The Regents of the University of California

COMMITTEE ON FINANCE
July 18, 2012

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

Members present: Regents Blum, Gould, Island, Lozano, Mendelson, Newsom, Stein, Varner, and Wachter; Ex officio members Lansing and Yudof; Advisory member Powell; Staff Advisors Barton and Smith

In attendance: Regents De La Peña, Kieffer, Makarechian, Reiss, Rubenstein, Ruiz, Schilling, Torlakson, and Zettel, Regents-designate Feingold and Flores, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Beckwith, Duckett, Lenz, Mara, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary Johns

The meeting convened at 10:35 a.m. with Committee Chair Varner presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of May 16, 2012 were approved.

2. **UPDATE ON THE UNIVERSITY'S 2012-13 BUDGET AND LONG TERM BUDGET MODEL**

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz began his presentation by recalling that the $91.3 billion State budget for 2012-13 had been signed by the Governor. Compared to the 2007-08 State budget, this represented an $11.6 billion or 11.3 percent reduction. The 2012-13 budget also included a $1 billion reserve. The State budget addressed an overall gap of $15.7 billion through $8.1 billion in expenditure reductions, $6 billion in anticipated revenues, and $2.5 billion in other solutions.

The most significant expenditure reductions were made to redevelopment assets, Medi-Cal, State mandates, and the judiciary. State employees received a five percent reduction in compensation. Funding for the California Work Opportunity and Responsibility to

Kids (CalWORKs) program, child care support, and in-home support services was reduced. Mr. Lenz pointed out that 14,000 families would lose State-subsidized child care support. The reduction to the Cal Grant program for public universities was not as great as had been proposed in either the January budget proposal or the May Revision.

Mr. Lenz then noted the revenue assumptions in the State budget. The most important of these was the Governor's tax initiative for the November ballot, Proposition 30. Other revenue assumptions included loan repayment extensions, special funds, additional weight fee revenues, and unemployment insurance interest payments.

The 2012-13 State budget allocation to UC is almost $2.4 billion, a 4.7 percent increase over the 2011-12 budget. This includes $89.1 million for the State's obligation to the UC Retirement Plan (UCRP), $11.6 million for lease revenue bond debt service, and $5.2 million for annuitant health benefits, totaling $105.9 million. The State budget allocation for UC also includes a $125.4 million tuition buyout to begin in fiscal year 2013-14, contingent on the success of Proposition 30.

Mr. Lenz reported that the University was not able to secure a State hearing for its debt restructuring proposal. In the January State budget proposal, the Governor had shifted about $200 million in general obligation bonds, placing lease revenue bonds in the UC budget. This increased UC's base budget by $200 million and would benefit the University, as any future percentage increase to the budget would be made on a higher base. Mr. Lenz estimated that this debt restructuring proposal, negotiated with the Department of Finance and the Governor's office as an alternative to reliance on tuition, would have generated from $80 million to $100 million annually for the next four to five years. The University still considers this debt restructuring proposal a high priority for 2012-13 and would continue to discuss it with the Department of Finance and the Governor's office.

There was no State funding for new capital facilities projects, but the University has secured statutory authority to move forward with $134.1 million in previously approved State capital facility projects, with the assurance that the State will pay for the debt service and the cost of financing. Gift funds associated with some of these projects would be jeopardized if the projects did not move forward. Mr. Lenz recalled that in addition to these projects, there are another $1.1 billion in UC capital projects that would be eligible for State funding but that are on hold. The Office of the President would present a proposal regarding the projects that are on hold to the Committee on Grounds and Buildings at a future meeting.

The State budget included minimal reductions to the Cal Grant program. Cal Grant B awards for public and private college students were reduced by five percent, from $1,551 to $1,473, an impact of $1.8 million for UC students. If the reduction were applied at UC as has been recommended, 15,000 students would experience a reduction of $78; however, due to the structure of UC's financial aid programs, this reduction would be shared by 75,000 UC students, at a reduced cost of about $20 per student.

Finally, Mr. Lenz noted that concerns had been raised earlier that day during the public comment period about language in the budget act that was vetoed by the Governor. This pertained to the fact that the Governor had removed all earmarks associated with programs for the University in January, including outreach programs that aim to increase underrepresented minority enrollment. These programs are a high priority for the University, and UC has negotiated the funding levels for these programs with the Legislature each year. Mr. Lenz stressed that these programs were not in danger of elimination or reduction unless Proposition 30 failed. The University did not raise the issue of earmarks with the Governor. Mr. Lenz distinguished this action from two other budget actions by the Governor, in cases where the University had expressed concerns: the Governor vetoed language stipulating an enrollment target for UC that the University found inappropriate, and he vetoed prescriptive contracting services language that would have cost UC millions of dollars. UC indicated that the contracting services language was unacceptable and it asked that this language be vetoed.

Regent Gould referred to background material provided for the discussion indicating that the gap between new revenue and total expenditure needs in 2012-13 was $222 million. He asked how the University planned to address this shortfall in the current year, and requested more information about the value of the debt restructuring proposal, which was not considered by the Legislature. Executive Vice President Brostrom responded that President Yudof had asked the Office of the President to examine one-time measures and internal borrowing to help the campuses address the shortfall through this year. The University is considering measures that are appropriate for a crisis but that should not be repeated, such as extraordinary payout of endowment funds or spending down liquidity reserves. Mr. Brostrom observed that the combination of debt restructuring and tuition revenue would have provided full funding for the University this year. It was unfortunate that the University's plan for debt restructuring was not approved, because it would have covered all the University's mandatory costs. Chief Financial Officer Taylor explained that the goal of the debt restructuring was to create value for UC's operating budget where none had existed, without the need for a tuition increase, program cuts, or layoffs. The means of accomplishing this would be to restructure heavily front-loaded debt, using up-to-date, flexible, low-cost financing techniques. The State of California is aware of these techniques, but the State pays leases, while the University pays bonds. The structuring of payments for the State's leases is very constrained; the University has much more flexibility, and can combine its flexibility to use low-cost products like variable rate debt and laddered term securities with its superior ratings. The University used this technique in 2009 and 2010 to help balance the budget, it was used by the State in 2002-03 to smooth the State's cash flow needs, and it has been endorsed by the American Federation of State, County and Municipal Employees (AFSCME). The current debt of the State Public Works Board is already held against UC by rating agencies; the agencies assume that if the State did not pay this debt, the University would pay it. The rating ratios for the University would not change under the proposal for debt restructuring. With debt restructuring, the University could create value of $80 million annually on average, over the next ten years, at virtually no cost.

Committee Chair Varner asked if the University was continuing discussions with the State to seek approval of the debt restructuring proposal. Mr. Brostrom responded in the affirmative. He stated that one reason the proposal did not receive consideration earlier was that it was coupled with a broader measure on capital flexibility. He anticipated that the benefits of this measure, standing on its own, would be clear to members of the Legislature.

Regent Island asked about the Governor's veto and its effect on minority recruitment and retention programs. He asked about the amount of funding for these programs in the 2011-12 budget. Mr. Lenz responded that the funding was approximately $27 million. President Yudof observed that these programs were not a line item in the budget.

Regent Island stated that he wished to know how much the University spent on these programs, whether they were a line item or not. President Yudof stressed that the relevant budget language concerned all earmarks, that the University had never asked the Governor to veto this item, and that the Governor, in his veto measure, did not state that he did not think this was a worthy expenditure, but that he thought that the University should make funding decisions. President Yudof also stressed that UC will continue to fund outreach programs at as high a level as affordable. Regent Island stated that this was not a fiscal but a philosophical issue. These programs address a core value of the University. He stated that Governor's office had singled them out for elimination this year and in previous years. Budgetary support for these programs appeared to be in jeopardy. Mr. Lenz responded that these programs were not singled out. The Governor's proposal in January was that there not be any earmarks in the budget, and he removed six to eight line items. He allowed UC to retain flexibility on the amount of funding for these programs; the funding was not reduced. In the University's discussions with the Legislature and the Governor's administration in previous years, there has been agreement on the amount of funding for these programs. In some years, funding was not reduced at all. In other years, funding was reduced in proportion to the General Fund reduction for UC. In this case, because the University's base budget is not being reduced for 2012-13, the University is not proposing any reductions to these programs. Regent Island asked how the treatment of this item was different from prior years. Mr. Lenz responded that for constituent groups, the presence of line items in the budget provided a sense of security, that funding levels would be protected. If these line items are not in the budget, and UC has the flexibility to reduce funding for these programs, there may be concern about a possible reduction.

Regent Island expressed alarm at the status of these programs. He requested a commitment from the Office of the President that funding for them would not be reduced. He cited the fact that African American enrollment at UC San Diego was less than two percent as an example of the need for these programs. President Yudof reiterated that these programs had not been singled out; all earmarks were removed from the budget. There had been no line item veto of these programs. The Governor's viewpoint was that the University should make choices about funding. The University did not seek removal of the earmarks and it will maintain its outreach programs. If the University faced a $375 million reduction in January 2013, there might be reductions to these programs.

Mr. Brostrom clarified that of the $27 million in funding for these programs, only $15 million comes from the State. The $15 million represents less than ten percent of all the earmarks for which the Governor has granted UC flexibility.

Regent Kieffer stated his view that State earmarks for UC funding set a bad precedent, because some earmarks may be undesirable. One of the roles of the Board of Regents is to ensure that funds are spent correctly. The Governor's viewpoint and action were appropriate in leaving the decision about program funding to the Regents, not the Legislature.

Regent Stein agreed with Regent Island about the need for outreach programs. He asked if any action item on that day's agenda would lock in a mid-year fee increase. Mr. Brostrom responded that the current item was for discussion only.

Regent Stein expressed his hope that the Regents could defer a vote on a mid-year fee increase until November, should a fee increase be needed due to failure of Proposition 30. This would give the Regents time to consider all the University's options. If the Regents approved a conditional fee increase in September, this would convey the message that there was no need to consider all options. In addition, student efforts to mobilize voters would be more successful if the Regents did not consider a fee increase until November.

Mr. Brostrom then continued the presentation, turning to the topic of the University's long-term budget model. This model was important in light of the 2012-13 budget and in light of the two very different paths the University might take, depending on the passage or failure of Proposition 30 in November. The University's long-term budget model had been extended by one year to 2016-17, which reflected UC's negotiations with the Governor's office on a five-year funding agreement. The model projects a budget gap in 2016-17 of over $2.9 billion, assuming no new revenues. This budget shortfall is due to an additional year of cost increases and the $100 million mid-year reduction in 2011-12, covered with one-time assets that year, and now built into UC's base budget.

Mr. Brostrom observed that there was no magic solution for building a sustainable financial model. The long-term model would require successful execution of all four elements of UC's budget plan: stable and predictable funding from the State, leveraging of alternative revenue, achievement of administrative efficiencies, and a moderate and stable tuition plan. He noted that many ideas included in the long-term model had been developed by the UC Commission on the Future, and some of these ideas were already being implemented.

Mr. Brostrom outlined the cost drivers in UC's long-term budget through 2016-17. The two most significant cost drivers are the nearly $1 billion reduction in State support since 2007-08 and UCRP costs of over $600 million. The employer contribution rate to UCRP is ten percent as of July 1; that rate would grow by two percent annually until the contribution reached 18 percent. These two cost drivers represent over half of the University's funding shortfall, or about $1.6 billion against a $2.9 billion base, and essentially determine the long-term budget model. Other cost drivers grow at market or inflation rates. These include employee and retiree health benefits, about $175 million; academic merit increases for faculty; a three percent annual increase in compensation over five years, recognizing that UC faculty and staff salaries are well below market levels; non-salary price increases, including energy costs; deferred maintenance and capital renewal; enrollment growth; and cap-and-trade charges. In regard to the last mentioned cost driver, Mr. Brostrom noted that a number of UC campuses and medical centers are subject to the cap-and-trade requirements of Assembly Bill 32, the Global Warming Solutions Act. UC has been working with the California Air Resources Board on alternatives, such as the possibility of spending the amount due under the cap-and-trade requirements on campus energy efficiency projects. He anticipated that cap-and-trade costs might be as much as $100 million for the UC system. The sum total for all the cost drivers was $2.9 billion over the next five years.

Mr. Brostrom then discussed potential cost reductions. The University has considered limiting the UCRP employer cost to 14 percent, rather than increasing it to 18 percent. He noted that the additional four percent creates fiscal distress for the campuses and medical centers. If this measure were adopted, in 2039 the UCRP would be 92 percent funded rather than fully funded. The University is examining other ways of financing deferred maintenance and capital renewal, using one-time assets or borrowing techniques. A task force is now seeking means of limiting health benefit increases, such as self-funding. Reducing this rate of growth by half would result in $50 million in savings. Limiting enrollment growth to the Merced campus would save about $100 million. Another means of achieving savings would be to delay compensation increases in 2012-13. All these potential reductions could bring down costs by about $500 million, from $2.9 billion to less than $2.5 billion. Mr. Brostrom noted that some of the potential measures would be controversial, but that the Board should consider them.

The University is projecting that $1 billion of the long-term funding gap could be addressed by UC's own efforts, half of this amount from administrative efficiencies and half from developing and leveraging alternative revenue. One form of alternative revenue would be new models of private giving. The University would like to seek ways increase the amount of unrestricted gifts and increase the fungibility for endowed chairs and scholarship programs. The University has enjoyed success in the area of indirect cost recovery, in part through its advocacy efforts in Washington, D.C. Mr. Brostrom recalled that UC campuses lag behind private institutions by between ten and 15 points in indirect cost recovery. Recently the Berkeley and San Francisco campuses completed rate negotiations that would raise their indirect cost recovery rates by 3.5 percent and four percent, respectively, over the next four years. These completed negotiations had already generated $70 million. Another significant source of revenue to the campuses has been nonresident tuition. Nonresident enrollment had increased faster than anticipated; nonresident undergraduate enrollment was now at seven percent systemwide. The University might not achieve anticipated targets for revenue from professional degree supplemental tuition, because tuition for many of these programs is near market levels. Finally, Mr. Brostrom recalled that UC had received a State funding augmentation of $94.3 million in 2012-13. All told, the University had identified more than $1.5 billion in potential solutions toward the $2.9 billion budget shortfall. UC can make the case to the

State that it is taking charge of its financial destiny, but it still needs a partnership with the State, because there is still a remaining gap of $1.4 billion and this must be filled by State or other sources.

Mr. Brostrom presented a chart with two five-year funding scenarios. Under one scenario, if Proposition 30 were approved by voters, the University would make steady progress toward a balanced budget by the end of the five-year period. This scenario assumes that UC would have a multi-year agreement with the State that would increase funding for UC by about six percent, that UC would be able to carry out debt restructuring, and that there would be moderate tuition increases in later years, the level of those increases depending on factors like philanthropy and financial aid. Under the second scenario, Proposition 30 would not be approved and there would be no increased funding from the State. The scenario assumes a significant one-time increase in tuition, followed by more moderate increases. Under this scenario, the University's budget shortfall at the end of the period would be between $600 million and $700 million. Mr. Brostrom stressed that the two scenarios were built on assumptions that could not be precise, but they demonstrated the critical importance of Proposition 30 to UC's budgetary situation.

Regent Island referred to the proposal mentioned by Mr. Brostrom to limit enrollment growth. He asked if the University had considered what impact such a measure would have on student diversity. Mr. Brostrom responded that this and the other proposals mentioned had been put forward with a consideration of their budget impact, but they had not yet been examined rigorously to determine what other effects they might have.

Regent Island asked if the University had an understanding of the impact enrollment reductions would have on underrepresented minority enrollment by campus, and if not, if this question would be examined. Provost Dorr responded that the University would certainly examine this issue in the context of all the efforts UC makes to recruit underrepresented minority students. Mr. Brostrom added that the campuses would begin their long-range enrollment planning in the fall, and this issue would be discussed.

Regent Newsom asked about the real importance of the passage of Proposition 30 in addressing UC's budget shortfall versus an agreement with the Governor. This was an important distinction because Proposition 30 does not explicitly set aside funding for the University. Mr. Brostrom responded that he believed that both Proposition 30 and a multi-year agreement were important. If Proposition 30 failed, UC would experience a "trigger" reduction of $250 million and lose the $125 million tuition buyout for this year, a total loss of $375 million. The multi-year agreement would depend on working with the Governor and the Legislature. Mr. Brostrom estimated that the positive impact of Proposition 30 on UC would be greater than $500 million, some of this in direct funding and some as part of an ongoing agreement.

Regent Newsom asked if the University had projected the same scenarios for the Munger initiative, Proposition 38, the Our Children, Our Future: Local School and Early Education Investment and Bond Debt Reduction Act. Mr. Brostrom responded that the

University had examined the Munger initiative and considered the amount of funding it would generate. While the University does not have the Governor's assurance on a multi-year agreement, Proposition 30 would give UC $375 million and the prospect of a stable funding plan; there was no such certainty associated with the Munger initiative.

Regent Newsom stated that the Munger initiative would relieve some stress on the State General Fund and observed that multi-year funding is subject to political whims. Mr. Brostrom responded that the General Fund impact might be similar under the two initiatives.

Faculty Representative Anderson recalled that the Academic Senate had been discussing the need to address funding for the UCRP for many years, and that Mr. Brostrom had recently discussed the proposal to defer UCRP employer contributions required under the current actuarial plan with Academic Senate representatives. The reaction of the Academic Senate had been hostile, and the reaction of the University's actuary had not been enthusiastic. Mr. Anderson suggested that there were alternatives to such a measure, such as an additional pension obligation bond, Short Term Investment Pool borrowing, or borrowing in the commercial paper market. He stated that the proposal discussed by Mr. Brostrom equated to borrowing at 7.5 percent, while there were opportunities to borrow at a rate of one percent or less. Mr. Anderson hoped that Mr. Brostrom would soon discuss with the Academic Senate other means of alleviating the burden of UCRP contributions on the State-funded UC budget. Mr. Brostrom responded that he and Mr. Taylor were examining a number of approaches to this question and would soon bring them forward.

Regent Torlakson expressed his support for the debt restructuring proposal. He asked if some of the capital needs the University is planning for would include reliance on a State bond issue. Mr. Lenz responded in the affirmative. In its discussions with the State, the University has made it clear that the shift in bond funding in UC's budget and the debt restructuring proposal would not preclude UC from being included in any future education bond measure.

Regent Torlakson noted that there has historically been a coalition in California of the higher education sector, K-12 education, school boards, school administrators, the California Teachers Association, the California Federation of Teachers, contractors, and school construction designers and architects. This coalition has worked together to pass $9 billion education bond measures, generating about $36 billion in school facilities through voter-approved bonds. He cautioned that if Proposition 30 failed, the $2.6 billion debt service on current bonds would shift to Proposition 98 funding and would split this historic coalition; debt service would not come from the General Fund, but from Proposition 98 funding, in direct conflict with administrators, teachers, and others. Therefore there was another reason to support Proposition 30: if it failed, the ability to pass bonds that would help address UC and California State University capital needs would be greatly diminished.

Regent Lozano expressed concern about the volatility in UC's tuition levels. In the context of UC's long-term funding model, she asked that Mr. Brostrom present options for a UC plan for predictable, moderate tuition increases, a plan that could be either dependent on multi-year State funding or independent of multi-year State funding. Mr. Brostrom recalled that over the past 20 years, there were eight years with either no increase in tuition or a decrease, eight years with double digit increases, and only four years with moderate tuition increases, i.e., four to six percent. He anticipated that if Proposition 30 passed, the University would be able to ensure stable and moderate tuition levels and increases. The University would examine these questions over the coming months and he would report on this to the Regents.

Regent Makarechian referred to a list in the background materials of actions taken systemwide and by campus to address budget shortfalls. He requested a list of further actions that might be necessary if there are additional cuts. Mr. Brostrom responded that Provost Dorr would discuss actions taken, and that other potential actions, should the University experience further budget reductions, could be discussed at that point.

Regent-designate Feingold asked about the percentage of undergraduate students for whom tuition is covered, and about how their tuition is covered. Mr. Brostrom responded that just over 45 percent of undergraduates pay no tuition. To cover the entire cost of a UC education, including tuition, room and board, books, and other necessities, the University expects a certain level of student self-help. This level has been stable or declined in the past five years; it is approximately $9,000. The University expects students to work for half of this amount, or about seven hours per week, and to borrow for the rest of the amount. However, less than half of UC undergraduate students take out student loans.

Regent-designate Feingold observed that those 45 percent of undergraduates would still have room and board costs and might graduate with debt. He asked about average student debt. Mr. Brostrom responded that less than half of UC undergraduate students take any debt. The average debt load is approximately $17,000, below the national average of $26,000.

Regent-designate Feingold asked what the level of student debt would be in five years if the University instituted moderate fee increases. Mr. Brostrom recalled that one of the hallmarks of the University is its robust financial aid program and noted that the student self-help level is lower than it had been five or six years previously. An area that needs attention is middle class students, who may not be eligible for Pell Grants, Cal Grants, or UC's institutional aid. Statistics demonstrate that families paying the highest percentage of family income for a UC education are those with an annual income between $80,000 and $120,000. These are the students who bear the full brunt of even a moderate tuition increase, and the University would have to examine this matter closely in the next few years.

Regent Gould stated that the Regents all wish to maintain consistent and moderate fee increases, but observed that this is difficult to achieve unless the University has a reliable multi-year agreement with the Governor and Legislature. He stressed that such an agreement was not yet in place and that UC had not yet secured a commitment from the Governor and Legislature. He referred to the $222 million gap between new revenue and total expenditure needs for 2012-13 and the $100 million mid-year reduction in 2011-12, covered with one-time assets that year, and which the campuses were now being asked to absorb. This would affect quality at the campus level. The University should also remain mindful of how much it would be borrowing. The tuition buyout was in fact not being applied to the current year, but was promised in the next year's budget if Proposition 30 were to pass. Regent Gould asked if in fact the University would be required to borrow money to fill its budget gap this year. Mr. Brostrom responded in the affirmative. The University was borrowing against a future-year outlay. Committee Chair Varner noted the need for UC to continue to work with the Legislature to reinvigorate the California Master Plan for Higher Education or to begin a new Master Plan that would include reliable, long-range commitments from the State.

Regent Island expressed skepticism regarding any multi-year agreement with the Governor or Legislature, based on the University's past disappointments with such agreements. He recalled that no sitting Governor or Legislature can bind a future Governor or Legislature. An agreement might serve a function as a planning tool, but he asked if there were any other reasons for entering into an agreement. Mr. Brostrom responded that the proposed agreement differed from other agreements because it was predicated on the passage of Proposition 30, which would provide $6 billion of new revenue to the State. The amount the University would request from the State is reasonable and sustainable in the context of the new revenue. He acknowledged that this would not be a dedicated revenue stream, but it would give the Governor and Legislature the flexibility to award the requested funding over a five-year period. When the University negotiated past agreements, there was no new revenue coming to the State.

Regent Newsom cautioned that the longer the Regents postponed a discussion of detailed budget options, the greater the danger that their default position would be to discuss tuition increases. Before considering any tuition increase, the Regents should have an exhaustive discussion of budget options and their consequences. He hoped that the Regents would have such a discussion at the September meeting.

In response to a question by Regent Newsom, Mr. Brostrom confirmed that the State provides 11 percent of UC's budget. Regent Newsom asked about the remaining 89 percent of the UC budget, and asked why the Regents devoted this much time to discussing only 11 percent of the budget, a part of the budget that is subject to the political whims of Sacramento. Mr. Brostrom responded that student tuition and fees, together with State funding, account for almost 24 percent of the UC budget. The University is exploring how it can leverage the remaining three-quarters of its budget to support the core academic budget. As one example, UC medical centers provide more funding for UC's medical schools than the State does. Federal contracts and grants account for a large segment of the remaining budget, about $5 billion, and are restricted. The University's efforts to increase its indirect cost recovery would provide discretionary funds for the campuses.

Regent Blum observed that it would be misleading to examine State funding for UC as a percentage of the University's overall $22 billion budget. He recalled that UC is engaged in three principal businesses – the teaching campuses, the health care system, and the National Laboratories. He emphasized that the campuses are under stress; if the University did not appropriately fund faculty and programs, other institutions would recruit away UC's best faculty. He stated that he was in favor of reaching a multi-year agreement with the State, but expressed agreement with Regent Island's skepticism on this matter.

Provost Dorr then continued the presentation by observing that her duties as Provost and the University's chief academic officer included a focus on academic quality and educational excellence in the context of access and affordability, consistent with the goals of an outstanding land-grant research university. The University's excellence was now challenged; this situation would grow worse if UC did not take steps to address it. UC wishes to ensure access to an excellent education. Access to anything less would not be desirable for students or for California.

Ms. Dorr noted that the budget model discussed by Mr. Brostrom used 2007-08 as the baseline funding year, and if the funding shortfall identified by Mr. Brostrom were filled, this would bring UC funding back to the 2007-08 level. This level of funding would not be sufficient for the improvements needed on all campuses to support their growth.

In 2005, the Regents adopted goals for reinvestment in a number of areas, such as improving faculty competitiveness and reduction of the student-faculty ratio. Ms. Dorr presented a chart showing enrollment growth, new faculty hires, and faculty separations from 2005-06 to 2010-11. During this period, new faculty appointments increased modestly for a few years, but had decreased over the past two years. The number of faculty separations remained about the same, but were increasing. In 2010-11, the last year for which there were data, the number of separations exceeded the number of hires on every campus except Merced; UC Merced hired ten faculty members and had six separations in that year. This general trend would be likely to continue due to the combination of cuts and costs that must be paid from the academic budget. There is less funding to hire new faculty, and the current uncertainties of the University make many faculty members uneasy. The decrease in number of faculty is accompanied by an increase in student enrollment. At one time, the Regents had established a target student-faculty ratio of 18.7 students to one faculty position. The current ratio is about 23 or 24 students to one faculty position, and this ratio would continue to rise. The faculty positions in question are ladder-rank positions. In addition, there is far less funding on campuses for hiring lecturers and instructors, so the entire number of the teaching staff has decreased. The consequences of these changes are larger class sizes, fewer classes with ladder-rank faculty, fewer opportunities for undergraduates to engage in research, fewer independent study courses, fewer writing assignments, fewer opportunities for undergraduate and graduate students to have ladder-rank faculty as mentors and advisors, fewer undergraduate capstone projects, which are supervised by faculty and advocated by the University's accrediting bodies, and fewer complicated assignments that require more time to read and grade. Ms. Dorr referred to the figures presented earlier for indirect cost recovery and pointed out that if there are fewer ladder-rank faculty and these faculty have less time for scholarship due to other responsibilities, this will result in less indirect cost recovery funding.

UC has historically benchmarked its faculty salaries against eight research universities, four public and four private. In 2000, UC faculty salaries were competitive against this benchmark. Ms. Dorr presented a chart comparing average faculty salary levels at UC and the eight other institutions from 1980-81 to 2011-12. While the average UC faculty salary level had remained stable, the gap between UC and the comparison institutions had increased, so that the average UC faculty salary now lagged the benchmark by 10.8 percent. Based on her own experience as a dean and that of other deans, she noted that it is not impossible to recruit and retain outstanding faculty, but that this has become more difficult. These faculty must want to come to UC, be particularly interested in a UC program, and the University must offer them a salary not too far below salaries offered by other institutions. The fact that UC was losing ground to its comparison institutions in this area was very worrisome.

Ms. Dorr concluded that UC's academic endeavor and quality were feeling the effects of several years of reductions and unfunded mandates. These trends need to be stemmed and then reversed if UC is to continue as a great research university, an engine for the state economy, and an outstanding provider of education for undergraduate, graduate, and professional students. It would be in the University's and the state's interest to attend to these matters.

Regent Ruiz asked about the proposal to restrict enrollment growth to the Merced campus only. Mr. Brostrom responded that this was one option to be discussed. The budget plan includes one percent growth in student enrollment systemwide.

Regent Ruiz asked how the Merced campus, with its limited space, would accommodate this growth. Mr. Lenz responded that the Office of the President has worked with the Merced campus to provide a temporary academic building to meet a small portion of the campus' classroom needs. It has made a priority in its discussions with the Governor's administration and the Legislature of securing funding in the 2012-13 fiscal year for preliminary plans and working drawings for an academic building to be ready for use in fall 2014. If the University can secure this funding, the new building would meet the campus' current enrollment growth needs.

Regent Island referred to information presented about the number of new faculty hires and faculty separations between 2005-06 and 2010-11, which indicated that 239 positions had remained unfilled. He asked why these positions had not been filled and requested information about the ethnicity and gender of the 189 new hires. Ms. Dorr responded that she would provide this information. The decrease in new appointments was based largely on prudent behavior by the campuses. The budget situation does not allow them to hire new faculty. Based on her own experience, she stated that the faculty members being recruited away by other institutions are the best faculty, including the best faculty from underrepresented minority groups.

Regent Island asked if there had been a disciplined process in place regarding the decisions not to replace 239 faculty. Ms. Dorr responded that she would discuss this in her meetings with campus senior administrators. She was aware of this process on her former campus, UCLA, but would learn about the situation on other campuses.

Regent Kieffer referred to the chart showing average faculty salary levels at UC and its private and public comparison institutions. He asked how UC faculty salaries compare to those of the public universities only. Mr. Brostrom responded that UC salaries are above those of its four public comparison institutions but lag those of its four private comparison institutions by 25 to 30 percent.

Regent Kieffer suggested that the University should bear in mind how it compares to both public universities alone as well as to public and private universities combined. Public universities across the U.S. are experiencing problems like those at UC. He stated that the University would not be able to address this salary gap through tuition increases. The University was experiencing not only financial changes, but changes related to the information revolution. In order to adjust to a new environment with alternative instructional technologies, the University would have to consider changes to more areas than just tuition and operational efficiencies in order to address the salary gap. Tuition would not make up this gap, given that 45 percent of UC students were not paying tuition; UC would not be able to match its peer institutions.

Committee Chair Varner stated that these questions would be discussed at the September meeting.

Regent Newsom asked if the salary comparison included health care and other benefits. Ms. Dorr responded that the chart compared only basic compensation.

Regent Newsom observed that, according to various reports and studies, public sector benefits are substantially higher than private sector benefits. It would be helpful to examine total compensation in these comparisons.

Regent Kieffer expressed surprise that the amounts on the chart represented only salaries, not total compensation including benefits. Committee Chair Varner stated that this would be addressed.

Faculty Representative Anderson referred to Regent Newsom’s remarks, which may have been based on the Mercer Consulting total remuneration study of 2007, and noted that there have been changes since that study. Employee contributions to the UCRP are now at five percent; at that contribution level, the value of the UCRP to employees is less than that of pension plans of UC’s private or public competitors. The University’s health care plans have historically offered a similar value to employees as the plans of competitors. UC retiree health benefits have been more generous than competitor benefits, but the University has substantially reduced the future value of its retiree health benefits. Mr. Anderson stated that a 2009 survey conducted with the assistance of Hewitt Consulting demonstrated that the value of the UCRP for employees is slightly below that for pension plans of competitor institutions; the value of UC health plan benefits and retiree health benefits is slightly above that for competitor institutions, but this value is declining toward the level of the competitor institutions. In response to remarks by Regent Kieffer, Mr. Anderson observed that the cost of addressing the faculty salary gap would not be enormous; he estimated it at approximately $130 million. The University could fill this gap, but Mr. Anderson stated that he would not advocate doing so, due to the many other urgent needs at UC. There is a similar compensation gap for staff and a ten percent gap in support for Ph.D. students, who receive on average ten percent less in stipends than they would receive at other institutions where they were admitted. He stressed that there are many other urgent needs at UC, and that they are the reason why a substantial amount of funding is needed to restore the University to earlier levels of operation.

3. **RESOLUTION TO ENDORSE THE STATE'S ACTIONS RELATING TO THE UNIVERSITY OF CALIFORNIA'S 2012-13 BUDGET, NO INCREASE IN MANDATORY SYSTEMWIDE STUDENT CHARGES IN 2012-13, AND THE SCHOOLS AND LOCAL PUBLIC SAFETY PROTECTION ACT OF 2012 (PROPOSITION 30) ON THE NOVEMBER BALLOT**

The President recommended that the Regents adopt the *Resolution to Endorse the State's Actions Relating to the University of California's 2012-13 Budget, No Increase in Mandatory Systemwide Student Charges in 2012-13, and The Schools and Local Public Safety Protection Act of 2012 (Proposition 30) on the November Ballot*, as shown in Attachment 1. Mandatory Systemwide Student Charges consist of Tuition and the Student Services Fee as those terms are defined in Regents Policy 3101.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner briefly introduced the item and called attention to the fact that the phrase "mandatory systemwide student charges" in the proposed resolution referred only to tuition and the Student Services Fee as defined in existing Regents policy.

President Yudof stated that Proposition 30 offered a realistic pathway to students' goals of keeping tuition low and tuition increases modest. He described Proposition 30 as the only realistic pathway toward these goals that the University had seen at this time and urged students to support it; support for the measure would be a means of turning student advocacy and protest into concrete results. President Yudof announced his intention to continue speaking in support of Proposition 30 in the months to come. He noted with pleasure that the Academic Senate had overwhelmingly approved a memorial to the Regents in support of "specific ballot measures and legislation that will increase State revenues and/or specific ballot measures and legislation that will prioritize funding for public higher education."

Faculty Representative Powell explained that members of the Academic Senate had voted to submit this memorial to the Regents through the President. Academic Senate memorials are infrequent. The last memorial was put forward in 2006; there had been only four in the past 20 years. The memorial process had begun in January, when the Academic Senate knew that there would be relevant ballot measures, but did not yet know what form those measures would take. The memorial process required systemwide review and voting in the Academic Council and the Academic Assembly. The memorial was then sent to all campus Academic Senate divisions for vote by all Senate faculty members. Of the 3,400 Academic Senate members who voted, 93 percent endorsed the memorial.

Mr. Powell recalled how reductions by the State are clearly affecting the quality of the institution. Student-faculty ratios have risen, the total number of UC faculty is decreasing, faculty are separating from employment at an increasing rate, and UC cannot replace them as quickly as they leave. As a result, class sizes are larger and there are fewer class sections available to students. In reaching the decision to send the memorial to the Regents, the faculty discussed and expressed concern about the significant increase in tuition and the increasing burden taken on by students during the economic recession of the past decade. Mr. Powell stated that, based on the broadest possible consultation, the University's faculty strongly endorse Proposition 30.

Executive Vice President Brostrom explained that Proposition 30 would entail a quarter-cent increase in the California sales tax over the next four years and three new brackets on personal income tax for seven years: a one percent tax increase for those earning over $250,000 annually, a two percent increase for those earning over $300,000, and a three percent increase for those earning over $500,000.

Regent Blum referred to the information presented by Provost Dorr in the previous discussion and recalled that a decade earlier the student-faculty ratio was far lower. In the past, the idea that the ratio might exceed 20 to one was inconceivable. He suggested that a focus only on other public institutions for purposes of comparison might lead to a less distinguished status for the University. He observed that Proposition 30 was not a perfect measure but urged the Regents to support it. The fact that there was a similar initiative, the Munger initiative, Proposition 38, on the ballot at the same time meant that both might fail. The University could not support both initiatives, and it had made the correct choice in supporting Proposition 30.

Regent Island stated that Proposition 30 was worthy of the University's support and endorsement. He expressed concern about the language in Paragraph 1 of the proposed resolution, which endorsed the 2012-13 budget for the University adopted by the Legislature and the passage of Proposition 30. Committee Chair Varner responded that this language was developed to ensure that the University endorsed the entire concept, both the budget for UC approved by the Legislature and the passage of Proposition 30, on which the budget depends.

Regent Island expressed concern about the possibility of student fee increases and stated that he would have preferred that, in the proposed resolution, the Regents express a commitment to keep all options under study, in order to take on the matter of fee increases at a later point, in the context of then existing conditions. He concluded that it was necessary for the University that Proposition 30 succeed, and the Regents should support it, however they might disagree with some of its aspects.

Regent Reiss expressed concern about the long-term future of the University. Proposition 30 would not come close to making up for all the reductions UC had experienced in the past decade and it would not allow the University to roll back tuition increases; nevertheless, the University would benefit by the passage of Proposition 30. She deplored what she described as the slow death of public higher education and stressed that, even if Proposition 30 passed, the University would still face many problems. The Regents should consider all possible options at the September meeting, not merely a tuition increase.

Regent Torlakson referred to the first sentence in Paragraph 2 of the proposed resolution: “Directs that no increase in mandatory systemwide student charges in 2012-13 become effective unless The Schools and Local Public Safety Protection Act of 2012 fails to pass in November 2012 or the University otherwise does not receive the funding as approved in the 2012-13 State budget.” He stated his view that the word “unless” implied that the University had an interest in approving a fee increase or might take that action if Proposition 30 did not pass. He stressed that this was not the intention of the language in Paragraph 2 and suggested removing this paragraph, as it did not add to the overall message of the resolution. The Regents had not yet had a detailed discussion of other possible budget actions. The language as it stood might be understood to imply that the Regents were immediately prepared to use fees as an option. President Yudof responded that removing the word “unless” would freeze the current tuition level irrespective of the outcome of the November ballot. From a financial standpoint, this would not be an appropriate stance. The resolution needed to include language stating that the tuition freeze would be effective only as long as Proposition 30 passes. This would protect the University and avoid an absolute, unconditional promise to not increase tuition, a promise that would bind the University even if the measure failed and UC found itself with a $375 million budget reduction.

Regent Torlakson referred to Paragraph 1 of the proposed resolution: “Endorses the 2012-13 budget plan for the University of California adopted by the Legislature and signed by the Governor and passage of The Schools and Local Public Safety Protection Act of 2012.” He suggested that this language already addressed President Yudof’s concern because it endorsed the 2012-13 budget plan, which included the assumption that there would not be a permanent freeze. President Yudof responded that this was not sufficient protection from legal risk. The University must be in a position such that it would not bind itself unconditionally. The language of Paragraph 1 did not ensure this.

Regent Blum stressed that it would be impossible to avoid increasing fees if the University faced a budget reduction of $300 million to $400 million.

Committee Chair Varner noted that the resolution had been carefully reviewed and expressed his view that it would not be appropriate to make changes to it at this time.

General Counsel Robinson stated that the language in the resolution could be understood to mean that a fee increase would become effective automatically if Proposition 30 did not pass in November. He suggested that the language could be changed to avoid that implication.

Regent Kieffer stated his view that it would be misleading to pretend that UC might not be faced with a tuition increase, however undesirable, and inappropriate to fail to give advance notice of this.

Regent Gould stated that there were in fact two distinct items before the Regents: a budget plan for the University and the endorsement of Proposition 30. He expressed serious concern about the effectiveness of the financial plan for UC. He welcomed the State's initial commitment for the UC Retirement Plan, although it was not equal to the State's full obligation. The State's decision on the Cal Grant program was made in a way to protect the University as much as possible. The Regents applaud the opportunity to avoid a fee increase. Regent Gould emphasized that the Regents must face up to certain budget realities in the context of this agreement with the Governor. The University had a $222 million budget gap in the current year as well as a reduction of $100 million, covered with one-time assets the previous year, now to be absorbed by the campuses. He stated his view that the proposed item did not address the University's challenges. Proposition 30 might or might not succeed, and the University might face a $375 million reduction. The allocations for UC and the California State University (CSU) are the most vulnerable parts of the State budget. The tuition buyout would in fact not be effective until the next year, and the University was obliged to borrow money; Regent Gould described this as a dangerous precedent. He expressed frustration regarding the University's debt restructuring proposal, which could save $80 million over the next decade, but was rejected by the Legislature. Regardless of the language in the resolution, and even if all other options were considered, there would be no way to avoid a fee increase if Proposition 30 failed. Regent Gould stated that there was a serious risk to UC in this budget plan for the University. The resolution was not required in order to implement the plan. The plan was incomplete; the University would receive a one-year commitment in exchange for a seven-year tax. He observed that if the Governor and the Legislature made a commitment to a multi-year agreement they would be more likely to adhere to it, because students, faculty, and the entire UC community would remind them of this commitment. That would be a meaningful agreement, if implemented, but in fact there was no multi-year agreement, only a multi-year tax. He criticized a lack of commitment by the State to long-term, meaningful support for the University. This agreement fell short of providing the University with the means to confront some of its outstanding challenges.

Regent Schilling stated that she would have preferred that the University propose a fee increase now that would be rescinded if Proposition 30 passed. She stated that she did not understand the hesitation about associating a fee increase with a failure of Proposition 30. The University cannot move swiftly. If Proposition 30 failed, it is unlikely that the University would have a plan in place by November to increase revenue without increasing fees. Regent Schilling requested assurance that the language in the resolution would allow the University to increase fees if necessary in November or at mid-year without the risk of litigation. She urged the Board to make it clear in the resolution that if Proposition 30 failed, the University would automatically increase fees by 20 percent.

Regent Newsom expressed concern about the resolution in relation to the discussion of tuition. The background information to the item stated that a 20.3 percent mid-year tuition increase might be necessary if Proposition 30 did not pass. He stated his view that the discussion of a possible tuition increase should be separate from the resolution. The language of the resolution did not authorize a 20.3 percent tuition increase and there was no explicit statement in the resolution that would oblige the Regents to adopt such an increase if Proposition 30 failed.

Chairman Lansing confirmed that Regent Newsom's statement about the resolution was correct. The Regents would discuss all possible budget alternatives in September. There was no language in the resolution stating that the Regents would automatically take any action. She expressed her hope that any fee increase would be avoided.

In response to Regent Newsom, Committee Chair Varner pointed out that the resolution was intentionally drafted so that consideration of a tuition increase would be deferred until a later time. Regent Newsom stated that some ambiguity had resulted from combining support for Proposition 30 with a budget.

Regent Stein observed that all other UC constituencies – students, faculty, and staff – had already begun to take action to support Proposition 30. The trustees of CSU had also recently endorsed the measure. The higher education community was uniting in support of Proposition 30, and the University should join in this support.

Regent Wachter referred to Regent Gould's earlier comments. He expressed his view that in a situation of severe budget challenges, President Yudof and Chairman Lansing had negotiated the best deal that was possible with the State. He agreed with Regent Gould on the point that a multi-year agreement would be preferable. The Regents all felt frustration in this regard, but they should all support Proposition 30.

Regent Blum moved, and Chairman Lansing seconded, that the following amended version of Paragraph 2, proposed by Mr. Robinson, be adopted: "Directs that no increase in mandatory systemwide student charges in 2012-13 become effective, except that the Board of Regents may revisit this action if The Schools and Local Public Safety Protection Act of 2012 fails to pass in November 2012 or the University otherwise does not receive the funding as approved in the 2012-13 State budget. Mandatory Systemwide Student Charges consist of Tuition and the Student Services Fee as those terms are defined in Regents Policy 3101."

President Yudof stated that this amended language made it clear that the Board was free to choose to take an action or not to take an action. There was no language in the resolution referring to any specific amount of tuition increase. The University would be in a very difficult situation if Proposition 30 failed, and it should make realistic statements about the implications of such a situation. He noted that this agreement with the Governor and Legislature had not been easy to reach; in particular, the tuition buyout had been difficult to secure. He acknowledged that the buyout was not being realized in the current year. On the other hand, the University had secured almost $90 million for the UCRP. He agreed with the view that a multi-year agreement would have been preferable, but this was the best the University could do under very difficult circumstances.

Chairman Lansing recalled that when the University lobbied the Legislature in May, a tuition buyout was not yet even a possibility. The University made the tuition buyout and the State contribution to the UCRP a part of the discussion and managed to secure them. The Governor and the Legislature had made a commitment to treat education as a high priority. If it had been possible to achieve a five-year agreement, the University would have done so. The University's lobbying and negotiation efforts would not stop now; they would continue. The University would seek a five-year agreement and more funding. Chairman Lansing expressed pride in the fact that members of the University community had worked together to achieve this agreement. She expressed enthusiastic support for Proposition 30 but stressed that the University's advocacy efforts would not stop with this resolution. She thanked the Regents, students, alumni, faculty, staff, and President Yudof for their work on this matter.

Regent Torlakson observed that Proposition 30 was critical to the K-12 system as well as to UC. He cited significant budget reductions made to the K-12 system and to preschool and childcare programs.

Upon motion duly made and seconded, the Committee approved the President's recommendation as amended and voted to present it to the Board, Regent Gould voting "no."

The Committee recessed at 1:00 p.m.

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The Committee reconvened at 2:00 p.m. with Committee Chair Varner presiding.

Members present: Regents Blum, Gould, Island, Lozano, Mendelson, Newsom, Stein, Varner, and Wachter; Ex officio members Lansing and Yudof; Advisory member Powell; Staff Advisors Barton and Smith

In attendance: Regents De La Peña, Kieffer, Makarechian, Reiss, Rubenstein, Ruiz, Schilling, Torlakson, and Zettel, Regents-designate Feingold and Flores, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Dorr, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Beckwith, Duckett, Lenz, Mara, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary Johns

4. **PROGRESS REPORT ON WORKING SMARTER: SYSTEMWIDE ADMINISTRATIVE EFFICIENCIES AT THE UNIVERSITY OF CALIFORNIA**

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Financial Officer Taylor recalled that the goal of the Working Smarter initiative is to reduce costs at UC by $500 million. Cathy O'Sullivan, Director of the Working Smarter initiative, explained that the savings of $500 million, a five-year goal, would be redirected from administrative operations to teaching and research. In the first year of the initiative, $157 million in savings and new revenue had been achieved. In its second year, now completed, the initiative garnered $132 million in savings and revenue; $83 million in direct savings and $49 million in revenue, resulting in a total of $289 million for the first two years of the initiative.

There are 34 projects in the Working Smarter portfolio; ten of these projects had contributed to the positive financial impact in the past year. Eight projects in the portfolio are managed by the Office of Risk Services. Overall, the cost of risk to UC has been reduced by over $71 million. A large part of this can be attributed to gains from the Workers' Compensation self-insurance program. Investments in loss prevention and loss control have led to measurable reductions in employee injuries and associated claim costs. Liquidity management was an example of how new revenue has been gained. By reviewing allocation of the University's operating capital and making changes within the risk profile for UC's working capital assets, UC was able to accrue over $18 million in new revenue in the current year.

Ms. O'Sullivan presented a chart showing the composition of the Working Smarter portfolio and noted that most of the initiative's projects were still in development; some were in the early phases of implementation. Positive fiscal impact, net of any cost of implementation, would not be expected for another year or more for these projects. Each project differs in complexity, implementation timeline, and expected fiscal impact. Some projects provide one-time savings or revenue and are instrumental in building momentum for the initiative, but the primary focus of the Working Smarter initiative is on permanent savings and revenue, which are more difficult to achieve and are the result of substantial transformative change. Projects that provide permanent savings and revenue generally have a more robust project team and governance structure. All Working Smarter projects have specific project owners, teams, stakeholders, and executive sponsorship.

Mr. Taylor noted that a goal of President Yudof's administration is to develop a culture of accountability. He presented a slide showing which senior administrators are responsible for the success of the 32 systemwide Working Smarter projects. Executive Vice President Brostrom noted that there are also regional projects involving collaboration among campuses, and projects under way at the campus level.

Andrew Szeri, Dean of the Graduate Division at UC Berkeley and head of the campus' Operational Excellence program, explained that the program had begun several years earlier. The program has a goal of making one-time investments of up to $75 million to secure ongoing annual savings of at least $75 million. The campus was on track to achieve that goal. There were approximately 20 projects in place, with a plan to spend about $50 million in investments, with funding arranged by the Office of the President through the C3 (cross-campus collaborations) internal loan program.

Mr. Szeri reported that UC Berkeley had consolidated its procurement operations with UC San Francisco over the past year. Together the two campuses have approximately $1 billion in purchasing power and can negotiate favorable purchasing contracts. The Berkeley campus has launched a new e-procurement system, which has already booked $100 million in business, with 50,000 transactions. The majority of purchase requisitions are filled on the same day they are posted. Mr. Szeri anticipated that this system would generate $45 million in savings annually on the Berkeley campus alone.

Another Operational Excellence project was unit restructuring, a challenging project with the goal of reducing the number of supervisors with a small number of direct reports. This project resulted in the elimination of 380 positions; this involved approximately 125 layoffs. In taking on this difficult project, the campus secured $20 million in annual savings. Finally, Mr. Szeri mentioned the campus' shared services project. Staff who cover back-office duties in finance, information technology, human resources, and research administration are being located together at a site off the central campus, releasing about 100,000 square feet of central campus office space. The offsite location would invest in new tools and technologies to allow the campus to achieve its administrative goals with considerable savings. The shared services project would begin with a pilot program in January 2013.

John Meyer, Vice Chancellor – Administrative and Resource Management at UC Davis, noted that when Chancellor Katehi came to the campus, she challenged the administration to ensure that the campus' administrative systems were of the same high caliber as its academic programs. In the three years since, the campus will have saved $30 million annually. Mr. Meyer described one of the campus' programs, a shared service center, which was implemented in February, a consolidation of human resources, financial, and payroll functions for 120 units overall. The campus had reduced the number of full-time equivalent positions needed for these functions by 25 percent, eliminating 50 positions. The campus took great care in this process of reduction and managed to carry it out with only three layoffs. He described the campus' efforts as "managing smarter," providing the tools and assistance to staff to perform administrative functions better.

Regent Mendelson referred to figures provided for the Working Smarter initiative: more than $11 million in new revenue from strategic sourcing and more than $3 million in savings in legal services. He expressed concern that the University might be saving on legal expenses by not filing patent applications, and asked if the figure for revenue from strategic sourcing included revenue recognized from the exploitation of the University's intellectual property. Mr. Taylor responded that strategic sourcing revenue did not come from exploitation of UC intellectual property; it came mostly from more favorable business contracts that had been negotiated and from the purchase card program. General Counsel Robinson observed that there had been a reduction in the number of patent applications filed, but this was for business reasons rather than an attempt to save legal fees. The University has developed a preferred provider program for legal services and campuses are taking advantage of it. Mr. Taylor added that in-house services are used when this is prudent; one example was the management of the University's rating agency relationships, a service earlier provided by an outside investment bank. Ms. Sullivan explained that some of the savings in legal services were derived from using in-house services at a lower cost than engaging outside counsel.

Regent Ruiz observed that many of the savings achieved by the University came from workforce reductions. He stressed that the University should be compassionate and sensitive in how it treats its employees when they are learning new jobs and when they have to leave the organization.

Regent Newsom praised the success of the Working Smarter initiative and expressed the wish that it be better known and appreciated.

Staff Advisor Smith stated that UC staff have a strong working relationship with the Working Smarter initiative; this would be essential for the success of these projects. He noted that during his visits with State legislators in May, they expressed strong interest in the Working Smarter initiative.

5. **APPROVAL OF FISCAL YEAR 2012-13 BUDGET FOR OFFICE OF THE PRESIDENT**

The President recommended that the University of California Office of the President fiscal year 2012-13 budget, as shown in Attachment 2, be approved.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Brostrom stated that the Office of the President (UCOP) had introduced a budget process that is rigorous, transparent, and comprehensive, and that collaborates with the campuses. The proposed budget for fiscal year 2012-13 represented a reduction of $8 million, net of fixed cost increases; there was in fact a reduction of $21 million, but this was offset by increases in health and welfare costs of $13 million. Since 2008-09, the UCOP budget has been reduced by $95 million and the number of UCOP full-time equivalent positions has been reduced by about 25 percent during that time.

Regent Newsom noted that the grand total of the budget showed a modest increase. Mr. Brostrom explained that the overall budget, including both restricted and unrestricted funds, had increased, due primarily to the fact that UCOP processes patent revenues through its budget, rather than as a pass-through to the campuses. The reduction pertained to the unrestricted portion of the budget. The previous year, UCOP changed to a funding model in which all State monies are returned to the campuses. Campuses retain the funds that they generate. UCOP is funded by a low, broad-based tax. Because of the reduction in the UCOP budget, the tax rate in the current year would be reduced from 1.6 to 1.5 percent.

Regent-designate Feingold asked if the UCOP budget was based on an assumption that Proposition 30 would be approved and that UC would not be faced with a $375 million reduction. Mr. Brostrom responded that UCOP is no longer funded by State money. UCOP attempts to keep its budget process consonant with that of the campuses. If the campuses make reductions, UCOP would seek to make commensurate reductions; there would also be consideration of which services should be campus-based, and which based at UCOP.

Regent-designate Feingold asked if the proposed UCOP budget would be reviewed in the Regents' overall budget discussions in September. Mr. Brostrom responded in the affirmative, noting that President Yudof has requested that UCOP examine systemwide initiatives to determine if it can defer or downsize projects or programs.

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

6. **APPROVAL OF FISCAL YEAR 2012-13 CapEquip FINANCING AUTHORIZATIONS, LOS ANGELES MEDICAL CENTER AND SANTA BARBARA CAMPUS**

The President recommended that:

A. The fiscal year 2012-13 CapEquip authorizations for the Los Angeles medical center and the Santa Barbara campus delineated in Attachment 3 be approved as one-year authorizations expiring June 30, 2013.

B. The President be authorized to approve and obtain additional external financing for the CapEquip program in an amount not to exceed $26 million.

C. The general credit of the Regents shall not be pledged.

D. The President be authorized to execute all documents necessary in connection with the above.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Financial Officer Taylor explained that this item proposed an extension of the CapEquip leasing program, adding the UCLA Medical Center and Santa Barbara campus allocations to the item approved by the Regents at the May meeting.

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

7. **APPROVAL OF APPROPRIATIONS FROM LOS ALAMOS NATIONAL SECURITY LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2012-13**

The President recommended that he be authorized to expend, for the following purposes and in the following amounts, from the University's net share of Los Alamos National Security (LANS) and Lawrence Livermore National Security (LLNS) LLC income earned between January 1, 2012 and December 31, 2012, the following amounts:

A. Supplemental compensation and other payments (including accruals) approved by the Regents for certain LANS LLC and LLNS LLC employees, from July 1, 2012 through June 30, 2013. – $1.5 million ($3 million in 2011-12).

B. An appropriation to the Office of the President budget for federally unreimbursed costs of University oversight of its interest in LANS LLC and LLNS LLC, paid or accrued July 1, 2012 through June 30, 2013, including but not limited to an allocable share of the costs of the President's Executive Office, the Provost, the Academic Senate, Office of the Secretary and Chief of Staff, Human Resources, Policy and Analysis, Financial Management, Compliance and Audit, Laboratory Management Office, Research Security Office, External Relations, Office of Research, Office of the General Counsel, and the University-appointed Governors on the Boards of the LLCs – $5.12 million ($3.85 million in 2011-12).

C. An appropriation in 2012-13 to a post-contract contingency fund – $1.3 million (no change from 2011-12).

D. An appropriation for contingency for factors affecting the final fee – $0.7 million (no change from 2011-12).

E. An appropriation in 2012-13 for research projects, to include National Laboratory research projects as well as other research projects – $29.18 million. This amount includes $18.28 million of research funds from the LLC fee revenues for 2012 and $10.9 million of unallocated funds accumulated over several years.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner briefly introduced the item.

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

8. **APPROVAL OF PROFESSIONAL DEGREE SUPPLEMENTAL TUITION LEVELS FOR 2012-13**

The President, with the Provost’s endorsement, recommended approval of the proposed Professional Degree Supplemental Tuition levels for 2012-13 for the 57 programs shown in Attachment 4.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz explained that this item requested approval for Professional Degree Supplemental Tuition (PDST) levels for 2012-13. Of the 57 programs, seven proposed to charge PDST for the first time; seven proposed charging no increases in PDST levels for resident students; 28 proposed charging PDST levels for resident students with increases ranging from three percent to seven percent; eight proposed charging PDST levels for resident students with increases ranging from 7.1 percent to ten percent; and seven proposed charging PDST levels for resident students with increases of 10.1 percent to 35 percent. An exceptional level of analysis was given to all elements of these programs’ multi-year plans, particularly their strategies for increasing the enrollment of students from underrepresented groups and low-income backgrounds, their financial aid strategies and affordability goals, their information about the manageability of student loan debt, their revenue expenditure plans, their cost-cutting and fundraising efforts undertaken to avoid even higher PDST increases, and their student consultation process.

Regent Stein referred to a chart in the background material showing the racial/ethnic distribution of graduate professional degree students by discipline from 2001 to 2011. He described the status of diversity in UC’s professional degree programs as a systemwide failure. In 2000-01, enrollment of underrepresented minority students in UC professional degree programs was 11.2 percent; a decade later, that percentage had increased to 13.2 percent, or two percent in a decade. In the University’s business degree programs, African American, Latino/Chicano, and Native American students combined had been five percent of enrollment a decade earlier; today they make up six percent of the students enrolled in these programs. Regent Stein recalled that these communities combined form 30 percent to 40 percent of California’s population. He stated his view that there were two ways to address diversity. Programs can maintain low fees and remain accessible to students of all communities or they can raise fees to market levels, providing revenue for financial aid and outreach programs and for recruiting among communities that have historically been underrepresented in higher education. The University’s professional degree fees were moving toward market levels. This meant that UC has the resources to diversify its professional degree programs. The record for diversity in these programs over the past decade would not be acceptable in the coming decade.

Provost Dorr responded to Regent Stein’s remarks. Her experience in UC administration had shown that diversifying the faculty and student body is a multi-pronged effort with numerous elements, including making a school or program attractive, known, and comfortable for faculty and students. She stated her intention to work with all UC's professional degree programs to assist with actions that can be taken to increase diversity.

Richard Lyons, Dean of the Haas School of Business at UC Berkeley, presented relevant data from his School's full-time M.B.A. program. In 1995-98, underrepresented minority student enrollment was slightly above ten percent; in 2001-10, the enrollment was at four percent. In the past two years, the enrollment had more than doubled, to nine percent. He acknowledged that in actual numbers, this percentage increase did not represent many students, but he attributed this increase to the fact that the Haas School had reentered the Consortium for Graduate Study in Management, an organization dedicated to promoting the success of underrepresented minorities in U.S. business schools, including providing financial aid. The Haas School had earlier been a member of the Consortium, but was forced to leave because the Consortium's mission statement was not consistent with Proposition 209. The Haas School reentered after the mission statement was changed, and the recent increase in underrepresented minority enrollment reflected the last two years of membership. In the previous year, 20 underrepresented minority students enrolled through the Consortium, with average financial aid of over 50 percent of fees for each student, or nearly $1 million annually, nearly equivalent to one percent of the Haas School budget.

Regent Newsom asked about the degree to which professional degree programs consult with students about multi-year plans and proposed fee increases. Ms. Dorr stated her understanding that there had been a significant increase over the past two years in the extent to which the University requested representation from each program about its consulting. On Regent Stein's request, the Office of the President had recently examined more data. All 57 programs sent their proposed fees to the graduate student association president of their respective campus. Of the 57 programs, 39 have a local branch of the graduate student association, and all but four reported sharing their plans with that local branch. All programs described various types of consulting with students, and the quality of student consultation appears to have varied. Information provided by the programs did not include student comments, but Ms. Dorr noted that she had spoken with deans who were involved in the consultation process, and they stated that students had an understanding of the need for fee increases and were aware of UC's financial aid programs. She indicated that the Office of the President would propose that the relevant policy be reviewed the following year and brought to the Regents, with increased student and faculty consultation and improved guidelines.

Chairman Lansing asked about the programs that proposed charging PDST levels for resident students with increases of 10.1 percent to 35 percent. Ms. Dorr responded that the 35 percent increase was proposed for the UC nursing programs, which had not experienced any fee increases for a number of years. The actual dollar amount of the increase was not great.

Regent De La Peña asked Ms. Dorr for her definition of the term "underrepresented minority." Ms. Dorr responded that in her view, these are students who self-identify as

African American, Latino/Hispanic, or Native American. In some academic areas, Asian Americans and women might also be considered underrepresented.

Regent Island recalled that he had raised the issue of underrepresented minority enrollment at the Haas School about five years earlier. At that time he was told that there were many reasons for the low enrollment numbers, but that the School would make an effort to recruit and retain a significant number of underrepresented minority students. Regent Island stated his view that the chart in the background material showing the racial/ethnic distribution of graduate professional degree students by discipline from 2001 to 2011 demonstrated that nothing was done, and that the Haas School had ignored a core value of the University. He requested assurance that this situation would be changed, and asked about the numbers of African American students at the Haas School for the years 2001 to 2011. Mr. Lyons responded that he could provide total numbers of underrepresented minority students enrolled, but not numbers for the subgroups – African American, Latino/Hispanic, or Native American. He noted that the size of a class is 240, a number that had remained constant from 1995 to the current year. In 1995, there were 29 underrepresented minority students, or 12.3 percent; in 1996, there were 26, or 10.7 percent; in 2001, there were 12 underrepresented minority students; in 2002, 12; in 2003, seven; in 2004, 14; in 2005, ten; in 2006, ten; in 2007, nine; in 2008, six; in 2009, six; in 2010, 12; in 2011, 23; and in 2012, 22.

Regent Island acknowledged that underrepresented minority enrollment had doubled in 2010-12, but stressed that this increase began at an unacceptably low level. He asked if the Haas School has a commitment to diversity. Mr. Lyons responded in the affirmative, noting that in the past year, the School had developed a strategic plan for equity, inclusion, and diversity which aligns with campus plans. This plan is a public document.

Regent Island asked if Mr. Lyons had had discussions with business leaders in California regarding the state's need for a diverse management environment in the business community, and if the business community had a commitment to increase the diversity of its management. Mr. Lyons responded in the affirmative.

Regent Blum stated that he serves on the Board of the Haas School. He expressed strong confidence in Mr. Lyons' efforts to increase diversity at the School.

Regent Island asked if the School had established numerical goals for diversity, with specific action items. Mr. Lyons responded that the School's strategic plan for diversity includes specific goals and measures, including ideas of how the School can draw on the available pool of students and faculty. He observed that, in the past, faculty hiring was approached on a year-by-year basis. Mr. Lyons reported that he had begun a process of recruiting faculty who may not be immediately available, but might be hired two or three years in the future, and that he has been contacting such potential faculty hires; in the past this effort was not made. He acknowledged that the percentages for underrepresented minority enrollment were low, but stressed that the School was moving in the right direction.

Regent Ruiz observed that the University has enjoyed success in faculty gender diversity, but far less success in the area of ethnic diversity. The goal was still far away. He stressed the importance of faculty diversity, and suggested that programs for recruiting UC's own graduates might prove beneficial in improving faculty diversity.

Regent Stein remarked on how PDST increases affect professional students who choose to pursue careers in the public interest. The University has taken measures to ensure that its undergraduate tuition does not rise to market rates, but it allows its professional school fees to rise to market rates. This might seem appropriate for professional degree students who will become doctors, lawyers, and business owners, but it excludes career options in public service and in the public interest, careers important to the State of California. The annual cost of UC business and law programs is $50,000, equal to the cost of private programs. Students who graduate with a debt load of $150,000 are unlikely to be able to work as public defenders or to serve the community or the State in some other function. The federal government has a program that forgives professional school debt for graduates who work in the public interest sector for ten years, but this limits options and life choices for these graduates. As a public institution, UC has an obligation to train students to work for the public good, but PDST increases would cut off those career options.

Regent-designate Flores expressed her personal commitment to diversity. She informed the Regents that she is a student at the UC Irvine School of Law and reported that there were no male Latino students in the entering class this year. She stressed that this was not an isolated example. She suggested that UC was losing eligible underrepresented minority students to comparable public institutions with lower fees or to private institutions that can offer more financial aid. If this is the case, she asked how the University would ensure that it attracts these students and that they choose to enroll at UC. Ms. Dorr responded that she did not have data on hand regarding the competition with public and private institutions for underrepresented minority students. Mr. Lyons discussed data on underrepresented minority enrollment for the Haas School over the past two years. In 2010, underrepresented minority students accounted for 4.9 percent of enrollment; in 2011, this percentage rose to 9.6. In 2012, it was 8.9. In 2011, the admit rate was 11 percent, a yield lower than for other subgroups of students. Before the Haas School joined the Consortium, it could not target financial aid at groups, due to Proposition 209. Private institutions clearly have an advantage in yield rates and financial aid. For the Haas School, membership in the Consortium has helped to address this situation.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Newsom and Stein voting "no."

The meeting adjourned at 3:00 p.m.

Attest:

Secretary and Chief of Staff

RESOLUTION TO ENDORSE THE STATE'S ACTIONS RELATING TO THE UNIVERSITY OF CALIFORNIA'S 2012-13 BUDGET, NO INCREASE IN MANDATORY SYSTEMWIDE STUDENT CHARGES IN 2012-13, AND THE SCHOOLS AND LOCAL PUBLIC SAFETY PROTECTION ACT OF 2012 (PROPOSITION 30) ON THE NOVEMBER BALLOT

WHEREAS, the State of California has experienced a prolonged period of financial difficulty in which nearly $900 million has been reduced from the University of California budget and funding for an additional $1.2 billion in mandatory cost increases has not been provided;

WHEREAS, the University of California has responded to the loss of State funding by aggressively implementing efficiencies, eliminating redundancies, trimming support services throughout administration, reconfiguring business practices, employing new operational excellence models, and raising more funds from the private sector;

WHEREAS, the University has been forced to increase mandatory systemwide tuition and fees by 84 percent since the fiscal crisis began in 2008-09, which has covered only a little more than one-third of the total budget gap experienced by the University during this fiscal crisis;

WHEREAS, despite the need to close a $15.7 billion budget gap, the State of California provided UC with augmentations totaling $105.9 million in 2012-13, which included $89.1 million for the State's share of the employer contribution to the University of California Retirement Plan (UCRP), and included no further cuts to the University's base budget, after four years of University State budget turmoil;

WHEREAS, the State of California has had a long tradition of striving to maintain accessibility, affordability, and quality in its public higher education institutions;

WHEREAS, the University is grateful to the Governor and the Legislature for establishing the University as a State priority by including a provision in the 2012-13 State budget to provide the University with $125.4 million in the 2013-14 budget if The Schools and Local Public Safety Protection Act of 2012 (Attorney General reference number 12-0009) is approved by the voters at the November 6, 2012 election and enacted, and the University of California maintains the 2011-12 mandatory systemwide tuition and fee level for the 2012-13 academic year;

WHEREAS, The Schools and Local Public Safety Protection Act of 2012 initiative would temporarily increase the personal income tax on the State's wealthiest taxpayers for seven years and increase the sales tax by one-quarter of one percent for four years to generate an estimated $8.5 billion annually;

WHEREAS, the State General Funds freed up for discretionary State programs by this measure that otherwise would be needed to Fund Proposition 98 and local public safety will allow the State to help address its ongoing structural deficit;

WHEREAS, the 2012-13 budget plan for the University of California adopted by the Legislature and signed by the Governor is conditioned on passage of The Schools and Local Public Safety Protection Act of 2012;

WHEREAS, if the Governor's initiative fails passage in November, the University of California budget will be reduced by another $250 million and the $125.4 million backfill for no 2012-13 tuition increase will be lost, for a total budget gap of $375.4 million;

WHEREAS, the Academic Senate has voted 3,149 to 224 to send to the President for transmission to the Regents a Memorial calling on The Regents to support specific measures that will increase State revenues and/or prioritize funding for public higher education, and the Academic Council and the University of California Student Association have subsequently voted to urge the Board of Regents to endorse the Governor's revenue-raising initiative;

WHEREAS, the ability of the University of California to ensure the high-quality education that Californians have come to expect will be jeopardized if the State is unable to adequately fund UC's core mission;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents undertakes the following actions:

1. Endorses the 2012-13 budget plan for the University of California adopted by the Legislature and signed by the Governor and passage of The Schools and Local Public Safety Protection Act of 2012; and

2. Directs that no increase in mandatory systemwide student charges in 2012-13 become effective, except that the Board of Regents may revisit this action if The Schools and Local Public Safety Protection Act of 2012 fails to pass in November 2012 or the University otherwise does not receive the funding as approved in the 2012-13 State budget. Mandatory Systemwide Student Charges consist of Tuition and the Student Services Fee as those terms are defined in Regents Policy 3101.

ATTACHMENT 2

FY 2012-13 BUDGET SUMMARY
OFFICE OF THE PRESIDENT

	TOTAL BUDGET			UNRESTRICTED BUDGET			
	TOTAL FY 2011-12	CHANGE	TOTAL FY 2012-13 BUDGET	TOTAL FY 2011-12	CHANGE	% CHANGE	TOTAL FY 2012-13
GENERAL ADMINISTRATION	**$ 94,066,042**	**$ 22,423,881**	**$ 116,489,923**	**$ 56,118,394**	**$ 18,005,437**	**32%**	**$ 74,123,831**
OP Core Administration	**56,806,274**	**16,805,625**	**73,611,899**	**40,312,234**	**13,994,796**	**35%**	**54,307,030**
Academic Affairs	12,230,458	4,292,284	16,522,742	12,029,586	4,397,470	37%	16,427,056
Finance	5,007,974	706,654	5,714,628	2,000,825	1,050,502	53%	3,051,327
Business Operations	18,536,650	8,873,310	27,409,960	12,534,830	3,931,041	31%	16,465,871
President's Exec. Office	4,518,138	633,957	5,152,095	4,251,612	618,608	15%	4,870,220
Health Sciences	3,979,574	(939,059)	3,040,515	2,151,574	888,941	41%	3,040,515
External Relations	8,634,338	3,172,555	11,806,893	7,343,807	3,108,234	42%	10,452,041
Lab Management	3,899,142	65,924	3,965,066	-	-	-	-
Academic Senate	**1,645,188**	**181,591**	**1,826,779**	**1,645,188**	**147,153**	**9%**	**1,792,341**
Regents Officers	**35,614,580**	**5,436,665**	**41,051,245**	**14,160,972**	**3,863,488**	**27%**	**18,024,460**
General Counsel	7,832,533	3,186,093	11,018,626	6,837,171	2,465,629	36%	9,302,800
Secretary/COS	2,855,985	446,612	3,302,597	2,850,985	446,612	16%	3,297,597
Ethics & Compliance	4,477,859	951,247	5,429,106	4,472,816	951,247	21%	5,424,063
Treasurer	20,448,203	852,713	21,300,916		-		
CENTRAL SERVICES	**304,568,951**	**(14,178,887)**	**290,390,064**	**131,839,622**	**(22,956,548)**	**-17%**	**108,883,074**
ACADEMIC AFFAIRS					-		
Admissions/Enrollment Services	13,164,902	(1,162,773)	12,002,129	11,634,902	(746,374)	-6%	10,888,528
Financial Aid Services	2,345,537	(338,706)	2,006,831	2,345,537	(338,706)	-14%	2,006,831
Technology Transfer	3,770,482	41,398,103	45,168,585	2,287,805	22,287	1%	2,310,092
Other Academic Initiatives	800,000	-	800,000	800,000	135,000	17%	935,000
BUSINESS OPERATIONS							
Compensation, Retirement, Benefits	41,104,602	(4,375,992)	36,728,610	4,199,386	(323,532)	-8%	3,875,854
Information Technology Services	9,211,529	141,964	9,353,493	6,846,673	29,847	0%	6,876,520
Systemwide Budget/Facilities	4,716,278	1,844,051	6,560,329	4,391,294	1,838,292	42%	6,229,586
CHIEF FINANCIAL OFFICER							
Banking, Tax, Accounting and Audit	8,346,857	906,067	9,252,924	3,188,381	545,190	17%	3,733,571
External Financing	814,207	75,886	890,093	-	-		-
Office of Loan Programs	1,428,678	208,683	1,637,361	-	-		-
Risk Services	-	-	-	-	-		-
Strategic Sourcing	3,203,904	(1,933,073)	1,270,831	3,203,904	(1,933,073)	-60%	1,270,831
EXTERNAL RELATIONS					-		
Institutional Advancement	2,715,376	677,094	3,392,470	390,376	(390,376)	-100%	-
HEALTH SCIENCES					-		
Clinical Trials Fund	1,000,000	(1,000,000)		1,000,000	(1,000,000)	-100%	-
Centrally Funded	33,405,884	(16,966,040)	16,439,844	33,405,884	(17,936,568)	-54%	15,469,316
Debt service, rent, business processing,					-		
undistributed benefits and other					-		
AGRICULTURE & NATURAL RESOURCES (OP)	3,327,206	806,204	4,133,410	2,726,339	630,750	23%	3,357,089
INFO PUBLISHING & BROADCAST	44,735,260	968,719	45,703,979	14,767,069	3,632,067	25%	18,399,136
Including California Digital Library and UC Press							
PREPARATION & ACCESS	18,202,222	(3,751,453)	14,450,769	9,179,871	270,898	3%	9,450,769
RESEARCH	85,068,763	(10,281,192)	74,787,571	28,184,628	(4,547,602)	-16%	23,637,026
SYSTEMWIDE INSTRUCTION PROGRAMS	27,207,264	(21,396,429)	5,810,835	3,287,573	(2,844,648)	-87%	442,925
SYSTEMWIDE INITIATIVES	**153,617,284**	**(3,036,944)**	**150,580,340**	**122,621,446**	**(2,985,623)**	**-2%**	**119,635,823**
Agriculture & Natural Resource (Systemwide	**82,444,216**	**(1,503,587)**	**80,940,629**	**59,184,554**	**(727,266)**	**-1%**	**58,457,288**
Multi-Campus Research Units	**14,369,571**	**-**	**14,369,571**	**11,458,395**	**-**	**0%**	**11,458,395**
Systemwide Initiatives	**56,803,497**	**(1,533,357)**	**55,270,140**	**51,978,497**	**(2,258,357)**	**-4%**	**49,720,140**
PRESIDENTIAL INITIATIVES	10,000,000	-	10,000,000	10,000,000	-	0%	10,000,000
ADMISSIONS & FINANCIAL AID	146,000	-	146,000	146,000	-	0%	146,000
ADVOCACY/DEVELOPMENT	350,000	(150,000)	200,000	350,000	(150,000)	-43%	200,000
FACILITIES	16,558,000	140,000	16,698,000	16,558,000	140,000	1%	16,698,000
INFO PUBLISHING & BROADCAST	12,585	-	12,585	12,585	-	0%	12,585
INSTITUTIONAL SUPPORT	9,284,858	(1,480,000)	7,804,858	9,284,858	(1,480,000)	-16%	7,804,858
Includes UC Merced enrollment growth ($6.5 million)							
PUBLIC SERVICE	1,260,538	31,409	1,291,947	1,260,538	31,409	2%	1,291,947
RESEARCH	17,976,750	(75,000)	17,901,750	13,151,750	(800,000)	-6%	12,351,750
SYSTEMWIDE INSTRUCTION PROGRAMS	1,214,766	234	1,215,000	1,214,766	234	0%	1,215,000
GRAND TOTALS	**$ 552,252,277**	**$ 5,208,050**	**$ 557,460,327**	**$ 310,579,462**	**$ (7,936,734)**	**-3%**	**$ 302,642,728**

Table A: Approval of FY2012-13 CapEquip Authorization

UC Location	FY 2012-13	Description of Expected Equipment Purchases
Berkeley	$ 20,000,000	Research equipment, telecommunications equipment, other equipment, software and refinancing of certain existing capital equipment leases
Davis	5,000,000	Science and laboratory equipment, animal caging, facilities maintenance equipment and computer software
Irvine	6,000,000	Research equipment, medical equipment, IT equipment, Student housing furnishings and equipment
Los Angeles	4,000,000	Medical and diagnostic equipment, research equipment, shop equipment, communications and networking equipment, software licenses and refinancing of certain existing capital equipment leases
UCLA - Medical Center	**25,000,000**	**Medical and diagnostic equipment, computer equipment, communications and networking equipment, vehicles, software licenses and refinancing of certain existing capital equipment leases**
Merced	2,267,000	Student housing project equipment, academic trailers and fleet services vehicles
San Diego	7,000,000	Research, medical and diagnostic equipment, budget software and refinancing of certain existing capital equipment leases
San Francisco	15,000,000	Scientific equipment, transportation vehicles and information technology/network
UC Santa Barbara	**1,000,000**	**Diagnostic equipment and instruments, other equipment, vehicles and refinancing of certain existing capital equipment leases**
Santa Cruz	740,000	Shuttle and emergency vehicles
Office of the President	70,000,000	PPS replacement system (i.e., a single payroll system and a single human resources system that will be deployed across all ten campuses and five medical centers) and Procurement $200mm program
Total Authorization:	**$ 156,007,000**	

* Authorizations for the current July 2012 Regents meeting shaded and in bold. Un-bolded, un-shaded items were approved at the May 2012 Regents meeting

Attachment 4: 2012-13 Proposed Professional Degree Supplemental Tuition Levels

	Residents		Nonresidents (a)	
Applied Economics and Finance				
Santa Cruz	$8,001	(b)	$8,001	(b)
Architecture				
Los Angeles	$8,000	(b)	$8,000	(b)
Art (M.F.A.)				
Los Angeles	$8,478	(b)	$5,298	(b)
Biotechnology Management				
Irvine	$12,000		$11,160	
Business				
Berkeley	$38,548	(b)	$28,850	(b)
Davis	$23,340		$23,340	
Irvine	$22,881		$19,275	
Los Angeles	$32,384		$26,426	
Riverside	$22,848		$22,848	
San Diego	$27,117		$19,761	
Dental Hygiene				
San Francisco	$13,206		$13,206	
Dentistry				
Los Angeles	$24,160		$21,116	
San Francisco	$27,576	(b)	$27,576	(b)
Development Practice				
Berkeley	$18,384	(b)	$18,384	(b)
Educational Leadership				
Davis	$4,200	(b)	$4,200	(b)
Engineering (M.Eng.)				
Berkeley	$32,400	(b)	$23,760	(b)
Engineering Management				
Irvine	$12,000	(b)	$12,000	(b)
Environmental Design				
Berkeley	$6,300	(b)	$6,300	(b)
Environmental Science and Engineering				
Los Angeles	$7,200	(b)	$7,656	(b)
Genetic Counseling				
Irvine	$9,000	(b)	$9,000	(b)
Health Informatics				
Davis	$6,420	(b)	$6,420	(b)
Information Management				
Berkeley	$6,800	(b)	$6,800	(b)
International Relations and Pacific Studies				
San Diego	$7,596		$7,596	
Law				
Berkeley	$35,164		$26,870	
Davis	$34,182		$31,188	
Irvine	$31,755		$26,004	
Los Angeles	$31,755		$26,004	

(a) Some schools have opted to set PDST levels for *nonresident* students lower than those for *resident* students in the same program in acknowledgement of the $12,245 in Nonresident Supplemental Tuition that nonresident students must pay in addition to mandatory systemwide charges and PDST. Total charges for nonresident students continue to be significantly above those for resident students.

(b) Where noted, total charges for these programs are expected to exceed the total tuition and/or fees charged by public comparison programs in 2012-13.

(c) There are no comparable public programs for Theater, Film, and Television at Los Angeles.

(continued)

Attachment 4: 2012-13 Proposed Professional Degree Supplemental Tuition Levels (continued)

	Residents		Nonresidents (a)	
Medicine				
Berkeley (Jt. MD/MS)	$19,914	(b)	$19,914	(b)
Davis	$19,914	(b)	$19,914	(b)
Irvine	$19,914	(b)	$19,914	(b)
Los Angeles	$19,914		$19,914	
Riverside	$19,914		$19,914	
San Diego	$19,914	(b)	$19,914	(b)
San Francisco	$19,914	(b)	$19,914	(b)
Nursing				
Davis	$7,740	(b)	$7,740	(b)
Irvine	$7,740	(b)	$7,740	(b)
Los Angeles	$7,740	(b)	$7,740	(b)
San Francisco	$7,740	(b)	$7,740	(b)
Optometry				
Berkeley	$16,436	(b)	$16,436	(b)
Pharmacy				
San Diego	$19,638	(b)	$19,638	(b)
San Francisco	$19,638	(b)	$19,638	(b)
Physical Therapy				
San Francisco	$12,597	(b)	$12,954	(b)
Preventive Veterinary Medicine				
Davis	$5,742	(b)	$6,198	(b)
Product Development				
Berkeley	$22,000		$16,000	
Public Health				
Berkeley	$7,232	(b)	$7,232	(b)
Davis	$7,200	(b)	$7,656	(b)
Irvine	$5,613	(b)	$5,613	(b)
Los Angeles	$7,200	(b)	$7,656	(b)
Public Policy				
Berkeley	$8,020	(b)	$8,522	(b)
Irvine	$5,952	(b)	$5,952	(b)
Los Angeles	$7,288	(b)	$7,775	(b)
Social Welfare				
Berkeley	$4,000	(b)	$4,000	(b)
Los Angeles	$5,730	(b)	$6,150	(b)
Statistics				
Berkeley	$15,000		$15,000	
Theater, Film, and Television				
Los Angeles	$9,534	(c)	$9,534	(c)
Urban Planning				
Los Angeles	$5,952	(b)	$6,390	(b)
Veterinary Medicine				
Davis	$15,216	(b)	$15,216	(b)

(a) Some schools have opted to set PDST levels for *nonresident* students lower than those for *resident* students in the same program in acknowledgement of the $12,245 in Nonresident Supplemental Tuition that nonresident students must pay in addition to mandatory systemwide charges and PDST. Total charges for nonresident students continue to be significantly above those for resident students.

(b) Where noted, total charges for these programs are expected to exceed the total tuition and/or fees charged by public comparison programs in 2012-13.

(c) There are no comparable public programs for Theater, Film, and Television at Los Angeles.