

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
MEETING AS A COMMITTEE OF THE WHOLE
September 19, 2002

The Regents of the University of California met on the above date at UCSF–Laurel Heights, San Francisco.

Members present: Regents Atkinson, Blum, Bustamante, Connerly, Davies, Hopkinson, Johnson, Kozberg, Lansing, Lee, Ligot-Gordon, Lozano, Marcus, Montoya, Moores, Parsky, Pattiz, Preuss, Sainick, and Terrazas

In attendance: Regents-designate Bodine, Murray, and Seigler, Faculty Representatives Binion and Pitts, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Doby, and Hershman, Chancellors Berdahl, Bishop, Cicerone, Córdova, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, Vice Chancellor Blackman representing Chancellor Carnesale, and Recording Secretary Bryan

The meeting convened at 9:05 a.m. with Chairman Moores presiding.

LONG RANGE PLANNING: MAINTAINING EXCELLENCE DURING A PERIOD OF EXCEPTIONAL GROWTH

A. *Overview*

President Atkinson informed the Regents that many different groups have been involved in planning for the University with regard to enrollment, faculty recruitment, housing, and other topics. He recalled that, in an effort to provide the Regents with a comprehensive assessment of planning for the University's future, he had created a task force for integrated planning and appointed Senior Vice President Darling as its chair.

Senior Vice President Darling reported that he would begin with an overview of the University in what will be the first in a series of discussions about key policy and planning issues facing California and the University in the decades ahead. The discussions were prompted by Regents Preuss, Hopkinson, Davies, and Kozberg, who believe that the University should focus attention on maintaining its quality during this period of exceptional growth. Other members of the task force for integrated planning are Provost King, Senior Vice President Mullinix, and Vice President Hershman.

Mr. Darling recalled that the University educates over 187,000 students and employs more than 155,000 faculty and staff, and that over 250,000 jobs in California are the direct result of University expenditures. Tens of thousands of additional jobs result from companies that have originated at the University.

Mr. Darling discussed some of the key challenges to maintaining quality and described some of the benchmarks that will be used to monitor quality. He also reviewed the financial resources it will be necessary to acquire to maintain quality and assess the University's progress toward key policy goals. He noted that the University is critical to California's economic future. Education has become the most important determinant of a person's opportunities in this country. Personal income, health, civic participation, and opportunities for one's children are in many ways functions of a person's educational attainment. Also, lifetime earnings are more a function of one's level of education than of either race or ethnicity. One of the principal factors driving the future of the state and of the University is population growth. In the coming decades, California will experience the greatest percentage increase in population of any state. It is quickly becoming a multinational, multilingual, multiethnic, and multiracial society, as since 1970, nearly 50 percent of California's population growth has been due to immigration. As a result, 25 percent of California's residents were born outside the U.S. New immigrants are younger than the California population, with the largest number in the age groups of 15 to 19 and 25 to 29. The state ranks second only to Alaska in the percent of its population under the age of 20. This has profound implications for the population in California and for higher education in this state. California will continue to have a very small fraction of its population aged 65 and over. With a younger population, California will experience a greater demand for K-12 college education than most states and will have a more favorable dependency ratio, which is the proportion of the population in the workforce. That has positive implications for the economy, State revenues, and voter behavior in support of education.

Mr. Darling discussed changes in the state's racial and ethnic population. Between now and 2040, there will be a huge increase in the number of Latinos or Hispanics and Asians, while the white population will drop significantly and the black population will drop slightly. This has implications for the decision-making of policy leaders, who will put increasing pressure on California's colleges and universities to admit students from the growing population groups.

Mr. Darling described how these changes will affect the University in this decade. Based on the State's projections, in 1999 the University increased its enrollment projections, but the latest forecast shows that high school students will graduate in even larger numbers than were anticipated. As the University accommodates the enrollment growth that must respond to these projections, the focus on maintaining excellence must be sharpened. Quality means offering an excellent undergraduate education, nationally ranked graduate programs, and outstanding research. It also requires a distinguished faculty, excellent students and staff, robust academic support programs, and modern facilities. The task force proposes to monitor a series of benchmarks. While some indicators will be slow moving, others will provide early warnings. He reviewed the slower moving quality indicators, among which are freshman persistence and graduation rates. Persistence rates for freshman have been high and are expected to remain high, but they have changed slightly. Graduation rates have held steady: about 76 percent of freshman graduate in six years. Another

benchmark to be monitored is competitiveness in research funding, which is one indicator of faculty quality. The success of California's universities and industries is evidence of its ability to attract federal agency research funds. The federal government is the principal source of funds for UC research, but industry and foundation research support is growing fast.

There are several indicators for strong graduate programs. Mr. Darling noted that among them is membership in the Association of American Universities, to which six of the University's campuses belong. In addition, in its last report, the National Research Council ranked UC Berkeley first, UC San Diego tenth, and UCLA eleventh in graduate programs. All other schools in the top twelve are private institutions.

Senior Vice President Darling concluded his remarks by stating that the University's position among the best public universities in the world must be solidified. This goal will be challenged by the growing gap between the best private and public universities. UC stands alone in defying the divergence between those two categories of institution.

Regent Preuss commented that several years ago he became particularly concerned about planning for the University's future. He recalled that the University is committed to accepting the top 12.5 percent of California high school graduates and providing them with a high-quality education. This commitment was made without regard to cost. He believed that the Regents must be aggressive in determining ways of fulfilling the University's commitment to the State.

Chairman Moores commented that earlier generations of Californians had sacrificed to create the best public university system in the world. He hoped that current leaders proved to be as willing to make similar sacrifices in order to preserve the quality of the education the University provides.

B. *Enrollment Plans and State Funding*

Vice President Hershman reviewed enrollment planning and the funding needed to maintain quality over the coming decade. He recalled that a few years previously an enrollment plan for undergraduate and graduate students was presented to the Regents that was based on a projected growth of about 60,000 students. In assessing the success of that plan during the past four years, some concerns have emerged about future resources. The 1999 plan forecasted a steep growth in undergraduate students, but actual enrollments have exceeded the projection. The plan was revised in 2001, but more students than anticipated continued to enroll. The current number of 8,000 students over plan is due to the success of the University's summer program and increased participation rates and eligibility rates. Projections for community college transfers are on target for 2002, but Mr. Hershman was concerned about being able to maintain the rate of growth. He believed that the only way to sustain the planned-for annual growth of 6 percent is to implement the dual admissions program.

Mr. Hershman reported that the University's accessibility to low-income families compares favorably to other institutions. He believed that The Regents' commitment to financial aid is the cause. He reported that planned growth for graduate enrollment, which has been a high priority, has been exceeded by 600 students, a level of success attributable to efforts by the campuses to recruit well-qualified faculty. At the request of Regent Montoya, he agreed to provide data showing the rates of increase in graduate enrollment by campus.

Regent Connerly asked about the ratio of foreigners among the University's graduate student population. Mr. Hershman responded that it varies by discipline. Engineering and computer science attract the greatest number, but UC has a lower percentage overall than other universities. Foreign students represent about 4 percent of undergraduates and 11 percent of graduates. In response to a question by Chairman Moores, President Atkinson reported that historically a large percentage of foreign students have remained in the United States after graduating, but there is evidence that in recent years that percentage is diminishing.

Regent Davies asked whether the cap on the number of graduate students was the result of a shortage of students or a shortage of resources. Mr. Hershman believed that in some disciplines there appears to be a shortage of students, but he suggested that it may be attributable to a lack of specific kinds of graduate student support.

Regent Preuss commented that he was pleased to see that the University's renewed commitment to increasing its number of graduate students during the past few years had been so effective.

Regent Lee believed that the reason for the shortage of American graduate students in engineering and science is the lack of preparation among California's high school students. He stressed that more importance must be given to their preparation if the country is to remain competitive in the global technology marketplace. President Atkinson noted that five years ago the University made a commitment to an increase of 50 percent in the number of students in engineering. That goal has been achieved three years early.

Regent Marcus noted that there are ways other than financial of improving the quality of the University. He asked whether enhancing the quality of a given subject matter was dependent on the number of graduate students involved in it. Provost King responded that there is a proportion of graduate students that is important to the efficiency of the University in its research efforts. The ratios of faculty to graduate students and of undergraduates to teaching assistants are also important and will be improved by the new trend in enrollment. President Atkinson noted that, although graduate students are about 30 percent of enrollments at the Berkeley and Los Angeles campuses, that figure is low when compared to other research universities. Mr. Hershman recalled that the campuses had been asked to provide plans to increase graduate students based on campus growth and societal needs.

Regent Kozberg asked what danger signs exist concerning enrollment. Mr. Hershman reported that the University's strong position with regard to maintaining the faculty-to-student ratio and dollars per student as budget priorities had been discussed with the State, and the State has honored those priorities. Maintaining competitive faculty salaries and increasing fellowship support are also critical to maintaining gains in graduate enrollment.

Regent Connerly noted that graduate enrollment is, to some extent, a function of the economy. He believed that the University ought to be responsive to the directions indicated by the marketplace. Mr. Hershman responded that the original plan reflected an emphasis on the sciences, engineering, and education programs. The engineering initiative was a response to market demand.

Regent Connerly observed that the Legislature does not know how the University should be using its resources from year to year; therefore, the budget must be flexible enough to respond to trends. To be competitive in the global market, the University must be sensitive to and be able to respond to and compete with national and international market forces. Mr. Hershman agreed and noted that, although it does like to direct attention to certain areas, generally the Legislature has been responsive on the issue of flexibility. Regent Connerly pointed out that there was evidence in this year's budget to the contrary. Mr. Hershman agreed that there was some earmarking in the areas of research and public service but little in the basic instructional program. Mr. Connerly emphasized the importance of helping the Legislature and the Governor understand that earmarking funds can be detrimental to the State.

Regent Lozano recalled that it had been mentioned that the University has 8,000 undergraduate students more than were planned for. Toward 2010 that number is projected to decrease. She asked what controls were being applied to make that happen. Mr. Hershman was skeptical that the decrease will be achieved. The campuses are reexamining their plans, and it is likely this will result in higher enrollment targets. Regent Lozano commented that the number should not be underestimated, it should be planned for and resources should be allocated to respond to it. President Atkinson noted that the plans were based on assumptions about what people would do and the fact that persistence rates had increased more than was assumed. Also built into the plans was the assumption that all racial groups would go to the University at about the rate of the white and Asian populations. The assumptions in the plans were criticized by some as being too generous, but as it turned out the projections were too low. In many ways that is positive, but it also puts incredible stress on the University.

Regent Terrazas acknowledged the benefits of maintaining quality but emphasized the importance of also maintaining accessibility. He noted that the University plays an important role in engineering society in California. The demographic changes in the state make it important to focus on ensuring that students have appropriate educational opportunities before they become UC-eligible. He advocated redoubling outreach efforts and informing the public that comprehensive review does not cause any student

to become eligible who would otherwise be ineligible. Senior Vice President Darling noted that the Latino population has the following characteristics: a 25 percent poverty rate, a 50 percent high school completion rate, and a 10 percent college graduation rate; 50 percent are recent migrants to California. Those same characteristics applied to California's white population in 1950. The challenge will be to address those issues mentioned by Regent Terrazas that could help this group of people assimilate through education into the mainstream. Although the University is capable of meeting that challenge, it will take the will of the people to make it happen.

Regent Hopkinson advocated planning out to the year 2020 and not getting bogged down in looking at the short-term during a time of economic instability. She believed that the Regents should take a leadership role in the process. She asked whether there would be recommendations regarding the measures that should be tracked in order to understand whether the challenge is being met. Mr. Darling believed that the Regents should participate in a series of interactions during which the issues facing the University are identified and that the best analytical talent should be applied to those issues and should provide options for action. Regent Hopkinson asked how accurate the University's projections concerning state population and University enrollment have been historically. Mr. Darling responded that during the last two decades the projections of the Census Bureau have been exceeded by actual population growth. That is one of the factors that has caused the University to exceed its plan for enrollment growth. Mr. Hershman observed that the University's projections for enrollments had always tended to be conservative.

Regent-designate Seigler commented that, although he was pleased to see graduation rates increase, he thought every effort should be made to raise them above 75 percent. President Atkinson agreed but noted that the current rate is the highest in the University's history.

Regent Davies supported the notion of taking a long-term view on planning. He recalled that the University had survived previous economic downturns. He believed that it was not too early to begin discussion about building an eleventh campus, which is likely to be needed by 2020.

Regent Pattiz noted the difficulty in attaining the resources necessary to support the University's plans while having to deal with the political realities. He believed it would be important to plan in conjunction with the other State university systems.

C. *Faculty Recruitment and Retention*

Provost King focused on the quality of the University as defined by its faculty, which is probably the single most important measure of the quality of any university, and also on the challenges of hiring 7,000 faculty over the next decade.

Provost King noted that among the measures of faculty quality is membership in the National Academy of Sciences. The University's faculty account for 15 percent of the academy's total membership. The corresponding percentages for the National Academy of Engineering and the Institute of Medicine are 7 percent and 8 percent, respectively. He stressed that the national standing of the institution is reflective of the standing of the faculty. New faculty are attracted by the quality of the faculty they will be joining, by the University's outstanding students, and because there is strong support and a perception that the State treats the University well. He noted, however, that with regard to support, there is a growing disparity between the salaries of faculty at the eight universities used for comparison and UC's faculty. The University is 7 percent below the average. Start-up packages for faculty who do specialized research that requires instrumentation, laboratory modifications, and in early years graduate student support, are another important factor. In recent years, across all disciplines the start-up package for new hires has been almost \$200,000. In the natural sciences, health sciences, and engineering it is approximately \$400,000.

Provost King mentioned that periodic surveys help to assess problems in hiring and retaining faculty. Recently these have indicated that the primary reason that first-offer candidates declined University appointments was that they were offered better salaries elsewhere. This reason was followed by a lack of offers of employment for spouses, family and geographic considerations, and problems finding and affording housing. Faculty who resigned during the past two years also cited low salaries as the first cause. Of growing concern is that a lack of spousal employment has become more important in their decisions. He noted that building the quality of the faculty takes many years, but perceptions about the quality of a university's faculty can be damaged in a short time if the notion gets around the country that an institution is in trouble.

The University's faculty review process is extremely important in sustaining faculty quality. Mr. King observed that the process, although complex and time-consuming, is eminently fair and provides strong incentives to faculty because they face regular reviews by their peers. There is no entitlement aspect to advancement. This is perceived universally within the University as being a key to sustaining quality. Astute hiring is also important. He believed that the fact that about 78 percent of the University's non-tenured faculty hires eventually achieve tenure reflects the care that is taken to hire the best candidates.

Provost King turned to the aspect of future needs. He noted that, in order to preserve the student-to-faculty ratio, the need to increase tenure track faculty positions parallels the expected increase in student enrollments. Another consideration is that, since the losses of older faculty during the 1990s, the University has accumulated a large

number of faculty further along in their careers. New hiring will be necessary both because of enrollment growth and because of the need to replace retiring faculty. Faculty hiring per year has suffered great fluctuation during the past several decades. In order to meet the need for faculty that the expected enrollment bulge will present, about 550 faculty will have to be hired each year until 2010. That number appears to be attainable, but Mr. King believed that it was pushing the limit.

Provost King listed some concerns about faculty recruitment and retention in future years. He noted that among them was having to undertake such a large number of searches at once. Also, start-up costs will increase in relation to the market, laboratory space will be at a premium, and salaries that are below market already are expected to fall even farther behind. It may become more difficult for the University to land its first-choice candidates. The success rate has dropped during the last year from above 90 percent to 85 percent. He mentioned some areas in which there may be flexibility that will help the situation. The balance between permanent and temporary faculty can be adjusted, given the large surge of hiring that will be necessary up until 2010. Temporary faculty provide special expertise and fill in for disciplinary gaps among permanent faculty. Using a greater number of temporary faculty will enable the hiring of permanent faculty to be spread over more years. The mix of junior and senior faculty among new hires can be adjusted also. Presently almost 40 percent of new hires are made at tenure, rather than as assistant professors. That percentage needs to be lowered in the years ahead. To start a new discipline or subfield, it makes sense to hire a senior faculty member in order to draw in other faculty, especially at developing campuses. As a campus becomes more established, however, the best and brightest may be found at the level of assistant professor, and start-up costs for them will be lower.

Provost King noted that hiring over the next decade will set the faculty for the next several decades. The annual turnover rate is small. He described opportunities for creating that faculty. One is to recognize the development of new fields that are anticipated to grow. The situation also provides the opportunity to increase the diversity of the faculty in ethnicity, gender, experience, economic and educational background, geographical source, and research outlooks. As the University hires from the pool that are the graduates of the coming few years, the faculty will reflect more closely the demographics of California and the interests of its population.

Regent Marcus believed that it may be beneficial to establish a Regents' committee for planning for quality in the future in which the Regents work to institute specific financial and non-financial activities for improving quality. It will be necessary to increase the number of honors won by faculty in proportion to the number of new faculty that will be hired. He believed that the knowledge, will, and commitment existed to succeed in maintaining the University's quality in the face of the challenges described by Provost King.

Regent Preuss wondered whether there was a good supply of high-quality candidates for faculty positions. He was concerned that many of the best would accept offers

with salaries the University cannot match. President Atkinson observed that private universities will not be expanding in the future. He was confident that the supply would remain good.

Regent Lee believed that financial support was fundamental to the challenge of maintaining quality. He advocated searching for new approaches to increasing faculty salaries.

Regent-designate Bodine asked how faculty who are underperforming are moved on. Mr. King responded that every faculty member is reviewed by his peers. There are established procedures to use if a faculty member has a poor review. The process has many steps, and the length of the procedure often has the effect of convincing these faculty to resign. President Atkinson added that the University has always been tough concerning the issue of faculty merit.

Regent Ligot-Gordon asked where good faculty are most often found. Provost King responded that, apart from the about 15 percent who are UC graduates, the University hires from a fairly short list of prestigious institutions both for new faculty and for graduate students. President Atkinson suggested distributing an exact list. He noted that Ph.D. students are not often hired by their own departments but often are hired by other UC campuses.

D. ***Resources***

Vice President Hershman reiterated that the University has gone beyond its estimate for enrollments and has needed to revise its plan for resources in order to address the overenrollment. He recalled that the University's budget fluctuates according to economic conditions. State funding tends to decrease at the beginning of a decade and increase and stabilize toward the end of one. Student fees were modest until the early 1990s, when they increased substantially, but there have been no fee increases in the past eight years. Private fundraising, which has been tremendously successful, has been critical to maintaining and improving the quality of the University. Federal research funds had an annual growth rate of about 10 percent in the 1980s, diminished to 4 percent in the 1990s, and in recent years have come back up to 10 percent, a testament to the quality of the faculty.

Mr. Hershman discussed the growth plan and the Partnership Agreement with the Governor. The University's assumptions for 2000-01 were that enrollment would be on plan, that the Partnership Agreement would provide cost increases to the base budget of 4 percent, catch-up funding in core areas of 1 percent, full funding for enrollment growth, and funding for new academic facilities. In fact, the University is overenrolled by 8,000 undergraduates and 600 graduates, State support is underfunded by \$247 million, there was a \$29 million one-time cut to core areas of the budget, enrollment growth was fully funded, and academic facilities will be funded by \$345 million per year if a general obligation bond passes. In terms of federal support, money from the National Institutes of Health and National Science Foundation have

increased, but the impact of federal deficits has yet to be measured. Private funding, which had been exceptional, has leveled out. The fiscal crisis in California was caused not only by the recession but also by the loss of capital gains and stock option revenue. By 2000-01, capital gains and stock option revenue totaled \$17.7 billion, representing 25 percent of the general fund budget. In 2001-02, it dropped to \$12.4 billion. In the May State budget revision it is estimated to be \$8.2 billion. That problem will continue into 2002-03.

Mr. Hershman noted that costs to universities have risen steadily. UC's spending over the past 20 years has also followed cycles. State general funds, UC general funds, and student fee revenue adjusted for enrollment growth were below the Higher Education Price Index in 1980, above it 1990, well below it in 1995, and above it in 2000 and are falling steeply. In the long-term, however, based on the University's experience with trends, there will be better funding in the likely event that the economy improves. The fundamentals of the California economy are strong, and the University has always been able to catch up in the long run.

Mr. Hershman noted, however, that, although when there is a slowdown in enrollment the University catches up, there are some lags in faculty hiring and new buildings. Faculty and staff salaries are falling below market once again because there have been insufficient funds for the State to fund the Partnership Agreement. Staff have received an annual average increase of 3 percent since 1992, but the increase fell to 2 percent last year and is only 1.5 percent this year. A normal increase across the country during this national economic downturn is 4 percent. The University has less staff turnover than other large employers, but this has increased in the past two years.

Mr. Hershman recalled that one of the features of the Partnership was an agreement that, in order to make up for the problems of the early 1990s, the University would receive an extra 1 percent per year for instructional equipment, computing, building maintenance, and libraries. This year that support was reduced. Academic support is very important to the faculty. One way of trying to deal with the problem has been to double the number of interlibrary loans and increase the volume of materials being shipped electronically.

Mr. Hershman recalled that in the early 1990s student fees increased sharply but were offset by increased financial aid. Over the last ten years, federal financial aid and Cal Grants have increased, but the amount that the University has put into financial aid has been enormous. That has led to success in attracting low-income students. The amount of work and borrowing a student would have to do to maintain good progress to degree and pay back loans after graduation has decreased in spite of fee increases. The support for graduate students, however, needs to be increased in order for the University to stay competitive.

Mr. Hershman emphasized that with the swelling of enrollments and buildings that came on line in the mid-1990s, the University is counting on future bond measures to

increase space capacity. Space will drop to 78 percent of standard if future bond measures fail.

Regent Davies noted that the University seems to be depending increasingly on private support to maintain its margin of excellence. He asked what can be done to increase private support and what its maximum might be. Senior Vice President Darling believed that focus should be placed not only on private support but also on non-State revenues. He stated that the current economic estimates concerning private support are that about \$43 trillion will transfer between generations in the United States in the next 30 years. Because of the nature of the Internal Revenue Code, there will be strong incentives for people to make charitable contributions as part of their estate planning. The University needs to be extremely aggressive in building relationships with potential donors because those relationships over time will result in large donations. He believed that the potential was there, but the institutional commitment must be made to spend the money to make it happen. The University is still in second place in terms of donations among all charities in the country. Financial support for the campuses to solicit private funds must be maintained. President Atkinson noted that if the perception of the University by the general public and the academic community is positive, the University will be in a good position to attract private gifts, but if its image begins to deteriorate, fewer funds will come in. Regent Parsky added that the use of endowments and funds from the individual University foundations is going to become increasingly important. It will be impossible to meet the University's needs without them, as State support continues to decline. He believed that as part of the planning, the role of private giving must be emphasized and that earnings on endowment money should be made available when times are difficult. Mr. Darling reported that at the next meeting the Regents will be asked to consider increasing the endowment payout rate in order to increase the dollars available to be spent ahead of the rate of inflation.

Regent-designate Seigler agreed that private giving must be increased. He reported that, although about 12 percent of UCLA alumni donate to the University, about 26 percent of the members of the Alumni Association donate. He believed that there may be more creative ways to foster the relationship between the University and its alumni. Mr. Darling commented that the Vice Chancellors for External Relations have been working on the issue in an effort to increase communication with alumni. All campuses are focused on organizing private giving.

Regent Lozano believed that the Regents should be deciding what should come out of the planning process. The issues of financial support for the University need to be developed into ongoing indicators that are measurable and that are reported regularly to the Regents.

E. *Housing Task Force Report*

Senior Vice President Mullinix recalled that in the previous year some Regents had expressed concerns about the University's ability to house the students who will be accepted under the long-term enrollment goals. He noted that housing is important not just to accommodate enrollment but also to provide students with opportunities to become involved with the campus, which in turn results in higher persistence rates, faster graduation, and higher graduation rates. A Housing Task Force was set up to review current housing resources and programs to assess the housing needs in light of long-term projections, to see if current programs had identified and could satisfy those needs, and to make recommendations for changes where necessary in order to accomplish the long-term objectives. Members of the task force include representatives of the Regents, campuses, the Academic Senate, students, and friends of the University familiar with government planning, development, and financing. The systemwide task force has been seeking ways to make housing more affordable and available for students, faculty, and staff and is examining the current process for the construction of residence halls and apartments on campus; studying additional ways the University can work with third parties to provide housing; and developing ways of providing financial assistance to those who purchase homes so that the initial purchase and monthly payments are affordable.

Mr. Mullinix reported that the University had selected magnet communities in which to place its campuses that are among the most expensive in the state. There are substantial needs associated with the University's growth plans to accommodate higher numbers of students, faculty, and staff during the next decade. Campuses vary in size and percentage of student housing. UCLA has the largest number of students and also the largest housing program; UCSF has the smallest enrollment and the smallest percentage of housing; UCSC houses the largest percentage of its students. Overall, 26 percent of students are housed on campuses, a number that is typical for public universities but lower than would be found in more selective private universities.

Changes in economic growth factors, real estate market conditions, and University enrollments challenge traditional methods of assuring the range of housing options necessary to support the University's academic mission. Creative ideas must be explored for building and operating additional housing for all segments of the University community, for fostering the development of third-party housing, and for providing additional financing assistance to faculty and staff in purchasing housing. Long-term plans call for increased housing of various types at every campus. Mr. Mullinix reported that the goal is to house a minimum overall average of 38 percent of students on the campuses by 2012 by adding both UC-owned and third-party bed spaces. Selecting privatized housing for students can provide opportunities for the University to expand its stock of on-campus housing in a way that is cost-effective while allowing the University to maintain its debt capacity, credit rating, and rates for existing housing, and not increase its construction and management responsibilities. Nine campuses are exploring plans for developing additional faculty

and staff housing in order to expand the 966 for-sale units and 711 rental units currently available. Consideration is being given to increasing the maximum loan thresholds and allowable loan term in the University's Mortgage Origination Program, and a graduated-payment mortgage program has been added. Graduated payment mortgages are common with private lenders to encourage new home sales. The borrower initially pays a lower interest rate than the most recently published MOP rate, but after a pre-determined number of years the loan reverts to the standard rate. Graduated payment loans in the Mortgage Origination Program are designed to fully amortize the loan, and there is no negative amortization.

Mr. Mullinix announced that the final report of the Housing Task Force will be distributed in November.

Regent Kozberg asked whether the University's medical school campuses were included in the Task Force's analysis. Mr. Mullinix responded that they were, and noted that residents and post-doctoral students had not been placed in any separate category in terms of housing needs. Regent Lee observed that efforts to address the shortage of nurses may increase the demand for housing for them. Mr. Mullinix acknowledged that there will likely be a large gap between supply and demand for housing. He reported that the State is projecting that over the next two decades, 220,000 units of housing will be needed per year.

Regent Marcus was hopeful that the University would be able to guarantee that every entering freshman will be accommodated in campus housing. Mr. Mullinix explained that all campuses attempt to meet that goal, but occasionally that requires extraordinary measures such as increasing the density within the available units.

F. ***Summary and Future Topics***

Senior Vice President Darling stated that, although California is well positioned to be economically competitive later in the decade, it may be slow to rebound from the current fiscal crisis. The University will need to monitor its benchmarks continually to assure that it remains on track in terms of maintaining its quality in the face of increasing enrollments and the corresponding need to hire faculty. Regent Marcus suggested that it may be helpful to appoint a committee to act as a resource for maintaining quality. Regent Preuss believed it may be helpful also to have a committee dedicated to making the State aware of the benefits of making long range plans for the University. Regent Hopkinson suggested that at the next meeting some time should be spent discussing exactly how progress on maintaining quality will be measured.

Senior Vice President Darling reported that future discussions related to maintaining quality will address demographic trends, enrollment projections, salaries, capital program funding, graduate student support, and technology transfer.

The meeting adjourned at 12:40 p.m.

Attest:

Secretary