, an employee at the UC Irvine Medical Center, urged the University to offer equitable wages to its hospital workers, many of whom qualify for public assistance. He noted that contract negotiations have been under way for a long time and emphasized that there is no reason to leave workers at poverty-level wages.
- H. Mr. Curtis Washington, an employee at UC Riverside, criticized the University for securing funds for executive bonuses but not for workers. He reported that he last received a raise in January 2008 and that it is difficult to support his family on his wages, which he compared to the salary of a UCR administrator. He opined that a freeze on UC executive pay at this point would not be very meaningful.
- I. Ms. Teresa Avendano, an employee at the UCLA Medical Center, questioned the bonuses paid to University executives while workers' wages have remained the same over the last year. She noted salary increases granted to a UCLA dean and stated that the University has not accepted a recommendation made by mediator Art Pulaski. She emphasized that service workers form the backbone of UC facilities.

- J. Mr. Henry criticized the raises given to University executives in the current economic environment, when UC workers are living on poverty wages. He noted that the cost of living will rise.
- K. Ms. Monica Sanchez, a graduate student at UCLA and member of the UC Students Association, noted the financial hardships faced by students and deterioration in the quality of education at the University. Class sizes are larger, student services have suffered, and students are sometimes unable to enroll in core courses and thus take longer to graduate. She asked the Regents to allow as many students to attend UC as financially feasible.
- L. Mr. Irease Jackson, an employee at UCLA, expressed concern that the University is able to locate funds for executive bonuses but not for workers. He reported that he earns \$13 per hour and finds it difficult to support himself and his family on these wages and compared this to salary increases awarded to a UCLA administrator. He urged the Regents to take corrective action.
- M. Mr. Mark Jimenez, an undergraduate student at UCLA, described the advising, mentoring, and tutoring activities of the UCLA Student Initiated Access Center, noting that it provided direct services last year to over 1,400 students living in underserved communities. Reductions to the Center's services will affect diversity at UC. He urged the University to protect student programs and academic preparation programs.
- N. Mr. Richard Stevenson, an undergraduate student at UCLA and chair of the Afrikan Student Union, emphasized the importance of student services, including psychological services, peer counseling, career development, financial aid, and health services. He urged the University to back its commitment to diversity by supporting these services, which are crucial to student retention and success.
- O. Ms. Thu Huynh, an undergraduate student at UCLA, referred to the current budget crisis and pointed out that decreases in funding for student services have a negative impact on student life and education. She urged the University to protect student programs and services.
- P. Ms. Emily Bautista, an undergraduate student at UCLA, expressed concern that budget cuts have a disproportionate effect on students of color. She discussed the work of the Student Retention Center and urged the Regents to protect this and other student programs and services.
- Q. Ms. Malina Tran, an undergraduate student at UCLA, asked the University to consider the effect of cuts to student services in the wider community. She requested that the University protect student programs and services.

R. Mr. Wayne Tong, an undergraduate student at UCLA, expressed concern about the effect of budget cuts on the UCLA Lesbian Gay Bisexual Transgender Resource Center, which provides a library, counseling, health education, and advocacy. The Center plays a critical role in the physical and emotional well-being of students on campus. He asked the Regents to protect student programs and services.

2. READING OF NOTICE OF MEETING

For the record, notice was given in compliance with the Bylaws and Standing Orders for a special meeting of the Committee on Finance and the Committee on Educational Policy, for the purpose of addressing an item on the Committees' agenda.

3. AMENDMENT TO 2009-10 BUDGET PLAN TO DIRECT THE PRESIDENT TO CURTAIL ENROLLMENTS

The President recommended that the Committee on Finance recommend that the 2009-10 budget plan be amended to direct the President to take action to curtail undergraduate enrollment growth for the 2009-10 academic year, consistent with the targets described in this item.

[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.]

President Yudof observed that his recommendation concerned a very difficult subject. He advised that everyone in the University will be called on to make sacrifices. The University must make cuts and balance its budget; it will attempt to be as equitable as possible in doing this.

The University is currently over-enrolled by approximately 11,000 students for whom it receives no State funding. The California Department of Finance estimates this cost to be approximately \$120 million. This money would be provided to the University if the Compact with the Governor were being honored.

President Yudof described the current recommendation to limit student enrollment as moderate and circumspect. It proposes a reduction of 2,300 first-time freshmen. Given the over-enrollment of 11,000 students, if the University were obliged to continue with this plan because of budget reductions, it would take a minimum of four years to achieve equilibrium. President Yudof expressed his wish to avoid a severe "cliff effect," a sudden reduction of opportunities. He pointed out that not every student graduates in four years and that classes recently admitted to the University are large. With a reduction of 2,300 first-time freshmen, the University projects that it will nevertheless be over-enrolled by 11,700 students at the end of next year, or by 700 students more than it is today. Without this reduction, the projection for over-enrollment at the end of next year is approximately 13,000 to 14,000 students.

President Yudof anticipated that his recommendation would result in approximately \$20 million in savings. It has not been possible to secure State funding for these students in the last few years and this funding also was not included in the Governor's recent budget proposal. He recalled that the budget approved by the Regents for next year contained a catch-up provision. This approved budget was a large budget of approximately \$800 million, and some considered it unrealistic at a time of economic disarray. President Yudof stated that his intention in recommending that budget was to remind the State of the Compact and the fact that the University has fulfilled its part of this agreement. The University has enrolled additional students and not received funding for them.

President Yudof opined that a reduction of 2,300 students would be a reasonable first step and expressed the University's hope that, in the future, it would not be necessary to follow through with a four-year series of enrollment reductions. The campuses have been consulted as this proposal was developed. President Yudof observed that enrollments at the Berkeley, Los Angeles, and Merced campuses would not be reduced under this proposal.

President Yudof stressed that he has attempted to be sensitive to diversity and socioeconomic issues. The University's projections concerning next year's applicant pool, admissions, and actual attendance are only estimates. Under the President's recommendation, these projections show a roughly proportionate impact on minority students, but there will no doubt be a slightly heavier impact on African American students, whose enrollment is expected to decline by about 150 students. President Yudof expressed regret about this possible outcome, which is not intended. He recalled that California does not permit affirmative action, which limits the University's options in making necessary cost reductions.

The proposal recommends an increase in community college transfer students of 500. President Yudof acknowledged that this goal was more potential than real at the present time. The community college student body is more diverse in socioeconomic, racial, and ethnic terms. Applications from community college students for next year have increased by 9 or 10 percent. He reported that he has asked UC Berkeley School of Law Dean Edley to take charge of the community college initiative and to work with the other higher education segments in California. Additional emphasis on transfer students could improve diversity at UC while reducing costs to students and demands on the University's resources.

President Yudof stressed his reluctance to carry out this measure and his preference for no decrease in admissions but also stressed the importance of the recommendation. He emphasized the impact of the Legislature's decisions on the University and the fact that the University does not have the funding it needs. He described the recommendation as a modest step and predicted that it would be one of between five and ten measures necessary to bring the University's budget into balance.

Chairman Blum expressed support for the recommendation. He emphasized the State's responsibility for the current situation, noting that the Governor and Legislature have not abided by the Compact with the University, that a group of legislators are opposed to any tax increases, and that a two-thirds majority is required in the Legislature to pass a budget. The current budget impasse was harmful to all State services.

Committee on Educational Policy Chair Island expressed understanding for the difficult situation the President faces, but found that the recommendation was in conflict with two core values of the University; its commitment to educational opportunity for qualified California students and its abiding commitment to diversity. He stated that the recommendation would have a heavy effect on African American students, who currently represent 3.9 percent of the UC student body. The recommendation would reduce African American student enrollment by between 5.4 percent and 8.7 percent, a large reduction considering the paucity of their numbers. While the University must balance its budget, a cost saving of \$20 million would not justify eliminating opportunity for 2,300 students. He stated that the University should rigorously examine alternative solutions and cautioned that this recommendation would be harmful to the University in the long term and lead to a loss in public support.

Regent Reiss asked how the \$20 million in savings would be achieved with the proposed reduction in enrollment.

President Yudof responded that the \$100 million in cuts to the UC budget included expenses for students not funded by the State. This amount does not include student fees. Campuses will achieve savings by not offering as many course sections, by not hiring as many non-tenured faculty, and by not filling vacancies. They will do what is necessary to bring the instructional budget in line with resources. These measures will result in \$20 million less in spending due to the reduction of 2,300 students. President Yudof disagreed with the perception that this recommendation would close off opportunity. He recalled that the University has 220,000 students and that it will still be over-enrolled by 11,700 students under the recommendation. He enumerated some of the various needs at the University and stated that sacrifices would be required at different levels. The quality of student services might decline, faculty might not receive a salary scale adjustment, student fees might increase, and executive salaries might be frozen. In the given fiscal environment it would be irresponsible to maintain the student body at its current size.

Regent Kozberg recalled that the Regents had supported over-enrollment the previous year, at a time when the California State University curtailed its enrollment. She expressed appreciation for President Yudof's recommendation and its provision for community college transfer students. She described the recommendation as a thoughtful approach to a very bad situation.

Committee on Finance Chair Gould expressed strong support for the recommendation. He emphasized that he did not wish to see a reduction in the number of students, but cited the fiscal reality the University must face. He pointed out that the University cannot maintain its excellence while continuing to absorb reductions. The present

recommendation would be a way of alerting the Legislature to the unfortunate consequences of lack of support for UC. He referred to the tremendous demands on the UC system and advised that the University will be faced with a series of difficult decisions. He praised the provision for increased enrollment of community college transfer students and described the recommendation as a responsible proposal.

Regent Lansing echoed the sentiment that this is a step the Regents would take reluctantly. She praised President Yudof for his thoughtful work on the recommendation. She opined that the University does not have another choice; the Legislature has not fulfilled its part of the Compact with the University. She expressed the hope that the economic situation would improve, at which time the University could again adjust enrollment.

Regent Johnson noted that enrollment at the Merced campus will not be curtailed. She asked if the campus would receive additional funds. She asked if students would be able to transfer to another UC campus after a year or two of attendance at Merced. She asked why the University is admitting out-of-state students while it is curtailing enrollment for California residents.

President Yudof anticipated that there would likely be some budget augmentation for the Merced campus. He stated his understanding that students may transfer from UC Merced to other UC campuses and to institutions outside UC. This plan does not include an increase in enrollment of non-resident students. He also noted that it is typical for outstanding research institutions to enroll students from other countries, but there was nothing in the recommendation that would increase the number of non-resident students, who are charged more in fees. Some of this fee revenue is used to pay core costs for resident students.

Faculty Representative Croughan recounted that President Yudof discussed the recommendation at an early stage with the Academic Senate's Board of Admissions and Relations with Schools (BOARS), which supports it. The idea to curtail enrollment has been discussed at multiple Academic Council meetings, and a faculty proposal might in fact advocate more drastic cuts. The student-faculty ratio is continuing to increase. The real cost to students of over-enrollment or enrollment that is not funded is a decline in the quality of student services and the student experience. While Ms. Croughan regretted that this action was necessary, she stated that it would be unconscionable not to curtail enrollment.

Regent Reiss praised President Yudof for what she termed a reasonable recommendation in response to unpleasant circumstances. She suggested that the University should communicate clearly that enrollment will still increase next year under the recommendation. The part of the recommendation concerning community college transfer students should be stressed as well.

Committee on Finance Chair Gould stated that the University would be clear in its communications about the meaning of curtailment in the current environment.

Regent Scorza observed that this year has seen the largest graduating high school class in the history of California. The background materials provided with the recommendation contain the statement that UC will continue to offer a place to every UC-eligible California resident applicant. He stated that this number would be 46,000 students, according to data provided by the California Postsecondary Education Commission (CPEC). However, this number excludes some students, such as those at youth correctional facilities. Regent Scorza expressed concern about the University's ability to maintain its promise of equity and access if these other potential applicants are not considered. He further reported the sentiment of many students who would prefer an increase in fees to a curtailment of enrollment. He hoped that the Regents would discuss this issue again in the future and that the University would continue to put pressure on the Legislature. He expressed his perception that the University is not over-enrolled but simply underfunded. It is meeting targets as promised to the people of California.

Regent Hopkinson expressed support for the recommendation. She suggested that, as the University proceeds to reduce enrollment by 2,300 students, there might be an opportunity for UC to increase out-of-state enrollment to a level that would provide financing for students in that group of 2,300. While this action was not possible now, it could be contemplated.

Regent Pattiz commended President Yudof for his work on the recommendation, carried out under difficult circumstances. He acknowledged the various constituencies within the University and stressed that UC cannot look to its lowest-paid employees to bear the brunt of the current financial difficulties. He hoped that the University would settle contract negotiations with its service workers. He requested that information be provided at a future meeting on the gap between what the American Federation of State, County and Municipal Employees (AFSCME) is requesting and what the University is offering.

Regent Lozano expressed support for the recommendation. She commended President Yudof for his focus on transfer students from community colleges, which she stated would offset some of the disproportionate impact referred to by Regent Island. She concurred with Regent Island's concerns about the University's diversity initiatives and urged the University to think as innovatively and creatively as possible in order to continue its commitment to diversity, recognizing that the recommendation will have a disproportionately negative effect on African American students.

Regent Garamendi requested clarification of the President's earlier suggestion that this might be the first of four steps which would result in an overall reduction of approximately 10,000 students over the next four years.

President Yudof responded that action would be considered one year at a time. He observed that there are proponents for significantly larger enrollment reductions. The Regents were not being asked to approve a four-year plan; at this time only a one-year action was requested. He emphasized the time sensitivity surrounding the admissions process and comprehensive review and stated that this recommendation had to be presented in January. He noted that a significant financial aid recommendation would be

presented at the next meeting in February which would help the University to maintain diversity. He recalled that student applications were due at the end of November. Campuses were now making admissions decisions and must be given targets. Otherwise, the result would be a random process in six or eight months when campus admissions would be known. He reiterated that he did not wish to carry out this measure four years in a row. The recommendation was intended to give the University latitude and, if financial circumstances permit, allow increases in enrollment at a future point.

Regent Garamendi opined that the University must clarify what the financial circumstances are that would change this trajectory in this and future years. This should be communicated to the general public and the Legislature.

Regent Varner expressed support for the recommendation, which he described as realistic and appropriate. He commended the President for his work and expressed confidence in his commitment to diversity. He stated that the Regents would not neglect the issue of diversity as they proceed in making difficult decisions.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, with Regents Blum, Garamendi, Gould, Hopkinson, Kozberg, Lozano, Varner, and Yudof (8) voting "aye," and Regents Island and Scorza (2) voting "no."¹

The meeting adjourned at 3:40 p.m.

Attest:

Secretary and Chief of Staff

¹ Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.