

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

September 15, 2009

A meeting of the Regents of the University of California was held on the above dates at UCSF–Mission Bay Community Center, San Francisco.

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

In attendance: Regents-designate Cheng, DeFreece, and Hime, Faculty Representatives Powell and Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Interim Provost Pitts, Executive Vice President Taylor, Interim Executive Vice President Brostrom, Senior Vice Presidents Dooley and Stobo, Vice President Lenz, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, Yang, and White, and Recording Secretary Smith

The meeting convened at 11:05 a.m. with Chairman Gould presiding.

**1. PUBLIC COMMENT PERIOD**

- A. Mr. Morley Singer stated that many neighbors surrounding the San Francisco campus have objections to the campus' plan to fell trees on 14 acres known as Sutro Forest. He noted that UCSF has applied for a grant through the Federal Emergency Management Agency (FEMA) using threat of fire as justification, and asked that the application be withdrawn. Mr. Singer asserted that the project would not reduce threat of fire but would increase it, and expressed concern about the application of toxic herbicides to the trunks.
- B. Mr. Paul Castleman recalled that neighbors have been successful in the past in efforts to prevent the City of San Francisco from cutting eucalyptus trees in the neighborhood surrounding UCSF, and was dismayed that the issue had returned.
- C. Mr. Paul Rotter stated that the project to cut down trees in Sutro Forest would engender poor public relations with UCSF's neighbors.

**2. WELCOME REMARKS**

Chairman Gould welcomed new Chancellors Desmond-Hellmann and Katehi and the other UC chancellors to the Board retreat, as well as Charles Reed, Chancellor of the California State University system. He noted that Jack Scott, Chancellor of the California Community Colleges system, would be joining the meeting later in the day.

Chairman Gould hoped that the retreat discussion would provide education and context for the issues faced by the University, and an opportunity for people to speak candidly about options for the future. He recalled that last year's retreat included an assessment of the financial position of the University by an outside consulting firm. The models presented included various assumptions about State funding, enrollment growth, student fee levels, student-faculty ratios, retirement costs, unfunded liabilities, and other Regents' priorities; all scenarios showed multi-billion dollar gaps for the University in the future. None of the models, however, assumed an \$813 million reduction in State funding. Chairman Gould conveyed that the challenges facing the University are severe and the funding trends unsustainable. As fiduciaries of the University, he stated that Regents must ensure the continued excellence of the University of California. While UC will continue to fight for increased funding from the State, Chairman Gould emphasized that everyone must be realistic about the University's situation and consider options. In terms of his objectives for the day, Chairman Gould stated that he wants the Regents to be well-grounded in the fiscal realities facing the State, to think openly about the University's business delivery model, and to discuss collaboration and partnership with the leaders of the other segments of higher education.

President Yudof stated that the University has launched a vigorous advocacy campaign in Sacramento, asking UC families, students, staff, and friends to share their stories about the University with lawmakers. Since the beginning of the campaign three weeks prior, over 18,000 messages had been sent to lawmakers calling for renewed investment in the University of California. President Yudof has traveled to Sacramento more than 20 times, and will continue to do so, as well as speaking with business and civic groups and the media about the importance of reinvesting in California's human capital; the chancellors have made similar speeches. The fall advocacy campaign will include district office visits to many legislators, and he hoped that some Regents will participate in those visits. In January and February, a full-scale campaign of visits will be launched when the Legislature reconvenes, including possibly joint rallies with the other higher education segments. He emphasized that the relationship between the University of California, the California State University system, and the California Community Colleges system has never been stronger.

President Yudof asserted that the State of California has been an unreliable partner with the University, forcing it to cobble together stopgap solutions on the backs of UC students, faculty, and staff; he emphasized the need for the University to chart its own course. Realistically, it is unlikely that the State of California will be able to increase its appropriation to the University. He recalled that former Governor Jerry Brown stated in a speech that when he was Governor, 17 percent of the State's budget went to higher education and 3 percent to corrections. Now, higher education receives 9 percent of the State budget and corrections 10 percent. UC needs to think how to be more self-sufficient and efficient in order to maintain the greatness of the University of California.

3. **STATE PERSPECTIVE ON THE 2010-2011 CALIFORNIA BUDGET – CALIFORNIA’S BUDGET: PAST, PRESENT, AND FUTURE**

Michael Genest, Director of the State Department of Finance, was joined by Lynn Podesto, Assistant Program Budget Manager in the Department of Finance who supervises the development of UC’s budget. Mr. Genest reviewed the State’s budget process over the past year, emphasizing the rapid deterioration of the State’s economic situation. Unexpected losses of revenue and increases in spending resulted in the State having a \$60 billion budget gap. Solutions to the budget problem included tax increases, spending cuts, borrowing from local government, and federal stimulus funds. Proposition 98 received about 50 percent of the cuts, and higher education received almost \$3 billion in cuts. The correctional budget was cut as well, but not to the extent that was hoped. Health and human services also took a large reduction, as well as the judicial system and employee salaries, and debt service was recalibrated.

Mr. Genest indicated that the consensus view among economists is that the State’s economy faces a \$15 billion gap a few years out. To solve this future problem will be a major challenge, considering the severity of cuts made this year. He explained that the budget gap recurs in future years because many of the solutions this year were temporary or one-time. However, some reductions are permanent and will expand, particularly in the area of corrections and Medi-Cal.

Mr. Genest reviewed budget projections for the years 2012-13, noting that higher education is projected to fall to seven percent of the State’s General Fund budget. He discussed trends in spending in various areas benchmarked against population growth and inflation, including Proposition 98, corrections, Medi-Cal, welfare programs and other social services, the judicial system, debt service, and higher education. Unfunded liabilities for retiree health care and the pension system will seriously impact the State’s budget in ten years. Mr. Genest emphasized that the data he presented were not planning or policy proposals, reiterating that they were projections reflecting economists’ views.

The Regents and Mr. Genest discussed a number of issues, including sales and use taxes, revenue projections, inflation projections, enrollment growth projections, federal stimulus and matching funds, comparisons with other states’ higher education funding, the State’s unfunded pension liability, entitlements in the State’s budget, future funding to the University and returning to the Compact, student fee increases, contributions of the University to the state, and University salaries. Mr. Genest pointed out that higher education has no entitlement to General Funds, as opposed to welfare payments which would require a change in law to be reduced. The correctional system also is not an entitlement; however, laws do govern the size of the prison population and contractual agreements with unionized prison guards.

Several Regents pointed out the need for the University to be more aggressive in Sacramento, as well as to find independent sources of income other than the State. Mr. Genest called attention to the California Forward recommendations about reforming State government, including “Pay to Play” in which any initiative must include cuts in another

area or raising taxes to fund the initiative. President Yudof commented that the State has passed an anti-stimulus budget, given that investments in higher education have the potential to pull the state out of the recession. Mr. Genest emphasized the need for structural reform in State government. Chairman Gould concluded that the University aims to work with the State to discuss a reassessment of how its resources are used from an investment, as opposed to a workload, perspective.

#### 4. **UPDATE ON THE WORK OF THE UC COMMISSION ON THE FUTURE**

Chairman Gould recalled that the dire economic situation was a main factor in the decision to form the UC Commission on the Future. He stated that the University needs to develop its own solutions to its budget crisis and rethink how it does business. There will be broad participation on the Commission, including faculty and student members. Chairman Gould observed that he and President Yudof will be relying on the Commission working groups to develop ideas for the Commission and Regents to discuss and act upon. Jane Wellman, an expert on higher education funding who is Executive Director of the Delta Project on Postsecondary Education Costs, Productivity, and Accountability, spoke at the first Commission meeting. She indicated that California is not unique in the reduction of government support for higher education. No state has developed successful solutions to the problem, including how higher education institutions convey to their respective governors the importance of supporting higher education. The University of California will seek to make progress in this area. Ms. Wellman also emphasized that the University cannot solve the problem on its own; addressing the issue will require collaboration with California's other higher education segments. He said that Ms. Wellman emphasized the importance of attainment, noting that there is a large amount of leakage in the educational pipeline. California is ranked very low compared to other states in high school graduation rates, college-going rates, and community college degree production. At the same time, Chairman Gould called attention to Public Policy Institute of California research that forecasts a shortage of one million baccalaureate degree holders relative to California's workforce needs by 2025. The lack of State investment is not in keeping with the long-term economic and social needs of California.

President Yudof explained that the UC Commission on the Future has five working groups: size and shape of the University, education and curriculum, access and affordability, funding strategies, and research strategies. He emphasized the importance of extensive collaboration throughout the process. The Commission is not outside of the University's governance structure. Any recommendations regarding curriculum will be brought to the Academic Senate using the University's regular practice, and any recommendations on the University's budget will require input and review from faculty, students, and staff. He hopes that the Commission will reflect on the key issues and treat them holistically by considering the opportunity costs of various initiatives.

Chairman Gould introduced the co-chairs of the Commission's working groups. Chancellor Blumenthal and Professor Cynthia Brown of UC Santa Barbara are chairs of the working group on the size and shape of the University, Dean Christopher Edley of the

Berkeley School of Law and Professor Keith Williams of the Davis campus are chairs of the education and curriculum working group, Chancellor Drake and Regent Bernal are the chairs of the access and affordability working group, Vice Chancellor Steve Olsen of UCLA and Vice Chancellor Gene Lucas from the Santa Barbara campus chair the funding strategies working group, and Chancellor Yang and Professor Mary Croughan of UC San Francisco chair the working group on research strategies.

Chancellor Blumenthal commented that Ms. Brown and he had an overriding concern of preserving the quality of the University. He discussed that one set of issues for the group involves the size of the University and how it should evolve, a second set of issues concerns the composition of the student body, and a third set of issues involves the University's mission. The first set of concerns depends upon outside forces, such as the demographics of the state and collaboration with and input from the University's higher education partners, whereas the second set is comprised of internal issues that the University can decide for itself. The group will also discuss the implications of the California Master Plan for Higher Education and whether it may need revising.

Mr. Edley stated that the working group on education and curriculum will strive to ensure that its work will be conducted within a shared governance framework. Listening tours will be scheduled with the campuses in order to hear directly from faculty and other constituencies regarding opportunities on the topic. The working group will explore a number of innovative options and issues, such as efficiency in time to degree as well as reorganizing, consolidating, and streamlining academic programs, all the while being mindful that the Regents have delegated to the Academic Senate the responsibility for the quality and character of the academic program. Another opportunity that will be explored is online instruction as a strategy for the delivery of education.

Chancellor Drake also emphasized his concern about the overall quality of the University as an outcome for the working group on access and affordability. He stated that access to the University is a very important issue for the future of the state. Affordability is also central, but affordability and cost are not the same. The University is not able to make its product cheap, but it can have mechanisms for improving both access and affordability to the University. Regent Bernal stated that upon the announcement of the Commission, he and Regent-designate Cheng had convened students in a group referred to as the UC Student Commission on the Future. Students feel strongly about including UC's higher education partners, and the group invited student leaders from the California State University system and the California Community Colleges to discuss access and affordability. Central to the discussion on access and affordability is the UC's mission to improve diversity. Access is also about ensuring that students are able to complete their degrees, which requires adequate student services and support. Regent Bernal commended Chairman Gould and President Yudof on the transparency of the Commission's process and their efforts to include students.

Executive Vice President and Chief Financial Officer Taylor stated that the four primary areas of concern for the funding strategies working group are maximizing traditional funding sources, development of alternative sources, capital outlay, and efficiencies. He

outlined five steps in the process for this group: brainstorming, defining the problem, understanding cost drivers, reducing costs in back office operations, and addressing pension and health benefit issues; data collection and looking at other states' solutions; seeking expert testimony both outside and inside UC; scenario testing and modeling; and consensus and recommendations to the Commission.

Ms. Croughan explained that the research strategies working group will ensure input is received throughout the process. Some topics the working group will explore are the deficit between the National Institutes of Health indirect cost recovery rates and the real costs in doing research, the role of graduate education in UC's research mission, research policies and practices, investments in research infrastructure, strategies to recruit and retain top research faculty, and principles for engagement and collaboration with industry. Chancellor Yang discussed the process for obtaining input and consultation with a wide range of constituencies both inside and outside the University. He noted that UC's research mission is closely linked with teaching and public service, and that research and graduate programs are highly interdependent.

Regents and presenters discussed a number of issues for the working groups including the importance of thinking boldly; revisiting the University's mission and goals in teaching, research, and public service; serving the state of California, particularly in terms of the links between UC's academic programs and the state's workforce needs; the California Master Plan for Education; the unique position of the University as world-class research university that enrolls a high percentage of low-income students; the importance of preserving the excellence of the University; the importance of allowing the faculty to determine their own research foci and maintaining the viability of the University so that the faculty can focus on the excellence of their research; and the imperative that faculty input be integral to the working group processes.

## **5. UPDATE ON THE COMMUNITY COLLEGE TRANSFER TASK FORCE AND OTHER EDUCATION INITIATIVES**

Christopher Edley, Dean of the School of Law at UC Berkeley and Special Advisor to the President, served as a co-chair with colleagues from the California State University (CSU) system and the California Community Colleges (CCC) system on a transfer task force. Mr. Edley recalled that President Yudof launched an effort to increase the number of community college transfer students to UC by an additional 500 students; for this academic year, close to 1,500 additional CCC students transferred to UC compared with last year, which was a great accomplishment. The interim report of the Community College Transfer Task Force was completed just prior to the retreat, and included eight recommendations. He noted that as the budget situation worsened, the task force shifted its focus to low-cost or no-cost options. As a result, the recommendations that emerged were modest and incremental. Also, the task force distinguished actions that could be achieved in the short-term from those that focused more on a long-term vision for the transfer function. He stated his hope that the work of the task force continue. Mr. Edley indicated the importance of having additional, more ambitious recommendations prepared for when the economic situation improves. For example, the task force tabled

their work on numerical goals for transfers and improving the amount of person-to-person counseling due to the poor budget situation.

The task force made eight recommendations. First, particularly due to the elimination of guidance counselors in the state, collaborating on shared messaging among all three segments about postsecondary opportunities and the importance of postsecondary education is extremely important in order to convey a consistent, powerful, and clear message regarding, among other things, the variety of institutions, transfer as a viable pathway for postsecondary education, and financial aid options. This messaging will be particularly beneficial for communities who do not have a strong culture of college-going behavior.

The second recommendation is support for California's Articulation System Stimulating Inter-institutional Student Transfer (ASSIST), which is an effort to update a computer-based tool that is of use for students at community colleges to assess what they need to take in order to become transfer-ready at UC or CSU. The third recommendation is to support the C-ID Project on course identification and numbering. Mr. Edley recognized that this is a bureaucratically difficult endeavor, but CSU and CCC are persuaded that different course numbering systems are an impediment to students being able to assess which courses will count for credit and satisfy requirements at the four-year institutions.

The fourth recommendation involves the CSU initiative called the Lower Division Transfer Preparation (LDTP) program, which involves negotiated compacts between CSU campuses and feeder CCC campuses in the surrounding areas. He stated that while the group felt that continued work on this program was valuable, the consensus of the group was that ASSIST and C-ID held more potential and were more cost effective than LDTP for helping students become transfer-ready.

The fifth recommendation is to further implement and assess the CSU Early Assessment Program (EAP), which is a program where test items are seeded into the California High School Exit Examination (CAHSEE) in order help students and CSU identify whether additional remedial work is needed before students are able to take credit-bearing courses when they arrive at CSU. It is currently being assessed in terms of its psychometric validity, but Mr. Edley indicated that it is a promising initiative. The sixth recommendation is implementation of the CCC Early Assessment Program.

The seventh recommendation involves exploring opportunities for expanding distance and online education. Mr. Edley indicated that there is substantial activity at CSU and CCC to offer such courses, primarily as a mechanism to address space issues. He mentioned a potential UC pilot project to substantially increase online educational opportunities on UC campuses, and stated that there are important synergies that can occur if all three segments collaborate in this area.

The eighth recommendation involves instituting common academic calendars among all three segments. The task force strongly agreed that there would be important financial economies, efficiencies, and ease of burden for students if all three segments operated on

a semester basis. CCC overwhelmingly operates on a semester basis, as does CSU, whereas UC does not. Mr. Edley indicated that this was one of the first ideas identified by the task force, and the consensus was that it should be prioritized.

The Regents and Mr. Edley discussed several issues regarding this presentation, including articulation agreements, CSU's early assessment program, the Transfer Evaluation Service, and the needs and experiences of transfer students. Chairman Gould summarized that the University and its higher education partners have been discussing these issues for a long time and are eager to move forward. He requested that the budget for these initiatives be brought forward in order to discuss strategies for funding, which may include seeking private support. Faculty Representative Simmons commented that the Intersegmental Committee of the Academic Senates discussed very similar recommendations at its September 2009 meeting, and has been working on these issues for two decades.

Due to time constraints, Mr. Edley's presentation on online instruction was deferred.

6. **IMPACT OF THE REDUCTION OF STATE FUNDING ON CALIFORNIA STATE UNIVERSITY AND CALIFORNIA COMMUNITY COLLEGES**

Chairman Gould introduced Chancellor Reed of the California State University (CSU) system and Chancellor Scott of the California Community Colleges (CCC) system. Chancellor Scott began by concurring with Chancellor Reed's recent statement that there had never been better relations between the three heads of the higher education segments than there are today.

Chancellor Scott described the current situation at the CCC system. There are 110 community colleges in California, making it the largest higher education system in the world; CSU is the largest university system in the world. The CCC has multiple missions, including transfers to four-year institutions, career technical education, and adult education. He noted that CCC prides itself in continually being responsive to the community by adding programs that are in demand. Chancellor Scott stated that the total population of CCC last year was close to 2.9 million, the largest enrollment in CCC history. He also spoke of the variety of students who seek education at community colleges and the importance of CCC job training to Californians' financial circumstances. Chancellor Scott explained that this year the CCC budget will be reduced by \$520 million compared with last year, or 7.9 percent; this figure includes higher student fees and federal stimulus funds. In order to cut costs, CCC will reduce its schedule, in some cases by 10 percent; it is unable to limit enrollment because the CCC system works on an open enrollment basis as outlined in the California Master Plan for Higher Education. Such cuts are undesirable not only because there is high student demand for a CCC education, but also because it may result in fewer transfers to CSU and UC. He referred to a report by the California Postsecondary Education Commission on CCC enrollment that projects increased student demand for CCC. Yet, 75 percent of CCC are already facing capacity pressures, in that they are serving more full-time equivalent students than recommended by State classroom utilization standards.



Chancellor Reed commended President Yudof and his efforts to communicate frequently with he and Chancellor Scott on higher education challenges and opportunities. Chancellor Reed emphasized the importance of the segments working together to address the economic crisis. He suggested that individuals on the governing boards at CCC, CSU, and UC should come together to discuss strategies for the future. He also suggested that the UC Commission on the Future share its recommendations with the CSU Board of Trustees. Chancellor Reed emphasized that the three higher education segments need to address the issue of how the segments adequately fund access and continue the drive toward excellence. The current model of funding higher education in California is not sustainable. Higher education segments need to face this reality, generate fresh ideas, and collaborate to find solutions.

Chancellor Reed explained that CSU has approximately 460,000 students on 23 campuses; going forward there will be fewer students on the campuses in response to a reduction in its budget of \$965 million. The Board of Trustees developed a three-point plan to address the gap in funding: reducing personnel expenditures through furloughs, increasing student fees, and imposing campus reductions.

Chancellor Reed discussed a number of other issues, including enrollment reductions, the California Master Plan for Higher Education, the achievement gap, smoothing the transfer function, common course numbering systems, using resources more efficiently, improving graduation rates, eliminating the 12th grade for some students with the funds converted to CCC scholarships, a CCC transfer degree, technology in educational delivery, energy savings through increased segmental collaboration, additional funding for higher education institutions that serve a large proportion of low-income students, the importance of conveying to Sacramento how the segments are becoming more efficient, and the need to advocate more strongly in Sacramento.

Chairman Gould stated that a delegation of Regents would be assembled to speak with members of the other segments' Boards to assess common challenges and work on the issues. Regents and Chancellors Reed and Scott discussed a number of topics including alternatives for students who are unable to enroll in UC and CSU, units required for a baccalaureate degree, the varying quality of proprietary schools, the value of collaboration between the higher education segments, impacts of reduced enrollment on diversity, career technical programs, the Intersegmental Coordinating Committee, student-faculty ratios, reexamining traditional educational practices, and reforming the structure of California government.

The meeting adjourned at 5:00 p.m.

Attest:

Secretary and Chief of Staff