

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

November 16, 2005

The Regents of the University of California met on the above date at the Clark Kerr Campus, Berkeley campus.

Present: Regents Blum, Dynes, Gould, Hopkinson, Island, Johnson, Juline, Kozberg, Lansing, Lozano, Marcus, Núñez, Parsky, Pattiz, Preuss, Rominger, Rosenthal, Ruiz, and Schilling (19)

In attendance: Regents-designate Ledesma and Schreiner, Faculty Representatives Brunk and Oakley, Secretary Trivette, General Counsel Holst, Interim Treasurer Berggren, Acting Provost Hume, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome and Hershman, Chancellors Birgeneau, Carnesale, Córdova, Denton, Fox, Tomlinson-Keasey, and Vanderhoef, and Recording Secretary Bryan

The meeting convened at 12:25 p.m. with Chairman Parsky presiding.

REPORT OF THE COMMITTEE ON FINANCE

A. *Approval of University of California 2006-07 Budgets for Current Operations and for State Capital Improvements and Approval of Student Fee Increases for Undergraduate, Graduate Academic, Professional, and Nonresident Students for 2006-07*

- (1) The Committee recommended that the expenditure plan included in the document *2006-07 Budget for Current Operations* be approved, provided, however, that student fees as proposed will be reduced or rescinded prior to implementation if the Governor and the Legislature provide the funding to reduce or eliminate the fee increases and the remaining portions of the Compact with the Governor remain in place.
- (2) The Committee on Finance reported its concurrence with the recommendation of the Committee on Grounds and Buildings that the 2006-2007 Budget for State Capital Improvements be approved.
- (3) The Committee recommended that student fees be increased for 2006-07 as follows:
 - a. Effective Summer 2006, mandatory systemwide fees (Educational Fee and Registration Fee) be increased as shown in **Attachment A**. These increases are consistent with the Compact with the Governor, which provides that undergraduate fees increase by 8 percent and graduate academic student fees increase by 10 percent in 2006-07. Mandatory systemwide fees for professional school students will increase by

5 percent. An amount equivalent to an average of 33 percent of new revenue generated from the increases in mandatory systemwide fees for undergraduate students and 45 percent of new revenue generated from the increases in mandatory systemwide fees for graduate academic students will be set aside to mitigate the impact of the fee increases on financially needy students. For mandatory systemwide student fee increases for professional school students, a return-to-aid of 33 percent is planned.

- b. Effective Summer 2006, existing Fees for Selected Professional School Students be increased by 5 percent for all professional programs subject to the fee, except that increases in these fees for students in the business and law programs at the Berkeley and Los Angeles campuses and the law program at the Davis campus would be increased by 10 percent.

Attachment B shows the increases planned for 2006-07 by program. An amount equivalent to 33 percent of new revenue generated from the fee increases will be set aside to mitigate the impact of the fee increases on professional school students.

- c. Effective Summer 2006, the Nonresident Tuition Fee be increased by 5 percent, or \$864, for nonresident undergraduate students only, from \$17,304 to \$18,168. It is recommended that the Nonresident Tuition Fee for graduate academic students and for students paying the Fee for Selected Professional School Students remain at their current annual levels of \$14,694 and \$12,245 respectively for 2006-07.
- d. Effective Summer 2006, the Nonresident Tuition Fee be waived for not more than three years for graduate academic students who are advanced to candidacy.

B. *Policies on Universitywide and Senior Leadership Compensation, and Procedures for Senior Leadership Compensation*

The Committee recommended the following from the September 2005 meeting:

- (1) To adopt the goals of obtaining, prioritizing, and directing funds, to the extent they are available, to increase salaries to achieve market comparability for all groups of employees over the ten year period from 2006-2007 through 2015-2016, as described in [Attachment 1](#).
- (2) To adopt procedures for determining and setting compensation levels for senior leadership that are clear, comprehensive, and accountable, as described in [Attachment 2](#).

Regent Hopkinson recalled that the recommendations contained in item RE-61 paragraphs A and B had been discussed at the September meeting by the Committee on Finance, which moved both items for consideration by the Board at this meeting. The first recommendation is a conservative plan to bring all faculty and staff compensation to market. The second recommendation responds to the need for a systematic, transparent, fair process for establishing senior management compensation. The recommendation will put in place an annual process to do that, with meaningful oversight by the Board. Attachment 2 sets forth procedures for setting compensation for senior leadership; Appendix 1 sets forth the procedures for establishing salaries of 32 officers of the University.

Faculty Representative Brunk reported that on November 9, 2005, the UC Assembly for the Academic Senate had adopted the following resolution:

*Resolution of the Academic Senate on
Proper Compensation Priorities for the University of California*

Excellence with respect to teaching, research, and service is critical to the academic mission and quality of the University of California;

Employee groups differ in terms of their direct relationship to the academic mission of the University of California;

Base salaries for virtually all employee groups lag salaries provided in comparison institutions;

The magnitude of market disparity varies for employee subgroups on the basis of age, length of service, and local living costs;

The faculty are directly responsible for the delivery of courses, the development of future scholars and professionals, and the research that are the very core of the mission of the University of California;

The work of the faculty would not be possible in the absence of support staff of the University of California, including senior level administrators, the professional research and technical staff who contribute significantly to the advances made by the campuses, the clerical and secretarial staff who make everything else work, and the staff who maintain the environment in which we work, including the grounds keepers who maintain the campuses' exteriors and the building maintenance staff who maintain the interior space of our campuses;

The secretarial, clerical, maintenance, and research laboratory staff have taken the brunt of many of the University of California budget cuts by being asked to maintain the workload while their numbers are decreased.

Therefore, be it resolved that:

The Academic Senate supports the increase in salaries of all University of California employee groups to achieve market parity in as short a time as possible, without any decrease in the total compensation;

Priority should be given to employee groups most proximal to the core teaching, research, and service missions of the University of California;

The Academic Senate supports the development of a rational, transparent process for determining senior management salaries in a way that any ensuing salary increases are proportionate to those of other employee groups; and,

Any planned compensation structure for senior management should be subject to full review by the Academic Senate and be instituted in a measured fashion, with transparency and accountability, and include appropriate considerations of performance (analogous to the Committee on Academic Personnel for the faculty).

Faculty Representative Brunk reported that a second resolution was adopted at the same meeting:

*Resolution of the Academic Senate in Opposition to the Use of
Private Funds for Senior Leadership Salaries*

Whereas the University of California's Board of Regents has taken under consideration RE-61, recommendation C, a specific action to modify the current Regental policies and procedures to compensate by augmenting funding of salaries of amounts in excess of \$365,000 with private funds for 42 senior leadership positions so that the market parity is achieved over the next ten years;

Therefore, be it resolved that the Academic Senate opposes RE-61, recommendation C.

Chairman Parsky commented that Regent Hopkinson had done an extensive amount of work in the area of compensation. Included in the proposals are references to reports to be provided to The Regents with respect to compensation levels. He emphasized the importance of transparency and full disclosure with respect to all elements of compensation.

President Dynes responded that the following are improvements in transparency that are being instituted:

- All closed session salary actions of The Regents will be posted on the Web in a timely manner following Regental action, consistent with any applicable confidentiality requirements.
- Future Regents' items will include a description of the total compensation being proposed for a position for an individual coming before The Regents for salary action.
- The Regents will be provided at one time annually a single package of information summarizing the total compensation of University leaders, including any outside income they receive.
- Regular random audits will be initiated of the administrative funds, travel expenses, and entertainment reimbursements of the President, chancellors, vice presidents, and Principal Officers of The Regents.
- Policy adjustments will be explored to ensure greater consistency in the use of administrative funds across the different campuses.

President Dynes reported he would assemble a group co-chaired by Regent Kozberg and former Assembly Speaker Robert Hertzberg to review the University's transparency practices.

In response to his questions about some of the language in the recommendation, Regent Juline was assured that, with respect to Recommendation A, Attachment 1, the phrase "prioritizing funds, to the extent they are available, to achieve market parity for salaries" did not imply that this was the sole or most important priority, and with respect to Attachment 2, Appendix 1, item 5, having the methodology for setting salary ranges reflect the relationship of the campuses to comparison institutions and other UC campuses is only one of many factors to be considered.

Regent Hopkinson moved the C Report; the motion was duly seconded. Referring to Appendix 1, item 12, she pointed out that the budgets that will be approved by The Regents include the Office of the Treasurer, Office of the General Counsel, and the Office of the Secretary. The General Counsel budget will include resident counsel.

Although he characterized the proposal as reasonable, Regent Rosenthal was opposed to item A. (3). He requested that the recommendations be bifurcated. Upon motion duly made and seconded, it was agreed that each element of the report would be voted upon separately.

Upon motion of Chairman Parsky, duly seconded, item B, *Policies on Universitywide and Senior Leadership Compensation, and Procedures for Senior Leadership Compensation*, of the Report of the Committee on Finance was approved unanimously, Regents Blum, Dynes, Gould, Hopkinson, Island, Johnson, Juline, Kozberg, Lansing, Lozano, Marcus, Núñez, Parsky, Pattiz, Preuss, Rominger, Rosenthal, Ruiz, and Schilling (19) voting.

[For speakers' comments, refer to the November 16, 2005 minutes of the Committee of the Whole.]

Regent Marcus stressed the importance of emphasizing The Regents' commitment to graduate education and foreign student involvement. He believed that the amount of fee increase of 10 percent (A.(3)a.) was disproportionately high. In an effort to avoid sending a negative message to those students, he offered an amended motion which would eliminate this year's increase of graduate academic student fees. His motion was duly seconded.

Regent Núñez also offered an amendment – that the budget be approved except for the student fee increase (A.(3)), delaying a vote on fees until the Governor's budget is submitted to the Legislature in January. His motion, which was duly seconded, failed, Regents Blum, Johnson, Lansing, Lozano, Núñez, Pattiz, Rominger, and Rosenthal (8) voting "aye," and Regents Dynes, Gould, Hopkinson, Island, Juline, Kozberg, Marcus, Parsky, Preuss, Ruiz and Schilling (11) voting "no."

A vote was taken on Regent Marcus' amendment, which failed, Regents Blum, Hopkinson, Juline, Lozano, Marcus, Preuss, Rominger, Rosenthal, and Schilling (9) voting "aye," and Regents Dynes, Gould, Island, Johnson, Kozberg, Lansing, Núñez, Parsky, Pattiz, and Ruiz (10) voting "no."

Upon motion of Regent Hopkinson, duly seconded, item A of the Report of the Committee on Finance was approved as recommended, Regents Blum, Dynes, Gould, Hopkinson, Island, Johnson, Juline, Kozberg, Lansing, Lozano, Marcus, Parsky, Pattiz, Preuss, Rominger, Ruiz, and Schilling (17) voting "aye," and Regents Núñez and Rosenthal (2) voting "no."

Chairman Parsky emphasized that more than half the students will not be paying fee increases even if the Governor and the Legislature do not provide increased funding. Approval of the recommendation signifies a call by The Regents to the Governor and the Legislature to listen to Speaker Núñez's appeal for a budget augmentation.

The meeting adjourned at 12:55 p.m.

Attest:

Secretary