

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

April 17-19, 2018

The Regents of the University of California met on the above dates at the UCLA Lake Arrowhead Conference Center, 850 Willow Creek Road, Lake Arrowhead, California.

Members present: Regents Anguiano, Elliott, Kieffer, Lemus, Mancia, Monge, Napolitano, Park, Pérez, Sherman, Tauscher, and Zettel

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Operating Officer Nava, Chancellors Block, Blumenthal, Christ, Gillman, Hawgood, Leland, May, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 7:30 p.m. with Chair Kieffer presiding. He welcomed the Regents and chancellors to the retreat.

1. **PUBLIC COMMENT**

There were no speakers wishing to address the Regents.

2. **CHALLENGES, CHANGE, AND CHANGES ON THE HORIZON**

Dean of the UC Berkeley Goldman School of Public Policy Henry Brady gave a presentation on the challenges and opportunities facing higher education in California. He said it would not be equitable if current and future generations of college students would receive a less excellent education than previous students. He reviewed ways in which universities can be evaluated and their relevance, including multiplier analyses, measures of cultural innovation, and their human capital value, and cited rankings indicating the outstanding value and research of UC.

Mr. Brady discussed Clayton Christensen's model of disruptive innovation and its relevance to UC. He reviewed commonly held criticisms of UC and considered their accuracy or inaccuracy. Innovation could be achieved through unbundling of aspects that had traditionally been part of UC. However, he cautioned that unbundling could destroy valuable aspects of UC's current model, since the major components of UC's model of education are interrelated and could not be unbundled and yield the same product.

Mr. Brady discussed current thinking about online courses, which he said were most effective for fact-based course material and with highly motivated students or those who could not access a campus. He supported use of hybrid courses, with both online and classroom components.

Mr. Brady expressed his view that the California Master Plan for Higher Education may already have the perfect solution, which should be improved, but not unbundled.

Chair Kieffer asked what type of disruptive innovation Mr. Brady thought would be appropriate for UC. Mr. Brady expressed disagreement with the notion that UC could be replaced with a drastically different model; he saw the challenge as improving the organization and effectiveness of UC and the California State University (CSU) as conceived.

Chancellor Gillman asked if Mr. Brady saw UC as a leader in educational excellence and access that was fundamentally sound, or, rather, as a broken system. He asked whether UC leadership should fight to maintain its current model or transform UC into something very different. Mr. Brady viewed UC and CSU as 85 percent of where they should be. UC was a miracle that was among the very best in higher education at one-third the cost.

3. APPRECIATIVE INQUIRY REGARDING THE UNIVERSITY OF CALIFORNIA

Facilitator Robin Kramer asked the retreat participants to choose what to them were the most important assets of UC. The results indicated that the most highly valued assets of UC were its being a high-powered research university, and its commitment to access, diversity, and social mobility.

The meeting recessed at 10:00 p.m.

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The meeting reconvened at 8:35 a.m. on April 18, 2018.

Members present: Regents Anguiano, Elliott, Guber, Kieffer, Lemus, Mancina, Monge, Napolitano, Ortiz Oakley, Park, Pérez, Sherman, Tauscher, and Zettel

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Chancellors Block, Blumenthal, Christ, Gillman, Hawgood, Leland, May, Wilcox, and Yang, and Recording Secretary McCarthy

4. PUBLIC COMMENT

There were no speakers wishing to address the Regents.

5. COMMENTS OF THE CHAIR OF THE BOARD

Chair Kieffer stated that the purpose of the retreat was to strengthen the Regents' relationships with the campuses, to establish a unity of effort, and to increase the Regents' capacity to govern, both as individuals and as a Board.

6. UNIVERSITY OF CALIFORNIA'S FINANCIAL MODEL

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

A panel, consisting of Regent Pérez and Chancellors Blumenthal and May, discussed UC's financial model. Chancellor Blumenthal observed that, while the ten UC chancellors have differing perspectives, they have much in common. They all share the goal of improving the University and increasing access. While the Regents approve the University's total budget, various components of that budget were restricted in their use by the campuses. He discussed core funding, which supports the teaching mission and that part of the research mission of the University not supported by federal research funding. Core funding consisted of State support, tuition, and overhead from grants. UC currently received more funding from in-state tuition than from the State. While State support can increase or decrease, the campuses face increases each year in expenses such as the labor costs of salaries under union contracts, and non-represented staff and faculty annual and merit salary increases. Most new revenue to UC had been nonresident supplemental tuition. At the current time, other sources of revenue such as philanthropy, online education, and Professional Degree Supplemental Tuition (PDST) were not major sources of funding for UC's core mission. Over the past decades, UC had faced significant declines in State funding, while enrollment had increased dramatically. UC had done a remarkable job of increasing enrollment in the face of such funding challenges. Other important challenges to core funding at the campuses include the increasing cost of pensions and the need to use operating expenses to generate space.

Chancellor Blumenthal noted that the Regents have levers that affect core funding, such as setting levels of tuition, nonresident enrollment, and PDST. From the chancellors' perspective, those levers are not independent of one another, but are interconnected. He emphasized the importance of stability and predictability for the campuses. Multi-year budgeting could enable the campuses to plan better.

Chancellor May addressed campus capital needs. Campus facilities were aging and enrollment growth required additional facilities for students, faculty, and staff. The lack of regular State investment had left UC campuses vulnerable. Capital facilities were currently being funded by the campuses with funds they would otherwise use for instruction and operational needs.

Discussion involved how the Regents should responsibly evaluate options, how detailed Regents' review of programs should be, the potential benefits of multi-year budgeting that remained flexible, the role of State funding, possible State and local bonds, the value of

UC to the California public, multi-year tuition increases, other possible sources of funding, consideration of different needs of UC campuses, various tuition models, governance issues, philanthropy, and UC's financial aid model.

The meeting recessed at 10:00 a.m.
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The meeting reconvened at 11:05 a.m.

Further discussions about tuition models involved establishing a stable tuition partnership with the State; possible differential tuition by discipline or by campus; exploring other ways to generate funding such as real estate investment; discounting nonresident supplemental tuition at some UC campuses; developing additional corporate, student, and alumni donor support; evaluating the costs of the educational model; advocating issuance of State General Obligation bonds; and establishing regular, modest tuition increases that could be reduced by State buyouts.

Executive Vice President and Chief Financial Officer Brostrom would provide the Regents information about possible capital lease revenue bonds that could be issued as soon as next year under the new Governor.

7. UNIVERSITY OF CALIFORNIA'S RESEARCH ENTERPRISE

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

A panel, consisting of Regent Park and Chancellors Gillman, Hawgood, and Yang, discussed UC's research enterprise. Regent Park quizzed the chancellors about the amounts of research awards on campuses other than their own; about what percentage of UC revenue research funding comprised; about new knowledge created by UC faculty; and about the value of UC research.

Chancellor Gillman noted the importance of research to the quality of a UC undergraduate education. However, concerns expressed about UC often focus almost entirely on undergraduate degree production. Building a scholarly faculty that generates new knowledge requires supportive cost structure and infrastructure. Chancellor Yang commented that the University provides a setting in which research could thrive even without funding. UC supports research for its academic value.

Chancellor Hawgood commented on a rapidly emerging trend that the fastest growing research funding source was private foundations and wealthy individuals, rather than the federal government. UCSF's research budget had doubled as a result. The federal government contributed to the overhead of conducting research, called indirect costs, but wealthy individual donors provide a much lower portion of overhead costs. This challenge to the sustainability of the research enterprise was growing. The importance of transparency about cross-subsidies among the various interdependent missions of the

University was discussed. New knowledge produced by UC faculty has value, even if it may not have immediate commercial value. Monetizing some UC research was discussed. UCSF was trying to support discoveries in house for longer, so that their value could be realized by the University. The potential for undergraduates to participate in research was predicated on UC's having a scholarly faculty.

Challenges facing the UC research enterprise include securing funding to sustain that enterprise, such as for equipment and overhead; faculty salaries and start-up packages; moving toward a team-based science model; increasing governance flexibility at the campus and system level to take advantage of new philanthropy; communicating the value of UC research to the public; and balancing UC's teaching and research missions.

Chair Kieffer reported that the most important aspects of UC to retreat participants were the University's commitment to access and economic mobility, the strength of UC's powerhouse research enterprise, and the strength of the UC brand.

8. **ENROLLMENT**

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

A panel including Regent Sherman and Chancellors Block, Leland, and Wilcox considered UC enrollment, including the question of how big UC enrollment should be and the distribution of enrollment among the campuses.

The discussion involved the need to set aspirational goals for UC enrollment; consideration of the varying capacities of UC campuses; campus desires for enrollment growth versus being dictated enrollment changes; the need for longer-term projections of enrollment growth for the system and the campuses; campuses' differing ages and enrollment needs; the capacity of UC and each campus if funding for enrollment growth and infrastructure were provided; differing tuition policies that would support enrollment growth at each campus; balancing campus needs and systemwide needs; ways to increase enrollment at UC's older campuses that are at capacity; the importance of considering campus enrollment plans and needs; increasing the number of transfer students; concerns about supporting currently enrolled students; and how to fund enrollment growth.

The meeting recessed at 2:15 p.m.

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The meeting reconvened at 3:15 p.m.

Further discussion about UC enrollment involved the applicability of the California Master Plan for Higher Education to the state's modern economy and the role of online education.

9. **PARTNERSHIP OF THE REGENTS AND CHANCELLORS**

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

A panel including Chair Kieffer and Chancellors Blumenthal, Christ, and Leland discussed the partnership of the Regents and the chancellors. The discussion involved chancellors' appreciation at being included in Regents' Committee meetings; the difference between strategic and transactional views of the University; ways in which the Board could assist the chancellors; ways to balance systemwide and campus needs; demonstrating support for campus chancellors; ways to improve Regents meetings; the difference between governance and management; and campus visits by Regents.

10. **SUMMARY OF THE DAY**

President Napolitano and Chair Kieffer briefly concluded the day's productive discussions.

The meeting recessed at 5:00 p.m.
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The meeting reconvened at 7:40 p.m.

11. **A NATIONAL PERSPECTIVE**

President Napolitano introduced Mary Sue Coleman, President of the Association of American Universities and former President of the University of Michigan.

Ms. Coleman offered a national perspective on the state of public higher education. She said the Regents were the stewards of the crown jewel of public higher education. She asserted that the mission of the university is critical to democracy and discussed current challenges facing higher education across the nation.

The meeting recessed at 8:30 p.m.
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The meeting reconvened at 8:45 a.m. on April 19, 2018.

Members present: Regents Anguiano, Elliott, Guber, Kieffer, Lemus, Mancina, Napolitano, Ortiz Oakley, Park, Pérez, Sherman, Tauscher, and Zettel

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, and Recording Secretary McCarthy

12. PUBLIC COMMENT

There were no speakers wishing to address the Regents.

13. IMPLICIT BIAS

UCLA Vice Chancellor for Equity, Diversity and Inclusion Jerry Kang gave a presentation on implicit bias and ethical leadership, emphasizing the importance of self-awareness and striving for continuous improvement.

14. THE ROLE OF A REGENT

Facilitator and Regent Emerita Joanne Kozberg encouraged the Regents to consider ways to deepen their individual capacity to govern the University. She emphasized the importance of the Regents' visiting the campuses to gain an understanding of each campus' context. Characteristics that make a good Regent were discussed.

15. REGENT ENGAGEMENT

Chair Kieffer led this discussion of the Regents' governance structure. Areas discussed included Regents' orientation, the structure and agendas of Regents' meetings, the committee structure, the dissemination of meeting materials, the role of committee chairs and committee members, meeting presentations, communication, campus visits, and self-assessment.

Chair Kieffer thanked facilitators Joanne Kozberg and Robin Kramer.

The meeting adjourned at 12:15 p.m.

Attest:

Secretary and Chief of Staff